

CMI LIMITED
40th
Annual Report
2006 - 2007



CMI LIMITED

<u>Board Of Directors</u> Name Amit Jain Pyare Lal Khanna Neeraj Goel Parag Jain	Designation Managing Director Director Director Director
<u>Audit Committee</u> Amit Jain Pyare Lal Khanna Neeraj Goel	Chairman Member Member
<u>Remuneration Committee</u> Parag Jain Pyare Lal Khanna Neeraj Goel	Chairman Member Member
<u>Stock Exchanges</u>	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, Ahemebabad- 380001.
<u>Auditors</u>	M/s Manocha J. K. & Associates Chartered Accountants 27/55, Street No. 8, Vishwas Nagar, Shahdara, New Delhi 110032 Phone: 011-22389025 Regn. No: 082442
<u>Bankers</u>	-Standard Chartered Bank, New Delhi -Syndicate Bank, Yojna Vihar, New Delhi -ABN AMRO Bank, New Delhi -Kotak Mahindra, New Delhi -State Bank of India, Krishna Nagar, Delhi.
<u>Regd. Office</u>	C-483, Yojna Vihar, New Delhi-110092 Phone: 22151388.
<u>Works</u>	Plot No. 71 & 82, Sector- 6, Faridabad, Haryana. Phone: 95129 - 4089309 to 4089312

**CMI LIMITED**

Registered Office: C -483, Yojna Vihar, New Delhi -110092
Tel No: 011-22151130, 22151388

CMI LIMITED**NOTICE**

Notice is hereby given that the 40th Annual General Meeting of the members of **CMI LIMITED** will be held on Saturday, 29th day of September, 2007 at 11.00 a.m. at the Registered Office of the Company at C-483, Yojna Vihar, New Delhi -110092 to transact the following business:-

ORDINARY BUSINESS:

1. To receive, consider and adopt the Audited Balance Sheet as at 31st March, 2007 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. Pyare Lal Khanna, 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 Manocha J. K. & 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."

SPECIAL BUSINESS:

4. To re-appoint Mr. Amit Jain as Managing Director of the Company and for that purpose to pass with or without modification (s), the following resolution as an Ordinary Resolution:-

"RESOLVED THAT subject to the approval of shareholders and provisions contained in Section 269 and Schedule.XIII of the Companies Act, 1956, Mr. Amit Jain be and is hereby re- appointed as the Managing Director of the Company for a period of Five Years w.e.f. 1st October, 2007 on the terms and conditions as are given in the agreement laid before the Board duly initiated by the Chairman for identification. The remuneration package proposed to be provided to Mr. Amit Jain is as follows:-

Basic Salary	: 51,000.00
HRA (60% of Basic)	: 30,600.00
Education Allowance	: 1,000.00
Executive Attire Exp. (Reimbursement)	: 2,000.00
Professional Pursuit Expense (Reimbursement)	: 1,762.50
TOTAL	86,362.50
Insurance Premium	: 416.67
Medical Reimbursement	: 3,187.50
LTA Reimbursement	: 1,700.00
Total Emoluments	91,666.67
	=====

FURTHER RESOLVED THAT the Board of Directors of the Company be and is hereby authorized to carry out all deeds, actions and to authorize and appoint any person for signing of all papers and documents necessary to give effect to the above resolution."

By order of the Board**Amit Jain****Chairman & Managing Director**

Place: New Delhi

Dated: 1st September, 2007**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. 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.
2. The relative explanatory statement along with detailed information pursuant to Section 173(2) of the Companies Act, 1956 is annexed hereto.
3. The Register of Members and Share Transfer Books of the Company will remain closed from 23rd September, 2007 to 28th September, 2007 (both days inclusive).
4. 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/DP ID -Client ID in all their correspondence.
 - c) 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.
5. The unpaid or unclaimed dividend for the financial year 1999-2000 dated 10th 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 25th 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****Explanatory Statement pursuant to Section 173(2) of the Companies Act, 1956****AGENDA ITEM NO. 4**

Mr. Amit Jain is a qualified person and serving the Company from the Year 2002 onwards. He was appointed as Managing Director of the Company w.e.f 1st October, 2002 for a period of Five Years. He is handling the operations of the Company very efficiently and his foresight ness and professional approach towards working has brought significant improvement in the growth to the Company. The Term of his appointment is going to expire on 30th September, 2007 and during his tenure he is working so efficiently that the accumulated losses of the Company which are more than Capital of the Company are now equal to the Capital of the Company.

Keeping in view the professional services provided by him, directors of the Company, are of the view that his services should be used further for the steady growth of the Company. Your Directors foresee a bright future of the Company under his management.

Your Directors propose to re- appoint him as Managing Director of the Company for a period of Five Years w.e.f. 1st October, 2007.

Mr. Pyare Lal Khanna and Mr. Parag Jain are interested in the resolution to the extent of their relationship. The Board recommends the resolution for your approval.

By order of the Board

Amit Jain
Chairman & Managing Director

Place: New Delhi

Dated: 1st September, 2007

CMI LIMITED

Registered Office: C - 483, Yojna Vihar,
New Delhi - 110092 Tel No: 011-22151130, 22151388

DIRECTORS' REPORT

The Members,
CMI Limited

The Directors of your company take pleasure in presenting before you the Fortieth (40th) Annual Report on the financial position and performance of the Company during the financial year ended 31st March, 2007.

FINANCIAL RESULTS

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

PARTICULARS	31.03.2007	31.03.2006
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Gross Income	300,228,872	140,455,349
Less: Expenditure	214,643,731	122,972,429
Less: Depreciation	85,585,141	8,176,062
Profit/ (Loss) before Taxation	77,568,229	9,306,858
Less: Provision for taxation	Nil	Nil
Profit / (Loss) for the year carried to the Balance Sheet	77,568,229	9,306,858

PERFORMANCE REVIEW

In the current fiscal Company's Turnover reached to new heights i.e. to Rs. 2286.99 lacs as compared to Rs. 1257.23 Lacs in the previous year. The annual turnover of the Company has shown an upward trend. During the year the Company has finalized the settlement with the Dena Bank, the main lending banker and as per the terms & conditions of the OTS written back Rs. 963.89 lacs of Interest & Principal amount. The Company has earned a net profit of Rs. 775.68 lacs due to increased turnover and writing back of Interest & Principal of Dena Bank loans. The Management is making full efforts to materialize some big projects, which will help in reviving the financial health of the Company.

OPERATIONAL REVIEW

The Hon'ble Debt Recovery Tribunal was granted a stay order dated August 5, 2004 against the recovery of debts due to Dena Bank but the said stay order was vacated on 2nd February, 2006, on an application made by the Dena Bank. The Company went into an appeal with the Debt Recovery Appellate Tribunal against the order of Debt Recovery Tribunal.

In the meanwhile the Dena Bank has initiated the proceedings under SRFAESI ACT to recover the loan amount and to safeguard the interest of the Company & its shareholders the management has finally entered into a settlement scheme with the Dena Bank. As per the Settlement proposal dated 26th September, 2006, the Company has to pay the settlement amount of Rs. 750 lacs as per other terms & conditions mentioned in the proposal and Dena Bank has to written off the Principal loan amount to the tune of Rs. 1235.85 lacs and waiver of interest of Rs. 875.02 lacs.

As a result of settlement, the financial position of the Company is improving and accumulated losses of the Company are become equal to net worth of the Company. Your directors of the Company expect that the Company will come out of sickness very soon.

AUDITORS

Your directors would like to inform you with grief that Mr. D. C. Jain Proprietor of M/s D. C. Jain & Associates, Chartered Accountants, New Delhi, Statutory Auditors of the Company has left for the heavenly abode in the month of July, 2007. Your director's place their appreciation for the contribution made by him during his tenure.

The Board of Directors of the Company in their meeting held



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on 10th August, 2007 decided to appoint M/s Manocha J. K. & Associates, Chartered Accountants in place of M/s D. C. Jain & Associates as Statutory Auditors of the Company for the financial year 2006-2007, till the conclusion of ensuing Annual General Meeting.

M/s Manocha J. K. & Associates, Chartered Accountants, New Delhi retires at the conclusion of the 40th 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.

Your directors recommend their re-appointment.

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 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.
- The Company is not maintaining Cost Accounting records to be maintained by the Company in respect of manufacturing of cables pursuant to the order made by the Central Government for maintenance of cost accounting records under Section 209 (1) (d) of the Companies Act, 1956. The Company has started taking measures to maintain cost records.
- The accumulated losses of the Company are more than fifty percent of the net worth of the Company. The Company has incurred cash losses during the year. The Company has reached to amicable settlement with Dena Bank for write off the loan amount and waiver of interest and now the accumulated losses of the Company are equals to net worth of the Company.

ISO CERTIFICATION

Your Company continues to uphold and maintain the prestigious ISO 9001. Certification 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

During the year Mr. Parag Jain was appointed as a Director in the Extra Ordinary General Meeting held on 20th June,

2007 and Mr. Umesh Chand Jain was resigned from the directorship of the Company w.e.f. 10th August, 2007.

Mr. Amit Jain, Managing Director of the Company was appointed for a term of five years and its term will expire on 30th September, 2007. Your directors recommend his reappointment as managing Director w.e.f. 1st October, 2007 for a period of five years on a monthly gross remuneration of Rs.91,666/-.

Mr. Pyare Lal Khanna, 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

As a listed Company, necessary measures are taken to comply with the listing agreement with the Stock Exchanges. A report on Corporate Governance, certificate of compliance from the Company Secretary in Practice and Management's Discussion & Analysis are attached with this Report.

AUDIT COMMITTEE

The Audit Committee of the Company comprising three members was reconstituted during the year on 20th June, 2007. Mr. Amit Jain, Chairman of the committee was resigned and in his place newly inducted Director Mr. Parag Jain was appointed as the Chairman of the Audit Committee. 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 Section 292A of the Companies Act, 1956.

HUMAN RESOURCES

Your Company takes pride in its highly motivated manpower that contributed its best to the Company. Employee's relations in the Company continued to be cordial and harmonious during the year and Human relation policies were reviewed and upgraded in line with the Company's future plans.

PARTICULARS OF EMPLOYEES

As none of the employees was in receipt of remuneration more than Rs. 24,00,000/- per annum, if employed for the whole year or Rs. 2,00,000/- per month, if employed for part of the year. Therefore the Company is not required to give information pursuant to Section 217 (2A) of the Companies Act, 1956.

INFORMATION UNDER SECTION 217 (1) (e) OF THE COMPANIES ACT, 1956 READ WITH COMPANIES (DISCLOSURE OF PARTICULARS IN THE REPORT OF BOARD OF DIRECTORS) RULES, 1988

Conservation of Energy:

The disclosure of particulars with respect to conservation of



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energy pursuant to Section 217 (1)(e) of the Companies Act, 1956 read with Companies (Disclosure Of Particulars In The Report Of Board Of Directors) Rules, 1988 are not applicable to the Company. However the Company makes its best efforts for conservation of energy.

Technology Absorption, Adaptation & Innovation

The Company has not carried out any specific research and development activities. Accordingly the information related to technology absorption, adaptation and innovation is reported to be NIL.

Foreign Exchange Earnings and Outgo

Particulars	Current year (Amount in Rs.)	Previous Year (Amount in Rs.)
Foreign Exchange Earnings	Nil	Nil
Foreign Exchange Outgo (CIF value of Imports)	Nil	Nil

DIRECTORS RESPONSIBILITY STATEMENT

Pursuant to Section 217(2AA) of the Companies Act, 1956 as amended by the Companies (Amendment) Act, 2000, the Directors confirm that:-

(i). In the preparation of the Annual Accounts, the applicable accounting standards have been followed and there were no material departures.

(ii). Appropriate Accounting Policies have been selected and applied consistently and have made judgements and estimates that are reasonable and prudent, so as to give a true and fair view of the state of affairs of the Company as on 31st March, 2007 and of the Loss for the year.

(iii). Proper and sufficient care have been taken for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956, for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities.

(iv) The annual accounts have been prepared on a going concern basis.

ACKNOWLEDGEMENTS

Your Directors acknowledge for the support and co-operation extended by the Bankers, Customers, Business Associates and Agencies associated with the Company during the period under review.

Your directors also convey their gratitude to the shareholders for the confidence shown by them in the Company and wish to place on record their appreciation for the untiring efforts and contribution made by the employees at all levels to ensure that the Company continues to grow

and excel.

for and on behalf of Board of Directors

Amit Jain
Managing Director

Place : New Delhi

Date : 1st September, 2007.

CORPORATE GOVERNANCE REPORT

I. (COMPANY'S PHILOSOPHY ON CORPORATE GOVERNANCE)

Corporate Governance is a process that aims to meet shareholders aspirations and societal expectations. It is a commitment that is backed by the fundamental belief of maximizing shareholders value, transparency in functioning, values and mutual trust amongst all the constituents of organisation. It's not a discipline imposed by a Regulator, rather a culture that guides the Board, management and employees to function towards best interest of stakeholders. It involves essentially a creative, generative and positive thinking activity that adds value to the various stakeholders that are served as end customers of the corporate entity.

In our Company, Corporate Governance philosophy stems from our belief that corporate governance is key element in improving efficiency and growth as well as enhancing investor confidence. We are making continuous efforts to adopt the best practices in corporate governance and we believe that the practices, we are putting into place for the Company shall go beyond adherence to regulatory framework. Our corporate structure, business and disclosure practices have been aligned to our Corporate Governance Philosophy.

II. BOARD OF DIRECTORS

The Board has strength of Four Directors as on 31st March, 2007. The Company's Board comprises of all the Non Executive Directors including the Chairman & Managing Director. None of the Directors on the Board is a member of more than 10 Committees and Chairman of more than 5 Committee. The Board constitution, the attendance of the Directors at the meetings of the Board held during the financial year, numbers of other directorship / committee membership held by them during the year 2006 -2007 are tabulated below:



CMI LIMITED

Name of Director	Designation	Number of 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
		Held*	Attended				
Mr. Amit Jain	Chairman & Managing Director	11	11	Yes	None	None	Two
Mr. Pyare Lal Khanna	Director	11	8	Yes	None	One	None
Mr. Umesh Chand Jain	Director	11	10	Yes	None	None	None
Mr. Neeraj Goel	Director	11	9	Yes	None	Two	None

* Denotes number of meetings held during the tenure of directorship of each director.

(1) 22nd April, 2006 (2) 28th April, 2006, (3) 26th May, 2006, (4) 10th July, 2006 (5) 19th July, 2006 (6) 28th July, 2006 (7) 5th September, 2006 (8) 21st October, 2006 (9) 26th December, 2006 (10) 27th January, 2007 and (11) 15th March, 2007.

Directors Appointment/ Reappointment

During the year Mr. Parag Jain was appointed as a Director in the Extra Ordinary General Meeting held on 20th June, 2007 and Mr. Umesh Chand Jain was resigned from the directorship of the Company w.e.f. 10th August, 2007.

Mr. Amit Jain, Managing Director of the Company was appointed for a term of five years and his term will expire on 30th September, 2007. Your directors recommend his reappointment as Managing Director w.e.f. 1st October, 2007 for a period of five years on a monthly gross remuneration of Rs.91,666/-.

Mr. Pyare Lal Khanna is liable to retire by rotation and being eligible offers himself for re-appointment.

Number of Board of Directors meeting held during the year

The Company has defined procedures for meetings of the Board of directors and Committees thereof so as to facilitate decision making in an informed and efficient manner. 11 (Eleven) Board Meetings were held during the financial year on the following dates:

Code of Conduct

The code of conduct in line with the provisions of Clause 49 of the listing agreement has been framed / adopted by the Board is applicable to all members of the Board and Senior Management Executives. The members of Board and Senior Management of the Company have affirmed compliance with the code of conduct.

Declaration as required under clause 49 of the Listing Agreement

As provided under Clause 49 of the Listing Agreement with the stock exchange, all the members of the Board and Senior Management Personnel have confirmed compliance of the Code of Conduct for the financial Year ended on March 31, 2007.

for CMI Limited

Amit Jain
Managing Director



III. AUDIT COMMITTEE

Composition, Name of Members and Chairman

The Audit Committee of the Company comprising three members was reconstituted during the year on 20th June, 2007. Mr. Amit Jain, Chairman of the committee was resigned and in his place newly inducted Director Mr. Parag Jain was appointed as the Chairman of the Audit Committee. Now the Committee constitutes:-

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

The role and terms of reference of the Audit Committee covers the areas mentioned under Clause 49 and Section 292A of the Companies Act, 1956 besides other matters as may be referred by the Board of Directors. These, inter-alia, includes review of Company's financial reporting process and disclosure of financial information to ensure that the financial statement is correct, sufficient and credible, reviewing annual and quarterly financial statement with the management before submission to the Board, reviewing the adequacy of internal control system with management, auditors and reviewing the Company's financial risk and

management policies.

Meeting & Attendance

The meetings of the Committee were held under the chairmanship of Mr. Amit Jain at regular intervals as required under Clause 49 of the Listing Agreement. 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 2006-07.

IV. SHARE TRANSFER COMMITTEE

The Share Transfer Committee comprising Mr. Amit Jain and Mr. Neeraj Goel was re-constituted on 20th June, 2006. Mr. Parag Jain was appointed as member in place of Mr. Amit Jain. The Committee looks into redressal of Shareholder's and Investors Complaints like delay in transfer of Shares, dividend etc.

V. SUBSIDIARY COMPANY

Company has unlisted Indian Subsidiary namely CMI Telecom Limited. The turnover / net worth of the Company do not exceed 20% of the turnover / net worth of the Company. The minutes of Board Meeting of Company are placed before the Board of Directors of the Company.

VI. GENERAL BODY MEETINGS

1 AGM for the Financial Year 2003 - 2004:

➤ Date	30 th September, 2004	Making of application to
➤ Time	11.00 A.M.	Ahmedabad for the
➤ Venue	C-483, Yojna Vihar, New Delhi 110092	delisting of the shares of the Company.

2 AGM for the Financial Year 2004 - 2005:

➤ Date	30 th September, 2005	No Special Resolution
➤ Time	11.00 A.M.	passed at the Meeting
➤ Venue	C-483, Yojna Vihar, New Delhi 110092	

3 AGM for the Financial Year 2005 - 2006:

➤ Date	30 th September, 2006	No Special Resolution
➤ Time	11.00 A.M.	passed at the Meeting
➤ Venue	C-483, Yojna Vihar, New Delhi 110092	



CMI LIMITED

VII. DISCLOSURES

Basis of Related Party Transaction

No transaction of a material nature has been entered into by the Company with the Directors, Senior Management, personnel and their relatives that may have a potential conflict with the interest of the Company except as disclosed under the related party transaction as per Accounting Standard- 18 'Related Party Disclosures' issued by Institute of Chartered Accountants of India, which are set out in the Annual Report.

VIII. GENERAL SHAREHOLDER INFORMATION

1. **Annual General Meeting:**
 - Date ➤ 29th September, 2007
 - Time ➤ 11.00 A.M.
 - Venue ➤ C-483, Yojna Vihar, New Delhi-110092
2. **Financial Calendar for 2007 - 08:**
 - Accounting Period ➤ April 1, 2007 to March 31, 2008
 - Unaudited financial results for the first three quarters ➤ Announcement within a month from the end of each quarter
 - Fourth quarter Results ➤ Announcement of Audited Accounts on or before June 30, 2008
 - Annual General Meeting (Next Year) ➤ September, 2008 (Tentative)
3. **Date of Book Closure** 23rd September, 2007 to 28th September, 2007 (both days inclusive)
4. **Dividend payment date** No Dividend recommended by the Board of Directors of the Company.
5. **Listing on Stock Exchanges:**

- 6. ➤ The Delhi Stock Exchange Association Limited
 - The Mumbai Stock Exchange
(The trading of the shares is presently suspended and the Company is taking steps to get the shares relisted)
 - The Stock Exchange, Ahmedabad

Address

DSE House, 3/1 Asaf Ali Road, New Delhi 110002.
1st Floor, New Trading Ring,
P J Towers, Dalal Street,
Fort, Mumbai 400 001

Kamdhenu Complex, Opp. Sahajanand College,
Panjarapole, Ahmedabad 380001

Note: The payment of listing fees for the year 2004-05, 2005-06, 2006-07 and the current financial year is pending for all the Stock Exchanges.

6. **Market Price Data for the financial year ended 31st March, 2007:** 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, 2007:**