

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 Standalone Unaudited Financial Results For The Quarter Ended 30th June, 2021

Rupees in Lakhs

PARTICULARS	Quarter Ended		Year Ended	
	30-06-2021	31-03-2021	30-06-2020	31-03-2021
	Unaudited	Audited	Unaudited	Audited
1 (a) Revenue from operations	2,641	4,850	2,187	15,842
(b) Other income	24	19	29	217
Total Income	2,665	4,869	2,216	16,059
2 Expenses				
a) Cost of Materials Consumed	1,143	2,148	468	7,016
b) Changes in Inventories of Work-in-Progress and Finished Goods	53	755	685	1,357
c) Employee Benefits Expense	626	718	468	2,442
d) Finance Costs	22	53	12	88
e) Depreciation and Amortisation Expense	164	163	307	939
f) Other Expenses	598	773	469	3,225
Total Expenses (a to f)	2,606	4,611	2,409	15,078
3 Profit/(Loss) before Tax (1-2)	59	258	(193)	981
4 Tax Expense				
a) Current Tax	--	--	--	--
b) Deferred Tax (Credit)	--	--	--	--
Total Tax Expenses	--	--	--	--
5 Profit / (Loss) for the period/year (3 +/-4)	59	258	(193)	981
6 Other Comprehensive Income				
Items that will not be reclassified to profit or loss				
a) Remeasurements of post-employment benefit obligations	1	45	(15)	2
b) Income tax relating to these items	(0)	(12)	4	(1)
Total Other Comprehensive Income	1	33	(11)	1
7 Total Comprehensive Income for the period/year (5 +/- 6)	60	291	(204)	982
8 Paid up Equity Share Capital (Face value Rs.10/- each)	1,259	1,259	1,259	1,259
9 Other Equity (excluding revaluation reserve)	--	--	--	8,022
10 Earnings Per Share				
Basic and Diluted (Rs)	0.47	2.31	(1.53)	8

Also refer to the accompanying notes

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McNally Sayaji Engineering Limited

Notes to the Statement of Standalone Unaudited Financial Results for the quarter ended 30th June, 2021

1. Pursuant to the application under section 7 of Insolvency and Bankruptcy Act, 2016 filed by one Financial Creditor, being CP No.131/KB/2020, the NCLT Court, Kolkata Bench, while disposing off, admitted the application vide order dated 11th February, 2021 and directed to initiate Corporate Insolvency Resolution Process ('CIRP') against the Company. CA Jitendra Lohia, registered with the Insolvency and Bankruptcy Board of India and having Registration No. IBBI/IPA-001/IP-P00170/2017-19/10339 has been appointed as the Interim Resolution Professional ('IRP') for the Company. The said order dated 11th February, 2021 passed by the NCLT Court, Kolkata Bench, however, has been challenged before the NCLAT, New Delhi vide CA(AT) (Insolvency) No. 147 of 2021. While, stay has been granted by the Hon'ble NCLAT, New Delhi on constitution of Committee of Creditors, the IRP has been directed to ensure that the Company remains going concern. Matter is pending for final disposal of the Hon'ble NCLAT, New Delhi.
2. The above results have been reviewed and recommended by the Board of Directors (suspended) as well as IRP at the management meeting held on 11th August, 2021.
3. 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.
4. 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".
5. The World Health Organization (WHO) declared outbreak of COVID-19, a global pandemic and consequent to this, Government of India (GOI) as well as State Governments declared various restrictions and protocols for compliance as well lockdowns 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 as well as respective State Governments, the business of the Company is regaining its normalcy in terms of volume as well as cash flow. However, further impact of second wave of COVID – 19 resulted in disruption in business operation having adverse effect in the performance, which is also evident in the financial results of the first quarter of FY 2021-2022. 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.

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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. Pursuant to the order passed by the NCLT Court, Kolkata Bench, CIRP has been initiated against the Company, as stated in para (1) above. However, in view of the direction of NCLAT, New Delhi, as mentioned in para (1) above, the Consolidated Financial Results have been prepared using the going concern basis of accounting.
7. 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. 913.08 Lakhs on bank borrowings and Rs. 155.72 Lakhs on Inter-Corporate borrowings for the quarter ended 30th June, 2021. Amount of interest expense not recognised on bank borrowings and inter-corporate borrowings during the period from 1st April, 2019 to 31st March, 2021 were Rs. 6746.89 Lakhs and Rs. 1260.33 Lakhs respectively.
8. The Company had recognised Deferred Tax Assets amounting to Rs. 5,397 lakhs upto 31st March, 2019. Under the present circumstances, as stated in para (5) above, Company had not recognised Deferred Tax Assets thereafter taking a conservative approach.
9. On commencement of CIRP, as per the advice of IRP, complete evaluation of the non – moving and slow – moving inventories of the Company has been initiated, in view of some items in Work-in-Progress found non – moving since long, over the years. The evaluation process is still in progress, however, preliminary evaluation resulted in identification of certain inventories (including Work-In-Progress) of the Company having value of Rs 875 Lakhs may require adjustment after final reconciliation. Necessary disclosures will be made in Financial Statements for subsequent periods on completion of complete comprehensive evaluation. In view of above, no provision has been taken in the Financial Statements for Rs. 875 Lakhs as stated above.
10. In earlier years, the Company had issued a corporate guarantee in favour of the lender banks of its Holding Company, McNally Bharat Engineering Company Limited to the extent of value of fixed assets at Kumardhubi Unit-1 having a carrying value of Rs. 468 Lakhs as at 30th June, 2021. The Auditors of McNally Bharat Engineering Company Limited expressed material uncertainty towards its going concern which is undergoing a debt restructuring plan. However, no provision has been considered in the financial results of the Company.
11. Term Loan facilities granted to the Company by ICICI Bank Limited are secured, including against pledge over 23,37,211 numbers equity shares of the Company held by McNally Bharat Engineering Company Limited. The said pledge created over 23,37,211 equity shares of the

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Company has been invoked by ICICI Bank Limited and a sum of Re.1.00 has been adjusted towards the over-dues under the facilities availed by the Company from ICICI Bank Limited. In view of impairment in the investment value in the books of McNally Bharat Engineering Company Limited, a claim of Rs. 4079 lakhs has been lodged against the Company. Pending decision with regard to acknowledgement of the said claim of McNally Bharat Engineering Company Limited vis-à-vis the present status under CIRP of the Company as mentioned in para (1) above, no provision has been considered in the financial results of the Company.

12. Figures for the previous quarters/periods have been regrouped/ rearranged wherever considered necessary.

(Jitendra Lohia)
Interim Resolution Professional

JITENDR
A LOHIA

(Aseem Srivastav)
Whole Time Director (Suspended)

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Place : Kolkata
Dated: 11th August, 2021

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V. SINGHI & ASSOCIATES
Chartered Accountants

Phone: 2210 1124
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E-mail: vsinghiandco@gmail.com
Four Mangoe Lane
Surendra Mohan Ghosh Sarani
Kolkata – 700 001

Independent Auditor's Report on Limited Review of the Unaudited Standalone Financial Results for the quarter ended 30th June, 2021 of McNally Sayaji Engineering Limited pursuant to the Regulation 33 of the SEBI (Listing and Obligations Disclosure Requirements) Regulations, 2015, as amended

**The Resolution Professional of
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 ended 30th June, 2021 ("the Statement"), being submitted by the Company pursuant to the requirement of Regulation 33 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, as amended ("Listing Regulations") read with SEBI Circular No. CIR/CFD/CMD1/80/2019 dated 19th July, 2019 ("the Circular").
2. This Statement, which is the responsibility of the Company's Management and approved by Interim Resolution professional, has been prepared 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 issue a report 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.

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4. Basis for Adverse Conclusion

Non-Recognition of Interest Expense

The Company has not recognised interest expense on Bank borrowings amounting to Rs. 913.08 Lakhs (Rs. 6,746.89 Lakhs for the period 1st April, 2019 to 31st March, 2021 including Rs. 790.00 Lakhs for the quarter ended 30th June, 2020) and Rs. 155.72 Lakhs (Rs. 1260.33 Lakhs for the period 1st April, 2019 to 31st March, 2021 including Rs. 156.00 Lakhs for the quarter ended 30th June, 2020) on Inter-Corporate Borrowings for the quarter ended 30th June, 2021 as referred in Note 7 to the Statement. As a result, finance Costs interest liability and total comprehensive loss for the quarter ended 30th June, 2021 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 whether 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 has reported net loss of Rs. 59 Lakhs during the quarter ended 30th June, 2021 and was 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 as 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 management's 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 5 of 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 8 of 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.

d) Non -adjustment of the carrying value of the Stock

We draw attention to Note 9 of the Statement regarding Inventories physically verified earlier by management and the discrepancies observed are yet to be adjusted. As a result closing stock of work in process is overstated by Rs 875 Lakhs and total comprehensive loss for the quarter ended 30th June, 2021 are understated to that extent.

e) Non-adjustment of the carrying value of the loan

We draw attention to Note 11 of the Statement regarding invocation of pledge over 23,37,211 Equity Share of the company held by the Holding Company, McNally Bharat Engineering Company Limited by the lender Bank i.e ICICI Bank Limited as per their letter dated 27th November 2020 at a value of Re 1 /- against the Term Loan facility availed by the company .The Company has objected to such invocation by the Bank vide its letter dated 15th December 2020 and not made any adjustment to the carrying value of the Term Loan availed by the company.

f) Corporate Guarantee issued by the Company

We draw attention to Note 10 of 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. 468 Lakhs as on 30th June, 2021. The Audit Report of its Holding Company for the year ended 31st March, 2021 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 quarter ended 30th June, 2021.

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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(Sunil Singhi)
Partner

Membership No. 060854
UDIN: 21060854AAAAACE836

Place: Kolkata
Date: 11th August, 2021

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 Consolidated Unaudited Financial Results For The Quarter Ended 30th June, 2021

Rupees in Lakhs

PARTICULARS	Quarter Ended			Year Ended	
	30-06-2021	31-03-2021	30-06-2020	31-03-2021	
	Unaudited	Audited	Unaudited	Audited	
1 (a) Revenue from Operations	3,041	5,411	2,568	17,772	
(b) Other Income	24	303	29	502	
Total Income	3,065	5,714	2,597	18,274	
2 Expenses					
a) Cost of Materials Consumed	1,322	2,503	554	7,833	
b) Changes in Inventories of Work-in-Progress and Finished Goods	53	755	685	1,367	
c) Employee Benefits Expense	727	802	625	3,004	
d) Finance Costs	92	82	85	389	
e) Depreciation and Amortisation Expense	166	166	311	951	
f) Other Expenses	854	1,060	700	4,073	
Total Expenses (a to f)	3,214	5,368	2,960	17,617	
3 Profit/(Loss) Before Tax (1-2)	(149)	346	(363)	657	
4 Tax Expense					
a) Current Tax	-	-	-	-	
b) Provision Written Back	-	-	-	-	
c) Deferred Tax (Credit)	-	-	-	-	
Total Tax Expenses	-	-	-	-	
5 Profit / (Loss) for the period/year (3 +/-4)	(149)	346	(363)	657	
6 Other Comprehensive Income					
Items that will not be reclassified to profit or loss					
a) Remeasurements of post-employment benefit obligations	1	61	(15)	18	
b) Income tax relating to these items	(0)	(11)	4	-	
Total Other Comprehensive Income	1	50	(11)	18	
7 Total Comprehensive Income for the period/year (5 +/- 6)	(148)	396	(374)	675	
8 Paid up Equity Share Capital (Face value Rs.10/- each)	-	1,259	1,259	1,259	
9 Other Equity (excluding revaluation reserve)					
10 Earnings Per Share					
Basic and Diluted (Rs)	(1.48)	2.75	(2.88)	5.22	

Also refer to the accompanying notes

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McNally Sayaji Engineering Limited

Notes to the Statement of Consolidated Unaudited Financial Results for the quarter ended 30th June, 2021

1. Pursuant to the application under section 7 of Insolvency and Bankruptcy Act, 2016 filed by one Financial Creditor, being CP No.131/KB/2020, the NCLT Court, Kolkata Bench, while disposing off, admitted the application vide order dated 11th February, 2021 and directed to initiate Corporate Insolvency Resolution Process ('CIRP') against the Holding Company. CA Jitendra Lohia, registered with the Insolvency and Bankruptcy Board of India and having Registration No. IBBI/IPA-001/IP-P00170/2017-19/10339 has been appointed as the Interim Resolution Professional ('IRP') for the Holding Company. The said order dated 11th February, 2021 passed by the NCLT Court, Kolkata Bench, however, has been challenged before the NCLAT, New Delhi vide CA(AT) (Insolvency) No. 147 of 2021. While, stay has been granted by the Hon'ble NCLAT, New Delhi on constitution of Committee of Creditors, the IRP has been directed to ensure that the Holding Company remains going concern. Matter is pending for final disposal of the Hon'ble NCLAT, New Delhi.
2. The above results have been reviewed and recommended by the Board of Directors (suspended) as well as IRP at the management meeting held on 11th August, 2021.
3. The above consolidated Financial Results, except the Financial Results of Subsidiary Company, MBE Coal & Mineral Technology India Pvt Ltd, have been reviewed by the Statutory Auditors as required under Regulation 33 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015.
4. The Group's 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".
5. The World Health Organization (WHO) declared outbreak of COVID-19, a global pandemic and consequent to this, Government of India (GOI) as well as State Governments declared various restrictions and protocols for compliance as well lockdowns 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 as well as respective State Governments, the business of the Group is regaining its normalcy in terms of volume as well as cash flow. However, further impact of second wave of COVID – 19 resulted in disruption in business operation having adverse effect in the performance, which is also evident in the financial results of the first quarter of FY 2021-2022. The Group has evaluated its liquidity

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position and recoverability and carrying value of its assets and has concluded that no material adjustments are required currently at this stage.

6. The Group 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. Pursuant to the order passed by the NCLT Court, Kolkata Bench, CIRP has been initiated against the Holding Company, as stated in para (1) above. However, in view of the direction of NCLAT, New Delhi, as mentioned in para (1) above, the Consolidated Financial Results have been prepared using the going concern basis of accounting.
7. 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. 913.08 Lakhs on bank borrowings and Rs.155.72 Lakhs on Inter-Corporate borrowings for the quarter ended 30th June, 2021. Amount of interest expense not recognised on bank borrowings and inter-corporate borrowings during the period from 1st April, 2019 to 31st March, 2021 were Rs. 6746.89 Lakhs and Rs. 1260.33 Lakhs respectively.
8. The Group had recognised Deferred Tax Assets amounting to Rs. 6,234 lakhs upto 31st March, 2019. Under the present circumstances, as stated in para (5) above, Group had not recognised Deferred Tax Assets thereafter taking a conservative approach.
9. On commencement of CIRP, as per the advice of IRP, complete evaluation of the non – moving and slow – moving inventories of the Holding Company has been initiated, in view of some items in Work-in-Progress found non – moving since long, over the years. The evaluation process is still in progress, however, preliminary evaluation resulted in identification of certain inventories (including Work-in-Progress) of the Holding Company having value of Rs 875 Lakhs may require adjustment after final reconciliation. Necessary disclosures will be made in Financial Statements for subsequent periods on completion of complete comprehensive evaluation. In view of above, no provision has been taken in the Financial Statements for Rs. 875 Lakhs as stated above.
10. 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. 468 Lakhs as at 30th June, 2021. The Auditors of McNally Bharat Engineering Company Limited expressed material uncertainty towards its going concern which is undergoing a debt restructuring plan. However, no provision has been considered in the financial results of the Group.

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11. Term Loan facilities granted to the Holding Company by ICICI Bank Limited are secured, including against pledge over 23,37,211 numbers equity shares of the Holding Company held by McNally Bharat Engineering Company Limited. The said pledge created over 23,37,211 equity shares of the Holding Company has been invoked by ICICI Bank Limited and a sum of Re.1.00 has been adjusted towards the over-dues under the facilities availed by the Holding Company from ICICI Bank Limited. In view of impairment in the investment value in the books of McNally Bharat Engineering Company Limited, a claim of Rs. 4079 lakhs has been lodged against the Holding Company. Pending decision with regard to acknowledgement of the said claim of McNally Bharat Engineering Company Limited vis-à-vis the present status under CIRP of the Holding Company as mentioned in para (1) above, no provision has been considered in the financial results of the Group.
12. Figures for the previous quarters/periods have been regrouped/ rearranged wherever considered necessary.

(Jitendra Lohia)
Interim Resolution Professional

JITENDR
A LOHIA

(Aseem Srivastav)
Whole Time Director (Suspended)

ASEEM
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Place : Kolkata
Dated: 11th August, 2021

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V. SINGHI & ASSOCIATES
Chartered Accountants

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Kolkata - 700 001

Independent Auditor's Report on the Limited Review of the Unaudited Consolidated Financial Results for the quarter ended 30th June, 2021 of McNally Sayaji Engineering Limited pursuant to the Regulation 33 of the SEBI (Listing and Obligations Disclosure Requirements) Regulations, 2015, as amended

**The Resolution Professional of
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 ended 30th June, 2021 ("the Statement"), being submitted by the Company pursuant to the requirement of Regulation 33 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, as amended ("Listing Regulations") read with SEBI Circular No. CIR/CFD/CMD1/80/2019 dated 19th July, 2019 ("the Circular").
2. This Statement, which is the responsibility of the Holding Company's Management and approved by the Holding Company's Interim Resolution Professional, has been prepared 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.

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4. Basis for Adverse Conclusion

Non-Recognition of Interest Expense

The Holding Company has not recognised interest expense on Bank borrowings amounting to Rs. 913.08 Lakhs (Rs. 6,746.89 Lakhs for the period 1st April, 2019 to 31st March, 2021 including Rs. 790.00 Lakhs for the quarter ended 30th June, 2020) and Rs. 155.72 Lakhs (Rs. 1260.33 Lakhs for the period 1st April, 2019 to 31st March, 2021 including Rs. 156.00 Lakhs for the quarter ended 30th June, 2020) on Inter-Corporate Borrowings for the quarter ended 30th June, 2021 as referred in Note 8 to the Statement. As a result, finance costs interest liability and total comprehensive loss for the quarter ended 30th June, 2021 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 whether it contains any material misstatement.

6. Emphasis of Matters

a) Material uncertainty related to Going Concern

We draw attention to Note 7 of the Statement that the Group has incurred net loss of Rs. 149 Lakhs during the quarter ended 30th June, 2021 and 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 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 Holding Company's ability to continue as a going concern. The ability of the Holding Company to continue as a going concern is solely dependent on the acceptance of the debt restructuring proposal of the Holding Company. Based on the management's 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 6 of 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 9 of 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) Non –adjustment of the carrying value of the Stock

We draw attention to Note 10 of the Statement regarding Inventories physically verified earlier by management and the discrepancies observed are yet to be adjusted. As a result closing stock of work in process is overstated by Rs 875 Lakhs and total comprehensive loss for the quarter ended 30th June, 2021 are understated to that extent.

e) Non-adjustment of the carrying value of the loan

We draw attention to Note 12 of the Statement regarding invocation of pledge over 23,37,211 Equity Share of the Holding company held by its Holding Company, McNally Bharat Engineering Company Limited by the lender Bank i.e ICICI Bank Limited as per their letter dated 27th November 2020 at a value of Re 1 /- against the Term Loan facility availed by it .The Holding Company has objected to such invocation by the Bank vide its letter dated 15th December 2020 and not made any adjustment to the carrying value of the Term Loan availed by it.

f) Corporate Guarantee issued by the Holding Company

We draw attention to Note 11 of 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 atKumar.dubi Unit-1 having a book value of Rs. 468 Lakhs as on 30th June, 2021. The Audit Report of its aforesaid Holding Company for the year ended 31st March, 2021 had expressed material uncertainty related to Going Concern which is undergoing a debt restructuring proposal. Provision against the said guarantee in the Statement has notbeen considered necessary by the management during the quarter ended 30th June, 2021.

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

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 review the financial information of one subsidiary included in the Statement whose financial information, reflect total revenue of Rs. 399.46 Lakhs and total comprehensive loss of Rs. 209.19 Lakhs as considered in the statement for the quarter ended 30th June, 2021. 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

SUNIL
SINGHI
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by SUNIL
SINGHI
Date:
2021.08.11
20:17:12 +05'30'

(Sunil Singhi)
Partner

Membership No. 060854
UDIN: 21060854AAAACF5918

Place: Kolkata
Date: 11th August, 2021