

Cimmco Birla Limited

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Annual Report 2008-2009

Cimmco Birla Limited

BOARD OF DIRECTORS

Shri J K Shukla

Shri Ravi Kumar

Shri G S Bhandari

Shri R M Agarwal (*Nominee Director, ARCIL*)

Shri R K Goel (*Nominee Director, ARCIL*)

Shri J P Gupta (*Executive Director*)

COMPANY SECRETARY

Shri Dipankar Ganguly

AUDITORS

M/s L B Jha & Co.

Chartered Accountants

New Delhi

REGISTRAR &

SHARE TRANSFER AGENT

MCS Limited

F-65, Okhla Industrial Area

Phase – I

New Delhi 110 020

REGISTERED OFFICE

Birlanagar, Gwalior - 474 004

Madhya Pradesh

CORPORATE OFFICE

Indra Palace (3rd Floor)

H-Block, Connaught Circus

New Delhi-110 001

WORKS

Mal Godam Road

Bharatpur-321 001

Rajasthan

Cimmco Birla Limited

NOTICE TO THE SHAREHOLDERS

NOTICE is hereby given that the **Sixty-Fourth Annual General Meeting of Cimmco Birla Limited** (the Company) will be held on **Thursday, the 31st day of December, 2009 at 11.00 A.M.** at the Registered Office of the Company at Birlanagar, Gwalior 474004 to transact the following business:

Ordinary Business:

1. To receive, consider and adopt the audited Balance Sheet of the Company as at March 31, 2009, Profit & Loss Account and Cash Flow Statement for the financial year ended on that date, together with the Reports of the Directors' and the Auditors thereon.
2. To appoint Director in place of Shri J. P. Gupta, who retires by rotation and being eligible, offers himself for re-appointment.
3. To appoint Director in place of Shri Ravi Kumar, who retires by rotation and being eligible, offers himself for re-appointment.
4. To re-appoint M/s. L. B. Jha & Co. Chartered Accountants, the retiring Auditors of the Company, to hold office as Statutory Auditors of the Company from the conclusion of the 64th Annual General Meeting until the conclusion of the 65th Annual General Meeting of the Company and to authorize the Board of Directors to fix their remuneration.

Special Business:

5. **To consider and if thought fit to pass, with or without modification(s), the following resolution as an Ordinary Resolution:**

"RESOLVED THAT Shri J. K. Shukla, who was appointed as an Additional Director of the Company by the Board of Directors with effect from March 31, 2009 and who holds office, as per Section 260 of the Companies Act, 1956, upto the date of this Annual General Meeting, being eligible for appointment and in respect of whom the Company has received a Notice in writing pursuant to Section 257 of the Companies Act, 1956 proposing his candidature for the office of Director, be and is hereby appointed as a Director of the Company liable to retirement by rotation."

6. **To consider and if thought fit to pass, with or without modification(s), the following resolution as an Ordinary Resolution:**

"RESOLVED THAT Shri G. S. Bhandari, who was appointed as an Additional Director of the Company by the Board of Directors with effect from March 31, 2009 and who holds office, as per Section 260 of the Companies Act, 1956, upto the date of this Annual General Meeting, being eligible for appointment and in respect of whom the Company has received a Notice in writing pursuant to Section 257 of the Companies Act, 1956 proposing his candidature for the office of Director, be and is hereby appointed as a Director of the Company liable to retirement by rotation."

7. **To consider and if thought fit to pass, with or without modification(s), the following resolution as a Special Resolution:**

"RESOLVED THAT pursuant to Article 160 of the Articles of Association of the Company and the provisions of Sections 198, 269, 309 and 310 read with Schedule XIII and other applicable provisions, if any, 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 the re-appointment of Shri J. P. Gupta as the Whole-time Director, designated as Executive Director of the Company for a further period of one year with effect from August 01, 2009 subject generally to the Rules as laid down by the Board, at a

remuneration by way of salary, perquisites and other allowances as detailed hereinbelow, with liberty to either party to terminate the appointment on three months notice in writing to the other.

- | | |
|--------------------------|---|
| A. Salary | Rs. 50,000/- & Special Allowance Rs. 10,000/- per month. |
| B. 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/- (Rupees twenty five thousand only) per month. |
| C. Perquisites/ Benefits | <ol style="list-style-type: none"> a) Reimbursement of medical/mediclaime 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 and Water shall be valued as per Income tax Rules, 1962. e) Car and Telephone Expenses at Residence – As per Company Rules f) Gratuity at the rate of 15 days salary for each completed year of service at the end of the tenure, and g) Encashment of un-availed leave at the end of the tenure. |

- D. 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 Shri J. P. Gupta, as minimum remuneration within the limits specified in Part II Section II Para 1(C) of Schedule XIII to the Companies Act, 1956 (as amended from time to time), subject to such necessary approvals including of the Central Government, as may be necessary.

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

RESOLVED FURTHER THAT the Board of Directors of the Company or a duly constituted Committee thereof (the Board) be and is hereby authorized, without requiring any further resolution or consent of or reference to the general meeting, to confirm the re-appointment of Shri J. P. Gupta subject to the approval of the Central Government and to do all such acts, deeds, matters and things as in its absolute discretion, it may consider necessary, expedient or desirable, and to settle any question or doubt that may arise in relation thereto and the Board shall have absolute power to accept any modification(s) in the terms and conditions as may be approved by the Central Government while according its approval and acceptable to Shri J. P. Gupta."

8. **To consider and if thought fit to pass, with or without modification(s), the following resolution as a Special Resolution:**

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RESOLVED THAT in accordance with the provisions of Section 16, 31, 94 and other applicable provisions, if any, of the Companies Act, 1956 read with Article 64 and other applicable Articles, if any, of the Articles of Association of the Company, the existing Authorised Share Capital of the Company of Rs.35,00,00,000 (Rupees Thirty Five Crores only) divided into 2,50,00,000 (Two Crores Fifty Lacs) Equity Shares of Rs.10 (Rupees Ten only) each aggregating to Rs.25,00,00,000 (Rupees Twenty Five Crores only) and 10,00,000 (Ten Lacs) Cumulative Redeemable Preference Shares of Rs.100 (Rupees One Hundred only) each aggregating to Rs.10,00,00,000 (Rupees Ten Crores only) be re-classified as Rs.35,00,00,000 (Rupees Thirty Five Crores only) divided into 3,50,00,000 (Three Crores Fifty Lacs) Equity Shares of Rs.10 (Rupees Ten only) each aggregating to Rs.35,00,00,000 (Rupees Thirty Five Crores only) and increased to 5,00,00,000 (Five Crores) Equity Shares of Rs.10 (Rupees Ten only) each aggregating to Rs.50,00,00,000 (Rupees Fifty Crores only).

RESOLVED FURTHER THAT Clause 5 of the Memorandum of Association of the Company be altered accordingly by substituting the following new Clause 5 in place of the existing Clause 5:

5. The Authorised Share Capital of the Company is Rs. 50,00,00,000 (Rupees Fifty Crores only) divided into 5,00,00,000 (Five Crores) Equity Shares of Rs.10 (Rupees Ten only) each.

RESOLVED FURTHER THAT the Articles of Association of the Company be altered by substituting the following new Article 4 in place of the existing Article 4:

4. The Authorised Share Capital of the Company shall be such as mentioned in Clause 5 of the Memorandum of Association of the Company for the time being.

RESOLVED FURTHER THAT the Board of Directors be and is hereby authorized to do all such acts, deeds and things as are deemed expedient and necessary and to file necessary Forms/Returns/Applications/Documents/Papers as are required to be filed in the office of the Registrar of Companies, Chattisgarh & Madhya Pradesh and other authorities (Statutory or otherwise) to give effect to this resolution."

9. **To consider and if thought fit to pass, with or without modification(s), the following resolution as a Special Resolution:**

RESOLVED THAT in accordance with the provisions of Section 31 and other applicable provisions, if any, of the Companies Act, 1956 and also subject to the requisite permission(s)/consent(s) of appropriate authorities, where required, the consent of the Members of the Company be and is hereby recorded for the amendment by way of insertion of following Article 139A after the existing Article 139 in the Articles of Association:

Article 139A

The Company shall indemnify the Nominee Directors against:

- (i) any act, omission or conduct (including, without limitation, contravention of any Law) of or by the Company, the Promoters or its officials, employees, managers, representatives or agents as a result of which, in whole or in part, the Nominee Directors are made a Party to or otherwise incur any costs, charges, expenses, damages or loss (collectively 'loss') including 'loss pursuant to or in connection with any action, suit, claim or proceeding arising out of or relating to any such act, omission or conduct; and
- (ii) any act or omission to act by the Nominee Directors at the request of or with the consent of the Promoters, Key Employees of the Company or persons authorized by the Board.
- (iii) the Nominee Directors shall be entitled to be members of the

Compensation Committee and the Audit Committee (in each case whatever name called) of the Board. If for any reason the Nominee Directors are not or cannot be appointed on any such Committee(s), the Company shall ensure that the Nominee Directors are invitees at every such meeting and receives all notices, agenda and other papers circulated to any members of such Committee(s).

- (iv) the Nominee Director(s) shall be entitled to all the information, as are permissible under the laws.

RESOLVED FURTHER THAT the Board of Directors be and is hereby authorized to do all such acts, deeds and things as are deemed expedient and necessary and to file necessary Forms/Returns/Applications/Documents/Papers as are required to be filed in the office of the Registrar of Companies, Chattisgarh & Madhya Pradesh and other authorities (Statutory or otherwise) to give effect to this resolution."

Place: New Delhi

Date: December 03, 2009

By Order of the Board of Directors
For Cimmco Birla Limited

Registered Office:

Birlanagar, Gwalior 474004
(Madhya Pradesh)

Dipankar Ganguly
Company Secretary

NOTES:

- A. As stipulated under Clause 49 of the Listing Agreement, information in respect of the Directors of the Company seeking appointment/re-appointment at this Annual General Meeting is annexed hereto and also provided in the Corporate Governance Report, which forms part of the Annual Report.
- B. **A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT A PROXY TO ATTEND THE MEETING AND TO VOTE ON A POLL INSTEAD OF HIMSELF/HERSELF AND THE PROXY NEED NOT BE A MEMBER OF THE COMPANY. THE PROXY FORM AS PER THE FORMAT INCLUDED IN THE ANNUAL REPORT, DULY COMPLETED, SHOULD BE RETURNED TO THE REGISTERED OFFICE OF THE COMPANY NOT LESS THAN FORTY-EIGHT HOURS BEFORE THE SCHEDULED TIME OF THE MEETING.**
- C. The Registrar of Companies, Madhya Pradesh & Chattisgarh vide letter dated August 13, 2009 approved under Section 166(1) of the Companies Act, 1956 to hold Annual General Meeting upto December 31, 2009.
- D. The Register of Members and the Share Transfer Books of the Company will remain closed from December 24, 2009 to December 31, 2009 (both days inclusive), for the purposes of holding the Annual General Meeting.
- E. Members holding shares in dematerialized mode are requested to intimate all changes pertaining to their bank accounts, mailing addresses, etc. to their Depository Participants only and not to the Company/ RTA. Changes intimated to the Depository Participants will then be automatically reflected in the Company's records, which will help the Company and its RTA to provide efficient and better service to the Members.
- F. Members seeking any information regarding the Accounts of the Company are requested to write to the Company at least ten days before the date of the Meeting, so as to enable the Management to keep the information ready at the Meeting.
- G. All the documents referred to in the Notice and Explanatory Statement are open for inspection at the Registered Office of the Company between 11.00 AM and 3.00 PM till the date of the 64th Annual General Meeting on all days except Saturdays, Sundays and holidays and shall also be available for inspection at the Annual General Meeting or any adjournment thereof.

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EXPLANATORY STATEMENT

Pursuant to Section 173(2) of the Companies Act, 1956

Item No. 5

Shri J. K. Shukla, retired executive of Life Insurance Corporation of India (LIC), with vast experience and expertise in corporate management, was appointed as Additional Director of the Company on March 31, 2009 after he ceased to be the Nominee Director of LIC on the Board of Directors of the Company with effect from December 28, 2008. Pursuant to the provisions of Section 260 of the Companies Act, 1956 read with Article 137 of the Articles of Association of the Company, Shri Shukla will hold office as Director upto the date of the forthcoming Annual General Meeting.

In view of rich experience of Shri Shukla, the Board is of the opinion that it will be in the interest of the Company to continue to have him on the Board and accordingly, the resolution at Item No. 5 is placed before the members for their approval. The Company has received a notice in writing in terms of Section 257 of the Companies Act, 1956, proposing the candidature of Shri J. K. Shukla for the office of Director.

Shri J. K. Shukla is interested in the resolution as it relates to his appointment. None of the other Directors of the Company are interested or concerned in this resolution (save and except to the extent of their shareholding in the Company, if any).

Item No. 6

Shri G. S. Bhandari, retired District & Session Judge, Rajasthan and member of the Rajasthan Higher Judicial Service with vast experience was appointed as Additional Director of the Company on March 31, 2009. Pursuant to the provisions of Section 260 of the Companies Act, 1956, read with Article 137 of the Articles of Association of the Company, Shri Bhandari will hold office as Director upto the date of the forthcoming Annual General Meeting.

In view of rich experience of Shri Bhandari, the Board is of the opinion that it will be in the interest of the Company to continue to have him on the Board and accordingly, the resolution at Item No. 6 is placed before the members for their approval. The Company has received a notice in writing in terms of Section 257 of the Companies Act, 1956, proposing the candidature of Shri Bhandari for the office of Director.

Shri G. S. Bhandari is interested in the resolution as it relates to his appointment. None of the other Directors of the Company are interested or concerned in this resolution (save and except to the extent of their shareholding in the Company, if any).

Item No. 7

Shri J. P. Gupta was appointed as Whole-time Director of the Company and designated as Director (Works) & President, Bharatpur Works, with effect from August 01, 2000 for a period of five years. Thereafter, upon expiry of the said term of five years, Shri Gupta has continuously been re-appointed on a year to year basis as Whole-time Director of the Company (designated as Executive Director), the last was made at the 63rd Annual General Meeting of the Company, which remains valid till July 31, 2009. Considering the valued contribution of Shri Gupta over the years, the Remuneration Committee and the Board of Directors of the Company at their respective meetings held on July 31, 2009 have unanimously approved the re-appointment of Shri J. P. Gupta as the whole-time Director and designated as an Executive Director of the Company for a further period of one year with effect from August 01, 2009 upto July 31, 2010 on the existing terms and conditions including remuneration payable by the Company to the incumbent. The re-appointment, so made, is however subject to approval of the Shareholders of the Company in the Annual General

Meeting of the Company and the Central Government in terms of the provisions of the Articles of Association and the Companies Act, 1956.

Shri J. P. Gupta, aged 70 years, is B.Sc. B.E. (Mechanical). As a whole-time Director of the Company, he continues to be actively involved in the operations of the Company and has contributed immensely and particularly on matters relating to the Company's affairs, in his long association with the Company.

Necessary application to the Central Government would be made in due course. Details of the remuneration payable to Shri J. P. Gupta are set out in Resolution No.7. Accordingly, the Board recommends the resolution to the Shareholders for the approval by way of Special Resolution in Annual General Meeting of the Company.

The terms of appointment of Shri J. P. Gupta, as stated in this Notice, may be treated as the abstract under Section 302 of the Companies Act, 1956. The copy of the relevant resolution of the Board of Directors in respect to the appointment is available for inspection by the Members at the Registered Office of the Company between 11.00 AM and 3.00 PM on all working days till the date of the 64th Annual General Meeting.

None of the Directors, except Shri J. P. Gupta, is concerned or interested in the Resolution concerning his re-appointment and remuneration payable to him as a Whole-time Director (designated as Executive Director).

The Board recommends the proposed Special Resolution for your approval.

In accordance with the requirements of Schedule XIII to the Companies Act, 1956, as amended, a statement providing the required information for the re-appointment and payment of remuneration to Shri J. P. Gupta is given below:

I. General Information:

- Nature of Industry:** The Company's business is primarily in Capital Goods Sector particularly in Wagon Building and Engineering & Project; however the Company is a 'sick industrial company' within the meaning of Section 3(1)(o) of Sick Industrial Companies (Special Provisions) Act, 1985 and all its operations remained suspended since November 2000 till September 2008, when the lock-out at its Bharatpur Plant was lifted.
- Date or Expected date of commencement of commercial production:** Exact date of commencement of commercial production is not readily available as both the divisions located at the Registered Office of the Company have since been closed permanently but commercial production is, however, stated to have commenced within a year of incorporation of the Company on September 08, 1943.
- In case of new companies, expected date of commencement of activities as per projects approved by financial institutions appearing in the prospectus:** Not Applicable.
- Financial performance based on given indicators:** The net loss as per audited Annual Accounts for the last three years as follows:

Financial Year	Net Loss (Rs./Crores)
2006-07 (9 Months)	54.88
2007-08 (12 Months)	97.85
2008-09 (12 Months)	106.38

- Export performance and net foreign exchange collaborations:** Nil
- Foreign Investments or Collaborators, if any:** Nil

Cimmco Birla Limited

II. Information about appointee:

1. Background details: Shri J. P. Gupta aged 70 years and having experience of about 45 years is a Science Graduate and Mechanical Engineer.
2. Past remuneration: The following remuneration was paid to Shri J. P. Gupta in the year ended March 31, 2009:

Particulars	Amount (Rs.)
Salary	7,38,300
Other Benefits	84,736
Perquisites	3,97,033
Total	12,20,069

3. Recognition or Awards: Nil.
4. Job Profile and its Suitability: He has been in the employment of the Company since 1964 and was elevated from time to time and finally as a Whole-time Director designated as an Executive Director. He was appointed in a whole-time capacity as Director (Works) & President, Bharatpur Works with effect from August 01, 2000 upto July 31, 2005, as a Whole-time Director designated as an Executive Director with effect from August 01, 2005 upto July 31, 2009 to discharge operational responsibilities for day-to-day activities of the Company, including duties and responsibilities of the Occupier, entrusted to him under the overall supervision, control and direction of the Board. In view of his vast experience and long association with the Company, he is eminently suitable to hold the position of Whole-time Director in the Company.
5. Remuneration proposed: As per details contained in the Notice convening the 64th Annual General Meeting.
6. Comparative remuneration in Industry Standards: The proposed remuneration is much lower than the present norms in Industry.
7. Any Pecuniary Relationship: Besides remuneration, Shri J. P. Gupta does not have any other pecuniary relationship with the Company.

III. Other Information:

1. Reasons for loss or inadequate profit: The Company's operations stalled consequent to the lock-out at the plant at Bharatpur with effect from November 13, 2000 and thereafter suspension of operations at other locations including at project sites in view of freezing of bank accounts by consortium banks because of undue heavy financial expenses 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 triggered encashment of further Bank Guarantees and order cancellations by some other clients.
2. Steps taken/proposed to be taken for improvement: Pursuant to the direction of Hon'ble BIFR, the Company has submitted a fully tied-up Draft Rehabilitation Scheme to the Operating Agency under copy to BIFR, which has been supported by and received the consent of all the major stakeholders including secured lenders, Government of Rajasthan and workers of the Company. Based on such revival scheme submitted by the Company, the Hon'ble BIFR has formulated a Draft Rehabilitation Scheme, which is pending for sanction.

3. Projected Increase in productivity/profit: The scale and scope of future operations of the Company will depend upon sanction of the Revival Scheme by BIFR.

Item No. 8

The present Authorised Share Capital of the Company is Rs. 35,00,00,000 (Rupees Thirty Five Crores only) divided into 2,50,00,000 (Two Crores Fifty Lacs) Equity Shares of Rs.10 (Rupees Ten only) each aggregating to Rs.25,00,00,000 (Rupees Twenty Five Crores only) and 10,00,000 (Ten Lacs) Cumulative Redeemable Preference Shares of Rs.100 (Rupees One Hundred only) each aggregating to Rs.10,00,00,000 (Rupees Ten Crores only). It is now proposed to reclassify the Authorized Share Capital as Rs.35,00,00,000 (Rupees Thirty Five Crores only) divided into 3,50,00,000 (Three Crore Fifty Lacs) Equity Shares and increase the Authorised Share Capital to Rs.50,00,00,000 (Rupees Fifty Crores only) divided into 5,00,00,000 (Five Crores) Equity shares of Rs.10 each by substituting the existing Clause 5 with the new one.

The resolution is required to enable infusion of requisite funds into the Company for its rehabilitation. While the Memorandum of Association requires alteration by an ordinary resolution to be passed by the Shareholders, Alteration of Articles of Association requires a Special Resolution to be passed.

The Board of Directors recommends the resolutions for your approval.

None of the Directors are concerned or interested in the proposed resolution.

Item No. 9

The secured debts in the Company were earlier assigned by the respective Banks/Institution in favour of JP Morgan Chase Bank N.A. who in turn had assigned to Asset Reconstruction Company (India) Limited (Arcil) under the respective Assignment Agreements dated August 25, 2008. Subsequent thereto, Arcil has nominated two 'Nominee Directors' on the Board of Directors of the Company and advised the Company to ensure that certain Special Rights as set out in the Resolution under Item No.9 are available to the Nominee Directors under the Articles of Association of the Company. Accordingly, the Board of Directors recommends suitable amendment in the Articles of Association of the Company by way of Special Resolution in accordance with the provisions of the Companies Act, 1956 for incorporation of those Special Rights in the Articles of Association of the Company.

None of the Directors other than the Directors nominated by Arcil are concerned or interested in this Resolution.

The Board of Directors recommends this Resolution for your approval.

Place: New Delhi
Date: December 03, 2009

Registered Office:
Birlanagar, Gwalior 474004
(Madhya Pradesh)

By Order of the Board of Directors
For Cimmco Birla Limited

Dipankar Ganguly
Company Secretary

Cimmco Birla Limited

PURSUANT TO CLAUSE 49 OF THE LISTING AGREEMENT WITH THE STOCK EXCHANGES, FOLLOWING INFORMATION IS FURNISHED ABOUT THE DIRECTORS PROPOSED TO BE APPOINTED/RE-APPOINTED, VIDE ITEM NOS. 2, 3, 5 & 6 OF THE NOTICE DATED DECEMBER 03, 2009 CONVENING THE 64TH ANNUAL GENERAL MEETING:

1. **Name of the Director** : **Shri J P Gupta**
 Date of Birth : 01.12.1939
 Date of appointment on the Board as Director : 01.08.2000
 Date of last re-appointment as Director : 01.08.2009
 Expertise in specific functional areas : Engineering & Administration
 Qualification : B.Sc. BE (Mechanical)
 Number of Equity Shares held in the Company : 850
 List of outside Directorships held in Public Companies : None

2. **Name of the Director** : **Shri Ravi Kumar**
 Date of Birth : 08.11.1946
 Date of appointment on the Board as Director : 10.07.2007
 Date of last re-appointment as Director : 28.09.2007
 Expertise in specific functional areas : Management Consultant & Professor
 Qualification : B.E. MBA (FMS Delhi)
 Number of Equity Shares held in the Company : 60
 List of outside Directorships held in Public Companies : None

3. **Name of the Director** : **Shri J K Shukla**
 Date of Birth : 01.07.1943
 Date of appointment on the Board as Director : 31.03.2009
 Date of last re-appointment as Director : NA
 Expertise in specific functional areas : Sr. Management Executive
 Qualification : M.A.
 Number of Equity Shares held in the Company : Nil
 List of outside Directorships held in Public Companies : None

4. **Name of the Director** : **Shri G S Bhandari**
 Date of Birth : 06.12.1937
 Date of appointment on the Board as Director : 31.03.2009
 Date of last re-appointment as Director : NA
 Expertise in specific functional areas : Dist. & Session Judge, Rajasthan. (Retd.)
 Qualification : B.Com. LL.B
 Number of Equity Shares held in the Company : Nil
 List of outside Directorships held in Public Companies : None

Cimmco Birla Limited

DIRECTORS REPORT

DEAR SHAREHOLDERS

Your Directors have pleasure in presenting the 64th Annual Report, together with the audited accounts of the Company for the financial year ended March 31, 2009.

Financial Results:

Particulars	[Rs./Lacs]	
	Year ended 31.03.2009	Year ended 31.03.2008
Operations yielded a Profit/(Loss) before Interest & Depreciation of:	(380.06)	170.48
Less : Provision for Interest	9,799.27	8,478.40
Depreciation	167.28	188.18
Exceptional Items	287.12	1288.45
Tax Expense	4.26	1.94
Net Profit/(Loss)	(10,637.99)	(9,786.49)
Profit/(Loss) brought forward from previous year	(48,372.14)	(38,576.29)
Adjustment for AS-15 "Employees Benefit"	—	9.36
Profit/(Loss) Carried Forward of:	(59,010.13)	(48,372.14)

The above accumulated losses include Rs. 48,740.27 Lacs being interest provided after suspension of operations in conformity with the accounting policies.

Dividend:

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

Developments at BIFR:

The Company has submitted its revival scheme which, *inter alia*, envisages strengthening the management by joining of Titagarh Wagons Limited as 'Co-Promoters' for infusion of the requisite funds and further to contribute towards the business development as well as the settlement of dues of the financial institutions and the banks, rationalization of operating costs and financial re-engineering, thereby enabling the faster turnaround and a healthy balance sheet for the Company. The revival scheme of the Company has received the support and consent of all the major stakeholders, based on which, BIFR has formulated a Draft Rehabilitation Scheme (DRS), which is pending for final approval under the provisions of SICA.

Review of Operations and Future Outlook:

Following the Tripartite 'Memorandum of Settlement' dated March 05, 2008 for the settlement of labour dues, the management lockout at the Bharatpur Plant was lifted with effect from September 14, 2008 after it had remained closed for almost eight years. Immediately after lifting of this lock-out, pending approval of the DRS by BIFR, in association with the proposed co-promoters, a number of effective initiatives/ activities have been initiated for early rehabilitation of the Company, which include:

- Restoration of electricity connection at the Bharatpur Plant;
- Revamping of the Plant and Machinery, which were lying in unused dilapidated conditions;
- Railway Siding, which was cut off, has been repaired and made operational;
- Payment of Rs.18 Crores (approx) towards overdue liabilities of the workmen in terms of the Tripartite 'Memorandum of Settlement' dated March 05, 2008.
- Certification of the Plant as ISO 9001:2008 compliant and also recognition as G-93 compliant
- Engagement of a large number of workmen in the Plant on various jobs.
- Participation in tenders that resulted in securing of orders from the Ministry of Railways as well as various private customers.

As on date, the Company is having the Order book of more than Rs.60 Crores.

Finance:

During the year under review J.P. Morgan Chase Bank N.A. assigned the secured debts of the Company, which were earlier assigned in their favour by the respective secured lenders of the Company, to Asset Reconstruction Company (India) Limited (Arcil) and thereby Arcil now is the largest secured creditor of the Company with an exposure of about 94% of the aggregate secured debts of the Company.

As contemplated in the DRS, the existing promoters of the Company and the proposed co-promoters, i.e. Titagarh Wagons Limited have jointly set up a Special Purpose holding company, owned equally by both the parties in the name of Cimco Equity Holdings Private Limited (CEHPL) for infusion of funds by way of fresh equity capital into the Company for its revival.

During the year under review, your Company has received from Export Credit Guarantee Corporation of India Limited an amount of Rs.25.92 Crores as against Rs.32.31 Crores which was earlier decided by the Cabinet Committee of Economic Affairs, Government of India, subject to the Audit of the Comptroller & Auditor General (CAG) on account of reimbursement of outstanding dues of the Indian Companies on Cuba. This entire amount of Rs.25.92 Crores was paid to Arcil towards part repayment of their secured debts in the Company.

Further, consequent upon entering into the Memorandum of Understanding by the Company with Container Corporation of India Limited (CONCOR) for withdrawal of the ongoing litigations against each other pending before the Hon'ble High Court at Delhi arising out of the Award dated August 23, 2005 passed by the Hon'ble Arbitration Tribunal, the amount received from CONCOR which was lying in No-Lien Account as per the direction of the BIFR, has been released and utilized in the manner directed by BIFR.

Management Discussion and Analysis:

The Management Discussion and Analysis Report as stipulated under Clause 49 of the Listing Agreement with Stock Exchanges, forming part of Director's Report for the year under review, is given in a separate section of this Annual Report.

Directors:

Shri Y. N. Bhargava, Director of the Company, resigned with effect from March 31, 2009. The Board placed on record its appreciation of the valuable contribution made to the Company by Shri Bhargava.

The nomination of Shri J. K. Shukla, Nominee Director of the Life Insurance Corporation of India, was withdrawn by LIC and Shri Shukla resigned vide letter dated December 28, 2008. Subsequently, Shri Shukla was appointed as an Additional Director with effect from March 31, 2009 in accordance with Section 260 of the Companies Act, 1956 read with Article 137 of the Articles of Association of the Company. Shri Shukla will hold office upto the date of the ensuing 64th Annual General Meeting and a Notice under Section 257 of the Companies Act, 1956 has been received from a Member of the Company signifying his intention to propose the appointment of Shri Shukla as a Director of the Company.

Shri G. S. Bhandari was appointed as an Additional Director with effect from March 31, 2009 in accordance with Section 260 of the Companies Act, 1956 read with Article 137 of the Articles of Association of the Company. Shri Bhandari will hold office upto the date of the ensuing 64th Annual General Meeting and a Notice under Section 257 of the Companies Act, 1956 has been received from a Member of the Company signifying his intention to propose the appointment of Shri Bhandari as a Director of the Company.

The term of office of Shri J. P. Gupta as Executive Director of the Company expired on July 31, 2009. Considering his long association with the Company and valued contribution, the Board of Directors has again re-appointed Shri Gupta as Whole-time Director of the

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Company (designated as Executive Director) for a period of one year with effect from August 01, 2009. His appointment and remuneration payable to him require consent of the Shareholders at the ensuing Annual General Meeting of the Company, besides approval of the Central Government in view of the negative 'Effective Capital' of the Company.

Shri R. M. Agarwal and Shri R. K. Goel have been nominated during the year by Asset Reconstruction Company (India) Limited (Arcil) as its Nominee Directors on the Board of Directors of the Company. In accordance with Article 139 of the Articles of Association of the Company, Shri Agarwal and Shri Goel shall not be liable to retirement by rotation of Directors.

In accordance with the provisions of the Companies Act, 1956 read with the Articles of Association, Shri Ravi Kumar and Shri J. P. Gupta, Directors of the Company retire by rotation and being eligible, offer themselves for re-appointment.

The Company is a 'sick industrial company' within the meaning of the Sick Industrial Companies (Special Provisions) Act, 1985 and due to financial constraints, could not repay its deposits and/or interest thereon on due dates and/or redeem its debentures on due dates and such failure continues for more than one year. As a result, all the Directors of the Company are disqualified pursuant to the provisions of Section 274(1)(g) of the Companies Act, 1956.

Directors' Responsibility Statement:

Pursuant to the provisions of Section 217(2AA) of the Companies Act, 1956, your Directors confirm that:

- in preparation of the annual accounts for the financial year ended March 31, 2009 (the applicable accounting standards have been followed and proper explanations relating to material departures, if any, have been provided;
- the accounting policies selected and applied are consistent and the judgments and estimates made are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the financial year, and of the loss of the Company for that period;
- proper and sufficient care has been taken for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956, for safeguarding the assets of the Company and for preventing and detecting frauds and other irregularities;
- the annual accounts have been prepared on a going concern basis [Please refer Note 2 in Schedule 21 (Significant Accounting Policies & Notes on Accounts) of the Audited Balance Sheet as on March 31, 2009].

Auditors:

M/s. Jain Pramod Jain & Company, Chartered Accountants, who were appointed as the Statutory Auditors at the 63rd Annual General Meeting of the Company, resigned in February 2009. The casual vacancy so created in the office of the Auditors of the Company was filled in by the appointment of M/s. L. B. Jha & Company, Chartered Accountants vide Postal Ballot Resolution dated June 15, 2009.

M/s. L. B. Jha & Company, Chartered Accountants, Statutory Auditors of the Company shall retire at the conclusion of the ensuing 64th Annual General Meeting and are eligible for re-appointment. It is proposed to re-appoint them as Statutory Auditors of the Company to hold office until conclusion of the next Annual General Meeting.

Auditors' Report:

Observations of the Auditors when read together with the relevant notes on accounts and accounting policies are self explanatory. The operations of the Company have again resumed following the lifting of the lockout at its Bharatpur Plant with effect from September 14, 2008. Pending sanction of the Draft Rehabilitation Scheme of the Company by the Hon'ble BIFR, effective steps are being taken by the Company to resolve the issues observed by the Auditors.

Corporate Governance:

A separate section on Corporate Governance as prescribed under Clause 49 of the Listing Agreement along with the Certificate obtained from the Auditors' of the Company regarding compliance of conditions of Corporate Governance is included in the Annual Report.

Listing with Stock Exchanges:

The equity shares of the Company are listed at National Stock Exchange of India Limited (NSE), Bombay Stock Exchange Limited (BSE), Delhi Stock Exchange Limited (DSE), The Calcutta Stock Exchange Limited (CSE) and the Madhya Pradesh Stock Exchange Limited (MPSE). The Company is regular in payment of Listing Fee to NSE as well as the Annual Custodial Fee payable to the Depositories, i.e. National Securities Depository Limited (NSDL) and Central Depository Services (India) Limited (CDSL). The Listing Fee to NSE and the Annual Custodial Fee to NSDL and CDSL for the current financial year have been paid by the Company within the prescribed due dates. The trading in equity shares of the Company remains suspended at BSE and NSE with effect from January 07, 2002 and May 07, 2009 respectively due to non-compliance with some of the Clauses of the Listing Agreement. The Company has withdrawn its pending applications for delisting of the equity shares from the BSE, DSE, CSE and MPSE where it had earlier applied for delisting and after due compliance with the stipulations including payment of arrear Listing Fees, the listing of equity shares of the Company has since been regularized at CSE and DSE, while at BSE and MPSE, the matter is in progress and expected to be regularized very soon. The Company has also requested NSE for withdrawal of its suspension notice, which is under their consideration.

Unpaid/Unclaimed Fixed Deposits & Dividend:

The balance in the unpaid/unclaimed dividend accounts of the Company pertaining to financial years 1996-97 and 1997-98 have since been overdue for transfer to the credit of the Investor Education and Protection Fund (IEPF) as required under Section 205C of the Companies Act, 1956, which remains pending due to non-reconciliation of these accounts during the lock-out period. However effective steps are being taken to ensure that such transfer is made in current financial year. Due to financial constraints, the Company could not repay 39 matured fixed deposits during the lockout period. Subsequent to resumption of operations, this is one of the priority items for your Directors and it is expected that the Company will be able to clear this liability in current financial year. The Company will ensure transfer to the IEPF, in case any matured fixed deposits remain unclaimed thereafter.

Disclosures:

- Under Section 217(2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules, 1975, as amended**

During the year under review, none of the employees of the Company was in receipt of the remuneration requiring statutory disclosure.

- Under Section 217(1)(e) of the Companies Act, 1956 read with the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988, as amended**

The Plant of the Company at Bharatpur was under management lockout since November 2000 and therefore, no operational activities were there during this period. The lockout was withdrawn on September-14, 2008 and thereafter, power connection was resumed in October 2008 followed by revamping of Plant & Machineries which were lying in un-used dilapidated conditions. Therefore, there was no scope for undertaking any measures during the year under review towards conservation of energy and/or technology absorption, adaptation and/or innovation. The Company did not have any foreign exchange earnings and outgo during the year under review.

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Acknowledgements:

Your Directors wish to place on record their sincere gratitude to the IDBI Bank Limited (Operating Agency appointed by BIFR) for their continuous guidance and support, the secured lenders including Arcil, creditors, deposit-holders for their support and understanding in bearing with the Company. Your Directors are also thankful for the understanding of the employees/ex-employees of the Company, who have been affected by the disruption of work and of the dedicated services being put in by them. Your Directors also place on record their deep appreciation and gratitude to the Government of Rajasthan and Madhya Pradesh, local administration and other Government Departments for their kind support and cooperation at all times.

	J K Shukla,	Director
	Ravi Kumar,	Director
Place: New Delhi	R M Agarwal,	Nominee Director
Date: December 03, 2009	J P Gupta,	Executive Director

MANAGEMENT DISCUSSION & ANALYSIS REPORT

1. Industry Structure & Development – Opportunities/Threats/ Risks & Concerns

The operations of the Company are primarily in Capital Goods Sector with main business segments being (i) Wagon & Coaching Under-frames, and (ii) Engineering Projects, viz. Industrial Plants – Cement, Hydrocarbon & Chemical, Material Handling Equipment & Systems, Infrastructure Projects viz. Hydro-mechanical & construction and International Trading.

A. Wagon & Coaching Under-frame 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.
- As per the Railway Budget announced in February, 2009, investment of Rs. 2,30,000 Crores is envisaged by the Railways during the 11th Five Year Plan towards wagon production; investment plan of Rs. 37,905 Crores was declared in the Railway Budget for F.Y. 2009-10 and freight loading capacity upped by 60 million tonnes. The project of dedicated freight corridors is on track and all of these are expected to lead to continuing firm demand for Wagons in future.
- The number of wagon manufacturers in private sector being restricted to a few, the increased demand for the railway wagons would generate a tangible opportunity to the Company for turnaround in the operations after a gap of eight years, Indian Railways being the single largest buyer of the Wagons.
- Uncertainty as to timely availability of raw materials & components and rising costs are major challenges for Wagon Industry in India.
- The Company's operations require substantial amounts of steel, specialized components including bogies, coupler sets, air brakes and CTR bearings and are exposed to volatility in prices and availability. The cost of steel plates is significantly dependent on the prices of steel prevalent in the International markets which are highly volatile and cyclical in nature. To the extent the Company is not able to pass on such increase in the cost of steel, such absorption stands to adversely affect the margins.

B. Engineering Projects Business

- The industry is wide open from small to large projects and services catering to various unlimited tailor-made industry needs. Prior to its lockout, the Company used

to operate mostly in the manufacture and installation of Cement Plant machinery, Hydro-mechanical Equipment and to a lesser extent in Hydrocarbon & Chemical Plants, Material Handling Equipment & System, Infrastructure Projects, Construction and Trading Business – domestic as well as overseas.

2. Segment-wise Performance

Members are aware that the Company's operations were stalled consequent to the Lockout at the Plant at Bharatpur with effect from November 13, 2000 which has been withdrawn on September 14, 2008, after a gap of almost eight years. In the absence of manufacturing operations, the only source of revenue was that of differential Sub-Lease Rentals received from the Indian Railways against wagons given on sub-lease, which were manufactured by the Company before its lockout.

3. Outlook

Immediately after lifting of the lockout, the electricity connection at the Bharatpur Plant has been restored in October 2008. The Plant and Machinery, which were lying in un-used dilapidated conditions, have been revamped. The Railway Siding, which was cut off, has been repaired and resumed with the help of the Railway Authorities and is operational now. The Plant has been certified as ISO 9001:2008 compliant and has also been recognized as G-93 compliant by the Ministry of Railways, Government of India for the manufacture of railway wagons. The Company has started participating in tenders and succeeded in getting orders from Ministry of Railways as well as other private customers.

4. Internal Control System & Their adequacy

Internal control systems in the Company have been found to be adequate but are continuously reviewed with a view to improvement. After resumption of operations, the Control Systems are being strengthened to ensure that (i) its assets are safeguarded, (ii) the transactions are authorised, recorded and reported properly; and (iii) the accounting records are properly maintained and its financial statements are reliable.

5. Human Resources & Industrial Relations

The Company recognizes that employees represent its greatest assets and potential. It is only through motivated, creative and business-minded employees the Company could sustain and regain its position in the industry. During the period of lockout, the Company continued with a skeleton staff to ensure essential support system. After re-opening, the Company is again focused on building up the team at different verticals for taking the task of rehabilitation of the Company ahead. As on March 31, 2009, the Company had 94 employees in its roll.

Cautionary Statement:

Statements made in the Management Discussion & Analysis Report which seeks 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 and/or regulations, based on beliefs of the management of your Company. Such statements reflect the Company's current views with respect to the future events and are subject to risks and uncertainties.

Many factors could cause the actual result to be materially different from those projected in this report, including amongst others, changes in the general economic and business conditions affecting demand/ supply and price conditions in the segment in which the Company operates, change in business strategy, interest rates, inflation, deflation, foreign exchange rates, competition in the industry, changes in governmental regulations, tax laws and other Statutes and other incidental factors.

The Company does not undertake any obligation to publicly update any forward-looking statements, whether as a result of new information, future events or otherwise.