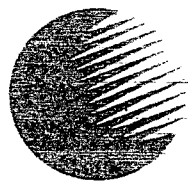


**39th  
ANNUAL REPORT  
2005-2006**

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**CMI LIMITED**

## CMI LIMITED

<b>Board of Directors</b> <b>Name</b> Amit Jain Payare Lal Goel Umesh Chand Jain Neeraj Goel	<b>Designation</b> Chairman cum Managing Director Director Director Director
<b>Audit Committee</b> Amit Jain Payare Lal Khanna Neeraj Goel	Chairman Member Member
<b>Stock Exchanges</b>	The Delhi Stock Exchange Association Limited DSE House, 3/1, Asaf Ali Road, New Delhi-110001.  The Stock Exchange, Mumbai Phiroze Jeejeebhoy Towers, Dalal Street, Mumbai-400023,  The Stock Exchange, Ahmedabad Kamdhenu Complex, Opp: Sahajanand College, Panjarapole, Ahmedabad-380001.
<b>Auditors</b>	M/s. D.C. Jain & Associates Chartered Accountants A-14/3, Jamna Bhawan, Asaf Ali Road, New Delhi-110002. (P) 011-3273420 (F) 011-3261886 Regn. No.: 05123
<b>Bankers</b>	Standard Chartered Bank, Yojna Vihar, New Delhi Syndicate Bank, Yojna Vihar, New Delhi ABN AMRO BANK, Yojna Vihar, New Delhi Kotak Mahindra, Yojna Vihar, New Delhi
<b>Regd. Office</b>	C-483, Yojna Vihar, New Delhi-110092 Phone: 22151388
<b>Works</b>	Plot No. 71 & 82, Sector-6, Faridabad, Haryana. Phone : 95129 - 4089309 to 4089312



C.M.I. LIMITED

**NOTICE**

Notice is hereby given that the 39<sup>th</sup> Annual General Meeting of the members of C.M.I. LIMITED will be held on Saturday, 30<sup>th</sup> day of September, 2006 at 11.00 a.m. at the Registered Office of the Company at C-483, Yojna Vihar, New Delhi-110092 transact the following business:

**ORDINARY BUSINESS:**

1. To receive, consider and adopt the Audited Balance Sheet as at 31<sup>st</sup> March, 2006 and Profit and Loss Account for the Year ended as on that date and the Director's and Auditor's Report thereon.
2. To appoint a Director in place of Mr. Umesh Chand Jain, who retires by rotation, and being eligible offers himself for re-appointment.
3. To appoint Auditors and to fix their remuneration and for that purpose to pass with or without modification (s) the following resolution as an Ordinary Resolution:

"RESOLVED THAT M/s. D.C. Jain & Associates, Chartered Accountants, New Delhi be and are hereby re-appointed as auditors of the Company to hold office from the conclusion of this meeting until the conclusion of next Annual General Meeting & Board of Directors of the Company be and is hereby authorised to fix their remuneration."

By order of the Board

Amit Jain

Chairman & Managing Director

Place: New Delhi

Dated: 5<sup>th</sup> September, 2006

**NOTES:**

1. A member entitled to attend and vote at the meeting is entitled to appoint a proxy to attend and vote instead of himself/herself and the proxy so appointed need not be a member of the Company.
2. The proxy form duly executed and properly stamped, in order to be effective, should reach the company at its registered office at least 48 hours before the

schedule time of the meeting.

3. Only registered members carrying attendance slips and holders of valid proxies registered with the Company will be permitted to attend the meeting.
4. The Register of Members and Share Transfer Books of the Company will remain closed from 24<sup>th</sup> September, 2006 to 29<sup>th</sup> September, 2006 (both days inclusive).
5. The Trading of the shares of the Company can be done at The Delhi Stock Exchange and The Ahmedabad Stock Exchange. Relisting of the shares at the Bombay Stock Exchange is in progress.
6. The Members are requested to:
  - a) Intimate the Company the change, if any, in their registered address or to their Depository Participant's at the earliest.
  - b) Quote Ledger Folio Numbers/DPTD — Client ID in all their correspondence.
  - c) Approach the company for consolidation of various ledger folios into one.
  - d) Get the shares transferred into joint names, if they are held in single name to avoid inconvenience.
  - e) Get their shares converted into Demat Form as trading in the Shares of the Company is compulsorily in Demat form.
  - f) Members seeking further information about the accounts are requested to write to the Company at least one week before the date of the meeting giving details of the information required.
7. The unpaid or unclaimed dividend for the financial year 1999-2000 dated 10<sup>th</sup> November, 2000, remaining unpaid for seven years, shall be transferred to Investor Education and Protection Fund under Section 205C of the Companies Act, 1956. Therefore the dividend warrants liable to be revalidated shall reach the company latest by 25<sup>th</sup> October, 2007. Thereafter, the amount is liable to be transferred to the fund. No claim shall lie against the company or the fund after the amount has been transferred.



**CMI LIMITED****DIRECTORS' REPORT**

The Members,

CMI Limited

The Directors of your company take pleasure in presenting before you the Thirty Ninth (39th) Annual Report on the financial position and performance of the Company during the financial year ended 31<sup>st</sup> March, 2006.

**FINANCIAL RESULTS**

The operating results of the Company for the year are as follows: -

PARTICULARS	31.03.2006	31.03.2005
Gross Income	140,455,349.00	48,242,030.00
Less: Expenditure	122,972,429.00	62,371,360.00
Less: Depreciation	8,176,062.00	8,387,784.00
Profit/ (Loss) before Taxation	(9,306,858.00)	(22,517,114.00)
Less: Provision for taxation	NIL	NIL
Profit/ (Loss) for the year carried to the Balance Sheet	(9,306,858.00)	(22,517,114.00)

**PERFORMANCE REVIEW**

The Company's Turnover for the financial year 2005 — 2006 amounted to Rs. 1257.23 Lacs as compared to Rs. 529.46 Lacs in the previous year. The annual turnover of the Company has shown an upward trend. The Company has incurred a loss of Rs. 93.07 Lacs in the year under review. The Management is making full efforts to materialize some big projects, which will help in reviving the financial health of the Company. Further the negotiations of the management of the Company with the Bankers of the Company are on finalization stage, therefore, the management of the Company has decided to reverse the liability of interest of approx three Crores in the Current year Balance sheet.

**AUDITORS**

M/s D. C. Jain & Associates, Chartered Accountants, New Delhi, the Statutory Auditors of the Company retire at the conclusion of the 39th Annual General Meeting and being eligible offer themselves for re-appointment as the Auditors of the Company. Consent Letter pursuant to Section 224(1B) of the Companies Act, 1956, has been received from them.

**AUDITORS REPORT**

The Auditors Report for the period has been annexed with this report and the various queries raised by them are explained herein below: -

- The Company does not have an Internal Audit System commensurate with the size and nature of the business. There was been high employee turnover in the Company and the Company is going through a very poor financial position. As the Company has become sick, it is not feasible for the Company to appoint an Internal Auditor for the compliance of the statutory provisions. The Management is making full efforts to revive the financial position of the Company and



CMI LIMITED

subsequently all the measures will be taken to comply with the various requirements.

- The Company has not been regular in depositing its Provident Fund, Investor Education Protection Fund, Employees' State Insurance, etc. As the Company is facing a financial crisis, there has been a high turnover of employees. The Company is taking full measures to deposit all the statutory dues during the current financial year.

- Due to the erosion of the entire net worth, the Company has become a sick company and subsequently the financial position of the Company has not been such that the outstanding interest on loans of Dena Bank could be paid. The management is carrying out negotiations with the Bank for the restructuring of the existing Loan Agreement and the same is expected to be finalised soon.

#### ISO CERTIFICATION

Your Company continues to uphold and maintain the prestigious ISO 9002 Certification from American Quality Assessors, USA for manufacture of PJFT, Dry Core, PVC, Instrumentation, Power Control and Networking Applications Cables. The Company continues to practice international quality standards, systems and procedures.

#### DIRECTORS

In pursuance with the requirements of the Companies Act, 1956 and Company's Articles of Association Mr. Umesh Chand Jain, Director of the Company retires at the ensuing Annual General Meeting and being eligible, offers himself for re-appointment. Your Directors recommend his reappointment.

#### CORPORATE GOVERNANCE

A detailed section on the code of Corporate Governance and Management's Discussion & Analysis is attached to this Annual Report pursuant to Clause 49 of the Listing Agreement.

#### COMPLIANCE WITH CODE OF CONDUCT

The Company has put in place a Code of Conduct effective

from 11th October, 2005, for its Board member and Senior Management Personnel. Declarations of compliance with code of conduct have been received from all the Board Members and Senior Management Personnel. A certificate to this effect from Mr. Amit Jain forms part of this Annual Report.

#### AUDIT COMMITTEE

The Audit Committee of the Company comprises of three members. The meetings of the Committee are convened for the review of all the financial matters of the Company and are in accordance with the requirements of the Listing Agreement. Considering the Board of the Company, which does not comprise of any independent director, the constituted Audit Committee is not in compliance with the requirements of clause 49 of the Listing Agreement and Section 292A of the Companies Act, 1956.

#### CERTIFICATE OF COMPLIANCE WITH THE CODE OF CONDUCT UNDER CLAUSE 49(ID) OF THE LISTING

##### AGREEMENT

I, Amit Jain, Managing Director of CMI Limited having its Registered Office at C-483, Yojna Vihar, Delhi-110092 declare that the Company has adopted a Code of Conduct for its Board Members and Senior Management, at a meeting of the Board of Directors held on 11th October, 2005 and all the Board Members and Senior Management have affirmed compliance with the said Code of Conduct.

For CMI Limited

Amit Jain  
Managing Director

Place: New Delhi

Dated: 5th September, 2006



**CMI LIMITED****CORPORATE GOVERNANCE REPORT****I. COMPANY'S PHILOSOPHY ON CORPORATE GOVERNANCE**

CMI Limited (CMI) a very well known name in the Indian Cable Industry is more than three and a half decade old Company incorporated in 1967. The Company has applied to Board for Industrial & Financial Reconstruction for revival scheme of the Company in the November, 2003 and management of the Company is very hopeful for the execution of some sort of arrangement with the bankers of the Company to for revival. In the past years it has been continuously complying with the Corporate Governance practices as per Clause 49 of the Listing Agreement. The Company is also keeping itself abreast with the latest amendments in the Listing Agreement and is making full efforts to comply with all the mandatory requirements.

**II. BOARD OF DIRECTORS**

The Board constitution, the attendance of the Directors at the meetings of the Board held during the financial year 2005 — 2006, their tenure as the Director of the Company and their attendance at the previous Annual General Meeting are as follows:

Name of Director	Designation	Attendance in the Board Meetings	Attendance in the Annual General Meeting	No. of Director-ships in other Public Companies	No. of Committee position as Member	No. of Committee position as chairman
Mr. Amit Jain	Chairman & Managing Director	10	Yes	None	None	Two
Mr. Pyare Lal Khanna	Director	9	Yes	None	One	None
Mr. Umesh Chand Jain	Director	8	Yes	None	None	None
Mr. Neeraj Goel	Director	4	Yes	None	Two	None

The Company's Board comprises of all the Non-Executive Directors including the Chairman & Managing Director.

**Number of Board of Directors meeting held during the year**

During the year under review, Ten (10) Board Meetings were duly held, the date of the meetings are (1) 26th April, 2005, (2) 8th June, 2005, (3) 13th July, 2005, (4) 3rd September, 2005, (5) 24th September, 2005, (6) 11th October, 2005, (7) 12th January, 2006, (8) 19th February, 2006, (9) 22nd March, 2006, (10) 31st March, 2006.

**Code of Conduct**

In line with the Company's objective of following the best Corporate Governance Standards, the Board of Directors have laid down a Code of Conduct for all Board Members and Senior Management of the Company. The Code is effective from 11th October, 2005.





CMI LIMITED

**Directors appointment/ reappointment**

Mr. Umesh Chand Jain is liable to retire by rotation and being eligible offers himself for reappointment.

**III. AUDIT COMMITTEE****Composition, Name of Members and Chairman**

The Company has an Audit Committee consisting of three members, although the same is not in accordance with the requirements of clause 49 of the Listing Agreement and section 292A of the Companies Act, 1956 as there are no Independent Directors on the Board of the Company. The Committee constitutes: -

Mr. Amit Jain	- Chairman
Mr. Neeraj Goel	- Member
Mr. Pyare Lal Khanna	- Member

The Audit Committee performed periodical review of the Internal Controls and Audit Systems, the accounting policies of the Company and the consideration of the annual Financial statements before the same are adopted in the meeting of the Board

**Meeting & Attendance**

The meetings of the committee were held under the chairmanship of Mr. Amit Jain at regular intervals as required by Clause 49 of the Listing Agreement entered into between the Stock Exchange and the Company. The major discussions in the Committee meetings included discussions about the review of the accounting policies of the Company, working of the Internal Control and Audit Systems, discussion of results for the financial year 2005-06.

**IV. SHARE TRANSFER COMMITTEE**

The Share Transfer Committee has been duly constituted in pursuance with the requirements of Clause 49 of the Listing Agreement. The members of the Committee are responsible for redressal of Shareholders' grievance, if any, and dealing with the investors complaints pertaining to various issues viz. Transfer and Transmission of shares, non-receipt of Annual Report, non-receipt of dividends declared by the Company, etc. The committee comprises Mr. Amit Jain and Mr. Neeraj Goel.

**V. GENERAL SHAREHOLDER INFORMATION****1. Annual General Meeting:**

- Date 30th September, 2006
- Time 11.00 A.M.
- Venue C-483, Yojna Vihar, New Delhi-110092

**2. Financial Calendar for 2005 - 06:**



CMI LIMITED

- Financial Reporting for the 1st quarter ended 30th June, 2005. ➤ 13th July, 2005
  - Financial Reporting for the 2nd quarter and 1st half year ended 30th September, 2005. ➤ 11th October, 2005
  - Financial Reporting for the 3rd quarter ended 31st December, 2005. ➤ 12th January, 2006
  - Financial Reporting for the year ended 31st March, 2006. ➤ 22nd April, 2006
- 3. Date of Book Closure 24th September, 2006 to 29th September, 2006 (both days inclusive)
- 4. Dividend payment date No Dividend recommended by the Board of Directors of the Company.
- 5. Listing on Stock Exchanges: Address:
  - The Delhi Stock Exchange Association Limited DSE House, 3/1 Asaf Ali Road, New Delhi - 110002.
  - The Mumbai Stock Exchange (The trading of the shares is presently suspended and the Company is taking steps to get the shares relisted) 1st Floor, New Trading Ring, P.J. Towers, Dalal Street, Fort Mumbai - 400 001
  - Kamdhenu Complex, Opp. Sahajanand College, Panjarapole, Ahmedabad - 380001
  - The Stock Exchange, Ahmedabad
- Note: The payment of listing fees for the year 2004-05, 2005-06 and the current financial year is pending for all the Stock Exchanges.*
- 6. Market Price Data for the Financial year ended 31st March, 2006: The Shares of the Company are not actively traded in the Stock Exchanges during the current Financial year. The Bombay Stock Exchange has temporarily suspended the trading of the shares of the Company. Hence, the latest prices cannot be made available.
- 7. Registrar and Transfer Agent Beetal Financial & Computer Services (P) Ltd. 321-S, Chirag Delhi. Near Shahid Bhagat Singh College. New Delhi - 110017.
- 8. Distribution of Shareholding as on 31st March, 2006.



**CMI LIMITED**

Share holding of nominal value Rs.	Share Holders		No. of Shares @ Rs. 10/- each Rs.	% AGE to Total
	Number	% to Total		
Upto - 5000	2727	87.57	4,60,014	15.0651
5001 - 10000	178	5.72	1,51,588	4.9644
10001 - 20000	80	2.57	1,25,344	4.1049
20001 - 30000	24	0.77	62,265	2.0391
30001 - 40000	14	0.45	49,590	1.6240
40001 - 50000	19	0.61	93,500	3.0621
50001 - 100000	28	0.90	2,29,386	7.5122
1,00,001 and above	44	1.41	18,81,813	61.6281
	3114	100	30,53,500	100.00

**VI. Dematerialisation of shares and liquidity**

70.62% of the total paid up share capital amounting to 2,156,274 equity shares is held in Demat form and 29.38% of the total paid up capital amounting to 8,97,226 equity shares is held in Physical form as on 31st March 2006.

**VII. Address for correspondence**

The correspondence may be addressed to Mr. Amit Jain, Chairman & Managing Director of the Company, at the Registered Office of the Company at C-483, Yojna Vihar, New Delhi - 110092.

For and on behalf of the Board

CMI Limited

Amit Jain

Managing Director

Date: 28th July, 2006

Place: New Delhi



CMI LIMITED

**CERTIFICATE OF COMPLIANCE AS STIPULATED  
UNDER CLAUSE 49 OF THE  
LISTING AGREEMENT**

To the Members of  
CMI Limited.

We have examined the compliance of the conditions of Corporate Governance by CMI Limited, for the year ended on 31<sup>st</sup> March 2006, as stipulated in Clause 49 of the Listing Agreement of the said Company with the Stock Exchanges.

The compliance of the conditions of Corporate Governance is the responsibility of the management; our examination has been limited to a review of the procedures and implementations thereof adopted by the Company for ensuring compliance with the conditions of Corporate Governance. It is neither an audit nor an expression of opinion of the financial statements of the Company.

In our opinion and to the best of our information and according to the explanations given to us, and the representations made by the directors and the management, we certify that the company is into the process of complying with the conditions of Corporate Governance as stipulated in Clause 49 of the above-mentioned Listing Agreement except the following:-

➤ The Company has constituted an Audit Committee of three Directors, although the same is not in accordance with the requirements of the Listing Agreement and section 292A of the Companies Act, 1956. The Company does not have any Independent Director and therefore the Company is not in a position to constitute a proper Audit Committee as per the various requirements, which are to be complied with.

➤ The information of quarterly results has not been sent to the Stock Exchanges, where the securities of the Company are listed, during the financial year so as to enable the Stock Exchange to put it on its own website.

➤ The Trading of the shares on the Bombay Stock Exchange has been suspended due to non-compliance of various clauses of the Listing Agreement.

We state that there are no investor grievances pending as on 31<sup>st</sup> March 2006.

We further stated that such compliance is neither an

assurance as to the future viability of the Company nor the efficiency or effectiveness with which the management has conducted the affairs of the company.

for Grover Ahuja & Associates  
Company Secretaries

Ravi Grover  
Partner  
C..P. No. 3448

Place : New Delhi

Date : 5th September, 2006

**Management's Discussion & Analysis**

The Board of Directors take pleasure in presenting before you the Company's 39th (Thirty Nine) Annual Report for the financial year ending 31<sup>st</sup> March, 2006 along with the Corporate Governance Report. The Management Discussion and Analysis Report forms a part of the Corporate Governance Report.

**Industry Structure and Developments**

As a result of boom in the telecommunication industry in India demand of cable products is also on a boom both in the public sector and in the private sector. In the north the major telephone services providers are Bharti Telecom, Reliance Infocom, Tata Teleservices and HFCI. CMI has already established contacts with these and also received orders from them.

The projected demand by DOT and the private sector is poised to grow to 90.69 million lines by the year 2007. There is requirement of PIJF cables worth Rs. 1200 crores approximately in the country by government operators like BSNL / MTNL and private operators like Reliance / TATA / Airtel etc.

Export market covering Yemen, Kuwait, Sudan and Saudi Arabia is also having big potentials for cables.

**Opportunities and Threats**

➤ The Company is taking all steps to increase the efficiency and reduce the cost.

The Company expects that new orders from domestic as well as foreign market will materialize as the