

# Cimmco Birla Limited

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**Annual Report 1998 / 99**

# Cimmco Birla Limited

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## THE MANAGEMENT TEAM

**Sri R.R. Bhansali**  
*Managing Director*

**Sri H.S. Basur**  
*President & Chief Operating Officer*

**Sri J.P. Gupta**  
*President, Bharatpur Works*

## COMPANY SECRETARY

**Sri R.S. Kuchhal**

## STRATEGIC ADVISORY BOARD

**Sri Vijay Sehgal**  
**Sri B.M. Vijay**  
**Sri J.K. Namblar**

## SECRETARIAL OFFICE

C-159, Okhla Industrial Area, Phase-I  
New Delhi - 110 020

## MAJOR BANKERS

Central Bank of India, Bank of Baroda,  
UCO Bank, Punjab & Sind Bank

## AUDITORS

**M/s Lodha & Co.,**  
New Delhi - 110 001

## REGISTRARS & SHARE TRANSFER AGENTS

**MCS Limited**  
Sri Venkatesh Bhavan  
212 A, Shahpurjat, New Delhi - 110 049

## THE BOARD OF DIRECTORS

**Sri Sidharth Birla**  
*Chairman*

**Sri Lalit Bhasin**  
**Sri Arvind C. Dalal**  
**Sri M.D. Dixit**  
**Sri N.L. Hamirwasia**  
**Sri Suman J. Khaltan**  
**Sri Jahar Sengupta**  
**Sri J.M. Seth**  
**Sri Vasant C. Vaidya**

**Sri R.R. Bhansali**  
*Managing Director*

## REGISTERED OFFICE

Birlanagar, Gwalior - 474 004

## CORPORATE OFFICE

ECE House  
28-A, Kasturba Gandhi Marg,  
New Delhi - 110 001

# Cimmco Birla Limited

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## CHAIRMAN'S LETTER TO THE SHAREHOLDERS

Dear Shareholder :

I am happy to write to you on behalf of the management of Cimmco Birla Limited, and on my own behalf, to express our gratitude for your backing to the Company at all times. While the Directors' Report deals with all aspects of your Company's business, I take this opportunity to share some wider thoughts with you.

A significant landmark for your Company, and one that will have a lasting impact, has been reorganization of a diverse business portfolio through the demerger of Polymers Processing and Cotton Yarn businesses. In the process, the shareholders of Cimmco Birla Limited have of course become shareholders of this new entity thereby unlocking some shareholder value.

Cimmco Birla Limited has now become a company focussed on engineering businesses where it can consolidate based on its competence, track record and emerging opportunities in both domestic and external markets. We also propose to see that the activities are confined within its core competencies. The contemporary reality is that diverse businesses in a company lead to dilution in building of competitive advantage and do not permit following of self-reliant growth strategies.

The fundamental potential of our businesses is attractive. Thus the results for the year under review should not be viewed in isolation or as a trend; they are a distortion due to factors beyond the Company's control, despite its best efforts.

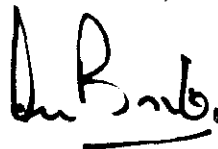
The Company has been successful in winning substantial business from new segments within its scope and expertise. Notwithstanding further efforts in this direction, the management is resolute in taking up the challenge of achieving healthy work practices and productivity norms at Bharatpur. Initiatives for streamlining the organisation to enhance productivity, service levels & accountability are underway. These challenges will not yield fruit without some pain and the Company will need full backing as well as understanding from all its stakeholders, in the long-term interest.

The impact of ongoing improvements, strategies and the restructuring may not reflect fully in short term results but will certainly increase shareholders value over time. Our principal aim is to increase shareholder value and thus the Board shall periodically review the strategies for its continuous enhancement.

The Board of Directors has discussed the issue of good governance and has adopted measures to introduce greater transparency and accountability, in line with the best practices derived from a number of articulations on corporate governance. It has also updated the Code of Conduct for employees. The ultimate purpose of good governance should be to sustain a self-driven, self-assessed and self-regulated organisation.

I look forward to your continued good wishes and support to the Company.

Yours Sincerely,



Sidharth Birla

# Cimmco Birla Limited

## NOTICE

### TO THE SHAREHOLDERS

Notice is hereby given that the Fifty Fourth Annual General Meeting of Cimmco Birla Limited will be held at the Registered Office of the Company at Birlanagar, Gwalior-474 004, on Monday, the 20th day of December, 1999 at 12.30 p.m. to transact the following business :

1. To consider and adopt the Balance Sheet as at March 31, 1999, Profit & Loss Account for the year ended on that date and the Reports of the Board of Directors and Auditors thereon.
2. To appoint Director in place of Sri Arvind C Dalal, who retires by rotation and being eligible, offers himself for re-appointment.
3. To appoint Director in place of Sri Suman J Khaitan, who retires by rotation and being eligible, offers himself for re-appointment.
4. To appoint Director in place of Sri V C Vaidya, who retires by rotation and being eligible, offers himself for re-appointment.
5. To consider and, if thought fit, to pass with or without modification the following resolution:

"RESOLVED that M/s Lodha & Co., Chartered Accountants, Calcutta be and are hereby re-appointed Auditors of the Company to hold office from the conclusion of this meeting until the conclusion of the next Annual General Meeting of the Company and the Board of Directors be and is hereby authorised to fix their remuneration for the said period."

### SPECIAL BUSINESS

To consider and if thought fit, to pass with or without modification the following resolution:

#### 6. AS AN ORDINARY RESOLUTION

"RESOLVED that pursuant to Article 160 of the Articles of Association of the Company and provisions of sections 198, 269 & 309 and other applicable provisions, if any, of the Companies Act, 1956 and subject to such other approvals as may be necessary, Sri Sidharth Birla, Chairman of the Company be and is hereby re-appointed as a Whole-time Director of the Company, whose office shall not be liable to retire by rotation under the Companies Act, 1956 for a period of 5 years w.e.f. August 11, 1999 at a remuneration by way of salary, perquisites, commission and other allowances, which shall not exceed 5% of net profit of the Company and if there is more than one such managerial person, 10% for all of them together & notwithstanding anything contained herein below : —

- I. Salary : Rs. 60,000/- per month.

Commission : @ 2.5% of the net profit of the Company for each financial year in accordance with provisions of Section 198 & 309 of the Companies Act, 1956.

#### Perquisites :

1. Housing : Fully furnished accommodation. In case no accommodation is provided by the Company, he shall be entitled to House Rent Allowance @ 60% of the salary.
2. Medical reimbursement – Expenses incurred by him and his family, subject to the ceiling of one month's salary in a year or three months' salary over a period of three years.
3. Leave Travel Concession, Personal Accident Insurance & Other Perquisites – As per Rules of the Company.

Note : Expenditure incurred by the Company on gas, electricity, water and furnishings shall be valued as per Income Tax Rules, 1962.

- II. He shall also be eligible to the following perquisites which shall however, not be included in the computation of the ceiling on remuneration specified in part II of Schedule XIII : —

1. Contribution to Provident Fund, Superannuation Fund or Annuity Fund to the extent these either singly or put together are not taxable under the Income Tax Act, 1961.
2. Gratuity payable at a rate not exceeding half a month's salary for each completed year of service, and
3. Encashment of Leave at the end of the tenure.

Notwithstanding anything contained hereinabove, where in any financial year during the currency of tenure of the Whole-time Director, the Company has no profits or its profits are inadequate, it may still pay as minimum remuneration to Shri Sidharth Birla by way of salary, perquisites and any other allowances not exceeding the ceiling, as specified in Schedule XIII, in addition to the following perquisites which shall not be included in the computation of the ceiling on remuneration specified hereinbefore :

- a. Contribution to Provident Fund, Superannuation Fund or Annuity Fund to the extent these either singly or put together are not taxable under the Income Tax Act, 1961;
- b. Gratuity payable at a rate not exceeding half a month's salary for each completed year of service; and
- c. Encashment of leave at the end of the tenure."

By Order of the Board

Registered Office :  
Birlanagar, Gwalior- 474004  
Dated : November 15, 1999

**R.S. KUCHHAL**  
Secretary

# Cimmco Birla Limited

## 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 AND A PROXY NEED NOT BE A MEMBER OF THE COMPANY.
2. The Registrar of Companies, Madhya Pradesh vide his letter No. ROC/EXTN/166/1053 dated September 16, 1999 has granted extension under section 166(1) of the Companies Act, 1956 to hold the Annual General Meeting of the Company for the year ended March 31, 1999 upto December 31, 1999.
3. The Proxy Form duly completed must reach the Registered Office of the Company not later than forty-eight hours before the time of holding the meeting.
4. Members are requested to notify the change in their registered addresses, if any, alongwith the Pin Code number immediately to the Company's Registrars & Share Transfer Agents, MCS Limited, 212-A, Shahpurjat, New Delhi-110 049 quoting their folio numbers.
5. Pursuant to Section 205A of the Companies Act, 1956, Unclaimed Dividend for 1993-94 has been transferred to the General Revenue Account of the Central Government. The concerned Shareholders have been duly informed by the Company individually about the particulars of the unclaimed Dividend transferred to the General Revenue Account. Shareholders who have not encashed the Dividend Warrants for the said year are requested to claim the amount from the Registrar of Companies, Madhya Pradesh, Chamber Bhavan, SDM Road, Gwalior-474009, by submitting an application in the prescribed form.  
  
The amount of dividend remaining unclaimed for a period of seven years is required to be transferred to the Investor Education and Protection Fund in terms of Section 205C introduced by the Companies (Amendment) Act, 1999, read with Section 205A of the Companies Act, 1956, as amended. Members who have so far not encashed their Dividend Warrant(s) for the Financial Year ended 31st March, 1995 or any subsequent year are advised to send their Dividend Warrant(s) to the Company immediately.
6. Members holding more than one Share Certificate in the same name under different Ledger Folios, are requested to apply for consolidation of such folios and send relevant Share Certificates to the Company's Registrars and Share Transfer Agents at New Delhi as stated in Note No. 4 above.
7. Shareholders of the erstwhile Xpro India Limited (XIL), Indian Plastics Limited (IPL) and Biac Limited (BL), which merged with the company w.e.f. 1.7.1985, 1.4.1993 & 1.4.1994 respectively, who have not yet surrendered the Share Certificates of the said erstwhile companies, viz. XIL, IPL & BL held by them are requested to surrender the same (or Letter of Allotment, if not exchanged with share certificate earlier in the case of BL) immediately to the Company's Registrars and Share Transfer Agents at New Delhi as stated in Note No. 4 above to enable them to send Share Certificates of the Company in lieu thereof.
8. MEMBERS ATTENDING THE MEETING ARE REQUESTED TO COMPLETE THE ENCLOSED SLIP AND DELIVER THE SAME AT THE ENTRANCE OF THE MEETING HALL.

9. Members seeking any information on the accounts are requested to write to the Company at least ten days in advance so as to enable the Management to keep the information ready.

10. EXPLANATORY STATEMENT  
(PURSUANT TO SECTION 173 OF THE COMPANIES ACT, 1956)

## Item No. 6

Sri Sidharth Birla, Chairman of the Company since 1992 and Director of the Company since 1984, is a Science Graduate and holds Master's Degree in Business Administration and has extensive experience in Industrial Business, Trade, Commerce & Financial Management and is also on the Board of Directors of various other Companies.

Sri Birla was appointed as Whole-time Director by the shareholders of the Company at the extra-ordinary General Meeting held on March 13, 1989 on the terms & conditions as specified in the Resolution passed thereat & the said appointment was approved by the Central Government, Department of Company Affairs vide their letter No. 1/218/CLV/II/89 dated August 17, 1989 for a period of 5 years w.e.f. August 11, 1989.

Sri Birla was again re-appointed as Whole-time Director by the shareholders of the Company at the extra-ordinary General Meeting held on July 4, 1994 on the terms & conditions as specified in the Resolution passed thereat for a period of five years w.e.f. August 11, 1994.

In view of the complexities of the Company's activities, his continuing as a Whole-time Director and Chairman of the Company would be in the interests of the Company. Accordingly, the Board at its meeting held on July 29, 1999 approved his re-appointment as Whole-time Director for a period of five years w.e.f. August 11, 1999.

The re-appointment and remuneration payable to Sri Birla as Whole-time Director, require the approval of the Company in General Meeting, in terms of Para III of Schedule XIII of the Companies Act, 1956.

The resolution set out under Item No. 6 of the Notice is submitted to the members for consideration and the Board recommends the same.

Except Sri Sidharth Birla, no other Director is interested in the resolution.

## DIRECTORS' INTEREST

Directors have no interest in the aforesaid resolutions, except as Shareholders generally.

By Order of the Board

Registered Office:  
Birlanagar, Gwalior-474 004  
Dated: November 15, 1999

**R.S. KUCHHAL**  
Secretary



# Cimmco Birla Limited

## REPORT OF THE DIRECTORS TO THE SHAREHOLDERS

We present herewith our Annual Report along with the Audited Accounts of your Company for the Year ended March 31, 1999.

Final sanction for the demerger of the Company, detailed below, was received only in October 1999 though approval of shareholders was accorded in January 1999. The overall delay was beyond our control despite best efforts made by the Company, and led to the delayed finalisation of the accounts. All performance figures relate to the businesses remaining in your Company only and thus are not comparable to earlier periods.

### AN OVERVIEW

The Company's turnover during the year stands at Rs. 266.32 crores. This was after the adverse effects of go-slow and subsequent temporary lock-out which lasted over 3 months at Bharatpur works.

The Company's business activities continued to be adversely affected by reduction in Government controlled capital spending, diminishing value additions and strained cash flows. All of these collectively led to depressed results.

### RESTRUCTURING

It was considered desirable and expedient to reorganise and reconstruct the businesses of the Company by transferring its non-engineering businesses (Xpro India, Xpro India (Bombay), Biax and Cimmco Spinners divisions) to Xpro India Limited ("XIL"), in the manner and on the terms and conditions stated in a Scheme of Arrangement ("the Scheme") u/s 391 & 394 of the Companies Act, 1956. Pursuant to the approval of the Scheme by shareholders, creditors and relevant authorities and sanctions of the Hon'ble High Courts of Madhya Pradesh and Calcutta, the said divisions along with all their assets and liabilities stood transferred to and vested in XIL with effect from April 1, 1998.

In line with the Scheme, all members of Cimmco Birla Limited will receive 1 Equity Share of Xpro India Limited for every 2 Equity Shares held in the Company, automatically and with no payment, as on December 20, 1999 (the record date).

Consequently your Company is now sharply focused on engineering businesses and intends to operate henceforth as a single business unit in appropriate sectors and segments in the domestic and international markets. Accordingly since close of the year the business operations of Cimmco International and Cimmco Construction divisions have been organisationally consolidated with the project activities and will carry on business under the single business unit concept as above.

We shall also continue to build upon the existing strengths, expertise and track record in the cement machinery, chemical plant, material handling and hydro-mechanical gate businesses, besides design and manufacture of all types of railway wagons.

## FINANCIAL RESULTS

		Rs. Lacs
Operations Yielded a		
Profit before Depreciation of		- 324.31
Less : Depreciation	556.03	
Less : Transfer from		
General Reserve	285.24	270.79
Add : Extra-ordinary item		825.05
Less : Provision for Tax		1.25
<b>Profit after Tax</b>		<b>228.70</b>
Add :		
Surplus brought forward		81.33
Debenture Redemption Reserve written back		151.33
Investment Allowance Reserve written back		21.98
<b>Leaving a Balance of</b>		<b>483.34</b>
which is carried forward		

The unaudited results taken on record for the year ended March 31, 1999 are not comparable with the above since the former had to be, of necessity, compiled before giving the effect to the Scheme.

In the absence of operating profits no dividend is being recommended.

### REVIEW OF KEY OPERATIONAL MATTERS

The production and turnover during the year under review were significantly affected due to labour unrest at the Bharatpur works, resulting into a temporary lock-out (from November 5, 1998 to January 31, 1999).

The management however continued to take steps to contain both fixed and variable costs, including rationalisation of manpower. In the scenario of low growth and high competition, the Company is pressing hard to improve competitive advantage by increasing its productivity and cost efficiency and through cost reduction.

Indian Railways have considerably reduced their procurement of Wagons under their procurement program. The magnitude can be seen from the fact that against the tendered quantity of 26,000 FWUs during the year under review, orders for only 12,000 FWUs have been finalised and released. It must be noted that the Ninth 5-year Plan had projected wagon procurement of 1,75,000 FWUs, which was subsequently revised to 1,36,000 FWUs. Against this, the actual orders released during the first 3 years of the Plan period have been only 64,000 FWUs.

During the current year also production continues to be affected due to delayed and inadequate wagon orders from Indian Railways. Moreover, the price levels at which Indian Railways have placed orders for supply of these wagons, greatly reduced the value addition affecting viability. The management expects to improve its market share once the economy picks up resulting in greater demand for freight movement.

## Cimmco Birla Limited

We are happy to report that the earlier contract for supply of wagons under BOLT Scheme, valued at over Rs. 180 crores to Indian Railways has been successfully completed. The Company has also secured a World Bank funded contract under stiff competition for manufacture and supply of 1,500 Container Flat wagons valued at over Rs.165 crores. The necessary steps have already been initiated to develop this type of wagon and deliveries are expected to commence during the current year.

As reported last year, the organisation at the Engineering & Projects Division was streamlined to improve service levels and gear itself to execute larger sized contracts. This helped the Company in successfully executing a single order worth approximately Rs. 33 crores in a record time of 10 months. The difficult conditions in Cement industry continue and therefore no major business could be generated for cement plant machinery. However, we are happy to inform that the Divisions' overall order book position at the close of year was approximately Rs. 122 crores.

We continue to maintain cordial relations with our technical collaborators and associates including M/s KHD Humboldt Wedag AG, and Gebr. Pfeiffer AG, and are constantly exploring possibilities of forming further alliances.

We are hopeful, due to the assistance and co-operation being received by the Company from Cuban and Indian authorities, of evolving a solution for liquidating export overdues.

Change in the procurement pattern by the Indian Railways, and the need for direct procurement of major inputs instead of the hitherto "free supplies" from Railways has led to a significant increase in working capital needs. The Company continues to examine all practically available options for raising long term resources from various sources to support our core businesses.

There are no significant matters in regard to remaining operations.

### CORPORATE GOVERNANCE

The company is committed to adopting, besides any of its obligations under relevant laws or regulations, the best relevant practices for corporate governance. Corporate governance will not be a matter of just creating checks and balances or following regulations. The real need is to create a corporate culture of consciousness, transparency and openness. The ultimate purpose of good governance should be to create and sustain a self-driven, self-assessed and self-regulated organisation. We have adopted a Code to introduce greater transparency & accountability, in line with the best practices derived from a number of articulations on corporate governance. We have also updated the Code of Conduct for employees.

Further, to support the Managing Director in discharging his responsibilities for the overall management of the Company, Sri H.S. Basur, earlier Joint President, has been appointed as President & Chief Operating Officer.

### Y2K COMPLIANCE

The Company has been taken effective steps to achieve Y2K compliance and all systems have been made suitably compliant. Final checks are in progress and are expected to be completed by end November 1999. The cost of achieving this is not significant. Although the Company does not foresee any major impact due to Y2K problem on account of this readiness, contingency plans exist to meet any emergent situation.

### STATUTORY INFORMATION AND OTHER MATTERS

Information pertaining to Energy Conservation, Employees, Absorption of Technology and inflow and outflow of Foreign Exchange, as per the requirements of the Companies Act, 1956 is given in Annexures hereto and forms part of this Report.

In respect of fixed deposits there are no unpaid amounts, except unclaimed.

Except for the labour unrest at Bharatpur detailed above, relations with employees remained cordial.

Sri A.C. Dalal, Sri S.J. Khaitan and Sri V.C. Vaidya, Directors, retire by rotation and being eligible offer themselves for re-election. The tenure of the Chairman of the Board Sri Sidharth Birla, as a Whole-time Director ended on August 10, 1999. The Board has re-appointed him subject to approval of the Shareholders.

Since the close of the year, Sri V. Sehgal, Executive Director, and Sri Utsav Parekh & Sri P. Murari, Directors, stepped down from the Board for personal reasons. We place on record our sincere appreciation of the valuable services rendered by them during their respective tenures.

Observations in the Auditors' report read together with the relevant notes to the Accounts are self-explanatory and do not require any further comments in this Report.

M/s. Lodha & Co., Chartered Accountants, retire as Auditors and being eligible offer themselves for re-appointment.

We wish to place on record our gratitude for the continued valuable understanding, co-operation and support received by the Company at all times from its Bankers and Financial Institutions, including its lead bank and financial institution Central Bank of India and IDBI respectively. We are also grateful for the support extended by the various government authorities including at the state level. We look forward to a continuation of the same in the future.

For and on behalf of the Board

**R R Bhansali**  
Managing Director

**Sidharth Birla**  
Chairman

New Delhi  
October 29, 1999

# Cimmco Birla Limited

## ANNEXURE TO THE DIRECTORS' REPORT

[Information as per the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988].

### A. CONSERVATION OF ENERGY:

#### (a) Energy Conservation measures taken :

- Better load Management.
- Installation of Automatic Power Factor control unit.
- Renovation of SR Furnace to prevent heat leakage.
- Installation of power saving equipments.

#### (b) Additional Investments and Proposals, if any, being implemented for reduction of consumption of energy :

- High efficiency motors for saving in motive power.
- Installation of electronic meters & power capacitors for recording and improving power factor.
- Replacement of old machines run on air pressure by hydraulic High frequency machines.

#### (c) Impact of measures at (a) and (b) above for reduction of energy consumption and consequent impact on the cost of production of goods:

- Energy conservation measures taken so far have resulted in an improvement in energy efficiency.

#### (d) Total Energy Consumption and Energy Consumption per Unit of production as per prescribed Form A.

- As per Annexure enclosed.

### B. TECHNOLOGY ABSORPTION

#### 1. RESEARCH & DEVELOPMENT

##### (a) Specific areas in which R&D carried out by the Company:

- Technology upgradation/modification of products and process.
- Development of tailor-made products to meet specified end-use/customer requirements.
- Developed prototype of Tank Wagons.
- Development of Bogie Container Flat Wagon is under process.

##### (b) Benefits derived as a result of above R & D:

- Development of new products to expand existing range.
- Competitive edge in the market.
- Improved product quality and customer satisfaction.
- Cost reduction & better realisation.

##### (c) Future Plan of action:

- Continuous improvement and R&D activities shall be extensively employed.
- Continuous product development for specialised applications.
- Assimilation of substantial engineering skills connected with process technology, process engineering & system engineering.

##### (d) R & D Expenditure:

- Expenditure on in-house Research & Development has been shown under respective heads of expenditure in the Profit and Loss Account.

### 2. TECHNOLOGY ABSORPTION, ADAPTATION & INNOVATION:

#### (a) Efforts, in brief, made towards technology absorption, adaptation & innovation:

- Focused on improvement of productivity, process efficiency and yield.
- Constant monitoring of process and technology upgradation taking in advanced countries and to offer similar products through in-house R&D as well as through progressive manufacturing activities. The company is in the process of further improving its quality control methods and testing facilities.
- Regular interaction with foreign equipment designers & manufacturers and major raw material suppliers abroad for improvements to processing and operating parameters.

#### (b) Benefits derived as a result of the above efforts:

- Ability to offer improved products to meet specialised market requirements.
- Competitive advantage in the market & market expansion.
- Increase in productive capacity at relatively low Cost.
- Cost reduction & enhanced quality.
- Import substitution.
- Improved levels of productivity.

#### (c) Information regarding technology imported during last five years:

- Entered into a collaboration agreement with Taylor Woodrow International Projects Limited, U.K. to provide Construction Management Services.
- Entered into a collaboration agreement with Metalair, U.K. for designing Covered Hopper Wagons having air fluidised unloading system.
- Technical collaboration with KHD Humboldt Wedag AG, Germany for transfer of technology for cement plant, technical collaboration with Gebr Pfeiffer AG, Germany for manufacture of Vertical Mills, technical collaboration with Zimmermann & Jansen, Germany for manufacture of Steel Plant Valves and Technical co-operation with MVT, Germany for acquiring equipment design & project engineering capabilities.

### C. FOREIGN EXCHANGE EARNINGS & OUTGO:

#### (a) Activities relating to exports, initiatives taken to increase exports; development of new export markets for products & services and export plans : -

- The company is a recognised trading house.
- Intensive efforts are continuing by entering new markets for products and services.

#### (b) Total foreign exchange used & earned:

	1998-99	1997-98
	Rs.	Rs.
Total foreign exchange used	26,45,05,420	31,98,22,837
Total foreign exchange earned	17,10,30,242	72,55,14,629