

TIL LIMITED

ANNUAL REPORT



2001 - 2002

REPORT JUNCTION



BOARD OF DIRECTORS

Mr. A. Mazumdar
Chairman

Mr. Sumit Mazumder
Managing Director

Mr. R. L. Gaggar
Solicitor & Advocate

Mr. J. Sengupta
Chairman, Vesuvius India Ltd. &
Gestetner (India) Ltd.

Mr. U. V. Rao
Former Chief Executive &
Managing Director - L&T Ltd.

Mr. S. M. Datta
Chairman, Castrol India Ltd.

Mr. K. S. De
Nominee of
Life Insurance Corporation of India
Executive Director (E&OS)

COMPANY SECRETARY

Mr. Debashis Nag

BANKERS

Bank of India

State Bank of India

Punjab & Sind Bank

State Bank of Bikaner & Jaipur

Union Bank of India

UCO Bank

Central Bank of India

AUDITORS

Price Waterhouse

REGISTERED OFFICE

1, Taratolla Road
Garden Reach
Kolkata 700 024

DIRECTORS' REPORT

Your Directors have pleasure in presenting to you the Annual Report and Accounts for the year ended 31st March, 2002.

1. FINANCIAL RESULTS

	Rs. in Lakhs	
	For the year ended 31.03.2002	For the year ended 31.03.2001
Profit for the year after meeting all expenses but before charging Depreciation and Interest	2094	1824
Less : Interest	1476	1422
Depreciation	214	182
PROFIT BEFORE TAX	404	220
Tax Provision		
a) Current year	50	18
b) Deferred Tax	102	—
PROFIT AFTER TAX	252	202
Less : Tax on the Proposed Dividend	—	10
Balance Net Profit available for appropriation	252	192
APPROPRIATIONS		
General Reserve	—	20
Proposed Dividend	—	97
Balance Carried Forward	252	75

2. PERFORMANCE

Turnover for the year under review is Rs. 247.31 Crores compared to Rs. 232.48 Crores in the previous year. Profit after tax has increased to Rs. 2.52 Crores.

The Wholly Owned Subsidiary Company, Myanmar Tractors & Trading Co. Ltd., in the Union of Myanmar, has achieved a turnover including service income of Rs. 101.82 Crores (US\$ 20.78 M.) compared to Rs. 84.80 Crores (US\$ 18.25 M.) in the previous year and a profit after tax of Rs. 4.08 Crores (US\$ 0.83 M.) compared to Rs. 4.69 Crores (US\$ 1.00 M.) in the previous year.

The Wholly Owned Subsidiary Company, TIL Overseas Pte. Ltd., in Singapore, commenced operation and has achieved a turnover of Rs. 2.37 Crores (US\$ 0.48 M.) and a profit after tax of Rs. 0.05 Crore (US\$ 0.01 M.)

The Wholly Owned Subsidiary Company, Tractors Nepal Pvt. Ltd., in Nepal, has commenced operation and achieved a turnover of Rs. 0.04 Crore (US\$ 0.01 M.) and incurred a loss of Rs. 0.16 Crore (US\$ 0.03 M.).

Reviewing the consolidated performance of the Group, your Company (together with the Subsidiary Companies) as a whole has achieved a turnover of Rs. 352 Crores compared to Rs. 317 Crores in the previous year and Group profit after tax of Rs. 6.49 Crores compared to Rs. 6.71 Crores in the previous year.



3. **DIVIDEND**

Despite the sluggishness in the economy during the year under review, trends for the future indicate the prospects of recovery and the emergence of new opportunities in core infrastructure sectors which the Company serves. Given the critical need for working capital in the light of future prospects, the Board recommends no dividend for the year, with the entire profit ploughed back into the business to take advantage of the emerging and growing opportunities.

4. **FINANCE**

After providing Rs. 1.52 Crores as Provision for Taxation, Rs. 2.52 Crores is carried forward to Balance Sheet. The total Reserve & Surplus of the Company increased from Rs. 51.45 Crores to Rs. 51.74 Crores and the Shareholders' Fund from Rs. 61.17 Crores to Rs. 61.46 Crores.

The working capital requirement of the company has increased due to delay in realisation of receivables, coupled with the requirement of long term working capital for exploiting growth opportunities, making it imperative to infuse fresh capital to sustain profitability.

The Company has no outstanding or unclaimed deposit from the public at the end of the year.

The Report and Accounts of subsidiary companies are annexed to this Report along with the statement pursuant to Section 212 of the Companies Act, 1956. However, in the context of mandatory requirement to present consolidated accounts, which provide members with a consolidated position of the Company including its subsidiaries, at the first instance, members are being provided with the Report and Accounts of the Company treating this as abridge accounts as contemplated by Section 219 of the Companies Act, 1956. Members desirous to receive full Report and Accounts including Report and Accounts of the subsidiaries will be provided the same on receipt of a written request from them.

5. **PARTICULARS OF CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION AND FOREIGN EXCHANGE EARNINGS AND OUTGO**

The Statement pursuant to Section 217(1)(e) of the Companies Act, 1956 read with Companies (Disclosure of Particulars in the Report of the Board of Directors) Rules, 1988 is given in the Annexure forming part of this Report.

6. **PARTICULARS OF EMPLOYEES**

The Statement pursuant to Section 217(2A) of the Companies Act, 1956 read with Companies (Particulars of Employees) Rules, 1975 as amended is given in the Annexure forming part of this Report.

7. **SUBSIDIARY COMPANIES**

A new company under the name TIL OVERSEAS PTE LTD., which is a 100% subsidiary of TIL Limited, has been formed in Singapore for carrying on the business of import and export of equipment and machinery in relation to construction industry.

8. **MANAGEMENT DISCUSSION AND ANALYSIS REPORT**

In terms of Clause 49 of the Listing Agreement of the Stock Exchanges, Management Discussion and Analysis Report is annexed herewith and forming part of this Report.

9. **DIRECTORS**

Mr. Aditya Banerjee joined the Board on 29th March, 1997 as Wholtime Director & Director-Finance. He resigned from the Board w.e.f. 29th March, 2002 on completion of his five years' contract. The Board wishes to place on record its appreciation for valuable services rendered by Mr. Banerjee during his tenure.

DIRECTORS' REPORT

Mr. U. V. Rao and Mr. A. Mazumdar retire by rotation from the Board and being eligible offer themselves for re-appointment. The Board recommends their re-appointment.

10. DIRECTORS' RESPONSIBILITY STATEMENT

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

- i) in the preparation of the Annual Accounts, the applicable accounting standards have been followed along with proper explanations relating to material departures.
- ii) the directors have selected such accounting policies and applied them consistently and made judgements and estimates that 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 profit or loss of the Company for that period.
- iii) proper and sufficient care has been taken for the maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities.
- iv) the Annual Accounts have been prepared on a going concern basis.

11. AUDITORS

Messrs. Price Waterhouse, Chartered Accountants, Auditors of the Company, retire and are eligible for re-appointment. Since Public Financial Institutions hold more than 25% of the Subscribed Share Capital of your Company, the Auditors' appointment will require a Special Resolution under the provisions of the Companies Act, 1956 and accordingly, appropriate Resolution is included in the Notice of the Annual General Meeting.

12. AUDITORS' REPORT

The notes to the Accounts referred to in the Auditors' Report are self-explanatory and, therefore, do not call for any further comment under Section 217(3) of the Companies Act.

13. COMPLIANCE CERTIFICATE FROM THE AUDITORS IN TERMS OF CLAUSE 49 OF THE LISTING AGREEMENT

The Company believes and has consistently practised good Corporate Governance for the conduct of its business and in its dealings with all stakeholders. The certificate of the Auditors, confirming compliance of conditions of Corporate Governance in terms of Clause 49 of the Listing Agreement of the Stock Exchanges, is annexed.

14. ACKNOWLEDGEMENTS

The Directors wish to express their gratitude for the continued co-operation, support and assistance provided by all the valued Customers, Principals Shareholders, Banks and Financial Institutions. Your Directors deeply appreciate the efforts, dedication and commitment put in by all employees at all levels.

For and on behalf of
the Board of Directors

Place : Kolkata
Dated : 31st May, 2002

A. Mazumdar
Chairman

ANNEXURE

to Directors' Report (contd.)



Information in accordance with Section 217(1)(e) of the Companies Act, 1956 and the Companies (Disclosure of Particulars in the Report of the Board of Directors) Rules, 1988.

FORM A**CONSERVATION OF ENERGY**

The Company's manufacturing operation is not energy intensive. However, continuous efforts on conservation are on.

1. Measures taken : The Company is committed to conserve energy and making the best use of this scarce resource.
2. Improvements : The Company has introduced systems for periodical monitoring of the Power factor and regularly maintaining all equipment to reduce energy consumption.
3. Impact of (1) & (2) : The energy cost per unit of output has been satisfactory.
4. TOTAL ENERGY CONSUMPTION AND ENERGY CONSUMPTION PER UNIT OF PRODUCTION.

A. Power and Fuel consumption :

	Year ended 31.03.2002	Year ended 31.03.2001
a) Electricity		
Purchased Units	916,178	951,010
Total amount (Rs. Lakhs)	47.87	51.80
Rate per Unit (Rs.)	5.22	5.44
b) Own Generation		
Through Diesel Generator		
Units	116,300	105,090
Units per litre	3.20	3.12
Cost per unit (Rs.)	5.58	5.98

B. Consumption per unit of Production

	Standard Unit	Year ended 31.03.2002	Year ended 31.03.2001
Product - Cranes			
Electricity (in '000)	Nos.	3.77*	7.50

- * Comparison with previous year not relevant because of product mix and capacity utilization.

ANNEXURE

to Directors' Report (contd.)

FORM B**TECHNOLOGY ABSORPTION****I. Research and Development**

1. Specific Areas : In line with the forward requirements of industry, the Company's research and development activities are concentrated towards developing new models of mobile cranes and allied types of material handling equipment, such as reachstackers for container handling with fast throughput times. With its leadership track record in the field of material handling equipment, the Company has been associated with the country's defence establishments in identifying their specialised requirements and developing equipment, answering to the demanding technology parameters of operation. Continuous efforts on import substitution have also reduced the volume of imported components, with savings in foreign exchange.
2. Benefits Derived : The velocity of the Company's technology adaptation has been a major factor in its position as market leader in the material handling industry.
3. Plan of Action : Technology upgradation of existing models, and introduction of new products to meet the complex needs of user sectors will continue as priority.
4. Expenditure on R & D Rs. in Lakhs

a) Capital Expenditure	5.20
b) Recurring (Including Market Research and Development)	35.60
c) Total Expenses	40.80
d) Total as % of Turnover	0.17%

II. Technology Absorption, Adoption & Innovation

1. Efforts made : Focussed continuity represents the Company's efforts to improve the quality of its products. To this end, improvement of existing manufacturing systems and facilities, is an ongoing process.
2. Benefits : The availability of reputed international brands in the domestic market is one of the factors for the Company to keep abreast of fast changing technology and to assess the specific technologies that add value to its products.
3. Imported Technology : The Company has technical collaboration with some of the world's most renowned organisations. Such collaborations have allowed the Company to derive the latest state of the art technology available globally.

FOREIGN EXCHANGE EARNINGS AND OUTGO

1. Efforts : The Company has been constantly endeavouring to get an increased share of the worldwide crane market and has met with some success.
2. Earnings and Outgo : Rs. in Lakhs

i) Foreign Exchange Earnings - Export Sales (FOB), Commission, etc.	665
ii) Foreign Exchange outgo (Includes raw material, capital goods, components & spares and other expenditure in foreign currency, including dividends) :	
a) Raw Material	1206
b) Components & Spares	912
c) Travelling	38
d) Technical Know-how Fees	42
e) Dividend	19
f) Others	50

Place : Kolkata
Dated : 31st May, 2002

A. Mazumdar
Chairman

ANNEXURE**to Directors' Report****SCHEDULE ANNEXED TO THE DIRECTORS' REPORT FOR THE YEAR ENDED 31ST MARCH, 2002.**

Statement pursuant to Section 217(2A) of the Companies Act, 1956 and the Companies (Particulars of Employees) Rules, 1975.

Sl. No.	Name	Designation/ Nature of Duties	Remuneration		Age in Years	Qualification	Total Experience	Date of Commencement of Employment	Last Employment Held		
			Gross in Rs.	Net in Rs.					Name of the Company	Designation	Period of Service

Employed throughout the year and in receipt of remuneration aggregating to Rs. 24,00,000/- or more

01.	Mazumdar A.	Chairman	3,284,042	2,000,150	67	B.Sc.Engg. (USA)	46	01.10.60	Standard Vacuum Oil Co. Ltd.	Drilling Superintendent	4 years
02.	Mazumdar Sumit	Managing Director	3,179,097	1,959,658	54	MBA (USA) AMP (Harvard)	30	01.07.87	JBA Printing Inks Ltd.	General Manager (Exports)	7 years

NOTES :

- All the employees have adequate experience to discharge the responsibility assigned to them.
- Remuneration includes Salary, House Rent Allowance, Other Allowances and Contributions to Provident, Gratuity and Superannuation Funds. Value of perquisites has been computed as per Income Tax Rules, 1962.
- Nature of employment in all cases is contractual.
- Mr. Sumit Mazumdar, Managing Director is related to Mr. A. Mazumdar, Chairman.

Kolkata
31st May, 2002

A. MAZUMDAR
Chairman

Report  junction.com

ANNEXURE

to Directors' Report (contd.)

MANAGEMENT DISCUSSION AND ANALYSIS REPORT

The management of TIL Limited is pleased to present its Analysis Report covering division-wise performance for the year 2001-2002 and outlook for the future. The projections for the Company's business would depend on the range and volume of future opportunities.

INDUSTRY STRUCTURE AND DEVELOPMENT

The Company's business is organised around three major Groups :

	% Sales
Material Handling	28%
Construction Equipment	50%
Power Systems	22%

The year under review witnessed a slowdown in investments in the domestic market. Barring the road sector, there was hardly any significant investment in other sectors. Cutback in investment along with slowdown in the world markets led to sluggish business environment. Intense competition in a dormant market has put the Company's margins under pressure. The Company however, is ready to meet the demands of the market where signs of recovery are visible.

SEGMENTWISE PERFORMANCE**MATERIAL HANDLING GROUP**

The turnover of this Group, accounting for 28% of the total turnover has reduced marginally in comparison to the previous year. In addressing the challenges of the marketplace, the Group has taken several initiatives, including the introduction of new products, particularly equipment in specialised defence applications.

With national security concerns having assumed serious dimensions, the need for strategic defence system has become critical, and the Government has invited private sector participation in defence production. The magnitude of the forthcoming role of the private sector is clear from the Defence Ministry projection that there would be exponential procurement from the private sector.

The Company has developed in-house technology in the field of defence related equipment, and has already delivered a number of technology intensive equipment to the defence organisations e.g. mobile mast antenna for remote forward areas, missile loading equipment, mobile launchers, etc. Amphibious vehicles for bridge laying application is another critical equipment under development.

To successfully cope with international competition in the domestic market, the Company has continuously adopted the latest technology in manufacturing a wide range of mobile cranes in technical collaboration with Grove, USA. In recognition of the international quality of mobile cranes from TIL, Grove has allowed the Company to export in future selectively to certain South East Asian and Middle East countries, an opportunity not earlier available.

CONSTRUCTION EQUIPMENT GROUP

The Group has successfully commissioned all equipment delivered to its customers. Our commitment to ensure optimum equipment availability has earned positive customer response. To enhance equipment productivity and

ANNEXURE

to Directors' Report (contd.)



uptime, the Group consolidated its infrastructure network of spare parts depots and on site service facilities.

Caterpillar has identified India as one of its next fastest growing markets. This provides the Group with a platform for accelerated growth for the future. Caterpillar's investments in India, particularly the acquisition of the earthmoving equipment manufacturing plant in Tiruvallur means that the Indian marketplace will henceforth have access to a significantly larger range of equipment from indigenous base. Caterpillar products from imported sourcing had cost disadvantages against the indigenous availability. This has resulted in a limited market share. The Caterpillar equipment range from Tiruvallur plant would provide a quantum thrust to the Group's business, as this would now be much more competitive in a price sensitive market. This incremental opportunity will not be necessarily economy driven but would rather be "availability" driven.

POWER SYSTEMS GROUP

The Power Systems Group has accounted for 22% of the Company's turnover and has achieved break-even. While there is a growing need for investments, both by public and private sectors, faster pace of reforms and funds availability are essential to accelerate growth in this sector. The Group is well positioned to meet the demands of its customers. With the packaging of the DG sets beyond 380 KVA directly by the principal, more efforts are being put on marketing and servicing the products.

The outlook for the Group is encouraging, seen in the context of the total power industry scenario. In the domestic market place, demand continues to outstrip availability, and this trend is likely to dominate.

OUTLOOK

The heavy engineering industry to which the Company belongs, is one of the sectors most affected by the economic slowdown. Despite the difficult conditions, the Company was able to maintain its position in the market and this was possible mainly through the world class products from its range and the Company's commitment to customer support. In regard to indications for the future it is expected that Government would initiate policy measures which would help attract investments in key infrastructure sectors. It should be a reasonable expectation that the country's demand for increasingly higher levels of production from core infrastructure sectors should be the determinant for revival.

The Company's prospects for future business will be a result of the increasing role of Caterpillar in India. As the global leader in the field of earthmoving and mining machinery, Caterpillar recognises that in the Indian market it is yet to achieve the status of a dominant player. This is largely due to the major reliance so far on imported equipment. Caterpillar has now decided to consolidate its position in the Indian marketplace through its locally manufactured offerings. This will result in higher sales opportunities for TIL.

Furthermore, the emerging prospects for defence related equipment is a positive factor in the Company's growth. Over the last 5-6 years, TIL has developed expertise in a range of equipment for use by the defence establishments. This is a continuous process, and is expected to yield results, with the anticipated bulk business from the Defence.

In the light of the emerging opportunities, additional requirements of funds will need to be addressed by the Company in the near future.