



McNally Bharat Engineering Company Limited

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June 1, 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,

Further to our letter dated May 30, 2016, we would like to inform you that the Board of Directors at their adjourned meeting on June 1, 2016 has approved the Audited Accounts (Consolidated) for the year ended March 31, 2016 (extract attached along with the Audit Report).

Thanking you.

Yours faithfully,
For McNally Bharat Engineering Company Ltd


Dibakar Chatterjee
Company Secretary

Lovelock & Lewes

Chartered Accountants

INDEPENDENT AUDITORS' REPORT

To the Members of McNally Bharat Engineering Company Limited

Report on the Consolidated Financial Statements

1. We have audited the accompanying consolidated financial statements of McNally Bharat Engineering Company Limited ("hereinafter referred to as the Holding Company") and its subsidiaries (the Holding Company and its subsidiaries together referred to as "the Group"), its jointly controlled entity and associate company; (refer Note 1 to the attached consolidated financial statements), comprising of the consolidated Balance Sheet as at March 31, 2016, the consolidated Statement of Profit and Loss, the consolidated Cash Flow Statement for the year then ended, and a summary of significant accounting policies and other explanatory information prepared based on the relevant records (hereinafter referred to as "the Consolidated Financial Statements").

Management's Responsibility for the Consolidated Financial Statements

2. The Holding Company's Board of Directors is responsible for the preparation of these consolidated financial statements in terms of the requirements of the Companies Act, 2013 (hereinafter referred to as "the Act") that give a true and fair view of the consolidated financial position, consolidated financial performance and consolidated cash flows of the Group including its associate and jointly controlled entity in accordance with accounting principles generally accepted in India including the Accounting Standards specified under Section 133 of the Act read with Rule 7 of the Companies (Accounts) Rules, 2014. The Holding Company's Board of Directors is also responsible for ensuring accuracy of records including financial information considered necessary for the preparation of Consolidated Financial Statements. The respective Board of Directors of the companies included in the Group and of its associate and jointly controlled entity are responsible for maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding the assets of the Group and its associate and jointly controlled entity respectively and for preventing and detecting frauds and other irregularities; the selection and application of appropriate accounting policies; making judgements and estimates that are reasonable and prudent; and the 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 financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error, which has been used for the purpose of preparation of the consolidated financial statements by the Directors of the Holding Company, as aforesaid.

Auditors' Responsibility

3. Our responsibility is to express an opinion on these consolidated financial statements based on our audit. While conducting the audit, we have taken into account the provisions of the Act and the Rules made thereunder including the accounting standards and matters which are required to be included in the audit report.
4. We conducted our audit in accordance with the Standards on Auditing specified under Section 143(10) of the Act and other applicable authoritative pronouncements issued by the Institute of Chartered Accountants of India. Those Standards and pronouncements require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.
5. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal financial control relevant to the Holding Company's preparation of the consolidated financial statements that

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INDEPENDENT AUDITORS' REPORT

To the Members of McNally Bharat Engineering Company Limited

Report on the Consolidated Financial Statements

Page 2 of 4

give a true and fair view, in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of the accounting estimates made by the Holding Company's Board of Directors, as well as evaluating the overall presentation of the consolidated financial statements.

6. We believe that the audit evidence obtained by us and the audit evidence obtained by the other auditors in terms of their reports referred to in sub-paragraph 9 of the Other Matters paragraph below, other than the unaudited financial information as certified by the management and referred to in sub-paragraph 10 of the Other Matters paragraph below, is sufficient and appropriate to provide a basis for our qualified audit opinion 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 Minerals Technologies Pte Limited, 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 24th 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 30th September 2015. A new agreement signed with buyer on 7th January 2016 which states that the Euro 1,000,000 will be paid by 30th June 2016 and balance of Euro 13,000,000 by 30th 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 consolidated 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.



Lovelock & Lewes

Chartered Accountants

INDEPENDENT AUDITORS' REPORT

To the Members of McNally Bharat Engineering Company Limited
Report on the Consolidated Financial Statements
Page 3 of 4

Other Matter

9. We did not audit the financial statements of six subsidiaries, whose financial statements reflect total assets of Rs. 19,003 Lacs and net assets of Rs. 16,996 Lacs as at March 31, 2016, total revenue of Rs. 2,996 Lacs, net loss of Rs. 480 Lacs and net cash flows amounting to Rs. 140 Lacs for the year ended on that date, as considered in the consolidated financial statements. The consolidated financial statements also include the Group's share of net loss of Rs. 64 Lacs for the year ended March 31, 2016 as considered in the consolidated financial statements, in respect of one associate company whose financial statements have not been audited by us. These financial statements have been audited by other auditors whose reports have been furnished to us by the Management, and our opinion on the consolidated financial statements insofar as it relates to the amounts and disclosures included in respect of these subsidiaries and associate company and our report in terms of sub-section (3) of Section 143 of the Act insofar as it relates to the aforesaid subsidiaries and associate, is based solely on the reports of the other auditors.

10. We did not audit the financial information of one jointly controlled entity whose financial information reflect total assets of Rs. 152 Lacs and net assets of Rs. 152 Lacs as at March 31, 2016, total revenue of Rs. NIL, net profit of Rs. NIL and net cash flows amounting to Rs. 56 Lacs for the year ended on that date, as considered in the consolidated financial statements. These financial information are unaudited and have been furnished to us by the Management, and our opinion on the consolidated financial statements insofar as it relates to the amounts and disclosures included in respect of this jointly controlled entity and our report in terms of sub-section (3) of Section 143 of the Act insofar as it relates to the aforesaid jointly controlled entity, is based solely on such unaudited financial information. In our opinion and according to the information and explanations given to us by the Management, these financial information are not material to the Group.

Our opinion on the consolidated financial statements and our report on Other Legal and Regulatory Requirements below, is not modified in respect of the above matters with respect to our reliance on the work done and the reports of the other auditors and the financial information certified by the Management.

Report on Other Legal and Regulatory Requirements

11. As required by Section 143(3) of the Act, we report, to the extent applicable, that:

(a) We have sought and obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit of the aforesaid consolidated financial statements.

(b) In our opinion, proper books of account as required by law maintained by the Holding Company, its subsidiaries included in the Group, incorporated in India including relevant records relating to preparation of the aforesaid consolidated financial statements have been kept so far as it appears from our examination of those books and records of the Holding Company and the reports of the other auditors.

(c) The Consolidated Balance Sheet, the Consolidated Statement of Profit and Loss, and the Consolidated Cash Flow Statement dealt with by this Report are in agreement with the relevant books of account maintained by the Holding Company, its subsidiaries included in the Group, incorporated in India including relevant records relating to the preparation of the consolidated financial statements.



Lovelock & Lewes

Chartered Accountants

INDEPENDENT AUDITORS' REPORT

To the Members of McNally Bharat Engineering Company Limited

Report on the Consolidated Financial Statements

Page 4 of 4

(d) In our opinion, the aforesaid consolidated financial statements comply with the Accounting Standards specified under Section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014.

(e) On the basis of the written representations received from the directors of the Holding Company as on 31st March, 2016 taken on record by the Board of Directors of the Holding Company and the reports of the statutory auditors of its subsidiary companies, incorporated in India, none of the directors of the Group companies incorporated in India is disqualified as on March 31, 2016 from being appointed as a director in terms of Section 164 (2) of the Act.

(f) With respect to the adequacy of the internal financial controls over financial reporting of the Holding Company and its subsidiary companies incorporated in India and the operating effectiveness of such controls, refer to our separate Report in Annexure A.

(g) With respect to the other matters to be included in the Auditors' Report in accordance with Rule 11 of the Companies (Audit and Auditors) Rules, 2014, in our opinion and to the best of our information and according to the explanations given to us:

i. The consolidated financial statements disclose the impact, if any, of pending litigations as at March 31, 2016 on the consolidated financial position of the Group, its associate and jointly controlled entity— Refer Note 37 to the consolidated financial statements.

ii. Provision has been made in the consolidated financial statements, as required under the applicable law or accounting standards, for material foreseeable losses, if any, on long-term contracts including derivative contracts as at March 31, 2016— Refer (a) Note 44 to the consolidated financial statements in respect of such items as it relates to the Group, its associate and jointly controlled entity and (b) the Group's share of net loss in respect of its associate.

iii. There has been no delay in transferring amounts, required to be transferred, to the Investor Education and Protection Fund by the Holding Company and its subsidiary companies incorporated in India during the year ended March 31, 2016.

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


Prabal Kr Sarkar
Partner

Membership Number: 52340

Kolkata

June 1, 2016

McNALLY BHARAT ENGINEERING COMPANY LIMITED
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 CIN: L45202WB1961PLC025181
 Statement of Consolidated Audited Results for the Quarter and 12 months ended 31st March, 2016

PART I

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

No.	Particulars (Refer Notes Below)	Year to date figures for	Previous year
		current year ended 31/03/16	ended 31-03-2015
		Audited	Audited
1	Income from operations		
a	Net Sales/ Income from operations (Net of Excise Duty)	2,62,784	2,41,799
b	Other operating Income	613	1,174
	Total income from operations (net)	2,63,397	2,42,973
2	Expenses		
a	Cost of materials consumed	95,072	99,596
b	Purchase of traded goods	57,142	21,880
c	Changes in inventories of finished goods work-in-progress and Stock-in-Trade	(1,004)	358
d	Outsourcing expenses to outsiders for job work	61,908	60,526
e	Employee benefit expenses	15,058	18,482
f	Depreciation and amortisation expenses	3,845	4,621
g	Other expenses	35,133	35,976
	Total expenses	2,67,154	2,41,439
3	Profit/(Loss) from Operations before other income, finance cost, provision for onerous contracts and exceptional items (1-2)	(3,757)	1,534
4	Other Income	3,249	10,107
5	Profit/(Loss) from ordinary activities before finance costs, provision for onerous contracts and exceptional Items (3+4)	(508)	11,641
6	Finance costs	34,729	25,493
7	Profit/(Loss) from ordinary activities after finance costs but before provision for onerous contracts and exceptional Items (5-6)	(35,237)	(13,852)
8	Provision for onerous contracts		-
9	Profit/(Loss) from ordinary activities after provision for onerous contracts but before exceptional Items (7-8)		(13,852)
10	Provision for Onerous Contracts written back	1,400	6,100
11	Profit/(Loss) from ordinary activities after provision for onerous contracts written back but before exceptional items (9+10)	(33,837)	(7,752)
12	Exceptional Items		-
13	Profit/(Loss) from ordinary activities before tax (11+12)	(33,837)	(7,752)
14	Tax expense	170	367
15	Net Profit/(Loss) from ordinary activities after tax (13-14)	(34,007)	(8,119)
16	Extraordinary items		-
17	Net Profit/(Loss) for the period (15-16)	(34,007)	(8,119)
18	Minority Interest	(427)	(714)
19	Share of Profit/(Loss) of Associate	(64)	(23)
20	Net Profit/(Loss) after taxes, minority interest and share of profit/(loss) of associates (17-18+19)	(33,644)	(7,428)
21	Paid up Equity share Capital (Face value of the share Rs. 10)	5,109	4,059
22	Reserves excluding Revaluation Reserve as per Balance Sheet of previous accounting year	5,891	30,236
23	Earning per Share (before and after extraordinary items)		
	Basic EPS (Rs.)	(73.66)	(23.83)
	Diluted EPS (Rs.)	(73.66)	(23.80)
	See accompanying note to the financial results		

Statement of Segment Revenue, Results and Capital Employed

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

Sl. No.	Particulars	As at	As at
		31/03/2016 (Audited)	31/03/2015 (Audited)
1	Segment Revenue		
	(a) Construction Contracts	185768	1,95,608
	(b) Trading	55935	21,403
	(c) Others	21694	25,962
	Net Sales/ Income from operations	2,63,397	2,42,973
2	Segment Results Profit/(Loss) before tax and interest		
	(a) Construction Contracts	698	11354
	(b) Trading	(107)	(76)
	(c) Others	(479)	6644
	Less: (i) Interest & other borrowing cost	34729	25494
	Other unallocated income (Net off expenditure)	780	(180)
	Profit/(Loss) Before Tax	(33,837)	(7,752)
3	Capital Employed		
	(Segment Assets - Segment Liabilities)		
	(a) Construction Contracts	255582	180981
	(b) Trading	(24,223)	(12,698)
	(c) Others	1,250	4517
	(d) Unallocated	(2,20,009)	(1,36,784)
	Total Capital Employed	12600	36016

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Statement of Consolidated Audited Results for the Quarter and 12 months ended 31st March, 2016

Notes:-

1 Consolidated Statement of Assets and Liabilities

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

	As at 31/03/2016 (Audited)	As at 31/03/2015 (Audited)
A. EQUITY AND LIABILITIES		
(1) Shareholder's Fund		
(a) Share capital	6,084	5,034
(b) Reserve and surplus	5,891	30,232
(c) Money received against share warrants	625	750
	12,600	36,016
(2) Minority Interest	3,750	4,177
(3) Non Current Liabilities		
(a) Long term Borrowings	31,198	8,891
(b) Deferred Tax liabilities (net)	-	-
(b) Other long term Liabilities	128	154
(c) Long term Provisions	6,874	7,335
	38,200	16,380
(4) Current Liabilities		
(a) Short term borrowings	1,89,241	1,55,888
(b) Trade Payables	1,28,941	1,69,218
(c) Other Current Liabilities	1,34,824	91,681
(d) Short Term Provision	1,960	3,363
	4,54,966	3,60,150
TOTAL	5,09,516	4,16,723
B. ASSETS		
(1) Non Current Asset		
(a) Fixed Assets		
(i) Tangible Assets	27,073	29,809
(ii) Intangible Assets	1,903	1,598
(iii) Capital work in Progress	494	904
(iv) Intangible asset under development	-	-
	29,470	32,311
(b) Non Current Investment	2,818	2,676
(c) Deferred tax asset(net)	113	237
(d) Long Term Loans and Advances	11,472	6,448
(e) Other Non Current Assets	626	632
(2) Current Assets		
(a) Current Investments	-	-
(a) Inventories	30,032	26,713
(b) Trade Receivables	1,72,612	1,53,558
(c) Cash and Bank Balances	7,017	6,107
(d) Short Term Loans and Advances	71,213	61,980
(e) Other Current Assets	1,84,143	1,26,061
	4,65,017	3,74,419
TOTAL	5,09,516	4,16,723

- The above audited results have been reviewed by the Audit Committee and taken on record by the Board of Directors of the Company at its adjourned meeting held on 1st June, 2016.
- Deferred tax asset has been recognised to the extent of deferred tax liability.
- The Auditor has expressed qualified opinion with regard to sale transaction of one investment for EURO 14 mio. In terms of the Agreement with the buyer Notarized in Germany, the contract has been extended from time to time. The Directors firmly believe since the extension is in line with the agreement, the transaction is valid and amount fully recoverable.
- With regard to the other qualified opinion on trade receivables and other receivables which is inclusive of the EURO 14 mio referred to in para 4 of this note and which include receivables from its own subsidiary and associate companies, the Directors feel that since part of the receivable has been collected during the year, the outstanding will be collected and these companies have been allowed to pay the balance in the current year. Another receivable of USD 4.49 mio from an erstwhile subsidiary, accepted as due by the company, is legally claimable as per the agreement.
- During the year 2014-15, remuneration paid to Late Mr. Deepak Khaitan, the erstwhile Executive Chairman of the Company, was in excess of the maximum limit prescribed in Schedule V of the Companies Act, 2013. The members of the Company vide a special resolution adopted at their meeting held on 30th July, 2015, waived the recovery of such excess remuneration. The Company thereafter applied to the Central Government for approval of waiver of recovery of such Excess remuneration; the final reply for the said application is awaited.
- The Company entered into a joint venture agreement on 2nd September, 2015 with EMC Ltd in a participation ratio of 50:50 and incorporated a Limited Liability Partnership Company under the name of EMC MSE Contracting Company LLC in Oman. The Board of Directors of the Company had adopted the resolution towards formation of this joint venture company at its meeting held on 13th August, 2015. Thereafter, investment of Rs. 152.31 lacs was made in the said LLP in Oman on 11th December, 2015.
- Previous year's figures have been regrouped/rearranged wherever necessary.

Kolkata
1st June, 2016

PRABIR GHOSH,
WHOLETIME DIRECTOR & GROUP CFO