

# TIL Limited



*Annual Report 2005-2006*



## **BOARD OF DIRECTORS**

Mr. A. Mazumdar  
Chairman

Mr. Sumit Mazumder  
Managing Director & CEO

Mr. R. L. Gaggar  
Solicitor & Advocate

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

## **COMPANY SECRETARY**

Mr. Debashis Nag

## **BANKERS**

Bank of India  
Union Bank of India  
ING Vysya Bank Ltd.  
State Bank of Bikaner & Jaipur  
State Bank of India  
State Bank of Hyderabad  
UTI Bank Ltd.  
Punjab & Sind Bank

## **AUDITORS**

Price Waterhouse

## **REGISTRAR AND SHARE**

### **TRANSFER AGENT**

CB Management Services ( P) Ltd.  
P- 22, Bondel Road, Kolkata 700019

## **REGISTERED OFFICE**

1, Taratolla Road  
Garden Reach  
Kolkata 700024



## CONTENTS

	Pages
Directors' Report	3-11
Report on Corporate Governance	12-19
Certificate of Compliance of the Code of Conduct	20
Auditors' Certificate on Compliance of Corporate Governance	21
Ten Years Financial Highlights	22-23
Auditors' Report	24-27
Balance Sheet	28
Profit & Loss Account	29
Schedules	30-49
Balance Sheet Abstract	50
Cash Flow Statement	51
Report of the Auditors on Consolidated Accounts	52
Consolidated Balance Sheet	53
Consolidated Profit & Loss Account	54
Schedule forming part of the Consolidated Accounts	55-68
Consolidated Cash Flow Statement	69
Statement Regarding Subsidiary Companies	70

**DIRECTORS' REPORT**

Your Directors have pleasure in presenting the Annual Report and Accounts for the year ended 31st March, 2006.

**1. FINANCIAL RESULTS**

(Rs. / Crores)

	<b>For the year ended 31.03.2006</b>	<b>For the year ended 31.03.2005</b>
Profit for the year after meeting all expenses but before charging Depreciation and Interest.	<b>44.42</b>	35.24
Less: Interest	<b>13.61</b>	17.08
Depreciation	<b>11.96</b>	8.12
<b>PROFIT BEFORE TAX</b>	<b>18.85</b>	10.04
Tax Provision		
a) Current year	<b>6.75</b>	2.95
b) Deferred Tax (Credit) / Charge	<b>(0.72)</b>	0.31
c) Fringe Benefit Tax	<b>0.97</b>	—
<b>PROFIT AFTER TAX</b>	<b>11.85</b>	6.78
Add: Transfer from Debenture Redemption Reserve.	<b>0.50</b>	—
Balance Net Profit available for appropriation	<b>12.35</b>	6.78
<b>APPROPRIATIONS</b>		
General Reserve	<b>1.43</b>	0.34
Capital Redemption Reserve	<b>1.51</b>	—
Proposed Dividend:		
7.5% Preference Shares	<b>0.24</b>	0.30
Equity Shares	<b>1.95</b>	1.22
Tax on Dividend	<b>0.31</b>	0.21
Balance Carried Forward	<b>6.91</b>	4.71

**2. PERFORMANCE**

Turnover including income from operations for the year under review at Rs. 476.75 Crores represents an increase of 37% compared to Rs.347.13 Crores in the previous year. The profit before tax improved to Rs.18.85 Crores from Rs. 10.04 Crores in the previous year.

**MYANMAR TRACTORS LTD.**

The Wholly Owned Subsidiary Company, Myanmar Tractors Ltd., in the Union of Myanmar, has achieved a turnover including service income of Rs. 48.18 Crores (US\$ 10.82 M) compared to Rs.53.32 Crores (US\$ 11.78 M) in the previous year and a profit after tax of Rs. 1.90 Crores (US\$ 0.43 M) compared to Rs. 2.75 Crores (US\$ 0.61 M) in the previous year.



## DIRECTORS' REPORT (CONTD.)

### TIL OVERSEAS PTE. LTD.

The Wholly Owned Subsidiary Company, TIL Overseas Pte. Ltd., in Singapore, has achieved a turnover of Rs. 43.07 Crores (US\$ 9.68 M) compared to Rs. 30.47 Crores (US\$ 6.73 M) in the previous year and achieved a profit after tax of Rs. 1.54 Crores (US\$ 0.35 M) compared to Rs. 0.58 Crore (US\$ 0.13 M) in the previous year. This activity is totally for and on behalf of Myanmar Tractors Limited.

### TRACTORS NEPAL PVT. LTD.

The Wholly Owned Subsidiary Company, Tractors Nepal Pvt. Ltd., in Nepal, has achieved a turnover of Rs. 0.63 Crore (US\$ 0.14 M) compared to previous year of Rs. 0.68 Crore (US\$ 0.15 M) and earned a profit after tax of Rs. 0.15 Crore (US\$ 0.03 M) compared to Rs. 0.20 Crore (US\$ 0.04 M) in the previous year.

On a consolidated basis, your Company's turnover including income from operations (together with the Subsidiary Companies) increased to Rs. 565.88 Crores from Rs. 430.37 Crores in the previous year and profit after tax increased to Rs. 13.51 Crores from Rs. 9.59 Crores in the previous year.

## 3. FINANCE

After providing Rs.7.00 Crores as Provision for Taxation, Rs.0.28 Crores and Rs.2.22 Crores for Preference and Equity Dividend respectively, Rs.9.35 Crores is carried forward to Balance Sheet. The Reserve & Surplus (excluding Revaluation Reserve) of the Company increased from Rs. 45.94 Crores to Rs. 55.29 Crores and the Shareholders' Fund (excluding Revaluation Reserve) increased from Rs.59.67 Crores to Rs.67.51 Crores.

The Reports 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 Consolidated Report and Accounts of the Company as contemplated by Section 219 of the Companies Act, 1956. Members desirous to receive full Report and Accounts including Reports and Accounts of the subsidiaries will be provided the same on receipt of written request from them.

## 4. DIVIDEND

In view of improved performance, the Board has recommended a Dividend of 20% on Equity Shares for the year under review.

The Preference Dividend continues to be @ 7.5%.

## 5. FIXED DEPOSIT

The Company has not accepted any deposit from the public during the year. Deposits accepted earlier are being repaid in accordance with the Rules. Deposits outstanding as on 31<sup>st</sup> March 2006 amount to Rs.90 Lacs including unclaimed deposits of Rs.25,000/-.

## 6. PARTICULARS OF CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION, 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.



## **DIRECTORS' REPORT (CONTD.)**

### **7. 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 the Report. In terms of Section 219 of the Companies Act, 1956, this statement is not being circulated along with the reports and accounts. However, any shareholder interested in obtaining the same, may write to the Company at its Registered Office.

### **8. SUBSIDIARY COMPANIES**

The statement required u/s.212 of the Companies Act, 1956 in respect of subsidiary companies is appended herewith.

### **9. DIRECTORS**

Mr. S. M. Datta retires by rotation and being eligible offers himself for re-appointment. The Board recommends his re-appointment.

### **10. 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 forming part of this Report.

### **11. 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 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 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.

### **12. CEO/CFO CERTIFICATION**

The Board has received certification from CEO & CFO, as required under Clause 49(V) of the Listing Agreement of the Stock Exchanges.

### **13. 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, the appropriate resolution is included in the Notice of the Annual General Meeting.

**DIRECTORS' REPORT (CONTD.)****14. 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.

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

The Company believes in, and has consistently practiced 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.

**16. 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 the employees at all levels.*



For and on behalf of the Board of Directors

Place : Kolkata

Date : 5th June, 2006.

**A. Mazumdar**  
Chairman



## ANNEXURE TO DIRECTORS' REPORT

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

Energy conservation in Company's manufacturing process has been moderate. Efforts to conserve this scarce resource are made continuously.

1. Measures taken:

Energy consumption per unit of production has been monitored continuously which has resulted in optimum use for production.

2. Improvements:

Periodic maintenance with follow up actions have shown positive results.

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 31.03.2006	Year ended 31.03.2005
a) Electricity		
Purchased Units	1709357	1538371
Total amount (Rs. Lakhs)	92.34	86.37
Rate Per Unit (Rs.)	5.40	5.61
b) Own Generation		
Through Diesel Generator		
Units	81720	61826
Units per litre	3.49	3.23
Cost per unit (Rs.)	9.21	8.33

B. Consumption per unit of Production

	Standard Unit	Year ended 31.03.2006	Year ended 31.03.2005
Product - Cranes & DG Sets			
Electricity			
(in '000)	Nos.	4.71*	5.32*

\* Comparison with previous year not relevant because of change in product mix and capacity utilisation.





## ANNEXURE TO DIRECTORS' REPORT (CONTD.)

### FORM - B

#### TECHNOLOGY ABSORPTION

##### I. Research and Development

1. Specific Areas: In line with the requirements of industry, the Company's research and development activities are focused on developing material handling equipment with the help of world-renowned technology provider.
2. Benefits Derived: The technology adoption from world leader has helped the business in retaining leadership position in the relevant segments within the material handling industry.
3. Plan of Action: The Company's priority is to continuously update technology for introduction of high tech and cost competitive products to satisfy customer needs.
4. Expenditure on R&D
 

	<u>Rs. in Lakhs</u>
a) Capital Expenditure	Nil
b) Recurring (Including Market Research and Development)	65.76
c) Total Expenses	65.76
d) Total as % of Turnover	0.14%

##### II. Technology Absorption, Adoption & Innovation

1. Efforts made: The Company has introduced sophisticated cutting and boring machine to improve the quality of products. Further, improvement of existing manufacturing systems and facilities are happening continuously.
2. Benefits: The Company introduced Electric Level Luffing Crane in the market in March 2006.
3. Imported Technology: The Company has technical collaboration agreements with world-renowned manufacturers of material handling equipments. The in-house R&D team, jointly with the collaborators are working on new models of products.

#### FOREIGN EXCHANGE EARNINGS AND OUTGO

1. Efforts: Efforts are on for achieving specific market access in the Middle East and South East Asia to enhance foreign exchange earnings.
2. Earnings and Outgo:
 

	<u>Rs. in Lakhs</u>
i) Foreign Exchange Earnings - Export sales (FOB), Commission, etc.	1367
ii) Foreign Exchange outgo (includes raw material, capital goods, components & spares, and other expenditure in foreign currency, including dividends) :	
a) Raw Material	2631
b) Machines (Trading items)	5262
c) Components & Spares	27
d) Capital goods	68
e) Travelling	30
f) Technical Know-how Fees	47
g) Commission	9
h) Dividend	54
i) Others	3

For and on behalf of the Board of Directors

Place : Kolkata  
Date : 5th June, 2006.

**A. Mazumdar**  
Chairman



## MANAGEMENT DISCUSSION AND ANALYSIS REPORT

### INDUSTRY STRUCTURE AND DEVELOPMENT

The Company's business is organized into three major Groups:

	Revenue %
Material Handling Group	27
Construction Equipment Group	49
Power Systems Group	24

The emphasis on infrastructure development has been continuing and this has led to a number of large sized projects coming up all over the country in the field of power, steel, oil, coal, communication, roads and highways. There has been greater participation by private sector companies resulting in additional potential for business and increased order intake. The market for Construction Equipment, Material Handling Equipment and Power Systems promises a bright prospect. Your Company is poised to consolidate its leadership position to be in consonance with the growth of India's core infrastructure sectors.

### SEGMENTWISE PERFORMANCE

#### MATERIAL HANDLING GROUP

The Material Handling Group has contributed 27% of the Company's revenue. With the increased investments in the infrastructure sector, this Business Group has shown encouraging results with healthy order book position and introduction and supply of new product Electric Level Luffing Crane. Despite adverse impact on costs of raw materials, margins have been maintained. Implementation of ERP systems and outsourcing coupled with product updation have resulted in maintaining its market leadership.

The Group has secured a major contract for supply of mobile cranes for upcoming Reliance Petroleum Refinery in Jamnagar.

This Business Group has undertaken initiatives for exploring opportunities of growing crane market in Middle East and South East Asia.

To be able to provide to customers world-class services, major thrust is on to secure Operation and Maintenance Contract, Annual Maintenance Contract, major overhaul.

#### CONSTRUCTION EQUIPMENT GROUP

The Group accounted for 49% of Company's revenue during the year under review. With significant increase in investment in infrastructure sector in general and Mining activities in particular, the Group's sales registered a growth of 47%.

In the Mining sector, Tata Steel continued to repose their confidence on TIL by placing orders for their requirement of equipment for the Phase III of the South Eastern Block Project at West Bokaro along with Maintenance and Repair Contract (MARC). With increased spending by government Coal Companies, the Company was able to secure a large order from Bharat Coking Coal Ltd. for Dumpers.

Development of roads and highways also witnessed accelerated investment. TIL was able to secure major orders from Road contractors like SOMA, KMC, Punj Llyod, Madhucon.

TIL had reached yet another milestone in its journey to become total solutions provider when its first Rental Store was launched in 2005. The rental market in India is poised for a huge growth and TIL is geared to capture a sizeable market share. Efforts will further be made to differentiate Company's rental service from competitors and in the process develop strong brand equity.

TIL's latest service solution, 365 Days Service, is already being viewed as a path breaking approach in product support service in the country and has been greatly appreciated by customers and our principal. This is expected to result in enhanced customer satisfaction and lead to increased sales and more customer support agreements.

#### POWERSYSTEMSGROUP

With the power shortages continuing and new gas connections being available in the National Capital Region (NCR) there was a significant growth in demand for Gensets. The sales revenue grew by 48% during the current year. TIL secured turnkey orders from the Real Estate sector and the Manufacturing sector for 21 MW of Gas Gensets. Focus on the construction sector resulted in significantly higher market share for TIL Diesel Gensets. During the year, TIL built a segmented sales approach to provide tailor-made solutions to the customers.

TIL is further being recognized for innovative customer service solutions. A perfect testament to this is the installation of the Gas Gensets at DLF's Infinity Building, Cyber City, Gurgaon. TIL was awarded a contract by DLF