

McNally Bharat Engineering Company Limited

CIN : L45202WB1961PLC025181
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New Town Rajarhat North 24 Parganas Kolkata 700 160
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E mbe.corp@mbecl.co.in W www.mcnallybharat.com
Registered Office : 4 Mangoe Lane Kolkata-700 001

July 15, 2020

Bombay Stock Exchange Limited
Floor 25, Phiroze Jeejeebhoy Towers
Dalal Street
Mumbai – 400001

National Stock Exchange of India Ltd.
Exchange Plaza,
Plot no. C/1, G Block, Bandra - Kurla Complex, Bandra
(E), Mumbai - 400 051

Dear Madam/Sir,

Sub: Outcome of the Meeting of the Board of Directors of the Company held on July 15, 2020

This is to inform you that the Board of Directors at its meeting held on even date has approved the Audited Standalone and Consolidated Financial Results of the Company for the quarter and year ended March 31, 2020. In compliance with the provisions of Regulation 33 and other applicable provisions of SEBI (Listing Obligations and Disclosure Requirements) Regulation, 2015 ("Listing Regulations").

Please find enclosed herewith the aforesaid Financial Results, along with the Reports of the Statutory Auditors thereon and Statement of Impact of Audit Qualifications for Standalone and Consolidated Audit Reports with modified opinion.

Thanking You,

Yours Faithfully,
For McNally Bharat Engineering Company Limited

Rahul Banerjee
Company Secretary

Independent Auditor's Report on the Standalone Financial Results of McNally Bharat Engineering Company Limited pursuant to the Regulation 33 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, as amended

The Board of Directors
McNally Bharat Engineering Company Limited
Four Mangoe Lane
Surendra Mohan Ghosh Sarani
Kolkata – 700001

Report on the Audit of the Standalone Financial Results

Adverse Opinion

We have audited the accompanying Standalone Financial Results ("the Statement") of McNally Bharat Engineering Company Limited ("the Company") for the quarter and year ended on 31st March, 2020, being submitted by the Company pursuant to the requirement of Regulation 33 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, as amended ("the Listing Regulations") read with SEBI Circular No. CIR/CFD/CMD1/80/2019 dated 19th July, 2019 ("the Circular").

In our opinion and to the best of our information and according to the explanations given to us, the Statement:

- a. is not presented in accordance with the requirements of Regulation 33 of the Listing Regulations in this regard, and
- b. does not give a true and fair view, in conformity with the recognition and measurement principles laid down in the applicable accounting standards and other accounting principles generally accepted in India of the net loss, total comprehensive loss and other financial information for the quarter and the year ended on 31st March, 2020.

Basis for Adverse Opinion

Non-recognition of Interest Expense

The Company has not recognised interest expense on Bank borrowings and Inter-Corporate Borrowings amounting to Rs. 29,044.74 Lakhs (including Rs. 7,466.06 Lakhs for the quarter ended) and Rs. 1,059.48 Lakhs (including Rs. 892.77 Lakhs for the quarter ended) respectively for the financial year ended 31st March, 2020 as referred in Note 3 of the Statement. The Company had also not recognised interest expense of Rs 9,216.88 Lakhs on Inter-Corporate Borrowings for the financial year ended 31st March, 2019. As a result, finance Costs, liability on account of interest and total comprehensive loss for the financial year ended 31st March, 2020 are understated to that extent.

This constitutes a departure from the requirements of Indian Accounting Standard 109 "Financial Instruments".

We conducted our audit in accordance with the Standards on Auditing (SAs) specified under section 143(10) of the Companies Act, 2013 ("the Act"). Our responsibilities under those Standards are further described in the Auditor's Responsibilities for the Audit of the Standalone Financial Results section of our report. We are independent of the Company in accordance with the Code of Ethics issued by the Institute of Chartered Accountants of India ("ICAI") together with the ethical requirements that are relevant to our audit of the Standalone Financial Results under the provisions of the Act and the Rules made thereunder, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our adverse opinion.

Emphasis of Matters

a) Material uncertainty related to Going Concern

We draw attention to Note 4 to the Statement that the Company has incurred net loss of Rs. 38,087.94 Lakhs during the financial year ended 31st March, 2020 and unable to meet its financial commitments/covenants to lenders and various other stakeholders. The Company's management is currently in discussion with the investor and lenders for carrying out a debt restructuring proposal as informed to us by the Management. These events and conditions indicate a material uncertainty which may cast a significant doubt on the Company's ability to continue as a going concern. The ability of the Company to continue as a going concern is solely dependent on the acceptance of the debt restructuring proposal. Based on the Board of Directors' assessment of the successful outcome of the restructuring proposal, this Statement has been prepared based as going concern basis.

b) Management's assessment of impact of COVID-19

We draw attention to Note 5 of the Statement which describes the management's assessment of impact of COVID-19, a global pandemic, on the financial position matters of the Company.

c) Recognition of Deferred Tax Assets

We draw attention to Note 6 of the Statement, the Company had recognised deferred tax assets of Rs. 51,706.60 Lakhs upto 31st March, 2018 expecting adequate future taxable profits to the Company against which the deferred tax assets can be utilised, which is solely dependent on the acceptance of the debt restructuring proposal as described in the above paragraph. However, the Company has not recognised further deferred tax assets for the financial year ended 31st March, 2019 and 31st March, 2020 on prudent basis.

d) Payment of Managerial Remuneration

We draw attention to Note 7 of the Statement regarding managerial remuneration amounting to Rs. 65.80 Lakhs (including Rs. 55.16 Lakhs for the quarter ended 31st March, 2020) paid/payable to the Managing Director for the period 14th December, 2019 to 31st March, 2020 for which the Company is in the process of obtaining necessary approvals from the lender banks and shareholders of the Company to comply with the provisions of section 197(17) of the Companies Act, 2013.

Our opinion is not modified in respect of these matters.

Management's Responsibilities for the Standalone Financial Results

This Statement, which is the responsibility of the Company's Management and approved by the Board of Directors, has been prepared on the basis of the related annual Standalone Financial Statements of the Company. The Company's Board of Directors are responsible for the preparation and presentation of these Standalone Financial Results that give a true and fair view of the loss and other comprehensive loss and other financial information in accordance with the recognition and measurement principles laid down in Indian Accounting Standard 34, "Interim Financial Reporting" prescribed under Section 133 of the Act read with relevant rules issued thereunder and other accounting principles generally accepted in India and in compliance with Regulation 33 of the Listing Regulations. This responsibility also includes maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding the assets of the Company and for preventing and detecting frauds and other irregularities; selection and application of appropriate accounting policies; making judgements and estimates that are reasonable and prudent; and design, implementation and maintenance of adequate internal financial controls that were operating effectively for ensuring the accuracy and completeness of the accounting records, relevant to the preparation and presentation of the Standalone Financial Results that give a true and fair view and are free from material misstatement, whether due to fraud or error.

In preparing the Standalone Financial Results, the Board of Directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Board of Directors either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

The Board of Directors is also responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Standalone Financial Results

Our objectives are to obtain reasonable assurance about whether the Standalone Financial Results as a whole are free from material misstatement, whether due to fraud or error, and to issue an Auditor's Report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with SAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these Standalone Financial Results.

As part of an audit in accordance with SAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the Standalone Financial Results, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances but not for the purposes of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors.
- Conclude on the appropriateness of the Board of Director's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our Auditor's Report to the related disclosures in the Standalone Financial Results or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our Auditor's Report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the Standalone Financial Results, including the disclosures, and whether the Standalone Financial Results represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

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Other Matters

- a) The Standalone Financial Results of the Company for the financial year ended 31st March, 2019 were jointly audited by us and another firm of Chartered Accountants, and have expressed a modified opinion vide the Audit Report dated 30th May, 2019 on such Standalone Financial Results.
- b) The Standalone Financial Results include the results for the quarter ended 31st March, 2020 being the derived figures between the audited figures in respect of the full financial year and the published unaudited year to date figures up to the third quarter of the current financial year which were reviewed by us.

Our opinion is not modified in respect of these matters.

For **V. SINGHI & ASSOCIATES**
Chartered Accountants
Firm Registration No.: 311017E

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(V. K. SINGHI)
Partner

Membership No.: 050051
UDIN: 20050051AAAADQ3064

Place: Kolkata
Date: 15th July, 2020

McNALLY BHARAT ENGINEERING COMPANY LIMITED
CIN: L45202WB1961PLC025181
Regd. Office: 4 MANGO LANE, Kolkata 700 001
Website:www.mcnallybharat.com, Email id: mbecal@mbecl.co.in, Phone no: (033) 6628-1213
Statement of Standalone Audited Financial Results for the quarter and year ended 31st March, 2020

(Rs. in Lakhs, unless otherwise stated)

Particulars	For The Three months ended			For The Year ended	
	31st March 2020	31st December 2019	31st March 2019	31st March 2020	31st March 2019
	Audited	Unaudited	Audited	Audited	Audited
1 Revenue from operations					
(a) Net Sales/ Income from Operations	10,653.49	12,716.84	19,564.67	56,467.42	1,51,585.20
(b) Other operating revenue	86.53	32.08	124.83	292.65	251.48
Total Income from Operations (Net)	10,740.02	12,748.92	19,689.50	56,760.07	1,51,836.68
2 Other Income	15.88	449.13	2,790.38	5,148.24	24,573.53
3 Total Income (1+2)	10,755.90	13,198.05	22,479.88	61,908.31	1,76,410.21
4 Expenses					
(a) Cost of Materials Consumed	4,093.62	4,219.44	11,425.38	21,471.18	1,10,560.88
(b) Outsourcing Expenses to Job Workers	2,736.17	3,153.47	11,353.10	20,184.99	41,200.06
(c) Employee Benefits Expense	1,758.61	1,247.85	2,360.48	7,131.29	9,657.21
(d) Finance Costs	3,618.29	219.86	7,578.93	8,106.77	36,704.17
(e) Depreciation and Amortisation Expense	221.84	307.05	243.48	1,005.34	1,058.57
(f) Other Expenses	14,068.16	19,208.59	6,752.93	42,096.69	23,829.18
Total Expenses	26,496.69	28,356.26	39,714.30	99,996.26	2,23,010.07
5 Profit / (Loss) before tax (3-4)	(15,740.79)	(15,158.21)	(17,234.42)	(38,087.95)	(46,599.86)
6 Tax expenses:					
(a) Current tax	-	-	-	-	-
(b) Deferred tax	-	-	-	-	-
7 Profit / (Loss) for the period/year (5-6)	(15,740.79)	(15,158.21)	(17,234.42)	(38,087.95)	(46,599.86)
8 Other Comprehensive Income					
(a) Items that will not be reclassified to profit or loss	87.93	(26.33)	(29.52)	8.94	(105.32)
Total other comprehensive income (net of income tax)	87.93	(26.33)	(29.52)	8.94	(105.32)
9 Total comprehensive income for the period/year (7+8)	(15,652.86)	(15,184.54)	(17,263.94)	(38,079.01)	(46,705.18)
10 Paid up equity share capital (Face value of the share Rs.10 each)	21,157.08	21,157.08	17,215.18	21,157.08	17,215.18
11 Reserves excluding revaluation reserve	-	-	-	(7,572.53)	31,948.52
12 Earnings Per Share (of Rs. 10/- each) (not annualised):					
Basic	(7.39)	(8.66)	(8.12)	(17.97)	(21.97)
Diluted	(7.39)	(8.66)	(8.12)	(17.97)	(21.97)

Also refer accompanying notes to the Standalone Financial Results.

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McNally Bharat Engineering Company Limited
Standalone Balance Sheet as at 31st March , 2020

(Rs. Lakhs, unless otherwise stated)

Particulars	As at March 31, 2020	As at March 31, 2019
ASSETS		
Non-current Assets		
Property, Plant and Equipment	3,169.99	4,106.82
Right to use Assets	1,989.36	-
Capital Work-in-progress	462.48	462.48
Other Intangible Assets	48.28	49.96
Financial Assets		
i. Investments	18,026.55	18,030.29
ii. Other Financial Assets	12.99	2,497.52
Deferred Tax Assets (net)	51,706.60	51,706.60
Other Non-current Assets	2.98	21.90
Total Non-current Assets	75,419.22	76,875.57
Current Assets		
Inventories	526.86	7,314.90
Financial Assets		
i. Trade Receivables	1,38,532.08	1,67,705.42
ii. Cash and Cash Equivalents	1,661.15	3,591.97
iii. Bank Balances other than (ii) above	107.95	4,355.77
iv. Loans	1,442.01	1,487.40
v. Other Financial Assets	20,878.63	34,302.84
Current Tax Assets (net)	6,223.45	5,564.84
Other Current Assets	45,748.62	41,524.29
Total Current Assets	2,15,120.75	2,65,847.43
Total Assets	2,90,539.97	3,42,723.00
EQUITY AND LIABILITIES		
Equity		
Equity Share Capital	21,157.08	17,215.18
Other equity		
Compulsorily Convertible Preference Shares	-	3,941.90
Money received against Share Warrants	-	100.00
Reserves and Surplus	(7,572.53)	31,948.52
Total Equity	13,584.55	53,205.60
LIABILITIES		
Non-current Liabilities		
Financial Liabilities		
i. Borrowings	12,222.06	11,110.96
ii. Other Financial Liabilities	2,198.46	438.71
Provisions	223.06	575.34
Total Non-current Liabilities	14,643.59	12,125.01
Current Liabilities		
Financial Liabilities		
i. Borrowings	1,98,462.79	1,82,654.73
ii. Trade Payables		
Total outstanding dues of micro enterprises and small enterprises	106.07	507.38
Total outstanding dues of creditors other than micro enterprises and small enterprises	22,527.17	46,290.69
iii. Other Financial Liabilities	13,755.62	14,789.01
Other Current Liabilities	27,335.84	32,927.64
Provisions	124.34	222.94
Total Current Liabilities	2,62,311.83	2,77,392.39
Total Liabilities	2,76,955.42	2,89,517.40
Total Equity and Liabilities	2,90,539.97	3,42,723.00

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McNally Bharat Engineering Company Limited

Notes to the Statement of Standalone Audited Financial Results for the quarter and financial year ended 31st March, 2020

1. The above results have been reviewed and recommended by the Audit Committee and approved by the Board of Directors at its meeting held on 15th July, 2020.
2. The Company is primarily engaged in the business of construction and hence no separate disclosure has been made for segment reporting as per Ind AS 108-Operating Segments.
3. a. The lender banks have stopped debiting interest on their outstanding debts as per the Prudential Norms on Income Recognition issued by the Reserve Bank of India. Accordingly, the Company has not recognised interest expense on Bank borrowings and Inter-Corporate Borrowings amounting to Rs. 29,044.74 Lakhs (including Rs. 7,466.06 Lakhs for the quarter ended) and Rs. 1,059.48 Lakhs (including Rs. 892.77 Lakhs for the quarter ended) respectively, for the financial year ended 31st March, 2020.

b. The Company had also not recognised interest expense of Rs 9,216.88 Lakhs on Inter-Corporate Borrowings for the financial year ended 31st March, 2019.
4. The Company's financial performance has been adversely affected due to downturn of the infrastructure and core sector, working capital constraints and external factors beyond the Company's control and the Company has not been able to meet its financial commitments /covenants to lenders and various other stakeholders. The Company has received binding Term Sheet for infusion of fresh funds for debt restructuring. The Term Sheet is being discussed with the Lenders of the Company and the necessary process has been initiated for debt restructuring. In the meanwhile, with the COVID-19 lockdown in the country, progress of the funding of the investors has been impacted. Based on the aforesaid ongoing developments, the Management is still hopeful that with the support of investors and the lenders and approval of the restructuring proposal, the Company shall be able to generate sufficient cash inflows through profitable operations to discharge its financial obligations. Accordingly, the Board of Directors have decided to prepare the Standalone Financial Results based on going concern basis.

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McNally Bharat Engineering Company Limited

Notes to the Statement of Standalone Audited Financial Results for the quarter and financial year ended 31st March, 2020 (Continued)

5. The World Health Organization (WHO) declared outbreak of COVID-19 a global pandemic on 11th March, 2020. Consequent to this, Government of India (GOI) has declared a national lockdown on 24th March, 2020 which got extended from time to time. The COVID- 19 is significantly impacting business operations of the Company, by way of interruption in the project activities, supply chain disruption, limited availability of human resource etc. The Company is closely monitoring the situation and the operations are being resumed in a phased manner considering directives from the GOI. The Company has evaluated its liquidity position and recoverability and carrying value of its Non-Current & Current Assets and has concluded that no material adjustments are required currently at this stage.
6. The Company had recognised Deferred Tax Assets amounting to Rs 51,706.60 Lakhs upto 31st March, 2018. The Company believes that based on the infusion of fresh funds by the investors coming to the Company and the lenders support on the debt restructuring proposal, there will be adequate future taxable profits available to the Company against which the Deferred Tax Assets can be utilised. However, the Company has not recognised further Deferred Tax Assets for the financial year ended 31st March, 2019 and 31st March, 2020 taking a conservative approach.
7. The Company has approached the lender bank for necessary approval in terms of Section 197(17) of the Companies Act, 2013 in respect of the waiver of recovery of excess remuneration paid/payable to the Managing Director of the Company amounting to Rs. 65.80 lakhs (including Rs 55.16 lakhs for the quarter ended 31st March, 2020) for the period 14th December, 2019 to 31st March, 2020. Thereafter necessary approval will be obtained from the shareholders of the Company to comply with the provisions of Section 197(17) of the Companies Act, 2013.
8. The management has reviewed trade receivables, claims recoverable against bank guarantees invoked by certain parties, advances to suppliers. Accordingly, provision amounting to Rs. 18,102.08 lakhs against trade receivables and claims recoverable has been recognised and advances to suppliers amounting to Rs. 5,022.06 Lakhs has been written off during the financial year ended 31st March, 2020 and disclosed under the head Other Expenses.
9. The Company has adopted Ind AS 116 "Leases", effective annual reporting period beginning 1st April, 2019 and adopted the standard using modified retrospective transition method where at the date of initial application, the lease liability is measured at the present value of remaining lease payments and right to use asset has been recognised at an amount equal to the lease liability. Accordingly, the comparative information for periods relating to earlier years has not been restated. As on 31st March, 2020, there is a Right of Use Asset and Lease Obligations amounting to Rs. 1,989.36 Lakhs and Rs. 2,198.46 Lakhs respectively.

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McNally Bharat Engineering Company Limited

Notes to the Statement of Standalone Audited Financial Results for the quarter and financial year ended 31st March, 2020 (Continued)

10. Project business is subject to quarter variations and each quarter's performance in isolation does not necessarily indicate full year's performance.
11. Figures for quarter ended 31st March, 2020 are the balancing figures between unaudited figures for the nine months ended 31 December, 2019 and audited figures for the financial year ended 31st March, 2020.
12. Figures for the previous quarters/periods have been regrouped/ rearranged wherever considered necessary.

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(SRINIVASH SINGH)
MANAGING DIRECTOR
DIN- 00789624

Date : 15th July, 2020

Place: Kolkata

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Statement on Impact of Audit Qualifications for the Financial Year ended March 31, 2020 (See Regulation 33 / 52 of the SEBI (LODR) (Amendment) Regulations, 2016)			
Sl. No.	Particulars	Audited Figures (as reported before adjusting for qualifications) (Rs in lakhs)	Adjusted Figures (audited figures after adjusting for qualifications)
I	1 Total Income	61,908.31	Not adjusted [Refer III(a) below]
	2 Total Expenditure	99,596.26	Not adjusted [Refer II(a) below]
	3 Net Profit/(Loss)	-38,087.95	Not adjusted [Refer II(a) below]
	4 Earnings Per Share	-17.97	Not adjusted [Refer II(a) below]
	5 Total Assets	2,90,539.97	Not adjusted [Refer II(a) below]
	6 Total Liabilities	2,76,955.42	Not adjusted [Refer II(a) below]
	7 Net Worth	13,584.55	Not adjusted [Refer II(a) below]
	8 Any other financial item(s) (as felt appropriate by the management)		Not adjusted [Refer II(a) below]
II	Audit Qualification (each audit qualification separately):		
	a. Details of Audit Qualification:	(i) Non-recognition of Interest Expense: Due to non-provision of interest expense on bank borrowings and inter-corporate borrowings amounting to Rs. 29,044.74 Lakhs (including Rs. 7,466.06 Lakhs during the quarter ended) and Rs. 1,059.48 Lakhs (including Rs. 892.77 Lakhs for the quarter ended) and financial year ended 31st March, 2020 respectively as referred in Note 3 of the Statement, Finance Costs, liability on account of interest and total comprehensive loss for the financial year ended 31st March, 2020 are understated to that extent. In addition to this, the Company had also not recognised interest expense of Rs 9,216.88 Lakhs on Inter-Corporate Borrowings during the financial year ended 31st March, 2019.	
	b. Type of Audit Qualification : Qualified Opinion / Disclaimer of Opinion / Adverse Opinion	Adverse Opinion	
	c. Frequency of qualification: Whether appeared first time / repetitive / since how long continuing	First time	
	d. For Audit Qualification(s) where the impact is quantified by the auditor, Management's Views:	The lender banks have stopped debiting interest on their outstanding debts as per the Prudential Norms on Income Recognition issued by the Reserve Bank of India. Accordingly, the Company has not recognised interest expense on Bank borrowings and Inter-Corporate Borrowings amounting to Rs. 29,044.74 Lakhs (including Rs. 7,466.06 Lakhs for the quarter ended) and Rs. 1,059.48 Lakhs (including Rs. 892.77 Lakhs for the quarter ended) respectively, for the financial year ended 31st March, 2020. On the same ground the Company had also not recognised interest expense of Rs 9,216.88 Lakhs on Inter-Corporate Borrowings for the financial year ended 31st March, 2019.	
	e. For Audit Qualification(s) where the impact is not quantified by the auditor:		
	(i) Management's estimation on the impact of audit qualification:	Not applicable	
	(ii) If management is unable to estimate the impact, reasons for the same:	Not applicable	
	(iii) Auditors' Comments on (i) or (ii) above:	Not applicable	
Signatories:			
III	Managing Director	 SRINIVAS H SINGH	
	CFO	 MANOJ KUMAR DIGGA	
	Audit Committee Chairman	 ASIM KUMAR BARMAN	
	Statutory Auditor	 VINOD KUMAR SINGHI	
	Place: Kolkata		
	Date: July 15, 2020		

Independent Auditor's Report on the Consolidated Financial Results of McNally Bharat Engineering Company Limited pursuant to the Regulation 33 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, as amended

The Board of Directors
McNally Bharat Engineering Company Limited
Four Mangoe Lane
Surendra Mohan Ghosh Sarani
Kolkata – 700001

Report on the Audit of the Consolidated Financial Results

Adverse Opinion

We have audited the accompanying Consolidated Financial Results ("the Statement") of McNally Bharat Engineering Company Limited ("the Holding Company") and its subsidiaries (the Holding Company and its subsidiaries together referred to as "the Group") for the quarter and year ended on 31st March, 2020, being submitted by the Holding Company pursuant to the requirement of Regulation 33 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, as amended ("the Listing Regulations") read with SEBI Circular No. CIR/CFD/CMD1/80/2019 dated 19th July, 2019 ("the Circular").

In our opinion and to the best of our information and according to the explanations given to us, and based on the consideration of the audit reports on Consolidated Financial Results of the subsidiary company and financial results/information of subsidiaries, the Statement:

- a. is not presented in accordance with the requirements of Regulation 33 of the Listing Regulations in this regard, and
- b. does not give a true and fair view, in conformity with the recognition and measurement principles laid down in the applicable accounting standards and other accounting principles generally accepted in India of the net loss, total comprehensive loss and other financial information of the Group for the quarter and the year ended on 31st March, 2020.
- c. includes the results of the following entities:
 - Wholly Owned Subsidiary Companies of the Holding Company
 - McNally Bharat Equipments Limited
 - MBE Mineral Technologies Pte Limited
 - MBE Minerals Zambia Limited
 - Subsidiary Company of the Holding Company
 - McNally Sayaji Engineering Limited
 - Step-down subsidiary of the Holding Company
 - MBE Mineral & Coal Technology India Private Limited (Wholly Owned Subsidiary of McNally Sayaji Engineering Limited)

Basis for Adverse Opinion

Non-recognition of Interest Expense

The Holding Company and one of its Subsidiary Company, McNally Sayaji Engineering Limited has not recognised interest expense on Bank borrowings and Inter-Corporate Borrowings amounting to Rs. 31,722.41 Lakhs (including Rs. 8,250.31 Lakhs for the quarter ended) and Rs. 1,690.51 Lakhs (including Rs. 1058.90 Lakhs for the quarter ended) respectively for the financial year ended 31st March, 2020 as referred in Note 3 of the Statement. The Holding Company had also not recognised interest expense of Rs 9,216.88 Lakhs on Inter-Corporate Borrowings for the financial year ended 31st March, 2019. As a result, finance Costs, liability on account of interest and total comprehensive loss for the financial year ended 31st March, 2020 are understated to that extent.

This constitutes a departure from the requirements of Indian Accounting Standard 109 "Financial Instruments".

We conducted our audit in accordance with the Standards on Auditing (SAs) specified under section 143(10) of the Companies Act, 2013 ("the Act"). Our responsibilities under those Standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Results section of our report. We are independent of the Group in accordance with the Code of Ethics issued by the Institute of Chartered Accountants of India ("ICAI") together with the ethical requirements that are relevant to our audit of the Consolidated Financial Results under the provisions of the Act and the Rules made thereunder, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code of Ethics. We believe that the audit evidence obtained by us is sufficient and appropriate to provide a basis for our adverse opinion.

Emphasis of Matters

a) Material uncertainty related to Going Concern

We draw attention to Note 4 to the Statement that the Group has incurred net loss of Rs. 38,743.82 Lakhs during the financial year ended 31st March, 2020 and the Holding Company and one of its Subsidiary Company, McNally Sayaji Engineering Limited unable to meet its financial commitments/covenants to lenders and various other stakeholders. The Holding Company's management and the subsidiary company's management are currently in discussion with the investor and lenders for carrying out a debt restructuring proposal as informed to us by the Management. These events and conditions indicate a material uncertainty which may cast a significant doubt on the Group's ability to continue as a going concern. The ability of the Group to continue as a going concern is solely dependent on the acceptance of the debt restructuring proposal. Based on the Holding Company's and subsidiary company's Board of Directors' assessment of the successful outcome of the restructuring proposal, this Statement has been prepared as going concern basis.

b) Management's assessment of impact of COVID-19

We draw attention to Note 5 of the Statement which describes the management's assessment of impact of COVID-19, a global pandemic, on the financial position matters of the Group.

c) Recognition of Deferred Tax Assets

We draw attention to Note 6 of the Statement, the Group had recognised deferred tax assets of Rs. 57,940.49 Lakhs upto 31st March, 2019 expecting adequate future taxable profits to the Group against which the deferred tax assets can be realised, which solely depends on the acceptance of the debt restructuring proposal. However, the Group has not recognised deferred tax assets for the financial year ended 31st March, 2020 on prudent basis.

d) Payment of Managerial Remuneration

We draw attention to Note 7 of the Statement regarding managerial remuneration amounting to Rs. 65.80 Lakhs (including Rs. 55.16 Lakhs for the quarter ended 31st March, 2020) paid/payable to the Managing Director of the Holding Company for the period 14th December, 2019 to 31st March, 2020 for which the Holding Company is in the process of obtaining necessary approvals from the lender banks and shareholders of the Holding Company to comply with the provisions of section 197(17) of the Companies Act, 2013.

Our opinion is not modified in respect of these matters.

Management's Responsibilities for the Consolidated Financial Results

This Statement, which is the responsibility of the Holding Company's Management and approved by the Holding Company's Board of Directors, has been prepared on the basis of the related annual Consolidated Financial Statements of the Company. The Holding Company's Board of Directors are responsible for the preparation and presentation of these Consolidated Financial Results that give a true and fair view of the loss and other comprehensive loss and other financial information of the Group in accordance with the recognition and measurement principles laid down in Indian Accounting Standard 34, "Interim Financial Reporting" prescribed under Section 133 of the Act read with relevant rules issued thereunder and other accounting principles generally accepted in India and in compliance with Regulation 33 of the Listing Regulations. The respective Board of Directors of the companies included in the Group are responsible for maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding of the assets of the Group and for preventing and detecting frauds and other irregularities; selection and application of appropriate accounting policies; making judgements and estimates that are reasonable and prudent; and design, implementation and maintenance of adequate internal financial controls that were operating effectively for ensuring the accuracy and completeness of the accounting records, relevant to the preparation and presentation of the Consolidated Financial Results that give a true and fair view and are free from material misstatement, whether due to fraud or error, which have been used for the purpose of preparation of the Consolidated Financial Results by the Directors of the Holding Company, as aforesaid.

In preparing the Consolidated Financial Results, the respective Board of Directors of the companies included in the Group are responsible for assessing the ability of the Group to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the respective Board of Directors either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

The respective Board of Directors of the companies included in the Group are responsible for overseeing the financial reporting process of the Group.

Auditor's Responsibilities for the Audit of the Consolidated Financial Results

Our objectives are to obtain reasonable assurance about whether the Consolidated Financial Results as a whole are free from material misstatement, whether due to fraud or error, and to issue an Auditor's Report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with SAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these Consolidated Financial Results.

As part of an audit in accordance with SAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the Consolidated Financial Results, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances but not for the purposes of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors.
- Conclude on the appropriateness of the Board of Director's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the ability of the Group to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our Auditor's Report to the related disclosures in the Consolidated Financial Results or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our Auditor's Report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the Consolidated Financial Results, including the disclosures, and whether the Consolidated Financial Results represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial results/financial information of the entities within the Group to express an opinion on the Consolidated Financial Results. We are responsible for the direction, supervision and performance of the audit of financial information of such entities included in the Consolidated Financial Results of which we are the independent auditors. For the other entities included in the consolidated Financial Results, which have been audited by other auditors, such other auditors remain responsible for the direction, supervision and performance of the audits carried out by them. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

We also performed procedures in accordance with the circular issued by the SEBI under Regulation 33(8) of the Listing Regulations, as amended, to the extent applicable.

Other Matters

- a) The Consolidated Financial Results include the audited Consolidated Financial Results of one Subsidiary whose Consolidated Financial Results reflect Group's share of total assets of Rs. 43,995 Lakhs as at 31st March, 2020, Group's share of total revenue of Rs. 17,518 Lakhs for the financial year ended 31st March, 2020 and Group's share of total net loss of Rs. 651 Lakhs for the financial year ended 31st March, 2020, as considered in the Consolidated Financial Results, which have been audited by us. Our opinion on the Consolidated Financial Results, in so far as it relates to the amounts and disclosures included in respect of these entities, is based solely on our report and the audit procedures performed by us.
- b) The Consolidated Financial Results include the unaudited Financial Information/Results of two foreign subsidiaries and one Indian subsidiary whose Interim Financial information/results reflect Group's share of total assets of Rs. 133.76 Lakhs as at 31st March, 2020, Group's share of total revenue of Rs. Nil for the financial year ended 31st March, 2020 and Group's share of total net loss of Rs. 5.05 Lakhs for the financial year ended 31st March, 2020, as considered in the Consolidated Financial Results. These unaudited Financial Information/Results have been furnished to us by the Board of Directors and our opinion on the consolidated Financial Results, in so far as it relates to the amounts and disclosures included in respect of these entities is based solely on such unaudited interim Financial Information/Results. In our opinion and according to the information and explanations given to us by the Board of Directors, these interim Financial information/results are not material to the Group.

- c) The results of the Joint Venture of the Holding Company i.e. EMC MBE Contracting Company LLC whose carrying value in the Financial Results of the Holding Company is Rs. Nil (net of impairment) and has not been considered in the Consolidated Financial Results.

Our opinion on the Consolidated Financial Results is not modified in respect of the above matters with respect to our reliance on the work done and the Financial Information/Results certified by the Board of Directors.

- d) The Consolidated Financial Results of the Group for the financial year ended 31st March, 2019 were jointly audited by us and another firm of Chartered Accountants, and have expressed a modified opinion in the Audit Report dated 30th May, 2019 on such Consolidated Financial Results.
- e) The Consolidated Financial Results include the results for the quarter ended 31st March, 2020 being the derived figures between the audited figures in respect of the full financial year and the published unaudited year to date figures up to the third quarter of the current financial year which were reviewed by us.

Our opinion is not modified in respect of these matters.

For **V. SINGHI & ASSOCIATES**
Chartered Accountants
Firm Registration No.: 311017E

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(V. K. SINGHI)
Partner

Membership No.: 050051
UDIN: 20050051AAAADT3492

Place: Kolkata
Date: 15th July, 2020

McNALLY BHARAT ENGINEERING COMPANY LIMITED
CIN: L45202WB1961PLC025181
Regd. Office: 4 MANGOE LANE, Kolkata 700 001
Website:www.mcnallybharat.com, Email id: mbecal@mbecl.co.in, Phone no: (033) 6628-1213
Statement of Consolidated Audited Financial Results for the quarter and year ended 31st March, 2020

(Rs. in Lakhs, unless otherwise stated)

Particulars	For The Three months ended			For The Year ended	
	31st March 2020	31st December 2019	31st March 2019	31st March 2020	31st March 2019
	Audited	Unaudited	Audited	Audited	Audited
1 Revenue from operations	13,707.64	16,423.75	26,702.59	73,004.67	1,74,141.34
2 Other income	543.10	571.11	2,764.78	6,213.46	15,808.58
3 Total income (1+2)	14,250.74	16,994.86	29,467.37	79,218.13	1,89,949.92
4 Expenses					
(a) Cost of materials consumed	5,384.70	5,863.25	13,765.21	29,353.06	1,18,242.04
(b) Purchase of stock-in-trade	-	-	1,631.37	-	2,406.36
(c) Changes in Inventories of work-in-progress and finished goods	130.83	-139.00	382.94	455.83	1,182.85
(d) Outsourcing expenses to job workers	2,580.04	3,066.51	11,353.10	19,708.72	41,200.06
(e) Employee benefits expense	2,346.00	2,094.85	3,181.12	10,345.68	13,150.36
(f) Finance costs	3,775.56	331.73	8,486.16	8,880.04	40,607.16
(g) Depreciation and amortisation expense	445.57	405.84	521.26	1,811.07	2,321.69
(h) Other expenses	15,875.70	20,272.50	12,808.84	47,432.77	48,416.14
Total expenses	30,538.40	31,895.68	52,130.00	1,17,987.17	2,67,526.66
5 Profit / (Loss) before tax and Exceptional Items (3-4)	(16,287.66)	(14,900.82)	(22,662.63)	(38,769.04)	(77,576.74)
6 Exceptional Items	-	-	(2,591.00)	-	(2,591.00)
Profit / (Loss) before tax (5-6)	(16,287.66)	(14,900.82)	(25,253.63)	(38,769.04)	(80,167.74)
7 Tax expenses:					
(a) Current tax	-	-	-	-	-
(b) Provision Written Back	-	-	-	(25.22)	-
(c) Deferred tax	-	-	(851.50)	-	(1,102.10)
8 Profit / (Loss) for the period/year (5-6)	(16,287.66)	(14,900.82)	(24,402.13)	(38,743.82)	(79,065.64)
9 Other Comprehensive Income					
(a) Items that will not be reclassified to profit or loss	113.32	(55.88)	(187.66)	(56.67)	(225.13)
(b) Income tax relating to these items	-	-	43.20	14.90	31.15
Total other comprehensive income (net of income tax)	113.32	(55.88)	(144.46)	(41.77)	(193.98)
10 Total comprehensive income for the period/year (8+9)	(16,174.34)	(14,956.69)	(24,546.59)	(38,785.59)	(79,259.63)
11 Profit/(Loss) attributable to:					
Owners of MBECL	(16,328.90)	(14,948.52)	(23,836.14)	(38,623.04)	(78,337.61)
Non-Controlling interest	41.24	47.71	(565.99)	(120.78)	(728.01)
Total	(16,287.66)	(14,900.81)	(24,402.13)	(38,743.82)	(79,065.62)
12 Other Comprehensive income is attributable to :					
Owners of MBECL	126.17	(50.44)	(123.26)	(32.85)	(176.71)
Non-Controlling interest	(12.85)	(5.44)	(21.20)	(8.92)	(17.27)
Total	113.32	(55.88)	(144.46)	(41.77)	(193.98)
13 Total Comprehensive income is attributable to :					
Owners of MBECL	(16,202.73)	(14,998.96)	(23,959.40)	(38,655.88)	(78,514.32)
Non-Controlling interest	28.38	42.27	(587.19)	(129.71)	(745.28)
Total	(16,174.34)	(14,956.69)	(24,546.59)	(38,785.59)	(79,259.60)
14 Paid up equity share capital (Face value of the share Rs.10 each)	21,157.08	21,157.08	-	21,157.08	17,215.18
15 Reserve excluding revaluation reserve	-	-	-	(20,356.81)	(4,227.50)
16 Earnings Per Share (of Rs. 10/- each) (not annualised):					
Basic	(7.54)	(7.06)	(11.27)	(18.22)	(4.56)
Diluted	(7.54)	(7.06)	(11.27)	(18.22)	(4.56)

Also refer accompanying notes to the Financial Results.

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McNALLY BHARAT ENGINEERING COMPANY LIMITED
CIN: L45202WB1961PLC025181
Regd. Office: 4 MANGO LANE, Kolkata 700 001
Web:www.mcnallybharat.com, Email id: mbecal@mbecl.co.in, Phone no: (033) 6628-1213
Statement of Consolidated Financial Results for the quarter and year ended 31st March, 2020

Particulars	Rs in lacs unless otherwise stated	
	As at 31st March 2020 (Audited)	As at 31st March 2019 (Audited)
ASSETS		
Non-current assets		
Property, plant and equipment	16,319.67	17,736.21
Right to use assets	1,989.36	-
Capital work-in-progress	482.37	503.51
Investment Property	361.42	364.42
Goodwill	1,162.64	1,162.64
Other Intangible assets	50.47	51.06
Financial assets		
i. Investments	92.87	96.62
ii. Trade receivables	489.63	1,583.23
iii. Other financial assets	516.84	2,973.81
Deferred tax assets (net)	57,940.49	57,940.49
Other non-current assets	94.15	27.78
Total non-current assets	79,499.91	82,439.77
Current assets		
Inventories	11,298.51	18,096.60
Financial assets		
i. Trade receivables	1,43,376.91	1,74,056.57
ii. Cash and cash equivalents	2,198.64	4,167.94
iii. Bank balances other than cash and cash equivalents above	384.51	4,627.28
iv. Loans	1,442.01	1,362.85
v. Other financial assets	21,605.42	34,974.05
Current tax assets(net)	6,425.43	5,963.30
Other current assets	42,553.22	40,905.21
Total current assets	2,29,284.65	2,84,153.80
Total assets	3,08,784.56	3,66,593.57
EQUITY AND LIABILITIES		
Equity		
Equity share capital	21,157.08	17,215.18
Other equity		
Compulsorily Convertible preference share	-	3,941.90
Money received against share warrants	-	100.00
Reserves and surplus	(20,356.81)	(4,227.50)
Equity attributable to owners of McNally Bharat Engineering Company Limited	800.27	17,029.58
Non-controlling interests	1,895.31	2,025.02
Total equity	2,695.58	19,054.60
LIABILITIES		
Non-current liabilities		
Financial Liabilities		
i. Borrowings	12,226.80	15,682.51
ii. Trade payables		
-Total outstanding dues of Micro Enterprises and Small Enterprises	-	-
-Total outstanding dues of creditors other than Micro Enterprises and Small Enterprises	0.68	3.40
iii. Other financial liabilities	2,420.85	438.71
Provisions	610.56	321.43
Other non-current liabilities	145.10	886.95
Total non-current liabilities	15,403.99	17,333.00
Current liabilities		
Financial Liabilities		
i. Borrowings	2,18,129.39	2,10,637.86
ii. Trade payables		
-Total outstanding dues of Micro Enterprises and Small Enterprises	136.44	528.52
-Total outstanding dues of creditors other than Micro Enterprises and Small Enterprises	26,339.04	56,178.10
iii. Other financial liabilities	18,938.83	13,272.59
Other current liabilities	26,814.77	48,949.20
Provisions	326.52	639.70
Current tax liabilities (Net)	-	-
Total current liabilities	2,90,684.99	3,30,205.97
Total liabilities	3,06,088.98	3,47,538.98
Total equity and liabilities	3,08,784.56	3,66,593.57

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Consolidated Statement of Cash Flows for the year ended March 31, 2020

Particulars	Year ended March 31, 2020	Year ended March 31, 2019
Cash flow from operating activities		
Profit/(Loss) before income tax	(38,769.04)	(80,167.74)
Adjustments for		
Depreciation	1,811.34	2,321.69
Finance Cost	8,879.77	40,607.16
Interest Income	(2,991.50)	(2,441.10)
Dividend Income	-	(0.22)
Loss/(Profit) on Disposal of Fixed Assets (Net)	5.53	3.75
Loss/(Profit) on Sale of Investment	-	(21.54)
Provision for Bad & Doubtful Debts	18,431.08	7,390.50
Bad Debts Written Off	1.00	271.44
Expected credit loss provided for/(written back)	3,497.70	(5,729.12)
Advance to vendor written off	5,049.07	-
Loss on change of ownership	-	17,632.03
Provision for Impairment of loan	-	1,688.25
Liability no longer required written back	(2,418.09)	(785.00)
Provision for Warranty	17.00	(2.00)
Provision for Doubtful Debts against expenses recoverable	2,805.57	-
Provision for Doubtful advances	-	67.06
Provision for Future Foreseeable Losses in Construction Contracts	1,993.30	273.62
Unrealised (gain)/ loss on Foreign Currency Translation (Net)	298.78	399.60
(Gain)/loss on fair valuation of derivative contracts	-	35.50
Interest Income on unwinding on revenue deferred	30.00	-
Deferred Retention Income	(36.00)	-
Net (gain)/loss on financial assets measured at fair value through profit or loss	3.74	33.17
Provision for Onerous Contracts written back	-	-
Change in operating assets and liabilities:		
(Increase)/Decrease in trade receivables	9,860.59	(5,231.62)
(Increase)/Decrease in inventories	6,799.03	5,260.26
Increase/(Decrease) in trade payables	(24,360.33)	(37,659.50)
Increase / (Decrease) in Employee Benefit Obligation	(276.00)	
(Increase)/Decrease in other financial assets	12,768.33	1,17,675.03
(Increase)/decrease in other non-current assets	18.93	207.57
(Increase)/decrease in other current assets	(9,246.41)	(3,451.89)
Increase/(decrease) in provisions	(441.93)	(46.74)
Increase/ (decrease) in other financial liabilities	(2,141.43)	(1,059.02)
Increase/ (decrease) in other liabilities	(9,803.62)	(27,257.01)
Cash generated from operations		
Income taxes (paid)/Refund	(437.62)	5,867.96
Net cash inflow / (outflow) from operating activities	(18,651.21)	35,882.09
Cash flows from investing activities		
Purchase of property, plant and equipment	(317.68)	(103.29)
Loans given during the year	-	(1,361.25)
Proceeds from sale of investments	-	39,170.91
Proceeds from sale of property, plant and equipment	96.61	21.53
Dividends received	-	0.22
Deposits matured/(made) during the year	4,247.82	(1,840.89)
Interest received	695.00	3,154.29
Net cash inflow / (outflow) from investing activities	4,721.76	39,041.52
Cash flows from financing activities		
Proceeds from borrowings	18,010.05	3,72,145.90
Repayment of borrowings	(2,947.78)	(4,11,530.94)
Transaction with non controlling interest	(120.78)	(1,171.02)
Dividend paid	-	(2.00)
Interest paid	(2,866.80)	(40,089.19)
Net increase in Cash Credit Facilities including WCDL	(67.00)	-
Net cash inflow / (outflow) from financing activities	12,007.70	(80,647.25)
Net increase / (decrease) in cash and cash equivalents	(1,921.75)	(5,723.64)
Cash and cash equivalents at the beginning of the financial year	4,120.65	9,844.42
Effects of exchange rate changes on cash and cash equivalents	(0.27)	0.24
Cash and cash equivalents at end of the year	2,198.63	4,121.02

McNally Bharat Engineering Company Limited

Notes to the Statement of Consolidated Audited Financial Results for the quarter and financial year ended 31st March, 2020

1. The above results have been reviewed and recommended by the Audit Committee and approved by the Board of Directors at its meeting held on 15th July, 2020.
2. The Group is primarily engaged in the business of construction and hence no separate disclosure has been made for segment reporting as per Ind AS 108-Operating Segments.
3. a. The lender banks of the Holding Company and one of the Subsidiary Company, McNally Sayaji Engineering Limited have stopped debiting interest on their outstanding debts as per the Prudential Norms on Income Recognition issued by the Reserve Bank of India. The Holding Company and the Subsidiary Company has not recognised interest expense on Bank borrowings and Inter-Corporate Borrowings amounting to Rs. 31,722.41 Lakhs (including Rs. 8,250.31 Lakhs for the quarter ended) and Rs. 1,690.51 Lakhs (including Rs. 1058.90 Lakhs for the quarter ended) respectively for the financial year ended 31st March, 2020.

b. The Holding Company had also not recognised interest expense of Rs 9,216.88 Lakhs on Inter-Corporate Borrowings for the financial year ended 31st March, 2019.
4. The Group's financial performance has been adversely affected due to downturn of the infrastructure and core sector, working capital constraints and external factors beyond the Group's control and the Holding Company and the Subsidiary Company has not been able to meet its financial commitments /covenants to lenders and various other stakeholders. The Holding Company and the Subsidiary Company has received binding Term Sheets for infusion of fresh funds for debt restructuring. The Term Sheets are being discussed with the Lenders of the Holding Company and the Subsidiary Company and the necessary process has been initiated for debt restructuring. In the meanwhile, with the COVID-19 lockdown in the country, progress of the funding of the investors has been impacted. Based on the aforesaid ongoing developments, the Management is still hopeful that with the support of investors and the lenders and approval of the restructuring proposal, the Group shall be able to generate sufficient cash inflows through profitable operations to discharge its financial obligations. Accordingly, the Board of Directors have decided to prepare the Consolidated Financial Results based on going concern basis.

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McNally Bharat Engineering Company Limited

Notes to the Statement of Consolidated Audited Financial Results for the quarter and financial year ended 31st March, 2020 (Continued)

5. The World Health Organization (WHO) declared outbreak of COVID-19 a global pandemic on 11th March, 2020. Consequent to this, Government of India (GOI) has declared a national lockdown on 24th March, 2020 which got extended from time to time. The COVID- 19 is significantly impacting business operations of the Group, by way of interruption in the project activities, supply chain disruption, limited availability of human resource etc. The Group is closely monitoring the situation and the operations are being resumed in a phased manner considering directives from the GOI. The Group has evaluated its liquidity position and recoverability and carrying value of its Non-current and Current Assets and has concluded that no material adjustments are required currently at this stage.
6. The Group had recognised Deferred Tax Assets amounting to Rs 57,940.49 Lakhs upto 31st March, 2019. The Group believes that based on the infusion of fresh funds by the investors coming to the Group and the lenders support on the debt restructuring proposal, there will be adequate future taxable profits available to the Group against which the Deferred Tax Assets can be utilised. However, the Group has not recognised further Deferred Tax Assets for the financial year ended 31st March, 2020 taking a conservative approach.
7. The Holding Company has approached the lender banks for necessary approval in terms of Section 197(17) of the Companies Act, 2013 in respect of the waiver of recovery of excess remuneration paid/payable to the Managing Director of the Holding Company amounting to Rs 65.80 lakhs (including Rs 55.16 lakhs for the quarter ended 31st March, 2020) during the period 14th December, 2019 to 31st March, 2020. Thereafter necessary approval will be obtained from the shareholders of the Holding Company to comply with the provisions of Section 197(17) of the Companies Act, 2013.
8. The management of the Holding Company has reviewed trade receivables, claims recoverable against bank guarantees invoked by certain parties, advances to suppliers. Accordingly, provision amounting to Rs. 18,102.08 lakhs against trade receivables and claims recoverable has been recognised and advances to suppliers amounting to Rs. 5,022.06 Lakhs has been written off by the Holding Company during the financial year ended 31st March, 2020 and disclosed under the head Other Expenses.

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McNally Bharat Engineering Company Limited

Notes to the Statement of Consolidated Audited Financial Results for the quarter and financial year ended 31st March, 2020 (Continued)

9. The Group has adopted Ind AS 116 “Leases”, effective annual reporting period beginning 1st April, 2019 and adopted the standard using modified retrospective transition method where at the date of initial application, the lease liability is measured at the present value of remaining lease payments and right to use asset has been recognised at an amount equal to the lease liability. Accordingly, the comparative information for periods relating to earlier years has not been restated. As on 31st March, 2020, there is a Right of Use Asset and Lease Obligations amounting to Rs. 1,989.36 Lakhs and Rs. 2,198.46 Lakhs respectively.
10. Project business is subject to quarter variations and each quarter’s performance in isolation does not necessarily indicate full year’s performance.
11. Figures for quarter ended 31st March, 2020 are the balancing figures between unaudited figures for the nine months ended 31 December, 2019 and Audited Figures for the financial year ended 31st March, 2020.
12. Figures for the previous quarters/periods have been regrouped/ rearranged wherever considered necessary.





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SRINIVASH SINGH

(SRINIVASH SINGH)
MANAGING DIRECTOR
DIN- 00789624

Date: 15th July, 2020

Place: Kolkata

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Statement on Impact of Audit Qualifications on Consolidated Financial Statements for the Financial Year ended March 31, 2020 (See Regulation 33 / 52 of the SEBI (LODR) (Amendment) Regulations, 2016)			
Sl. No.	Particulars	Audited Figures (as reported before adjusting for qualifications) (Rs in lakhs)	Adjusted Figures (audited figures after adjusting for qualifications)
I	1 Total Income	79,218.13	Not adjusted (Refer II(a) below)
	2 Total Expenditure	1,17,987.17	Not adjusted (Refer II(a) below)
	3 Net Profit/(Loss)	-38,769.04	Not adjusted (Refer II(a) below)
	4 Earnings Per Share	-18.22	Not adjusted (Refer II(a) below)
	5 Total Assets	3,08,784.56	Not adjusted (Refer II(a) below)
	6 Total Liabilities	3,06,088.98	Not adjusted (Refer II(a) below)
	7 Net Worth	2,695.58	Not adjusted (Refer II(a) below)
	8 Any other financial item(s) (as felt appropriate by the management)		Not adjusted (Refer II(a) below)
II Audit Qualification (each audit qualification separately):			
a. Details of Audit Qualification:	(i) Non-recognition of Interest Expense: Due to non-provision of interest expense by the Holding Company and one of its Subsidiary Company, McNally Sayaji Engineering Limited on bank and inter-corporate borrowings amounting to Rs. 31,722.41 Lakhs (including Rs. 8,250.31 Lakhs for the quarter ended) and Rs. 1,690.51 Lakhs respectively (including Rs. 1,058.90 Lakhs for the quarter ended) and financial year ended 31st March, 2020 as referred in Note 3 of the Statement, Finance Costs, liability on account of interest and total comprehensive loss for the financial year ended 31st March, 2020 are understated to that extent. In addition to this, the Holding Company had also not recognised interest expense of Rs 9,216.88 Lakhs on Inter-Corporate Borrowings during the financial year ended 31st March, 2019.		
b. Type of Audit Qualification : Qualified Opinion / Disclaimer of Opinion / Adverse Opinion	Adverse Opinion		
c. Frequency of qualification: Whether appeared first time / repetitive / since how long continuing	First time		
d. For Audit Qualification(s) where the impact is quantified by the auditor, Management's Views:	The lender banks of the Holding Company and one of the Subsidiary Company, McNally Sayaji Engineering Limited have stopped debiting interest on their outstanding debts as per the Prudential Norms on Income Recognition issued by the Reserve Bank of India. So, the Holding Company and the Subsidiary Company have not recognised interest expense on Bank borrowings and Inter-Corporate Borrowings amounting to Rs. 31,722.41 Lakhs (including Rs. 8,250.31 Lakhs for the quarter ended) and Rs. 1,690.51 Lakhs (including Rs. 1,058.90 Lakhs for the quarter ended) respectively for the financial year ended 31st March, 2020. On the same ground, the Holding Company had also not recognised interest expense of Rs 9,216.88 Lakhs on Inter-Corporate Borrowings for the financial year ended 31st March, 2019.		
e. For Audit Qualification(s) where the impact is not quantified by the auditor:			
(i) Management's estimation on the impact of audit qualification:	Not applicable		
(ii) If management is unable to estimate the impact, reasons for the same:	Not applicable		
(iii) Auditors' Comments on (i) or (ii) above:	Not applicable		
Signatories:			
III	Managing Director	 SRINIVASH SINGH	
	CFO	 MANOJ KUMAR DIGGA	
	Audit Committee Chairman	 ASIM KUMAR BARMAN	
	Statutory Auditor	 VINOD KUMAR SINGHI	
Place: Kolkata			
Date: July 15, 2020			