

Lovelock & Lewes

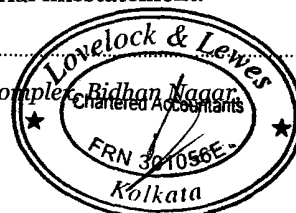
Chartered Accountants

The Board of Directors
McNally Bharat Engineering Company Limited
4 Mangoe Lane,
Kolkata 700001

1. We have reviewed the unaudited financial results of McNally Bharat Engineering Company Limited (the "Company") for the quarter ended September 30, 2016 which are included in the accompanying 'Statement of Standalone Unaudited Financial Results for the Quarter and Six months ended 30th September, 2016' and the 'Statement of Standalone Unaudited Assets and Liabilities as at September 30, 2016' together with the notes thereon (the "Statement"). The Statement has been prepared by the Company pursuant to Regulation 33 of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 (the "Listing Regulations, 2015") and SEBI Circular dated July 5, 2016, which has been initialled by us for identification purposes. The Statement is the responsibility of the Company's management and has been approved by the Board of Directors. Further, the Management is also responsible to ensure that the accounting policies used in preparation of this Statement are consistent with those used in the preparation of the Company's opening unaudited Balance Sheet as at April 1, 2015 prepared in accordance with the Companies (Indian Accounting Standards) Rules, 2015 (Ind AS) prescribed under Section 133 of the Companies Act, 2013 and other recognised accounting practices and policies. Our responsibility is to issue a report on the Statement based on our review. Attention is drawn to the fact that the figures for the corresponding quarter ended September 30, 2015 and the corresponding year to date from April 1, 2015 to September 30, 2015, including the reconciliation of loss for these periods under Ind AS of the corresponding quarter with loss under the Companies (Accounting Standards) Rules, 2006 have not been subjected to review.
2. We conducted our review in accordance with the Standard on Review Engagement (SRE) 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Institute of Chartered Accountants of India. This Standard requires that we plan and perform the review to obtain moderate assurance as to whether the Statement is free of material misstatement.
3. A review is limited primarily to inquiries of company personnel and analytical procedures applied to financial data and thus provides less assurance than an audit. We have not performed an audit and accordingly, we do not express an audit opinion.
4. We draw your attention to:
 - (i) Note 9 regarding non-provisioning against overdue receivables amounting to Rs. 7103.51 Lacs (net) due from a Singapore subsidiary for more than one year, which is not in accordance with requirements of Ind AS109 Financial Instruments and not in compliance with the provisions of Notification No. FEMA 120/RB-2004 dated July 7, 2004, as amended from time to time of the Foreign Exchange Management Act 2000. As set out in aforesaid note, the Management is making necessary efforts to ensure collection of dues from subsidiary, however, there are uncertainties regarding the amounts that would be collected ultimately.
Note 9 regarding non-provision for decline in the value of long term investments in MBE Mineral Technologies Pte Limited, its wholly owned subsidiary aggregating Rs. 2550.74 Lacs, which is not in accordance with the requirements of Ind AS 36 Impairment of Assets. Consequently, in absence of the appropriate audit evidence supporting the management assessment regarding appropriateness of the carrying value of investment, we are unable to comment on the impact on the loss for the year.
5. Based on our review conducted as above, except for our comments in paragraph 4 above, nothing has come to our attention that causes us to believe that the Statement has not been prepared in all material respects in accordance with Ind AS and other recognised accounting practices and policies, and has not disclosed the information required to be disclosed in terms of Regulation 33 of the Listing Regulations, 2015 and SEBI circular dated July 5, 2016, including the manner in which it is to be disclosed, or that it contains any material misstatement.

Lovelock & Lewes, Plot No. Y 14, Block EP, Sector V, Salt Lake Electronic Complex, Bidhan Nagar,
Kolkata - 700 091

T: +91 (33) 2357 9260, +91 (33) 2357 7600, F: +91 (33) 2357 7496



Head office: Plot No. Y 14, Block EP, Sector V, Salt Lake Electronic Complex, Bidhan Nagar, Kolkata - 700 091

Lovelock & Lewes

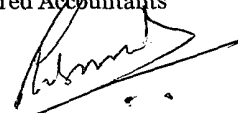
Chartered Accountants

6. We draw attention to the following matters:

- (a) Note 2 to the Statement which states that the Company has adopted Ind AS for the financial year commencing from April 1, 2016, and accordingly, the Statement has been prepared by the Company's Management in compliance with Ind AS.

Our conclusion is not qualified in respect of this matter.

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



Prabal Kr. Sarkar
Partner
Membership Number: 52340

Kolkata

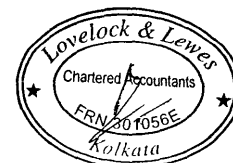
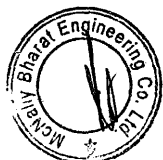
Dated: December 14, 2016

Statement of Standalone Unaudited Financial Results for the Quarter and Six months ended 30th September, 2016

PART I

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

Sl. No.	Particulars (Refer Notes Below)	3 months ended 30-09-2016	Preceding 3 months ended 30-08-2016	Corresponding 3 months ended in the previous year 30-09-2015	Year to date figures for current year ended 30-09-2016	Year to date figures for previous year ended 30-09-2015
		Unaudited	Unaudited	Unaudited	Unaudited	Unaudited
1	Income from operations					
	Net Sales/ Income from operations	36,834	39,193	71,398	76,027	1,16,069
	Less: Excise Duty	67	71	88	138	140
	(a) Net Sales/ Income from operations (Net of Excise Duty)	36,767	39,122	71,310	75,889	1,15,929
	(b) Other operating income	1,932	1,433	3,759	3,365	4,793
	Total Income from operations	38,699	40,555	75,069	79,254	1,20,722
2	Expenses					
	a. Cost of materials consumed	32,980	28,993	44,894	61,973	69,473
	b. Outsourcing expenses to outsiders for job work	8,412	13,843	19,475	22,255	30,049
	c. Employee benefits expenses	2,464	2,398	2,936	4,862	5,848
	d. Depreciation and amortisation expenses	624	917	590	1,541	1,187
	e. Other expenses	10,369	6,178	7,339	16,547	14,065
	Total Expenses	64,849	62,329	75,234	1,07,178	1,20,622
3	Profit/(Loss) from operations before other income, finance cost and exceptional items (1-2)	(16,150)	(11,774)	(165)	(27,924)	100
4	Other Income	6,011	571	556	6,582	1,779
5	Profit/(Loss) before finance costs and exceptional items (3+4)	(10,139)	(11,203)	391	(21,342)	1,879
6	Finance Costs	9,715	8,495	9,017	18,210	16,066
7	Profit/(Loss) before exceptional items (5-6)	(19,854)	(19,698)	(8,626)	(39,552)	(14,187)
8	Exceptional Items	-	-	-	-	-
9	Profit/(Loss) before tax (7+8)	(19,854)	(19,698)	(8,626)	(39,552)	(14,187)
10	Tax expense	-	-	-	-	-
11	Net Profit/(Loss) for the period (9-10)	(19,854)	(19,698)	(8,626)	(39,552)	(14,187)
12	Other comprehensive income, net of income tax					
	a. Items that will not be reclassified to profit or loss	2	2	(14)	4	(28)
	b. Items that will be reclassified to profit or loss	-	-	-	-	-
	Total other comprehensive income, net of income tax	2	2	(14)	4	(28)
13	Total Comprehensive Income for the period (11+12)	(19,852)	(19,696)	(8,640)	(39,548)	(14,215)
14	Paid up equity share capital (Face value of the share Rs. 10)	5,359	5,109	5,059	5,359	5,059
15	Earning per share (of Rs. 10/- each) (not annualised):					
	Basic	(38.77)	(38.55)	(21.50)	(77.71)	(35.64)
	Diluted	(38.77)	(38.55)	(21.50)	(77.71)	(35.64)
	See accompanying note to the financial results					

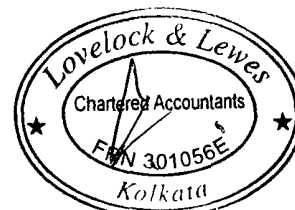


Notes:-

1 Statement of Standalone Unaudited Assets and Liabilities as at September 30, 2016

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

Particulars	As at 30-09-2016 (Unaudited)
I. ASSETS	
Non-Current Assets	
Property, plant And equipment	7,568
Capital work-in-progress	472
Other intangible assets	50
Financial Assets	
i. Investments	18,117
ii. Expenses Recoverable	12,998
iii. Margin Money & Other Deposits	64
Deferred tax assets (net)	-
Other non-current assets	335
A. Total non-current assets	39,604
Current assets	
Inventories	10,637
Financial assets	
i. Trade receivables	1,30,587
ii. Cash and cash equivalents	12,173
iii. Bank balances other than (ii) above	970
iv. Loans	14,995
v. Others (to be specified)	1,63,669
Current tax assets (net)	5,246
Other current assets	47,693
B. Total current assets	3,85,970
C. Total assets (A+B)	4,25,574
II. EQUITY AND LIABILITIES	
Equity	
Equity share capital	5,359
Other Equity	(53,241)
A. Total Equity	(47,882)
LIABILITIES	
Non-current liabilities	
Financial liabilities	
i. Borrowings	22,140
ii. Trade payables	-
iii. Other financial liabilities	-
Provisions	6,844
Deferred tax liabilities (net)	-
Other non-current liabilities	-
B. Total non-current liabilities	28,984
Current liabilities	
Financial liabilities	
i. Borrowings	2,04,929
ii. Trade payables	1,19,946
iii. Other financial liabilities	38,133
Other current liabilities	80,309
Provisions	1,155
Current tax liabilities (net)	-
C. Total current liabilities	4,44,472
D. Total liabilities (B+C)	4,73,456
E. Total equity and liabilities (A+D)	4,25,574



- 2 This statement has been prepared in accordance with the Companies (Indian Accounting Standards) Rules, 2015 (Ind AS) prescribed under Section 133 of the Companies Act, 2013 and other recognised accounting practices and policies to the extent applicable. Beginning April 1, 2016, the Company has for the first time adopted Ind AS with a transition date of April 1, 2015.
- 3 The format for Un-audited Quarterly Results as prescribed in SEBI's Circular CIR/CFD/CMD/15/2015 dated November 30, 2015 has been modified to comply with requirements of SEBI's circular dated July 5, 2016, Ind AS and Schedule III (Division II) to the Companies Act, 2013 applicable to companies that are required to comply with Ind AS.
- 4 The above unaudited results for the quarter ended September 30, 2016 have been reviewed by the Audit Committee and approved by the Board of Directors of the Company at its meeting held on December 14, 2016 and these have been subjected to a Limited Review by the Statutory Auditor of the Company.
- 5 The Statement does not include Ind AS compliant statement of results and statement of assets and liabilities for the previous year ended March 31, 2016 as the same are not mandatory as per SEBI's circular dated July 5, 2016.
- 6 The Ind AS compliant corresponding figures in the previous year have not been subjected to review/audit. However, the Company's management has exercised necessary due diligence to ensure that such financial results provide a true and fair view of its affairs.
- 7 Deferred tax assets have been recognised to the extent of deferred tax liabilities.
- 8 The reconciliation of net loss reported in accordance with Indian GAAP to Total Comprehensive Income in accordance with Ind AS is given below:

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

Description	Quarter ended 30-09-2015 (Not subject to review/ audit)	Six months ended 30-09-2015 (Not subject to review/ audit)
Net Loss as reported under previous GAAP (Indian GAAP)	(7,945)	(13,900)
Add/(Less): Adjustment on account of :		
Impact of measurement of derivative financial instruments at fair value as per Ind AS 109	-	(198)
Reclassification of actuarial losses, arising in respect of employee benefit schemes, to Other Comprehensive income as per Ind AS 19	14	28
Amortisation of transaction cost pertaining to borrowings	(83)	700
Reclassification of dividend pertaining to preference share capital	(35)	(68)
Impact of measurement of interest free rental deposits at amortised cost using effective interest method	(1)	(2)
Impact of measurement of Other Long Term Loans & Advances at amortised cost using effective interest method	(1,216)	(1,135)
Impact of fair valuation of investments as per Ind AS 109	(12)	(6)
Impact of expected credit loss in respect of trade receivables as per Ind AS 109	(554)	(554)
Impact of decommissioning obligations in respect of project site restoration	(6)	(6)
Impact of fair valuation of corporate guarantee as per Ind AS 109	(74)	(74)
Impact of fair valuation of contract revenue as per Ind AS 11	1,286	1,028
Net Loss as per Ind AS	(8,626)	(14,187)
Other Comprehensive Income (net of tax)	(14)	(28)
Total Comprehensive Income for the period	(8,640)	(14,215)

- 9 In the books of McNally Bharat Engineering Co. Ltd. (MBE), an amount of Rs 7103.51 lacs stands receivable on account of advances given as allowed under FEMA and Exchange control Guideline of Reserve Bank of India. Part of the receivables is also on account of interest being charged on such advance as stipulated in the Companies Act. A small part of the deposit has been received/adjusted against MBE's payable to MBE Minerals (SA) Pty Ltd as directed by them with their payable to MBE Minerals Technologies Pte Ltd Singapore. The major part of this recoverable shall be paid by MBE Singapore as and when they receive payment from Schillingtons Ltd, UK a subsidiary of EMC Middle East, Dubai, against the sale proceeds of sale of 80% stake of MBE Singapore in CMT Group Germany to Schillingtons. The agreement to sale between MBE Singapore and Schillingtons is valid as per the German Law, which provides extension of payment time with bilateral consent. The said agreement have been extended by both the party from time to time as permitted in the Agreement. This receivable is backed by receivable from sale proceeds of a valuable assets and MBE Singapore can at any point of time reclaim the transferred shares, by not extending payment time, which have been well defined in sale Agreement notarized in the City of Cologne. Investment of Rs. 2550.74 Lacs in MBE Mineral Technologies Pte Ltd Singapore by McNally Bharat Engineering Co Ltd is considered good and recoverable in the views of the Management.
- 10 The value of award of Rs. 8219.32 Lacs given by the Honorable Tribunal Chaired by Justice Ronojit Mitra, in an Arbitration case, has been accounted for during the current quarter, in light of the legal opinion received from the Company's lawyer. The opinion have been given considering the hard facts of the case and also keeping in view of the recent guideline of NITI Ayog (vide their OM No 14070/14/2019-PPPAU DT. 5.9.2016), which allowed recognition of such award by claiming upto 75% of the value of award, pending disposal of any application under Sec 34 of Arbitration and Reconciliation Act, 1996.
- 11 Project business is subject to quarter to quarter variations and one quarter's performance in isolation does not necessarily indicate full year's performance.
- 12 Figures for the quarter and six months ended September 30, 2015 have been reclassified, wherever necessary to make them Ind AS compliant and comparable with the figure for the current period.

Kolkata
December 14, 2016

PRANJAY GHOSH
WHOLETIME DIRECTOR

