

## DIRECTORS' REPORT

To,  
The Members,  
**CMI Limited**

The Board of Directors take the pleasure in presenting the Forty Fourth (44<sup>th</sup>) Annual Report on the business and operations of the Company, together with the Audited Statement of Accounts for the financial year ended 31<sup>st</sup> March, 2011.

### **OVERALL REVIEW**

Overall, 2010-2011 has been a satisfying year; there is an increase of 24.88% in the turnover of the Company. The total income (i.e. the aggregate of Turnover and other income) and the Net Profit before Depreciation and Tax, reports an increase of 21.43% and 12.72% respectively. Although, the Company has adopted adequate cost control measures throughout the year, but due to increase in Financial Cost, Net Profit did not increase as compared to increase in turnover. The Company was aggressive in its quest for new contracts, executed on its full services strategy and maintained pricing disciplines. This helped to deliver a decent revenue growth along the year with improvement in margins. Your Company continues to focus on production of quality cables to broaden its customer base and to set a benchmark in the competitive market.

### **FINANCIAL REVIEW**

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

<b>PARTICULARS</b>	<b>31.03.2011</b>	<b>31.03.2010</b>
	<b>Amt. (In Rs.)</b>	<b>Amt. (In Rs.)</b>
Total Income (Turnover + Other Income)	<b>59,26,71,339</b>	<b>48,80,79,653</b>
Less: Expenditure	55,93,47,411	45,85,16,178
<b>Profit before Depreciation and Tax</b>	<b>3,33,23,927</b>	<b>2,95,63,475</b>
Less: Depreciation	1,09,87,463	1,03,03,830
<b>Profit Before Tax</b>	<b>2,23,36,464</b>	<b>1,92,59,645</b>
Less: Taxation-Current Year	49,00,000	11,35,000
Add: MAT Claimable	27,61,291	10,34,097
Previous Year Adjustments	(36,329)	1,454
<b>Net Profit for the year carried to the Balance Sheet</b>	<b>2,01,61,426</b>	<b>1,91,60,196</b>

### **DIVIDEND**

The management believes that the profits earned during the year must be retained and redeployed for the operations of the Company. As the Company needs further funds to enhance its business operations, upgrade the efficiency of its plant and to meet out the deficiencies in working capital, the Directors do not recommend any dividend on Equity Shares for the financial year 2010-11

### **AUDITORS**

M/s J. K. Manocha & Associates, Chartered Accountants, Delhi, who retires at the conclusion of this Annual General Meeting, and being eligible, offer themselves for re-appointment as Statutory Auditors of the Company. They have furnished a certificate to the effect that their re-appointment if made, would be within the limits prescribed under Section 224(1B) of the Companies Act, 1956.

## **AUDITORS' OBSERVATION**

The Auditors Report has been annexed with this report, Auditors observations are self explanatory, which do not call for any further clarifications.

## **INTERNAL CONTROL SYSTEM**

As always, the Company's internal control procedures are tuned to keep up with the organization's pace of growth and increasing complexity of operations. These ensure compliance with various regulations. The internal audit team carries out extensive audits throughout the year, across all functional areas and submits its reports to the Audit Committee of the Board of Directors.

## **DIRECTORS**

During the period Mr. Abhishek Aggarwal, has resigned from the Board of the Company with effect from 4<sup>th</sup> March, 2011 due to pre-occupation. The Board shows gratitude towards the valuable guidance and support rendered by Mr. Abhishek Aggarwal during his tenure as member of the Board.

In accordance with the provisions of the Companies Act, 1956 and Articles of Association of the Company, Mr. Neeraj Goel and Mr. Pyare Lal Khanna, Directors of the Company, retire by rotation at the forthcoming Annual General Meeting and being eligible, offer themselves for re-appointment. Your Board recommends their re-appointment.

In accordance with the provisions of Section 198, 269, 309, 310 and 311 read with Schedule XIII of the Companies Act, 1956 and with the approval of members in the Meeting held on 28<sup>th</sup> February, 2011, Mr. Vijay Kumar Gupta, has been appointed as Whole Time Director of the Company with effect from 1<sup>st</sup> April, 2011 for a period of three years i.e. up to 31<sup>st</sup> March, 2014 at a monthly remuneration of Rs. 50,000/-.

During the Financial Year 2010-11, no commission was paid to Mr. Vijay Kumar Gupta (previous year Rs. 5,65,899/-). The commission so paid to Mr. Vijay Kumar Gupta during previous year for Rs. 5,65,899/- was in excess of limits of 1% by Rs. 3,61,437/- (i.e. Rs. 5,65,899 less Rs. 2,04,462) for maximum commission payable to Non-Executive Directors under Section 309 of the Companies Act, 1956. The excess amount so paid to him is adjusted during the financial year 2010-2011 for Rs. 2,38,365/- and the balance amount of Rs. 1,23,072/- shall be refunded back by him in compliance with the provisions of Section 309 (5A) of the Companies Act, 1956.

In accordance with the provisions of Clause 49 of the Listing Agreement with Stock Exchange(s), brief particulars of Mr. Neeraj Goel, Mr. Pyare Lal Khanna & Mr. Vijay Kumar Gupta are provided in the Notes of the Annual General Meeting and is forming the part of this Annual Report.

## **COMMITTEES**

The Board of Directors has constituted three Committees of the Board – the Audit Committee, the Investors / Shareholders Grievance Committee & Remuneration Committee. The terms of reference of the Board Committees are determined by the Board from time to time. Signed minutes of the Board Committee meetings are placed for information of the board. The role and

composition of these Committees, including the number of meetings held during the financial year have been provided in this report.

## **EXTRAORDINARY GENERAL MEETING**

An Extra Ordinary General Meeting was held on 28<sup>th</sup> February, 2011 for seeking approval of the Members of the Company:

- For issuing Equity Shares and Convertible Share Warrants to Mr. Amit Jain, in the capacity of Promoter, on preferential basis.
- For Appointing Mr. Vijay Kumar Gupta as Whole Time Director of the Company with effect from 1<sup>st</sup> April, 2011.

## **SHARE CAPITAL**

Your Company first came up with the Preferential Allotment in the Financial Year 2009-2010. During the said year, trading of Company's shares on BSE was suspended. As a result of this suspension, your Company could not receive the In-Principal approval from BSE and subsequently it could not proceed with the Preferential Allotment.

Further, during the Financial Year 2010-11, the suspension was revoked by the BSE after the requisites were fulfilled by the Company, on 4<sup>th</sup> August, 2010. After removal of suspension, the Board of Directors obtained fresh approval from the Members of the Company in a duly convened EOGM held on 28<sup>th</sup> February, 2011, in supersession to the Members' Resolution dated 2<sup>nd</sup> February, 2010.

### **(a) EQUITY SHARES**

The Members at the Extraordinary General Meeting held on 28<sup>th</sup> February, 2011 have passed a special resolution for issue and allotment of 1,52,675 Equity Shares of Rs. 10/- each at a price of Rs.25.76/- per share (including the premium of Rs. 15.76/- per equity share) on preferential basis to Mr. Amit Jain in the capacity of the promoter(s) of the Company. In this regard, the Company received In- Principal approval from BSE vide letter dated 28<sup>th</sup> March, 2011. These shares were allotted at the Board Meeting held on 30<sup>th</sup> March, 2011.

For the said Equity Shares, listing approval has been obtained from the Bombay Stock Exchange Limited vide letter dated 2<sup>nd</sup> June, 2011. The aforesaid Equity shares are still under the process of listing with Delhi Stock Exchange Association Limited and Ahmedabad Stock Exchange Limited.

### **(b) CONVERTIBLE WARRANTS**

The Members at the Extraordinary General Meeting held on 28<sup>th</sup> February, 2011 have passed a special resolution for issue and allotment of 3,28,632 Convertible Warrants at a price of Rs. 25.76/- per warrant on preferential basis to Mr. Amit Jain, in the capacity of promoter of the Company. Subsequently, 3,28,632 Convertible Warrants were allotted at the Board Meeting held on 30<sup>th</sup> March, 2011 and are pending for conversion.

The right of conversion can be exercised by the Warrant Holder to subscribe for One Equity Share of Rs. 10/- each per Warrant, for which option shall be exercisable after April 1, 2011, but not later than 18 months from the date of issue of the warrants.

## **LISTING COMPLIANCES**

Your Directors are pleased to inform you that during the year under review all compliances related to listing with the recognized stock exchange(s) within India have been duly complied.

The company has received listing approval of 1,52,675 Equity Shares allotted on preferential basis from Bombay Stock Exchange Ltd vide letter no. DCS/PREF/SI/FIP/213/2011-12. Further, the Company has also applied for listing of the aforesaid Equity Shares with Delhi Stock Exchange Association Limited and Ahmedabad Stock Exchange Limited, the approval for the same is awaited.

## **FIXED DEPOSITS**

During the Financial Year 2010-2011, the Company has not accepted any deposits falling within the meaning of Section 58A of the Companies Act, 1956 read with the Companies (Acceptance of Deposits) Rules.

## **SUBSIDIARY COMPANY**

During the year the management decided to disinvest the holding of 99.99% in CMI Telecom Limited, as a result it ceased to be the wholly owned subsidiary of CMI Limited.

## **HUMAN RESOURCES**

Our people are our biggest asset and we are proud of our team members at all levels within your Company. Organizational values are at the heart of everything CMI employees do, both collectively and as individuals.

Your Directors recognize manpower as being amongst the key drivers of the business of your Company and place on record their sincere appreciation of the teamwork and dedication of all employees working across all its location. The Human Resource initiatives of the company in the year continued to be aligned with overall business strategy and individual career aspirations of staff members.

## **CORPORATE GOVERNANCE**

The company is in compliance of all the mandatory requirements regarding corporate governance as stipulated under Clause 49 of the listing agreement with stock exchange. It has always been the Company's Endeavour to excel through better Corporate Governance and fair & transparent practices, many of which have already been in place even before they were mandated by the law of land.

The Compliance Report on Corporate Governance forms part of this Annual Report. The Practicing Company Secretaries Certificate on the Compliance of Corporate Governance Code embodied in Clause 49 of the Listing Agreement forms part of this report.

## **MANAGEMENT DISCUSSION AND ANALYSIS (MDA)**

The detailed analysis of the operating performance of the Company for the year, the state of affairs and the key changes in the operating environment has been included in the Management Discussion and Analysis section which forms part of the Annual Report.

## **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' 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 for the year ended 31<sup>st</sup> March, 2011, the applicable accounting standards have been followed and there were no material departures.
- (ii) We have selected the appropriate Accounting Policies described in the notes and applied consistently and have made judgments and estimates that are reasonable and prudent, so as to give a true and fair view of the state of affairs of the Company at the end of the financial year and of the profit of the Company for that period.
- (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 for the year ended 31<sup>st</sup> March, 2011 have been prepared on the historical cost convention, as a going concern basis.

## **PARTICULARS OF EMPLOYEES**

As none of the employees was in receipt of remuneration more than Rs. 60,00,000/- per annum, if employed for the whole year or Rs. 5,00,000/- 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**

The disclosure of particulars with respect to conservation of energy, technology absorption and foreign exchange earnings and outgo pursuant to Section 217(1) (e) of the Companies Act, 1956 read with Companies (Disclosure Of Particulars on The Report of Board Of Directors) Rules, 1988 forming part of the Directors' Report and is as under:

### Conservation of Energy

#### **a) Energy conservation measures taken**

Keeping with the Company's commitment to be an environmentally responsible entity and in view of the increasing cost of energy, the Company makes continuous efforts towards conservation of energy. The Company has taken adequate measures to ensure optimum use of all equipments so as to conserve energy.

#### **b) Additional investment proposal for conservation of energy**

The Company is evaluating new technologies to make its infrastructure more energy efficient.

#### **c) Impact of the above on cost of production**

These measures resulted in cost saving for the company and effective management and efficient utilization of energy resources.

### Technology, Absorption, Adaptation and Innovation

#### Absorption, Adaptation & Innovation

Continuous efforts are being made for product improvement and cost reduction.

### ***I. Research and Development***

- a) Specific areas in which R&D carried out by the Company: The Company emphasized on Product Development and process improvement.
- b) Benefits derived as a result of the above R&D: The Company has started manufacturing High Temperature Rubber cables.
- c) Future plan of action: Upgrading the technology in use.
- d) Expenditure on R&D: There was no Capital Expenditure and Recurring Expenditure incurred during the said year.

### ***II. Technology absorption, adaptation and innovation***

- a) Efforts, in brief made towards technology absorption, adaptation and innovation: In-house training is being imparted to plant personnel for adaptation of the updated technology.
- b) Benefits derived as a result of above efforts, for e.g. product improvement, cost reduction, product development, import substitution etc.: New Product Development, Cost optimization, Productivity and product quality improvement.

### ***III. Any technology import: The Company has not made any technological improvements.***

### ***IV. Foreign Exchange Earnings and Outgo:***

- a) Expenditure in Foreign Currency: Rs. 1.41 lacs
- b) Earnings in Foreign Currency: Rs. 4.25 lacs

## **ENVIRONMENTAL REVIEW**

The Company has a defined environmental policy which is being followed rigorously by one and all across the organization. There were no environmental issues at the CMI plant and the statutory compliance was in line with Governmental requirements.

The Pollution Control parameters as defined by the State Pollution Control Board were totally adhered and effluent discharge level was well within the prescribed limits. Air pollution has been tested and was in line with the requirement. Noise pollution level was contained by fixing all the generators in sound proof acoustic enclosures.

## **INDUSTRIAL RELATIONS**

The Company has taken various steps to improve productivity across organization. Industrial relations remained harmonious at the manufacturing unit of CMI.

## **ACKNOWLEDGEMENTS**

Your Directors wish to take this opportunity to offer sincere appreciation and acknowledge with gratitude the support and co-operation extended by the clients, vendors, bankers, registrar and share transfer agent, business associates, financial institutions, media and their agencies and look forward to their continued support and assistance.

Your Directors also convey their gratitude to the Members of the Company for the confidence shown by them in the Company and thank the employees at all levels, who, through their untiring efforts, dedication, cooperation and commitment have enabled the company to achieve its strategic corporate objectives.

By order of the Board  
For **CMI Limited**

**Amit Jain**  
**Chairman of the Meeting**

**Date:** 11<sup>th</sup> August, 2011  
**Registered Office:**  
C-483, Yojna Vihar  
Delhi- 110092  
**Email Id:** [info@cmilimited.in](mailto:info@cmilimited.in)

## **REPORT ON CORPORATE GOVERNANCE**

### **THE COMPANY'S PHILOSOPHY ON CORPORATE GOVERNANCE**

The Company's philosophy on Corporate Governance is founded upon a rich legacy of fair, ethical and transparent governance practices, by adopting highest standards of professionalism, honesty, integrity and ethical behaviour. The Corporate Governance practices followed by the Company are compatible with international standards and best practices. Through the Governance mechanism in the Company, the Board along with its Committees undertakes its fiduciary responsibilities to all its stakeholders by ensuring transparency fair play and independence in its decision making. The long term strategic objectives and the Code of Conduct which articulates the values, ethics and business principles and serves as a guide to the Company, its directors and employees and an appropriate mechanism to report any concern pertaining to non-adherence to the said Code and addressing the same is also in place. The Company is in full compliance with the requirements of Corporate Governance under Clause 49 of the Listing Agreement with the Indian Stock Exchanges ("the Listing Agreement") Risk management and internal control functions have been geared up to meet the progressive governance standards.

### **BOARD OF DIRECTORS**

#### **Composition**

The composition of Board of Directors of the Company is balanced one, comprising Executive and Non-Executive Directors, the latter including independent professionals. The present strength of the Board of Directors is five, of which two are Executive Director.

<b>Category</b>	<b>No. of Directors</b>	<b>Percentage %</b>
Executive Directors	<b>2</b>	<b>40</b>
Non-Executive Independent Directors	<b>3</b>	<b>60</b>
<b>Total</b>	<b>5</b>	<b>100</b>



The strength of the Board of Directors as on 31<sup>st</sup> March, 2011 was five, of which one is an Executive Director.

Category	No. of Directors	Percentage %
Executive Directors	1	20
Non-Executive Independent Directors	3	60
Non-Executive Directors	1	20
<b>Total</b>	<b>5</b>	<b>100</b>

**Number of Board of Directors Meetings held during the year.**

**Twenty** Board Meetings were held during the year 2010-2011 and the gap between two meetings did not exceed four months. The details of which are as follows:

S.No.	Date of Meeting	Committee Strength	No. of Members Present
1	1 <sup>st</sup> April, 2010	3	3
2	3 <sup>rd</sup> May, 2010	3	3
3	15 <sup>th</sup> May, 2010	3	3
4	30 <sup>th</sup> May, 2010	3	3
5	21 <sup>st</sup> June, 2010	3	3
6	27 <sup>th</sup> July, 2011	3	3
7	9 <sup>th</sup> August, 2010	3	3
8	13 <sup>th</sup> August, 2010	3	3
9	22 <sup>nd</sup> September, 2010	3	3
10	25 <sup>th</sup> September, 2010	3	3
11	1 <sup>st</sup> November, 2010	3	3
12	9 <sup>th</sup> November, 2010	3	3
13	12 <sup>th</sup> November, 2010	3	3
14	5 <sup>th</sup> January, 2011	3	3
15	28 <sup>th</sup> January, 2011	3	3
16	29 <sup>th</sup> January, 2011	3	3
17	7 <sup>th</sup> February, 2011	3	3
18	10 <sup>th</sup> February, 2011	3	3

19	4 <sup>th</sup> March, 2011	3	3
20	30 <sup>th</sup> March, 2011	3	3

The Board constitution, the attendance of the Directors at the meetings of the Board held during the financial year and at the last Annual General Meeting (AGM), numbers of other Directorship / Committee Membership held by them during the year 2010 – 2011 are tabulated below:

Name of the Director	Category	No. of Board Meetings Attended	Attendance at last AGM	No. of other Directorships held in Indian Public Companies	No. of other Committee positions as Members and as Chairperson
<b>Mr. Amit Jain</b>	Chairman cum Managing Director & Executive Promoter Director	<b>20</b>	Yes	None	None
<b>Mr. Vijay Kumar Gupta***</b>	Non - Executive Director	<b>19</b>	Yes	None	None
<b>Mr. Pyare Lal Khanna**</b>	Non- Executive Independent Director	<b>19</b>	No	None	None
<b>Mr. Neeraj Goel**</b>	Non- Executive Independent Director	<b>18</b>	No	None	None
<b>Mr. Ramesh Chand</b>	Non- Executive Independent Director	<b>17</b>	Yes	None	None
<b>Mr. Abhishek Agarwal*</b>	Non-Executive Director	<b>17</b>	Yes	None	None

\*Mr. Abhishek Aggarwal resigned with effect from 4<sup>th</sup> March, 2011.

\*\*Mr. Neeraj Goel and Mr. Pyare Lal Khanna Directors are liable to retire by rotation and being eligible offer themselves for re-appointment.

\*\*\*Mr. Vijay Kumar Gupta has been appointed as Whole Time Director of the Company w.e.f. 1<sup>st</sup> April, 2011

None of the Directors on the Board is a Member of more than 10 Committees and Chairman of more than 5 Committees (as specified in Clause 49), across all the companies in which he is a Director. The Company has defined procedures for meetings of Board of Directors and Committees thereof so as to facilitate decision making in an informed and efficient manner.