

# Cimmco Birla Limited

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**Annual Report 2005-2006**

## Cimmco Birla Limited

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### **BOARD OF DIRECTORS**

**Sri Y N Bhargava**

**Sri J K Shukla**

**Sri B M Vijay**

**Sri J P Gupta**  
Executive Director

### **BANKERS**

Central Bank of India

Bank of Baroda

Punjab & Sind Bank

UCO Bank

### **COMPANY SECRETARY**

**Sri Rishi Mathur**  
Assistant Secretary

### **AUDITORS**

M/s. Jain Pramod Jain & Co.  
Chartered Accountants  
New Delhi

### **REGISTERED OFFICE**

Birlanagar, Gwalior – 474 004

### **WORKS**

Bharatpur Works  
Bharatpur – 321 001

### **CORPORATE OFFICE**

Indra Palace  
3<sup>rd</sup> Floor  
H- Block, Connaught Circus  
New Delhi – 110 001

### **REGISTRARS &**

### **SHARE TRANSFER AGENTS**

MCS Limited  
Sri Venkatesh Bhawan  
W-40, Okhla Industrial Area, Phase - II,  
New Delhi – 110 020

# Cimmco Birla Limited

## NOTICE TO THE MEMBERS

By Order of the Board

Notice is hereby given that the Sixty First 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 Thursday the 30<sup>th</sup> day of November, 2006 at 11.00 a.m. to transact the following business as:

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, 2006.
2. To appoint 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 to fix their remuneration.

### SPECIAL BUSINESS

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

#### 4. AS A SPECIAL RESOLUTION :

**"RESOLVED THAT** pursuant to the Article 160 of the Articles of Association of the Company and provisions of Sections 198, 269, 309 & 310 read with Schedule XIII and other applicable provisions from time to time of the Companies Act, 1956 and subject to such other approvals including the approval of the Central Government as may be necessary, the Company hereby approves, as recommended, subjects to conditions, by the Remuneration Committee of the Board, the reappointment of Sri J P Gupta as the Wholetime Director and designated as an Executive Director of the Company, whose office shall not be liable to retirement by rotation under the Companies Act, 1956, for a further period of one year with effect from August 1, 2006, subject generally to the Rules as laid down by the Board, at a remuneration as detailed herein below by way of salary, perquisites and other allowances with liberty to either party to terminate the appointment on three months' notice in writing to the other."

(i) Salary : Rs 50,000/- & Special Allowance Rs. 10,000/-per month

(ii) Housing : The expenditure by the Company on hiring unfurnished accommodation will be restricted to 60% of the salary. In case no accommodation is provided by the Company, he shall be entitled to House Rent Allowance not exceeding Rs.25,000/- per month.

#### (iii) Perquisites/

Benefits: (a) Reimbursement of medical/ medi-claim insurance expenses - As per Company Rules.

(b) Personal Accident Insurance- As per Company Rules.

(c) Leave Travel Concession - As per Company Rules.

(d) Expenditure incurred by the Company on Electricity & Water shall be valued as per Income Tax Rules, 1962.

(e) Car and Telephone at residence - As per Company Rules.

(f) Contribution to Provident Fund to the extent it is not taxable under the Income Tax Act, 1961.

(g) Gratuity at the rate of 15 days' salary for each completed year of service at the end of the tenure, and

(h) Encashment of un-availed leave at the end of the tenure.

#### (iv) Minimum

Remuneration: Where in any financial year, the Company has no profits or its profits are inadequate, the foregoing amount of remuneration and benefits shall be paid to Sri. J P Gupta, as minimum remuneration within the limits specified in Part II Section II Para 1(C) of Schedule XIII (as amended from time to time) to the Companies Act, 1956, subject to such necessary approvals including of the Central Government as may be necessary.

The item referred to in f), g) and h) shall not be included in the computation of limits of perquisites as mentioned at iii) above in terms of Schedule XIII Part II Section II Para 2 to the Companies Act, 1956.

### Registered Office:

Birlanagar, Gwalior-474004

Dated: September 28, 2006

Rishi Mathur

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 THE 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 Friday, the November 24, 2006 to Thursday, the November 30, 2006 (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 & National Stock Exchange of India Ltd., Mumbai. Pursuant to Clause 38 of the Listing Agreement, payment of the Annual Listing Fee has been made to the above Stock Exchanges. 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 The Company has made payment of Annual Custody Fee for the financial year 2006-07 to the National Securities Depository Limited (NSDL) and Central Depository Services (India) Limited (CDSL) based on the folio/ISIN position as on March 31, 2006.
- 8 Members who continue to hold shares in physical form are requested to notify the change in their registered address, if any, alongwith the Pin Code number immediately to the Company's Registrars & Share Transfer Agents, MCS Limited, Sri Venkatesh Bhawan, W-40, Okhla Industrial Area, Phase-II, New Delhi-110020 quoting their folio numbers. Members holding shares in dematerialised form are required to get their changes of address recorded with their Depository Participant.
- 9 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 Certificate to the Company's Registrar & Share Transfer Agent (R&T Agent) at New Delhi as stated in Note No. 8 above for endorsement of the consolidated folio number.
- 10 In view of the amended provisions of Section 205A of the Companies Act, 1956, the Company has approached the Bank to transfer the unclaimed dividend amount to the Investors Education and Protection Fund ("the fund") established by the Central Government in accordance with Section 205C of the Companies Act, 1956, for the financial years 1996-97 & 1997-98 on expiry of seven years from the date of transfer of the dividend to the Unpaid Dividend Account of the Company. However the Bank is not in a position to transfer the unclaimed dividend to the Investors Education and Protection Fund in the absence of the list of Shareholders, whose dividend remains unclaimed. No dividend has been declared by the Company thereafter.
- 11 MEMBERS ATTENDING THE MEETING ARE REQUESTED TO COMPLETE THE ENCLOSED SLIP AND DELIVER THE SAME AT THE ENTRANCE OF THE MEETING HALL.
- 12 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.
- 13 EXPLANATORY STATEMENT  
PURSUANT TO SECTION 173(2) 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 42 years. Sri Y.N. Bhargava is not on the Board of any other company.



## DIRECTOR'S REPORT TO THE SHAREHOLDERS

We present herewith our Annual Report together with Audited Accounts of your Company for the year ended June 30, 2006.

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)(0) of the Sick Industrial Companies (Special Provision) Act 1985 (SICA). IDBI has been appointed as the OA under section 17(3) of SICA to invite proposals from the prospective investors, besides the Company, and to recommend appropriate revival package subject to viability of the operations of the Company for consideration of Hon'ble BIFR. An appropriate package for revival plan was formulated in consultation with experts in the field and submitted to IDBI (OA), which was followed by meetings and discussions. Further, certain modifications were also incorporated in the package as suggested by OA. While Operating Agency (OA) was in principle agreeable to the Company's rehabilitation proposal, the same was not acceptable to the consortium Bankers. The Company continues its efforts for an appropriate revival plan.

## REVIEW OF KEY OPERATIONAL MATTERS

Members are aware that the Company's operations were stalled consequent to Lockout at the Plant at Bharatpur with effect from 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 Container Corporation of India Limited (CONCOR) in October 2000. As informed earlier, the Company, based on legal advice, has invoked Arbitration against CONCOR. The Hon'ble Arbitration Tribunal pronounced an Award on August 23, 2005 and directed as follows:

- i) Termination of Contract by CONCOR is justified
- ii) Counter Claim made by CONCOR was rejected
- iii) CONCOR to pay a total amount of Rs.1322.00 lacs along with interest @ 12% p.a. to the Company.

On instruction of Hon'ble High Court of Delhi, a sum of Rs. 19,75,77,375/- has been transferred by CONCOR in the No Lien Account with IDBI Bank, New Delhi and same has been put in a fixed deposit.

However, as per legal advice, the Company has challenged part of the Award by filing objections u/s 34 of the Arbitration & Conciliation Act, 1996 which is awaiting hearing. CONCOR has also filed objection with the Hon'ble High Court of Delhi challenging the Award amount, which is also awaiting hearing.

The Company has been operating with a skeleton staff and has made all possible efforts to recover amounts due from clients, Govt. Departments, Cuban debts, recovery of Insurance claim and attending to various legal matters. Further, 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 the 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 and represented by the nominated officers from IDBI and Banks. However, the Hon'ble BIFR has also directed that the proceeds from such sale be also applied for rehabilitation of the Company, if an acceptable scheme emerges, otherwise the current assets be shared by secured creditors who holds specific charge on such assets on pro-rata basis.

## FINANCIAL RESULTS

Operations yielded a	Rs. Lacs
<b>Profit before Interest &amp; Depreciation of</b>	<b>626.50</b>
Less: Provision for Interest	6306.37
Depreciation	246.65
Provision for wealth tax	0.35
Provision for Fringe Benefit Tax	1.39
<b>Net Loss</b>	<b>5928.26</b>

Add:

Loss brought forward from previous year **27160.02**

### Leaving a Balance

**of Loss Carried Forward of 33088.28**

The above accumulated losses include Rs. 24982.33 Lacs being interest provided after suspension of operations in conformity with the accounting policies.

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

## DIRECTORS

A Separate resolution is being proposed for the reappointment and approval of relevant terms and condition in respect of Sri J P Gupta as a Wholtime Director and designated as an Executive Director of the Company for a further period of one year with effect from August 1, 2006.

Sri Y N Bhargava retires from the Board by rotation and being eligible, offers himself for re-election.

## AUDITORS' OBSERVATIONS

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.

## STATUTORY INFORMATION & OTHER MATTERS

Information as per requirements of the Companies Act, 1956, our report on Corporate Governance and the Management Discussion & Analysis Report forms a part of this Report and are annexed hereto. None of the employees were in receipt of such remuneration requiring disclosures 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, 25 deposits involving Rs.19.94 lacs (almost wholly from other than small depositors) remained unpaid at the 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.

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 preparation of the Annual Accounts the applicable accounting standard has been followed and proper explanations relating to material departure, if any, have been furnished; (b) such accounting policies were selected and applied consistently and judgment 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 has 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 frauds and other irregularities; (d) these accounts have been prepared on a Going Concern Basis. (See note 1 of Schedule 18 (note on Accounts & Accounting Policies) of Accounts).



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## AUDITORS

M/s Jain Pramod Jain & Co., Chartered Accountants, New Delhi, retire as Auditors and being eligible offers themselves for re-appointment.

## 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 28, 2006

Director

Executive Director

## 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 extents relevant or within limits that in our opinion are imposed by the Company's own competitive position. Members are aware that the Company's operations were stalled consequent to Lockout at the Plant at Bharatpur with effect from November 13, 2000 which is still continuing. 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 partly for wagons for 11420 FWUs (with option clause to increase order quantity by 30%) against tender for 24640 FWUs for 2005 - 2006 for the entire wagon industry (excluding Railways' own workshop) balance wagons order for about 13220 FWUs to be placed on competition of last year orders outstanding with the wagon builders. Railways have invited tenders for procurement of 23250 FWUs for the financial year 2006-07, firm orders have already been placed on all wagon manufacturer who participated in the tender. Railway Board have also placed order for 5000 FWUs (2000 wagons) for BOXNLW Types (with Stainless Body and Floor) besides 23250 FWUs. Thus total order have been released for 28250 FWUs subject to 30% increase under option clause for the year 2006-07. Further, Railways have introduced wagon investment scheme in order to encourage public-private partnerships in procurement of wagon to meet with the anticipated incremental freight traffic in the coming years. There is a good response from the wagon users. Minister for Railways has also announced policy to permit various operators to move container trains on Indian Railways for private partnership of container wagons. Thus there will be tremendous increase in wagon requirement in the coming years.

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. 38.73 Crores (2004-05 Rs. 38.33 Crores) which relates to Sub-lease Rental. 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. 56.80 Crores during the period as against a loss of Rs. 60.33 Crores in the previous year. Net loss after provision for Depreciation, Wealth Tax and Fringe Benefit Tax amounted to Rs. 59.28 Crores compared to Rs. 63.15 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. In spite of continuing lock out, we still 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.

	FY05/06			FY04/05	
	Production Quantity	Sales Rs. Lacs		Production Quantity	Sales Rs. Lacs
Wagon & Coaching Underframes	—	—		—	—
Engineering Projects: Industrial Machinery	—	—		—	—
Trading	—	—		—	—
Lease Rental		3,873.69			3,833.27
Others		—			—
Total		3,873.69			3,833.27

## 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. Indian Railways have introduced Wagon Investment Scheme and allowed private operators to run container trains on Indian Railway Track. Thus the requirement of wagon have tremendously increased, 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 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 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 85% (in value) of the inputs are supplied as free supply items (Wheel Sets, CTRB, CS Bogie Coupler Steel) for use in the wagons and therefore the turnover will not include the corresponding value, on resumption of production.

## 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

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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, 1789 Nos. employees at Bharatpur works still continue to remain covered under lockout. Similarly, 44 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 22 Nos. employees of different hierarchy apart from 31 Nos. ministerial staff for maintaining security and other essential services are continuing in active service of the company.

## OTHER MATTERS

BIFR in its hearing held on 21st 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 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 as suggested by Operating Agency (OA). While Operating Agency (OA) was in principle agreeable to the Company's rehabilitation proposal, however the same was not acceptable to the consortium Bankers. The Company continues its efforts for an appropriate revival plan. The scale and scope of future operations of the Company will depend upon finalization, approval of an acceptable revival plan under BIFR proceedings. 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 28, 2006

Director

Executive Director

## REPORT OF THE DIRECTORS ON CORPORATE GOVERNANCE

The Board has adopted the principle 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

The Board presently consists of 4 Directors of which 3 are Independent. Sri Y N Bhargava, Sri B M Vijay and Sri J K Shukla (LIC Representative). None of the Directors are related to each other or to the Promoters. Sri J P Gupta has been reappointed as Wholtime Director and designated as an Executive Director of the Company (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.

The Independent 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 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	Attendance at last AGM	B/C/Ch***	Sitting Fees Paid (Rs.)	No. of Equity Shares (of Rs.10/-each) held
Sri J P Gupta	E	5/5	No	2/1/-	-	850
Sri Y N Bhargava	I	2/5	Yes	1/1/2	10,000	2,845
Sri B M Vijay	I	5/5	No	1/2/1	22,000	-
Sri J K Shukla	I	5/5	Yes	1/2/-	22,000	-

\*I= Independent, 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.

## 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

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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 of the Company has been instituted. All the Board members and senior management personnel have affirmed compliance with the Code of Conduct of the Company for the financial year ending on June 30, 2006.

### 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 generally meets at least once in a quarter to, inter-alia, review quarterly financial results. The Agenda for all meetings are prepared by the Assistant Secretary, in consultation with the Wholetime Director, 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 5 times on (July 29, 2005, August 30, 2005, November 30, 2005, January 31, 2006) and April 24, 2006. 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. 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 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 B M Vijay and Sri J K Shukla and is mandated to meet at least four times in a year; once to assess the final audited accounts, and to review each quarter the limited review reports of the auditors before they are put up to the Board. The Committee met five times on July 29, 2005, August 30, 2005, November 30, 2005, January 31, 2006 and April 24, 2006, attended by Sri Y N Bhargava (2/5), Sri B M Vijay (5/5) and Sri J K Shukla (5/5).

### Remuneration Committee

The Board had constituted a Remuneration Committee of the Company comprising of three Independent Directors viz., Sri Y. N. Bhargava, Sri. B. M. Vijay and Sri. J K Shukla, appointed as Members of the Remuneration Committee. The Committee would make

recommendation to the Board for induction of any new Director in the Board and also help to ensure that Independent Directors make decision on appointment/reappointment, remuneration, assessment and progression of Wholetime Director. The Directors other than Wholetime Director, are paid sitting fees of Rs. 2,000/- for each meeting of the Board or its Committee attended by them. No commission is paid to any Director.

During the year under review, the Committee met on July 29, 2005 attended by Sri Y N Bhargava, Sri B M Vijay and Sri J K Shukla. After close of the year, the term of Sri J P Gupta as a Wholetime Director and designated as an Executive Director expired on 31.07.2006. The Board of Directors as recommended by the Remuneration Committee at their respective meetings held on July 31, 2006 have reappointed Sri J P Gupta as a Wholetime Director and designated as an Executive Director of the Company for a further period of one year with effect from August 1, 2006 upto July 31, 2007 subject to approval of the shareholders in Annual General Meeting and also approval by the Central Government. For the purpose, necessary resolution for approval of the shareholders has been included in the notice for the Annual General Meeting. Necessary application to the Central Government would be made in due course. The details of remuneration payable to Sri J P Gupta, Wholetime Director and designated as an Executive Director, with effect from August 1, 2006, is as disclosed in the notice of the Annual General Meeting in this Annual Report. There are no severance, other benefits, bonuses or stock options.

### 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 Rishi Mathur, is the Compliance Officer under relevant regulations. The Committee is Chaired by Sri Y N Bhargava and includes Sri J P Gupta and Sri B M Vijay. 117 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 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 December 19, 2003, December 24, 2004 and March 31, 2006. The last AGM was attended by Sri Y N Bhargava and Sri J K Shukla, Directors of the Company. 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. MCS Limited, New Delhi are the Registrars and Share Transfer Agents (R& TA). The general address for correspondence for shareholders is (to the Assistant Secretary) Indra Palace, 3rd 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



## Cimmco Birla Limited

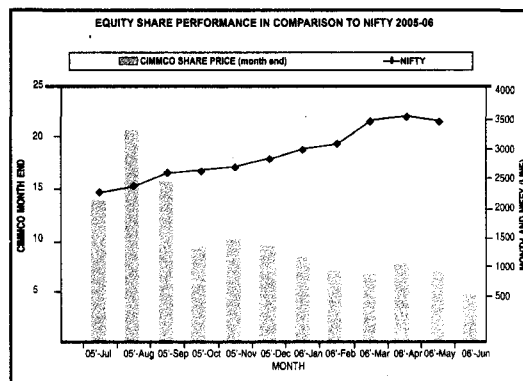
crunch. Presentation has been made to IDBI (Institutional Investors) regarding the prevalent situation and overall view of the affairs of the Company. The present financial year of the Company is July 1 to June 30. There are no GDR/ADR, warrants or other convertible instruments issued or outstanding. The Company's shares are listed at the M. P. Stock Exchange, Indore and The National Stock Exchange of India Ltd., 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	65,621	22.41
Rs. 5,001 -Rs. 10,000	862	4.87
Rs. 10,001 - Rs. 20,000	335	3.59
Rs. 20,001 - Rs. 1,00,000	292	8.26
Rs. 1,00,001 and above	66	60.87
	<b>67,176</b>	<b>100.00</b>

Category of Shareholding	Number of Shareholders	Shareholding in % by amount
Resident individuals/others	66,553	43.67
Banks, FIs, Insurance Company	22	14.78
Mutual Funds (including UTI)	10	0.11
Non-residents/OCBs	46	0.61
Domestic Companies	545	40.83
	<b>67,176</b>	<b>100.00</b>

Note: aggregate of non-promoter shareholding: 63.20%

Equity Share Price by Month (NSE)	High	Low
July 2005	15.45	10.25
August	24.10	13.00
September	21.60	14.45
October	16.20	8.70
November	12.10	9.00
December	10.45	5.25
January 2006	10.35	8.35
February	8.75	6.64
March	7.30	6.25
April	8.95	6.95
May	10.90	6.95
June 2006	6.10	4.50
<b>DURING THE FINANCIAL YEAR</b>	<b>24.10</b>	<b>4.50</b>



## MANDATORY &amp; 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 28, 2006

B. M. Vijay  
Director

J. P. Gupta  
Executive Director

## 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, 2006, 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