



# Annual Report 2013-14

## Forward Looking Statement

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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 'anticipates', 'estimates', '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 making the assumptions. The achievements of results are subject to risks, uncertainties and even inaccurate assumptions. Should known or unknown risks or uncertainties materialize or should underlying assumptions 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.

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## Chairman's Message

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Dear Shareholders,

The global economic situation in general showed a negative trend with the only exception of the US economy showing some signs of revival. While the Eurozone remained weak, GDP growth in China remained low compared to its higher rates of growth in the past.

Echoing the persistent uncertainty and the general slowdown in the global economy and compounded by domestic structural constraints and inflationary pressures, India's GDP growth too has remained below 5% for the past two years - a kind of protracted slowdown. However, India is one of the leading emerging economies and holds great promise of demonstrating healthy growth in times to come.

CEBBO's product portfolio - focussed on India's infrastructure sector - faced a challenging market environment.

Commercial Vehicle sales in the Medium & Heavy Commercial Vehicle category witnessed a steep fall of 25% in comparison to the previous year. Consequently, CEBBO's CV product volumes were significantly down compounded by negative or negligible growth in the construction and mining sectors - where the company's products are mainly used.

As regards the Railways, orders for new wagons were delayed and overall funds scarcity was seen leading to lower opportunities in this segment.

Heavy Fabrication, too, witnessed slower progress in power projects due to fall in the pace of investments and policy issues including coal production/availability.

Overall poor macro-economic performance and negligible infrastructure growth had a cascading effect on the Company since it depends on the all-round performance of the economy as a whole.

### **Future Growth Opportunities:**

Given the forward looking Budget proposals and the infrastructure focus of the present government, the Company is expected to grow its business in the coming years. In the CV - FBV (Fully Built Vehicle) industry it is looking to consolidate its position of a leading player among authorized FBV manufacturers.

The Company's wagon manufacturing capability has not yet been fully exploited on account of absence of orders from the Railways. However, the Company has bagged an order for wagon refurbishment and hopes to aggressively target this business going forward. Here again, the Company expects to gain from the Budget proposals of allowing FDI and PPP in the Railways leading to increased opportunities in terms of supply of freight wagons, loco shells and other auxiliaries for which the Company has been recognized as an approved source.

The Company's Heavy Fabrication business (manufacture of steel structures for power plants) is also expected to grow in view of the expected increased spending on power generation and policy resolutions of coal linkages.

During the year, the Company recorded gross sales of Rs. 18536.94 Lacs, which is 68.60% lower compared to the previous financial year. Loss before tax stood at Rs. 6773.11 Lacs compared to profit of Rs. 3350.11 Lacs in the previous financial year. In view of the challenges faced, the Company has been rationalizing costs, optimising production across its six plants and going lean on inventory. The Company will continue its efforts to improve its cost structure and strengthen its balance sheet. We are positive about the future with the Government and the policymakers in India serious about re-vitalizing the growth process.

The Company continues to maintain its thrust on development of new variants of product offerings to suit its customers' needs. 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. The company's key customers include leaders in commercial vehicles like Tata Motors, VE Commercial Vehicles (VECV), Ashok Leyland and Man trucks in the FBV segment, and engineering giants like L&T Power and BHEL in heavy engineering.

Human Resource and Talent retention remains a focus area for CEBSCO. We aim to be a learning organization and nurture our people and relationships to grow our business.

In the past 12 months, we have taken definitive measures to strengthen our governance practices and internal control measures. Going forward, as a company we wish to deliver growth transparently and continue to 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 their 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, and strive to attain a leadership position.

Dated : 14th August, 2014

**Anil Joshi**  
Chairman

# Financial Highlights

## Profit & Loss Statement

(₹ in Crore)

Particulars	Fy10	Fy11	Fy12	Fy13	Fy14
<b>Income</b>					
Net Sales	182.86	212.16	463.06	497.97	131.57
Other Operational Income	3.81	4.57	5.57	4.93	7.29
Other Income	0.98	2.85	2.27	1.38	2.69
<b>Total Revenues</b>	<b>187.65</b>	<b>219.59</b>	<b>470.90</b>	<b>504.28</b>	<b>141.55</b>
<b>Expenditure</b>					
Manufacturing Expenses	129.79	176.38	368.01	392.59	140.62
Personnel Cost	7.39	10.52	14.95	12.86	10.52
Selling & Admin. Cost	9.21	12.30	15.47	32.49	9.12
EBIDTA	40.30	17.54	70.20	64.96	(21.40)
EBIDTA Margin (%)	0.22	0.08	0.15	0.13	(0.16)
Depreciation	3.64	3.85	6.37	16.70	30.06
EBIT	37.64	16.54	66.10	49.64	(48.78)
Interest Expenses	6.83	9.27	9.32	16.14	18.95
Profit Before Tax (PBT)	30.80	7.27	56.78	33.50	(67.73)
Tax	9.92	1.01	8.59	5.42	-
Deferred Tax	0.58	0.56	7.39	9.57	2.70
<b>Profit /Loss After Tax (PAT)</b>	<b>20.30</b>	<b>5.70</b>	<b>40.80</b>	<b>18.51</b>	<b>(70.43)</b>

# Financial Highlights

## Balance Sheet

(₹ in Crore)

Particulars	Fy10	Fy11	Fy12	Fy13	Fy14
<b>Sources of Funds</b>					
Share Capital	42.89	54.94	54.94	54.94	54.94
Reserves & Surplus	28.27	162.35	203.15	219.09	151.23
Total Shareholders' Funds	71.16	217.29	258.09	274.03	206.17
Total Loan Funds	54.76	46.12	110.97	162.89	135.70
Deferred Tax Liability	0.60	1.15	8.54	18.11	20.81
<b>Total Sources of Funds</b>	<b>126.52</b>	<b>264.56</b>	<b>377.61</b>	<b>455.03</b>	<b>362.69</b>
<b>Application of Funds</b>					
<b>Fixed Assets</b>					
Gross Block	36.48	57.80	198.95	349.61	357.13
Less: Accumulated Depreciation	11.47	15.15	21.46	37.90	67.83
Net Block	25.01	42.65	177.49	311.71	289.30
Capital Work in Progress	19.95	76.46	67.50	12.15	14.65
Investments	0.63	38.37	0.69	0.60	0.00
<b>Current Assets</b>					
Inventories	53.43	69.16	49.70	67.01	37.62
Sundry Debtors	58.25	30.64	103.75	146.74	23.52
Cash & Bank Balance	3.44	25.96	7.09	35.74	11.47
Loans & Advances	35.12	43.75	61.16	49.47	46.51
Total Current Assets	150.24	169.51	221.70	298.96	119.12
<b>Current Liabilities</b>					
Sundry Creditors	63.19	61.76	84.93	160.08	55.21
Provisions	6.12	0.67	4.84	8.31	5.18
Total Current Liabilities	69.31	62.43	89.77	168.39	60.39
Net Current Assets	80.93	107.08	131.93	130.57	58.73
<b>Total Application of Funds</b>	<b>126.52</b>	<b>264.56</b>	<b>377.61</b>	<b>455.03</b>	<b>362.69</b>

## Key Facts

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With a broad range of product offerings in the areas of commercial vehicles, railways and heavy fabrication (for power plants), CEBBICO's business is intertwined with the infrastructure development of the country.

CEBICO is one of the leading manufacturers in India of vehicle bodies for commercial vehicles with an extensive portfolio of product offerings. Additionally, CEBBICO has a railways approved facility for making freight wagons and is engaged in carrying out refurbishment of freight wagons and manufacturing of components for wagons and locomotives.

### **Commercial Vehicles (CV) / Fully Built Vehicles (FBV)**

CEBICO is one of the large players manufacturing various applications on the commercial vehicle (CV) chassis with a major share of business with major CV manufacturers - Tata Motors, VE Commercial Vehicles Limited, MAN Motors and Vehicle Factory, Jabalpur (Ministry of Defence).

### **Railways**

The Company is engaged in the wagon refurbishment business since 2008 which includes refurbishment of wagons, supply and fitting of side-walls, end-walls, floor plates, flap floor, door-plates, etc. We are one of the few Research, Design and Standardisation Organisation registered for refurbishment of Wagons and are also an approved supplier to Railways production units like Integral Coach Factory, Diesel Locomotive Works, Diesel Modernisation Works and BHEL-Loco plant.

We had completed a trial order of 247 wagons from Braithwaite & Co. (an Indian Railways' subsidiary) and we have received the Initial Audit Certification for G-105 Specifications by RDSO which is mandatory to become a wagon manufacturer. We now await orders from the Indian Railways.

### **Heavy Fabrication**

A relatively newer area of business with attractive growth opportunities, CEBBICO fabricates steel structures for Power Plants including Electrostatic Precipitators / Boiler structures. Major clients are L&T Power, BHEL Trichy and BGR Energy. Resources of this segment can be used for fabrication of components for Railway bridges - an area offering good growth opportunities. CEBBICO is approved in RDSO, which is mandatory for executing this product segment.



## **Strengths**

- Economies of scale in the FBV business due to strong track record and long standing relationships with all major OEMs.
- Focus on R&D.
- Wide range of product offerings in commercial vehicles for applications across diversified industries.
- State-of-the-art technology and certifications for design, production standards and quality assurance.
- Well qualified and experienced design team of mechanical engineers engaged in developing new solutions for customers to suit their business needs.
- Ability to manufacture superior quality structures
- Manufacturing facilities located close to some of the key customers for commercial vehicle bodies, gives a competitive advantage over other manufacturers of commercial vehicle bodies.
- Heavy engineering unit based in Central India - where major power plants are coming up - provides logistics advantage to customers
- Industrial relations climate is quite conducive in Central India which results in a cost-competitive work force

## **Manufacturing Plants**

The Company has six manufacturing facilities strategically located in Central India at Jabalpur (4 facilities), Indore and Jamshedpur. The strategic location provides an advantage to the Company in terms of:

- Proximity to customers as Jabalpur is a central location for all major OEMs
- Indore and Jamshedpur units are near their key customers namely VE Commercial Vehicles and Tata Motors, respectively
- Manufacturing units are located close to manufacturing locations of steel suppliers or their key distribution hubs.
- Jabalpur offers a cost competitive location
- Benefit under the TRIFAC scheme of state of Madhya Pradesh

## Key Customers

Business	Customers
Commercial Vehicles / FBV	Tata Motors Ltd. (Domestic & Export) VE Commercial Vehicles Ltd. (VECV) Man Force Trucks Pvt. Ltd. Asia Motor Works Ltd. Ministry of Defence (Vehicle Factory Jabalpur) Reliance Petroleum Ltd. Reliance Industries Ltd.
Railways	Indian Railways Zonal workshops Integral Coach Factory, Chennai Diesel Locomotive Workshop, Varanasi Diesel Modernization Works, Patiala RCF, Kapurthala Chitranjan Locomotive Works
Heavy Fabrication	L&T Power BHEL Trichy BGR Energy Lodge Cottrell Thermax

## Well Diversified Product Portfolio

### Mining & Road Construction

1. Tipper Bodies
2. Tanker Bodies

### Goods Transportation

1. Cargo load Bodies
2. Refrigerated and insulated containers
3. Trailer Bodies - Box Trailers, Tip Trailers, Skeletal Trailers and Flat Bed Trailers
4. Explosive Vans
5. Petroleum Tankers

### Solid Waste Management

1. Skip - Loaders
2. Garbage - Bin Collectors

### Municipal Applications

1. Water Tanker Bodies
2. Fire Tenders
3. Light Recovery Vehicle Bodies
4. Garbage Tippers