



Annual Report 2015-16

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 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 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.

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Message from the Board of Directors

Dear Shareholder,

We wish to place before you, the performance of your Company in the year gone by and share thoughts on Company's growth journey in the future.

As the Indian commercial vehicle industry recovered, your Company has seen increased demand for its products. Major CVOEMs - where company enjoys an authorized application vendor status - have been placing higher schedules. The company however has not been able to take full advantage of increased demand due to working capital challenges.

Our wagon manufacturing business which caters to Indian Railways has also not been able to take off due to competitive price pressures and liquidity constraints.

Further, there has been some growth in demand for fabricated steel structures from power plant EPC contractors and we have been able to meet this partially with available finance and resources.

During the year, the Company recorded gross sales (gross of excise duty) of Rs. 14887 Lakhs, which is 2.31% lower compared to the previous financial year. Loss before tax and exceptional items stood at Rs. 4719 Lakhs compared to loss before tax of Rs. 6036 Lakhs in the previous financial year. The loss after exceptional items and tax for the year stood at Rs. 10476 Lakhs, against the previous year's loss of Rs. 10255 Lakhs. The loss for the year includes an exceptional item representing provision for impairment in the value of the fixed assets of Rs. 5367 Lakhs (previous year Rs. 6300 Lakhs). This is a non-cash provision and has been done in accordance with the Accounting Standard AS-28. Further, a significant portion of the loss is attributable to finance cost.

The Company has continued to incur cash loss during the year and have been facing cash flow challenges throughout the year. The working capital constraints are affecting the ability of the Company to fulfill the customer orders and at times customers have been curtailing schedules on the Company.

There has been a significant erosion of net worth. A reference may be please made to the Director's Report.

Future Opportunities/Challenges

Overall macro-economic performance of the Indian Economy and infrastructure growth witnessed in year 2015-16, is expected to continue in the near future and the Company is working on measures to take advantage of these opportunities for future growth.

The expected improvements in the market sentiment and infrastructure growth are likely to drive growth in volumes in the coming years.

In the Commercial Vehicle - Fully Built Vehicle industry (FBV), the Company is planning to consolidate its position by regaining market shares and becoming a leading player among authorized FBV manufacturers.

The Company's wagon manufacturing capability continues to be unutilized as the current level of prices do not support viable business propositions. We are looking at other opportunities to tackle this challenge.

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

The Company continues to maintain its thrust on improving its share of business from its customers and on exploring new products / applications / variants of current products for growth.

In view of challenges faced, we have been rationalizing operations, lowering costs and optimizing production across our various plants.

The Company will continue its efforts to improve cost structure, improve working capital management and strengthen its balance sheet.

The company is also exploring options to augment funds for working capital.

On the background of extremely challenging conditions over the past couple of years, we have indeed strengthened our resolve to grow the company from its current levels. The company continues to enjoy support from its major customers viz. Tata Motors, VE Commercial Vehicles (VECV), and Man trucks in FBV segment, and engineering giants like L&T Power and BHEL, in heavy engineering.

We would like to convey our appreciation to the entire CEBICO team for their determination and efforts in this journey of the Company.

We are confident that your Company will continue to better its performance in the coming years. We would like to express our gratitude for your confidence in us. We would also acknowledge the unfailing support of our extended family of customers, dealers, suppliers, financial institutions and partners, which has been a major source of inspiration to your Company.

Thank you,
Yours sincerely,

On behalf of Board of Directors

P.Y. Gurav
Director
DIN:02004317

Prabhakar Dalal
Director
DIN:00544948

Financial Highlights

Profit & Loss Statement

(₹ in Crore)

| Particulars | FY 2012 | FY 2013 | FY 2014 | FY 2015 | FY 2016 |
|--|---------------|---------------|----------------|-----------------|-----------------|
| <u>Income</u> | | | | | |
| Net Sales | 463.06 | 497.97 | 131.57 | 110.76 | 101.18 |
| Other Operational Income | 5.57 | 4.93 | 7.29 | 7.68 | 6.98 |
| Other Income | 2.27 | 1.38 | 2.69 | 2.40 | 1.13 |
| Total Revenues | 470.90 | 504.28 | 141.55 | 120.84 | 109.29 |
| <u>Expenditure</u> | | | | | |
| Manufacturing Expenses | 368.01 | 392.59 | 140.62 | 113.54 | 92.73 |
| Personal Cost | 14.95 | 12.86 | 10.52 | 8.53 | 7.21 |
| Selling & Admin Cost | 15.47 | 32.49 | 9.12 | 17.31 | 21.08 |
| EBIDTA | 70.20 | 64.96 | (21.40) | (20.94) | (12.86) |
| EBIDTA Margin (%) | 15 | 13 | (15) | (17) | (12) |
| Depreciation | 6.37 | 16.70 | 30.06 | 20.26 | 14.51 |
| EBIT | 66.10 | 49.64 | (48.78) | (38.80) | (26.24) |
| Interest Expenses | 9.32 | 16.14 | 18.95 | 21.57 | 20.95 |
| Profit Before Exceptional Item & Tax (PBT) | 56.78 | 33.50 | (67.73) | (60.36) | (47.19) |
| Exceptional item – Impairment | - | - | - | 63.00 | 53.67 |
| Tax | 8.59 | 5.42 | - | - | 3.90 |
| Deferred Tax | 7.39 | 9.57 | 2.70 | (20.81) | - |
| Profit After Tax (PAT) | 40.80 | 18.51 | (70.43) | (102.55) | (104.76) |

Financial Highlights

Balance Sheet

(₹ in Crore)

| Particulars | March 31, 2012 | March 31, 2013 | March 31, 2014 | March 31, 2015 | March 31, 2016 |
|------------------------------------|-------------------|-------------------|-------------------|-------------------|-------------------|
| <u>Sources of Funds</u> | | | | | |
| Share Capital | 54.94 | 54.94 | 54.94 | 63.94 | 67.94 |
| Reserves & Surplus | 203.15 | 219.09 | 151.23 | 48.69 | (56.08) |
| Total Shareholder's Fund | 258.09 | 274.03 | 206.17 | 112.63 | 11.86 |
| Total Loan Funds | 110.97 | 162.89 | 135.70 | 137.12 | 147.52 |
| Deferred Tax Liability | 8.54 | 17.85 | 20.81 | - | - |
| Total Sources of Funds | 377.61 | 454.77 | 362.69 | 249.75 | 159.38 |
| <u>Application of Funds</u> | | | | | |
| Fixed Assets | | | | | |
| Gross Block | 198.95 | 349.61 | 357.13 | 366.01 | 366.03 |
| Less: Accumulated Depreciation | 21.46 | 37.90 | 67.83 | 151.05 | 207.51 |
| Net Block | 177.49 | 311.71 | 289.30 | 214.96 | 158.52 |
| Capital Work in Progress | 67.50 | 9.47 | 14.26 | 13.82 | 2.00 |
| Investments | 0.69 | 0.60 | 0.00 | 0.00 | 0.00 |
| Current Assets | | | | | |
| Inventories | 49.70 | 67.01 | 37.62 | 16.57 | 9.80 |
| Sundry Debtors | 103.75 | 146.74 | 23.52 | 25.21 | 12.34 |
| Cash & Bank Balance | 7.09 | 33.98 | 11.30 | 4.69 | 2.52 |
| Loans & Advances | 61.16 | 53.98 | 47.45 | 47.48 | 50.33 |
| Total Current Assets | 221.70 | 301.72 | 119.89 | 93.95 | 74.99 |
| Current Liabilities | | | | | |
| Sundry Creditors | 84.93 | 160.42 | 55.58 | 69.75 | 72.94 |
| Provisions | 4.84 | 8.31 | 5.18 | 3.23 | 3.19 |
| Total Current Liabilities | 89.77 | 168.73 | 60.76 | 72.98 | 76.13 |
| Net Current Assets | 131.93 | 132.99 | 59.13 | 20.97 | (1.14) |
| Total Application of Funds | 377.61 | 454.77 | 362.69 | 249.75 | 159.38 |

Key Facts

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

CEBSCO is one of the leading manufacturers in India of vehicle bodies for commercial vehicles with an extensive portfolio of product offerings. Further the Company has a facility for making freight wagons and is engaged in carrying out refurbishment of freight wagons and manufacturing of components for wagons and locomotives.

Commercial Vehicle / Fully Built Vehicle (FBV)

One among large players manufacturing various applications on the commercial vehicle (CV) chassis with a major share of business with major CV manufacturers - Tata Motors, Volvo Eicher Commercial Vehicles Limited, MAN Trucks India and Vehicle Factory, Jabalpur (Ministry of Defense).

Railways

Engaged in wagon refurbishment business since the year 2008 which includes refurbishments of wagons, supplies and fitting of side-walls, end-walls, floor plates, flap floor, door-plates etc. We are one of the few RDSO registered manufacturer for refurbishment of Wagons. We are also approved supplier to Railways production units like ICF, DLW and BHEL-Locomotive plant.

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

Heavy fabrication

CEBSCO fabricates steel structures for Power Plants including Electrostatic Precipitators / Boiler structures. Major clients are L&T Power and BHEL Trichy. Resources of this segment can be used for fabrication of components for Railway bridges.

Strengths

- Economies of scale in its FBV business due to strong track record and long standing relationships with all major OEMs.
- 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 key customers for commercial vehicle bodies, giving 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 quite conducive in Central India which also makes available 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 to all major OEMs.
- Indore and Jamshedpur units are near their key customers namely VE Commercial Vehicles and Tata Motors respectively.
- Manufacturing units located close to steel suppliers manufacturing locations or their key distribution hubs.
- Jabalpur offers a cost competitive location.