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ANNUAL REPORT 2011-12

# CORPORATE INFORMATION



## Deepak Khaitan

*Executive Chairman*

## Directors

Aditya Khaitan

Virendra Kumar Verma

Utsav Parekh

Amritanshu Khaitan

Subir Ranjan Dasgupta

Asim Kumar Barman

Sudipto Sarkar

P H Ravi Kumar

Prasanta Kumar Chandra

*Wholetime Director & COO*

Prabir Ghosh

*Wholetime Director & Group CFO*

## Company Secretary

Sukanta Chattopadhyay

## Bankers

AXIS Bank Limited

Bank of India

Canara Bank

ICICI Bank Limited

IDBI Bank Limited

Indian Overseas Bank

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

## Registered office

4 Mangoe Lane, 7th floor

Kolkata 700 001

T +91 33 2213 8901-05

F +91 33 2230 3519

## Corporate Office

Ecospace 11F/12, Campus 2B

(Old Plot No AA 11/Blk3)

New Town Rajarhat, North 24 Parganas

Kolkata 700 156, India

T +91 33 3014 1111/6628 1111

F +91 33 3014 2277/6628 2277

## Auditors

Lovelock & Lewes

## Solicitors

Khaitan & Co

S K Sawday & Co

## Registrars & Share Transfer Agents

Maheshwari Datamatics Private Limited

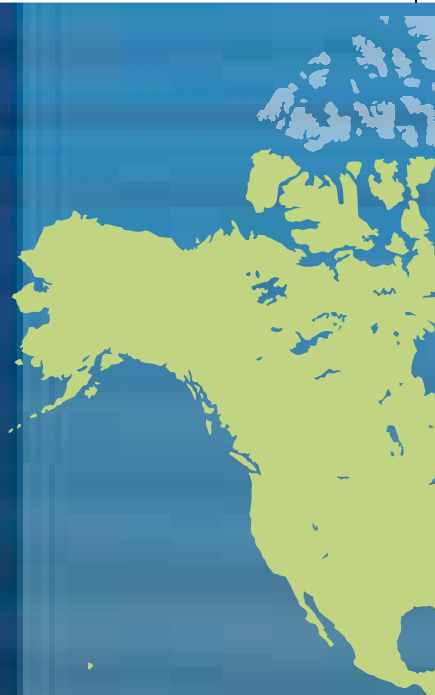
6 Mangoe Lane, 2nd Floor

Kolkata 700 001

T 2243 5029/5809

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## MBE AROUND THE WORLD

- **MBE Mineral Technology Pte Ltd., Singapore**
- **MBE Coal and Mineral Technology GmbH:** Cologne, Germany
- (Branches: Beijing, Moscow, Brazil & Jakarta)
- **MBE Cologne Engineering GmbH:** Cologne, Germany
- **MBE Minerals SA Pty Ltd:** Johannesburg, South Africa
- **MBE EWB Technologial Kft:** Budapest, Hungary
- **Hayward Tyler UK:** Luton & Glasgow
- **Hayward Tyler Inc USA:** Vermont

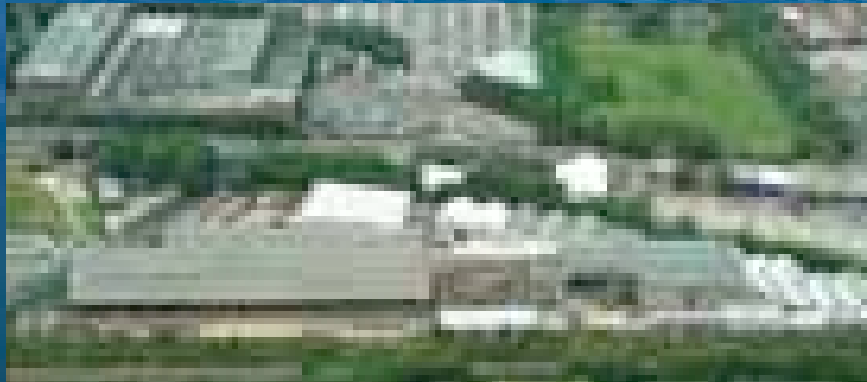
- **MBE Corporate Head Quarters & Projects**
- **Offices: Mumbai, Zambia & Johannesburg**

- **MBE Coal and Mineral Technology India Pvt. Ltd.**

- **HO:** Kolkata
- **Factory:** Kharagpur

- **McNally Sayaji Engineering Limited**
- **HO:** Kolkata
- **Factories:** Kumardubi, Asansol, Bengaluru & Vadodara
- **Branches:** Ernakulam, Nagpur, Secunderabad, Chennai, Vishakhapatnam & Vijaywada

# ENGINEERING EXCELLENCE BEYOND BORDERS



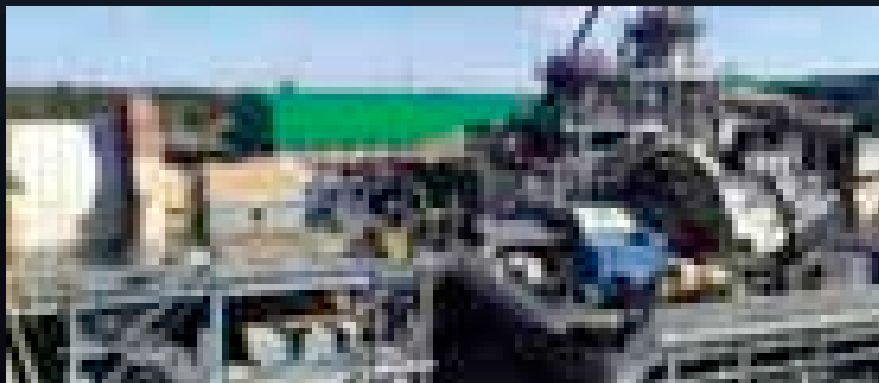
*Hayward Tyler Luton Factory*

During the year, MBE's journey crossed many borders in our quest to achieving engineering excellence in International markets. We have a representative in Johannesburg, South Africa to enter the African market, which is a mineral rich continent providing attractive opportunities for MBE. We have also appointed Sales Agents in Peru & Mongolia who are having huge deposits of minerals. Presently we are executing two copper concentration plants in Konkola Mines, Zambia for the VEDANTA Group. We completed the supply of a Ball Mill for Kenya Fluorspar. Conducted a feasibility study for Coal washery and Coal handling plant for MAK in Mongolia. Obtained an order for Front End Engineering Design (FEED) for a Tungsten beneficiation plant from OUG Mongolia. Participated in the Zambia International Mining & Energy Conference & exhibition in June 2011 in Lusaka Zambia. Participated in "The India Show" in Jakarta in March 2012, organized by CII & the Embassy of India. MBE, through its 100% subsidiary



*MBE pavilion at INDIA SHOW, Jakarta*

in Singapore, MBE Mineral Technologies Pte Ltd acquired a 42% stake in Specialist Energy Group Plc (SEG), which owns Hayward Tyler Ltd. UK (HTL) and Hayward Tyler Inc. USA (HTI). Hayward Tyler are renowned manufacturers of Boiler Circulating pumps, Canned pumps, Submersible pumps & Process pumps serving Power, Nuclear & offshore Oil as well as Gas sectors. With this acquisition MBE now has a footprint in the US market for the first time.



*VEDANTA, Konkola mines, Zambia, Copper Concentrator*

## EXCELLING BEYOND FAMILIAR HORIZONS

MBE has been excelling as an EPC (Engineering, Procurement & Construction) turnkey solutions provider for over 50 years, having executed over 300 projects till date. During the year, MBE forayed into Infrastructure & Construction projects and successfully bagged a number of orders in Road, Metro, Residential Towers & Industrial infrastructure projects. Some of the orders bagged:

- Construction of 20 kms road in Jharkhand under NHDP III from Madhucon Projects
- Construction of 3 Metro stations for Kolkata Metro from Gammon India Ltd.
- Construction of 3 Residential towers for UNITECH
- Civil works for power projects for BHEL & Tata Projects.

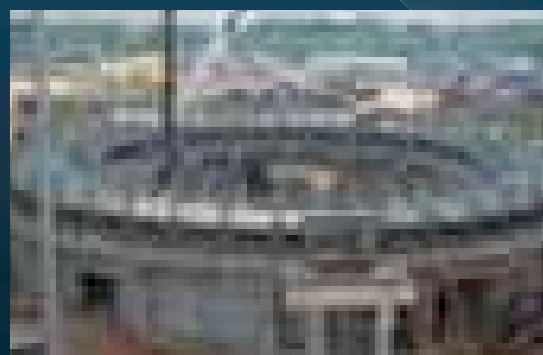
The Govt. of India plans to invest ₹ 41 lakh crores in the Infrastructure sector during the 12th five year Plan, which is 100% higher than the plan outlay for the 11th Plan. Keeping this in mind, MBE has identified Infrastructure & Construction as a key growth area for the company.

We have taken a number of steps to strengthen this Division. A number of senior professionals from reputed Infrastructure companies have been hired to drive this business. The owned stock of resources like Plant & Machinery have been increased, so has been the case of hiring a number of people in middle management having specialized skills. KPMG, a reputed International Management Consulting Firm has been engaged to develop the Operating Processes for this Division to enable rapid scaling up of operations.

We are confident that with these measures, MBE will soon be a major player in Infrastructure & Construction sector.



*By Products plant, IISCO, Fabricated structure*



*Circular Sinter Cooler (under construction)*



*Ideal Power Plant (under construction)*

# FINANCIAL ACHIEVEMENT

## Five Year Financial Highlights

All figures in Crores, unless otherwise stated.

Financial Achievement					
Item	2008	2009**	2010**	2011**	2012**
Total Income	550.00	1139.70	1815.45	2409.32	2667.91
EBIDTA	43.44	127.69	148.70	179.44	192.15
PBT	32.30	81.98	89.75	107.02	85.15
PAT	22.40	53.18	56.66	67.27	66.27
Gross Dividend Payout	3.70	4.72	5.49	7.31	3.41
Balance Sheet					
Item	2008	2009**	2010**	2011**	2012**
Share Capital	28.68	31.09	31.09	31.09	31.09
Reserves	129.30	176.64	229.39	288.55	331.91
Net Worth	152.78	207.73	262.86	321.94	363.00
Loan Funds	62.64	213.50	348.49	498.60	652.62
Capital Employed	221.77	447.81	682.17	896.84	1083.45
Net Fixed Assets	80.52	236.89	324.90	375.88	405.15
Net Working Capital	126.54	209.35	354.53	200.38	212.97
Ratios & Statistics					
Item	2008	2009**	2010**	2011**	2012**
EBIDTA/Total Income (%)	7.89	11.20	8.19	7.45	7.20
PBT/Total Income(%)	5.87	7.19	4.94	4.44	3.19
Debt: Equity Ratio	0.40:1	1.03:1	1.33:1	1.56:1	1.80:1
ROCE (%)	15.40	28.51	21.80	20.01	17.73
RONW (%)	20.42	44.04	40.37	40.34	30.73
Current Ratio (Times)	1.29	1.29	1.27	1.10	1.10
Earnings per Share	8.10	14.01	15.92	20.38	21.11

## Note

ROCE – Return on Capital Employed

RONW – Return on Net Worth

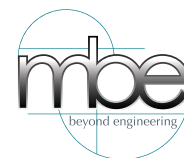
\*The previous year (2010-11) figures have been rearranged and regrouped as per the requirements of Revised Schedule-VI particularly with reference to the definition of Current Assets and Non-Current Assets, Current Liabilities and Non-Current Liabilities.

\*The figures of Net Worth for 2010 and 2011 includes "Money received against share warrant"

\*The figure of Net Worth for 2008 excludes Revaluation Reserve

\*\*Consolidated Figure

## FROM THE CHAIRMAN'S DESK



### Dear All

We are currently going through difficult times. The growth in GDP in 2011-12 was a nine year low of 6.5% and estimates for 2012-13 are around 5.5%. Whereas the overall growth in Industry during 2011-12 was only 2.8%, electricity generation grew at 8.2% and manufacturing at 2.9%. Mining had a negative growth of 2%. However, the fundamentals of the Indian economy remain strong and the average GDP growth is estimated at 9% for the 12th Plan (2012-17).

### EXCELLING BEYOND BORDERS

Executing projects in Zambia and Kenya. Appointing representatives in South Africa and Indonesia. Appointing Sales Agents in Peru & Mongolia. Doing front end engineering design in Mongolia. Acquiring a 42% stake in SEG Plc, which owns Hayward Tyler, a 200 year old pump manufacturing company with operations in UK & USA. Participating in International exhibitions in Singapore & Zambia. Foraying into Infrastructure business for construction of Roads, Metro stations & Residential towers. During 2011-12, MBE has truly been looking Beyond Borders. Travelling from achievement to achievement. The talent pool of engineers and managers are more than fulfilling expectations with the continued support of our trusted vendors and contractors.

The long term prospects for your company seem to be favourable. As per the 12th Plan, the investment in Infrastructure projects including Power, Roads, Railways is expected to double to ₹ 41 lakh crore. Thermal Power sector remains our main growth driver, a 67 Giga Watt addition in coal based power generation capacity is expected in the Twelfth Plan. Steel capacity is expected to increase by 62 Million Tons/year and reach 146 Million Tons/year by 2017. We at MBE are very bullish about the future.

Last year has been a significant year for the MBE group. We recorded highest ever group turnover of ₹ 2667 crores. We got a second order for a By Products Recovery Plant from SAIL, Bhilai valued at ₹ 379 crores. We commissioned the East Mill of the Copper Concentrator for Vedanta, Konkola Mines, Zambia and Ball Mill for Kenya Fluorspar.

We have major plans to increase our footprint globally. We plan to appoint sales agents in Korea, Zimbabwe and other countries. To serve our existing customers in Africa we are planning to set up a spares stocking point in Zambia. With Hayward Tyler in our fold, we are planning to introduce their line of pumps in the Indian market. The R&D activities of MBE & McNally Sayaji have been recognized by the Ministry of Science & Technology. The new factory in Vadodara will substantially increase the manufacturing capacity of McNally Sayaji.

The Infrastructure Projects & Construction Division of MBE is aggressively exploring opportunities in the Infrastructure sector. To facilitate speedy scaling up of operations we are taking the help of renowned Consultants, KPMG for developing the Model Operating Processes for the Infrastructure Projects & Construction Division. The Center for Engineering Excellence, since its inception, has completed automating the design of a number of Equipment & Systems resulting in significant saving in manpower & material costs.

I am confident that with our sincerity, hard work & execution knowledge base, we will excel in areas even beyond our existing boundaries.

Deepak Khaitan  
Chairman | McNally Bharat Engineering Co. Ltd.



## DIRECTORS' REPORT

Your Directors take great pleasure in presenting the Forty ninth Annual Report together with audited statement of accounts for the year ended March 31, 2012.

### HIGHLIGHTS

The key highlights of the operations for the financial year 2011-12 over the previous year are (based on standalone only in all cases):

Total Income increased by 18%

Earnings before Interest, Depreciation and Taxes increased by 26.6%

Profit before Tax increased by 6.6%

Earnings per Share increased by 37%

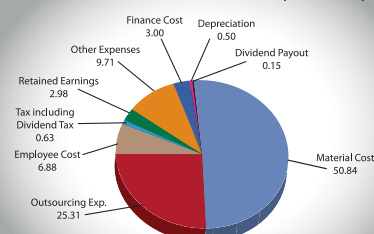
### FINANCIAL RESULTS

The Financial performance of the Company for the year ended March 31, 2012 is summarized below:

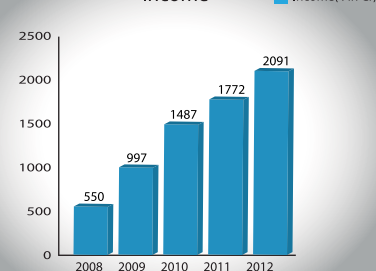
₹ In Lacs

PARTICULARS	Standalone year ending March 31, 2012	Standalone year ending March 31, 2011
Sales (net of excise) and other income	209126	177226
Profit before Interest, Depreciation & Amortisation and Tax (EBIDTA)	14772	11669
Less: Interest cost	5865	3470
Earnings before Depreciation & Amortisation and Tax (EBDTA)	8907	8199
Less: Depreciation & Amortisation	1053	832
Profit before Tax	7854	7367
Less: Provision for Taxation (including Deferred Tax)	1289	2575
Profit after Tax	6565	4792
Amount brought forward from previous year	13635	9905
Profit available for Appropriations	20199	14697
Proposed for Dividend on equity shares for the year	311	622
Dividend Distribution Tax on Proposed Dividend on Equity shares	30	80
Transfer to General Reserve	165	360
Balance at the end of the year	19693	13635

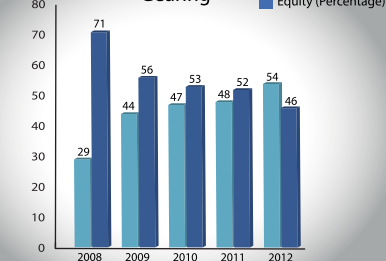
Distribution of Income in % (FY 2012)



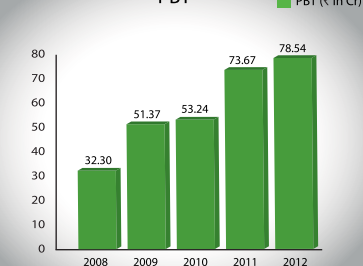
Income



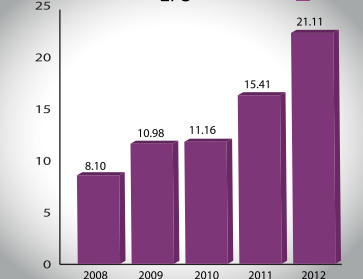
Gearing



PBT

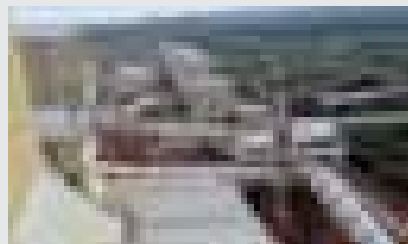


EPS



Charts are based on standalone figures

## BUSINESS PERFORMANCE

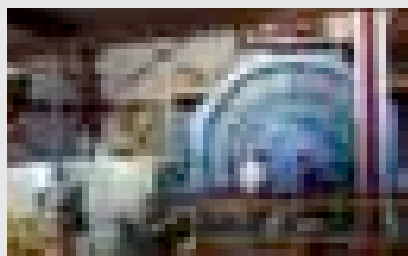


*Aerial view, Sinter Plant, Vizag Steel*

Your Directors are pleased to report that 2011-12 turned out to be yet another excellent year during which your company achieved its highest ever turnover & profits. The total income for the year was ₹ 2091 crore as against ₹ 1775 crores during the previous year.

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

## ORDER BOOK



*Ball Mill, Kenya Fluorspar*

Your Company has an order backlog of around ₹ 3417 crores as on March 31, 2012.

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

- By-Product plant complex for New Coke Oven Battery in SAIL Bhilai
- Supply of 10 Nos. Stacker Reclaimers, Barrel Reclaimers & Stackers to BHEL a/c NMDC steel plant, Chattisgarh
- Supply of Ball Mill to Kenya Fluorspar
- High Concentration Ash Slurry Disposal (HCSD) system for Crescent Power
- Ash handling Plant & Limestone Milling/Conveying for 2x250MW

Lignite based Thermal Power Project of Bhavnagar Energy Co. Ltd.

- Ash Handling Plant for 2x600MW Power Plant of Essar Projects at TORI
- Coal Handling System of Surana Power Ltd.
- Two to Four Laning of NH33 for Madhucon Projects Ltd.
- Mechanical Work Package at Lepetkata for BCPL
- Ash Handling Package for 660 MW Power Plant of Jabua Plant Ltd.

## PROJECT EXECUTION



*Stacker Reclaimer, Adani Port*

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

- 800 TPH Coal Handling Plant for DVC, Chandrapura Thermal Power Station
- 750 TPH East Mill Copper Concentrator Plant for VEDANTA, Konkona Copper Mines, Zambia
- Ball Mill for Kenya Fluorspar
- Ash Handling Plant for DVC - Mejia Phase "B"-1x500 MW
- Ash Handling for 2x660 MW Power project for Essar Power Gujarat in Salaya
- Lead Zinc Concentrator at SK Mines for Vedanta.



*Coal Silos under construction, SAIL Rourkela*

## ACTIVITY HIGHLIGHTS

The Projects activities was realigned to reflect synergy in sectors they were operating in:

### POWER PLANT PROJECTS:

Responsible for Power including complete power plants, Balance of Plant, Coal & Ash Handling plants, Water re-treatment & water projects for municipalities and other Industries, operations & maintenance of Power Plants.

### METALS & MINING PROJECTS:

Responsible for Coal & Metal Mines, Coal & Mineral Beneficiation, Steel Plants, Cement Plants, Oil & Gas sector and Ports.

### INFRASTRUCTURE & CONSTRUCTION PROJECTS:

Responsible for Infrastructure projects like Highways & Roads, Railways & MRTS, Bridges & Flyovers, Commercial & Residential Buildings, & townships, cross-country pipelines, transmission lines, Constructuion of power plants, steel plants, ports etc.

Your company has ambitious plans to expand in Infrastructure projects and has been bidding for road, Metro, High rise buildings & other industrial construction projects and we expect to receive good order booking in this sector in 2012-13. The Infrastructure Projects & Construction Division has been strengthened by inducting senior professionals from the Industry.

Your company, through its 100% subsidiary in Singapore, MBE Mineral Technologies Pte Ltd. has acquired a 42% stake in Specialist Energy Group plc in UK (SEG). SEG owns Hayward Tyler Ltd UK and Hayward Tyler Inc. USA. Hayward Tyler manufactures specialized pumps for Power, Nuclear and Oil & Gas Industry.

Your company has received the following prestigious awards during the year.

**"Fastest Growing Material Handling Company" awarded in Oct 2011 at the 9th Construction World Annual Awards 2011**

**"Best Professionally Managed Company" and "Best Project Award" conferred at the CIDC Viswakarma Award 2012**

In October 2011, the Deptt. Of Scientific & Industrial Research (DSIR), Ministry of Science & Technology, GOI accorded recognition of our In-house R&D activities.

Reputed International Consultants, KPMG had been engaged to develop the Operating Processes for the Infrastructure Projects & Construction Division to enable rapid scaling up of operations.

The Center of Engineering Excellence (COEE) has been established to develop software based solutions for achieving automation in execution of day to day engineering of projects. Since inception, work has been completed for automation of Engineering and Drawing for various Material Handling system & equipment, Mills etc. This has resulted in significant saving in man-hours, material cost and project execution time.

Your company has received numerous Safety awards at project sites from clients such as SAIL, BHEL & Tata Projects Ltd. More than 1 Million hours accident free operations were achieved at the following construction sites: Bellary Thermal Power Station & HINDALCO, Mahan.

## SUBSIDIARIES

**McNally Sayaji Engineering Ltd. (MSEL)**



*Skid mounted Coal crushing plant*

Some of the major orders received during the year:

- Rashi Steel & Power for various equipment including Ball Mills for Iron Ore Beneficiation plant
- Hindustan Dorr Oliver (client NMDC) for Grinding Mills
- HINDALCO, Renuagar power project for 2 Nos 400TPH skid mounted coal crushing plants
- Stemcor India Pvt. Ltd. for Ball Mills
- Sesa Goa for Thickeners, crushers, screens & feeders
- Thermax Ltd for single roll crusher, Hammer mill, Screen
- Bengal Tools for Apron Feeders & screens
- S K Samanta (client – BCCl) for Single Roll crusher
- Furnace Fabrica India Ltd. for Ball Mill
- IFFCO for chain mill
- Nava Bharat Energy Ltd. for single roll crusher
- Hamtek Technologies for single roll crusher

Construction of the new plant at Savli in Vadodara is completed.

The Department of Scientific & Industrial Research (DSIR), Ministry of Science & Technology, GOI has accorded recognition to the In – house R&D activities of MSEL. During the year, the R&D department has successfully developed a 3 inch centrifugal slurry pump & a skid mounted coal crushing plant.

## MBE Coal & Mineral Technology India Ltd.

Some of the major orders received during the period:

- Trade Serve International Pvt. Ltd. for 150 TPH Coal Washery at Karachi with Batac Jig.
- NRE Metcote Ltd. for 150 TPH Heavy Media Cyclone Washery with 80 TPH Fines Washing in Pneumatic Flotation Machine at Bachau.
- MSPL, Hospet for 100 TPH Iron Ore Jigging Plant.

- Janki Corporation, Bellary for 200 TPH Iron Ore Beneficiation Plant (WHIMS).

- For the first time export order received from South America for Design and Engineering works of Flotation Plant for VALE (Brazil) through MBE-CMT, Cologne, Germany.

- Order received from MBE-CMT, Cologne for Design & Engineering Works for Naryn Sukhai Coal Handling & Preparation Project at Mongolia.

- Order received for Design & Engineering for Pasir Coal Washery, Kideco in Indonesia from MBE-CMT, Cologne.

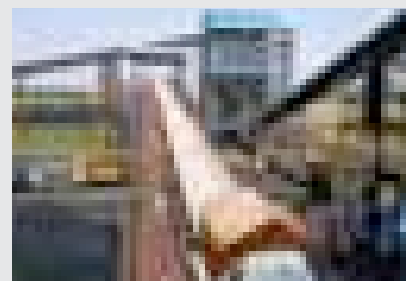
- Renewed contract for Operation and Maintenance of 1200 TPH Deshaling Plant at Bina Project of Northern Coalfields Limited for a period of 5 years.

Some of the major orders executed & commissioned during the period:

- Successfully commissioned 500 TPH Coal Washery Plant at Korba for S. V. Power Pvt. Ltd.

- Successfully commissioned the Coarse Seed Filtration package for Vedanta Aluminum Ltd., Lanjigarh, Orissa.

- Sales of centrifuges reached record high of 113 numbers surpassing the earlier high of 107 in 2010-11.



*Coal washery, S V Power-Korba*

## MBE Mineral Technologies Pte Ltd., Singapore

A 100% owned subsidiary of MBE has a number of companies under its fold.

- The MBE CMT Group comprising MBE Coal & Minerals Technology

GmbH Cologne, MBE Minerals SA Pty Ltd. South Africa and operations in China, Russia, Indonesia & Brazil. The performance of the MBE CMT Group was satisfactory inspite of the European crisis & global slowdown

■ **Cologne Engineering & EWB Technological kft** Budapest, have also performed satisfactorily under adverse conditions.

■ **Specialist Engineering Group (SEG)** MBE Mineral Technologies Pte Ltd., has acquired controlling stake (42%) in Specialist Energy Group plc in UK (SEG). SEG owns Hayward Tyler Ltd. UK (HTL) and Hayward Tyler Inc. USA (HTI). HTL is one of the three global manufacturers of Boiler Circulating Pumps. Other products included pumps for special application, canned pumps used in Nuclear Power Plant, submersible motors, process pumps, pumps used in oil & gas sector, subsea pumps and pumps used in Submarine. HTI is a major player in Nuclear Power sector, specialising in service, overhauling of Nuclear Power Plants in USA. HTI has strong presence in special range of pumps used in Coal Power Generation, Nuclear Power, Syngas Power and speciality Chemical and Hydrogen processing.

## SUBSIDIARIES

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

## DIVIDEND

In view of the Company's performance, the Board of Directors of your Company is pleased to recommend a dividend of ₹1.00 (10 %) per equity share of ₹10/- each (compared to 2010-11 ₹2.00 per equity share of ₹10/- each).

The dividend will be tax free in the hands of the shareholders. The register of members and share transfer books will remain closed from September 17, 2012 to September 28, 2012 (both days inclusive).

## INSURANCE

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

## HEALTH AND SAFETY

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

Daily safety inspection at site by qualified Safety Engineers & Officers of each Project site.

To identify unsafe acts & conditions and accordingly safety measures are taken on a daily basis.

Regular safety training programs are conducted at sites for workmen.

Safety promotion activities are carried out on an ongoing basis. Posters, slogans, No Smoking signs, safety barricades displayed prominently.

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

## DIRECTORS

Mr. Asim Kumar Barman, Mr. Subir Ranjan Dasgupta, Mr. Utsav Parekh and Mr. Sudipto Sarkar retire by rotation and being eligible, offer themselves for reappointment.

## AUDITORS

The Statutory Auditors of the Company M/s. Lovelock & Lewes, Chartered

Accountants, retire at the ensuing Annual General Meeting and have confirmed their eligibility and willingness to accept office of Auditors, if reappointed. The Audit Committee and the Board of Directors recommended M/s. Lovelock & Lewes, as Statutory Auditors of the Company for the financial year 2012-13 for shareholders approval.

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

## AUDITORS' REPORT

The Board has duly examined the Statutory 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, authorized and paid-up share capital of the Company remain unchanged in comparison to the previous year.

## 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.

## 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.

## PERSONS CONSTITUTING GROUP

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

## 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 2011-12 and of profit of the Company for that period;

3) We have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of this Act for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities; and

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

## CAUTIONARY STATEMENT

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


## ACKNOWLEDGEMENT

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

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

On behalf of the Board of Directors

  
Subir Ranjan  
Dasgupta  
Director

  
Asim Kumar  
Barman  
Director

Kolkata, August 10, 2012



## ANNEXURE A TO THE DIRECTORS' REPORT

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

#### A. CONSERVATION OF ENERGY

##### 1. ENERGY CONSERVATION MEASURES TAKEN

MBE had obtained Environmental Management System certification ISO 14000.2004 in August 2010 and the same has been renewed for 2011. The Corporate office of MBE in ECOSPACE is a pre-certified Platinum Green project, having implemented various energy conservation measures. Routine steps like strict control & monitoring of power usage, good upkeep of equipment like DG sets & AC units have resulted in optimal usage of energy & parts.

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

As stated above, there is nothing substantial to report.

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

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

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

##### 2. BENEFITS DERIVED AS A RESULT OF THE ABOVE R & D

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

##### 3. FUTURE PLAN OF ACTION

Future R & D efforts will continue along similar lines, as at present. Design automation of new products & processes will be taken up such as Thickener, automation of Single Line diagram generation in electrical projects, Travelling tripper assembly, Conveyor galleries & trestles and automation in generation of Bill of Materials for structural fabrication work etc.

##### 4. EXPENDITURE ON R&D:

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

#### C. TECHNOLOGY ABSORPTION

##### 1. TECHNOLOGIES

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

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

Cost reduction due to reduction in engineering time. Improvements in processes and weight reduction due to value engineering & design augmentation.

##### 3. INFORMATION REGARDING TECHNOLOGIES IMPORTED DURING LAST 5 YEARS

- Technology for By Products recovery from coke ovens from DMT Germany
- Technology for production of sinter from iron ore from TPE, Russia
- Design of Stacker Reclaimers from Poltegor, Germany
- Design of Wagon Tippler from FAMAC, Poland
- Design of Port Cranes from KONE Cranes, Finland

#### D. FOREIGN EXCHANGE EARNINGS & OUTGO

		Rs. '000
Foreign Exchange Earnings	Export on FOR Works basis	928,039
	Others	–
Foreign Exchange Outgo	Travelling	24,473
	CIF value of Component, Spare parts & Stores	603,068
	Capital Goods	666
	Professional & Consultancy fees	54,834
	Others	8,049

## ANNEXURE B TO THE DIRECTORS' REPORT MANAGEMENT DISCUSSION & ANALYSIS

### INDUSTRY STRUCTURE AND DEVELOPMENT

The GDP growth in 2011-12 was only 6.5% compared to 8.4% in the previous year. During 2011-12, the 8 core infrastructure industries grew by only 4.4%. These include crude oil, refinery products, coal, electricity, cement, steel, fertilizer & natural gas.

As per the revised projections done by the Planning Commission, the expected investment in Infrastructure during the 11th Plan period (2007-12) will be Rs 20.5 Lakh Crores. Sector wise the investments will be as follows: Power (31%), Roads & bridges (12%), Railways (7%), Oil & Gas (6%), Water Supply & Sanitation (5%) and Ports (3%). In most of these sectors, MBE is very active.

For the 12th Plan (2012-17), the Planning Commission has indicated that the investment in Infrastructure will double to Rs 41 Lakh Crores. A sector wise analysis is given below.

#### POWER

The thermal power capacity addition in 12th Plan (2012-17) is expected to be 67,686 MW compared to 50,757 MW addition during the 11th Plan (2007-12). In spite of this addition, McKinsey forecasts a power shortfall of 315 GW in 2017, whereas CEA forecasts a shortfall of 213 GW.

With Coal India being advised to sign fuel supply agreements with power plants having long term power purchase agreements with Power distribution companies, we expect the investment in power sector to increase in 2012-13. Private sector participation in power generation has increased significantly and expected to contribute 40% in the 11th Plan.

As per Central Electricity Authority (CEA), there will be a requirement of 1,100 BOP packages during the 12th Plan comprising Coal handling & Ash Handling plants, water packages, cooling towers, chimney stacks and fuel oil systems. MBE is active in these areas.

#### STEEL

In 2011, India produced 72.2 Million Tons of steel and was the fourth largest producer in the world after China, Japan & USA. The installed capacity of Steel is expected to increase to 142 Million TPA by 2018 based on the assumption of 8% GDP growth.

Most of the additional capacity will be created in the Private sector, apart from a few in the public sector. EPC Packages in Steel Plants, where MBE has execution experience include raw material handling, Sinter plant, By-products recovery plant & coke oven batteries.

#### COAL & MINING

India has vast reserves of many different minerals. It is the world's third largest producer of coal, fourth largest producer of iron ore and fifth largest producer of bauxite. It also has significant reserves of copper, zinc, lead, lignite and other minerals.

Domestic coal production has been less than 600 million tons in 2011-12 and the demand supply gap is around 150 Million Tons, which is being met by imports. By the end of the 12th Plan (2016-17), the demand for coal is expected to be 1000 million tons and the shortfall is expected to rise to 250 Million Tons, to be met from imports. Since the quality of coal available is poor, India will require more coal washeries and Coal India has a plan to set up 19 washeries. MBE with Technology from MBE Coal & Minerals Technology (formerly KHD Humboldt

Wedag), is well placed to get a share of the coal washery market.

In iron ore beneficiation, further to the acquisition of the Coal & Mineral Technology business of KHD Humboldt Wedag, MBE hopes to do well with MBE-CMT's Jigging & WHIMS technology.

Pelletization of unused iron ore fines will be needed in a big way to meet the growing demand of the steel industry. MBE hopes to play a significant role in setting up iron ore pelletization plants with International technology partners

### **NON FERROUS METALS**

MBE is a market leader in Mineral Beneficiation in India, having set up most of the plants for Copper, Lead & Zinc in India and presently executing 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.

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

The production capacity of aluminium at the end of the 12th Plan would be around 4.7 million tons, and alumina & bauxite requirement would be 9.2 million tons & 28 million tons respectively. India has abundant bauxite to meet the demand. 3 to 4 smelting & refining projects are expected to come up in the 12th Plan to meet the demand. International manufacturers like Anrak, Rio Tinto & Dubal have shown interest in entering the Indian market due to cost advantages. MBE having executed a number of projects in this sector, can look forward to significant business in future.

### **PORT & STOCKYARD EQUIPMENT**

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

MBE has a license agreement with Kone Cranes to manufacture & supply Port & Shipyard cranes, and Poltegor for Stacker Reclaimers. MBE plans to increase its product range in this sector through tie-ups.

Due to increase in coal imports, there will be significant demand for stacker reclaimers and other bulk handling equipment in Ports, where MBE has a significant presence with Poltegor as technology partner.

### **INFRASTRUCTURE**

To improve the basic infrastructure, large investments will be needed in roads, railways, ports, civil aviation and water supply & sanitation during the 12th Plan. The investments planned in these sectors during the 12th Plan is Rs 11.4 lakh crores. Private sector investment through Public Private partnership (PPP) will be required to supplement public sector investments to achieve the plan.

MBE has significantly increased its focus in this area by strengthening the management team in Infrastructure and have gained significant success in obtaining orders in this sector.

### **NEW BUSINESSES**

The Oil Refinery capacity is expected to grow from 182 MTPA in 2010 to 302 MTPA by 2017, which will involve a huge investment of nearly Rs 2.4 Lakh Crores. Cement capacity also is expected to increase from 275 Million Tons in 2010 to 440 Million Tons by 2017, averaging a capacity addition of 20 Million Tons annually.

### **OPPORTUNITIES & THREATS**

MBE is facing increased competition in many areas of its operations due to entry of a large number of players. In addition, ordering for new projects had slowed down in 2011-12 due to delays in taking administrative & policy decision by the Government. Delays in project implementation have also taken place due to problems faced by companies in land acquisitions, obtaining environmental clearances, coal availability etc.

To counter increased competition in domestic markets, MBE is increasingly focusing on International markets in Africa, Central Asia & South East Asia, where offices have been opened or representatives appointed.

### **SEGMENTWISE OR PRODUCTWISE PERFORMANCE**

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

### **OUTLOOK**

Your company has an order backlog of Rs. 3,417 crores and we hope to continue our past growth trend this year also. Moreover, with a healthy GDP growth forecast of 8%, we expect the new order booking to be comfortable and as per Planned targets.





## **RISKS & CONCERNS**

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

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

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

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

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

The industrial relations during the year have been cordial. The number of permanent employees as on March 31, 2012 was 1,505 as against 1,441 on March 31, 2011.

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

Your Company has a detailed well spelt internal control system in place to ensure that all financial, commercial and legal transactions are fully authorized, recorded and correctly reported. The Audit Committee of the Board of Directors reviews the adequacy of the Internal Control System. The Company's Internal Audit Department is in charge for periodically carrying out detailed audit of the transactions of the Company at various project sites, manufacturing locations and offices in order to ensure that recording and reporting are adequate and as per the policy of the Company. The Internal Auditors periodically physically verify safeguarding of the Company's assets and ensure that there is no unauthorized usage. The assets are kept in proper conditions and are covered under adequate insurance.

## **FINANCIAL PERFORMANCE**

During the year, your Company recorded growth in its performance both in terms of Sales and Profitability. While the total income of the Company has grown from Rs. 1,775 Crores to Rs. 2,091 Crores, the Profit before Tax has gone up from Rs. 74 Crores to Rs. 79 Crores and earning per share has gone up from Rs.15.41 per share to Rs. 21.11 per share. Based on the business scenario within the Country and Company's extended capability, the Company has set a higher benchmark of performance for the year to come. The Board expects this growth trend, both in terms of profit and sales, to be maintained in the coming years.

## **DISCLOSURE BY THE MANAGEMENT**

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

## **CAUTIONARY STATEMENT**

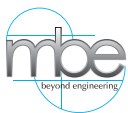
Statements in the Management Discussion and Analysis Report in regard to projections, estimates and expectations have been made in good faith. Many unforeseen factors may come into play and affect the actual results, which could be different from what the Directors envisage in terms of future performance 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. 2011-12

Rupees in Lacs

Sl. No.	Name of the Subsidiary Company	Capital	Reserves	Total Assets	Total Liabilities	Details of Investments (excluding Investments in subsidiaries)	Turnover/ Total income	Profit before taxation	Provision for Taxation	Profit after taxation	Proposed Dividend	Country
1	MBE Mineral Technologies Pte Ltd (Formerly MBE Holding Pte Ltd)	1,021.16	1,093.45	24,150.66	24,150.66	4,606.00	31,423.93	375.77	509.34	(133.57)		Singapore
2	McNally Sayaji Engineering Ltd	899.00	17,902.00	47,800.00	47,800.00	-	26,576.00	312.00	94.00	218.00		India
3	McNally Bharat Infrastructure Ltd	10.00	22.18	640.13	640.13	-	609.20	14.46	5.98	8.48		India
4	McNally Bharat Equipments Ltd	10.00	(1.42)	9.59	9.59	-	-	(0.49)	-	(0.49)		India
5	MBE Coal & Minerals Technologies, India Pvt. Ltd. (formerly Humbolt Wedag Minerals India Pvt. Ltd.)	34.93	1,839.60	8,128.16	8,128.16	-	8,658.92	263.73	88.86	174.87		India
6	MBE Minerals Zambia Ltd	4.84	(352.58)	1,103.48	1,103.48		1,964.76	(303.46)	(99.24)	(204.22)		Zambia



## **ANNEXURE D TO THE DIRECTORS' REPORT**

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

1. Williamson Magor & Co. Limited
2. McLeod Russell India Limited
3. Metals Centre Limited
4. Babcock Borsig Limited
5. Kilburn Engineering Limited
6. Williamson Financial Services Limited
7. Dufflaghur Investments Limited
8. Borelli Tea Holdings Limited
9. Eveready Industries India Limited
10. United Machine Co. Limited
11. Ichamati Investments Private Limited
12. Nitya Holdings & Properties (P) Limited
13. Majerhat Estates & Developers Limited
14. Woodside Parks Limited
15. Seajuli Developers & Finance Limited
16. Mr. Brij Mohan Khaitan
17. Mr. Deepak Khaitan
18. Mr. Aditya Khaitan
19. Mr. Amritanshu Khaitan

## ANNEXURE E TO THE DIRECTORS' REPORT

### CORPORATE GOVERNANCE

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

Company's policies on the Corporate Governance and due compliance report on specific areas wherever applicable for the year ended 31st March 2012 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 2012
		Public	Private	Is a member	Is Chairperson	
Mr. Deepak Khaitan Chairman	Promoter - Executive	7	0	0	0	0
Mr. Aditya Khaitan	Promoter – Non Executive	7	1	1	1	0
Mr. Virendra Kumar Verma	Independent – Non Executive	0	0	0	1	700
Mr. Utsav Parekh	Independent – Non Executive	6	0	3	0	100
Mr. Amritanshu Khaitan	Promoter – Non Executive	6	3	0	0	8000
Mr. Subir Ranjan Dasgupta	Independent – Non Executive	3	2	3	0	2500
Mr. Asim Kumar Barman	Independent – Non Executive	2	1	1	0	0
Mr. Sudipto Sarkar	Independent – Non Executive	8	2	0	1	0
Mr. P H Ravikumar	Independent – Non Executive	6	4	1	0	0
Mr. Prasanta Kumar Chandra	Executive – Whole Time Director	1	1	1	0	1000
Mr. Prabir Ghosh	Executive – Whole Time Director	2	0	1	0	1615
Mr. Shanti Prasad Singhi* – Vice Chairman	Promoter – Non Executive	6	4	0	0	0
Mr. Sanjay Kumar Pasari*	Promoter – Non Executive	3	9	0	0	30766
Mr. Chandrakant Pasari *	Independent – Non Executive	6	4	0	0	149500

\* Stepped down from office with effect from 27th June 2011.

# 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. Deepak Khaitan*	60,000
Mr. Aditya Khaitan	1,00,000
Mr. Virendra Kumar Verma	2,40,000
Mr. Utsav Parekh	1,40,000
Mr. Amritanshu Khaitan	60,000
Mr. Subir Ranjan Dasgupta	3,80,000
Mr. Asim Kumar Barman	4,80,000
Mr. Sudipto Sarkar	80,000
Mr. P H Ravikumar	60,000
Mr. Shanti Prasad Singh**	60,000
Mr. Sanjay Kumar Pasari**	—
Mr. Chandrakant Pasari**	60,000
<b>TOTAL</b>	<b>17,20,000</b>

\*Mr. Deepak Khaitan remained a Non Executive Director till 11th August 2011.

\*\*Stepped down from office with effect from 27th June 2011.

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

(In Rs)

Particulars	Mr. Deepak Khaitan (Executive Chairman) (From August 12, 2011 to March 31, 2012)	Mr. Prasanta Kumar Chandra (Whole Time Director)	Mr. Prabir Ghosh (Whole Time Director)
Salary	1,41,43,548	1,11,29,400	1,11,29,400
Performance Bonus	—	16,00,000	16,00,000
Contributions to Provident Fund and other funds	11,85,000	10,61,400	10,61,400
Perquisites	23,16,480	10,800	1,40,487
<b>Total remuneration</b>	<b>1,76,45,028</b>	<b>1,38,01,600</b>	<b>1,39,31,287</b>

**Notes :**

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

**c. Board Meetings and attendance of Directors:**

- (i) The members of the Board have been provided with the requisite information mentioned in the listing agreement well before the Board Meetings and the same were dealt with appropriately.
- (ii) During the year, 8 Board Meetings were held on 06th May 2011, 11th May 2011, 27th June 2011, 14th July 2011, 12th August 2011, 23rd September 2011, 14th November 2011 and 13th February 2012.
- (iii) The attendance recorded for each of the Directors at the Board Meetings during the year ended on 31st March 2012 and of the last Annual General Meeting is as under :

Directors	Number of Board Meetings attended	Attendance at the Last AGM
Mr. Deepak Khaitan	7	Yes
Mr. Aditya Khaitan	5	Yes
Mr. Virendra Kumar Verma	6	Yes
Mr. Utsav Parekh	4	Yes
Mr. Amritanshu Khaitan	3	Yes
Mr. Subir Ranjan Dasgupta	8	Yes
Mr. Asim Kumar Barman	8	Yes
Mr. Sudipto Sarkar	4	Yes
Mr. P H Ravikumar	3	Yes
Mr. Prasanta Kumar Chandra	8	Yes
Mr. Prabir Ghosh	6	Yes
Mr. Shanti Prasad Singhi*	2	Yes
Mr. Sanjay Kumar Pasari*	–	No
Mr. Chandrakant Pasari*	2	No

\* Stepped down from office with effect from 27th June 2011.

**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. 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 11th May 2011, 27th June 2011, 12th August 2011, 14th November 2011 and 13th February 2012. The attendance of each Audit Committee member is as under:

Name of the Audit Committee Member	Number of meetings attended
Mr. Virendra Kumar Verma	5
Mr. Utsav Parekh	2
Mr. Subir Ranjan Dasgupta	3
Mr. Chandrakant Pasari	1

- (a) At the invitation of the Company, representatives from various divisions of the Company, internal auditors, statutory auditors, Chief Financial Officer and Company Secretary who is acting as Secretary to the Audit Committee also attend the Audit Committee Meetings to respond to queries raised at the Committee Meetings.
- (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 Managing Director 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 Managing Director and Whole Time Directors within the limits and subject to the parameters prescribed in Schedule XII 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 twice during the year on 27th June 2011 and 12th August 2011. 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	2
Mr. Utsav Parekh	2
Mr. Asim Kumar Barman	2

#### V Remuneration Policy

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

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

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

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

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

Mr. Sudipto Sarkar, Chairman of the Committee

Mr. P H Ravikumar

Mr. Asim Kumar Barman

Mr. Prabir Ghosh

Mr. Prasanta Kumar Chandra

The Shareholders' / Investors' Grievance Committee of the Company met two times during the year on 18th October 2011 and 16th January 2012. The attendance of the members of the Shareholders'/Investors' Grievance Committee was as follows:

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



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

#### Investors' Grievances

The following table shows the nature of complaints received from shareholders during 2011-12.

Nature of complaints	Pending as on April 1, 2011	Received during the year	Replied/resolved during the year	Pending as on March 31, 2012
Non receipt of Dividend Warrants	0	2	2	0
Non receipt of Share certificates	0	1	1	0
Non receipt of Annual Reports	0	4	4	0
	0	7	7	0

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

The Company confirms that there were no share transfers lying pending as on 31st March 2012, 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, 23 Committee of Directors Meetings were held on 14th April 2011, 29th April 2011, 16th May 2011, 31st May 2011, 15th June 2011, 30th June 2011, 15th July 2011, 29th July 2011, 16th August 2011, 30th August 2011, 23rd September 2011, 30th September 2011, 31st October 2011, 14th November 2011, 30th November 2011, 15th December 2011, 30th December 2011, 16th January 2012, 31st January 2012, 15th February 2012, 29th February 2012, 15th March 2012 and 30th March 2012.

The attendance recorded for each of the Directors at the Committee of Directors' Meetings during the year ended on 31st March 2012 is as under:

Directors	Number of Committee of Directors' Meetings attended
Mr. Deepak Khaitan	-
Mr. Subir Ranjan Dasgupta	7
Mr. Asim Kumar Barman	15
Mr. Shanti Prasad Singhi	1
Mr. Prasanta Kumar Chandra	17
Mr. Prabir Ghosh	7

## 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

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

- MBE Minerals SA (Pty) Limited
- MBE Cologne Engineering GmbH

- c. MBE Coal & Minerals Technology GmbH
- d. EWB Kornyezetvedelmi Kft, Hungary

MBE Coal & Minerals Technology GmbH has the following subsidiaries:

- a. MBE Mineral Processing Technology (Beijing) Co. Ltd
- b. MBE Mineral Processing of Brazil Ltda
- c. PT MBE Coal and Minerals Technology Indonesia

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

## IX Disclosures

1. All related party transactions have been entered into in the ordinary course of business and were placed periodically before the audit committee in summary form. There were no material individual transactions with related parties which were not in the normal course of business required to be placed before the audit committee and that may have potential conflict with the interest of the Company at large. All individual transactions with related parties or others were on an arm's length basis.
2. The Company has complied with all the requirements of the listing agreements with the Stock Exchange as well as regulations and guidelines of SEBI. No penalties have been imposed or strictures have been issued by SEBI, Stock Exchange or any statutory authority on matters related to capital markets during the last three years.
3. All Accounting Standards mandatorily required have been followed in preparation of financial statements and no deviation has been made in following the same.
4. Risk assessment and its minimization procedures have been laid down by the Company and the same have been informed to board Members. These procedures would be periodically reviewed to ensure that executive management controls risks through means of a properly defined framework.
5. Management Discussion and Analysis forms part of the Annual Report to the shareholders and it includes discussion on matters as required under the provisions of Clause 49 of the listing agreement with Stock Exchange.
6. There were no material financial and commercial transactions by Senior Management as defined in Clause 49 of the listing agreement where they have personal interest that may have a potential conflict with the interests of the Company at large requiring disclosure by them to the Board of Directors of the Company.

## X Compliance with Non-Mandatory Requirements

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

### i. The Board:

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

No specific tenure has been specified for the Independent Directors.

### ii. Remuneration Committee:

Details are given under the heading 'Remuneration Committee'.

### iii. Shareholder Rights:

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

### iv. Audit Qualification:

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

### v. Training of Board Members:

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

**vi. Mechanism for evaluating Non-Executive Board Members:**

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

**vii. Whistle Blower Policy:**

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

**XI Compliance Certificate**

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

**XII General Body Meetings**

**a. The details of General Meetings held in the last three years are as under:**

Annual General Meeting:

AGM	Day	Date	Time	Venue
46th	Monday	23.11.2009	11.00 a.m.	Rotary Sadan 94/2, Chowringhee Road Kolkata 700020
47th	Thursday	30.09.2010	11.00 a.m	- do -
48th	Friday	23.09.2011	03.00 p.m	- do -

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

Yes, details of which are given hereunder:

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

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

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

**c. Person who conducted the Postal Ballot exercise**

Mr. Atul Kumar Labh, a Practicing Company Secretary, appointed as the scrutinizer conducted the Postal Ballot voting process.

**d. Procedure for Postal Ballot**

The procedures as prescribed in the Companies (Passing of Resolution by Postal Ballot) Rules, 2001 were followed for passing the special resolution by Postal Ballot during the financial year ended 31st March 2010.

### XIII Means of Communication

Quarterly results:

- |  |  |
|--|--|
| (i) Which newspapers normally published in   | Business Standard, Kolkata & Mumbai<br>Pratidin (Bengali), Kolkata<br>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. |

### XIV General Shareholder Information

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

	Seeking reappointment	Seeking reappointment	Seeking reappointment	Seeking reappointment
Name of Director	Mr. Asim Kumar Barman	Mr. Subir Ranjan Dasgupta	Mr. Utsav Parekh	Mr. Sudipto Sarkar
Date of appointment	15th September, 2008	23rd November, 2009	23rd November, 2009	14th February, 2011
Brief resume and expertise in specific functional area	Given in the notice of the AGM	Given in the notice of the AGM	Given in the notice of the AGM	Given in the notice of the AGM
List of other Directorship held	-do-	-do-	-do-	-do-
Chairman/Member of the Committees of the Board of Companies in which he is a Director	-do-	-do-	-do-	-do-
Shareholding in the Company in case of Non-executive Director	Nil	2500	100	Nil

- b. Annual General meeting to be held:

Day, Date, time and venue:

Day : Friday

Date : 28th September 2012

Time : 11:00 AM

Venue : Eastern Zonal Cultural Centre, Purbasree, IB 201, Sector - 3, Salt Lake City, Kolkata-700106

- c. Financial Year : 2012-2013

First Quarterly Results : Before 14th August 2012

Second Quarterly Results : Before 15th November 2012

Third Quarterly Results : Before 15th February 2013

Audited Yearly Results for the Year ended 31 March, 2012 : Before 30th June, 2013

- d. Period of Book Closure : 17th to 28th September, 2012

**e. Dividend payment date :**

Dividend on Equity Shares when sanctioned will be made payable on or before 26th October, 2012 to those Shareholders in physical form whose names stand on the Company's Register of Members on 28th September, 2012 and to whom dividend warrants will be posted. In respect of shares held in electronic form, the dividend will be paid on the basis of beneficial ownership position as per the data to be furnished by National Securities Depository Limited (NSDL) and Central Depository Services (India) Limited (CDSL) for this purpose.

**f. Listing on Stock Exchanges:**

The Equity shares of the Company are listed at Bombay Stock Exchange Limited, Phiroze Jeejeebhoy Towers, Dalal Street, Mumbai – 400001 and National Stock Exchange of India Ltd, 'Exchange Plaza', Bandra Kurla Complex, Bandra (E), Mumbai 400051 and listing fees have been paid for the year 2010-2011.

**Stock Codes:**

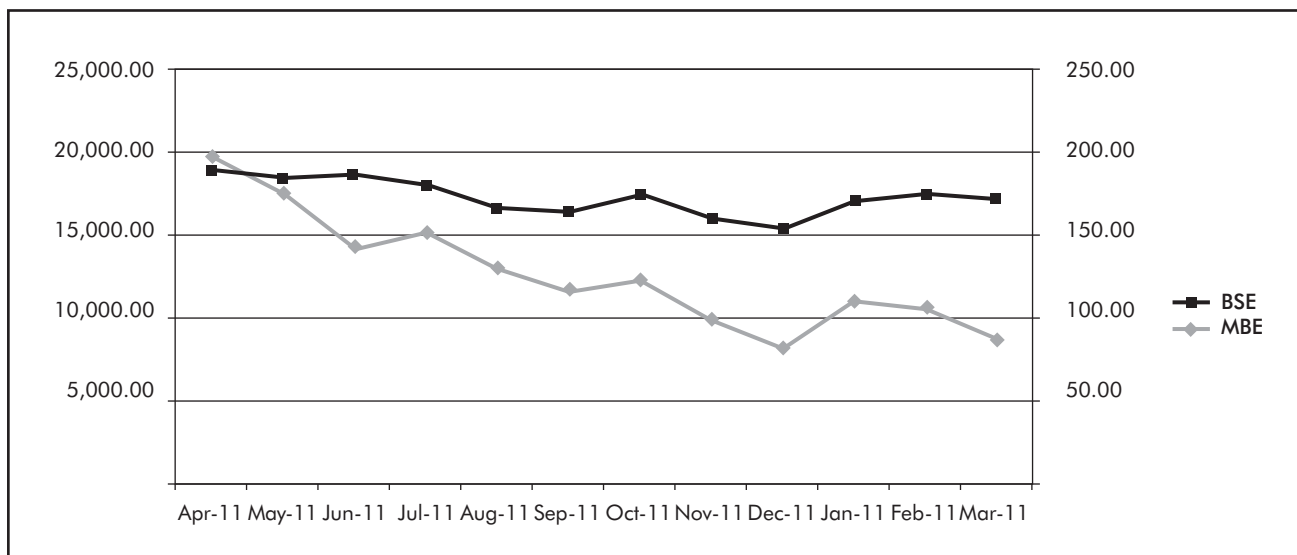
Bombay Stock Exchange	532629
National Stock Exchange	MBECL
Reuters Code	MCNL.BO
Bloomberg Code	MCNA:IN
International Securities Identification Number (ISIN) for the Company's shares in dematerialized form	INE 748A01016

**g. Market Price Data:**

The details of monthly highest and lowest closing quotations of the equity shares of the Company at the Bombay Stock Exchange and National Stock Exchange during financial year 2011-2012 are as under:

Month	Bombay Stock Exchange (BSE)		National Stock Exchange (NSE)	
	High (Rs.)	Low (Rs.)	High (Rs.)	Low (Rs.)
April, 2011	237.10	197.00	238.00	185.60
May, 2011	202.90	171.50	204.90	166.05
June, 2011	181.20	133.20	180.75	133.10
July, 2011	172.50	135.00	173.00	136.30
August, 2011	158.60	113.00	159.90	111.40
September, 2011	135.95	115.05	136.00	114.05
October, 2011	130.90	110.35	130.95	110.20
November, 2011	126.35	94.00	124.65	92.30
December, 2011	106.70	79.75	106.45	79.55
January, 2012	117.50	80.55	114.70	80.15
February, 2012	128.00	102.00	125.00	101.00
March, 2012	107.00	86.10	106.80	85.15

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



#### h. Share Transfer Agents:

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

#### i. Share Transfer System:

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

#### j. Distribution of Shareholding as on 31st March, 2012:

No. of Shares	No. of holders	% of total holders	No. of shares	% of total shares
1 to 5000	14,388	88.6616	17,25,193	5.5483
5001 to 10000	899	5.5398	7,32,269	2.3550
10001 to 20000	433	2.6682	6,61,309	2.1268
20001 to 30000	146	0.8997	3,82,332	1.2296
30001 to 40000	62	0.3821	2,23,299	0.7181
40001 to 50000	67	0.4129	3,13,529	1.0083
50001 to 100000	92	0.5669	6,77,553	2.1791
100001 and above	141	0.8689	2,63,78,334	84.8347
<b>Total</b>	<b>16,228</b>	<b>100.0000</b>	<b>3,10,93,818</b>	<b>100.0000</b>

**Pattern of Shareholding as on 31st March, 2012:**

	Category	No. of Holders	No. of Shares
1	Promoter & Promoter Group		
	- Individual/HUF (Indian)	-	-
	- Bodies Corporate (Indian)	8	1,00,37,743
	- Individual/HUF (Foreign)	-	-
	- Bodies Corporate (Foreign)	-	-
2	Mutual Funds	20	38,87,802
3	Financial Institutions/Banks	2	140
4	Insurance Companies	9	16,26,673
5	Foreign Institutional Investors	5	28,15,755
6	Domestic Companies	576	52,46,950
7	Foreign Companies	-	-
8	Resident Individual	15,220	70,73,151
9	Non Resident Individual	337	3,75,623
10	Clearing Member	51	29,981
<b>Total</b>		<b>16,228</b>	<b>3,10,93,818</b>

**Dematerialization of Shares:**

As on 31st March 2012, 3,06,40,035 Shares of the Company's total shares representing 98.54% shares were held in dematerialized form and the balance 1.46% representing 4,53,783 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 persons:** Mr. S. Chattopadhyay, VP Commercial & Company Secretary  
Telephone Nos: 66281052 & 30141052  
Fax No: 66282277, E-mail: mbecal@mbeccl.co.in

**Maheshwari Datamatics Private Limited**

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

**Contact person:** Mr. S. Rajagopalan, Vice President  
Telephone Nos: 2243-5029/ 5809  
Fax No: 2248-4787, E-mail: mdpl@cal.vsnl.net.in

**Declaration by the CEO under Clause 49 of the listing agreement regarding adherence to the Code of conduct**

In accordance with Clause 49 sub-clause 1(D) of the Listing Agreement with the Stock Exchanges, I hereby confirm that all the Directors and the Senior Management personnel of the Company have affirmed compliance to their respective Codes of Conduct, as applicable to them for the Financial Year ended March 31,2012.

For McNally Bharat Engineering Company Limited

Kolkata, 1st April, 2012

**Prabir Ghosh** Whole time Director & Group CFO

**P. K. Chandra** Whole time Director & COO

## **Auditors' Certificate regarding compliance of conditions of Corporate Governance**

To the Members of McNally Bharat Engineering Company Limited

We have examined the compliance of conditions of Corporate Governance by McNally Bharat Engineering Company Limited, for the year ended 31st March, 2012, as stipulated in Clause 49 of the Listing Agreements of the said Company with stock exchanges in India.

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

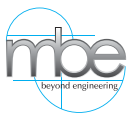
In our opinion and to the best of our information and according to the explanations given to us, we certify that the Company has complied with the conditions of Corporate Governance as stipulated in the above mentioned Listing Agreements.

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

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

Kolkata, 1st June, 2012





## Auditors' Report

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

1. We have audited the attached Balance Sheet of McNally Bharat Engineering Company Limited (the "Company") as at 31st March 2012, and the related Statement of Profit and Loss and Cash Flow Statement for the year ended on that date annexed thereto, which we have signed under reference to this report. These financial statements are the responsibility of the Company's Management. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We conducted our audit in accordance with the auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by Management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. As required by the Companies (Auditor's Report) Order, 2003, as amended by the Companies (Auditor's Report) (Amendment) Order, 2004 (together the "Order"), issued by the Central Government of India in terms of sub-section (4A) of Section 227 of 'The Companies Act, 1956' of India (the 'Act') and on the basis of such checks of the books and records of the Company as we considered appropriate and according to the information and explanations given to us, we give in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the Order.
4. Further to our comments in the Annexure referred to in paragraph 3 above, we report that:
  - (a) We have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit;
  - (b) In our opinion, proper books of account as required by law have been kept by the Company so far as appears from our examination of those books;
  - (c) The Balance Sheet, Statement of Profit and Loss and Cash Flow Statement dealt with by this report are in agreement with the books of account;
  - (d) In our opinion, the Balance Sheet, Statement of Profit and Loss and Cash Flow Statement dealt with by this report comply with the accounting standards referred to in sub-section (3C) of Section 211 of the Act;
  - (e) On the basis of written representations received from the directors, as on 31st March 2012 and taken on record by the Board of Directors, none of the directors is disqualified as on 31st March 2012 from being appointed as a director in terms of clause (g) of sub-section (1) of Section 274 of the Act;
  - (f) In our opinion and to the best of our information and according to the explanations given to us, the said financial statements together with the notes thereon and attached thereto give, in the prescribed manner, the information required by the Act, and give a true and fair view in conformity with the accounting principles generally accepted in India:
    - (i) in the case of the Balance Sheet, of the state of affairs of the company as at 31st March 2012;
    - (ii) in the case of the Statement of Profit and Loss, of the profit for the year ended on that date; and
    - (iii) in the case of the Cash Flow Statement, of the cash flows for the year ended on that date.

Kolkata  
1st June, 2012

For Lovelock & Lewes  
Firm Registration Number: 301056E  
Chartered Accountants  
**Prabal Kr. Sarkar**  
Partner  
Membership Number 52340

## Annexure to Auditors' Report

Referred to in paragraph 3 of the Auditors' Report of even date to the members of McNally Bharat Engineering Company Limited on the financial statements as of and for the year ended 31st March 2012

1. (a) The Company is maintaining proper records showing full particulars, including quantitative details and situation, of fixed assets.
  - (b) The fixed assets are physically verified by the Management according to a phased programme designed to cover all the items over a period of three years which, in our opinion, is reasonable having regard to the size of the Company and the nature of its assets. Pursuant to the programme, a portion of the fixed assets has been physically verified by the Management during the year and no material discrepancies between the book records and the physical inventory have been noticed.
  - (c) In our opinion, and according to the information and explanations given to us, a substantial part of fixed assets has not been disposed of by the Company during the year.
2. (a) The inventory has been physically verified by the Management during the year. In our opinion, the frequency of verification is reasonable.
  - (b) In our opinion, the procedures of physical verification of inventory followed by the Management are reasonable and adequate in relation to the size of the Company and the nature of its business.
  - (c) On the basis of our examination of the inventory records, in our opinion, the Company is maintaining proper records of inventory. The discrepancies noticed on physical verification of inventory as compared to book records were not material.
3. (a) The Company has granted unsecured loans, to two companies covered in the register maintained under Section 301 of the Act. The maximum amount involved during the year and the year-end balance of such loans aggregate to Rs. 14,81,40,945. The company has not granted any loans to firms or other parties covered in the register maintained under Section 301 of the Act.
  - (b) In our opinion, the terms and conditions of such loans are not prima facie prejudicial to the interest of the Company. The loans are interest free.
  - (c) In respect of the aforesaid loans, the parties are repaying the principal amounts, as per terms.
  - (d) In respect of the aforesaid loans, there is no overdue amount more than Rupees One Lakh.
  - (e) The Company has not taken any loans, secured or unsecured, from companies, firms or other parties covered in the register maintained under Section 301 of the Act. Accordingly the paragraphs (f) and (g) of the Order are not applicable.
4. In our opinion, and according to the information and explanations given to us, there is an adequate internal control system commensurate with the size of the Company and the nature of its business for the purchase of inventory 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.
5. According to the information and explanations given to us, there have been no contracts or arrangements referred to in Section 301 of the Act during the year to be entered in the register required to be maintained under that Section. Accordingly, the question of commenting on transactions made in pursuance of such contracts or arrangements does not arise.
6. The Company has not accepted any deposits from the public within the meaning of Sections 58A and 58AA of the Act and the rules framed there under.
7. In our opinion, the Company has an internal audit system commensurate with its size and the nature of its business.
8. 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.

9. (a) According to the information and explanations given to us and the records of the Company examined by us, in our opinion, except for dues in respect of service tax, income tax, employees' state insurance, professional tax and sales tax, the Company is regular in depositing undisputed statutory dues, including provident fund, investor education and protection fund, wealth tax, customs duty, excise 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, the particulars of dues of income tax, sales tax, value added tax, wealth tax, service tax, customs duty and excise duty as at 31st March 2012 which have not been deposited on account of a dispute, are mentioned in attached Appendix A.
10. The Company has no accumulated losses.
11. According to the records of the Company examined by us and the information and explanation given to us, the Company has not defaulted in repayment of dues to any financial institution or bank as at the balance sheet date. There is no debenture.
12. The Company has not granted any loans and advances on the basis of security by way of pledge of shares, debentures and other securities.
13. The provisions of any special statute applicable to chit fund/ nidhi/ mutual benefit fund/ societies are not applicable to the Company.
14. In our opinion, the Company is not a dealer or trader in shares, securities, debentures and other investments.
15. In our opinion, and according to the information and explanations given to us, the 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.
16. In our opinion, and according to the information and explanations given to us, the term loans have been applied, on an overall basis, for the purposes for which they were obtained.
17. On the basis of an overall examination of the balance sheet of the Company, in our opinion, and according to the information and explanations given to us, there are no funds raised on a short-term basis which have been used for long-term investment.
18. The Company has not made any preferential allotment of shares to parties and companies covered in the register maintained under Section 301 of the Act during the year.
19. The Company has not issued any debentures during the year; and does not have any debentures outstanding as at the year end.
20. The Company has not raised any money by public issues during the year.
21. During the course of our examination of the books and records of the Company, carried out in accordance with the generally accepted auditing practices in India, and according to the information and explanations given to us, we have neither come across any instance of fraud on or by the Company, noticed or reported during the year, nor have we been informed of any such case by the Management.

Kolkata  
1st June, 2012

For Lovelock & Lewes  
Firm Registration Number: 301056E  
Chartered Accountants  
**Prabal Kr. Sarkar**  
Partner  
Membership Number 52340

## Appendix - A

### Referred to in paragraph 9(b) of the Annexure to Auditors' Report

Name of The Statute	Nature of dues	Amount (Rs.)	Period to which the amount relates	Forum in which the dispute is pending
Central Excise Act, 1944	Excise duty and penal interest thereon	12,951,359	1989-1993	Commissioner of Central Excise, Pondicherry
Finance Act, 1994	Service Tax	109,647,427	2006-2010	Commissioner of Service Tax, Kolkata
Finance Act, 1994	Service Tax	2,838,829	2002-2009	Commissioner (Appeals), Central Excise, Allahabad
Finance Act, 1994	Service Tax	180,682,597	2003-2005	CESTAT, Kolkata
Finance Act, 1994	Service Tax	423,800	2006-2008	Commissioner (Appeals), Central Excise, Kolkata
Finance Act, 1994	Service Tax	3,980,137	2004-2007	The Additional/Joint Commissioner, Service Tax, Kolkata
Finance Act, 1994	Service Tax	2,820,444	2004-2007	Addl. Commissioner, Service Tax
West Bengal Value Added Tax Act, 2003	VAT	13,008,951	2004-2006	West Bengal Appellate and Revisional Board
West Bengal Value Added Tax Act, 2003	VAT	74,525,243	2006-2007	Senior Joint Commissioner Corporate Division, Kolkata
Bihar Finance Act, 1981 Adopted by Govt of Jharkhand	VAT	5,387,227	2003-2004	DCCT Chirkunda
APGST Act, 1957	Sales Tax	416,084	1994-1998	Sales Tax Appellate Tribunal - Hyderabad
OST Act, 1947	Sales Tax	166,333	2003-2004	Asst. Commissioner, Commercial Taxes, Cuttack
WBST Act, 1994	Sales Tax	390,375	2003-2004	Deputy Commissioner, Commercial Taxes, Kolkata
Rajasthan Sales Tax Act, 1994	Sales Tax	132,840	2005-2006	Deputy Commissioner (Appeals), Udaipur
UP Trade Tax Act, 1948	Sales Tax	130,111	2003-2004	Deputy Commissioner (Appeals)
Central Sales Tax Act, 1956	Central Sales Tax	250,901	2005-2006	Senior Joint Commissioner, Sales Tax



## Balance Sheet As At 31.03.2012

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

Particulars	Note No	As at March 31, 2012	As at March 31, 2011
<b>I EQUITY AND LIABILITIES</b>			
1. Shareholders' funds			
(a) Share capital	3	3, 109.38	3, 109.38
(b) Reserves and surplus	4	29, 745.40	23, 521.65
2. Non-current liabilities			
(a) Long-term borrowings	5	3, 590.86	3, 231.12
(b) Deferred tax liabilities (Net)	6	0.00	1, 166.83
(c) Other Long term liabilities	7	33.48	21.57
(d) Long-term provisions	8	5, 132.63	1, 366.63
3. Current liabilities			
(a) Short-term borrowings	9	34, 502.17	21, 555.48
(b) Trade payables	10	76, 806.73	69, 217.61
(c) Other current liabilities	11	62, 633.83	72, 649.56
(d) Short-term provisions	12	2, 321.12	2, 180.32
<b>TOTAL</b>		<b>217, 875.60</b>	<b>198, 020.15</b>
<b>II ASSETS</b>			
1. Non-current assets			
(a) Fixed assets			
(i) Tangible assets	13	11, 424.36	10, 100.42
(ii) Intangible assets	13	271.68	346.31
(iii) Capital work-in-progress		10.80	–
(b) Non-current investments	14	17, 428.82	15, 593.31
(c) Long-term loans and advances	16	1, 300.18	494.54
(d) Other non-current assets	17	–	95.05
2. Current assets			
(a) Current investments	15	7.02	25.00
(b) Inventories	18	6, 342.46	1, 399.64
(c) Trade receivables	19	133, 306.31	126, 675.43
(d) Cash and Bank Balances	20	1, 207.71	3, 210.00
(e) Short-term loans and advances	21	25, 227.32	26, 615.94
(f) Other current assets	22	21, 348.94	13, 464.51
<b>TOTAL</b>		<b>217, 875.60</b>	<b>198, 020.15</b>

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, 1st June, 2012

**Deepak Khaitan** - Executive Chairman  
**Prasanta Kumar Chandra** - Whole Time Director & COO  
**Prabir Ghosh** - Whole Time Director & Group CFO  
**Sukanta Chattopadhyay** - VP Commercial & Company Secretary

## Statement of Profit and Loss For The Year Ended 31.03.2012

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

Particulars	Note No	Year Ended March 31, 2012	Year Ended March 31, 2011
I Revenue from Operation	23	207, 920.31	175, 787.09
II Other Income	24	1, 205.55	1, 438.89
III <b>Total Revenue (I+II)</b>		<b>209, 125.86</b>	<b>177, 225.98</b>
Expenses :			
IV Cost of materials consumed	25	106, 310.48	91, 907.59
Outsourcing expenses to outsiders for job work		52, 922.11	42, 378.76
Employee benefit expenses	26	14, 397.96	12, 116.10
Finance cost	27	6, 280.64	3, 521.75
Depreciation and amortization expenses	13	1, 053.13	832.46
Other expenses	28	20, 307.68	19, 102.81
<b>Total Expenses</b>		<b>201, 272.00</b>	<b>169, 859.47</b>
V Profit before tax (III - IV)		7, 853.86	7, 366.51
VI Tax Expense :			
(1) Current Tax		2, 456.09	2, 345.00
(2) Deferred Tax		(1, 166.83)	230.00
		1, 289.26	2, 575.00
VII Profit for the period (V - VI)		<b>6, 564.60</b>	<b>4, 791.51</b>
VIII Earnings Per Equity Share :[Nominal Value per share : Rs. 10 (2011:Rs. 10)]			
(1) Basic (Rs.)		21.11	15.41
(2) Diluted (Rs.)		21.11	15.41

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, 1st June, 2012

**Deepak Khaitan** - Executive Chairman  
**Prasanta Kumar Chandra** - Whole Time Director & COO  
**Prabir Ghosh** - Whole Time Director & Group CFO  
**Sukanta Chattopadhyay** - VP Commercial & Company Secretary

## Notes to the Financial Statements for the year ended 31.03.2012

### 1 General Information

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

### 2 Summary of significant accounting policies

#### 2.1 Basis of preparation

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

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

#### 2.2 Tangible Assets, Intangible Assets and Depreciation

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

#### 2.3 Borrowing Costs

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

#### 2.4 Impairments

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

#### 2.5 Investments

Investments that are readily realizable and intended to be held for not more than a year are classified as current investments. All other investments are classified as long term investments. Current investments

## Notes to the Financial Statements for the year ended 31.03.2012

are carried at lower of cost and fair value determined on an individual investment basis. Long term investments are carried at cost. However provision for diminution in value is made to recognize a decline other than temporary in the value of investments.

### 2.6 Inventories

Inventories are stated at cost or net realizable value, whichever is lower. Cost is determined on Weighted Average Basis. Cost comprises of expenditure incurred in the normal course of business in bringing such inventories to their location and condition. Obsolete, slow moving and defective stocks are identified at the time of physical verification of stocks and where necessary, provision is made for such stocks.

### 2.7 Foreign currency translation

Transactions in foreign currency are recorded in Rupees by applying the rate of exchange ruling at the time of transactions. Exchange differences arising on the settlement of transactions are recognized as income or as expense in the period in which they arise. Monetary current assets and monetary current liabilities denominated in foreign currency are translated at the exchange rate prevalent at the date of the balance sheet. The resulting difference is also recorded in the Statement of Profit and Loss. Non monetary items at the balance sheet date are stated at historical cost. The Company uses foreign exchange forward contracts to hedge its exposure to movements in foreign exchange rates. The premium or discount arising at the inception of a forward exchange contract is amortised as expense or income over the life of the contract. Any profit or loss arising on cancellation or renewal of such a forward exchange contract is recognized as income or as expense for the period.

### 2.8 Derivative Contracts

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

### 2.9 Revenue Recognition

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

### 2.10 Other Income

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

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

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

### 2.11 Employee Benefits

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



## Notes to the Financial Statements for the year ended 31.03.2012

are recognised in the Statement of profit and loss in the year in which they arise. **Gratuity:** The Company provides gratuity, a defined benefit plan (the 'Gratuity Plan') covering eligible employees in accordance with the Payment of Gratuity Act, 1972. The Gratuity Plan provides a lump sum payment to vested employees at retirement, death, incapacitation or termination of employment, of an amount based on respective employee's salary and the tenure of employment. The Company's liability is provided and funded on the basis of year end Actuarial valuation (using the Projected Unit Credit method). Actuarial losses/gains are recognised in the Statement of Profit and Loss in the year in which they arise. **Superannuation Fund:** The Company operates a superannuation fund scheme for some of its employees towards which the Company contributes upto a maximum of 15% of the employees' current salary, which is charged to the Statement of Profit and Loss. The scheme, which is fully funded, is managed by Trustees and is independent of the Company's finance. **Compensated Absences:** The obligation towards the same is measured at the expected cost of accumulating compensated absences as the additional amount expected to be paid as a result of the unused entitlements as at the year end. The Company's liability is actuarially determined (using the Projected Unit Credit method) at the end of each year. Actuarial loss/gains are recognised in the Statement of Profit and Loss in the year in which they arise. **Post Retirement medical benefit - Accrued liability** towards post employment medical benefits extended to certain categories of employees (Comprising of annual medical insurance premium to cover hospitalization) within a defined monetary limit are evaluated on the basis of actuarial valuation based on Projected Unit Credit (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 comprises current and deferred tax. Current income tax is measured at the amount expected to be paid to the tax authorities in accordance with the Income-tax Act, 1961. Deferred taxes reflect the impact of timing differences between taxable income and accounting income that originate in one period and are capable of reversal in one or more subsequent periods. Deferred tax assets are not recognized unless there is reasonable certainty and virtual certainty in case of unabsorbed loss and depreciation that sufficient future taxable income will be available against which such deferred tax assets can be realized.

### 2.13 Provisions and Contingent Liabilities

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

### 2.14 Leases

As a Lessee :

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

## Notes to the Financial Statements for the year ended 31.03.2012

### 2.15 Cash and Cash Equivalents

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

### 2.16 Earning per share

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

### 2.17 Government Grants

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

### 2.18 Use of Estimates

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

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

	As at March 31, 2012	As at March 31, 2011
<b>3 SHARE CAPITAL</b>		
<b>Authorised :</b>		
4, 00, 00, 000 (March 31, 2011 : 4, 00, 00, 000)	4, 000.00	4, 000.00
Equity Shares of Rs. 10/- each	<u>4, 000.00</u>	<u>4, 000.00</u>
<b>Issued, Subscribed &amp; Paid up :</b>		
3, 10, 93, 818 ( March 31, 2011 : 3, 10, 93, 818)	3, 109.38	3, 109.38
Equity Shares of Rs. 10/- each fully paid up.	<u>3, 109.38</u>	<u>3, 109.38</u>
(a) Reconciliation of Number of Equity Shares :		
There was no movement of share capital during the year.		
(b) Right and restrictions attached to shares :		
Equity Shares: The company has one class of equity shares having a par value of Rs.10 per share. Each shareholder is eligible for one vote per share held. The dividend proposed by the Board of Directors is subject to the approval of the shareholders in the ensuing Annual General Meeting,		

## Notes to the Financial Statements for the year ended 31.03.2012

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

- (c) Shares held by holding company and subsidiary of holding company : The company does not have a holding company.
- (d) Details of shares held by shareholders holding more than 5% of the aggregate shares in the Company

Sl. No.	Name of Equity Shareholders	As at March 31, 2012		As at March 31, 2011	
		No of Shares	% Held	No of Shares	% Held
1.	Williamson Magor & Company Ltd.	3, 179, 748	10.23%	1, 887, 247	6.07%
2.	Mcleod Russel India Ltd.	3, 052, 295	9.82%	3, 052, 295	9.82%
3.	Kotak India Focus Fund	1, 680, 755	5.41%	1, 680, 755	5.41%
4.	Janhit Seva Trust (J/H Sanjay Kumar Pasari & Shyam Sunder Jajodia)	—	—	3, 980, 600	12.80%
5.	IBC Knowledge Park Pvt. Ltd.	—	—	1, 810, 253	5.82%

### 4 RESERVES & SURPLUS

Capital Redemption Reserve	1.00	1.00
Securities Premium Account	8, 460.30	8, 460.30
General Reserve		
Balance at the beginning of the year	1, 425.65	1, 065.65
Add: Transferred from Surplus in Statement of Profit and Loss during the year	165.00	360.00
Balance as at the end of the year	1, 590.65	1, 425.65
Surplus in Statement of Profit and Loss		
Balance as at the beginning of the year	13, 634.70	9, 905.42
Profit for the year	6, 564.60	4, 791.51
	20, 199.30	14, 696.93
Less : Appropriations		
Proposed Dividend on equity shares for the year	310.94	621.88
Dividend Distribution Tax on Proposed Dividend on Equity Shares	29.91	80.35
Transfer to General Reserve	165.00	360.00
Balance at the end of the year	19, 693.45	13, 634.70
Total	29, 745.40	23, 521.65

## Notes to the Financial Statements for the year ended 31.03.2012

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

	As at March 31, 2012	As at March 31, 2011
<b>5 Long Term Borrowings : [Refer Note no 47]</b>		
Secured :		
Term Loan		
From Bank	3,580.50	3,229.13
From Others	10.36	1.99
	<u>3,590.86</u>	<u>3,231.12</u>
<b>6 Deferred Tax Liabilities (Net) :</b>		
Liabilities :		
Difference between written down value of block of assets as per Income tax laws and book written down value of the fixed assets.	1,603.68	1,440.34
Assets :		
Items allowable for tax purposes on payment	(289.40)	(206.41)
Business losses	(1,264.77)	—
Others	(49.51)	(67.10)
	<u>0.00</u>	<u>1,166.83</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		
<b>7 Other Long term liabilities :</b>		
Others	33.48	21.57
	<u>33.48</u>	<u>21.57</u>
<b>8 Long-term provisions :</b>		
Provision for Employee Benefits [Refer Note no 48]		
Provision for Priviledged Leave Encashment	605.48	454.75
Provision for Other Employee Benefits	317.84	211.77
	<u>923.32</u>	<u>666.52</u>
Other Provisions :		
Provision for Lease Rent	356.12	203.50
Provision for Tax [Refer Note no 49]	3,853.19	496.61
	<u>5,132.63</u>	<u>1,366.63</u>

## Notes to the Financial Statements for the year ended 31.03.2012

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

	As at March 31, 2012	As at March 31, 2011
<b>9 Short-term borrowings :</b>		
Secured :		
Loan Repayable on demand :		
From Banks [For security details refer (a) to (m) below]	34,502.17	21,555.48
	<u>34,502.17</u>	<u>21,555.48</u>
(a) <b>Axis Bank</b> (1st pari passu charge basis for the Working Capital limit, except on the current assets charged to BG issuers for Specific Projects, if any, all the stock in trade both present & future consisting stock including raw material, stock in process, finished goods, cash & other current assets & Outstanding monies, receivables, claims & bills etc. 2nd pari passu charge, all the stock in trade both present & future consisting stocks including raw material, stock in process, finished goods, cash & other current assets etc & Outstanding monies, receivables, claims & bills etc. or at any other premises or place pertaining to the current assets charged to BG issuers for Specific Projects, if any.)	2,463.78	6,406.79
(b) <b>Bank of India</b> (First pari passu basis charge on all tangible movable properties, stocks of steel, cement, stones & other infrastructures materials wherever situate or in transit-All the present & future book debts, outstanding, moneys, receivables, claims, bills etc.-All tangible movable machineries & plants (both present & future) or about the borrowers premises & godowns at Various Projects Sites.)	15,186.31	8,557.12
(c) <b>Canara Bank</b> (Entire current assets of the company with other banks in the consortium, except for project related specific assets. The fixed assets of the erstwhile Unit I of the company at Kumardhubi which is presently owned by its subsidiary McNally Sayaji Engineering Ltd excluding vehicles/equipments/ specific assets charged for specific borrower limits along with other banks in the consortium.)	481.11	243.52
(d) <b>ICICI Bank</b> (First pari passu charge by way of hypothecation of on the current assets of the company in a form and manner satisfactory to the Bank, ranking pari passu with other participating banks, if any, more particularly described in the Schedule to the Deed of Hypothecation.)	1,427.94	3,153.60
(e) <b>IDBI Bank</b> (First charge on the current assets of the company at par with other consortium bankers.)	3,031.20	1,437.48
(f) <b>Indian Overseas Bank</b> (First charge on the current assets of the Company on pari passu basis with other consortium member Banks. Documents to title of goods, accepts Hundies/Draft of relative merchandise procured under Letter of Credit/Letter of Guarantee related debtors. Pari passu 1st charge on the fixed assets at Kumardhubi, Jharkhand.)	595.15	(0.49)

## Notes to the Financial Statements for the year ended 31.03.2012

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

	As at March 31, 2012	As at March 31, 2011
(g) <b>ING Vysya Bank</b> (Entire current assets of the company with other banks in the consortium, except for project related specific assets. The fixed assets of the erstwhile Unit I of the company at Kumardhubi which is presently owned by its subsidiary McNally Sayaji Engineering Ltd excluding vehicles/equipments/specific assets charged for specific borrower limits along with other banks in the consortium.)	335.49	9.16
(h) <b>Karur Vysya Bank</b> (First pari passu charge on entire current asset including stock of RM, Semi Finished goods, plant & machinery, articles, consumables, stores & spares and components or other similar movable property, book debts, outstanding monies, receivables, claims, bills, rights, etc. both present & future inclusive of proposed projects on pari passu basis with other WC lender.)	3,985.70	1,489.68
(i) <b>Oriental Bank of Commerce</b> (Hypothecation of stocks of raw materials, stocks in process, finished goods, stores & spares and receivables on pari passu basis with consortium member bank)	392.81	3.92
(ii) <b>Punjab National Bank</b> (Hypothecation of Stock of raw materials, stock in process, finished goods lying at Company's premises or site situated all over India and book debts (present & future) excluding advance payment or progress payment made by the company. The charge will be on pari passu basis with the consortium banks.)	66.33	—
(k) <b>State Bank of India</b> (First charge on entire moveable fixed assets pertaining to Kumardhubi Unit-1 of the Company viz. Plant & machineries, Stores and spares of plant and machineries, furniture, office equipments installed at the factory premises, lying loose or cases at godown, stores or elsewhere to the extent of Rs 31.12 crores in favour of State Bank of India on pari passu basis with other existing working capital lenders of MBE to secure working capital credit facilities of Rs 650 crore granted by SBI. First pari passu charge of hypothecation of RMs, SIP, FGs, Spares, Stores, Consumables, receivables and other current assets with other banks in the consortium).	4,683.95	256.19
(l) <b>Union Bank</b> (Pari passu first charge on the entire current assets viz. stocks of raw materials, WIP, semi finished & finished goods, stores & spares etc. and entire receivables of the Company with working capital lenders, both present as well as future to the extent of the Overall limit of Rs. 40.00 Crores together with interest, commission & other charges..Counter Indemnity of the Company.)	1,491.97	1.04

## Notes to the Financial Statements for the year ended 31.03.2012

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

	As at March 31, 2012	As at March 31, 2011
(m) <b>United Bank of India</b> (First pari-passu charge on stocks, job-in-progress, receivables and other current assets of the company, both present and future with other working capital lenders. Additional: First charge ranking pari passu with other working capital lending banks on fixed assets at Kumardhubi factory of the company.)	360.43	(2.53)
	<u>34,502.17</u>	<u>21,555.48</u>
<b>10 Trade payables :</b>		
Acceptances	6,451.24	5,711.25
Trade Creditors [Refer Note no 30]	70,355.49	63,506.36
	<u>76,806.73</u>	<u>69,217.61</u>
<b>11 Other current liabilities :</b>		
Current Maturities of Long Term Debt [Refer Note 47]	5,498.58	4,064.89
Interest Accrued but not due on borrowings	120.78	8.77
Unpaid Dividends [ Refer note (a) below]	18.79	18.75
Advances from Customers	26,394.22	30,310.53
Employee Benefits payable	1,065.94	67.37
Security Deposits	41.42	46.53
Due to Customers [Refer Note (b) below]	24,333.84	33,232.90
Creditors for Purchase of Fixed Assets	784.80	531.93
Others Payable	4,375.46	4,367.89
	<u>62,633.83</u>	<u>72,649.56</u>
(a) There is no amount due for payment to the Investor Education and Protection Fund under section 205C of the Companies Act, 1956 as at the year end.		
(b) Excess of Actual billing over cost incurred and profit /loss recognised.		
<b>12 Short-term provisions :</b>		
Provision for Employee Benefits : [Refer Note no 48]		
Provision for Gratuity	245.80	199.49
Provision for Priviledged Leave Encashment	40.68	44.31
Provision for Other Employee Benefits	34.93	37.43
	<u>321.41</u>	<u>281.23</u>
Other Provisions :		
Provision for Tax [Refer Note no 49]	1,658.86	1,196.87
Provision for Proposed Dividend	310.94	621.87
Provision for Corporate Dividend Tax	29.91	80.35
	<u>2,321.12</u>	<u>2,180.32</u>

## Notes to the Financial Statements for the year ended 31.03.2012

### 13 Fixed Assets :

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

Particulars	Gross Block			Depreciation/Amortization			Net Block	
	April 1, 2011	Addition	Disposal	March 31, 2012	For the year April 1, 2011	Disposal	March 31, 2012	March 31, 2011
<b>Tangible Assets :</b>								
Plant & Equipment	9,919.99	1,966.93	-	11,886.92	1,345.95	-	9,846.21	8,574.04
Furniture & Fixtures	898.57	34.30	-	932.87	109.08	-	767.70	789.49
Vehicles	101.36	80.73	32.17	149.92	14.31	3.97	127.06	87.05
Office Equipment	419.87	55.68	-	475.55	34.25	-	420.39	385.62
Refrigerators & Air Conditioners	245.81	14.23	9.25	250.79	26.64	3.63	215.58	219.17
Telephone Plant	48.84	4.84	-	53.68	3.79	-	47.42	45.05
(A)	11,634.44	2,156.71	41.42	13,749.73	1,534.02	7.60	11,424.36	10,100.42
<b>Intangible Assets :</b>								
Computer Software (Other than internally generated)	936.41	179.55	-	1,115.96	590.10	-	271.68	346.31
(B)	936.41	179.55	-	1,115.96	590.10	-	271.68	346.31
<b>Total</b>	12,570.85	2,336.26	41.42	14,865.69	2,124.12	7.60	11,696.04	10,446.73
March 31, 2011	10,048.38	3,274.67	752.20	12,570.85	1,306.07	14.41	10,446.73	



## Notes to the Financial Statements for the year ended 31.03.2012

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

	As at March 31, 2012	As at March 31, 2011
<b>14 Non-current investments :</b>		
Trade Investments (Valued at Cost)		
(a) Quoted Equity Instruments		
Investment in Subsidiaries		
63, 29, 698 ( March 31, 2011 - 63, 29, 698) Equity Shares of Rs. 10 each fully paid up in McNally Sayaji Engineering Limited*	14,556.71	14,556.71
(b) Unquoted Equity Instruments		
Investment in Subsidiaries		
NIL (March 31, 2011-99%) Shares fully paid up in EWB-MBE International Kornyezetvedelmi Kft. Hungary	–	74.27
2, 80, 548 (March 31, 2011-2, 80, 548) Equity shares in MBE Mineral Technologies Pte Ltd (Formerly MBE Holding Pte Ltd) of 10 Singapore Dollar each fully paid.	930.70	930.70
99, 400 (March 31, 2011-99, 400) Equity Shares of Rs. 10 each fully paid in McNally Bharat Equipments Limited	9.94	9.94
99, 400 (March 31, 2011-99, 400) Equity Shares of Rs. 10 each fully paid in McNally Bharat Infrastructure Limited	9.94	9.94
4, 99, 99, 996 (March 31, 2011-100%) Equity Shares in MBE Minerals Zambia Ltd. of ZMK 1 each fully paid	4.69	4.69
3, 49, 322 Equity Shares in MBE Coal & Mineral Technology India Pvt. Ltd. of Rs 10 each fully paid	1,909.78	–
(c ) Unquoted Equity Instruments		
24, 970 (March 31, 2011 - 24, 970) Equity Shares of Rs. 10 each fully paid in Jayamkondam Lignite Power Corporation Limited	2.50	2.50
Other Than Trade Investments (Valued at cost unless otherwise stated)		
(a) Quoted Equity Instruments		
10, 960 (March 31, 2011 - 10, 960) Equity Shares of Rs. 5 each fully paid up in Eveready Industries India Ltd.	2.28	2.28
10, 960 (March 31, 2011 - 10, 960) Equity Shares of Rs. 5 each fully paid up in Mcleod Russel India Ltd.	2.28	2.28
	<b>17,428.82</b>	<b>15,593.31</b>
Aggregate amount of quoted Investments	14,561.28	14,561.28
Market value of quoted investments	11,797.66	11,798.36
Aggregate amount of unquoted Investments	2,867.54	1,032.03
Aggregate provision for diminution in value of investments	–	–

\* The market value of the shares in McNally Sayaji Engineering Limited (MSEL) is based on the price as per preferential allotment made during 2009-10 by MSEL as there was no trading in such shares since then.

## Notes to the Financial Statements for the year ended 31.03.2012

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

	As at March 31, 2012	As at March 31, 2011
<b>15 Current investments :</b>		
(a) Mutual Funds (Unquoted) :		
Investment in 383.925 (March 31, 2011-1, 43, 059.06 Units) of IDFC Liquid Fund-Growth (Valued at cost)	7.02	25.00
	<u>7.02</u>	<u>25.00</u>
Aggregate amount of unquoted Investments	7.02	25.00
<b>16 Long-term loans and advances :</b>		
Unsecured Considered Good (Unless otherwise stated):		
Capital Advances	33.85	—
Security Deposits	120.08	120.08
Other Loans and Advances		
Balances with Government Authorities	0.46	0.46
Others	1,145.79	374.00
	<u>1,300.18</u>	<u>494.54</u>
<b>17 Other non-current assets :</b>		
Long term trade recivables:		
Unsecured Considered Good	—	23.76
Others :		
Long term deposits with banks	—	27.58
Margin Money Deposit	—	43.71
	<u>—</u>	<u>95.05</u>
<b>18 Inventories :</b>		
Raw Materials	6,342.21	1,399.39
Loose Tools	0.25	0.25
	<u>6,342.46</u>	<u>1,399.64</u>
<b>19 Trade receivables :</b>		
Unsecured - Considered Good		
Outstanding for a period exceeding six months from the date they are due for payment [Refer note (a)]	16,942.88	15,434.35
Other Debts	116,363.43	111,241.08
	<u>133,306.31</u>	<u>126,675.43</u>
Less: Provision for doubtful debts	—	—
	<u>133,306.31</u>	<u>126,675.43</u>
(a) Trade receivable includes receivable from subsidiary companies by Rs. 619.56 Lacs (Rs. 831.03 Lacs in March 31, 2011)		

## Notes to the Financial Statements for the year ended 31.03.2012

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

	As at March 31, 2012	As at March 31, 2011
<b>20 Cash and Bank Balances :</b>		
Cash & Cash Equivalents		
Cash on Hand	72.56	54.08
Cheques on Hand	25.66	37.04
Remittance in Transit	–	17.72
Bank Balances		
Bank Balances in Current Account	1,013.10	3,081.80
Demand Deposits (Less than 3 months maturity)	33.88	–
Other Bank Balances		
Long term deposits with maturity more than 3 months but less than 12 months	9.77	–
Margin Money Deposit	33.33	–
Unpaid Dividend Account	19.41	19.36
	<u>1,207.71</u>	<u>3,210.00</u>
<b>21 Short-term loans and advances :</b>		
Unsecured considered good		
Loans & Advance to Subsidiaries	4,673.18	4,766.07
Other Loans & Advances		
Income Tax Refund Receivable	1,893.27	374.28
Balance with Statutory / Govt Authorities	5,192.21	6,596.89
Security Deposits	175.37	155.30
Prepaid Expenses	100.28	182.16
Advance to Supplier & Others	13,132.68	14,475.11
Employee Advance	60.33	66.13
	<u>25,227.32</u>	<u>26,615.94</u>
<b>22 Other Current Assets :</b>		
Unsecured Considered good :		
Due from Customers [ Refer note (a)]	21,194.66	13,795.52
Unamortised Expenses :		
Current portion of Foreign Currency Monetary item translation difference account	154.28	(331.01)
	<u>21,348.94</u>	<u>13,464.51</u>
(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 31.03.2012

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

	Year Ended March 31, 2012	Year Ended March 31, 2011
<b>23 Revenue from Operation :</b>		
Sale of Equipments & Contract Revenue	207,393.60	175,413.64
Other Operating Revenue :		
Duty Drawback	43.76	12.15
Sale of Scrap	482.95	335.39
Misc. Income -Discount Received	—	25.91
	<u>207,920.31</u>	<u>175,787.09</u>
<b>24 Other Income :</b>		
Interest Income	251.51	60.56
Dividend Income		
From Long Term Investments Other than trade	0.60	0.49
From Subsidiaries	126.59	126.59
Net Gain on sale of Investment		
Long term Trade investment	58.44	—
Current Investment	2.02	39.81
Foreign Currency Translation Gain [Refer note (a)]	482.22	478.39
Service Charges (Gross)	196.47	429.42
Miscellaneous Income	87.70	303.63
	<u>1,205.55</u>	<u>1,438.89</u>
(a) Foreign currency translation gain includes loss on foreign currency transaction and translation (other than considered in finance cost)	<u>207.88</u>	<u>—</u>
<b>25 Cost of Materials Consumed :</b>		
Raw Material Consumed		
Opening Inventory	1,399.38	2,636.97
Add : Purchases	31,615.65	28,555.87
Less : Inventory at the end of the year	6,342.21	1,399.38
Cost of Raw Materials consumed during the year	26,672.82	29,793.46
Consumption of bought out Components and related Spare	79,637.66	62,114.13
	<u>106,310.48</u>	<u>91,907.59</u>

## Notes to the Financial Statements for the year ended 31.03.2012

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

	Year Ended March 31, 2012	Year Ended March 31, 2011
<b>26 Employee Benefit Expenses : [Refer Note no 46]</b>		
Salaries, Wages & Bonus	12,654.77	10,563.33
Contribution to Provident Fund	407.02	348.31
Contribution to Super Annuation Fund	18.55	18.89
Contribution to Gratuity Fund	139.56	178.10
Workmen and Staff Welfare Expenses	1,178.06	1,007.47
	<u>14,397.96</u>	<u>12,116.10</u>
<b>27 Finance Cost :</b>		
Interest Expense	5,864.81	3,470.10
Other Borrowing Costs	120.28	51.65
Net Loss on foreign currency transactions and translation	295.55	-
	<u>6,280.64</u>	<u>3,521.75</u>
<b>28 Other Expenses :</b>		
Consumption of Stores & Spare Parts	0.02	0.40
Power & Fuel	1,198.24	893.34
Rent	1,229.61	1,057.14
Repairs to Buildings	17.63	0.23
Repairs to Machinery	85.16	51.50
Insurance	471.41	360.94
Payment to Auditors :		
As Auditors :		
Audit Fees	28.00	20.00
Other Fees	24.94	29.50
For Other Services	-	3.00
For reimbursement of expenses	0.28	0.39
Director Fees	17.20	22.40
Rates & Taxes	437.42	308.26
Cartage & Freight	5,847.46	5,978.61
Bank Charges	2,303.75	2,112.34
Professional Services	3,254.81	3,093.66
Travelling	2,600.83	2,049.29
Miscellaneous Expenses	2,790.92	3,121.81
	<u>20,307.68</u>	<u>19,102.81</u>

## Notes to the Financial Statements for the year ended 31.03.2012

- 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.

## Notes to the Financial Statements for the year ended 31.03.2012

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

	As at March 31, 2012	As at March 31, 2011
<b>32 Contingent Liabilities</b>		
(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	129
(ii) Sales Tax/VAT matters pending in appeal relating to disputes regarding assessable value and exemptions claimed	944	980
(iii) Service Tax Matters pending in appeal relating to issues of applicability	72	3,004
(iv) Corporate guarantees given in favour of Subsidiary Companies	29,070	28,814
(v) Other guarantees given	3,200	3,200
(vi) Standby letter of credit	4,860	4,236
(vii) Liquidated damages relating to contract sales	Amount not readily ascertainable	Amount not readily ascertainable
The probable cash outflow in respect of the above matters is not determinable at this stage		
<b>33 Capital Commitments</b>		
Estimated value of contracts in capital account remaining to be executed	556.80	—
<b>34 Proposed Dividend</b>		
On Equity Shares of Rs. 10 each		
Amount of Dividend Proposed	310.94	621.88
Dividend on per Equity Share	Re. 1 per share	Rs. 2 per share
	Year ended March 31, 2012	Year ended March 31, 2011
<b>35 CIF Value of Imports</b>		
Components, Spare Parts and Stores	6,030.68	1,811.73
Capital Goods	6.66	—
	6,037.34	1,811.73
<b>36 Expenditure in Foreign Currency</b>		
Travelling	244.73	116.28
Professional and consultation fees	548.34	395.49
Others	80.49	94.28
	873.56	606.05



## Notes to the Financial Statements for the year ended 31.03.2012

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

	Year ended March 31, 2012	Year ended March 31, 2011
<b>37 Value of imported and indigenous materials consumed</b>		
Raw Materials (Value)		
Imported	—	—
Indegeneous	26,672.82	29,793.46
	<u>26,672.82</u>	<u>29,793.46</u>
Raw Materials (%)		
Imported	0.00%	0.00%
Indegeneous	100.00%	100.00%
	<u>100.00%</u>	<u>100.00%</u>
Components and related spares (Value)		
Imported	6,030.18	1,811.73
Indegeneous	73,607.48	60,302.40
	<u>79,637.66</u>	<u>62,114.13</u>
Components and related spares (%)		
Imported	7.57%	2.92%
Indegeneous	92.43%	97.08%
	<u>100.00%</u>	<u>100.00%</u>
Stores and Spare Parts (Value)		
Imported	—	—
Indegeneous	0.02	0.40
	<u>0.02</u>	<u>0.40</u>
Stores and Spare Parts (%)		
Imported	0.00%	0.00%
Indegeneous	100.00%	100.00%
	<u>100.00%</u>	<u>100.00%</u>
<b>38 Details of Raw Materials Consumed</b>		
Steel	22,298.74	26,870.40
Cement and Others	4,374.08	2,923.06
	<u>26,672.82</u>	<u>29,793.46</u>

## Notes to the Financial Statements for the year ended 31.03.2012

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

	As at March 31, 2012	As at March 31, 2011
<b>39 Dividend remitted in foreign currency</b>		
Dividend paid during the year	3.79	2.84
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	2010-11	2009-10
<b>40 Earnings in foreign currency</b>		
Sale of Contracts	9,280.39	8,989.06
	<u>9,280.39</u>	<u>8,989.06</u>
<b>41 Earnings per share</b>		
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 available for equity shareholders.	6,564.60	4,791.51
Face Value of Each Equity Share (Rs.)	10.00	10.00
Earnings Per Share - Basic (Rs.)	21.11	15.41
Earnings Per Share - Diluted (Rs.)	21.11	15.41

## Notes to the Financial Statements for the year ended 31.03.2012

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

	As at March 31, 2012	As at March 31, 2011
<b>42 Other Disclosure</b>		
<b>Investments</b>		
The following table includes the classification of investments in accordance with AS 13:		
Accounting for Investments		
<b>Current Investments</b>		
Investment in 383.925 (March 31, 2011-1, 43, 059.06 Units) of IDFC Liquid Fund-Growth (Valued at cost)	7.02	25.00
Total Current Investments	<u>7.02</u>	<u>25.00</u>
<b>Long Term Investments</b>		
63, 29, 698 ( March 31, 2011 - 63, 29, 698) Equity Shares of Rs. 10 each fully paid up in McNally Sayaji Engineering Limited	14,556.71	14,556.71
NIL (March 31, 2011-99%) Shares fully paid up in EWB-MBE International Kornyezetvedelmi Kft. Hungary	–	74.27
2, 80, 548 (March 31, 2011-2, 80, 548) Equity shares in MBE Mineral Technologies Pte Ltd (Formerly MBE Holding Pte Ltd) of 10 Singapore Dollar each fully paid.	930.70	930.70
99, 400 (March 31, 2011-99, 400) Equity Shares of Rs. 10 each fully paid in McNally Bharat Equipments Limited	9.94	9.94
99, 400 (March 31, 2011-99, 400) Equity Shares of Rs. 10 each fully paid in McNally Bharat Infrastructure Limited	9.94	9.94
4, 99, 99, 996 (2010-11-100%) Equity Shares in MBE Minerals Zambia Ltd. of ZMK 1 each fully paid	4.69	4.69
3, 49, 322 Equity Shares in MBE Coal & Mineral Technology India Pvt. Ltd. Of Rs 10 each fully paid	1,909.78	–
10, 960 (March 31, 2011 - 10, 960) Equity Shares of Rs. 5 each fully paid up in Eveready Industries India Ltd.	2.28	2.28
10, 960 (March 31, 2011 - 10, 960) Equity Shares of Rs. 5 each fully paid up in Mcleod Russel India Ltd.	2.28	2.28
24, 970 (March 31, 2011 - 24, 970) Equity Shares of Rs. 10 each fully paid in Jayamkondam Lignite Power Corporation Limited	2.50	2.50
Total Long Term Investments	<u>17,428.82</u>	<u>15,593.31</u>
Total Investments (Current and Long Term)	<u>17,435.84</u>	<u>15,618.31</u>
<b>Disclosure under :</b>		
Non Current Investments (Refer note 14)	17,428.82	15,593.31
Current Investments (Refer note 15)	7.02	25.00
<b>Total</b>	<u>17,435.84</u>	<u>15,618.31</u>

## Notes to the Financial Statements for the year ended 31.03.2012

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

	As at March 31, 2012	As at March 31, 2011
<b>43 Information in accordance with AS-7 Construction Contracts, in respect of Contracts in progress as at year end date</b>		
Contract costs incurred	623,744.13	434,401.02
Add: Recognised profits net of recognised losses	52,400.52	37,666.40
Contract Revenues	676,144.65	472,067.42
Progress billing	679,283.82	491,504.80
Unbilled revenue (Net)	(3,139.17)	(19,437.38)
Due from customers	21,194.66	13,795.52
Due to customers	24,333.84	33,232.90
Advance payments received	26,232.57	30,127.04
Amount of retentions	70,202.65	55,252.58

### 44 Related party disclosures

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

(a) Subsidiaries of the Company :

- (i) MBE Coal & Minerals Technologies India Pvt. Ltd. (formerly Humbolt Wedag Minerals India Pvt. Ltd.)
- (ii) McNally Sayaji Engineering Limited ( MSEL )
- (iii) McNally Bharat Equipments Limited (MBEL)
- (iv) McNally Bharat Infrastructure Limited (MBIL)
- (v) MBE Mineral Technologies Pte Limited (formerly MBE Holdings Pte Limited)
- (vi) MBE Minerals Zambia Ltd

(b) Subsidiaries of MBE Mineral Technologies Pte Limited

- (i) MBE Coal & Minerals Technologies GmbH
- (ii) EWB Kornyezetvedelmi Limited
- (iii) MBE Cologne Engineering GmbH
- (iv) MBE Minerals ( S.A.) (Proprietary) Limited
- Subsidiaries of MBE Coal & Mineral Technologies GmbH:
- (v) MBE Mineral Processing Technology (Beijing) Co.Ltd .
- (vi) MBE Mineral Processing of Brazil LTDA
- (vii) PT MBE Coal & Minerals Technology, Indonesia

(c ) 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 31.03.2012

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

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

Description	MBE Coal & Mineral Technologies India Pvt.Ltd	MBE Mineral Technologies Pte Ltd., Singapore	MBE Cologne Engineering GmbH	MBE Coal & Mineral Technologies GmbH	MBE EWB Technologiai Kft, Hungary	McNally Soyaji Engineering Limited	McNally Bharat Equipment Limited	McNally Bharat Infrastructure Limited	MBE Minerals Zambia Limited	PT MBE Coal & Mineral Technologies, Indonesia	MBE Minerals (SA) Proprietary Ltd.
Purchase of Materials and components	43.80 (-)	- (-)	- (-)	- (2.48)	- (-)	8,592.53 (11,833.74)	- (-)	- (-)	- (-)	- (-)	- (-)
Rendering of services	140.76 (31.96)	- (-)	- (6.19)	66.23 (24.18)	- (-)	483.37 (402.72)	- (-)	- (-)	- (-)	- (-)	- (-)
Purchase of services	- (-)	- (-)	- (-)	45.79 (-)	24.34 (10.60)	- (-)	- (-)	322.57 (337.42)	- (-)	- (-)	- (-)
Sale of goods / contracts	158.50 (246.15)	- (-)	- (-)	- (-)	- (-)	- (181.53)	- (-)	- (-)	- (-)	- (-)	- (-)
Bank Charges Reimbursed	5.14 (-)	- (-)	(8.70)	(18.40)	- (-)	- (-)	- (-)	- (-)	- (-)	- (-)	- (-)
Rent paid	- (-)	- (-)	- (-)	- (-)	- (-)	78.00 (72.09)	- (-)	- (-)	- (-)	- (-)	- (-)
Sale of Investment	- (-)	127.89 (-)	- (-)	- (-)	- (-)	- (77.74)	- (-)	- (-)	- (-)	- (-)	- (-)
Loan Given	- (200.00)	0.50 (1,183.66)	- (-)	- (-)	- (-)	- (-)	- (-)	(250.00)	- (-)	- (-)	- (-)
Loans repaid	- (200.00)	- (-)	- (-)	- (-)	- (-)	- (-)	- (-)	- (-)	- (-)	- (-)	- (-)
Guarantee given	- (5,500.00)	- (4,904.90)	- (-)	3,075.31 (1,264.80)	- (-)	- (3,567.20)	- (-)	- (-)	- (-)	- (-)	- (-)
Guarantee Charges received	1.99 (-)	- (-)	11.88 (-)	76.97 (-)	- (-)	- (-)	- (-)	- (-)	- (-)	- (-)	- (-)
Guarantee received	- (-)	- (-)	- (-)	- (-)	- (-)	3,112.00 (-)	- (-)	- (-)	- (-)	- (-)	- (-)
Standby Letter of Credit given	- (-)	- (-)	- (-)	- (-)	- (-)	- (-)	- (-)	- (-)	- (-)	- (-)	- (-)
Dividend income	- (-)	- (-)	- (-)	- (-)	- (-)	126.59 (126.59)	- (-)	- (-)	- (-)	- (-)	- (-)
Advance against equity	- (-)	- (-)	- (-)	- (-)	- (-)	- (-)	- (-)	- (-)	- (-)	- (-)	- (-)
Investments	- (-)	1,918.37 (-)	- (-)	- (-)	- (-)	- (-)	- (-)	- (-)	- (-)	- (-)	- (-)
Interest received on loan	- (5.66)	- (-)	- (-)	- (-)	- (-)	- (-)	- (-)	- (-)	- (-)	- (-)	- (-)
Share capital subscribed	- (-)	- (-)	- (-)	- (-)	- (-)	- (-)	- (-)	- (-)	(4.69)	- (-)	- (-)

## Notes to the Financial Statements for the year ended 31.03.2012

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

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

Description	MBE Coal & Mineral Technologies India Pvt.Ltd	MBE Mineral Technologies Pte Ltd., Singapore	MBE Cologne Engineering GmbH	MBE Coal & Mineral Technologies GmbH	MBE EWB Technologiai Kft, Hungary	McNally Soyaji Engineering Limited	McNally Bharat Equipments Limited	McNally Bharat Infrastructure Limited	MBE Minerals Zambia Limited	PT MBE Coal & Mineral Technologies, Indonesia	MBE Minerals (SA) Proprietary Ltd.
Other Items	-	-	-	-	-	-	-	-	101.13	49.68	-
Balances Outstanding as at 31.03.12	(-)	(-)	(-)	(-)	(-)	(-)	(-)	(-)	(-)	(-)	(-)
Outstanding balance of advance given	-	-	-	-	-	-	1.00	186.25	468.83	-	-
Investments Outstanding	(-)	(1,183.66)	(-)	(-)	(-)	(-)	(-)	(513.87)	(9.98)	(-)	(-)
Outstanding on account of Standby Letter of Credit given	1,909.78	930.69	-	-	-	14,556.71	9.94	9.94	4.69	-	-
Guarantees Outstanding	(-)	(930.69)	(-)	(-)	(74.27)	(14,556.71)	(9.94)	(9.94)	(4.69)	(-)	(-)
Interest Receivable	-	4,859.86	-	-	-	-	-	-	-	-	-
	(-)	(4236.05)	(-)	(-)	(-)	(-)	(-)	(-)	(-)	(-)	(-)
Outstanding receivable for supply of services	5,700.00	14,835.39	-	4,442.12	-	4,092.52	-	-	-	-	-
	(5,700.00)	(14,268.80)	(632.40)	(2,845.80)	(-)	(3,567.20)	(-)	(-)	(-)	(-)	(-)
Outstanding payables	-	-	-	-	-	-	-	-	-	-	-
	(0.45)	(-)	(-)	(-)	(-)	(-)	(-)	(-)	(-)	(-)	(-)
Outstanding Receivables	444.21	-	-	-	-	175.35	-	-	-	-	-
	(212.33)	(-)	(-)	(-)	(-)	(282.76)	(-)	(-)	(-)	(-)	(-)
Outstanding payable for materials and components	-	1,909.78	-	-	-	1,364.76	-	-	-	-	-
	(-)	(-)	(-)	(-)	(-)	(-)	(-)	(-)	(-)	(-)	(-)
Advances Received	-	1,231.91	-	-	-	-	-	250.00	-	-	-
	(-)	(-)	(-)	(-)	(-)	(-)	(-)	(-)	(-)	(-)	(-)
	38.68	-	-	(2.41)	-	2,544.17	-	(202.71)	(17.39)	-	-
	(6.83)	(-)	(-)	(-)	(-)	(6,926.00)	(-)	(-)	(-)	(-)	(-)
	-	-	-	-	-	-	-	-	118.34	12.81	8.00
	(-)	(-)	(-)	(-)	(-)	(-)	(-)	(-)	(17.15)	(-)	(-)

Figures in bracket are for the year ended 31st March, 2011

## Notes to the Financial Statements for the year ended 31.03.2012

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

	As at March 31, 2012	As at March 31, 2011
(II) Relating to parties referred in (c ) above		
Remuneration Paid		
Mr. Deepak Khaitan	176.45	—
Mr. Srinivash Singh	—	32.19
Mr. Prasanta Kumar Chandra	138.02	19.42
Mr. Prabir Ghosh	139.31	—
Compensation for loss of office		
Mr. Srinivash Singh	—	286.03
Leave encashment		
Mr. Srinivash Singh	—	92.02
Dividend Paid	0.04	0.02

### 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	495.48
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 31.03.2012

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

As at  
March 31, 2012      As at  
March 31, 2011

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### 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	484.63	352.64
(b) Current Service Cost	118.43	102.20
(c) Interest Cost	43.84	35.58
(d) Actuarial (Gains)/Losses	2.95	61.27
(e) Benefits Paid	(38.42)	(67.06)
(f) Present Value of Obligation at the end of the year	611.43	484.63

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

(a) Fair Value of Plan Assets at the beginning of the year	285.15	219.66
(b) Expected Return on Plan Assets	26.03	21.45
(c) Actuarial Gains/(Losses)	(0.37)	(0.50)
(d) Contributions by employer	93.24	111.60
(e) (Benefits paid)	(38.42)	(67.06)
(f) Fair Value of Plan Assets at the end of the year	365.63	285.15

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

	2011-12	2010-11	2009-10	2008-09	2007-08
(a) Present Value of Obligation as at the end of the year	611.43	484.63	352.64	198.97	407.46
(b) Fair Value of Plan Assets as at the end of the year	365.63	285.15	219.66	165.78	303.09
(c) Liabilities recognized in the Balance Sheet	(245.80)	(199.49)	(132.97)	(33.19)	(104.37)
(d) Experience (Gain)/loss adjustments on plan liabilities	2.95	61.27	65.11	17.89	Not Available
(e) Experience Gain/(loss) adjustments on plan assets	(0.37)	(0.50)	(0.49)	(0.59)	Not Available

## Notes to the Financial Statements for the year ended 31.03.2012

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

	As at March 31, 2012	As at March 31, 2011
<b>(iv) Expense recognised in the Statement of Profit and Loss</b>		
(a) Current Service Cost	118.43	102.20
(b) Interest Cost	43.84	35.58
(c) (Expected Return on Plan Assets)	(26.03)	(21.45)
(d) Actuarial (Gains)/Losses on defined benefit Obligation	2.95	61.27
(e) Actuarial Losses/(Gains) on plan Assets	0.37	0.50
(f) Total Expense recognized and included	<u>139.56</u>	<u>178.10</u>
<b>(v) Percentage of each Category of Plan Assets to total Fair Value of Plan Assets</b>		
(a) Fund with Life Insurance Corporation of India (LIC) (break-up by investment type is not available from LIC).	99.90	99.71
(b) Balance with Bank	0.10	0.29
<b>Total</b>	<u>100.00</u>	<u>100.00</u>
<b>(vi) Actual Return on Plan Assets</b>	<u>26.45</u>	

### B. Leave Encashment (Unfunded)

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

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

(a) Present Value of Obligation at the beginning of the year	499.06	413.55
(b) Current Service Cost	63.10	41.72
(c) Interest Cost	45.81	36.50
(d) Actuarial (Gains)/Losses	126.77	182.07
(e) Benefits Paid	(88.58)	(174.78)
(f) Present Value of Obligation at the end of the year	<u>646.16</u>	<u>499.06</u>

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

	2011-12	2010-11	2009-10	2008-09	2007-08
(a) Present Value of Obligation as at the end of the year	646.16	499.06	413.55	244.29	230.31
(b) Fair Value of Plan Assets as at the end of the year	—	—	—	—	—
(c) Liabilities recognized in the Balance Sheet	(646.16)	(499.06)	(413.55)	(244.29)	(230.31)
(d) Experience Gain/(loss) adjustments on plan liabilities	126.77	182.07	131.83	59.96	Not Available

## Notes to the Financial Statements for the year ended 31.03.2012

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

	As at March 31, 2012	As at March 31, 2011
<b>(iii) Expense recognised in the Statement of Profit and Loss</b>		
(a) Current Service Cost	63.10	41.72
(b) Interest Cost	45.81	36.50
(c) Actuarial (Gains)/Losses	126.77	182.07
(d) Total Expense recognized	<u>235.68</u>	<u>260.29</u>

### C. Sick Leave (Unfunded)

The Company allows employees to accumulate and carry forward sick leave days earned. Sick leave is not encashable.

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

(a) Present Value of Obligation at the beginning of the year	222.49	162.81
(b) Current Service Cost	35.15	45.09
(c) Interest Cost	22.04	15.41
(d) Actuarial (Gains)/Losses	48.84	(0.82)
(e) Present Value of Obligation at the end of the year	<u>328.52</u>	<u>222.49</u>

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

	2011-12	2010-11
(a) Present Value of Obligation as at the end of the year	328.50	222.49
(b) Fair Value of Plan Assets as at the end of the year	—	—
(c) Liabilities recognized in the Balance Sheet	(328.50)	(222.49)
(d) Experience Gain/(loss) adjustments on plan liabilities	(48.84)	0.82

#### (iii) Expense recognised in the Statement of Profit and Loss

(a) Current Service Cost	35.15	45.09
(b) Interest Cost	22.04	15.41
(c) Actuarial (Gains)/Losses	48.84	(0.82)
(d) Total Expense recognized	<u>106.03</u>	<u>59.68</u>

### D. Principal Actuarial Assumptions made by the actuary for valuation of the above mentioned employee benefits

	As at 31.03.2012	As at 31.03.2011
(a) Discount Rate ( Per annum )	7.50%	7.50%
(b) Expected Rate of Return on Plan Assets ( Per annum )	8.50%	8.50%
(c) Rate of Salary Increase (Per annum)	7.50%	7.50%
(d) Mortality Rate	In accordance with standard table LIC (1994-96) ultimate	In accordance with standard table LIC (1994-96) ultimate

## Notes to the Financial Statements for the year ended 31.03.2012

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

	As at March 31, 2012	As at March 31, 2011
--	-------------------------	-------------------------

- E** 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.
- F** 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.
- G** **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, 2012, in respect of interest rate guarantee .  
 Current year is the first year of actuarial valuation being done for the provident fund schemes administered through the Trusts , in view of the issuance of the Guidance Note by the Institute of Actuaries of India, hence previous years figures are not disclosed.
- H** Disclosures included are limited to the extent of disclosures provided by the actuary
- I** Company's best estimate of contribution expected to be paid to the Funds in the next year

Gratuity Fund	112.44
Provident Fund	397.91

## Notes to the Financial Statements for the year ended 31.03.2012

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

Classified as Non Current		Classified as Current	
As at March 31, 2012	As at March 31, 2011	As at March 31, 2012	As at March 31, 2011

### 47 Classification of Long Term borrowings

#### Term Loan

From Bank	3,580.50	3,229.13	5,451.39	4,037.37
From Others	10.36	1.99	47.19	27.52
	<u>3,590.86</u>	<u>3,231.12</u>	<u>5,498.58</u>	<u>4,064.89</u>

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

Name of Lender	Type	As at March 31, 2012	As at March 31, 2011	Nature of Security	Repayment Terms
DBS Bank Ltd.	Bank	3,382.86	3,812.45	Exclusive charge on the entire fixed assets procured from ECB loan of USD 9.5 Million with assets cover of 1.50 times charge to be created in 6 months from first disbursal.	Loans will be repaid in 4 installments payable at the end of 12, 24, 36 & 48 months respectively. Months      Repayment (%) 12              10.00 24              20.00 36              30.00 48              40.00 Total            100.00
ICICI Bank Ltd.	Bank	3,580.50	—	First charge by way of hypothecation on moveable assets / equipments both present and future with minimum asset cover of 1.25 times on outstanding ECB facility	The Borrower shall repay the total drawn down amount in ten semi annually installments commencing from the end of 30 months from the date of first drawdown.
Development Credit Bank Ltd.	Bank	2062.50	3,437.50	First charge on pari passu basis on all the fixed assets of the company and first charge on pari passu basis on all the movable fixed assets of Kumadhubi ( Unit -II ), Bangalore unit & Asansol unit (these units now held in the books of McNally Sayaji Engineering Ltd ), other than those assets exclusively charged to other banks/ financial institutions, wherever situated present and future.	Tenor : 3 Years 2 months. Repayments within 3 years 2 months from the date of disbursal by way of 14 equal quarterly installments.
Bank of India	Bank	2.78	5.35	Secured by hypothecation of asset acquired out of the said loan	Original Loan amount- Rs 7,72,000 which is repayable in 36 monthly equated installments falling due on 7th of every month.
ICICI Banking Corporation Ltd.	Bank	2.78	5.35	Secured by hypothecation of asset acquired out of the said loan	Original Loan amount- Rs 7,72,000 which is repayable in 36 monthly equated installments falling due on 7th of every month.
Tata Capital Ltd.	Non Bank	57.54	29.49	Secured by hypothecation of asset acquired out of the said loan	Repayable in 36 monthly equated installments.
HDFC Bank Ltd.	Bank	0.48	5.87	Secured by hypothecation of asset acquired out of the said loan	Repayable in 36 monthly equated installments.
		<u>9,089.44</u>	<u>7,296.01</u>		

## Notes to the Financial Statements for the year ended 31.03.2012

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

	Classified as Non Current		Classified as Current	
	As at March 31, 2012	As at March 31, 2011	As at March 31, 2012	As at March 31, 2011
<b>48 Classification of Provision for Employee Benefits :</b>				
Provision for Gratuity	–	–	245.80	199.49
Provision for Priviledge Leave Encashment	605.48	454.75	40.68	44.31
Provision for Other Employee Benefits	317.84	211.77	34.93	37.43
	<u>923.32</u>	<u>666.52</u>	<u>321.41</u>	<u>281.23</u>

### 49 Classification of Provision for Tax

Provision for Tax	3,853.19	496.61	1,658.86	1,196.87
	<u>3,853.19</u>	<u>496.61</u>	<u>1,658.86</u>	<u>1,196.87</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 31.03.12		As at 31.03.11	
		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	136.50	–	50.00	–
(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	7.67	–	5.87	–
	EUR/INR	46.25	–	11.97	–
	GBP/INR	3.78	–	–	–
	SEK/INR	–	–	39.68	–

## Notes to the Financial Statements for the year ended 31.03.2012

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

	Currency Pair	As at 31.03.12		As at 31.03.11	
		Buy	Sell	Buy	Sell
Payable to Subsidiary	USD/INR	13.25	—	—	—
Advance to Vendor	USD/INR	1.77	—	—	—
	EUR/INR	3.60	—	—	—
Advance to Subsidiary	USD/INR	0.22	—	—	—
Debtors	USD/INR	68.44	—	—	—
	EUR/INR	31.36	—	—	—
Advance from customers	USD/INR	3.70	—	—	—
Loans	USD/INR	70.00	—	242.37	—
(c) Mark to market Losses			As at 31.03.12	As at 31.03.11	
Mark to market losses provided for			—	331.01	

### 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. 222.53 Lacs (2010-11: Rs 286.62 Lacs) and on account of capital expenditure is Rs 179.55 Lacs (2010-11: Rs. 107.91 Lacs)

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

54 The financial statements for the year ended March 31, 2011 had been prepared as per the then applicable, pre-revised Schedule VI to the Companies Act, 1956. Consequent to the notification of Revised Schedule VI under the Companies Act, 1956, the financial statements for the year ended March 31, 2012 are prepared as per Revised Schedule VI. Accordingly, the previous year figures have also been reclassified to conform to this year's classification. The adoption of Revised Schedule VI for previous year figures does not impact recognition and measurement principles followed for preparation of financial statements.

Signatories to notes 1 to 54

For Lovelock & Lewes  
Firm Registration Number 301056E  
Chartered Accountants  
Prabal Kr. Sarkar  
Partner  
Membership No. 52340  
Kolkata, 1st June, 2012

Deepak Khaitan - Executive Chairman  
Prasanta Kumar Chandra - Whole Time Director & COO  
Prabir Ghosh - Whole Time Director & Group CFO  
Sukanta Chattopadhyay - VP Commercial & Company Secretary



## Cash Flow Statement for the Year Ended 31st March 2012

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

	Year ended 31st March, 2012	Year ended 31st March, 2011
<b>A. Cash Flow from Operating Activities:</b>		
Net Profit Before Tax	7,853.86	7,366.51
Adjustments for:		
Depreciation	1,053.13	832.46
Interest Charged	5,379.09	2,986.53
Interest Income	(251.51)	(63.69)
Dividend Income	(127.20)	(127.08)
Loss/( Profit) on Disposal of Fixed Assets (Net)	10.52	(296.63)
Loss/(Profit) on Sale of Investment (Net)	(60.46)	(39.81)
Advance written off	—	—
Bad Debt write off	—	1,044.37
Provision for employee benefits (Net)	296.98	198.30
Fixed Assets written off	—	—
Unrealised Loss/(Gain) on Derivative Contracts	(485.29)	(197.25)
Unrealised Loss/(gain) on Foreign Currency Translation (Net)	(775.74)	172.82
<b>Operating Profit Before Working Capital Changes</b>	<b>12,893.38</b>	<b>11,876.53</b>
Adjustments for changes in working capital		
(Increase) / Decrease in Trade and other receiveable	(14,055.98)	(28,401.40)
(Increase) / Decrease in Inventories	(4,942.83)	1,237.57
Increase / (Decrease) in Trade Payable and Other payables	(4,704.26)	14,092.16
<b>Cash Generated from Operations</b>	<b>(10,809.69)</b>	<b>(1,195.14)</b>
Direct Taxes Paid (net of refund received)	1,362.49	(697.23)
	1,362.49	(697.23)
<b>Net Cash from Operating Activities</b>	<b>(9,447.20)</b>	<b>(1,892.37)</b>
<b>B. Cash Flow from Investing Activities:</b>		
Purchase of Fixed Assets	(2,128.04)	(3,267.34)
Sale of Fixed Assets	23.28	1,034.42
Interest Received	251.51	63.69
Dividend Received	127.20	127.08
Purchase of Current Investments	(120.00)	(5,150.34)
Sale of Current Investments	140.00	5,357.25
Purchase of Investment in subsidiary	—	(4.69)
Advance to Subsidiary Company	—	(1,376.29)
Increase/Decrease in Other Bank Balance	28.15	(18.81)
Sale of Investment in subsidiary	132.72	(3,235.03)
<b>Net Cash used in Investing Activities</b>	<b>(1,545.18)</b>	<b>(3,235.03)</b>

## Cash Flow Statement (Contd.)

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

	Year ended 31st March, 2012	Year ended 31st March, 2011
<b>C. Cash Flow from Financing Activities:</b>		
Interest Paid	(5,267.08)	(3,006.90)
Proceeds from Long Term Borrowings	3,661.11	3,443.07
Repayment of Long Term Borrowings	(1,691.60)	(5,520.19)
Proceeds from Other Borrowings (Net)	12,946.70	10,662.58
Dividend paid (including tax thereon)	(702.18)	(522.41)
<b>Net Cash from Financing Activities</b>	<b>8,946.95</b>	<b>5,056.15</b>
Net Increase/(Decrease) in Cash and Cash Equivalents	(2,045.43)	(71.25)
Cash & Cash Equivalents (Opening Balance) [Refer Note No 20 to Accounts]	3,190.64	3,261.89
Cash & Cash Equivalents (Closing Balance) [Refer Note No 20 to Accounts]	1,145.21	3,190.64

Notes to the Cash Flow Statement for year ended 31st March 2012.

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

For **Lovelock & Lewes**  
Firm Registration Number 301056E  
Chartered Accountants  
**Prabal Kr. Sarkar**  
Partner  
Membership No. 52340  
Kolkata, 1st June, 2012

**Deepak Khaitan** - Executive Chairman  
**Prasanta Kumar Chandra** - Whole Time Director & COO  
**Prabir Ghosh** - Whole Time Director & Group CFO  
**Sukanta Chattopadhyay** - VP Commercial & Company Secretary

## Auditor's Report on the Consolidated Financial Statements of McNally Bharat Engineering Company Limited

To

The Board of Directors of McNally Bharat Engineering Company Limited

1. We have audited the attached consolidated Balance Sheet of McNally Bharat Engineering Company Limited (the "Company") and its subsidiaries; hereinafter referred to as the "Group" (refer Note 1 to the attached consolidated financial statements) as at 31st March, 2012, the related consolidated Statement of Profit and Loss and the consolidated Cash Flow Statement for the year ended on that date annexed thereto, which we have signed under reference to this report. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We conducted our audit in accordance with the auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. We did not audit the financial statements of eleven subsidiaries included in the consolidated financial statements, which constitute total assets of Rs 19397.84 lacs and net assets of Rs 528.70 lacs as at 31st March, 2012, total revenue of Rs.22574.43 lacs, net loss of Rs. 451.35 lacs and net cash flows amounting to Rs. 2558.94 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.
4. We report that the consolidated financial statements have been prepared by the Company's Management in accordance with the requirements of Accounting Standard (AS) 21 - Consolidated Financial Statements notified under sub-section 3C of Section 211 of the Companies Act, 1956.
5. Based on our audit and on consideration of reports of other auditors on separate financial statements and on the other financial information of the components of the Group as referred to above, and to the best of our information and according to the explanations given to us, in our opinion, the attached consolidated financial statements give a true and fair view in conformity with the accounting principles generally accepted in India:
  - (a) in the case of the consolidated Balance Sheet, of the state of affairs of the Group as at 31st March, 2012;
  - (b) in the case of the consolidated Statement of Profit and Loss, of the profit of the Group for the year ended on that date; and
  - (c) in the case of the consolidated Cash Flow Statement, of the cash flows of the Group for the year ended on that date.

Kolkata  
1st June, 2012

**For Lovelock & Lewes**  
Firm Registration Number: 301056E  
Chartered Accountants  
**Prabal Kr. Sarkar**  
Partner  
Membership Number : 52340

## Consolidated Balance Sheet As At 31.03.2012

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

Particulars	Note No	As at March 31, 2012	As at March 31, 2011
<b>I EQUITY AND LIABILITIES</b>			
1. Shareholders' funds			
(a) Share capital	3	3, 109.38	3, 109.38
(b) Reserves and surplus	4	33, 191.43	28, 854.96
(c) Money received against Share Warrants		–	230.14
2. Minority Interest		5, 618.85	5, 554.52
3. Non-current liabilities			
(a) Long-term borrowings	5	15, 722.17	18, 127.44
(b) Deferred tax liabilities (Net)	6	1, 162.94	2, 074.82
(c) Other Long term liabilities	7	3, 502.86	1, 943.06
(d) Long-term provisions	8	6, 320.70	2, 385.37
4. Current liabilities			
(a) Short-term borrowings	9	49, 539.80	31, 732.46
(b) Trade payables	10	87, 891.96	82, 358.39
(c) Other current liabilities	11	70, 189.92	80, 013.88
(d) Short-term provisions	12	4, 760.88	4, 728.41
<b>TOTAL</b>		<b>281, 010.89</b>	<b>261, 112.83</b>
<b>II ASSETS</b>			
1 Non-current assets			
(a) Fixed assets			
(i) Tangible assets	13	25, 338.68	24, 316.26
(ii) Intangible assets	13	9, 214.89	9, 701.71
(iii) Capital work-in-progress		5, 961.09	3, 570.24
(b) Non-current investments	14	4, 613.09	2, 906.16
(c) Long-term loans and advances	16	1, 679.80	883.40
(d) Other non-current assets	17	524.21	864.15
2. Current assets			
(a) Current investments	15	7.02	26.78
(b) Inventories	18	22, 542.07	14, 990.15
(c) Trade receivables	19	151, 435.88	150, 456.80
(d) Cash and Bank Balances	20	5, 600.79	10, 120.22
(e) Short-term loans and advances	21	27, 094.44	28, 786.98
(f) Other current assets	22	26, 998.93	14, 489.98
<b>TOTAL</b>		<b>281, 010.89</b>	<b>261, 112.83</b>

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

Date: 1st June, 2012

**Deepak Khaitan**

**Prasanta Kumar Chandra**

**Prabir Ghosh**

**Sukanta Chattopadhyay**

- Executive Chairman

- Whole Time Director & COO

- Whole Time Director & Group CFO

- V.P. Commercial & Company Secretary

## Consolidated Statement of Profit and Loss For The Year Ended 31.03.2012

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

Particulars	Note No	Year Ended March 31, 2012	Year Ended March 31, 2011
<b>I Sale of Equipments &amp; Contract Revenue</b>	23	261, 666.34	238, 855.84
Sale of Services		4, 569.52	2, 358.27
Other Operating Revenues		1, 035.83	1, 289.32
		<u>267, 271.69</u>	<u>242, 503.43</u>
Less: Excise Duty		2, 953.59	3, 275.72
		<u>264, 318.10</u>	<u>239, 227.71</u>
<b>II Other Income</b>	24	2, 473.28	1, 704.29
<b>III Total Revenue (I+II)</b>		<u>266, 791.38</u>	<u>240, 932.00</u>
<b>Expenses :</b>			
<b>IV Cost of materials consumed</b>	25	132, 241.63	121, 620.05
Changes in inventories of finished goods	30	(1, 886.54)	(1, 412.64)
work-in-progress and Stock-in-Trade			
Outsourcing expenses to outsiders for job work	29	55, 094.62	45, 109.22
Employee benefit expenses	26	29, 633.88	24, 412.97
Finance cost	27	9, 250.54	5, 567.62
Depreciation and amortization expenses	13	2, 639.32	2, 285.30
Other expenses	28	33, 895.67	32, 647.87
<b>Total Expenses</b>		<u>260, 869.12</u>	<u>230, 230.39</u>
<b>V Profit before exceptional and extraordinary items and tax (III - IV)</b>		<u>5, 922.26</u>	<u>10, 701.61</u>
<b>VI Exceptional Items</b>		2, 613.70	-
<b>VII Profit Before extra ordinary items and Tax (V + VI)</b>		<u>8, 535.96</u>	<u>10, 701.61</u>
<b>VIII Extraordinary items</b>		(20.58)	-
<b>IX Profit before tax (VII - VIII)</b>		<u>8, 515.38</u>	<u>10, 701.61</u>
<b>X Tax Expense :</b>			
(1) Current Tax		2, 892.74	3, 641.83
(2) Deferred Tax		(1, 004.25)	332.55
		<u>1, 888.49</u>	<u>3, 974.38</u>
<b>XI Profit after tax before minority interests (IX - X)</b>		<u>6, 626.89</u>	<u>6, 727.23</u>
<b>XII Minority Interest</b>		64.32	390.24
<b>XIII Profit for the period (XI - XII)</b>		<u>6, 562.57</u>	<u>6, 336.99</u>
<b>XIV Earnings Per Equity Share :</b>			
[Nominal Value per share : Rs. 10 (2011:Rs. 10)]			
(1) Basic (Rs.)		21.11	20.38
(2) Diluted (Rs.)		21.11	20.38

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  
Date: 1st June, 2012

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

## Notes to the Consolidated Financial Statements for the year ended 31.03.2012

### 1 Disclosure relating to entities considered in the Consolidated Financial Statements

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

Name of the Company	Country of incorporation	Proportion of Ownership interest	Reporting Dates
McNally Sayaji Engineering Limited (MSEL)	India	70.41%	31-Mar-12
McNally Bharat Equipments Limited	India	99.40%	31-Mar-12
McNally Bharat Infrastructure Limited	India	99.40%	31-Mar-12
MBE Minerals Zambia Limited	Zambia	99.99%	31-Mar-12
MBE Mineral Technologies Pte Limited	Republic of Singapore	100.00%	31-Mar-12
MBE Coal & Mineral Technology India Pvt Ltd (formerly McNally Humboldt Wedag Minerals India Private Limited)*	India	99.99%	31-Mar-12
MBE Coal & Mineral Technology Gmbh (subsidiary of MBE Mineral Technologies Pte Limited)	Germany	100%	31-Mar-12
MBE Cologne Engineering Gmbh (subsidiary of MBE Mineral Technologies Pte Limited)	Germany	100%	31-Mar-12
MBE Minerals (S.A.) Proprietary Limited. (Subsidiary of MBE Mineral Technologies Pte Limited)	South Africa	100%	31-Mar-12
EWB Kornyezetvedelmi Kft **	Hungary	99%	31-Dec-12
MBE Mineral Processing Technology(Beijing) Co Ltd (Subsidiary MBE Coal & Minerals Technology Gmbh)	China	100%	31-Mar-12
MBE Mineral Processing Brasil LTDA (Subsidiary of MBE Coal & Minerals Technology Gmbh)	Brazil	99%	31-Mar-12
MBE Coal & Mineral Technology Indonesia (Subsidiary of MBE Coal & Minerals Technology Gmbh)	Indonesia	100%	31-Mar-12

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

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

- (ii) During the year the company has set up a wholly owned subsidiary company in Indonesia viz. MBE Coal & Mineral Technology, Indonesia through its subsidiary MBE Coal & Minerals Technology Gmbh.

- (iii) During the year MBE Mineral Technologies Pte Limited acquired 99% of the shares in EWB Kornyezetvedelmi Kft thereby making it a direct subsidiary of MBE Mineral Technologies Pte Limited and the Company acquired 99.99% of shares in MBE Coal & Mineral Technology India Pvt Ltd (formerly McNally Humboldt Wedag Minerals India Private Limited), thereby making it a direct subsidiary of the Company.

## Notes to the Consolidated Financial Statements for the year ended 31.03.2012

### 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”

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 except in the case of one subsidiary where the gap is not more than three months.
- (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) These financial statements have been prepared in accordance with the generally accepted accounting principles in India under the historical cost convention on accrual basis. These financial statements have been prepared to comply in all material aspects with the accounting standards notified under Section 211(3C) [Companies (Accounting Standards) Rules, 2006, as amended] and the other relevant provisions of the Companies Act, 1956.

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

- the Company : 24 months and
- subsidiaries : 12 months.

#### 2.2 Tangible Assets, Intangible Assets and Depreciation

- (a) Tangible Assets are stated at cost net of accumulated depreciation and accumulated impairment losses, if any. Cost includes inward freight, duties and taxes and expenses incidental to acquisition and installation of fixed assets. Own manufactured assets are capitalized at cost including an appropriate share of overheads.
- (b) Depreciation on assets is provided on a pro-rata basis on Straight Line Method at rates specified in Schedule XIV to the Companies Act, 1956 or based on the remaining residual life, whichever is higher. Rates higher than Schedule XIV rates have been used in the following cases.

## Notes to the Consolidated Financial Statements for the year ended 31.03.2012

Category of Fixed Assets	Rates of depreciation
Certain items of Factory Building	5%-10%, 20%
Certain items of Non-factory Building	4.17% - 10%
Certain items of Furniture & Fixtures	15%
Certain items of Motor Cars	20%
Certain items of Office Equipment	20%
Certain items of Plant & Machinery	10%
Freehold Land and Leasehold Land (perpetual lease) are not depreciated. Other Leasehold land are amortised over the period of lease.	
(c) Profit and Loss on disposal of Fixed Assets is recognized in Statement of Profit and Loss.	
(d) Intangible Assets are stated at acquisition cost, net of accumulated amortization and accumulated impairment losses, if any. Intangible assets are amortized on a straight line basis over their estimated useful lives. The amortization period and amortization method are reviewed at least at each financial year end. Computer software is amortised over a period of two to five years. Technical know-how for vibrating screen and granulators which are amortized over a period of five years and designs and drawing are amortized over a period of seven years under straight line method.	
(e) Goodwill on consolidation is carried at cost .Goodwill is tested for impairment annually and impairment loss is recognized wherever applicable.	

### 2.3 Borrowing Costs

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

### 2.4 Impairments

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

### 2.5 Investments

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

### 2.6 Inventories

Inventories are stated at cost or net realizable value, whichever is lower. Cost is determined on Weighted Average Basis. Cost comprises of expenditure incurred in the normal course of business in bringing such inventories to their location and condition (including appropriate overheads in case of Work-in-Progress, calculated on a basis appropriate to the business carried on by the Company). Where the current estimate of total cost and revenue in respect of Work-in-Progress covered by customers' orders indicate a loss, provision is made for entire loss. Obsolete, slow moving and defective stocks are identified at the time of physical verification of stocks and where necessary, provision is made for such stocks. Certain loose tools are written off over a period of ten years.

### 2.7 Foreign currency translation

Transactions in foreign currency are recorded in Rupees by applying the rate of exchange ruling at the time of transactions. Exchange differences arising on the settlement of transactions are recognized as income or as expense in the period in which they arise. Monetary current assets and monetary current liabilities denominated in foreign currency are translated at the exchange rate prevalent at the date of



## Notes to the Consolidated Financial Statements for the year ended 31.03.2012

the balance sheet. The resulting difference is also recorded in the Statement of Profit and Loss. Non monetary items at the balance sheet date are stated at historical cost. The Company uses foreign exchange forward contracts to hedge its exposure to movements in foreign exchange rates. The premium or discount arising at the inception of a forward exchange contract is amortised as expense or income over the life of the contract. Any profit or loss arising on cancellation or renewal of such a forward exchange contract is recognized as income or as expense for the period.

### 2.8 Derivative Contracts

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

### 2.9 Revenue Recognition

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

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

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

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

### 2.10 Other Income

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

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

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

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

### 2.11 Employee Benefits

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

**Provident Fund:** Provident Fund contributions are made to a Trusts administered by the Company / Funds managed by the Regional Provident Fund Commissioner. The Group's liability towards self administered Trusts is actuarially determined (using the Projected Unit Credit method) at the end of the year and any shortfall in the fund size maintained by the Trusts set up by the Group is additionally provided for. Actuarial losses/ gains are recognised in the Statement of Profit and Loss in the year in which they arise.

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

## Notes to the Consolidated Financial Statements for the year ended 31.03.2012

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

**Compensated Absences:** The obligation towards the same is measured at the expected cost of accumulating compensated absences as the additional amount expected to be paid as a result of the unused entitlements as at the year end. The Group's liability is actuarially determined (using the Projected Unit Credit method) at the end of each year. Actuarial loss/gains are recognised in the Statement of Profit and Loss in the year in which they arise.

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

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

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

### 2.12 Current and Deferred Tax

Tax expense comprises current and deferred tax. Current income tax is measured at the amount expected to be paid to the tax authorities in accordance with prevailing taxation laws. Deferred taxes reflect the impact of timing differences between taxable income and accounting income that originate in one period and are capable of reversal in one or more subsequent periods. Deferred tax assets are not recognized unless there is reasonable certainty and virtual certainty in case of unabsorbed loss and depreciation that sufficient future taxable income will be available against which such deferred tax assets can be realized.

### 2.13 Provisions and Contingent Liabilities

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

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

### 2.14 Leases

As a Lessee :

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

### 2.15 Cash and Cash Equivalents

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

## Notes to the Consolidated Financial Statements for the year ended 31.03.2012

### 2.16 Earning per share

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

### 2.17 Government Grants

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

### 2.18 Use of Estimates

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

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

	As at March 31, 2012	As at March 31, 2011
<b>3 SHARE CAPITAL</b>		
<b>Authorised :</b>		
4,00,00,000 (March 31, 2011 : 4,00,00,000)	4,000.00	4,000.00
Equity Shares of Rs. 10/- each		
	<u>4,000.00</u>	<u>4,000.00</u>
<b>Issued, Subscribed &amp; Paid up :</b>		
3,10,93,818 ( March 31, 2011 : 3,10,93,818)	3,109.38	3,109.38
Equity Shares of Rs. 10/- each fully paid up.		
	<u>3,109.38</u>	<u>3,109.38</u>

- (a) **Reconciliation of Number of Equity Shares :** There was no movement of share capital during the year.
- (b) **Right and restrictions attached to shares :**  
Equity Shares: The company has one class of equity shares having a par value of Rs.10 per share. Each shareholder is eligible for one vote per share held. The dividend proposed by the Board of Directors is subject to the approval of the shareholders in the ensuing Annual General Meeting,
- (c) **Shares held by holding company and subsidiary of holding company :** The company does not have a holding company.
- (d) **Details of shares held by shareholders holding more than 5% of the aggregate shares in the Company**

## Notes to the Consolidated Financial Statements for the year ended 31.03.2012

Sl. No.	Name of Equity Shareholders	As at March 31, 2012		As at March 31, 2011	
		No of Shares	% Held	No of Shares	% Held
1	Williamson Magor & Company Ltd.	3,179,748	10.23%	1,887,247	6.07%
2	McLeod Russel India Ltd.	3,052,295	9.82%	3,052,295	9.82%
3	Kotak India Focus Fund	1,680,755	5.41%	1,680,755	5.41%
4	Janhit Seva Trust (J/H Sanjay Kumar Pasari & Shyam Sunder Jajodia)	—	—	3,980,600	12.80%
5	IBC Knowledge Park Pvt. Ltd.	—	—	1,810,253	5.82%

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

	As at March 31, 2012	As at March 31, 2011
<b>4 Reserves and surplus</b>		
<b>Capital Redemption Reserve</b>	13.26	1.00
<b>Capital Reserve</b>		
Balance as per Last Account	313.41	317.59
Add : Addition during the year	173.18	—
Less: Adjusted during the year on acquisition of balance share of a subsidiary	—	(4.18)
Balance as at 31st March, 2012	486.59	313.41
<b>Securities Premium Account</b>	8,460.30	8,460.30
<b>Revaluation Reserve</b>	—	223.37
<b>Foreign currency translation reserve</b>		
Balance as per Last Account	297.30	(16.92)
Add : Addition during the year	(2,055.89)	314.22
Balance as at 31st March, 2012	(1,758.59)	297.30
<b>Investment Reserve</b>	208.57	—
<b>General Reserve</b>		
Balance as per last account	1,425.65	1,065.65
Add : Transferred from Profit and Loss account	165.00	360.00
Balance as at 31st March, 2012	1,590.65	1,425.65
<b>Surplus in Statement of Profit and Loss</b>		
Balance as at the beginning of the year	18,133.93	12,888.23
Profit for the year	6,562.57	6,336.99
	24,696.50	19,225.22
Less : Appropriations		
Proposed Dividend on equity shares for the year	310.94	621.88
Dividend Distribution Tax on Proposed Dividend on Equity Shares	29.91	109.41
Transfer to General Reserve	165.00	360.00
Balance at the end of the year	24,190.65	18,133.93
	<b>33,191.43</b>	<b>28,854.96</b>

## Notes to the Consolidated Financial Statements for the year ended 31.03.2012

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

	As at March 31, 2012	As at March 31, 2011
<b>5 Long Term Borrowings : [Refer Note 43]</b>		
Secured :		
Term Loan		
From Bank	15,689.31	18,118.73
From Others	16.37	8.71
Unsecured:		
Other than from Banks	16.49	—
	<u>15,722.17</u>	<u>18,127.44</u>
<b>6 Deferred Tax Liabilities (Net)</b>		
Liabilities :		
Difference between written down value of block of assets as per Income tax laws and book written down value of the fixed assets.	3,100.36	2,443.49
Others	—	162.21
Assets :		
Items allowable for tax purposes on payment	(446.15)	(279.05)
Business losses	(1,264.77)	—
Others	(226.50)	(251.83)
	<u>1,162.94</u>	<u>2,074.82</u>
(a) Deferred Tax Assets and Deferred Tax Liabilities have been offset as they relate to the same governing taxation laws		
(b) During the year the company has recognised deferred tax assets on business losses to the extent of deferred tax liability of the relevant component		
<b>7 Other Long term liabilities :</b>		
Trade Payables (Including Acceptance)	51.35	—
Others	3,451.51	1,943.06
	<u>3,502.86</u>	<u>1,943.06</u>

## Notes to the Consolidated Financial Statements for the year ended 31.03.2012

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

	As at March 31, 2012	As at March 31, 2011
<b>8 Long-term provisions :</b>		
Provision for Employee Benefits [Refer Note No 36]		
Provision for Privileged Leave Encashment	1,481.97	1,044.98
Provision for Other Employee Benefits	335.28	367.09
	<u>1,817.25</u>	<u>1,412.07</u>
Other Provisions :		
Provision for Lease Rent	356.12	203.49
Provision for Tax	3,853.19	496.61
Others	294.14	273.20
	<u>6,320.70</u>	<u>2,385.37</u>
<b>9 Short-term borrowings :</b>		
Secured :		
Loan Repayable on demand :		
From Banks	48,089.80	29,139.81
Unsecured :		
From Banks	1,000.00	1,500.00
From Others	450.00	1,092.65
	<u>49,539.80</u>	<u>31,732.46</u>
<b>10 Trade payables :</b>		
Acceptances	7,148.79	6,792.02
Trade Creditors	80,743.17	75,566.37
	<u>87,891.96</u>	<u>82,358.39</u>

## Notes to the Consolidated Financial Statements for the year ended 31.03.2012

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

	As at March 31, 2012	As at March 31, 2011
<b>11 Other current liabilities :</b>		
Current Maturities of Long Term Debt	6,561.99	5,569.79
Interest Accrued but not due on borrowings	455.16	324.82
Interest Accrued and due on borrowings	3.56	31.84
Unpaid Dividends [Refer note (a) below]	32.05	28.34
Advances from Customers	30,848.05	32,989.37
Employee Benefits payable	1,962.08	1,031.80
Security Deposits	41.42	46.53
Due to Customers [Refer Note (b) below]	24,708.16	33,321.31
Creditors for Purchase of Fixed Assets	784.80	791.23
Others Payable	4,792.65	5,878.85
	<u>70,189.92</u>	<u>80,013.88</u>
(a) There is no amount due for payment to the Investor Education and Protection Fund under section 205C of the Companies Act, 1956 as at the year end.		
(b) Excess of Actual billing over cost incurred and profit /loss recognised.		
<b>12 Short-term provisions :</b>		
Provision for Employee Benefits : [Refer Note No. 36]		
Provision for Gratuity	593.63	489.49
Provision for Priviledged Leave Encashment	46.90	105.66
Provision for Other Employee Benefits	69.16	40.62
	<u>709.69</u>	<u>635.77</u>
Other Provisions :		
Provision for Tax	2,620.58	1,904.05
Provision for Proposed Dividend	310.94	852.53
Provision for Corporate Dividend Tax	29.91	118.57
Warranty	709.78	447.07
Liquidated damages	379.98	446.47
Others	—	323.95
	<u>4,760.88</u>	<u>4,728.41</u>

## Notes to the Consolidated Financial Statements for the year ended 31.03.2012

### 13 Fixed Assets :

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

Particulars	Gross Block			Depreciation/Amortization			Net Block	
	April 1, 2011	Addition	Sales/ Adjustments	March 31, 2012	April 1, 2011	For the year	Sales/ Adjustments	March 31, 2012
<b>Tangible Assets :</b>								
Free Hold Land	1,863.84	-	228.99	1,634.85	-	-	-	1,634.85
Lease Hold Land	1,025.05	39.04	0.00	1,064.09	27.61	9.97	(0.01)	1,026.50
Building	5,564.03	87.78	339.05	5,312.76	850.12	218.33	404.06	4,648.37
Plant & Machinery	17,859.12	2,794.63	(806.11)	21,459.86	3,967.40	1,415.36	(403.93)	15,673.17
Furniture & Fixture	2,779.87	103.51	1,374.67	1,508.71	877.47	108.87	559.10	1,081.47
Vehicles	263.17	136.04	(5.70)	404.91	80.47	45.61	(14.33)	264.50
Office Equipments	791.62	144.36	(398.82)	1,334.80	320.72	146.13	(186.50)	681.45
Refrigerators & Air Conditioners	266.24	15.65	(25.26)	307.15	31.91	15.16	(4.07)	256.01
Telephone Plant	66.80	4.88	(19.36)	91.04	7.78	7.38	(3.52)	72.36
<b>( A )</b>	<b>30,479.74</b>	<b>3,325.89</b>	<b>687.46</b>	<b>33,118.17</b>	<b>6,163.48</b>	<b>1,966.81</b>	<b>350.80</b>	<b>25,338.68</b>
<b>Intangible Assets :</b>								
Goodwill	7,670.29	-	(56.45)	7,726.74	0.10	-	-	7,726.64
Technology for:								
Pumps	19.77	-	-	19.77	19.77	-	-	-
Designs and drawings	2,259.13	1.25	(1.68)	2,262.06	968.67	327.34	(0.62)	965.43
Computer software	1,545.38	559.22	486.75	1,617.85	804.32	345.17	54.46	522.82
<b>( B )</b>	<b>11,494.57</b>	<b>560.47</b>	<b>428.62</b>	<b>11,626.42</b>	<b>1,792.86</b>	<b>672.51</b>	<b>53.84</b>	<b>9,214.89</b>
<b>Total</b>	<b>41,974.31</b>	<b>3,886.36</b>	<b>1,116.08</b>	<b>44,744.59</b>	<b>7,956.34</b>	<b>2,639.32</b>	<b>404.64</b>	<b>34,553.57</b>
March 31, 2011	37,815.31	4,961.36	802.36	41,974.31	5,735.73	2,285.30	64.69	34,017.97



## Notes to the Consolidated Financial Statements for the year ended 31.03.2012

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

	As at March 31, 2012	As at March 31, 2011
<b>14 Non-current investments</b>		
<b>Non-current investments :</b>		
Trade Investments (Valued at Cost)		
(a) Quoted Equity Instruments		
Investment in Subsidiaries		
89,71,166 (2010-11: 7112166) Equity Shares in Speciality Energy Group of 1 penny each fully paid *	4,605.99	2,899.06
(b) Unquoted Equity Instruments		
24,970 (March 31, 2011 - 24,970) Equity Shares of Rs. 10 each fully paid in Jayamkondam Lignite Power Corporation Limited	2.50	2.50
Other Than Trade Investments (Valued at cost unless otherwise stated)		
(a) Quoted Equity Instruments		
10,960 (March 31, 2011 - 10,960) Equity Shares of Rs. 5 each fully paid up in Eveready Industries India Ltd.	2.28	2.28
10,960 (March 31, 2011 - 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	0.01
	<b>4,613.09</b>	<b>2,906.16</b>
Aggregate amount of quoted Investments	4,610.55	2,903.62
Market value of quoted investments	2,013.76	3,826.10
Aggregate amount of unquoted Investments	2.54	2.54

\* The investment in the above entity represents 25.27% of the total issued share capital. The above investment is not treated as an associated company, as the Group has no significant influence over the investee company.

## 15 Current investments :

(a) Mutual Funds (Unquoted) :		
Investment in 383.925 (March 31, 2011-1,43,059.06 Units) of IDFC Liquid Fund-Growth (Valued at cost)	7.02	25.00
161.010 Units of IDFC Liquid Fund - Growth (Valued at cost)	–	1.78
	<b>7.02</b>	<b>26.78</b>
Aggregate amount of unquoted Investments	7.02	26.78

## Notes to the Consolidated Financial Statements for the year ended 31.03.2012

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

	As at March 31, 2012	As at March 31, 2011
<b>16 Long-term loans and advances :</b>		
Unsecured Considered Good (Unless otherwise stated):	–	–
Capital Advances	529.34	407.90
Security Deposits	259.68	319.01
Other Loans and Advances		
Balances with Government Authorities	0.46	0.46
Others	890.32	156.03
	<u>1,679.80</u>	<u>883.40</u>
<b>17 Other non-current assets :</b>		
Long term trade recivables:		
Unsecured Considered Good	523.20	790.26
Others :		
Long term deposits with banks	–	27.58
Margin Money Deposit	0.79	45.98
Preliminary expenses not written off	0.22	0.33
	<u>524.21</u>	<u>864.15</u>
<b>18 Inventories :</b>		
Raw Materials	12,756.05	6,540.30
Raw Materials in Transit	–	95.00
Work-in-progress	8,664.74	6,768.12
Finished Goods	41.86	51.94
Loose Tools	82.30	93.27
Stores and Spares	990.66	1,117.92
Stores and Spares in Transit	6.46	323.60
	<u>22,542.07</u>	<u>14,990.15</u>

## Notes to the Consolidated Financial Statements for the year ended 31.03.2012

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

	As at March 31, 2012	As at March 31, 2011
<b>19 Trade receivables :</b>		
Secured - Considered Good		
Outstanding for a period exceeding six months from the date they are due for payment	1,704.54	279.18
Other Debts	331.57	1,071.58
	<u>2,036.11</u>	<u>1,350.76</u>
Unsecured - Considered Good		
Outstanding for a period exceeding six months from the date they are due for payment	20,398.54	17,292.10
Other Debts	129,001.23	131,813.94
	<u>149,399.77</u>	<u>149,106.04</u>
Unsecured - Considered Doubtful		
Outstanding for a period exceeding six months from the date they are due for payment	1,312.02	1,214.69
Other Debts	–	13.22
	<u>1,312.02</u>	<u>1,227.91</u>
Less: Provision for doubtful debts	1,312.02	1,227.91
	<u>151,435.88</u>	<u>150,456.80</u>
<b>20 Cash and Bank Balances :</b>		
Cash & Cash Equivalents		
Cash on Hand	93.31	78.20
Cheques on Hand	40.80	99.55
Remittance in Transit	–	42.73
Bank Balances		
Bank Balances in Current Account	5,355.56	9,753.28
Demand Deposits (Less than 3 months maturity)	33.88	55.00
Other Bank Balances		
Long term deposits with maturity more than 3 months but less than 12 months	9.77	–
Margin Money Deposit	34.81	62.50
Unpaid Dividend Account	32.66	28.96
	<u>5,600.79</u>	<u>10,120.22</u>

## Notes to the Consolidated Financial Statements for the year ended 31.03.2012

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

	As at March 31, 2012	As at March 31, 2011
<b>21 Short-term loans and advances :</b>		
<b>Secured considered good</b>		
Others	111.97	19.56
<b>Unsecured considered good</b>		
Other Loans & Advances		
Income Tax Refund Receivable	1,893.27	374.28
Balance with Statutory / Government Authorities	5,472.90	6,646.86
Security Deposits	184.68	166.91
Prepaid Expenses	254.02	186.10
Advance to Supplier & Others	16,923.89	16,615.95
Employee Advance	69.18	72.56
Advance Tax Paid	0.66	192.49
Others	2,183.87	4,512.27
	<u>27,094.44</u>	<u>28,786.98</u>
<b>22 Other Current Assets :</b>		
Unsecured Considered good :		
Due from Customers [ Refer note (a)]	22,690.70	14,215.23
Interest Receivable	1.71	232.25
Asset held for disposal	166.92	—
Receivable for sale of tangible assets	2,018.00	—
Unamortised Expenses :		
Current portion of Foreign Currency Monetary item translation difference account	154.28	(331.01)
Others	1,967.32	373.51
	<u>26,998.93</u>	<u>14,489.98</u>
(a) Excess of cost incurred and profit/loss recognised as per AS 7 over actual sales billing .		

## Notes to the Consolidated Financial Statements for the year ended 31.03.2012

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

	Year Ended March 31, 2012	Year Ended March 31, 2011
<b>23 Revenue from Operation :</b>		
Sale of Equipments & Contract Revenue	261,666.34	238,855.84
Sale of Services	4,569.52	2,358.27
Other Operating Revenue :		
Duty Drawback	43.76	12.15
Sale of Scrap	827.52	628.25
Energy Income - Wind Mill	111.14	102.18
Agency Income	23.30	381.20
Misc. Income	30.11	165.54
	<u>1,035.83</u>	<u>1,289.32</u>
<b>Total</b>	<b>267,271.69</b>	<b>242,503.43</b>
Less: Excise Duty	2,953.59	3,275.72
	<u><b>264,318.10</b></u>	<u><b>239,227.71</b></u>
<b>24 Other Income :</b>		
Interest Income	283.28	210.66
Dividend Income		
From Long Term Investments Other than trade	0.60	0.49
From Subsidiaries	0.00	0.00
Net Gain/(Loss) on sale of Investment		
Current Investment	2.48	84.51
Foreign Currency Translation Gain [Refer note (a)]	469.30	506.68
Liabilities no longer required written back	559.56	164.76
Profit on Sale of Fixed Assets (net)	0.65	59.27
Rental Income	78.00	63.00
Miscellaneous Income	1,079.41	614.92
	<u><b>2,473.28</b></u>	<u><b>1,704.29</b></u>
(a) Foreign currency translation gain includes loss on foreign currency transaction and translation (other than considered in finance cost)	243.33	—

## Notes to the Consolidated Financial Statements for the year ended 31.03.2012

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

	Year Ended March 31, 2012	Year Ended March 31, 2011
<b>25 Cost of Materials Consumed :</b>		
Raw Material Consumed		
Opening Inventory	7,317.96	5,604.29
Add : Purchases	58,042.06	60,536.93
Less : Inventory at the end of the year	12,756.05	6,635.30
Cost of Raw Materials consumed during the year	52,603.97	59,505.92
Consumption of bought out Components and related Spare	79,637.66	62,114.13
	<u>132,241.63</u>	<u>121,620.05</u>
<b>26 Employee Benefit Expenses : [Refer Note No 36]</b>		
Salaries, Wages & Bonus	25,699.57	21,135.27
Contribution to Provident Fund	823.22	572.74
Contribution to Super Annuation Fund	20.27	124.45
Contribution to Gratuity Fund	141.32	178.10
Workmen and Staff Welfare Expenses	2,949.50	2,402.41
	<u>29,633.88</u>	<u>24,412.97</u>
<b>27 Finance Cost :</b>		
Interest Expense	8,060.09	4,956.63
Other Borrowing Costs	741.40	541.44
Net Loss on foreign currency transactions and translation	449.05	69.55
	<u>9,250.54</u>	<u>5,567.62</u>

## Notes to the Consolidated Financial Statements for the year ended 31.03.2012

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

	Year Ended March 31, 2012	Year Ended March 31, 2011
<b>28 Other Expenses :</b>		
Consumption of Stores & Spare Parts	2,816.29	3,582.95
Power & Fuel	2,218.28	1,785.86
Rent	2,400.48	2,065.03
Repairs to Buildings	109.03	76.68
Repairs to Machinery	514.74	123.75
Repairs to Others	134.10	107.19
Insurance	651.06	523.97
Freight	591.88	556.79
Payment to Auditors :		
As Auditors :		
Audit Fees	71.16	54.20
Other Fees	45.73	51.49
For Other Services	59.89	45.43
For reimbursement of expenses	1.04	1.03
Director Fees	26.40	31.40
Rates & Taxes	547.19	486.88
Cartage & Freight	5,847.46	5,978.61
Bank Charges	2,319.38	2,133.05
Professional Services	4,328.79	4,756.01
Travelling	3,765.94	3,201.95
Miscellaneous Expenses	7,446.83	7,085.60
	<u>33,895.67</u>	<u>32,647.87</u>
<b>29 Outsourcing expenses to outsiders for job work</b>	55,094.62	45,109.22
	<u>55,094.62</u>	<u>45,109.22</u>
<b>30 Changes in inventories of finished goods work-in-progress:</b>		
<b>Opening Stock</b>		
Work-in-Progress	6,768.12	5,340.53
Finished Goods	51.94	66.89
	<u>6,820.06</u>	<u>5,407.42</u>
Less:		
<b>Closing Stock</b>		
Work-in-Progress	8,664.74	6,768.12
Finished Goods	41.86	51.94
	<u>8,706.60</u>	<u>6,820.06</u>
	<u>(1,886.54)</u>	<u>(1,412.64)</u>

## Notes to the Consolidated Financial Statements for the year ended 31.03.2012

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

- 31 The Company has allotted 1,75,000 Convertible Warrants of Rs 186/- each on 12.03.2010 (convertible within eighteen months from the date of allotment in one or more tranches) and 3,35,000 Convertible Warrants of Rs 186/- each on 13.08.2010 (convertible within twelve months from the date of allotment in one or more tranches), on a preferential basis to Promoters/ Promoter group and strategic investors, entitling the holder of the Warrants to apply for and be allotted one equity share of Rs. 10/- each fully paid-up, at a price of Rs. 186/- per share [including a premium of Rs. 176/-], or at such other higher prices in accordance with the applicable statutory Regulations, against each such warrant. The Company had called up and received 25% of the face value against allotment of each such warrant in previous financial years and the balance amount is due to be received by the Company during the current financial year. None of the warrant holders has exercised the option; hence the entire amount of Rs 230.14 lakhs, representing 25% of the face value, has been forfeited by the Company and transferred to capital reserve of the Company.
- 32 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 31.03.2012

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

As at  
March 31, 2012      As at  
March 31, 2011

### 33 Leases

#### As a Lessee

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

Not later than one year	523.30	37.71
Later than one year and not later than five years	215.34	31.27
Later than five years	—	—

### 34 Information in accordance with AS-7 Construction Contracts, in respect of Contracts in progress as at year end date

Contract costs incurred	635,791.30	451,093.88
Add: Recognised profits net of recognised losses	54,862.80	42,650.50
Contract Revenues	690,654.10	493,744.38
Progress billing	692,639.92	512,850.46
Unbilled revenue (Net)	(1,985.83)	(19,106.08)
Due from customers	22,690.70	14,215.23
Due to customers	24,708.16	33,321.31
Advance payments received	27,270.94	31,176.93
Amount of retentions	71,735.59	57,493.73

## Notes to the Consolidated Financial Statements for the year ended 31.03.2012

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

As at  
March 31, 2012      As at  
March 31, 2011

### 35 Provisions for Anticipated Losses, Liquidated damages and Warranties

(a) 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 movement in the carrying value of anticipated loss is as below:

Opening Balance	–	79.70
Additional provision during the year	–	–
Provision utilised during the year	–	(79.70)
Closing Balance	–	–

(b) Liquidated Damages :

The company has as a matter of abundant caution recorded an accrual for liquidated damages in respect of contracts where there has been a default in providing services on time to customers in terms of deliverables as agreed to in the contracts. The movement in the carrying value of liquidated damages is as follows :

Opening Balance	1,232.03	1,242.43
Additional provision during the year	–	31.81
Provision utilised during the year	–	(0.07)
Provision written back	(51.68)	(42.15)
Closing Balance	1,180.35	1,232.03
Included in provision for doubtful debt	800.37	785.56
Included in other provision	379.98	446.47

In certain cases liquidated damages is not readily ascertainable.

(c) 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 cost is as follow:

Opening Balance	447.07	374.67
Additional provision during the year	320.54	77.53
Provision reversed during the year	(8.16)	(4.96)
Provision utilised during the year	(49.67)	(0.16)
Closing Balance	709.78	447.07

## Notes to the Consolidated Financial Statements for the year ended 31.03.2012

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

As at  
March 31, 2012      As at  
March 31, 2011

36

### A. Gratuity (Funded)

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

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

(a) Present Value of Obligation at the beginning of the year	1,328	1,091
(b) Current Service Cost	174	154
(c) Interest Cost	120	102
(d) Actuarial (Gains)/Losses	102	127
(e) Benefits Paid	(137)	(146)
(f) Present Value of Obligation at the end of the year	<u>1,587</u>	<u>1,328</u>

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

(a) Fair Value of Plan Assets at the beginning of the year	998	825
(b) Expected Return on Plan Assets	89	77
(c) Actuarial Gains/(Losses)	(2)	2
(d) Contributions by employer	198	239
(e) (Benefits paid)	(138)	(145)
(f) Fair Value of Plan Assets at the end of the year	<u>1,145</u>	<u>998</u>

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

	2011-12	2010-11	2009-10	2008-09	2007-08
(a) Present Value of Obligation as at the end of the year	1,587	1,328	1,091	781	407
(b) Fair Value of Plan Assets as at the end of the year	1,145	998	826	596	303
(c) Liabilities recognized in the Balance Sheet	(442)	(330)	(265)	(184)	(104)
(d) Experience (Gain)/loss adjustments on plan liabilities	101	61	65	2	Not Available
(e) Experience Gain/(loss) adjustments on plan assets	1	(1)	(0)	(1)	Not Available

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

(a) Current Service Cost	174	154
(b) Interest Cost	120	102
(c) (Expected Return on Plan Assets)	(89)	(77)
(d) Actuarial (Gains)/Losses on defined benefit Obligation	102	127
(e) Actuarial Losses/(Gains) on plan Assets	2	(2)
(f) Total Expense recognized and included	<u>309</u>	<u>304</u>

## Notes to the Consolidated Financial Statements for the year ended 31.03.2012

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

	As at March 31, 2012	As at March 31, 2011
(v) <b>Percentage of each Category of Plan Assets to total Fair Value of Plan Assets</b>		
(a) Fund with LIC	99.91%	96.88%
(b) Balance with Bank	0.09%	3.12%
Total	100.00%	100.00%

(vi) **Actual Return on Plan Assets**

### B. Leave Encashment (Unfunded)

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

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

(a) Present Value of Obligation at the beginning of the year	688	530
(b) Current Service Cost	95	70
(c) Interest Cost	63	50
(d) Actuarial (Gains)/Losses	140	228
(e) Benefits Paid	(115)	(190)
(f) Present Value of Obligation at the end of the year	871	688

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

	2011-12	2010-11	2009-10	2008-09	2007-08
(a) Present Value of Obligation as at the end of the year	871	688	414	244	230
(b) Fair Value of Plan Assets as at the end of the year	—	—	—	—	—
(c) Liabilities recognized in the Balance Sheet	(871)	(688)	(414)	(244)	(230)
(d) Experience Gain/(loss) adjustments on plan liabilities	140	228	Not Available	Not Available	Not Available

(iii) **Expense recognised in the Profit and Loss Account**

(a) Current Service Cost	95	70
(b) Interest Cost	63	50
(c) Actuarial (Gains)/Losses	140	228
(d) Total Expense recognized	298	348

## Notes to the Consolidated Financial Statements for the year ended 31.03.2012

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

As at  
March 31, 2012      As at  
March 31, 2011

### C Sick Leave (Unfunded)

The Company allows certain employees to accumulate and carry forward sick leave days earned. Sick leave is not encashable.

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

(a) Present Value of Obligation at the beginning of the year	222	163
(b) Current Service Cost	35	45
(c) Interest Cost	22	15
(d) Actuarial (Gains)/Losses	49	(1)
(e) Present Value of Obligation at the end of the year	328	222

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

	2011-12	2010-11
(a) Present Value of Obligation as at the end of the year	329	222
(b) Fair Value of Plan Assets as at the end of the year	–	–
(c) Liabilities recognized in the Balance Sheet	329	222
(d) Experience Gain/(loss) adjustments on plan liabilities	(49)	1

#### (iii) Expense recognised in the Profit and Loss Account

(a) Current Service Cost	35	45
(b) Interest Cost	22	15
(c) Actuarial (Gains)/Losses	49	(1)
(d) Total Expense recognized	106	59

### D Principal Actuarial Assumptions made by the actuary for valuation of the above mentioned employee benefits

(a) Discount Rate ( Per annum )*	7.50%	7.50%
(b) Expected Rate of Return on Plan Assets ( Per annum )	8.50%	8.50%
(c) Rate of Salary Increase (Per annum)**	7.50%	7.50%
(d) Mortality Rate	In accordance with standard table LIC (1994-96) ultimate	In accordance with standard table LIC (1994-96) ultimate
* Discount Rate ( Per annum ) for MBIL	8.00%	8.00%
** Rate of Salary Increase (Per annum) for Sayaji	5.00%	5.00%

### E 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.

## Notes to the Consolidated Financial Statements for the year ended 31.03.2012

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

	As at March 31, 2012	As at March 31, 2011
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### F Provident Fund

Provident fund for certain eligible employees is managed by the Company through various funds in line with local laws and regulations. For the Indian entities the plan guarantees interest at the rate notified by the Provident Fund Authorities. The contribution by the employer and employee together with the interest accumulated thereon are payable to employees at the time of their separation from the company or retirement, whichever is earlier. The benefits vest immediately on rendering of the services by the employee. The Guidance on Implementing AS 15, Employee Benefits (Revised 2005) issued by Accounting Standard Board (ASB) states that benefits involving employers established provident funds, which require interest shortfalls to be compensated are to be considered as defined benefit plans. The Actuarial Society of India has issued the final guidance for measurement of provident fund liabilities. The actuary has accordingly provided a valuation and there is no additional liability as at 31st March, 2012, in respect of interest rate guarantee. Current year is the first year of actuarial valuation being done for the provident fund schemes administered through the Trusts, in view of the issuance of the Guidance Note by the Institute of Actuaries of India, hence previous years figures are not disclosed.

### 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	112.44
Provident Fund	397.91

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 net loss amounting to Rs 967.47 Lacs( 31.3.11- Rs. 331.01 Lacs) in respect of outstanding derivative contracts at the balance sheet date by marking them to market.

### 38 Research and Development Expenditure

Expenditure on R & D - In pursuit of R & D endeavors the company is continuously incurring R&D expenditure both on Capital and Revenue which has not been separately reflected but is being shown as part of regular heads of accounts in fixed assets and in Consolidated Statement of Profit and Loss account respectively. Accordingly R & D revenue expenditure incurred during the year debited to various account heads is Rs. 222.53 Lacs (2010-11: Rs 286.62 Lacs) and on account of capital expenditure is Rs 179.55 Lacs (2010-11: Rs. 107.91 Lacs)

## Notes to the Consolidated Financial Statements for the year ended 31.03.2012

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

As at  
March 31, 2012      As at  
March 31, 2011

### 39 Segment Reporting

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

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(a) Estimated amount of Contracts remaining to be executed on capital account and not provided for	790.80	1,825.20
(b) Claims against the company not acknowledged as debt	100.00	99.64
(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	216.38
(ii) Sales Tax/VAT matters pending in appeal relating to disputes regarding assessable value and exemptions claimed	2,949.93	2,961.75
(iii) Service Tax Matters pending in appeal relating to issues of applicability	72.00	3,003.93
(iv) Corporate guarantees given	32,182.00	28,814.20
(v) Other guarantees given	3,200.00	3,200.00
(vi) Standby letter of credit	4,860.00	4,236.00
(vii) Other demands related to claims made by certain ex-employees towards employee benefits due to them	27.00	4,320.21
(viii) Other commitments	0.31	—
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

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

##### Remuneration Paid

Mr. Deepak Khaitan	176.45	—
Mr. Srinivash Singh	—	32.19
Mr. Prasanta Kumar Chandra	138.02	19.42
Mr. Prabir Ghosh	139.31	—
Mr. Subir Chaki	27.00	—
Mr. Sambhu Prasad	235.00	92.00
Mr. B P Mishra	—	85.29
Mr. G Mustafi	71.29	49.17
Advance Paid (Mr. Sambhu Prasad)	30.00	61.00
Compensation for loss of office (Mr. Srinivash Singh)	—	286.03
Leave encashment (Mr. Srinivash Singh)	—	92.02
Dividend Paid	0.04	0.02

## Notes to the Consolidated Financial Statements for the year ended 31.03.2012

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

	As at March 31, 2012	As at March 31, 2011
<b>42 Earnings per share :</b>		
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 available for equity shareholders.	6,563	6,337
Face Value of Each Equity Share (Rs.)	10	10
Earnings Per Share - Basic (Rs.)	21.11	20.38
Earnings Per Share - Diluted (Rs.)	21.11	20.38

### 43 Secured Long Term borrowings

	Classified as Non Current		Classified as Current	
	As at March 31, 2012	As at March 31, 2011	As at March 31, 2012	As at March 31, 2011
Term Loan				
From Bank	15,689.31	18,118.73	6,506.53	5,542.27
From Others	16.37	8.71	47.19	27.52
	<u>15,705.68</u>	<u>18,127.44</u>	<u>6,553.72</u>	<u>5,569.79</u>

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

Name of Lender	As at March 31, 2012	As at March 31, 2011	Nature of Security	Repayment Terms
DBS Bank Ltd.	3,382.86	3,812.45	Exclusive charge on the entire fixed assets procured from ECB loan of USD 9.5 Million with assets cover of 1.50 times charge to be created in 6 months from first disbursement.	Loans will be repaid in 4 installments payable at the end of 12, 24, 36 & 48 months respectively. Months      Repayment (%) 12              10.00 24              20.00 36              30.00 48              40.00 Total              100.00
ICICI Bank Ltd.	3,580.50	–	First charge by way of hypothecation on moveable assets / equipments both present and future with minimum asset cover of 1.25 times on outstanding ECB facility	The Borrower shall repay the total drawn down amount in ten semi annually installments commencing from the end of 30 months from the date of first drawdown.
Development Credit Bank Ltd.	2,062.50	3,437.50	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 disbursement by way of 14 equal quarterly installments.



## Notes to the Consolidated Financial Statements for the year ended 31.03.2012

Name of Lender	As at March 31, 2012	As at March 31, 2011	Nature of Security	Repayment Terms
Bank of India	2.78	5.35	Secured by hypothecation of asset acquired out of the said loan	Original Loan amount- Rs 7,72,000 which is repayable in 36 monthly equated installments falling due on 7th of every month.
ICICI Banking Corporation Ltd.	2.78	5.35	Secured by hypothecation of asset acquired out of the said loan	Original Loan amount- Rs 7,72,000 which is repayable in 36 monthly equated installments falling due on 7th of every month.
Tata Capital Ltd.	57.55	29.51	Secured by hypothecation of asset acquired out of the said loan	Repayable in 36 monthly equated installments.
Karur Vysya Bank	352.49	485.63	Secured by first pari passu charge on land situated in Asansol together with building and plant and machinery erected thereon	Repayable in 15 monthly installments with applicable rate of 11.75%
ICICI Bank Ltd.	7,690.70	8,584.55	Rs 2299 lakhs secured by first pari pasu charge on all moveable and immoveable fixed assets of MBECL both present and future and first pari pasu charge over the immoveable and moveable fixed assets of the company (excluding Kumardhubi plant-Unit 1). Rs 4625 lakhs secured by first pari pasu charge on all moveable and immoveable fixed assets of the Company (excluding Kumardhubi - Unit 1) both present and future.	Repayable in 8 half yearly installments.
Kotak Mahindra Prime	6.01	6.72	Secured by hypothecation of motor vehicles acquired out of these loans	Repayable in monthly installments.
HDFC Bank	4.27	9.71	Secured by hypothecation of motor vehicles acquired out of these loans	Repayable in monthly installments.
ICICI Bank Ltd.	5,116.50	7,314.61	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.	The loan shall be repaid, starting at the end of 30 months from the Drawdown date and thereafter in 6 equal half yearly installments. Amount payable      Date \$1.66 mn              17.06.2013 \$1.66 mn              17.12.2013 \$1.66 mn              17.06.2014 \$1.66 mn              17.12.2014 \$1.66 mn              17.06.2015 \$1.70 mn              17.12.2015
HDFC Bank Ltd.	0.46	5.85	Secured by hypothecation of asset acquired out of the said loan	Repayable in 36 monthly equated installments.
	<u>22,259.40</u>	<u>23,697.23</u>		

## Notes to the Consolidated Financial Statements for the year ended 31.03.2012

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

	As at March 31, 2012	As at March 31, 2011
<b>44 Secured Short-term borrowings :</b>		
Loan Repayable on demand :		
From Banks	48,089.80	29,139.81
	<b>48,089.80</b>	<b>29,139.81</b>
(a) <b>Axis Bank</b> (1st pari passu charge basis for the Working Capital limit, except on the current assets charged to BG issuers for Specific Projects, if any, all the stock in trade both present & future consisting stock including raw material, stock in process, finished goods, cash & other current assets & Outstanding monies, receivables, claims & bills etc. 2nd pari passu charge, all the stock in trade both present & future consisting stocks including raw material, stock in process, finished goods, cash & other current assets etc & Outstanding monies, receivables, claims & bills etc. or at any other premises or place pertaining to the current assets charged to BG issuers for Specific Projects, if any.)	2,463.78	6,406.79
(b) <b>Bank of India</b> (First pari passu basis charge on all tangible movable properties, stocks of steel, cement, stones & other infrastructures materials wherever situate or in transit -All the present & future book debts, outstanding, moneys, receivables, claims, bills etc. -All tangible movable machineries & plants (both present & future) or about the borrowers premises & godowns at Various Projects Sites).	15,186.31	8,557.12
(c) <b>Canara Bank</b> (Entire current assets of the company with other banks in the consortium, except for project related specific assets. The fixed assets of the erstwhile Unit I of the company at Kumardhubi which is presently owned by its subsidiary McNally Sayaji Engineering Ltd excluding vehicles/equipments/ specific assets charged for specific borrower limits along with other banks in the consortium).	481.11	243.52
(d) <b>ICICI Bank</b> (First pari passu charge by way of hypothecation of on the current assets of the company in a form and manner satisfactory to the Bank, ranking pari passu with other participating banks, if any, more particularly described in the Schedule to the Deed of Hypothecation).	1,427.94	3,153.60
(e) <b>IDBI Bank</b> (First charge on the current assets of the company at par with other consortium bankers).	3,031.20	1,437.48
(f) <b>Indian Overseas Bank</b> (First charge on the current assets of the Company on pari passu basis with other consortium member Banks. Documents to title of goods, accepts Hundies/Draft of relative merchandise procured under Letter of Credit/Letter of Guarantee related debtors. Pari passu 1st charge on the fixed assets at Kumardhubi, Jharkhand).	595.15	(0.49)

## Notes to the Consolidated Financial Statements for the year ended 31.03.2012

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

	As at March 31, 2012	As at March 31, 2011
(g) <b>ING Vysya Bank</b> (Entire current assets of the company with other banks in the consortium, except for project related specific assets. The fixed assets of the erstwhile Unit I of the company at Kumardhubi which is presently owned by its subsidiary McNally Sayaji Engineering Ltd excluding vehicles/equipments/specific assets charged for specific borrower limits along with other banks in the consortium).	335.49	9.16
(h) <b>Karur Vasya Bank</b> (First pari passu charge on entire current asset including stock of RM, Semi Finished goods, plant & machinery, articles, consumables, stores & spares and components or other similar movable property, book debts, outstanding monies, receivables, claims, bills, rights, etc. both present & future inclusive of proposed projects on pari passu basis with other WC lender).	3,985.70	1,489.68
(i) <b>Oriental Bank of Commerce</b> (Hypothecation of stocks of raw materials, stocks in process, finished goods, stores & spares and receivables on pari passu basis with consortium member bank).	392.81	3.92
(j) <b>Punjab National Bank</b> (Hypothecation of Stock of raw materials, stock in process, finished goods lying at Company's premises or site situated all over India and book debts (present & future) excluding advance payment or progress payment made by the company. The charge will be on pari passu basis with the consortium banks.)	66.33	—
(k) <b>State Bank of India</b> (First charge on entire moveable fixed assets pertaining to Kumardhubi Unit-1 of the Company viz. Plant & machineries, Stores and spares of plant and machineries, furniture, office equipments installed at the factory premises, lying loose or cases at godown, stores or elsewhere to the extent of Rs 31.12 crores in favour of State Bank of India on pari passu basis with other existing working capital lenders of McNally Bharat Engineering Ltd. to secure working capital credit facilities of Rs 650 crore granted by SBI First pari passu charge of hypothecation of RMs, SIP, FGs, Spares, Stores, Consumables, receivables and other current assets with other banks in the consortium).	4,683.95	256.19
(l) <b>Union Bank</b> (Pari passu first charge on the entire current assets viz. stocks of raw materials, WIP, semi finished & finished goods, stores & spares etc. and entire receivables of the Company with working capital lenders, both present as well as future to the extent of the Overall limit of Rs. 40.00 Crores together with interest, commission & other charges..Counter Indemnity of the Company).	1,491.97	1.04

## Notes to the Consolidated Financial Statements for the year ended 31.03.2012

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

	As at March 31, 2012	As at March 31, 2011
(m) <b>United Bank of India</b> (First pari-passu charge on stocks, job-in-progress, receivables and other current assets of the company, both present and future with other working capital lenders. Additional: First charge ranking pari passu with other working capital lending banks on fixed assets of the company at Kaumardhubi factory of the company.)	360.43	(2.53)
(n) <b>ICICI Bank &amp; ING Vysya Bank Limited</b> (Secured by first pari passu charge on the entire current assets of the Company.)	7,409.00	5,085.00
(o) <b>ICICI Bank</b> ( Secured by first charge by way of hypothecation of Company's entire stock of raw materials, work-in-progress, semi-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. Secured by Corporate Guarantee of McNally Bharat Engineering Company Limited in favour of ICICI Bank Limited).	764.27	344.29
(p) <b>Bayerische Landesbank</b> (Secured by guarantee provided by Axis Bank and ICICI Bank).	2,015.41	815.53
(q) <b>Commerzbank</b> (Secured by guarantee provided by Axis Bank and ICICI Bank).	288.12	—
(r) <b>Axis Bank Singapore</b> (Secured by Stand by Letter of Credit from Axis Bank, India).	3,110.83	1,339.51
	<b>48,089.80</b>	<b>29,139.81</b>

### 45 Investments

The following table includes the classification of investments in accordance with AS 13:

Accounting for Investments

#### Current Investments

Investment in 383.925 (March 31,2011-1,43,059.06 Units) of IDFC Liquid Fund-Growth (Valued at cost)	7.02	25.00
161.010 Units of IDFC Liquid Fund - Growth (Valued at cost)	—	1.78
Total Current Investments	<b>7.02</b>	<b>26.78</b>

## Notes to the Consolidated Financial Statements for the year ended 31.03.2012

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

	As at March 31, 2012	As at March 31, 2011
<b>Long Term Investments</b>		
Quoted Equity Instruments		
89,71,166 (2010-11: 7112166) Equity Shares in Speciality Energy Group of 1 penny each fully paid *	4,605.99	2,899.06
10,960 (March 31,2011 - 10,960) Equity Shares of Rs. 5 each fully paid up in Eveready Industries India Ltd.	2.28	2.28
10,960 (March 31,2011 - 10,960) Equity Shares of Rs. 5 each fully paid up in Mcleod Russel India Ltd.	2.28	2.28
Unquoted Equity Instruments		
24,970 (March 31,2011 - 24,970) Equity Shares of Rs. 10 each fully paid in Jayamkondam Lignite Power Corporation Limited	2.50	2.50
100 shares of Rs. 25/- each of Co Operative Bank of Baroda Ltd	0.03	0.03
100 shares of Rs.10/- each fully paid-up of McNally Bharat Co-operative Credit Society Ltd	0.01	0.01
Total Long Term Investments	<u>4,613.09</u>	<u>2,906.16</u>
Total Investments (Current and Long Term)	<u>4,620.11</u>	<u>2,932.94</u>
<b>Disclosure under :</b>		
Non Current Investments (Refer note 14)	4,613.09	2,906.16
Current Investments (Refer note 15)	7.02	26.78
<b>Total</b>	<u>4,620.11</u>	<u>2,932.94</u>

\* The investment in the above entity represents 25.27% of the total issued share capital. The above investment is not treated as an associated company, as the Group has no significant influence over the investee company.

46 The consolidated financial statements for the year ended March 31, 2011 had been prepared as per the then applicable, pre-revised Schedule VI to the Companies Act, 1956. Consequent to the notification of Revised Schedule VI under the Companies Act, 1956, the consolidated financial statements for the year ended March 31,2012 are prepared as per Revised Schedule VI. Accordingly, the previous year figures have also been reclassified to conform to this year's classification. The adoption of Revised Schedule VI for previous year figures does not impact recognition and measurement principles followed for preparation of consolidated financial statements.

Signatories to notes 1 to 46

**For Lovelock & Lewes**  
Firm Registration Number 301056E  
Chartered Accountants  
**Prabal Kr. Sarkar**  
Partner  
Membership No. 52340  
Kolkata  
Date : 1st June, 2012

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

## Consolidated Cash Flow Statement for the Year Ended 31st March 2012

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

	Year ended 31st March, 2012	Year ended 31st March, 2011
<b>A. Cash Flow from Operating Activities:</b>		
Net Profit Before Tax	8,515.38	10,701.61
Adjustments for:		
Depreciation	2,639.32	2,285.30
Interest Charged	9,250.54	4,495.82
Interest Income	(283.28)	(147.07)
Dividend Income	(0.60)	(0.49)
Loss/( Profit) on Sale of Fixed Assets (Net)	(0.65)	(353.67)
Loss/(Profit) on Sale of Investment (Net)	(2.48)	(84.51)
Bad Debts written off	–	1,292.07
Provisions made during the year	804.68	–
Provision for bad and doubtful debts	–	112.10
Provision for doubtful advances	–	10.95
Liabilities no longer required written back	(559.56)	(395.47)
Provision for employee benefits (Net)	479.11	1,979.21
Provision for Warranty	–	72.29
Miscellaneous expenses	0.11	(2.02)
Foreign exchange (gain)/ loss on consolidation	(2,055.89)	314.22
Unrealised Loss/ (Gain) on Foreign Currency Translation	(654.37)	
Mark to market gain on derivative transaction	(485.29)	(197.25)
	9,131.64	9,381.48
<b>Operating Profit Before Working Capital Changes</b>	<b>17,647.02</b>	<b>20,083.09</b>
Adjustments for:		
(Increase) / Decrease in Trade and other receivable	(11,504.73)	(36,092.52)
(Increase) / Decrease in Inventories	(7,551.92)	(3,261.20)
Increase / (Decrease) in Trade Payable & Other payable	(3,321.90)	14,642.63
	(22,378.55)	(24,711.09)
<b>Cash generated from/ (used in) Operations</b>	<b>(4,731.53)</b>	<b>(4,628.00)</b>
Direct Taxes Paid (net of refund received)	77.75	(1,885.62)
	77.75	(1,885.62)
<b>Net Cash from/ (used in) Operating Activities</b>	<b>(4,653.78)</b>	<b>(6,513.62)</b>

## Consolidated Cash Flow Statement (Contd.)

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

	Year ended 31st March, 2012	Year ended 31st March, 2011
<b>B. Cash Flow from Investing Activities:</b>		
Purchase of Fixed Assets	(6,181.72)	(8,120.84)
Sale of Fixed Assets	897.53	1,091.34
Interest Received	513.82	(77.65)
Dividend Received	0.60	0.49
Purchase of minority interest in subsidiary	–	(118.30)
Purchase of Long Term Investment	–	(2,899.06)
Purchase of Current Investment during the year	(120.00)	(5,150.34)
Sale of Current Investment during the year	142.24	5,473.61
Purchase of Non Current Investment during the year	(1,915.50)	
Increase/Decrease in Other Bank Balance	86.99	(164.15)
Sale of Investment in subsidiary	(6,576.04)	(9,964.90)
<b>Net Cash from/ (used in) Investing Activities</b>	<b>(6,576.04)</b>	<b>(9,964.90)</b>
<b>C. Cash Flow from Financing Activities:</b>		
Interest Paid	(9,148.47)	(4,425.11)
Proceeds / ( Refund) of share warrants application money	(230.14)	(7.02)
Proceeds from Long Term Borrowings	3,661.11	8,154.71
Repayment of Long Term Borrowings	(4,897.10)	(6,018.11)
Proceeds from Other Borrowings (Net)	17,807.35	16,956.88
Dividend paid (including tax thereon)	(468.14)	(611.16)
<b>Net Cash from/ (used in) Financing Activities</b>	<b>6,724.61</b>	<b>14,050.19</b>
<b>Net Increase/(Decrease) in Cash and Cash Equivalents</b>	<b>(4,505.21)</b>	<b>(2,428.33)</b>
Cash and Cash Equivalents (Opening Balance)	10,028.76	12,457.09
[Refer Note No. 20 to Accounts]		
Add : Taken over from MSEL	–	–
Cash and Cash Equivalents (Closing Balance)	<b>5,523.55</b>	<b>10,028.76</b>
[Refer Note No. 20 to Accounts]		

Notes to the consolidated Cash Flow Statement for the year ended 31st March 2012

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

This is the consolidated 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  
Date: 1st June, 2012

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

## Notes

[illegible]





## **McNALLY BHARAT ENGINEERING COMPANY LIMITED**

Regd. Office : 4 Mangoe Lane, Kolkata -700001

### **NOTICE**

NOTICE is hereby given that the Forty Ninth Annual General Meeting of the Members of McNally Bharat Engineering Company Limited will be held on Friday, September 28, 2012, at 11:00 a.m at Eastern Zonal Cultural Centre, Purbasree, IB 201, Sector – 3, Salt Lake City, Kolkata – 700106 (Near Salt Lake Stadium and AMRI Hospital, Salt Lake), to transact the following business:

#### **Ordinary Business**

1. To receive, consider and adopt the Balance Sheet as at March 31, 2012, the Profit and Loss account for the year ended on that date and the Report of the Directors and Auditors thereon.
2. To declare a dividend on Equity Shares for the financial year ended March 31, 2012.
3. To appoint a Director in place of Mr. Asim Kumar Barman, who retires by rotation and, being eligible, seeks re-appointment.
4. To appoint a Director in place of Mr. S R Dasgupta, who retires by rotation and, being eligible, seeks re-appointment.
5. To appoint a Director in place of Mr. Utsav Parekh, who retires by rotation and, being eligible, seeks re-appointment.
6. To appoint a Director in place of Mr. Sudipto Sarkar, who retires by rotation and, being eligible, seeks re-appointment.
7. To appoint Statutory Auditors to hold office from the conclusion of this Annual General Meeting till the conclusion of the next Annual General Meeting and authorize the Board to fix their remuneration. M/S Lovelock & Lewes, Chartered Accountants, retiring Auditors being eligible, offer themselves for reappointment.

By Order of the Board of Directors

For McNally Bharat Engineering Company Limited

**S Chattopadhyay**

Vice President – Commercial & Company Secretary

Kolkata

August 10, 2012

#### **NOTES**

1. A Member, entitled to attend and vote at the Annual General Meeting, is entitled to appoint a proxy to attend and vote in the meeting instead of himself and the Proxy need not be a Member of the Company.
2. A proxy form duly completed and stamped, must reach the Registered Office of the Company not less than 48 hours before the time for holding the aforesaid meeting.
3. Members/Proxies should bring the Attendance Slip sent herewith, duly filled in, for attending the meeting.
4. The Register of Members and Share Transfer Books of the Company will remain closed from September 17, 2012 to September 28, 2012 (both days inclusive).
5. Members who are holding Shares in identical order or names in more than one folio are requested to send to the Company the details of such folios together with the Share Certificates for consolidating their holdings in one folio. The Share Certificates will be returned to the Members after making requisite changes thereon.
6. The dividend, as recommended by the Board of Directors, that may be declared by the Company at the Forty Ninth Annual General Meeting will be paid on or before October 26, 2012 to those members whose name appear on the Register of Members as on September 28, 2012.
7. Non-resident Indian Shareholders are requested to inform the Company immediately:
  - a. The change in residential status on return to India for permanent settlement;
  - b. The particulars of the Bank Account maintained in India with complete name, branch, account type, account number and address of the Bank, if not furnished earlier.
8. Members whose shares are held in dematerialized form are requested to inform change in address and updates of savings bank account details to their respective depository participants. Dividends in respect to

such shares held in dematerialized form shall be credited to the beneficial owners' savings bank account directly through National Electronic Clearing Services (NECS), subject to the availability of such bank details.

9. Members holding shares in physical form and desirous of having NECS facility, should provide their bank details and 9 digit MICR to the RTA of the Company immediately. The Members who have already given their bank details should furnish the same only if there is any change.
10. Members who are holding shares in physical form are requested to notify change in address, if any, to the Company's RTA quoting their Folio Number. Members holding shares in dematerialized form, should intimate change of their address, if any, to their Depository Participant.
11. Information u/s 205A of the Companies Act, 1956 read with the Companies Unpaid Dividend (Transfer to General Revenue Account of the Central Government) Rules, 1978 as amended is given below:  
Consequent upon amendment in Section 205A of the Companies Act, 1956 and introduction of Section 205C by the Companies (Amendment) Act, 1999, the amount of the Dividend for the subsequent years remaining unpaid or unclaimed for a period of seven years from the date of transfer to Unpaid Dividend Account of the Company shall be transferred to the Investor Education and Protection Fund set up by the Government of India and no payments shall be made in respect of any such claims by the Fund.
12. The Securities and Exchange Board of India (SEBI) vide Circular Ref.No.MRD/DoP/Cir-05/2007 dated April 27, 2007 made PAN mandatory for all securities market transactions. Thereafter, vide Circular No.MRD/DoP/Cir-05/2009 dated May 20, 2009 it was clarified that for securities market transactions and off market/private transactions involving transfer of shares in physical form of listed Companies, it shall be mandatory for the transferee(s) to furnish copy of PAN Card to the Company/RTA for registration of such transfer of shares. SEBI further clarified that it shall be mandatory to furnish a copy of PAN in the following cases:
  - i) Deletion of name of the deceased shareholder(s), where the shares are held in the name of two or more shareholder(s).
  - ii) Transmission of shares to the legal heir(s), where deceased shareholder was the sole holder of shares.
  - iii) Transposition of shares - when there is a change in the order of names in which physical shares are held jointly in the names of two or more shareholders.
13. The Shareholders are requested to send directly all documents, transfer, demat requests and other communication in relation thereto to the Registrar at their following address:  
**M/S Maheshwari Datamatics Pvt. Ltd.**  
Unit: McNally Bharat Engineering Co. Ltd.  
6 Mangoe Lane, 2nd Floor,  
Kolkata – 700001
14. The Ministry of Corporate Affairs (MCA), Government of India, has by its Circular Nos. 17/2011 and 18/2011, dated April 21, 2011 and April 29, 2011 respectively, permitted companies to send official documents to their shareholders electronically in compliance of Section 53 of the Companies Act, 1956 as part of its green initiatives in corporate governance. Thus the Company is sending documents like the Notice convening the Annual General Meeting, Annual Reports and other documents to the email addresses provided by the Members to the Company or the Registrar and Share Transfer Agents of the Company.
15. The information as required to be provided in terms of the Listing Agreement with the Stock Exchanges regarding the Directors who are proposed to be appointed/re-appointed is annexed.
16. Members desiring any information as regards the Accounts are requested to write to the Company at least seven days prior to the meeting so as to enable the Management to keep the information ready at the Meeting.

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

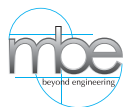
<b>Name of Director</b>	<b>Mr. Asim Kumar Barman</b>
Date of Birth	November 6, 1948
Date of Appointment	December 1, 2009
Expertise in specific functional areas	Administration, Power, Environment, Urban Governance, etc
Qualifications	B. Sc. (Chemistry)
List of outside Directorships held	1. Bengal Emami 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 : 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 b) Shareholders'/Investors' Grievance Committee c) Remuneration Committee d) Nomination Committee	Nil Nil Member – Babcock Borsig Ltd Nil
Shareholding in the Company as on March 31, 2012	Nil

<b>Name of Director</b>	<b>Mr. Subir Ranjan Dasgupta</b>
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	1. Eveready Industries India Ltd 2. Kilburn Engineering Ltd 3. McNally Sayaji Engineering Ltd. 4. China Town Properties Pvt. Ltd 5. Calsin Overseas Pvt. Ltd. 6. Space Olympia Properties Pvt. Ltd. 7. Cairnhill Development Pvt. Ltd. 8. Cairnhill Stud Farm Pvt. Ltd. 9. Cairnhill Infrastructure Pvt. Ltd. 10. MBE Mineral Technologies Pte. Ltd. 11. Trans Global Plc 12. Trans Global Group Ltd., UK 13. Waterbright Pte. Ltd., Singapore 14. Uniross SA 15. Novener SAS 16. MBE Coal & Minerals Technology GmbH
Chairman/Member of the Committee of the Board of Directors of the Company	Member : 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 b) Shareholders'/Investors' Grievance Committee c) Remuneration Committee d) Nomination Committee	McNally Sayaji Engineering Limited, Kilburn Engineering Limited McNally Sayaji Engineering Limited McNally Sayaji Engineering Limited, Kilburn Engineering Limited Nil
Shareholding in the Company as on March 31, 2012	2,500

<b>Name of Director</b>	<b>Mr. Utsav Parekh</b>
Date of Birth	August 28, 1956
Date of Appointment	June 25, 1998
Expertise in specific functional areas	Business Executive
Qualifications	B. Com
List of outside Directorships held	<ol style="list-style-type: none"> <li>1. McLeod Russel India Limited</li> <li>2. Lend Lease Company (India) Limited</li> <li>3. SMIFS Capital Markets Limited</li> <li>4. Bengal Aerotropolis Projects Limited</li> <li>5. Xpro India Limited</li> <li>6. Texmaco Infrastructure &amp; Holdings Limited</li> </ol>
Chairman/Member of the Committee of the Board of Directors of the Company	Member: <ol style="list-style-type: none"> <li>1. Audit Committee</li> <li>2. Remuneration Committee</li> </ol>
Chairman/Member of the Committee of the Directors of other companies in which he is a Director a) Audit Committee b) Shareholders'/Investors' Grievance Committee c) Remuneration Committee d) Nomination Committee	SMIFS Capital Markets Limited McLeod Russel India Limited Nil Nil
Shareholding in the Company as on March 31, 2012	100

<b>Name of Director</b>	<b>Mr. Sudipto Sarkar</b>
Date of Birth	March 21, 1946
Date of Appointment	May 6, 2011
Expertise in specific functional areas	Legal Counsel
Qualifications	M.A., LL.M from Cambridge University, UK, Barrister, Grays Inn, London
List of outside Directorships held	<ol style="list-style-type: none"> <li>1. JSW Steel Ltd.</li> <li>2. Vesuvius India Ltd.</li> <li>3. B&amp;A Ltd.</li> <li>4. EIH Associated Hotels Ltd.</li> <li>5. Eveready Industries India Ltd.</li> <li>6. B&amp;A Packaging India Ltd.</li> <li>7. Descon Ltd.</li> <li>8. Island Hotel Maharaj Ltd</li> <li>9. Turf Properties Private Limited</li> <li>10. Indivar Commercial Private Limited</li> </ol>
Chairman/Member of the Committee of the Board of Directors of the Company	Member : <ol style="list-style-type: none"> <li>1. Shareholders'/Investors' Grievance Committee</li> </ol>
Chairman/Member of the Committee of the Directors of other companies in which he is a Director a) Audit Committee b) Shareholders'/Investors' Grievance Committee c) Remuneration Committee d) Nomination Committee	Nil Nil Nil Nil
Shareholding in the Company as on March 31, 2012	Nil

**McNALLY BHARAT ENGINEERING COMPANY LIMITED**

Regd. Office : 4 Mangoe Lane, Kolkata -700001

**ATTENDANCE SLIP**

49th Annual General Meeting

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

DP ID
Regd. Folio. No. *

CLIENT ID
No. of Shares

Name of Member .....

Name of Proxy .....

Address as registered with the Company .....

I/ We hereby record my presence at the Forty Ninth Annual General Meeting of the Company held on Friday, the 28th day of September, 2012 at 11.00 A.M. at Eastern Zonal Cultural Centre, Purbasree, IB 201, Sector – 3, Salt Lake City, Kolkata – 700106 (Near Salt Lake Stadium and AMRI Hospital, Salt Lake).

Please (✓) in the box.

☐ Member ☐ Proxy

Member's Signature

Member's Signature

Proxy's Signature

\* Applicable for investor holding shares in physical form.

**McNALLY BHARAT ENGINEERING COMPANY LIMITED**

Regd. Office : 4 Mangoe Lane, Kolkata -700001

**PROXY FORM**

49th Annual General Meeting

DP ID
Regd. Folio. No. *

CLIENT ID
No. of Shares

I/ We .....being a Member of McNally Bharat Engineering Company Limited., hereby appoint ..... of ..... or failing him ..... of ..... as my/ our proxy to attend and vote for me/us on my/our behalf at the 49th Annual General Meeting of the Company scheduled to be held on Friday, the 28th day of September, 2012 at 11.00 A.M. at Eastern Zonal Cultural Centre, Purbasree, IB 201, Sector – 3, Salt Lake City, Kolkata – 700106 (Near Salt Lake Stadium and AMRI Hospital, Salt Lake), or/and at any adjournment thereof.

Signed by the said .....

REVENUE  
STAMP

\* Applicable for investors holding shares in physical form.

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



**McNally Bawa Engineering Company Limited**

Registered in England No. 02068016

Registered Office: 1st Floor, 100, The Quadrant, London, W1A 0AB

Registered Office: 1st Floor, 100, The Quadrant, London, W1A 0AB

[www.mcnallybawa.com](http://www.mcnallybawa.com)