

# Cimmco Birla Limited

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**Annual Report 2003-2004**

**BOARD OF DIRECTORS**

**Sri Y N Bhargava**

**Sri J. K. Shukla**

**Sri B M Vijay**

**Sri J P Gupta**

*Director (Works)*

**BANKERS**

Central Bank of India

Bank of Baroda

Punjab & Sind Bank

UCO Bank

**COMPANY SECRETARY**

**Sri Prabhakar**

*Assistant Secretary*

**AUDITORS**

M/s Lodha & Co.

Kolkata

**REGISTERED OFFICE**

Birlanagar, Gwalior - 474 004

**WORKS**

Bharatpur Works

Bharatpur - 321 001

**CORPORATE OFFICE**

Indra Palace

3rd Floor

H - Block, Connaught Circus

New Delhi - 110 001

**REGISTRARS &**

**SHARE TRANSFER AGENTS**

MCS Limited

Sri Venkatesh Bhavan

W- 40, Okhla Industrial Area, Phase -II,

New Delhi - 110 020



# Cimmco Birla Limited

## NOTICE TO THE SHAREHOLDERS

Notice is hereby given that the Fifty Ninth Annual General Meeting of Cimmco Birla Limited will be held at the Registered Office of the Company at Birlanagar, Gwalior-474004, on Friday the 24<sup>th</sup> day of December, 2004 at 12.30 p.m. to transact the following business:

1. To consider and adopt the Directors' Report and Audited Balance Sheet and Profit & Loss Account as at and for the Year ended June 30, 2004.
2. To appoint a Director in place of Sri Y N Bhargava who retires by rotation and being eligible, offers himself for reappointment.
3. To appoint Auditors of the Company and fix their remuneration.

A "Special Notice" within the meaning of Section 190 and under Section 225(1) of the Companies Act, 1956 has been received from a member of the Company of his intention to move the under mentioned resolution :

"RESOLVED THAT M/s. Lodha & Co. Chartered Accountants of Kolkata ceasing to hold office at the conclusion of this Annual General Meeting be and are hereby not re-appointed as the Auditors of the Company and that M/s Jain Pramod Jain & Co., Chartered Accountants of New Delhi be appointed as the Auditors of the Company from the conclusion of this Annual General Meeting until the conclusion of the next Annual General Meeting at a remuneration to be fixed by the Board of Directors of the Company."

### SPECIAL BUSINESS

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

#### 4. AS AN ORDINARY RESOLUTION

"RESOLVED that Sri J K Shukla, an Additional Director of the Company, who holds office upto the date of this Annual General Meeting under Article 137 of the Articles of Association of the Company, be and is hereby re-appointed as a Director of the Company, liable to retire by rotation".

By Order of the Board

Registered Office:  
Birlanagar, Gwalior-474004  
Dated: September 27, 2004

Prabhakar  
Assistant Secretary

### 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 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.
3. The Register of Members and Share Transfer Books will remain closed from December 17, 2004 to December 24, 2004 (both days inclusive).
4. Member(s)/Investor(s) are advised to avail nomination facilities pursuant to Section 109A of the Companies Act, 1956.
5. Equity Shares of the Company are compulsorily to be traded in dematerialised form for all investors w.e.f. October 30, 2000. Shareholders are therefore advised to dematerialise their shareholding to avoid inconvenience in future.
6. The Equity Shares of the Company are at present listed on the M. P. Stock Exchange, Indore & The National Stock Exchange, Mumbai. Pursuant to Clause 38 of the Listing Agreement, payment of the Annual Listing Fee has been made to the above Stock Exchanges. The Company has applied to delist its Equity Shares from the Stock Exchanges at Mumbai, Delhi and Calcutta in accordance with the guidelines issued by SEBI, confirmation regarding the same is yet to be received.

7. Members who continue to hold shares in physical form 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, Sri Venkatesh Bhavan, W - 40, Okhla Industrial Area, Phase - II, New Delhi-110 020 quoting their folio numbers. Members holding shares in dematerialised form are required to get their change of address recorded with their Depository Participant.
8. Members holding shares in the same name(s) but under different Ledger Folios, are requested to apply for consolidation of such folios and send the relevant Share Certificates to the Company's Registrars and Share Transfer Agents at New Delhi as stated in Note No. 7 above for endorsement of the consolidated folio number.
9. In view of the amended provisions of Section 205A of the Companies Act, 1956, the unclaimed dividend from the financial year 1996-97 and thereafter will be transferred to the Investors Education and Protection Fund ("the fund") established by the Central Government in accordance with section 205C of the Companies Act, 1956 after the expiry of seven years from the date of transfer of dividend to the Unpaid Dividend Account of the Company. Members, who have not yet claimed their dividend for any of the aforesaid financial years, may claim it now from the company before the same is transferred to the Fund. It may be noted that no claims shall lie against the company or the Fund in respect of individual amounts which were unclaimed and unpaid for a period of seven years and transferred to the Fund and no payment shall be made in respect of any such claim.
10. MEMBERS ATTENDING THE MEETING ARE REQUESTED TO COMPLETE THE ENCLOSED SLIP AND DELIVER THE SAME AT THE ENTRANCE OF THE MEETING HALL.
11. 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.
12. EXPLANATORY STATEMENT  
(PURSUANT TO SECTION 173 OF THE COMPANIES ACT, 1956) / SEBI CODE OF CORPORATE GOVERNANCE.

### Item No. 2

Sri Y. N. Bhargava aged about 69 years, is an Engineering Graduate. He has rich experience in business and industry of about 40 years. He is not on the Board of any other company. Sri Y N Bhargava is Chairman of the Audit Committee & Shareholders/Investors Grievance Committee of our Company. Except Sri Y. N. Bhargava, no other Director is interested in the resolution.

### Item No. 4

Sri J K Shukla was co-opted as an additional Director on the Board of the Company under Article 137 of the Articles of Association of the Company. He holds office upto the date of this Annual General Meeting. The Company has received notice from Life Insurance Corporation of India under Section 257 of the Companies Act, 1956 proposing his candidature for the office of Director and he is eligible for re-appointment. Hence your approval is sought to the proposed Resolution.

Sri J K Shukla aged about 61 years, is a Master of Arts. He was formerly Regional Manager (Marketing)/Zonal Manager of Life Insurance Corporation of India. He has to his credit vast experience of over 35 years. Sri J K Shukla is not on the Board of any other company.

Except Sri J K Shukla, no other Director is interested in the resolution.

By Order of the Board

Registered Office:  
Birlanagar, Gwalior-474004

Dated: September 27, 2004

Prabhakar  
Assistant Secretary

# Cimmco Birla Limited

## 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, 2004.

As had been mentioned in our last report, at the hearing on August 21, 2002 after due process and consideration of the report of the Operating Agency (OA) i.e. Industrial Development Bank of India (IDBI), the Hon'ble Board for Industrial & Financial Reconstruction (BIFR) has declared the Company a Sick Industrial Company within the meaning of section 3(1)(o) of the Sick Industrial Companies (Special Provisions) Act, 1985 (SICA). IDBI has been appointed as the OA under section 17(3) of SICA to invite proposals from prospective investors, besides the Company, and to recommend appropriate revival package subject to viability of the operations of the Company for consideration of BIFR.

## REVIEW OF KEY OPERATIONAL MATTERS

Members are aware that the Company's operations were stalled consequential to Lockout at the plant at Bharatpur w.e.f. November 13, 2000, which is still continuing, and thereafter suspension of operations at other locations including at project sites in view of freezing of banking operations by consortium banks because of undue heavy financial exposure arising out of unwarranted encashment of bank guarantees amounting to Rs.38.68 Crores by CONCOR in October 2000 and subsequent cancellation of the contract on grounds of purported delay in gross violation of the stipulations in the contract. The situation led to encashment of further Bank Guarantees and order cancellations by some other clients. Members were informed through the last annual report that the Company, based on legal advice, has invoked Arbitration against CONCOR and the matter is being heard by a duly constituted Arbitral Tribunal.

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 scenario has by and large been cordial.

The Company is at present effectively operating with a skeleton staff and all possible efforts are 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 (relating to flood loss in 1996) and others are in progress. Management time was almost wholly taken up during the year by efforts for realization of various dues (including related litigations), preparing scheme of revival (for which meetings are in progress with OA and other secured lenders), various arbitration proceedings (including CONCOR) and interacting with various authorities, and maintaining harmonious relations with labour. The management has put in particular efforts to allow removal of inventories from Bharatpur for sale, which in turn would protect value of the same to the extent possible and allow recoveries to be made in favour of the lenders as well as to meet employee liabilities; a sharing formula has been evolved in discussion with all concerned and formal approval of the same has been received from Hon'ble BIFR for sale of current assets under the aegis of an Asset Sale Committee which has since been constituted represented by nominated officers from IDBI and banks. However, the Hon'ble BIFR Bench has also directed that the proceeds from such sale be applied for rehabilitation of the Company, if an acceptable scheme emerges, otherwise the current assets be shared by the secured creditors who hold specific charge on such assets on pro-rata basis.

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. As reported in the last annual report that an appropriate

package for revival has been formulated in consultation with experts in the field and submitted to IDBI (OA) which has been followed by meetings and discussions, and modifications have been incorporated in the package including as suggested by OA, which however remains to be accepted by banks and therefore further modification may be required before recommendation by OA to the Hon'ble BIFR.

## FINANCIAL RESULTS

	<b>Rs. Lacs</b>
<b>Operations yielded a</b>	
<b>Profit before Interest &amp; Depreciation of</b>	<b>0.82</b>
Less : Provision for Interest	4532.46
Depreciation	303.68
Provision for wealth tax	0.45
<b>Net Loss</b>	<b>4835.77</b>
Add :	
Loss brought forward from previous year	16009.03

**Leaving a Balance of Loss Carried Forward of** **20844.80**

The above accumulated losses include Rs. 13341.76 Lacs being interest provided after suspension of operations in conformity with the accounting policies.

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

## STATUTORY INFORMATION & OTHER MATTERS

Information as per requirements of the Companies Act, 1956, our report on Corporate Governance and the Management Discussion & Analysis Report form a part of this Report and are annexed hereto. None of the employees were in receipt of such remuneration requiring disclosure as prescribed under the provisions of Section 217(2A) of the Companies Act, 1956 read with Companies (Particulars of Employees) Rules, 1975.

In respect of Fixed Deposits, 28 deposits involving Rs. 21.47 lacs (almost wholly from other than small depositors) remained unpaid at end of the year under review, except unclaimed deposits.

The Company duly submitted its quarterly results to the Stock Exchanges, but was unable to publish the same in newspapers, due to financial constraints.

## DIRECTORS

During the year, Sri Virendra Singh 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 Sri Virendra Singh during his tenure as Director.

Sri J K Shukla joined the Board as an Additional Director on August 04, 2004, as a representative nominated by the Life Insurance Corporation of India and he holds office upto the date of ensuing Annual General Meeting and is eligible for re-appointment as a Director of the Company.

Shri Y N Bhargava, Director, retires by rotation and being eligible offers himself for re-election.

Observations of the Auditors when read together with the relevant notes on 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 (a) in the preparation of the annual accounts the applicable accounting standards have been followed and proper explanations relating to material departure, if any,

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have been furnished; (b) 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; (c) 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; (d) these accounts have been prepared on a Going Concern Basis. (See note 1 of Schedule 18 (Notes on Accounts & Accounting Policies) of Accounts).

## AUDITORS

M/s Lodha & Co., Chartered Accountants, were appointed as Auditors of the Company in the last Annual General Meeting and cease to hold office at the conclusion of the ensuing Annual General Meeting.

The Company has received a "Special Notice" within the meaning of Section 190 and under Section 225(1) of the Companies Act, 1956 from a Member of his intention to move a resolution at the ensuing Annual General Meeting of the Company proposing not to appoint M/s Lodha & Co. as the Auditors of the Company and also proposing that M/s Jain Pramod Jain & Co., Chartered Accountants, New Delhi be appointed as the Auditors of the Company.

M/s Jain Pramod Jain & Co. have submitted a Certificate in accordance with the proviso to Sub-Section (1) of Section 224 of the Companies Act, 1956, to the effect that their appointment as Auditors, if made, will be in accordance with the limit specified in Section 224(1B).

A copy of the "Special Notice" as received from the Member is being sent to M/s Lodha & Co. and included in the Agenda of the ensuing Annual General Meeting of the Company.

## ACKNOWLEDGEMENTS

We would like to express our gratitude to, and look forward to the continuing cooperation and guidance of IDBI, other Institutions and 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 employees retained for services. 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 B. M. Vijay J. P. Gupta  
Date: September 27, 2004 Director Director(Works)

## MANAGEMENT DISCUSSION & ANALYSIS REPORT

We are submitting the 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 continued to suffer heavily in view of prevalent state of affairs not warranting resumption of operations, stalled during 2000-01 consequent upon freezing of banking operations in view of substantially overshooting of banks' exposure arising out of unwarranted encashment of bank guarantees amounting to Rs. 38.68 Crores followed by cancellation of order by Container Corporation of India Ltd., the situation triggering labour unrest at the factory at Bharatpur causing disruption in execution of other contracts, thereby leading to cancellation of contracts and encashment of bank guarantees by other customers/parties.

Indian Railways' procurement of wagons has been substantially increasing over recent years and released order for wagons for 20637.5 FWUs (with option clause to increase order quantity by 30%) against tender for 17150 FWUs for 2004-2005 for the entire wagon industry (excluding Railways' own workshop) wherein the Company's share was nil because of lockout at the plant. Engineering Projects Business comprising Industrial Machinery primarily Cement Plant Machinery. Infrastructure Projects - Construction and Trading Business remained totally suspended. Therefore production quantity in Wagon business as well as Industrial Machinery was nil as in the previous year. The Company's turnover during the year therefore remained only at Rs. 38.23 Crores out of which Rs. 38.16 Crores relate to Sub-lease Rental compared to turnover of Rs. 38.44 Crores (including Sub-lease Rental Rs. 38.31 Crores) achieved during the previous year. Operating results before depreciation including (in accordance with Company's accounting policy and Hon'ble BIFR's direction not to change such policies) provision for burden of full interest on increased exposure arising out of encashment of bank guarantees (in the revival plan submitted to the Operating Agency i.e. IDBI, lenders have been requested not to charge interest particularly from quarter ending September, 2000 onwards), and for terminal benefits in respect of employees who retired or left the services of the company, resulted in a loss of Rs. 45.32 Crores during the period as against a loss of Rs. 33.07 Crores in the previous year. Net loss after provision for Depreciation and Wealth Tax amounted to Rs. 48.36 Crores compared to Rs.36.93 Crores in the previous year.

## 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; the summary is given below.

	FY-02/03		FY-03/04	
	Production Quantity	Sales Rs. Lacs	Production Quantity	Sales Rs. Lacs
Wagon & Coaching Underframes	—	—	—	—
Engineering Projects: Industrial Machinery	—	—	—	—
Trading		13.00		6.50
Lease Rental		3,830.95		3,816.14
Total		3,843.95		3,822.64

## 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



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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 facility 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 foreign technology collaborations (since ceased to exist). 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.

## 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, 2158 Nos. employees at Bharatpur works still continue to remain covered under lockout. Similarly, 46 Nos. employees in other locations continue to be under temporary suspension. 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 28 Nos. employees of different hierarchy apart from 34 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 held on 21<sup>st</sup> August, 2002 declared the Company as Sick Industrial Company under SICA and appointed IDBI as Operating Agency (OA) u/s 17(3) of SICA to invite proposals from prospective investors, besides the Company, and 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 Company has already formulated an appropriate revival package in consultation with experts in the field and submitted the same to IDBI within the stipulated time. This has been followed by meetings and discussions, and modifications have been incorporated in the package including as suggested by OA, which however remains

to be accepted by banks and therefore further modification may be required before recommendation by IDBI to the Hon'ble BIFR for consideration. 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 remain to be paid because of meager realisation of book debts and other receivables.

## 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

B. M. Vijay

J. P. Gupta

Date: September 27, 2004

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, Bharatpur Works (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 J K Shukla (LIC Representative) and Sri Y N Bhargava who account for half of the Board. Sri J P Gupta, Director (Works) & President, Bharatpur Works, 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 committees and have a distinct contribution to make by adopting broad perspective by ensuring that the interest of all stake holders are kept in acceptable balance and can also provide an objective view in any potential conflicts of interest between stake holders.

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

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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 are 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.

Director	Category*	Board Attendance**	B/C/Ch***
Sri J P Gupta	E	8/8	2/1/-
Sri Y N Bhargava	I	8/8	1/-/2
Sri B M Vijay	NE	8/8	1/2/-
Sri Virendra Singh (R-29.04.2004)	I	3/6	1/1/-
Sri J K Shukla (A-04.08.2004)	I	-/-	-/-/-

\*I= Independent, E= Executive, NE = Non-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 the 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 is in place.

## 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 in a quarter. The Agenda for all meetings are prepared by the Assistant Secretary, in consultation with the ED, and papers are circulated to all Directors in advance. Directors have access to the 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 8 times on August 22, October 17, October 30, November 29, 2003, January 30, February 27, April 29 and May 28, 2004. 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 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 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 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.

During the year under review, the committee comprises Sri Y N Bhargava (as its Chairman), Sri Virendra Singh and Sri B M Vijay, and is mandated to meet at least four times in a year; once to assess the final audited accounts, and to review each quarter financial results, before they are put up to the Board. During the year under review, the Committee met on October 17, November 29, 2003, January 30, February 27, and April 29, 2004, attended by Sri Y N Bhargava (5/5), Sri Virendra Singh (1/4), and Sri B M Vijay (5/5). On resignation of Sri Virendra Singh, Sri J K Shukla has been appointed as a member of the Audit Committee on the meeting held today i.e. September 27, 2004.

## Remuneration Committee

The Company feels that it is not necessary at this stage to constitute a Remuneration Committee in view of the fact that the Company's operations are stalled for more than three years and incurring heavy losses, thereby Executive Director is only qualifying for minimum remuneration under the provisions of Schedule XIII of the Companies Act, 1956.

Directors, other than Executive Director, are paid sitting fees of Rs. 2,000/- for each meeting of the Board/Committee thereof. Sri J P Gupta was appointed Director (Works) and President, Bharatpur Works for a period of 5 years w.e.f. August 1, 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 is subject to not exceeding 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 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. The committee is chaired by Shri Y N Bhargava and includes Shri J P Gupta and Shri B M, Vijay. 184 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 Auditors, Audited Accounts, besides this report 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. The Company duly submitted quarterly results to the Stock Exchanges, but could not publish the same in view of restriction in expenditure arising out of suspension of operations and

# Cimmco Birla Limited

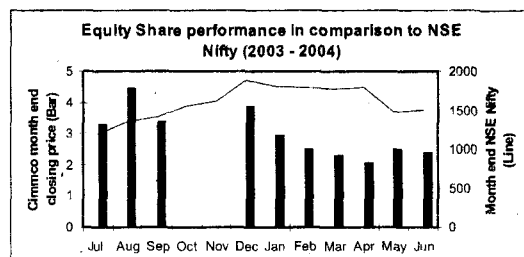
insufficient cash flow. The Company is making fullest efforts on all relevant fronts to start publishing quarterly results etc. As per requirement of Listing Agreement, the Company is uploading required data on EDIFAR website. General Meetings of the Company are held at its Registered Office at Birlanagar, Gwalior - 474 004, (M. P.). The last 3 AGM's (Annual General Meeting) were held on March 27, 2002, December 31, 2002 and December 19, 2003. The AGM held on March 27, 2002 was adjourned sine die for adoption of accounts and accordingly adjourned meeting was held on October 7, 2002. The last AGM was attended by Sri B M Vijay and Sri J P Gupta. The next AGM shall be held at the Registered Office as per notice in this Annual Report. The Record Date will also be as per the notice. 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 is (to the Assistant Secretary) Indra Palace, 3<sup>rd</sup> Floor, H - Block, Connaught Circus, New Delhi - 110 001; shareholders may write to the Registrars directly in matters relating to share transfer, grievances etc. 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 situation 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 and The National Stock Exchange, Mumbai. The Company has applied to the Stock Exchanges at Mumbai, Delhi and Kolkata for de-listing its equity shares in accordance with the Guidelines issued by SEBI. 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 are given below: -

Nominal Value of Shareholding	Number of Shareholders	Shareholding in % by amount
Upto Rs. 5,000	68,176	23.39
Rs. 5,001 - Rs. 10,000	756	4.08
Rs. 10,001 - Rs. 20,000	264	2.73
Rs. 20,001 - Rs. 1,00,000	236	6.86
Rs. 1,00,001 and above	57	62.94
	<b>69,489</b>	<b>100.00</b>

Category of Shareholding	Number of Shareholders	Shareholding in % by amount
Resident individuals/others	68,919	43.77
Banks, FIs, Insurance Company	35	17.12
Mutual Funds (including UTI)	13	0.12
Non-residents/OCBs	35	0.56
Domestic Companies	487	38.43
	<b>69,489</b>	<b>100.00</b>

Note: aggregate of non-promoter shareholding: 63.09%

Equity Share Price by Month (NSE)	High	Low
July 2003	5.00	2.40
August	7.50	3.00
September	5.30	3.00
October	-	-
November	-	-
December	4.60	3.80
January 2004	5.00	2.35
February	3.20	2.15
March	2.65	1.70
April	2.95	2.00
May	3.50	2.00
June 2004	3.10	2.00
<b>DURING THE FINANCIAL YEAR</b>	<b>7.50</b>	<b>1.70</b>



## 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 hereinabove. 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. We have not adopted suggestions relating to a postal ballot system (except where compulsory under the Companies Act, 1956) nor of sending six monthly information to each shareholder household.

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

Place: New Delhi  
Date : September 27, 2004

B M Vijay J P Gupta  
Director 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, 2004, 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 or effectiveness with which the management has conducted the affairs of the Company.

On the basis of our review and according to the information and according to the 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 that no quarterly results from December 2000 onwards have been published.



# Cimmco Birla Limited

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 : September 27, 2004

(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:**

Not Applicable, since the plant is under lockout.

**(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:**

Since the plant is under lockout throughout the year, no comments are required.

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

Since the plant is under lockout throughout the year (including last year), there is no energy consumption and therefore there is no relevant data.

### B. TECHNOLOGY ABSORPTION

#### 1. RESEARCH & DEVELOPMENT

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

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

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

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

Since the Plant was under lockout throughout the year, no R & D could be carried and therefore the above details are not applicable.

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

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

In view of lockout 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:**

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 (all these are since ceased to exists).

### 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:**

	2003-04 Rs.	2002-03 Rs.
Total foreign exchange used	-	7,92,430
Total foreign exchange earned	-	-