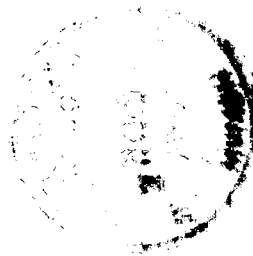


Annual Report 1996 - 97

MT	✓		BKG	✓
CS	✓		DPY	NA
RO	✓		DIV	✓
TRA	ND		AC	✓
ACM	✓	✓	SHI	✓
YE	✓	✓		✓



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TEXMACO LIMITED

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**DIRECTORS**

Shri K. K. Birla, Chairman
 Shri S. K. Poddar, Vice Chairman
 Shri P. N. Kaul
 Shri B. M. Khaitan
 Shri B. P. Bajoria
 Shri K. K. Dutt
 Smt. Shobhana Bhartia
 Shri R. Satagopan
 Shri G. P. Goenka
 Shri H. C. Gandhi
 (Special Director BIFR)
 Shri T. B. Ghoshal
 (Nominee Director SBI)
 Shri A. K. Nanda
 (Whole-time Director)

PRESIDENT

Shri Ramesh Maheshwari

SECRETARY

Shri O. P. Jhunjhunwala

AUDITORS

Messrs. K. N. Gutgutia & Co.

BANKERS

State Bank of India
 Jammu & Kashmir Bank Ltd.

REGISTERED OFFICE

Belgharia, Calcutta-700 056

HEAD OFFICE

Birla Building
 9/1, R. N. Mukherjee Road
 Calcutta-700 001

BRANCHES

Ahmedabad
 Mumbai
 Coimbatore
 Hyderabad
 Chennai
 New Delhi

ENGINEERING WORKS

Belgharia (W. Bengal)
 Agarpara (W. Bengal)
 Sodepur (W. Bengal)
 Panihati (W. Bengal)

TEXTILE MILLS

Birla Textiles (Delhi)
 Chenab Textiles (J & K)

GINNING FACTORIES

Malout (Punjab)
 Kesrisinghpur (Rajasthan)
 Sangaria (Rajasthan)
 Fatehabad (Haryana)

DAIRY

Birla Dairy (Delhi)

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NOTICE

TO THE SHAREHOLDERS

NOTICE is hereby given that Fiftyseventh Annual General Meeting of TEXMACO LIMITED will be held on Thursday, the 28th August, 1997 at 3.00 p.m. at Birla Building, 9/1, R. N. Mukherjee Road, Calcutta - 700 001, to transact the following business :

1. To receive and consider the Report of the Directors and to adopt the Audited Accounts of the Company for the year ended 31st March, 1997.
2. To declare Dividend on Preference Shares for earlier years from 1985 to 31st March, 1996 and for the year ended 31st March, 1997.
3. To declare Dividend on Equity Shares for the year ended 31st March, 1997.
4. To appoint a Director in place of Shri B. P. Bajoria who retires by rotation and is eligible for re-election.
5. To appoint a Director in place of Shri K. K. Dutt who retires by rotation and is eligible for re-election.
6. To appoint a Director in place of Smt. Shobhana Bhartia who retires by rotation and is eligible for re-election.
7. To appoint Auditors and Branch Auditors and to fix their remuneration.

AS SPECIAL BUSINESS

To consider and if thought fit to pass with or without modification the following Ordinary Resolutions :

Item No. 8

RESOLVED that Shri A. K. Nanda be and is hereby appointed a Director of the Company.

Item No. 9

RESOLVED that consent of the Company be and is hereby accorded to the appointment of Shri A. K. Nanda as Whole-time Director of the Company for a period of three years with effect from 18th November, 1996 on the remuneration as stated in the Explanatory Statement.

Item No. 10

RESOLVED that consent of the Company be and is hereby accorded in terms of Section 293 (1) (a) and other applicable provisions, if any, of the Companies Act, 1956 to the Board of Directors of the Company to dispose of the Company's four Ginning Factories situated at Malout (Punjab), Kesrisinghpur (Rajasthan), Sangaria (Rajasthan) and Fatehabad (Haryana) on such terms and conditions as may be decided by the Board of Directors in the best interest of the Company.

The Register of Members of the Company will remain closed from 19th August, 1997 to 28th August, 1997 both days inclusive.

Belgharia,
Calcutta - 700 056
Dated : 18th June, 1997.

By Order of the Board
O. P. Jhunjhunwala
Secretary

- NOTES : 1. A Member entitled to attend and vote at the meeting is entitled to appoint a Proxy to attend and vote instead of himself and the Proxy need not be a Member.
2. The instrument appointing Proxy should, however, be deposited at the Registered Office of the Company not less than fortyeight hours before the commencement of the meeting.



EXPLANATORY STATEMENT

AS REQUIRED BY SECTION 173 OF THE COMPANIES ACT, 1956 :

ORDINARY RESOLUTIONS

Item Nos. 8 & 9

Shri A. K. Nanda was appointed by the Board of Directors as a Whole-time Director of the Company for a period of three years with effect from 18th November, 1996. His appointment as a Director will cease at this Annual General Meeting. As required by Section 257 of the Companies Act, 1956 a notice has been received from a member signifying his intention to propose the appointment of Shri Nanda as a Director of the Company. Shri Nanda possesses considerable practical experience in managing the affairs of industrial undertakings. It would be in the best interest of the Company to appoint him as Whole-time Director on the remuneration as mentioned below. The resolutions are submitted for your approval.

1. Salary : Rs. 20,000/- per month with effect from 18-11-1996 which was raised to Rs. 25,000/- per month with effect from 1-4-1997 by the Board at its meeting held on 14-1-1997.
2. Perquisites
 - CATEGORY-A
 - a) Housing : i) The expenditure by the Company on hiring furnished accommodation for the Whole-time Director will be subject to a ceiling of sixty percent of the salary.
ii) The expenditure incurred by the Company on gas, electricity, water and furnishing shall be valued as per Income-tax Rules, 1962.
 - b) Medical Reimbursement : Reimbursement of expenses incurred by the Whole-time Director for self and his family subject to the ceiling of one month's salary in a year or three month's salary over a period of three years.
 - c) Leave Travel Concession : For self and his family once in a year in accordance with the Rules of the Company.
 - d) Leave : As per the Rules of the Company.
 - e) Club Fees : Subject to a maximum of one Club. No admission or life membership will be paid by the Company.

CATEGORY-B

- a) Contribution to Provident Fund : Contribution to Provident Fund shall be as per Rules of the Company.

CATEGORY-C

- a) Provision of Car for use on Company's business and telephone at residence will not to be considered as perquisites. However, long distance calls on telephone and use of Car for private purpose shall be billed by the Company.
3. In the event of the loss or inadequacy of profit in any financial year during his tenure as the Whole-time Director the aforesaid remuneration shall be treated as minimum remuneration.
4. The variation and increase in the remuneration of the Whole-time Director shall not exceed 5% of the profits of the Company and the limits specified in Schedule XIII of the Companies Act, 1956.

Except Shri A. K. Nanda, no other Director of the Company is concerned or interested in the proposed resolutions.

Item No. 10

The Company owns four Ginning Factories at Malout (Punjab), Kesrisinghpur (Rajasthan), Sangaria (Rajasthan) and Fatehabad (Haryana) to cater to the needs of Company's Textile Unit, Birla Textile Mills at Delhi. Birla Textile Mills at Delhi, a unit of the Company, which was being run by the Partnership firm under a Working Arrangement has been closed down with effect from November 30, 1996 as per the Orders of the Supreme Court of India. The Unit is being re-located at Baddi in the State of Himachal Pradesh to be run by the Partnership firm. In view of this, the Company will not require the facilities available at the four Ginning Factories. As such, it is considered advisable to dispose of the four Ginning Factories.

The Resolution is submitted for obtaining shareholders' approval in compliance with the provisions of Section 293 (1) (a) of the Companies Act, 1956 so that the Directors may negotiate and finalise the sale and take necessary steps in the matter in the best interest of the Company.

None of the Directors is interested in the above Resolution except such interest as may be attributed to them by reason of their being a shareholder.

Belgharia
Calcutta - 700 056
Dated : 18th June, 1997.

By Order of the Board
O. P. Jhunjhunwala
Secretary



REPORT OF THE DIRECTORS

Your Directors take pleasure in presenting the 57th Annual Report along with the Audited Accounts of the Company for the year ended 31st March, 1997.

	Rs. in Lakhs	
	1996-97	1995-96
FINANCIAL RESULTS		
Operating Profit before interest and depreciation	1484.48	659.71
Profit on sale of Fixed Assets	91.06	44.07
Total Gross Profit	1575.54	703.78
Less : Interest	466.85	518.59
Cash Profit	1108.69	185.19
Less : Depreciation	144.07	128.87
Net Profit	964.62	56.32
Less : Provision for Taxation including tax on Dividend	131.70	54.00
	832.92	2.32
Add : Balance brought forward from the previous year	1734.86	1732.54
Balance available for appropriation	2567.78	1734.86
Which the Directors have appropriated as under :		
a) Proposed Dividend without deduction of tax on —		
i) 30,000 5.5% Cumulative Preference Shares of Rs. 100/- each for the period from 1.1.85 to 31.3.97	20.21	
ii) 25,82,289 Equity Shares of Rs. 10/- each @ Rs. 1.50 per share	38.74	
iii) 23,85,022 Equity Shares of Rs. 10/- each @ Rs. 1.50 per share (on prorata basis from the date of Allotment)	7.45	
iv) 1,96,067 Equity Shares of Rs. 10/- each @ Rs. 1.50 per share (on prorata basis from the date of Allotment)	0.57	66.97
	2500.81	—
b) General Reserve	2000.00	—
Balance carried to Balance Sheet	500.81	1734.86

Your Directors are happy to report a remarkable turnaround in the performance of the Company during the year under review. Sales increased by 79% in comparison with that of the previous

year. The Net Profit after Interest and Depreciation increased to Rs. 964.62 lakhs, as against Rs. 56.32 lakhs during the previous year. Owing to substantial improvement in working results, your Directors are happy to recommend a dividend on Equity Shares @ 15% after a lapse of several years. Your Directors also propose to pay dividends up-to-date on Preference Shares.

OPERATIONS

Sales amounted to Rs. 284.46 crores, as against Rs. 157.21 crores during the previous year. The Company has been able to secure substantial orders under 'Own Your Wagon' Scheme. However, orders for wagons from Railway Board were negligible during the year under review. Despite this, the Company managed to deliver 4617 four wheelers (FWs) during the year as against 2290 FWs during the previous year. The Company has recently received orders for 2710 FWs from Indian Railways against Tender, and it is hopeful of receiving further orders shortly. The Company expects to achieve higher production of wagons during the current year.

The liquidity crunch in the Textile Industry continued throughout the year, resulting in rather poor offtake of Textile Machinery inspite of a healthy order throw-forward position. The inflow of orders during the year was tardy and, as a result, the Company had to drastically cut down its production of Textile Machinery. However, there are some signs of revival in the demand for textile machinery in the private sector. The Government of India is also planning to revive National Textile Corporation (NTC) units, which may help resuscitate the Textile Machinery Division in the second half of the current year. The overall outlook however continues to be uncertain.

The sales of Water Tube Boilers declined marginally, but sales of Sugar Mill Machinery almost doubled from Rs. 11.26 crores to Rs. 22.11 crores during the year. However, further inflow of orders remained low as the Sugar Industry continued to be plagued by problems on account of high price of cane accompanied by low value realisation.

The Steel Foundry Division achieved impressive growth with its sales rising from Rs. 6.40 crores to Rs. 19.23 crores during the year. The Company has initiated steps to manufacture Couplers and CMS Crossings besides Bogies in this Division which will further improve its sales and profitability.

The Company's Panihati Works continued to concentrate on manufacture of Points & Crossings, whose sales registered a handsome increase from 483 sets during the previous year to 839 sets during the year under review.

Your Directors expect that the Company's working during the year will be maintained despite the lingering uncertainty about the Textile Machinery Division. Your Company's dialogue with various reputed International Companies for joint venture/technical collaboration to manufacture new and sophisticated products is well under way to help improve value addition.

EXPORTS

The Company's exports, including deemed exports, amounted to Rs. 2.58 crores during the year. The Company has in the current


**TEXMACO
LIMITED**

year received export orders for Textile Machinery worth Rs. 14.68 crores, and expects to receive further export orders.

BIRLA TEXTILES

In a Public Interest Litigation titled M. C. Mehta Vs. Union of India & Ors, the Hon'ble Supreme Court of India, vide its Order dated July 30, 1996, had ordered 168 industries listed in the said Order to close down and stop functioning in Delhi with effect from November 30, 1996.

Birla Textiles, a Unit of the Company is one of the above-mentioned 168 industries. Accordingly, Birla Textiles has been closed down with effect from November 30, 1996 and the existing working arrangement with the Partnership firm comprising Hindustan Times Ltd., Upper Ganges Sugar & Ind. Ltd. and Sutlej Industries Ltd. stands terminated from the said date. The Company, however, has decided to join the Partnership firm with 5% share, along with Hindustan Times Ltd., Upper Ganges Sugar & Ind. Ltd. and Sutlej Industries Ltd. with effect from 1st December 1996. It would relocate Birla Textiles at Baddi, Himachal Pradesh and this proposal has been approved by the Hon'ble Supreme Court. A detailed note regarding the payments to be made to the employees in this respect is attached to the Notes to the Balance Sheet under item 6.

CHENAB TEXTILES

The Working Arrangement continues in respect of Chenab Textile Mills (CTM) with Sutlej Industries Ltd. (Sutlej) upto 31st March, 1997. The Company has decided to transfer CTM, Kathua to Sutlej under a Scheme of Arrangement as a going concern effective 31st March, 1997. In consideration of such transfer, Sutlej has agreed to transfer 3,50,000 fully paid up Equity Shares of Rs. 10/- each held in Zuari Agro Chemicals Ltd. to the Company at the market price prevailing on 31.3.97. The Scheme of Arrangement has been submitted to the Hon'ble High Court of Calcutta by the Company and to the Hon'ble High Court of Rajasthan, by Sutlej. The Shareholders of the Company have approved the Scheme of Arrangement in the meeting held on 16th June, 1997. The effect of the transfer under the Scheme of Arrangement shall be reflected in the Accounts for the current year after sanction of the Scheme by the Hon'ble High Courts.

INCREASE IN CAPITAL

During the year under review, the Equity Capital of the Company was increased to Rs. 516.34 lakhs by issue and allotment of 25,81,089 Equity Shares of Rs. 10/- each for cash at a premium of Rs. 50/- per share on Right basis which was fully subscribed. The funds raised have been utilised towards the object of the issue stated in the Letter of Offer.

SUBSIDIARY

During the year, High Quality Steels Ltd. became a subsidiary of your Company. As required by Section 212 of the Companies Act,

1956, audited accounts of the Company's subsidiary and report thereon from the Directors and Auditors are attached.

INDUSTRIAL RELATIONS

The Company's industrial relations continue to be cordial and your Directors record their deep appreciation of the dedicated work put in by the workers, staff and officers of the Company.

ACCOUNTING

The Company had discontinued the practice of capitalising the interest charges on fixed assets acquired on deferred credit during the previous year. In respect of interest already capitalised during the earlier years, the Notes appended to the Accounts as well as the other Notes in the Auditors' Report will be found self-explanatory.

PARTICULARS OF EMPLOYEES

A statement containing the required particulars of employees as stipulated under Section 217 (2A) of the Companies Act, 1956, read in conjunction with the Companies (Particulars of Employees) Rules, 1975, is annexed.

CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION AND FOREIGN EXCHANGE EARNINGS AND OUTGO

As required under Section 217 (1)(e) of the Companies Act, 1956 read with Rule 2 of the Companies (Disclosures of Particulars in the Report of the Board of Directors) Rules 1988, information relating to conservation of energy, technology absorption, and foreign exchange earnings and outgo is annexed.

DIRECTORS

IDBI and ICICI have withdrawn their Nominee Directors, Shri P D Ojha and Shri S Roy respectively from the Board of Directors of the Company. The Directors place on record their deep appreciation for the valuable advice and guidance received from them during their tenure as Directors of the Company.

Shri S K Poddar was appointed as the Vice-Chairman of the Board of the Company.

Shri A K Nanda has been appointed as a Whole-time Director of the Company for a period of 3 years with effect from November 18, 1996 subject to approval of the shareholders at the forthcoming Annual General Meeting.

Shri B P Bajoria, Shri K K Dutt and Smt. S Bhartia, Directors of the Company, retire by rotation and are eligible for re-election.

AUDITORS

The Auditors, M/s. K N Gutgutia & Co., and M/s. Chari & Co., Branch Auditors of Malaysia retire and are eligible for re-appointment.

Calcutta

Dated : 18th June, 1997

For and on behalf of the Board

K. K. BIRLA

Chairman



ANNEXURE—A TO DIRECTORS' REPORT

PARTICULARS OF EMPLOYEES FORMING PART OF THE DIRECTORS' REPORT FOR THE YEAR ENDED 31ST MARCH, 1997

Name	Designation	Age (Years)	Remune- ration (Rs.)	Qualifications	Experience (Years)	Date of commence- ment of employment	Last employment period of Service (Years)
1	2	3	4	5	6	7	8
EMPLOYED THROUGHOUT THE YEAR							
Agrawal S. K.	Vice President (C.P. & D.)	64	3,62,455	B.Sc.(Engg.), F.I.E.	43	26-07-54	—
Bhaskara Rao K.	Vice President (Sugar M/c)	51	3,47,613	M.E.	27	01-09-76	M/s. K. C. P. Limited Engineer (7)
Jain N. C.	Vice President (TMS-HE)	62	4,25,246	B. E. (Hons.), Mech. M.I.I.W.	41	09-07-56	—
Jhunjhunwala O. P.	Sr. Vice President (Coml.) & Secretary	65	4,10,069	B.Com., LL.B.	46	01-10-60	M/s. Cotton Agents (P) Limited, Taxation Officer (9)
Kumar S.	Vice President (Boiler, P.V. & C.P.M.)	60	3,66,459	B.Tech. (Hons.) Mech. Engg.	38	24-01-70	M/s. Walchandnagar Industries Limited, Incharge Boiler/Pressure Vessel Project (3)
Maheshwari Ramesh	President	64	12,57,714	M.Com., LL.B.	41	01-02-62	M/s. F & C Osler (India) Limited & Sister Concerns, Tax Consultant (7)
Nanda A. K.	Whole-time Director	63	3,51,800	B.Sc., B.E. (Mech.) M.A.W.S., M.I. Inst. W.	40	17-06-57	—
Oberoi K. C.	Vice President (BW)	57	3,68,458	B.Sc., B.E. (Mech.)	33	01-08-78	M/s. Shriram Bearings Limited, Dy. Production Manager (8)

BW = Belgharia Works, HE = Heavy Engg. Division,

- NOTES : 1. Remuneration as shown above includes Salary, Allowance, Bonus, Contribution to Provident Fund, Superannuation Fund and other perquisites.
2. None of the employees named above is a relative of any Director of the Company.
3. All appointments are non-contractual except of Sri A K Nanda.
4. Other terms and conditions as per Company's rules.



ANNEXURE--B 'TO DIRECTORS' REPORT'

INFORMATION AS PER SECTION 217 (1) (e) OF THE COMPANIES ACT, 1956 READ WITH COMPANIES (DISCLOSURE OF PARTICULARS IN THE REPORT OF BOARD OF DIRECTORS) RULES, 1988 AS PART OF THE DIRECTORS' REPORT FOR THE YEAR ENDED 31ST MARCH, 1997.

I. CONSERVATION OF ENERGY

a) Energy conservation measures taken :

Steel Foundry

Improvement in operating practices relating to melting and pouring of steel continues.

b) Additional Investments and proposals, if any, being implemented for reduction of consumption of energy.

Steel Foundry

Additional Capacitors are planned for improving Power Factor.

Engineering Works

Improvement in Electrical lighting and compressed air system to reduce energy consumption continuing.

c) Impact of the measures at (a) and (b) above for reduction of energy consumption and consequent impact on the cost of production of goods :

i) Steel Foundry

With the improved operating practices in melting and pouring of steel, electricity consumption has been reduced from 976 Units per Ton of Liquid Metal to 843 Units per Ton of Liquid Metal.

ii) Engineering Works

Energy consumption is expected to be reduced by about 3%.

d) Total energy consumption and energy consumption per unit production as per Form A of the Annexure to the Rules in respect of Industries specified in the Schedule thereto : (Steel Foundry)

		1996-97	1995-96
		Arc	Arc
		Furnace	Furnace
A) Power & Fuel Consumption :			
Electricity			
Purchased			
Units (in thousands)		64.27	1668
Total Amount (Rs. in lakhs)		147.42	49.88
Rate/Unit (Rs.)		3.33	2.99
B) Consumption per Unit of Production :			
Electricity	Units	843	976
Furnace Oil	Ltrs	—	—
Coal (Steam)	Kgs	—	—

II. TECHNOLOGY ABSORPTION

1. Carding Machine

New model of Carding Machine is being developed with the following features :

- Linear Can Changer.
- Computerised information system.
- Specially designed Autolevelling arrangement suitable for Indian industry.

2. Draw Frame

Inverter Drive is being introduced for improving productivity by effective delivery speed control.

3. Speed Frame

Development of improved "Bobbin Shoulder Collapse Prevention Mechanism" and "Electronic Fine Rove Tensioning Device".

4. Ring Frame

- Special energy saving arrangement, with AC Variable Drive, special spindle with 18.5 mm Wharve Diameter, Flat Step Pulley, etc.
- Implementation work for adaptation of latest drafting system (German Design) on our Ring Frame is in process.

Benefits :

The above developments have improved acceptability of our machines for Synthetic Mills. These have increased overall productivity for both synthetic/cotton spinning.



Future plan of action :

1. Carding Machine

- i) Redesigning of coiler device with timing belt drive and stronger structure etc. for noise and vibration-free working.
- ii) Centralised pneumatic suction system for a group of Cards.
- iii) Indigenisation of auto-leveller components.

2. Draw Frame

- i) Additional Ball Bearing Support arrangement for creel lifting rollers for even feeding of sliver.
- ii) Redesigning of suction arrangement with modified air-path inside drafting top cover for improved cleaning.

3. Speed Frame

- i) Developing of improved stronger flyer for spinning synthetic fibre.
- ii) Automatic lubrication arrangement for flyer and bobbin driving gears for noise free working.

4. Ring Frame

- i) Redesigning of "Off-End" arrangement with total vibration isolation between electrical control box and main driving part.
- ii) Novel pneumafil arrangement with impeller placed in horizontal configuration and suction motor in vertical position, outside the pneuma box, for better performance.
- iii) Twin Traverse mechanism for condenser bar for longer life of cots and aprons.
- iv) Inertia-free building motion utilising unique Inverter feature, for operational ease.

5. Expenditure on R&D (Rs. in lakhs) :

i) Capital	—
ii) Recurring	35.00
iii) Total	35.00
iv) Total R&D Expenditure as percentage of total turnover	—

IIA. TECHNOLOGY ABSORPTION, ADAPTATION AND INNOVATION

a) Efforts, in brief, made towards technology absorption, adaptation and innovation :

Our R&D efforts as summarised under II (1) above are directed to technology absorption, adaptation and innovation.

b) Benefits derived as a result of the above efforts, e.g., product improvement, cost reduction, product development, import substitution, etc.

It is difficult to quantify the benefits. However, we have improved quality and performance of our products and achieved higher levels of import substitution in our Textile Machinery.

c) Particulars of technology imported during last 5 years :

Technology imported (Product)	Year of Import	Has technology been fully absorbed	If not fully absorbed, areas where this has not taken place, reasons thereof and future plans of action
1. Howa Machinery Ltd., Japan High Speed Comber Model 'KZ 3', and Super Lap Former Model 'Dy. No. 5'	1990	Yes	N.A.
2. Combustion Systems Ltd., U.K. FBC Water Tube Boiler	1989	No	Project designs in sizes 20 to 50 TPH completed; however, absorption shall be completed after successful execution of the first order.

III. FOREIGN EXCHANGE EARNINGS AND OUTGO

a) Activities relating to exports, initiatives taken to increase exports, development of new export markets for products and services :

Continued drive is being made to increase exports and to develop new export markets.

b) Total foreign exchange used and earned :

Used :	Rs. 123.03 Lakhs
Earned :	Rs. 151.08 Lakhs