

Director's Report 2018-2019

To the Members of

Commercial Engineers & Body Builders Co. Ltd

The Directors are presenting here below the **39th Annual Report** of the Company together with the Audited Accounts for the year ended **31st March 2019**.

Financial Highlights

(Rs. in Lakhs)

Particulars	For the year ended 31 March 2019	For the year ended 31 March 2018
Revenue From Operations	21,579.96	9,963.96
Less- Excise Duty	-	247.46
Net Sales	21,579.96	9,716.50
Other Income	75.91	116.43
Total Income	21,655.87	9,832.93
Operating Expenses	20,389.60	9,711.01
Depreciation and Amortisation	1,037.91	1,035.23
Finance Cost	2,214.45	2,777.96
Profit/(Loss) before tax and exceptional items	(1,986.08)	(3,691.27)
Exceptional Items- (Gain) / Loss, net	(10,853.47)	-
Profit/(Loss) for the Year	8,867.38	(3,691.28)
Other Comprehensive Income / (Loss)	(1.20)	5.32
Total Comprehensive Income / (Loss) for the year	8,866.18	(3,685.96)

Performance at glance

The company could achieve a break though in terms of Revenue (net of excise duty) from operations (increase of 122% over last year), mainly attributable to increased demand for tippers mainly from its principal OEM Tata Motors Limited and also from certain dealers who also cater to the end user demand.

The operating profit (profit before depreciation, interest and other income, has increased from Rs. 5.5 Lakhs (0.1% of sales) in FY 2017-18 to Rs. 1,212 Lakhs (5.6% of sales) in FY 2018-19. This improvement mainly related to the volume increase.

Despite positive development on revenue front, the Company reported a Loss before Exceptional items, of Rs. 1,986 Lakhs, mainly attributable to lower % of operating margin, significant finance cost and depreciation.

Please refer to Management Discussion and Analysis for comments on financial performance.

Restructuring of debt and ownership change

During the past years, the Company has been incurring cash losses affecting its ability to service its borrowings, creditors, other liabilities and similar obligations. On 11th January 2017, the Joint Lenders' Forum initiated Strategic Debt Restructuring ("SDR") in compliance with the guidelines issued by the Reserve Bank of India ("RBI"), which could not be completed within the timeframe prescribed. Subsequently, the loans given by the lenders to the Company were classified as Non-Performing Assets in the books of lenders.

Since then the lenders were in the process of identifying revival measures including debt restructuring and other structural changes.

During the year, the Resolution Plan involving debt restructuring and ownership change, was completed. The Company, the lenders, the erstwhile promoters and the incoming investors, entered into an agreement on 1 December 2018. The Resolution plan received shareholders' approval on 7 January 2019.

There has been change in ownership and management of the Company. Jupiter Wagons Limited, Mr. Murari Lal Lohia, Murari Lal Lohia HUF, Jupiter Forgings & Steel Private Limited Tatravagonka A.S. ("**Tatravagonka**") (collectively referred to as investors have collectively acquired **60.65 %** of the expanded equity capital of the Company.

The highlights of the Resolution Plan are as follows

- a) The lenders have given waiver towards principal amounting to Rs. 2,618.13 Lakhs.
- b) The lenders have given waiver towards interest amounting to Rs. 3,792.95 Lakhs for the period 1 July 2017 till the date of Resolution
- c) Out of total principal amount due to lenders, an amount of Rs. 6,748.23 Lakhs has been converted to unlisted Non Convertible Cumulative Redeemable Preference Share (NCPRS) of amounting to INR 6,748.23 Lakhs. These will carry coupon rate of 0.001% and will be redeemable by the Company upon expiry of 5,887 days.
- d) The lenders have exercised the pledge on 30,217,528 equity shares at price of INR 15.44 per share resulting in a debt settlement of Rs. 3,983.11 Lakhs.
One of the lenders has refinanced the existing loan into a new term loan amounting to INR 2,377 Lakhs.
(Refer note 48 to the Financial Statements)

The Resolution Plan improves the financial position significantly in terms of equity and reduction in debt obligation. The Board of Directors are confident that the improved financial position and business drive by the incoming investors, will enable the company to enhance its performance in the years to come.

Exceptional items

The company recognised the following items as 'Exceptional items' in the profit & loss account.

- a) Gain of Rs. 3792.95 lakhs by way of waiver towards interest for the period 1 July 2017 till the date of Resolution plan, being interest not payable as per the Resolution plan
(Refer note 48 to the financial statements)
- b) Credit of Rs. 6046.37 lakhs, being gain on fair valuation of unlisted Non Convertible Cumulative Redeemable Preference Share (NCPRS) of INR 100 each amounting to INR 6,748.23 Lakhs allotted to the lenders in settlement of part of the principal amount due to them.
(Refer note 48 to the financial statements)

- c) Loss of of Rs 1603.98 lakhs, arising out review of certain activities and assets held for the same, being the difference of between written down value and estimated net realizable value of these assets. These assets are classified as 'Assets held for sale' at their estimated net realisable value.
(Refer note 36 to the financial statements)

Future Outlook

The Company's fortune mainly depends on the tipper segment in the M&HCV segment. It is continuously putting efforts to enhance performance by engaging with the OEMs for higher share of business and dealers toward for capturing the end-user requirements. Also it is exploring development of new applications for existing OEMs and targeting new OEMs.

Railway wagon business -

The company reviewed its Railway wagon business strategy, on the background positive developments of debt restructuring and funding by the incoming investors. The company could successfully pursue for an order for manufacture and supply of 500 BOXNHL wagons from the Ministry of Railways of India.

Change in the Nature of Business, If any

The Company has not undergone any change in the nature of the business during the Financial Year.

Material changes and commitments affecting the financial position of the Company

There have been no material changes and commitments affecting the financial position of the Company which have occurred during the end of the Financial Year of the Company to which the financial statements relate and the date of the report

Dividends

In view of the losses incurred before the exceptional item no dividend has been declared for the FY 2018-19..

Transfer to Reserves

During the year, the Company has created a Restructuring Reserve of Rs. 3,983.11 Lakhs representing the exercise of pledge on 30,217,528 equity shares at price of INR 15.44 per share by the lenders resulting in a debt settlement of Rs 3,983.11 Lakhs. The said amount has been treated as 'deemed contribution' by the shareholders.

Changes in Share Capital

During the year, the company has issued 3,45,39,693 fresh equity shares of Rs. 10 each which resulted in infusion of fresh capital and 1,62,229 Non-convertible Redeemable Preference shares of Rs. 100 each.

The authorized capital of the company increased from INR 77,05,00,000 Rupees Seventy Seven Crore and Five Lakh) divided into (a) 5,70,50,000 (Five Crore Seventy Lakh and Fifty Thousand) equity shares of INR 10 (Rupees Ten) each ("Equity Shares") aggregating to INR 57,05,00,000 (Fifty Seven Crore Five Lakh); and (b) 20,00,000 (Twenty Lakh) preference shares of INR 100 (Rupees One Hundred) each aggregating to INR 20,00,00,000 (Rupees Twenty Crore) to INR 180,05,00,000/- (Rupees One Hundred Eighty Crore and Five Lakh) divided into: (a) 9,20,50,000 (Nine Crore Twenty Lakh and Fifty Thousand) Equity Shares of INR 10 (Rupees Ten) each aggregating to INR 92,05,00,000/- (Rupees Ninety Two Crore Five Lakh); and (b) 88,00,000 (Eighty Eight Lakh) preference shares of INR 100 (Rupees One Hundred) each aggregating to INR 88,00,00,000/- (Rupees Eighty Eight Crore).

During the year company issued 3,45,39,693, fresh equity shares of Rs. 10 each amounting to INR 34,53,96,930 and 1,62,229 Non-Convertible Redeemable Preference shares (NCRPS) of Rs. 100 each amounting to INR 1,62,22,900

During the year under review, the Company has not issued convertible securities or shares with differential voting rights nor has granted any stock options or sweat equity or warrants. As on March 31, 2019, none of the Directors of the Company hold instruments convertible into Equity Shares of the Company

Members are requested to refer to note no. 16 forming part of the Audited Financial Statements which sets out for share capital.

Directors and KMP

The Board of Directors comprises

Sr. No.	Particulars	Designation
1.	Mr. Prakash Y Gurav	Independent Director
2.	Mr. M Venkat Rajarao	Independent Director
3.	Ms. Vineeta Shriwani	Independent Director
4.	Mr. Abhishek Jaiswal	Whole time Director
5.	Mr. Asim Ranjan Das Gupta	Non-Executive Director (w.e.f. 22 January 2019)

During the year following changes have taken place in Board of Directors due to resignation/cessation:

Pursuant to the Resolution Plan, the Lenders proposed to effect a change in control of the Company and in accordance with the Framework Agreement, subject to compliance with applicable laws.

Mr. Asim Ranjan Das Gupta was appointed as Non-Executive Director on the Board of Directors of the Company in accordance with Section 152, 161 of the Act, with effect from January 22, 2019

Mr. Asim Ranjan Dasgupta is B. Tech (Hons) in mechanical engineering from the Indian Institute of Technology, Kharagpur. At present, Mr. Dasgupta is a director on the board of directors of Jupiter Wagons Limited, JWL Dako-CZ (India) Limited, Karisma Goods Private Limited. Previously, Mr. Dasgupta has served in senior positions in organizations such as Hindustan Engineering, Burn Standard, Burnpur and Braithware & Co. Ltd. and has a work experience of over 45 years

None of the directors/ key managerial personnel of the Company, or their relatives is related to Mr. Asim Ranjan Das Gupta nor he hold any shares in the company.

Mr. Asim Ranjan Das Gupta tendered his resignation vide letter Dated May 22, 2019 from the Board of CEBSCO due to personal reasons.

Dr. Mrs. Madhu Chhandha Chatterjee has been appointed as Non- Executive Director on the Board with effect from May 22, 2019.

Dr. Chatterjee is acting as Executive Director of Anamika Kala Sangam, a premier cultural organization of Kolkata. She has been a Lecturer in English in the Department of English, Rabindra Bharati University, and has been into academics,

Dr. Chatterjee has worked as a Consultant in the Ministry of Culture, Govt. Of India during the 150 years Birth Celebrations of Rabindranath Tagore, steering the plans made by the Ministry. She has also been the Nodal Officer of a Digitization Project under the Indira National Centre for the Arts, Govt. of India

We confirm that the Company has received declarations from all the Independent Directors confirming that they meet the criteria of independence as prescribed under Section 149(6) of the Companies Act, 2013 as well as SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 ("SEBI LODR"). The Company has devised a Policy for performance evaluation of

Independent Directors, Board, Committees and other individual Directors which include criteria for performance evaluation of the non-executive directors and executive directors.

Pursuant to the provisions of Section 203 of the Act, the Key Managerial Personnel of the Company as on March 31, 2019 are: Mr. Abhishek Jaiswal, Whole Time Director and Chief Executive Officer and Mr. Amit Kumar Jain, Chief Financial Officer and Company Secretary.

The details of programs for familiarization of Independent Directors with the Company, their roles, rights, responsibilities in the Company, nature of the industry in which the Company operates, business model of the Company and related matters are put up on the website of the Company at the link: http://www.cebbco.com/docs/profile_for_investors.html

Board Evaluation

Pursuant to the provisions of the Act and the Listing Regulations, the evaluation was done on the basis of criteria to cover underlying objective for evaluation.

The performance evaluation of the Directors was completed during the year under review. The performance evaluation of the Chairman and the Non-Independent Directors was carried out by the Independent Directors and Non-Executive Director. The Board of Directors expressed their satisfaction with the evaluation process.

Managerial Remuneration

In compliance with the requirements of Section 197(12) of the Act, read with Rule 5 of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014, a statement containing the remuneration details of Directors and employees is annexed as **Annexure IV**.

Meetings of the Board of Directors

During the FY 2018-19, seven meetings of the Board of Directors were held. For details of meetings of the Board, please refer to the Corporate Governance Report, forming part of this report.

Board Committees

There are various Board constituted Committees as stipulated under the Act and Listing Regulations namely Audit Committee, Nomination and Remuneration Committee, Stakeholders Relationship Committee and Corporate Social Responsibility (CSR) Committee. Brief details pertaining to composition, terms of reference, meetings held and attendance thereat of these Committees during the year has been enumerated in Corporate Governance report.

Audit Committee Recommendations

During the year, all recommendations of Audit Committee were approved by the Board of Directors.

Director's Responsibility Statement

Your Director's state that:

- a) in the preparation of the annual accounts for the year ended March 31, 2019, the applicable accounting standards have been followed along with proper explanation relating to material departures.;
- b) The Directors have selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company as at March 31, 2019 and of the profit or loss of the Company for the year ended on that date;

- c) The Directors have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 2013 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
- d) The Directors have prepared the annual accounts on a 'going concern' basis;
- e) The Directors have laid down internal financial controls to be followed by the Company and that such internal financial controls are adequate and are operating effectively; and
- f) The Directors have devised proper systems to ensure compliance with the provisions of all applicable laws and that such systems are adequate and operating effectively.

Internal Financial Control Systems and their Adequacy

The Company has maintained adequate internal financial controls over financial reporting. These includes policies and procedures – (a) pertaining to the maintenance of records that are reasonably detailed, accurately and fairly reflects the transactions and dispositions of the assets of the Company, (b) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with Indian Accounting Standards notified under the Companies (Indian Accounting Standards) Rules, 2015, as amended from time to time, and that receipts and expenditures of the Company are being made only in accordance with authorization of management and directors of the Company, and (c) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of the Company's assets that could have a material impact on the financial statements. Such internal financial controls over financial reporting were operating effectively as of March 31, 2019

Details in respect of frauds reported by auditors under sub section (12) of section 143 other than those which reportable to the Central Government

There was no instance of fraud during the year under review, which required the Statutory Auditors to report to the Audit Committee and / or Board under Section 143(12) of Act and Rules framed thereunder.

No fraud has been reported by the Auditors to the Audit Committee or the Board.

Details of Subsidiary, Joint Venture or Associates

The Company does not have any subsidiary company, associates company or joint venture. Accordingly, a statement of the subsidiary Companies/ Associate Companies/Joint Ventures as per Form AOC-1 is not required to be filed with MCA/ROC.

Deposits

The Company has not accepted any public deposits during the Financial Year ended March 31, 2019 and as such, no amount of principal or interest on public deposits was outstanding as on the date of the balance sheet.

Details of deposits not in compliance with the requirements of the Act

Since the Company has not accepted any deposits during the Financial Year ended March 31, 2019, there has been no non-compliance with the requirements of the Act.

Extract of the Annual Return

The extract of Annual Return, in Form MGT -9 for the Financial Year 2018-19 has been enclosed with this report as **Annexure III**.

Corporate Governance

The Company is committed to maintain the highest standards of Corporate Governance and adhere to the Corporate Governance Requirements set out by SEBI. As per Regulation 34(3) read with Schedule V of the Listing Regulations, a separate section on corporate governance practices followed by the Company, together with a certificate from the Company's Auditors confirming compliance forms an integral part of this Report.

Particulars of Loans given, Investments made, guarantees given

Particulars of loans given, investments made, guarantees given and securities provided along with the purpose for which the loan or guarantee or security is proposed to be utilized by the recipient are provided in the financial statements.

Contracts and Arrangements with Related Parties

All related party transactions that were entered into during the financial year 2018-19 were on an arm's length basis and were in the ordinary course of the business. No materially significant related party transactions were entered into by the company with Promoters, Key Managerial Personnel or other designated persons, which may have potential conflict with interest of the company at large.

The Policy on materiality of related party transactions and dealing with related party transactions as approved by the Board may be accessed on the Company's website at the link http://www.cebbco.com/docs/profile_for_investors.html.

The Policy intends to ensure that proper reporting, approval and disclosure processes are in place for all transactions between the Company and Related Parties. This Policy specifically deals with the review and approval of Material Related Party Transactions keeping in mind the potential or actual conflicts of interest that may arise because of entering into these transactions. All the Related Party Transactions entered in the Ordinary Course of Business and at Arm's Length were reviewed and approved by the Audit Committee. All Related Party Transactions are placed before the Audit Committee for its review on a quarterly basis. All Related Party Transactions are subjected to independent review by a reputed accounting firm to establish compliance with the requirements of Related Party Transactions under the Act and Listing Regulations.

Members are requested to refer to Note No. **43** forming part of the Audited Financial Statements which sets out related party disclosures.

A detailed disclosure of these transactions with the Related Parties is annexed with this Report in Form AOC-2 as Annexure V

Significant and Material orders passed by the Regulators and Courts

No significant and material order has been passed by the regulators, courts, tribunals impacting the Company's operations in future.

Particulars of Conservation of Energy, Technology Absorption and Foreign Exchange Earnings and Out Go in terms of section 134 (3)(m) of the act read with rule 8 of the Companies (Accounts) Rules, 2014 forming part of the Director Report for the year ended March 31st, 2019.

Conservation of Energy:

1. Company ensures that the manufacturing operations are conducted in the manner whereby optimum utilization and maximum possible savings of energy is achieved.
2. No specific investment has been made in reduction in energy consumption.
3. As the impact of measures taken for conservation and optimum utilization of energy are not quantitative, its impact on cost cannot be stated accurately.

Since the Company does not fall under the list of industries, which are required to furnish this information in Form A annexed to the aforesaid Rules, the information has not been given.

Technology Absorption

The Company's products are manufactured by using in-house know how and no outside technology is being used for manufacturing activities. Therefore, no technology absorption is required. The Company persistently endeavors towards improvement in quality of its products.

Foreign exchange outgo and earning

During the year under the review, the Company had Foreign Exchange Earnings **Nil** and Foreign Exchange Outgo **Nil**.

Risk Management

Pursuant to section 134 (3) (n) of the Companies Act, 2013 & Regulation 21 of the listing of Debt Regulation, a Risk Management committee is to be constituted by the company who is amongst top 500 listed entities, hence not applicable.

The Company continues to face constraints of liquidity and working capital which are being monitored on a daily basis and appropriate actions are being taken to tide over the problem.

(Refer to item 8 in the Management Discussion and Analysis)

Corporate Social Responsibility (CSR)

A Corporate Social Responsibility Policy (CSR Policy) demonstrating the activities to be undertaken by the Company has been formulated by the Corporate Social Responsibility Committee (CSR Committee) and recommended to the Board, which has been approved by the Board.

The CSR Policy may be accessed on the Company's website at the link: http://www.cebbsco.com/docs/profile_for_investors.html.

The Annual Report on CSR activities has been annexed herewith as **ANNEXURE – I**

Human Resources

The company continued its focus on attracting new talents while investing in development to help employees acquire new skills, explore new roles and realize their potential.

The Company takes pride in the commitment, competence and dedication of its employees in all areas of the business. The Company has a structured induction process at all locations and management development programs to upgrade skills of manager. Objective appraisal systems based on key result areas (KRAs) are in place for senior management staff.

CEBBCO believes in the potential of people to go beyond and be the game-changing force for business transformation and success. This potential is harnessed by fostering an open and inclusive work culture that enables breakthrough performance and comprehensive development of employees through the three pillars of Leading Self, Leading Teams and Leading Business.

AUDITORS REPORT

Statutory Auditors

M/s BSR and Co. LLP, Chartered Accountants (Registration No. 101247 W / W - 100022), who are the Statutory Auditors of the Company had been appointed in the 37th Annual General Meeting of the Company held on 27th Day of September 2017. The Company has received letter from them to the effect that their appointment is within the prescribed limits and that they are not

disqualified for reappointment and will hold the office from the conclusion of the 37th Annual General Meeting until the conclusion of 42nd Annual General Meeting to be held in the year 2022. The Auditors' Report for the financial year ended 31st March, 2019, does not contain any qualification, reservation or adverse remark.

The Notes on financial statement referred to in the Auditor's Report are self-explanatory and do not require any further comments and explanations.

Secretarial Audit

The Board has appointed Mr. S.K. Gupta, Practicing Company Secretary, to conduct Secretarial Audit for the financial year 2018-19. The Secretarial Audit Report for the financial year ended March 31, 2019 is annexed herewith marked as **ANNEXURE II** to this Report. The Secretarial Audit Report does not contain any qualification, reservation or adverse remark. The Secretarial Audit Report is self-explanatory and do not call for any further clarification.

Secretarial Standards

The Company complies with the applicable Secretarial Standards issued by the 'Institute of Company Secretaries of India'.

DISCLOSURES:

CSR Committee

The CSR Committee comprises Mr. Manchi Venkat Raja Rao (Chairman), Mr. P Y Gurav (Member) and Mr. Abhishek Jaiswal (Member) as other members.

Audit Committee

The Audit Committee comprises Mr. Prakash Yashwant Gurav (Chairman), Mr. Manchi Venkat Raja Rao (Member), Mr. Abhishek Jaiswal (Member) and Ms. Vineeta Shriwani as other members. All the recommendations made by the Audit Committee were accepted by the Board.

Vigil Mechanism

The Vigil Mechanism of the Company, which also incorporates a whistle blower policy in terms of the Listing Agreement, includes an Ethics Officer and other Force comprising senior executives of the Company. Protected disclosures can be made by a whistle blower through an e-mail, or dedicated telephone line or a letter to the Ethics Officer and other Force or to the Chairman of the Audit Committee. The Policy on vigil mechanism and whistle blower policy may be accessed on the Company's website at the link http://www.cebbco.com/docs/profile_for_investors.html.

Employee

There is no employee in the company whose particulars are required to be disclosed under the provisions of Section 197(12) of the Act read with Rules 5(2) and 5(3) of the Companies(Appointment and Remuneration of Managerial Personnel) Rules, 2014 and amendment thereto.

Prevention of Sexual Harassment at Workplace under Sexual Harassment of Women & Workplace (Prevention, Prohibition & Redressal) Act, 2013

The Company has zero tolerance towards sexual harassment at the workplace and has adopted a policy on prevention, prohibition and redressal of sexual harassment at workplace in line with the provisions of the Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal) Act, 2013 and the Rules thereunder. During the year under review, there were no complaints pertaining to sexual harassment.

Awards & Recognition

We are proud to inform you all that we, CEBBCO Limited, was in the month of April 2019 conferred award by the Volvo Eicher Commercial vehicle (VECV Ltd.) for Best Performer in Applications Category.

Acknowledgements

Your Directors take this opportunity to express their gratitude to the customers, employees, bankers /financial institutions and vendors for their continued support and guidance.

For on behalf of the Board

COMMERCIAL ENGINEERS & BODY BUILDERS CO. LTD.

Place : Pune

Date : August 10, 2019

P.Y. Gurav

Director

(DIN: 02004317)

Abhishek Jaiswal

Whole Time Director & C.E.O.

(DIN: 07936627)