



## Annual Report for the year 2012-13



# Forward looking statement

In this Annual Report, we have disclosed forward-looking information to enable investors to understand our prospects and take investment decisions. This report and other statements - written and oral - that we periodically make contain forward-looking statements that set out anticipated results based on the management's plans and assumptions. We have tried wherever possible to identify such statements by using words such as 'anticipate', 'estimate', 'expects', 'projects', 'intends', 'plans', 'believes' and words of similar substance in connection with discussion of future performance.

We cannot guarantee that these forward-looking statements will be realized, although we believe we have been prudent in assumptions. The achievements of results are subject to risks, uncertainties and even inaccurate assumptions. Should known or unknown risks or uncertainties materialise or should underlying assumption prove inaccurate, actual results could vary materially from those anticipated, estimated or projected. Readers should keep this in mind. We undertake no obligation to publicly update any forward-looking statements, whether as a result of new information, future events or otherwise.

# CONTENTS

|   |          |
|---|----------|
| CMD's Message   | 1 - 3    |
| Financial Highlights                                    | 4 - 6    |
| Key Facts   | 7 - 8    |
| Management Discussion and Analysis                      | 9 - 13   |
| Products and Brands                                     | 14 - 15  |
| Human Resources   | 16       |
| Corporate Social Responsibility                         | 17       |
| Notice  | 18 - 21  |
| Director's Report 2012-13                               | 22 - 24  |
| Report on Corporate Governance                          | 25 - 39  |
| CEO & CFO Certificate                                   | 40       |
| Auditors' Certificate on Corporate Governance           | 41       |
| Independent Auditors' Report                            | 42 - 47  |
| Financials (Balance Sheet, P&L Account, Schedules etc.) | 48 - 110 |
| Proxy and Attendance Slip                               | 111      |

## CMD's Message



**Dr. Kailash Gupta**  
Chairman & Managing Director

Dear Shareholders,

The global economic scenario continued to face headwinds in fiscal 2012-13. Several economies, including BRIC nations, faced slowing growth. In India, high inflation, policy paralysis and regulatory overhang have further dampened business sentiment. However, under my renewed leadership at CEBSCO, we managed to hold our own despite tough external macro-economic conditions.

CEBSCO's product portfolio primarily caters to India's infrastructure sector, especially Transport, Railways and Power, which during the year was beset with regulatory uncertainties, policy issues, fall in domestic savings and investments and execution challenges. Moreover, physical achievements were out of sync with the aggressive investment targets set in the previous Five Year Plan. As a result, the country's poor macro-economic performance had a cascading effect, affecting companies like CEBSCO that depend on the all-round performance of the economy as a whole.

The commercial vehicle (CV) sector took one of its worst beatings in FY12-13 with the segment as a whole registering a decline of 2.02% over the same period in the previous fiscal. The Medium and Heavy Commercial Vehicle (M&HCV) registered a significant drop of 23.18% in sales during the period April – March 2013 over the same period. However, the Government took some positive measures to provide a thrust to the commercial vehicle sector to boost sales in the current financial year by dropping excise duty on CV chassis by 1%, lowering loan interest rates of Government banks from 14.5% to 14.3% and extension of the JNNURM scheme for the hill states. The Company is alert to the upcoming challenges this year and is adequately geared to face them.



## Poised to leverage growth opportunities

Notwithstanding the slowdown in the economy and the subsequent impact on the FBV (fully built vehicle) industry, the Company is firmly focused on the future and continues to take measures to reinforce its product portfolio and market leadership through operational excellence, prudent business and financial practices and long-standing relationships with clients.

The Company enjoys a market share of 30-35% in the FBV segment, which offers better margins than the chassis only since the buyer can generate higher revenues using a fully built vehicle leading to higher profits on the back of excellence and efficiency, low turnaround time, and the ability to carry higher loads, among others. Going forward, this segment will be a key area of growth for the Company as the Society of Indian Automobile Manufacturers (SIAM) expects the commercial vehicle sector to register 7-9% growth in FY13-14 with LCV goods and M&HCV goods and passengers buses sales expected to grow at 10-12%, 1-3% and 6-8% respectively. Being the largest maker of FBVs in India, the Company is well placed to ride the crest of the wave of growth in the commercial vehicle industry.

The Company's foray into the railway segment through wagon refurbishment and wagon manufacturing has still not been fully exploited. Most of the railway contracts were delayed during the year owing to fiscal disciplinary measures. However, in the coming years, the railway wagon market is expected to grow swiftly driven by the substantial growth in railway freight over next decade. This provides the Company a huge opportunity as with the new Delhi Mumbai Industrial Corridor (DMIC) and Amritsar-Delhi-Kolkata dedicated freight corridors coming up, 40% of India's existing wagon units will need a revamp.

The Company's power structural business for boilers and electrostatic precipitators (ESPs) used in power generation projects is still at a nascent stage but we see good opportunity in the coming years.

During the year, the Company recorded gross sales of ₹ 59,041.79 lacs, which is 9.68% lower compared to the previous financial year. Profit before tax stood at ₹ 3,350.11 lacs compared to ₹ 5,678.16 Lacs in the previous financial year. In spite of tough market conditions, we were able to improve our performance on various parameters through cost cutting, optimising production across our six plants and lean manufacturing practices. The Company will continue its efforts to improve cost structure and strengthen its balance sheet. We are positive about the future with Government and policymakers in India serious about revitalising the growth process, I see infrastructure projects jump starting again, giving us a fillip in our Transportation, Railway and Power verticals.

The Company continues to maintain its thrust on R&D working closely with its customers (OEM) in new product development. We were the first company to manufacture a complete stainless steel tipper. CEBSCO is working on developing new products like refrigerated containers, tipping trailers and similar products for goods transportation. We have a reefer plant to manufacture refrigerated vans according to European ATP standards. The Company's Deori railway plant has received Research Design and Standards Organisation (RDSO) approval and is now eligible to bid for new wagons for Indian Railways. Our investment in state-of-the-art technology is a great aid to our manufacturing capabilities since it helps us to reduce the lead time and speeds up the operations cycle. The throughput meets our stringent targets only because of the synergy between technology and our people.

Not only have we emerged stronger despite tough conditions over the past couple of years, we have vastly widened the horizons which the Company can prospect for growth. Our strong manufacturing skills demonstrated by customer confidence will allow us to pursue a path of sustainable growth. Our manufacturing capabilities are centrally located at Jabalpur, Indore and Jamshedpur. This ensures proximity to customers and being located in relatively smaller location provides lower labour, land and overhead costs, thereby providing significant cost advantage. The company's key customers include leaders in commercial vehicles like Tata Motors, VE Commercial Vehicles (VECV), Ashok Leyland and Man trucks in FBV segment, and engineering giants like L&T and BHEL in heavy engineering.



Human Resource and Talent is the key to any Company's growth. As a learning organization we nurture people, knowledge and relationships. Our R&D-led customer focus, manpower training and development and the inculcation of an innovation-based learning culture will be a strategic area of importance.

In the past 12 months, we have taken definitive measures to strengthen our governance practices and internal control measures. By engaging external agencies and consultants, we have validated our processes and are keen to practice gold standard corporate governance practices. Going forward, as a company we wish to deliver growth transparently and behave responsibly towards our investors, employees and the communities around us. We believe stable and predictable growth will become the cornerstone of our Company in the coming years.

I thank all the shareholders, employees, bankers, customers and everybody for your sincere and persistent support over the past year. We will continue to focus on our ability and capacity to deliver value, ensuring that as we grow we continue to meet our customers' expectations, investing in the innovation that sets CEBSCO apart as a leader.

Regards,

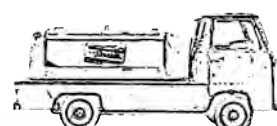
Dr. Kailash Gupta - Chairman & Managing Director  
Deepak Tiwary - CEO



# Financial Highlights

Profit & Loss statement

|                               | (₹ in Crore)  |               |               |               |               |
|-------------------------------|---------------|---------------|---------------|---------------|---------------|
|                               | Fy09          | Fy10          | Fy11          | Fy12          | Fy13          |
| Net Sales                     | 112.05        | 182.86        | 212.16        | 463.06        | 497.97        |
| Other Operational Income      | 2.57          | 3.81          | 4.57          | 5.57          | 4.93          |
| Other Income                  | 2.20          | 0.98          | 2.85          | 2.27          | 1.38          |
| <b>Total Revenues</b>         | <b>116.82</b> | <b>187.65</b> | <b>219.59</b> | <b>470.90</b> | <b>504.28</b> |
| <b>Expenditure</b>            |               |               |               |               |               |
| Manufacturing Expenses        | 95.63         | 129.79        | 176.38        | 368.01        | 392.59        |
| Personnnel Cost               | 5.54          | 7.39          | 10.52         | 14.95         | 12.86         |
| Selling & Admin Cost          | 5.90          | 9.21          | 12.30         | 15.47         | 32.49         |
| EBIDTA                        | 7.55          | 40.30         | 17.54         | 70.20         | 64.96         |
| EBIDTA Margin (%)             | 0.07          | 0.22          | 0.08          | 0.15          | 0.13          |
| Depreciation                  | 1.67          | 3.64          | 3.85          | 6.37          | 16.70         |
| EBIT                          | 8.08          | 37.64         | 16.54         | 66.1          | 49.64         |
| Interest Expenses             | 5.74          | 6.83          | 9.27          | 9.32          | 16.14         |
| Profit Before Tax (PBT)       | 2.34          | 30.8          | 7.27          | 56.78         | 33.50         |
| Tax                           | 0.76          | 9.92          | 1.01          | 8.59          | 5.42          |
| Deferred Tax                  | 0.15          | 0.58          | 0.56          | 7.39          | 9.57          |
| <b>Profit After Tax (PAT)</b> | <b>1.44</b>   | <b>20.3</b>   | <b>5.70</b>   | <b>40.8</b>   | <b>18.51</b>  |



# Financial Highlights

## Balance Sheet

|                                | (₹ in Crore) |        |        |        |        |
|--------------------------------|--------------|--------|--------|--------|--------|
|                                | Fy09         | Fy10   | Fy11   | Fy12   | Fy13   |
| Sources of Funds               |              |        |        |        |        |
| Share Capital                  | 6.13         | 42.89  | 54.94  | 54.94  | 54.94  |
| Reserves & Surplus             | 44.75        | 28.27  | 162.35 | 203.15 | 219.09 |
| Total Shareholders' Fund       | 50.88        | 71.16  | 217.29 | 258.09 | 274.03 |
| Total Loan Funds               | 7.18         | 54.76  | 46.12  | 110.97 | 162.89 |
| Deferred Tax Liability         | 0.01         | 0.60   | 1.15   | 8.54   | 18.11  |
| Total Sources of Funds         | 58.07        | 126.52 | 264.56 | 377.61 | 455.03 |
| Application of Funds           |              |        |        |        |        |
| Fixed Assets                   |              |        |        |        |        |
| Gross Block                    | 33.23        | 36.48  | 57.80  | 198.95 | 349.61 |
| Less: Accumulated Depreciation | 8.07         | 11.47  | 15.15  | 21.46  | 37.90  |
| Net Block                      | 25.16        | 25.01  | 42.65  | 177.49 | 311.71 |
| Capital Work in progress       | 7.35         | 19.95  | 76.46  | 67.50  | 12.15  |
| Investments                    | 0.67         | 0.63   | 38.37  | 0.69   | 0.60   |
| Current Assets                 |              |        |        |        |        |
| Inventories                    | 28.94        | 53.43  | 69.16  | 49.70  | 67.01  |
| Sundry Debtors                 | 14.96        | 58.25  | 30.64  | 103.75 | 146.74 |
| Cash & Bank Balance            | 3.74         | 3.44   | 25.96  | 7.09   | 35.74  |
| Loans & Advances               | 27.37        | 35.12  | 43.75  | 61.16  | 49.47  |
| Total Current Assets           | 75.01        | 150.24 | 169.51 | 221.70 | 298.96 |





## Financial Highlights

### Balance Sheet

|                            | (₹ in Crore) |        |        |        |        |
|----------------------------|--------------|--------|--------|--------|--------|
|                            | Fy09         | Fy10   | Fy11   | Fy12   | Fy13   |
| Current Liabilities        |              |        |        |        |        |
| Sundry Creditors           | 48.29        | 63.19  | 61.76  | 84.93  | 160.08 |
| Provisions                 | 1.83         | 6.12   | 0.67   | 4.84   | 8.31   |
| Total Current Liabilities  | 50.12        | 69.31  | 62.43  | 89.77  | 168.39 |
| Net Current Assets         | 24.89        | 80.93  | 107.08 | 131.93 | 130.57 |
| Total Application of Funds | 58.07        | 126.52 | 264.56 | 377.61 | 455.03 |



## Key Facts

With a broad range of product offerings in the commercial vehicle, railways and power segment, CEBSCO is at the forefront of economic, social and environmental progress. CEBSCO is one of the leading manufacturers in India of vehicle bodies for commercial vehicles with an extensive portfolio of product offerings. Also conducts refurbishment of wagons as well as designing and manufacturing of components for wagons and locomotives in the railways division.

|  |  |
|--|--|
| <b>Fully Built Vehicle (FBV) segment</b> | <ul style="list-style-type: none"> <li>▶ Largest player in the conversion of chassis to FBV with a market share of 30-35% and revenue contribution of &gt; 90%</li> <li>▶ Supplies to major OEM like Tata Motors, Ashok Leyland, VE Commercial Vehicles Limited, MAN Motors and Defence Vehicle Factory etc.</li> </ul>  |
| <b>Railways</b>                          | <ul style="list-style-type: none"> <li>▶ Entered the wagon refurbishment business in 2008 which includes refurbishments of wagons, supplies and fitting of side-walls, end-walls, floor plates, flap floor, door-plates etc.</li> <li>▶ In 2010-11 entered the wagon manufacturing space for Indian Railways</li> <li>▶ Executed a trial order of 247 wagons from Braithwaite &amp; Co. (Indian Railways' subsidiary)</li> </ul> |
| <b>Power</b>                             | <ul style="list-style-type: none"> <li>▶ New business with attractive growth opportunities</li> <li>▶ Fabrication of structural-s for Power Plants and Electrostatic Precipitators / Boilers</li> <li>▶ Currently executing orders from L&amp;T and BHEL</li> </ul>  |

## Strengths

- 1** Economies of scale in its FBV business due to its strong track record and long standing relationships with all major OEMs and strong focus on R&D.
- 2** Wide range of product offerings in commercial vehicles for applications across diversified industries.
- 3** State-of-the-art technology and certifications for design, production standards and quality assurance.
- 4** Well qualified and experienced design team of mechanical engineers engaged in developing new solutions for customers to suit their business needs.
- 5** Ability to manufacture superior quality structures, using one of the most stringent industry guidelines.
- 6** Manufacturing facilities located close to some of key customers for commercial vehicle bodies, gives competitive advantage over other manufacturers of commercial vehicle bodies.
- 7** Benefit under the TRIFAC policy of Madhya Pradesh, which provides for sales tax subsidy on payment of state sales & central sales tax to the extent of capital investment made by the Company's each unit.

