

MCNALLY SAYAJI ENGINEERING LIMITED

CIN: L28999WB1943PLC133247, Web - Site : www.mcnallysayaji.com

Regd. Office- Ecospace, Campus 2B, New Town, Rajarhat, Kolkata - 700160 Phone No : 913330142280

Statement of Unaudited Standalone Financial Results For The Quarter and Six Months Ended 30th September, 2020

Rupees in Lakhs

PARTICULARS	Quarter Ended			Half Year Ended		Year Ended
	30-09-2020	30-06-2020	30-09-2019	30-09-2020	30-09-2019	31-03-2020
	Unaudited	Unaudited	Unaudited	Unaudited	Unaudited	Audited
1 (a) Revenue From Operations	3,958	2,187	4,541	6,145	8,034	14,229
(b) Other Income	41	29	8	70	137	500
Total Income	3,999	2,216	4,549	6,215	8,171	14,729
2 Expenses						
a) Cost of Materials Consumed	1,719	468	2,222	2,187	4,075	6,842
b) Changes in Inventories of Work-in-Progress and Finished Goods	29	685	586	714	464	456
c) Employee Benefits Expense	616	468	758	1,084	1,384	2,458
d) Finance Costs	22	12	49	34	341	448
e) Depreciation and Amortisation Expense	306	307	242	613	475	792
f) Other Expenses	809	469	993	1,278	1,996	4,415
Total expenses (a to g)	3,501	2,409	4,850	5,910	8,735	15,411
3 Profit/(Loss) before tax and exceptional items (1-2)	498	(193)	(301)	305	(564)	(682)
4 Exceptional items	-	-	-	-	-	-
5 Profit/(Loss) before tax (3-4)	498	(193)	(301)	305	(564)	(682)
8 Other Comprehensive Income						
Items that will not be reclassified to profit or loss						
a) Remeasurements of Post-Employment Benefit Obligations	(14)	(15)	(29)	(29)	(58)	(57)
b) Income tax relating to these items	-	4	-	8	-	15
Total other comprehensive income, net of income tax	(14)	(11)	(29)	(21)	(58)	(42)
9 Total Comprehensive Income for the period (6 +/- 7)	484	(204)	(330)	284	(622)	(724)
10 Paid up Equity Share Capital (Face value Rs.10/- per share)						1,259
11 Earning/(Loss) Per Share (of Rs 10/- each) (not annualised)						
Basic and Diluted	3.84	(1.62)	(2.62)	2.26	(4.48)	(2.89)
12 Reserves, excluding revaluation reserve						

Also refer to the accompanying notes

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McNally Sayaji Engineering Limited
Standalone Statement of Assets and Liabilities

Particulars	As at 30th Sept 2020	As at 31st March 2020
ASSETS		
Non-Current Assets		
Property, Plant and Equipment	12,487	13,078
Capital Work-in-Progress	3	*
Investment Properties	358	361
Intangible Assets	1	2
Financial Assets		
Investments	2,700	2,700
Trade Receivables	557	423
Other Financial Assets	155	119
Deferred Tax Assets (Net)	5,397	5,397
Other Non-current Assets	86	85
Total Non-Current Assets	21,744	22,165
Current Assets		
Inventories	9,541	9,817
Financial Assets		
Trade Receivables	6,979	6,714
Cash and Cash Equivalents	977	502
Bank Balances Other than Above	50	187
Other Financial Assets	40	40
Current Tax Assets (Net)	87	86
Other Current Assets	2,119	1,461
Total Current Assets	19,793	18,807
Total Assets	41,537	40,972
EQUITY AND LIABILITIES		
Equity		
Equity Share Capital	1,259	1,259
Other Equity		
Reserves and Surplus	7,324	7,040
Total Equity	8,583	8,299
LIABILITIES		
Non-Current Liabilities		
Financial Liabilities		
Borrowings	-	-
Other Financial Liabilities	216	222.00
Employee Benefit Obligations	351	362.07
Total Non-Current Liabilities	567	584.070
Current Liabilities		
Financial Liabilities		
Borrowings	17,296	17,963
Trade Payables		
A. Total Outstanding Dues of Micro Enterprises and Small Enterprises	-	30
B. Total Outstanding Dues of Creditors Other than Micro Enterprises and Small Enterprises	5,376	4,909
Total outstanding dues of micro enterprises and small enterprises		
Other Financial Liabilities	4,860	4,832
Provisions	66	66
Employee Benefit Obligations	80	83
Other Current Liabilities	4,709	4,206
Total Current Liabilities	32,387	32,089
Inter Unit		
Total Liabilities	32,954	32,673
Total Equity and Liabilities	41,537	40,972

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McNally Sayaji Engineering Limited
Standalone Statement of Cash Flows for the half year ended 30th September, 2020

	Half Year Ended 30 Sept 2020	Half Year Ended 30 Sept 2019
Cash flow from operating activities		
Profit/(Loss) before Tax	305	(564)
Adjustments for :-		
Depreciation and Amortisation Expense	613	476
Interest Income	(15)	(16)
Finance Costs	34	342
Provision for Bad and Doubtful Trade Receivables	82	76
Advance written off	-	3
Liabilities no longer required written back	-	(73)
Net exchange Differences	2	1
Interest Income on unwinding on revenue deferred and Retention Income	(18)	(10)
	1,003	234
Cash flow from operating activities before change in operating assets and liabilities		
Decrease / (Increase) in trade Receivables and Other Assets	(964)	(333)
Decrease / (Increase) in inventories	276	310
Increase / (Decrease) in Trade & Other Payables	966	(339)
Increase / (Decrease) in employee benefit obligations	(35)	-
Cash generated from operations	1,246	(128)
Income taxes (paid) / received	(1)	(13)
Net cash inflow from operating activities	1,245	(141)
Cash flows from investing activities		
Purchase of property, plant and equipment	(20)	(13)
Interest received	15	16
Investment made	(57)	59
Net cash inflow (outflow) from investing activities	(62)	62
Cash flows from financing activities		
Repayment of Borrowings	(7)	(10)
Interest paid	(34)	(342)
Net increase (decrease) in Cash Credit Facilities including WCDL	(667)	489
Net cash outflow from financing activities	(708)	137
Net increase (decrease) in cash and cash equivalents	475	58
Cash and cash equivalents at opening of the year	502	316
Cash and cash equivalents at end of the year	977	375
<i>Reconciliation of cash and cash equivalents as per the cash flow statement</i>		
Cash and cash equivalents as per above comprise of the following		
Cash and cash equivalents	977	375
Balances per Statement of Cash Flows	977	375

1. The above Standalone Statement of Cash Flow has been prepared under the "Indirect Method" as set out in the Indian Accounting Standard 7 on 'Statement of Cash Flows'.

2. Previous year figures have been rearranged/regrouped wherever necessary.

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McNally Sayaji Engineering Limited

Notes to the Statement of Unaudited Standalone Financial Results for the quarter and half year ended 30th September, 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 10th November, 2020.
2. The above results have been reviewed by the Statutory Auditors as required under Regulation 33 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015.
3. The Company is primarily engaged in a single business segment, viz. "manufacturing and designing of engineering products" and predominantly operates in one Geographical segment. Hence, in the opinion of the Chief Operating decision maker, the Company's operation comprises of only one reporting segment. Accordingly, there are no separate reportable segments, as per Indian Accounting Standard 108 on "Segment Reporting".
4. The World Health Organization (WHO) declared outbreak of COVID-19, a global pandemic on 11th March, 2020. Consequent to this, Government of India (GOI) declared a national lockdown on 24th March, 2020 which got extended from time to time. The COVID - 19 has significantly impacted overall business operations globally and the Company is not an exception, by way of interruption in the project activities, supply chain disruption, limited availability of human resource etc. However, post lockdown, gradually, with the operations having resumed in a phased manner considering directives from the GOI, the business of the Company is regaining its normalcy in terms of volume as well as cash flow, which is also evident in the financial results of the second quarter in comparison to the first quarter of FY 2020-2021. The Company has evaluated its liquidity position and recoverability and carrying value of its assets and has concluded that no material adjustments are required currently at this stage.
5. The Company has been categorised as Non-Performing Asset by the lender banks. Consequently, majority of the lender banks have stopped debiting interest on debts. The Company has not recognised interest expense Rs. 1,575 Lakhs on bank borrowings and Rs. 318 Lakhs on Inter-Corporate borrowings for the half year ended 30th September, 2020 (including Rs.785 lakhs and Rs.162 lakhs interest expenses on Bank borrowings and Inter-Corporate borrowings respectively for the quarter ended 30th September, 2020). Amount of interest expense not recognised on bank borrowings and inter-corporate borrowings during the year ended 31st March, 2020 was Rs. 2,678 Lakhs and Rs. 631 Lakhs respectively.

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6. The Company's financial performance had 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's proposal towards resolution plan of debt restructuring is under active consideration of the lenders and the process is in progress, including TEV study, Ratings initiated by the Lenders. While the business operation of the Company is not only improving satisfactorily aiming towards growth potentialities, the improved cash flow also enables some lenders, having sanctioned "Holding On Operation", adjustment of a cut back from the receipts of the Company against the outstanding debts. The management is confident that with lenders support on the resolution and various other measures, the company will be able to generate sufficient cash flows through profitable operations improving its net worth and net working capital to discharge its short term and long term liabilities as would be restructured. Accordingly, the Board of Directors have decided to prepare the Standalone Financial Results using the going concern basis of accounting.
7. The Company had recognised Deferred Tax Assets amounting to Rs. 5,397 lakhs upto 31st March, 2019. The company believes that based on the future business plan and the lenders support on the restructuring proposal, there will be adequate future taxable profits available against which the Deferred Tax Assets can be utilised. However, the Company has not recognised Deferred Tax Assets thereafter taking a conservative approach.
8. In earlier years, the Company had issued a corporate guarantee in favour of the lender banks of its Parent Company, McNally Bharat Engineering Company Limited to the extent of value of fixed assets at Kumardhubi Unit-1 having a carrying value of Rs. 471 lakhs as at 30th September, 2020. The Auditors' Report of McNally Bharat Engineering Company Limited for the year ended 31st March, 2020 expressed material uncertainty towards going concern of the Holding Company which is undergoing a debt restructuring plan. Since the resolution plan of the Holding Company is under development stage, no provision has been considered in the financial results of the Company.
9. Figures for the previous quarters/periods have been regrouped/ rearranged wherever considered necessary.

Place : Kolkata
Dated: 10th November, 2020

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(Srinivash Singh)
Director
(DIN 00789624)

Independent Auditor's Review Report on the Standalone Unaudited Financial Results for the quarter and half year ended 30th September, 2020

Review Report to
The Board of Directors
McNally Sayaji Engineering Limited
Campus 2B, Ecospace Business Park
11F/12 Rajarhat, New Town
Kolkata – 700156

1. We have reviewed the accompanying Statement of Standalone Unaudited Financial Results of MCNALLY SAYAJI ENGINEERING LIMITED ("the Company") for the quarter and half year ended 30th September, 2020 ("the Statement").
2. This Statement, which is the responsibility of the Company's Management and approved by the Board of Directors, in accordance with the recognition and measurement principles laid down in Indian Accounting Standard 34 ("Ind AS 34") "Interim Financial Reporting" prescribed under Section 133 of the Companies Act, 2013, as amended, read with relevant rules issued thereunder and other accounting principles generally accepted in India. Our responsibility is to express a conclusion on the Statement based on our review.
3. We conducted our review of the Statement in accordance with the Standard on Review Engagements (SRE) 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity", issued by the Institute of Chartered Accountants of India. This Standard requires that we plan and perform the review to obtain moderate assurance as to whether the Statement is free of material misstatement. A review is limited primarily to inquiries of the Company personnel and analytical procedures applied to financial data and thus provides less assurance than an audit. We have not performed an audit and accordingly, we do not express an audit opinion.
4. Basis for Adverse Conclusion

The Company has not recognised interest expense on bank borrowings and Inter-Corporate borrowings amounting to Rs. 1,575 Lakhs and Rs. 318 Lakhs respectively for the half year ended 30th September, 2020 (including Rs.785 lakhs and Rs.162 lakhs interest expense on Bank borrowings and Inter-Corporate borrowings respectively for the quarter ended 30th September, 2020). Amount of interest expense not recognised on bank borrowings and inter-corporate borrowings during the year ended 31st March, 2020 was Rs. 2,678 Lakhs and Rs. 631 Lakhs respectively. As a result, finance costs, liability on account of interest and total comprehensive loss are understated to that extent.

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

5. Based on our review conducted as stated in Paragraph 3 above, and for reasons stated in Paragraph 4 above, the Statement of Standalone Unaudited Financial Results has not been prepared in accordance with the applicable Indian Accounting Standards and other recognised accounting practices and policies and has not disclosed the information required to be disclosed in terms of Regulation 33 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, as amended including the manner in which it is to be disclosed, or that it contains any material misstatement.

6. Emphasis of Matters

a) Material uncertainty related to Going Concern

We draw attention to Note 6 to the Statement that the Company is 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. Such events and conditions indicate a material uncertainty which may cast a significant doubt on the Company's ability to continue as a going concern and the same 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 on going concern basis.

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

We draw attention to Note 4 to the Statement which describes the management's assessment of impact of COVID-19, a global pandemic, on the financial position of the Company.

c) Recognition of Deferred Tax Assets

We draw attention to Note 7 to the Statement that the Company had recognised deferred tax assets of Rs. 5,397 Lakhs upto 31st March, 2019 expecting adequate future taxable profits to the Company against which the deferred tax assets can be realised, which is solely dependent on the acceptance of the debt restructuring proposal. However, the Company has not recognised further deferred tax assets thereafter on prudent basis.

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d) Corporate Guarantee issued by the Company

We draw attention to Note 8 to the Statement regarding Corporate Guarantee issued by the Company in favour of the lenders of the Holding Company, McNally Bharat Engineering Company Limited to the extent of value of fixed assets at Kumardubi Unit-1 having a book value of Rs. 471 Lakhs as on 30th September, 2020. The Audit Report of its Holding Company for the year ended 31st March, 2020 had expressed material uncertainty related to Going Concern which is undergoing a debt restructuring proposal, provision against the said guarantee in the Statement has not been considered necessary by the management during the half year ended 30th September, 2020.

Our conclusion on the Statement is not modified in respect of these matters.

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

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Place: Kolkata
Date: 10th November, 2020

(ANIRUDDHA SENGUPTA)
Partner
Membership No. 051371
UDIN: 20051371AAAACQ7178

MCNALLY SAYAJI ENGINEERING LIMITED						
CIN : L28999WB1943PLC133247, Web - Site : www.mcnallysayaji.com						
Regd. Office- Ecospace, Campus 2B, New Town, Rajarhat, Kolkata - 700156 Phone No : 913330142280						
Statement of Unaudited Consolidated Financial Results For The Quarter and Six Months Ended 30th September, 2020						
						Rupees in Lakhs
PARTICULARS	Quarter Ended			Half Year Ended		Year Ended
	30-09-2020	30-06-2020	30-09-2019	30-09-2020	30-09-2019	31-03-2020
	Unaudited	Unaudited	Unaudited	Unaudited	Unaudited	Audited
1 (a) Revenue from operations	4,464	2,568	5,516	7,032	10,015	17,518
(b) Other income	41	29	81	70	447	1,150
Total Income	4,505	2,597	5,597	7,102	10,462	18,668
2 Expenses						
a) Cost of materials consumed	1,845	554	2,612	2,399	5,019	8,401
c) Changes in inventories of work-in-progress and finished	29	685	586	714	464	456
d) Employee benefits expense	768	625	975	1,393	1,780	3,214
e) Finance costs	106	85	130	191	504	773
f) Depreciation and amortisation expense	308	311	246	619	483	806
g) Other expenses	949	700	1,332	1,649	2,601	5,694
Total expenses (a to g)	4,005	2,960	5,881	6,965	10,851	19,345
3 Profit/(Loss) before tax and exceptional items (1-2)	500	(363)	(284)	137	(389)	(677)
4 Exceptional items	-	-	-	-	-	-
5 Profit/(Loss) before tax (3-4)	500	(363)	(284)	137	(389)	(677)
6 Tax expense						
Current tax	-	-	-	-	(25)	-
Provision Written Back	-	-	-	-	-	(25)
Deferred tax Charge/(Credit)	-	-	-	-	-	-
Total tax expenses (a to b)	-	-	(25)	-	(25)	(25)
7 Profit / (Loss) for the period/year (4 +/-5)	500	(363)	(259)	137	(364)	(652)
8 Other Comprehensive Income						
Items that will not be reclassified to profit or loss						
a) Remeasurements of post-employment benefit obligations	(15)	(15)	(31)	(30)	(61)	(65)
b) Income tax relating to these items	(4)	4	-	-	-	15
Total Other Comprehensive Income, net of income tax	(19)	(11)	(31)	(30)	(61)	(50)
9 Total Comprehensive Income for the period (6 +/- 7)	481	(374)	(290)	108	(425)	(702)
10 Paid up Equity Share Capital (Face value Rs.10/- per share)						1,259
11 Earning/(Loss) Per Share (of Rs 10/- each) (not annualised)						
Basic and Diluted	3.97	-2.88	-2.06	1.09	-2.89	(5.18)
12 Reserves, excluding revaluation reserve						

Also refer to the accompanying notes

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McNally Sayaji Engineering Limited		
Consolidated Statement of Assets and Liabilities		Rupees in Lakhs
PARTICULARS	As at	
	30-09-2020	31-03-2020
	Unaudited	Audited
Assets		
Non-Current Assets		
Property, plant and equipment	12,553	13,150
Capital work-in-progress	23	20
Investment property	358	361
Other intangible assets	1	2
Financial Assets		
Investment		
Trade receivables	557	490
Other financial assets	540	504
Deferred tax assets	6,234	6,234
Other non-current assets	92	91
Total non-current assets	20,357	20,852
Current assets		
Inventories	10,502	10,771
Financial assets		
Trade receivables	9,415	8,974
Cash and cash equivalents	1,036	521
Bank balances other than above	50	187
Other financial assets	793	725
Current tax assets (net)	232	230
Other current assets	2,551	1,735
Total current assets	24,579	23,143
Total assets	44,936	43,995
EQUITY AND LIABILITIES		
Equity		
Equity share capital	1,259	1,259
Other Equity	4,725	4,609
Total Equity	5,984	5,868
Liabilities		
Non-current liabilities		
Financial liabilities		
Borrowings	4	5
Trade payables		
A Total outstanding dues of Micro Enterprises and Small Enterprises	-	
B Total outstanding dues of creditors other than Micro Enterprises and Small Enterprises	0	1
Other Financial Liabilities	216	222
Provisions	145	145
Employee Benefit Obligations	367	387
Other non-current liabilities	-	
Total non-current liabilities	733	760
Current liabilities		
Financial liabilities		
Borrowings	19,341	19,821
Trade payables		
A Total outstanding dues of Micro Enterprises and Small Enterprises	-	31
B Total outstanding dues of creditors other than Micro Enterprises and Small Enterprises	7,122	6,494
Other financial liabilities	5,876	5,748
Provisions	107	104
Employee Benefit Obligations	96	99
Current Tax Liabilities	-	
Other current liabilities	5,677	5,070
Total current liabilities	38,219	37,367
Total liabilities	38,953	38,127
Total equity and liabilities	44,936	43,995

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McNally Sayaji Engineering Limited		
Consolidated Statement of Cash Flows for the half year ended 30th September, 2020		
Rupees in Lakhs		
	Half Year ended 30 Sept 2020	Half Year ended 30 Sept 2019
Cash flow from Operating Activities		
Profit/(Loss) before Tax	306	(389)
Adjustments for :-		
Depreciation on Tangible Assets	616	484
Interest Income	(15)	(16)
Finance Costs	118	505
Provision for Bad and Doubtful Trade Receivables	82	76
Advance Written off	-	3
Liabilities No Longer Required Written Back	-	(129)
Provision for Warranty	2	12
Net Exchange Differences	2	1
Interest Income on unwinding on revenue deferred and Retention Income	(18)	(9)
Cash flow from Operating Activities before change in Operating Assets and Liabilities	1,093	534
Decrease / (Increase) in Trade and Other Receivables	(1,331)	8
Decrease / (Increase) in Inventories	221	147
Increase / (Decrease) in Trade and Other Payables	1,365	(763)
Increase / (Decrease) in employee benefit obligations	(35)	-
Cash generated from operations	1,313	(75)
Income Taxes paid	(1)	12
Net Cash Inflow from Operating Activities	1,312	(63)
Cash Flows from Investing Activities		
Payments for Property, Plant and Equipment	(20)	(18)
Interest Received	15	16
Fixed Deposit placed	(57)	59
Net cash inflow (outflow) from investing activities	(62)	57
Cash flows from financing activities		
Repayment of Borrowings	(7)	(82)
Interest paid	(118)	(494)
Net increase in Cash Credit Facilities including WCID.	(610)	489
Net cash inflow (outflow) from financing activities	(735)	(87)
Net increase (decrease) in Cash and Cash Equivalents	515	(93)
Cash and Cash Equivalents at Opening of the period	521	560
Cash and Cash Equivalents at End of the period	1,036	467
<i>Reconciliation of cash and cash equivalents as per the cash flow statement</i>		
Cash and Cash Equivalents as per above comprise of the following	30-Sep-20	30-Sep-19
Cash and Cash Equivalents	1,036	467
Balances per Statement of Cash Flows	1,036	467

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Notes to the Statement of Consolidated Unaudited Financial Results for the quarter and half year ended 30th September, 2020

1. The above results have been reviewed and recommended by the Audit Committee and approved by the Board of Directors at their respective meetings held on 10th November, 2020.
2. The above results have been reviewed by the Statutory Auditors as required under Regulation 33 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015.
3. The Group is primarily engaged in a single business segment, viz. “manufacturing and designing of engineering products” and predominantly operates in one Geographical segment. Hence, in the opinion of the Chief Operating decision maker, the Group’s operation comprises of only one reporting segment. Accordingly, there are no separate reportable segments, as per Indian Accounting Standard 108 on “Segment Reporting”.
4. The World Health Organization (WHO) declared outbreak of COVID-19, a global pandemic on 11th March, 2020. Consequent to this, Government of India (GOI) declared a national lockdown on 24th March, 2020 which got extended from time to time. The COVID-19 has significantly impacted overall business operations globally and the Group is not an exception, by way of interruption in the project activities, supply chain disruption, limited availability of human resource etc. However, post lockdown, gradually, with the operations having resumed in a phased manner considering directives from the GOI, the business of the Group is regaining its normalcy in terms of volume as well as cash flow, which is also evident in the financial results of the second quarter in comparison to the first quarter of FY 2020-2021. The Group has evaluated its liquidity position and recoverability and carrying value of its assets and has concluded that no material adjustments are required currently at this stage.
5. The Holding Company has been categorised as Non-Performing Asset by the lender banks. Consequently, majority of the lender banks have stopped debiting interest on debts. The Holding Company has not recognised interest expense Rs. 1,575 Lakhs on bank borrowings and Rs. 318 Lakhs on Inter-Corporate borrowings for the half year ended 30th September, 2020 (including Rs.785 lakhs and Rs.162 lakhs interest expenses on Bank borrowings and Inter-Corporate borrowings respectively for the quarter ended 30th September, 2020). Amount of interest expense not recognised on bank borrowings and inter-corporate borrowings during the year ended 31st March, 2020 was Rs. 2,678 Lakhs and Rs. 631 Lakhs respectively.
6. The Holding Company’s financial performance had been adversely affected due to downturn of the infrastructure and core sector, working capital constraints and external factors beyond the Holding Company’s control and the Holding Company has not been able to meet its financial commitments / covenants to lenders and various other stakeholders. The Holding Company’s

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proposal towards resolution plan of debt restructuring is under active consideration of the lenders and the process is in progress, including TEV study, Ratings initiated by the Lenders. While the business operation of the Holding Company is not only improving satisfactorily aiming towards growth potentialities, the improved cash flow also enables some lenders, having sanctioned "Holding On Operation", adjustment of a cut back from receipts of the Company against the outstanding debts. The management of the Holding Company is confident that with lenders support on the resolution and various other measures, the Holding Company will be able to generate sufficient cash flows through profitable operations improving its net worth and net working capital to discharge its short term and long term liabilities as would be restructured. Accordingly, the Board of Directors have decided to prepare the Consolidated Financial Results using the going concern basis of accounting.

7. The Group had recognised Deferred Tax Assets amounting to Rs. 6,234 lakhs upto 31st March, 2019. The Group believes that based on the future business plan and the lenders support on the restructuring proposal, there will be adequate future taxable profits available against which the Deferred Tax Assets can be utilised. However, the Group had not recognised Deferred Tax Assets thereafter taking a conservative approach.
8. In earlier years, the Holding Company had issued a corporate guarantee in favour of the lender banks of its Parent Company, McNally Bharat Engineering Company Limited to the extent of value of fixed assets at Kumardhubi Unit-1 having a carrying value of Rs. 471 lakhs as at 30th September, 2020. The Auditors' Report of McNally Bharat Engineering Company Limited for the year ended 31st March, 2020 expressed material uncertainty towards its going concern which is undergoing a debt restructuring plan. Since the resolution plan of McNally Bharat Engineering Company Limited is under development stage, no provision has been considered in the financial results of the Group.
9. Figures for the previous quarters/periods have been regrouped/ rearranged wherever considered necessary.

Place : Kolkata
Dated: 10th November, 2020

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(Srinivash Singh)
Director
(DIN 00789624)

Independent Auditor's Review Report on the Consolidated Unaudited Financial Results for the quarter and half year ended 30th September, 2020

Review Report to
The Board of Directors
McNally Sayaji Engineering Limited
Campus 2B, Ecospace Business Park
11F/12 Rajarhat, New Town
Kolkata – 700156

1. We have reviewed the accompanying Statement of Consolidated Unaudited Financial Results of MCNALLY SAYAJI ENGINEERING LIMITED ("the Holding Company") and its subsidiary (the Holding Company and its subsidiary together referred to as "the Group"), for the quarter and half year ended 30th September, 2020 ("the Statement").
2. This Statement, which is the responsibility of the Holding Company's Management and approved by the Holding Company's Board of Directors, in accordance with the recognition and measurement principles laid down in Indian Accounting Standard 34 ("Ind AS 34") "Interim Financial Reporting" prescribed under Section 133 of the Companies Act, 2013, as amended, read with relevant rules issued thereunder and other accounting principles generally accepted in India. Our responsibility is to express a conclusion on the Statement based on our review.
3. We conducted our review of the Statement in accordance with the Standard on Review Engagements (SRE) 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity", issued by the Institute of Chartered Accountants of India. This Standard requires that we plan and perform the review to obtain moderate assurance as to whether the Statement is free of material misstatement. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

We also performed procedures in accordance with the circular issued by the SEBI under Regulation 33(8) of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, as amended, to the extent applicable.

4. Basis for Adverse Conclusion

The Holding Company has not recognised interest expense on bank borrowings and on Inter-Corporate borrowings amounting to Rs. Rs. 1,575 Lakhs and Rs. 318 Lakhs for the half year ended 30th September, 2020 (including Rs.785 lakhs and Rs. 162 lakhs interest expense on Bank borrowings and Inter-Corporate borrowings respectively for the quarter ended 30th September, 2020). Amount of interest expense not recognised on bank borrowings and inter-corporate borrowings during the year ended 31st March, 2020 was Rs. 2,678 Lakhs and Rs. 631 Lakhs respectively as referred in Note 5 to the Statement. As a result, finance costs, liability on account of interest and total comprehensive loss are understated to that extent.

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

5. Based on our review conducted as stated in Paragraph 3 above, and for reasons stated in Paragraph 4 above, the Statement of Unaudited Consolidated Financial Results has not been prepared in accordance with the applicable Indian Accounting Standards and other recognised accounting practices and policies and has not disclosed the information required to be disclosed in terms of Regulation 33 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, as amended including the manner in which it is to be disclosed, or that it contains any material misstatement.

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6. Emphasis of Matters

a) Material uncertainty related to Going Concern

We draw attention to Note 6 to the Statement that the Holding Company is unable to meet its financial commitments/covenants to lenders and various other stakeholders. The Holding Company's management is currently in discussion with the lenders for carrying out a debt restructuring proposal as informed to us by the Management. Such events and conditions indicate a material uncertainty which may cast a significant doubt on the Holding Company's ability to continue as a going concern and the same is solely dependent on the acceptance of the debt restructuring proposal of the Holding Company. Based on the Board of Directors' assessment of the successful outcome of the restructuring proposal, this Statement has been prepared on going concern basis.

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

We draw attention to Note 4 to the Statement which describes the management's assessment of impact of COVID-19, a global pandemic, on the financial position of the Group.

c) Recognition of Deferred Tax Assets

We draw attention to Note 7 to the Statement that the Group had recognised deferred tax assets of Rs. 6,234 Lakhs upto 31st March, 2019 expecting adequate future taxable profits to the Group against which the deferred tax assets can be realised, which is solely dependent on the acceptance of the debt restructuring proposal. However, the Group has not recognised further deferred tax assets thereafter on prudent basis.

d) Corporate Guarantee issued by the Holding Company

We draw attention to Note 8 to the Statement regarding Corporate Guarantee issued by the Holding Company in favour of the lenders of its Holding Company, McNally Bharat Engineering Company Limited to the extent of value of fixed assets at Kumardubi Unit-1 having a book value of Rs. 471 Lakhs as on 30th September, 2020. The Audit Report of its Holding Company for the year ended 31st March, 2020 had expressed material uncertainty related to Going Concern which is undergoing a debt restructuring proposal, provision against the said guarantee in the Statement has not been considered necessary by the management during the half year ended 30th September, 2020.

Our conclusion on the Statement is not modified in respect of these matters.

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7. Other Matter

The Statement includes the results of MBE Coal & Mineral Technology India Private Limited, a wholly owned subsidiary of the Holding Company.

We did not review the financial information of one subsidiary included in the Statement whose financial information, reflect total assets of Rs. 6,363 Lakhs, total revenue of Rs. 936 Lakhs and total comprehensive loss of Rs. 168 Lakhs as considered in the statement for the half year ended 30th September, 2020. These Financial results/information are certified by the management.

Our conclusion on the Statement is not modified in respect of the above matter.

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

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(ANIRUDDHA SENGUPTA)
Partner

Membership No. 051371
UDIN: 20051371AAAACQ7178

Place: Kolkata
Date: 10th November, 2020