

## McNally Bharat Engineering Company Limited

CIN : L45202WB1961PLC025181  
Ecospace Campus 2B 11F/12 (Old Plot No. AA II/Blk 3)  
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June 2, 2016

### **BSE Limited**

Phiroze Jeejeebhoy Towers  
Dalal Street  
Mumbai – 400001

### **National Stock Exchange Limited**

Exchange Plaza  
Plot no. C/1, G Block  
Bandra-Kurla Complex  
Bandra (E)  
Mumbai – 400 051

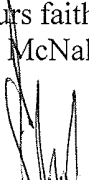
Dear Sirs,

We would like to inform you that in connection with the Standalone Audited Accounts, that was already submitted to you vide our letter dated May 30, 2016, we hereby declare in terms of Clause 4.1 of the Circular Number CIR/CFD/CMD/56/2016 issued by the Securities Exchange Board of India on 27<sup>th</sup> May, 2016, that the Auditors of the Company have furnished their Audit Report in respect of the aforesaid financial results with Un-modified opinion.

We would further like to inform you that in connection with the Consolidated Audited Accounts, that was submitted to you vide our letter dated June 1, 2016, we are attaching herewith a statement showing impact of audit qualifications in the prescribed format in terms of Clause 4.2 of the Circular Number CIR/CFD/CMD/56/2016 issued by the Securities Exchange Board of India on 27<sup>th</sup> May, 2016.

Thanking you.

Yours faithfully,  
For McNally Bharat Engineering Company Ltd

  
Prabir Ghosh  
Whole Time Director & Group CFO

Statement of impact of Audit Qualification (contd.)

AUDIT QUALIFICATION

Details of Audit Qualification

Extract from INDEPENDENT AUDITORS' REPORT

To the Members of McNally Bharat Engineering Company Limited

Report on the Consolidated Financial Statements

"Basis for Qualified Opinion

7. We draw your attention to the following qualifications to the audit opinion of the financial statements of MBE Mineral Technologies Pte Ltd, a subsidiary of the Holding Company issued by an Independent firm of Chartered Accountants vide its Report dated May 27, 2016 reproduced by us as under:

1. On 24<sup>th</sup> of March 2015, the Company sold its investment in subsidiary for Euro 14,000,000. As per terms of agreement with the buyer, the consideration is to be received on or before 30<sup>th</sup> September 2015. A new agreement signed with buyer on 7<sup>th</sup> January 2016 which states that the Euro 1,000,000 will be paid by 30<sup>th</sup> June 2016 and balance of Euro 13,000,000 by 30<sup>th</sup> September 2016. As this is after the date of our audit report we are not in a position to determine whether any provision is required for doubtful debts. As the sales consideration was not received by the Company till to date, we are not in a position to determine that whether the sale of subsidiary is constitute valid transaction and accordingly we are not in a position to comments if any needed to the financial statements.
2. The Company's trade receivables of US\$ 803,972 and other receivables of US\$ 19,988,800 have not been received for over one year. The management considers the receivable will be fully received and hence no provision for doubtful debts has been made in the financial statements. However, we have not found any substantive evidence or alternative audit procedure to go along with the view of the management. We are not in a position to establish the amount to be provided in the financial statement towards bad and doubtful debts if any."

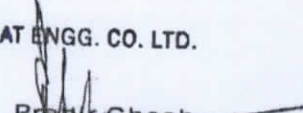
Qualified Opinion

8 In our opinion and to the best of our information and according to the explanations given to us, the aforesaid financial statements give the information required by the Act in the manner so required and except for the effects of the matters referred to in the Basis for Qualified Opinion paragraph above, give a true and fair view in conformity with the accounting principles generally accepted in India of the consolidated state of affairs of the Group, its associate and jointly controlled entity as at March 31, 2016 and their consolidated loss and their consolidated cash flows for the year ended on that date."

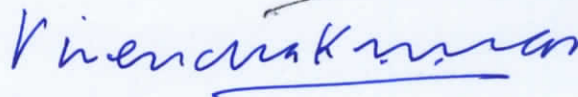
For McNally Bharat Engineering Co. Ltd.

  
P. K. Chandra  
Whole Time Director & COO

McNALLY BHARAT ENGG. CO. LTD.

  
Pratik Ghosh  
Whole Time Director & Group C.F.O





Statement on Impact of Audit Qualifications (for audit report with modified opinion) submitted along with Annual Audited Financial Results - (Continued)

Sl. No	Particulars	Audited Figures (as reported before adjusting for qualifications)	Effect On Loss (Audited figures after adjusting for qualifications)
1	Turnover / Total Income	266665.87	N.A.
2	Total Expenditure	261282.91	N.A.
3	Net Profit/(Loss)	-33643.98	N.A.
4	Earnings Per Share	RS. -73.66	N.A.
5	Total Assets	509515.62	N.A.
6	Total Liabilities	509515.62	N.A.
7	Net Worth	14350.00	N.A.
8	Any other financial item(s) (as felt appropriate by the management)		N.A.

- Audit Qualification (each audit qualification separately):
- Date of Audit Qualification: Extracts from Audit Report attached
  - Type of Audit Qualification: Qualified Opinion / Disclaimer of Opinion / Adverse Opinion
  - Frequency of qualification: Whether appeared first time / repetition / since how long continuing

- For Audit Qualification(s) where the impact is quantified by the auditor, Management's View:
- For Audit Qualification(s) where the impact is not quantified by the auditor:
- Management's estimation on the impact of audit qualification:

(a) If management is unable to estimate the impact, reasons for the same:  
(ii) Auditor's Comments on (i) or (ii) above:

For McNally Bharat Engineering Co. Ltd.

P. K. Chandra  
Whole Time Director & COO

McNALLY BHARAT ENGG. CO. LTD.

Whole Time Director & Group CFO

Whole Time Director & Group Chief Financial Officer  
Audit Committee Chairman  
Statutory Auditor  
Place: Kolkata  
Date: 2nd June 2016

Qualified Opinion  
Qualification 1: ERM0 14,000,000 from 2015-16 hence first time,  
Qualification 2 (USD 803,972) in 2015-16 hence first time,  
USD 13,568,406 is inclusive of ERM0 14 mtr or USD 15,109,134 hence repetition from 2014-15,  
balance USD 4,796,516 in 2015-16 hence first time  
N.A.

Qualification 1: The Auditor has expressed qualified opinion with regard to sale transaction of one investment for ERM0 14 mtr. in terms of the Agreement with the Buyer Hindustan in Germany, the contract has been amended from time to time. The Director firmly believe since the estimation is in line with the agreement, the transaction is valid and amount fully recoverable.  
Qualification 2: The Trade Receivables of USD 803,972 are from its own Subsidiary and Associate. Director feel they are fully collectible since part of the receivables has been collected (USD 129,890) during the year and the balance would also be collected in the current year 2015-17.  
The Other Receivables of USD 14,196,144 (ERM0 14 mtr) included in USD 15,660,406 has already been explained as fully recoverable against Qualification 1. Another receivable of USD 4,48 mtr from an erstwhile subsidiary, accepted as due by the company is legally claimable as per the agreement and is fully recoverable.  
N.A.  
We take note of Management's comments. The qualifications referred to in 8 (a) above have been reproduced from the audit opinion on the financial statements of MEE Minerals Technologies Pvt Limited a subsidiary of the Holding Company issued by an independent firm of Chartered Accountants vide its Report dated May 27, 2016. We have no further comment to make.

