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Cimmco Birla Limited

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Annual Report 2000-2001

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Company Name Limited

BOARD OF DIRECTORS

Sri Y N Bhargava

Sri B M Vijay

Sri Virendra Singh

Sri J P Gupta
Director (Works)

COMPANY SECRETARY

Sri Prabhakar
Assistant Secretary

REGISTERED OFFICE

Birlanagar, Gwalior - 474 004

CORPORATE OFFICE

UCO Bank Building
2nd Floor

5, Parliament Street

New Delhi - 110 001

WORKS

Bharatpur Works
Bharatpur - 321 001

MANAGEMENT TEAM

Sri J P Gupta
Director (Works) & President

Sri L N Khemani
Executive Vice President(W)

BANKERS

Central Bank of India

Bank of Baroda

Punjab & Sind Bank

UCO Bank

AUDITORS

M/s Lodha & Co.

Kolkata

REGISTRARS &

SHARE TRANSFER AGENTS

MCS Limited

Sri Venkatesh Bhavan

212-A, Shahpurjat,

New Delhi - 110 049

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Cimco Birla Limited

ENVIRONMENT & SAFETY

We firmly believe that safe and healthy working conditions in factories and other premises are as necessary and important as production, productivity and quality. Our policy requires conduct of activities in such a way as to take foremost account of health and safety of all concerned, besides conservation of natural resources and protection of the environment to the extent possible.

HUMAN RESOURCES

We recognise that employees represent our greatest assets and potential. It is only through motivated, creative and business-minded employees the company could sustain and grow over the past long years. However, because of fall-out of the Company arising out of circumstances beyond its control as detailed earlier, 2475 employees at Bharatpur works were put under lockout in first phase and 29 Nos. from the remaining who were retained for essential services, making a total of Nos. of 2504. Out of this 92 Nos have retired/resigned and left up to June 30, 2001 and further 108 Nos since then. Similarly, in Okhla office and at other locations, 110 employees were put under temporary suspension out of which 53 Nos resigned and left up to June 30, 2001 and another 7 Nos since then. From the retained employees at Okhla office and other locations, 29 employees left up to June 30, 2001 and further 6 Nos since then. As on date to maintain various activities to comply with statutory and other mandatory requirements of various Government and other agencies, a meager strength of 39 employees of different hierarchy apart from 62 nos. ministerial staff for maintaining security and other essential services are continuing in active service of the company.

OTHER MATTERS

BIFR at the last hearing as on 21st August, 2002 declared the Company as Sick Industrial Company under SICA and IDBI has been appointed Operating Agency to recommend appropriate revival package subject to viability of the operations of the company for consideration of BIFR with the cut off date of March 31, 2003. The scale and scope of future operations of the company will depend on the outcome of such appraisal and approval of BIFR and cooperation from financial institutions, banks and others. There are no further or typical areas of risks or concerns outside the usual course of business foreseeable at this time. Internal control systems have been found to be adequate, but are continuously reviewed with a view to improvement. Our team is committed to the Board's dictates on standards of conduct as well as good governance and exercise of due diligence. Though we have taken all care to diligently comply with all applicable laws and regulations, certain statutory dues still remains to be paid because of meager realisation of book debts and other receivables. The overall financial performance is distorted due to substantial amount of performance bank guarantees got invoked by customers followed by suspension of work/cancellation of contracts which resulted into certain debts becoming doubtful of recovery requiring provision and lower yield of contribution backed up by mounting interest liability on loans etc.

CAUTIONARY STATEMENT

Statements in the Management's Discussion & Analysis Report which seek to describe the Company's objective, projections, estimates, expectations or predictions may be considered to be "forward-looking statements" within the meaning of applicable securities laws or regulations. Actual results could differ materially from any expressed or implied. Important factors that could make a difference to the Company's operations include global

and Indian demand-supply conditions, finished goods prices, feedstock availability and prices, cyclical demand and pricing in the Company's markets, changes in Government regulations, tax regimes, economic developments within India and countries with which the Company conducts business besides other factors, such as litigation and labour negotiations.

For and on behalf of the Board

Place: New Delhi
Date : August 29, 2002

B M Vijay J P Gupta
Director Director(Works)

REPORT OF THE DIRECTORS ON CORPORATE GOVERNANCE

The Board has adopted the principles of good Corporate Governance and is committed to adopting, besides any obligations under the relevant laws or regulations, best relevant practices for governance. We believe that good governance is voluntary and self-disciplining with the strongest impetus coming from Directors, and the management itself. The Board lays emphasis on integrity, transparency and accountability.

THE BOARD OF DIRECTORS

Presently, the Board consists of 4 Directors of which 3 are non-Executive. The Management of the Company is vested in the Board. Sri J P Gupta had been appointed Director (Works) & President (discharging duties & responsibilities of the Occupier), holds operational responsibility for day-to-day activities of the Company, as may be entrusted to him, under the overall supervision, control and direction of the Board.

As required by SEBI code, at present Independent Directors are Sri Virendra Singh and Sri Y N Bhargava who account for half of the Board. Sri J P Gupta, Director (Works) & President, is Executive Director while Sri B M Vijay is a non-executive Director. None of the Directors are related to each other or to the Promoters.

The independent and non-executive Directors play an important role in the deliberations at the Board level and bring to the Company their wide experience in the fields of industry, finance and administration and contribute significantly to the Board and its committee and have a distinct contribution to make by adopting broad perspective by ensuring that the interest of all stakeholders are kept in acceptable balance and can also provide an objective view in any potential conflicts of interest between stakeholders.

As required by law, the appointment(s) and remuneration(s) of any Executive Director(s) require the approval of the shareholders, the period of such appointments are not more than five years and, when eligible, they qualify for re-appointment at the end of their tenure. One-third of the other Directors retire every year and, when eligible, qualify for reappointment. Nominees of Financial Institutions do not usually retire by rotation. Specified details were already provided in the notice of Annual General Meeting for appointment or re-appointment of Directors. Details are given below by category, attendance and total Directorships besides Memberships and Chairmanships of Board Committees.

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MANAGEMENT DISCUSSION & ANALYSIS REPORT

We are submitting here a Management Discussion & Analysis Report on the businesses of the Company. We have attempted to include discussion on all specified matters to the extent relevant or within limits that in our opinion are imposed by the Company's own competitive position. During the year the Company witnessed severe setback in view of untoward encashment of bank guarantees worth Rs 38.68 crores followed by cancellation of contract, without any sort of advance communication or notice, by M/s Container Corporation of India Ltd. (CONCOR) on ground of purported delay and the same led to freezing of banking operations with resultant cascading effect on operations followed by disruption of work by workmen at Bharatpur. The situation triggered encashment of further bank guarantees and order cancellations by some other customers. Given the scenario above, the Company had to declare lock-out at its Bharatpur plant w.e.f. November 13, 2000 and suspended operations in Okhla office from December 8, 2000 which is still continuing. The suspension of operations in Okhla office led to halting of all operations at the various projects sites.

Though Indian Railways finalised and placed orders for wagons for the FY 2000-01 on March 31, 2000, wherein only 1457.5 FWUs were allocated for the company that too with withheld 1000 FWUs linked to the progress and supplies of Container Flat Wagons to CONCOR, the company could not take up production due to non availability of free supply steel followed up by the circumstances arising out of encashment of bank guarantees by CONCOR as mentioned earlier. Another significant area of operations remain Engineering Projects, primarily in Cement Plant & Machinery industry, which also suffered from a negligible inflow of orders due to the continuing difficult conditions in the cement industry as a result of which they made no basic capital expenditure. Because of above situation, production quantities in Wagon business could be achieved only 262 FWUs compared to 1678 FWUs and in Industrial Machinery business 706 M/T in place of 4092 M/T in previous 15 months period. The Company therefore could achieve a turnover of only Rs 70.83 crores (including Sub-lease Rental Rs 37.06 crores) during the accounting period compared to Rs 220.14 crores (including Sub-lease Rental Rs 46.64 crores) achieved during the previous 15 months period. Operating results before depreciation and extra-ordinary item, including undue burden of interest on increased liability exposure arising out of encashment of bank guarantees, provision for certain debts becoming doubtful of recovery due to suspension of operations, provision for terminal benefits in respect of large number of employees who left the services of the company, was a loss of Rs 41.39 crores during the period as against a loss Rs 35.59 crores in the previous 15 months period. Net loss after provision for tax mounted to Rs 56.51 crores (including Rs 11.08 crores being encashment of performance bank guarantees) compared to Rs 41.46 crores in the previous 15 months period.

COMPANY & INDUSTRY STRUCTURE

Our operations are primarily in Capital Goods sector with main business groups (i) Wagon & Coaching Underframes and (ii) Engineering Projects viz Industrial Plants – Cement, Hydrocarbon & Chemical, Material Handling Equipment & Systems, Infrastructure Projects viz Hydro-mechanical & Construction and International Trading. We enjoy the stature of Prime Engineering Company and recognised EPC Contracting Company. Data on capacities, volumes and turnover are contained in the notes to the Accounts; a summary is given below.

	FY99/00		FY00/01	
	Production	Sales	Production	Sales
	Quantity	Rs. Lacs	Quantity	Rs. Lacs
Wagon & Coaching Underframes	1678 (FWU)	6,152.62	262 (FWU)	1,552.43
Engineering Projects: Industrial Machinery	4053 (MT)	3,993.99	774 (MT)	727.03
Trading		1,081.34		177.90
Lease Rental		4,663.90		3,706.32
Others		6,122.68		919.60
Total		<u>22,014.53</u>		<u>7,083.28</u>

WAGON & COACHING UNDERFRAME BUSINESS

The industry structure in the field of wagon manufacturing is that the market for wagons is restricted to a major buyer i.e. Indian Railways and small off-take by bulk users of wagons viz. Thermal Power Plants, Cement Manufacturing Plants etc. under 'Own Your Wagon Scheme' apart from export market in the developing countries. There are 13 wagon manufacturers in the country, mostly located in eastern India, of which 7 are in the public sector and 6 are in the private sector. The price realisation is competitive in view of wagon manufacturing facilities in the country far exceeding the requirements by Indian Railways and others. The industry is primarily labour intensive and therefore in general suffers from either inadequacy of profits or mounting losses. The Company however is the only wagon manufacturer in the country, until recently, complying fully G-93 requirements of RDSO specifications with regard to infrastructural requirements for manufacture of wagon; and has expertise in various special purpose wagons like Bottom Discharge Wagons for Thermal Power Plants and wagons for carrying Bulk Cement, Liquefied Petroleum Gas, Liquid Ammonia, Phosphoric Acid etc. and Container Flat Wagons. The facilities for wagon manufacturing of the Company is located at its plant at Bharatpur (Rajasthan). Raw materials, boughtout components and other inputs are mandatorily procured from RDSO approved manufacturers and generally available at negotiated rates. However with regard to orders from Indian Railways, almost 60% (in value) of the inputs are supplied as free supply items for use in the wagons and therefore the turnover does not include the corresponding value.

ENGINEERING PROJECTS BUSINESS

The industry is wide open from small to large projects and services catering to various unlimited tailor-made industry needs. We operate mostly in the manufacture and installation of Cement Plant machinery and to a lesser extent in Hydrocarbon & Chemical Plants, Material Handling Equipment & System, Hydromechanical Equipments, Infrastructure Projects – Construction and Trading Business – international and domestic. The Company's manufacturing facility for Cement plant machinery and other engineering products is located at Bharatpur (Rajasthan). The equipments produced at the plant and also outsourced from elsewhere are installed at the sites according to project requirements. There are plenty of small and very large project contractors including overseas operating in their respective niches. The company is having adequate technology including imported through foreign collaborations. The company's profitability is comparatively proportional to the mix of growth of the end user industry viz. Cement Industry. In Infrastructure projects - Construction, the company operates in roads and building construction business and in Trading Business the company outsources the supplies as per customer requirements.

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FY 2001-02 through sub-contract which has helped in repaying a portion of the amounts due to Banks.

The management has been in constant discussions with the State Government, local authorities and workmen's unions to evolve a practical vision for the future of operations at Bharatpur which are now likely to be of a scale and scope significantly lower than in the past. Despite problems being faced by all we are happy to state that the atmosphere has by and large been cordial.

The Company is at present effectively operating with a skeleton manning level and all possible efforts are yet being made to resolve issues as well as to recover amounts due from clients, government departments, Cuban debts, etc. Proceedings before various bodies, including for recovery of insurance claims (against 1996 floods) and amounts recoverable from UP-PWD are yet in progress.

The situation with regard to business from Indian Railways, which is in effect the base workload for the Company, is dealt with in the Management Discussion & Analysis Report which also covers other relevant aspects of the overall operations. Formulation of a stand-alone revival package has not been possible in view of the reduction and degree of uncertainty in business from Indian Railways. However an appropriate package for revival will be formulated and placed for consideration by all concerned, under the aegis of BIFR.

FINANCIAL RESULTS

	Rs. Lacs
Operations yielded a	
Loss before Depreciation of	4,138.52
Add : Depreciation	403.80
Extra Ordinary item	1,107.94
Provision for tax	0.75
Loss after tax	5,651.01
Add :	
Loss brought forward from previous year	2,913.83
Leaving a Balance of Loss Carried Forward of	8,564.84

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

STATUTORY INFORMATION & 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 and our report on Corporate Governance form a part of this Report and are annexed hereto.

In respect of Fixed Deposits 53 deposits involving Rs. 47.12 lacs remain unpaid (since paid Rs. 31.91 lacs), except unclaimed deposits.

The Company could not publish quarterly results and also could not get limited review conducted for half yearly results ended on December 31, 2000 by the auditors of the company, as required under listing agreements with the Stock Exchanges.

DIRECTORS

During the year Sri Y N Bhargava joined the Board as additional Director, and appointed as Director in the Annual General Meeting of the Company held on March 27, 2002. Sri B M Vijay joined the Board as Additional Director on February 01, 2002. Sri Virendra Singh joined the Board as Additional Director on June 29, 2002,

as a representative nominated by the Life Insurance Corporation of India.

During the year under review Sri R R Bhansali, Sri Arvind C. Dalal, Sri N L Hamirwasia, Sri Lalit Bhasin, Sri H. S. Basur and Sri R. S. Kuchhal resigned from the Board at various times. Sri B D Bose and Sri Sanjay Gupta were appointed as Directors of the Company in place of Sri N L Hamirwasia and Sri Lalit Bhasin respectively who also subsequently resigned.

After close of the year The Industrial Development Bank of India had withdrawn their nominee Director Sri M D Dixit from the Board. Sri J M Seth also submitted his resignation following withdrawal of his representation by The Life Insurance Corporation of India.

We place on record our sincere appreciation of the valuable services rendered by these Directors.

In view of resignation of Sri R S Kuchhal, there was no Secretary since January 10, 2001. Efforts were made to appoint a new Secretary, which was possible only with effect from July 9, 2001.

Observations of the Auditors when read together with the relevant notes to the accounts and accounting policies are self-explanatory and do not require any further comments.

As per our Governance practices, the management's statements on integrity and fair presentation of financial statements is provided to the Board as an integral part of accounts approval process. However, as per Section 217(2AA) of the Companies Act, 1956 the Directors indicate that they have taken reasonable and bonafide care:-

- that in the preparation of the annual accounts the applicable accounting standards have been followed and proper explanations relating to material departure, if any, have been furnished;
- that such accounting policies were selected and applied consistently and judgement and estimates that are reasonable and prudent made 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 & loss of the company for the period;
- that proper and sufficient care had been taken for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, for safeguarding the Company's assets and for preventing and detecting fraud and other irregularities;
- that these accounts have been prepared on a Going Concern Basis. (See note 1 of Schedule 18 (Note on Accounts & Accounting Policies) of Accounts)

ACKNOWLEDGEMENTS

We would like to express our gratitude to, and look forward to the continuing cooperation and guidance from IDBI, other Institutions and our Banks. We are grateful to our shareholders for their support, and creditors and depositors for their understanding in bearing with the Company. We are also thankful for the understanding of the employees of the Company who have been affected by the disruption of work, as above, and of the dedicated services being put in by the active employees. We particularly wish to thank the State Government, local administration, and various government departments for their kind support and cooperation at all times.

For and on behalf of the Board

Place: New Delhi
Date : August 29, 2002

B M Vijay
Director

J P Gupta
Director(Works)

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NOTICE TO THE SHAREHOLDERS

Notice is hereby given that the Adjourned Fifty Sixth Annual General Meeting of the Members of Cimmco Birla Limited will be held at the Registered Office of the Company at Birlanagar, Gwalior-474004, on Monday, the 7th day of October, 2002 at 11.30 a.m. to consider and adopt the Directors' Report and Audited Balance Sheet & Profit and Loss Account as at and for the Financial Year ended June 30, 2001.

By Order of the Board

Registered Office:
Birlanagar, Gwalior-474004
Dated: August 29, 2002

Prabhakar
Assistant Secretary

Notes:

1. Members are aware that the fifty sixth Annual General Meeting of the Company held at the Registered Office of the Company on March 27, 2002, was adjourned sine die to consider and adopt the Directors' Report and audited Balance Sheet & Profit and Loss Account as at and for the Financial Year ended June 30, 2001 at a future date. Accordingly, the Annual Report for the Financial Year ended June 30, 2001 is annexed herewith for consideration and adoption by the Members.
2. 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.
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 ATTENDING THE MEETING ARE REQUESTED TO COMPLETE THE ENCLOSED SLIP AND DELIVER THE SAME AT THE ENTRANCE OF THE MEETING HALL.

By Order of the Board

Registered Office:
Birlanagar, Gwalior-474004
Dated : August 29, 2002

Prabhakar
Assistant Secretary

DIRECTORS' REPORT TO THE SHAREHOLDERS

We present herewith our Annual Report together with the Audited Accounts of your Company for the year ended June 30, 2001. The delay in submission of this Report is deeply regretted and took place on account of situations beyond the control of the Board or the Management in view of the conditions as below, particularly the continuing lockout at the Company's Bharatpur Works and suspension of work at Okhla office, which have restricted free access to information and documents. Registrar of Companies, Gwalior had allowed time for holding of the Annual General Meeting by March 31, 2002 which was accordingly convened on March 27, 2002; matters other than this Directors' Report and Audited Accounts were then dealt with and the meeting adjourned sine die for consideration of the same at a later date.

As mentioned in our last report, the net worth of the Company was fully eroded thereby attracting the provisions of the Sick Industrial Companies (Special Provisions) Act, 1985 (SICA). Accordingly a reference was made to the Hon'ble Board for Industrial and Financial Reconstruction (BIFR) and the same was registered as case no. 372/2000 on November 27, 2000. The first hearing took place on August 24, 2001 where certain secured creditors raised objections in declaring the Company as sick. The BIFR upon due consideration appointed Industrial Development Bank of India (IDBI) as the Operating Agency (OA) u/s 16 (2) of SICA to conduct appropriate special investigative audit (SIA). The second hearing before BIFR took place on August 21, 2002 where, after due process and consideration of the SIA report, the Company was declared sick under Section 3(1)(o) of SICA and IDBI was appointed as the OA (formal order awaited).

REVIEW OF KEY OPERATIONAL MATTERS

Despite the erosion of net worth, operations were maintained in a generally satisfactory manner in the period July/September 2000. After resolving delays, including those at the buyers' end, supplies against the contract with Container Corporation of India Ltd. (CONCOR) were underway and 4 rakes were successfully delivered and more than 7 rakes were at advanced stage of completion (in total this amounted to about 1/3rd of the order). Inputs for execution of the remainder had been organised and were being received. Orders for wagons from Indian Railways for the FY 2000-01 were finalised and placed on 31.03.2000 when your company received the total allocation of 1457.5 Four Wheeler Units (FWUs). However, actual orders were released only for 457.5 FWUs and the remaining quantities (1000 FWUs) were withheld and linked with progress and supplies of Container Flat Wagons for CONCOR. Out of withheld quantity, further order for 337.5 FWUs was released by middle of October, 2000 aggregating 795 FWUs but no production could be taken up firstly because of non-availability of Free Supply Items (Steel) and subsequently due to situation caused due to encashment of Bank Guarantee by CONCOR as stated above. The Company however had an order book of Rs.350 Crores during the year under review, as mentioned in our last Report.

In October 2000 CONCOR, contrary to the stipulations in the contract, suddenly and without notice encashed Bank Guarantees amounting to Rs.38.68 Crores and subsequently cancelled the balance portion of the contract on grounds of purported delay. This led to freezing of banking operations with consequential ill effect on operations followed by disruption of work by workmen at Bharatpur. The situation led to encashment of further Bank Guarantees and order cancellations by some other clients. In the circumstances the management had no option but to declare lock-out at Bharatpur Works w.e.f. November 13, 2000. Subsequently work at the Okhla office of the Company also had to be suspended w.e.f. December 8, 2000. In view of the circumstances the Company's key collaborators M/s KHD Humboldt Wedag AG and Gebr. Pfeiffer AG have since established their direct local presence.

The Company, based on legal advice, has invoked Arbitration against CONCOR and the matter is being heard by a duly constituted Arbitral Tribunal and at present claims relating to direct amounts have been filed; consequential claims will be filed at an appropriate time under legal advice. Since significant resources are involved in the CONCOR contract, the said Arbitration will have a material impact on the revival of the Company. It needs to be mentioned that the overall utilisation of bank limits were within sanctioned amounts until the time of guarantee encashments. IDBI's exposure arises out of a specific self-liquidating facility granted against CONCOR contract. IDBI's exposure has been proactively reduced to the extent possible, even as CONCOR still unreasonably withholds dues against supplies made while the wagons supplied have been put to successful use by them. We are also glad to report that the Company took effective steps to successfully execute the order for export of special wagons worth US\$ 3.2 million during

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Director	Category*	Board Attendance**	B/C Ch***
Sri J P Gupta	E	5/5	2/1/-
Sri Y N Bhargava	I	1/1	1/-/2
Sri M D Dixit (R-20.07.2001)	I/N	4/6	-/-/-
Sri J M Seth (R-05.12.2001)	I	5/6	-/-/-
Sri Lalit Bhasin (R-01.12.2000)	I	1/3	-/-/-
Sri Arvind C Dalal (R-23.10.2000)	I	-/3	-/-/-
Sri N L Hamirwasia (R-01.11.2000)	P	3/3	-/-/-
Sri R R Bhansali (R-06.11.2000)	E	3/3	-/-/-
Sri H S Basur (R-18.10.2000)	E	2/2	-/-/-
Sri R S Kuchhal (R-18.10.2000)	E	1/1	-/-/-
Sri B D Bose (A-05.01.2001)	P	1/1	-/-/-
Sri Sanjay Gupta (R-30.03.2001)			
	(A-19.01.2001)	-/-	-/-/-
	(R-17.03.2001)		

*P = Promoter, I = Independent, N = Nominee, E = Executive

**For the period under review (attendance data relates to relevant meetings while a Director)

***B = Board Membership, C/Ch= Membership/Chairperson of SEBI specified Board Committees.

A & R in the brackets denote date of appointment and date of resignation.

RESPONSIBILITIES

The Board's principal focus is on strategic issues and approval, policy and control, and delegation of powers and it has specified a schedule of major matters (covering those required under Law or SEBI Code) that are reserved for its consideration and decision, besides review of performance and reporting to shareholders. The respective roles of the Board and the Management are clearly demarcated. The management is required to (a) provide necessary inputs and basis to support the Board in its decision making process in respect of the Company's strategy, policies, performance targets and code of conduct; (b) manage day-to-day affairs of the company to best achieve targets and goals approved by the Board; (c) implement all policies and the code of conduct, as approved by the Board; (d) provide timely, accurate, substantive and material information, including on all financial matters and exceptions, if any, to its Board and/or its committees; (e) be responsible for ensuring faithful compliance with all applicable laws and regulations; and (f) implement sound, effective internal control systems. The Board requires that the organisation conducts business and develops relationships in an honest manner. To establish a policy framework to promote this spirit a Code of Conduct for employees had been instituted.

BOARD MEETINGS & COMMITTEES

The Board Meetings are usually held at the company's offices. Meetings are usually scheduled about a fortnight in advance. The Board meets at least once a quarter. The Agenda for all meetings are prepared by the Secretary/Assistant Secretary, in consultation with the Chairman/MD/ED, and papers are circulated to all Directors in advance. Directors have access to the Secretary/Assistant Secretary's support and all information of the Company and are free to suggest inclusion of any matter in the Agenda. Senior officers are called to provide clarifications & make presentations whenever required. In the year under review the Board met 6 times on July 28, September 15, October 21, 2000, January 5, January 19, and June 29, 2001. The Board could not meet in the intervening period between January 19 to June 29, 2001 for non-availability of majority of the Directors. To enable fuller attention to the affairs of the Company, the Board delegates specified matters to its committees, which also prepare the groundwork for decision making and report to the Board. However no matter is left to the final decision of any committee, which under law or the articles may not be delegated by the Board or may require its explicit approval.

Audit Committee

The Audit Committee of the Company was constituted after the year under review i.e. on September 27, 2001 with two directors only, as at that time only three Directors were on the Board in view of number of Directors stepping down from the Board due to extraordinary circumstances in which the Company was in, as detailed in the Directors Report. However, Company has since reconstituted its Audit Committee, so that the Composition of Audit Committee complies with the requirements of Section 292A of the Companies Act, 1956 and the role, power and conduct of the committee are governed by Clause 49 of the Listing agreement. Presently Committee comprises of Sri Y N Bhargava, Sri B M Vijay and Sri Virendra Singh and the members amongst themselves elect the chairman of the Committee.

The terms of reference of the Audit Committee, as specified by the Board in writing, include the whole as specified in the SEBI code and the Companies (Amendment) Act, 2000, including a review of audit procedures & techniques, financial reporting systems, internal control systems & procedures besides ensuring compliance with regulatory guidelines. The committee members are all independent Directors collectively having requisite knowledge of finance, accounts and company law. The committee recommends appointment of external auditors and their fees/ payments and also takes an overview of the financial reporting process to ensure that financial statements are correct, sufficient and credible. The reports of the statutory and internal auditors are to be reviewed along with management's comments and "action-taken" reports. The committee has explicit authority to investigate any matter within its terms of reference and has full access to the information, resources and external professional advice which it needs to do so. However, no Audit Committee meeting took place during the year due to circumstances as stated above.

Remuneration Committee

Company is in the process of constituting the Remuneration Committee in terms of Clause 49 of the Listing Agreement.

Directors, other than Executive Director, are paid sitting fees of Rs. 2,000/- for each meeting of the Board/Committee thereof. Shri J P Gupta was appointed Director (Works) and President for a period of 5 years w.e.f. 01/08/2000; shareholders have approved remuneration by way of salary of Rs.50,000/- per month (with annual increment to be decided by the Board), Rs. 10,000/- p.m. as Special Allowance, housing facility restricted to 60% of the salary and other allowances and perquisites (which in the aggregate falls within the minimum remuneration allowed under Schedule XIII of the Companies Act, 1956). There are no severance, other benefits, bonuses or stock options. Payment under this sanction has been given appropriately in this Annual Report.

Share Transfer & Shareholders/Investors' Grievances Committee

The Committee reviews, records and helps expedite transfer of shares and helps resolve/attend to any grievances of Investors. The Company has about 71,000 shareholders and the committee meets frequently throughout the year to minimise any delays in the transfer process. Any investor grievance is referred to this committee in the first instance, for earliest resolution of any problem. The Assistant Secretary, Sri Prabhakar, is the Compliance Officer under relevant regulations. 380 Complaints/queries received during the period under review from shareholders were resolved; accordingly none are pending.

SHAREHOLDER INFORMATION & RELATIONS

The main source of information for Shareholders is Annual Report, which includes, inter alia, the reports of the Directors and the

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Cimco Birla Limited

Auditor's Report on the accounts, balance sheet and the Management's Discussion & Analysis Report on operations and outlook. The Management's statement on the integrity and fair presentation of financial statements is provided to the Board as part of the process of accounts approval. Shareholders were intimated in the past through print media of quarterly financial results and performance besides significant matters, within time periods stipulated from time to time by Stock Exchanges. Company could not publish its quarterly results from December 2000 quarter onwards due to the reasons as explained elsewhere and more particularly due to lockout at its Works at Bharatpur (since November 2000) and temporary suspension of operations at Okhla office since December 2000 which still continues, resultantly all the operations of the company came to standstill situation. The Company had also intimated the above to the Stock Exchanges where the shares of the Company are listed. General Meetings of the Company are held at its Registered Office at Birlanagar, Gwalior - 474 004. (M. P.). The last 3 AGM's were held on September 14, 1998, December 20, 1999 and October 30, 2000. The Register of Members and Share Transfer Books were closed from March 26, 2002 to March 27, 2002 (both days inclusive) for Annual General Meeting held on March 27, 2002 and adjourned sine die for adoption of Accounts, as earlier informed to the Members of the Company. The adjourned AGM shall be held at the Registered Office as per notice in this Annual Report. The last Annual General Meeting which held on October 30, 2000 was attended by Directors Shri R R Bhansali and Shri J P Gupta. The Company keeps shareholders informed via advertisements in appropriate newspapers, of relevant dates and items requiring notice. M/s MCS Limited, New Delhi are the Registrars and Share Transfer Agents. The general address for correspondence for shareholders (to the Assistant Secretary) UCO Bank Building, 2nd Floor, 5, Parliament Street, New Delhi - 110 001; shareholders may write to the Registrars directly in matters relating to transfer etc. The Company is making fullest efforts on all relevant fronts to start publishing quarterly results, etc and hold Annual General Meeting within the time limit prescribed by law. The Company's web-site is non-operative at present due to financial crunch. Presentation has been made to IDBI (Institutional Investors) regarding the prevalent situations and overall view of the affairs of the Company. The present financial year of the Company is July 1 to June 30. There are no GDR/ADR, warrants or other convertible instruments issued or outstanding. The Company's shares are listed at the M. P. Stock Exchange, Indore, The National Stock Exchange, Mumbai and The Stock Exchange, Mumbai. During the year under review, the Company has applied to the Stock Exchanges at Delhi and Kolkata for de-listing its equity shares in accordance with the Guidelines issued by SEBI. Company has also applied to The Stock Exchange, Mumbai for de-listing of its equity shares subsequently. The Company's symbol at the National Stock Exchange is CIMCOBIRLA. Equity shares are compulsorily to be traded in dematerialised form; the ISIN number is INE 184C01010. Shareholding distribution, pattern and high/low market price data is given below: -

Equity Share Price by month (Rs.)	High	Low
July 2000	4.45	2.05
August	3.50	2.45
September	4.90	2.70
October	4.50	1.85
November	3.00	1.90
December	3.80	2.15
January 2001	3.90	2.25
February	7.00	2.50
March	4.15	2.10
April	4.70	2.25
May	4.95	2.15
June 2001	3.00	1.85
DURING THE FINANCIAL YEAR	7.00	1.85

MANDATORY & NON-MANDATORY PROVISIONS

There have been no transactions of a material nature of the Company with its promoters, Directors, or the management, or relatives etc., except for transactions of a routine nature as disclosed in the notes on accounts, and accordingly no potential conflict with the interests of the Company. The Company could not comply with Clause 41 of the Listing Agreement (publication of quarterly results) due to the reasons stated herein above and the same was also intimated from time to time by the Company to the Stock Exchanges. During the year under review, no strictures or penalties imposed by the Stock Exchanges or SEBI or any statutory authority on any matter related to capital markets.

We have adopted all the mandatory requirements (except where not relevant or practicable) of the Corporate Governance. At present there are four Directors on the Board of the Company. Three Directors are non-executive including one Director joined recently. Therefore the Audit Committee set up by the Company do not comply with the requirements of Clause 49 of the Listing Agreement & Section 292A of the Companies Act, 1956, so far as the number of the non-executive/independent Directors in committee is concerned. This has since been regularised in today's Board Meeting. We have not adopted suggestions relating to a postal ballot system (except where compulsory under the Companies Act, 1956).

The above report represents the Company's philosophy on, and implementations of, its Corporate Governance. Auditor's certification as required forms a part of this Annual Report.

For and on behalf of the Board

Nominal Value of Shareholding	Number of Shareholders	Shareholding in % by amount
Upto Rs. 5,000	69,933	24.37
Rs. 5,001 - Rs. 10,000	719	3.81
Rs. 10,001 - Rs. 20,000	224	2.27
Rs. 20,001 - Rs. 1,00,000	147	4.03
Rs. 1,00,001 and above	52	65.52
	71,075	100.00

Category of Shareholding	Number of Shareholders	Shareholding in % by amount
Resident individuals/others	70,554	37.32
Banks, FIs, Insurance Company	36	21.04
Mutual Funds (including UTI)	12	0.88
Non-residents/OCBs	37	1.89
Domestic Companies	436	38.87
	71,075	100.00

Note: aggregate of non-promoter shareholding: 56.72%

Place: New Delhi
Date : August 29, 2002

B M Vijay
Director

J P Gupta
Director(Works)

AUDITORS' CERTIFICATE

We have examined the compliance of conditions of Corporate Governance procedures implemented by Cimmco Birla Limited for the year ended on June 30, 2001, as stipulated in Clause 49 of the Listing Agreement of the said Company with the Stock Exchanges.

The compliance of conditions of Corporate Governance is the responsibility of the management. Our examination was limited to review of procedures and implementation thereof, adopted by the Company for ensuring the compliance of the conditions of Corporate Governance. It is neither an audit nor an expression of opinion on the financial statements of the company.

We further state such compliance is neither an assurance as to the future viability of the Company nor efficiency of effectiveness with which the management has conducted the affairs of the Company.

On the basis of our review and according to the information and explanations given to us, the conditions of Corporate Governance as stipulated in Clause 49 of the Listing Agreement with the Stock Exchanges have been complied with in all material respect by the Company except to the extent mentioned below:

- Time gap between two consecutive board meetings** (i.e. meeting held on 19th January, 2001 and 29th June, 2001) is more than 4 months.
- Audit Committee was constituted on 27.09.2001 with two members only, hence contravening the minimum requirement of three members and First audit committee meeting was held today only.**
- No minutes of meeting of Share Transfer & Investor Grievance Committee are made available for the meeting(s) held between October 1, 2000 to June 16, 2001.**
- No quarterly result for the quarter ended December, 2000 onwards have been published and no limited review for the half year ended 31st December, 2000 has been got conducted.**

We further state, as informed that no investor grievance(s) is/ are pending for a period exceeding one month against the Company as per the records maintained by the Shareholders'/Investors' Grievance Committee.

For LODHA & Co.
Chartered Accountants

Place: New Delhi
Date: August 29, 2002

(N. K. Lodha)
Partner

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

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

In view of lockout at the plant no investment was made.

(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:

Modification of products and process.

(b) Benefits derived as a results of the above R&D:

- Competitive edge in the market.
- Cost reduction & better realisation.

(c) Future Plan of action:

Depends on reopening of the Plant.

(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:

In view of lock-out at the plant and suspension of operations no material efforts could be made.

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

In view of (a) above, there was no incremental benefit.

(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, UK for designing Covered Hopper wagons having air fluidised unloading system.
- Technical collaboration with KHD Humboldt Wedag A. G. 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 and services and export plans.

The company is a recognised trading house.

(b) Total foreign exchange used & earned:

	2000-01 Rs.	1999-2000 Rs.
Total foreign exchange used	10,25,73,218	30,70,52,426
Total foreign exchange earned	2,41,24,472	13,50,62,443