

Annual Report 1997-98

MD	✓		BKC	✓
CS	✓		DPY	NA
RO	✓		DIV	✓
TRA	NA		AC	✓
AGM	✓	✓	SHI	✓
YE	✓	✓		

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TEXMACO LIMITED




**TEXMACO
LIMITED**
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 G. P. Goenka
 Shri H. C. Gandhi
 Shri T. B. Ghoshal
 (Nominee Director SBI)
 Shri A. C. Chakrabortti
 Shri B. C. Bose
 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

REGISTERED OFFICE

Belgharia, Calcutta-700 056

CORPORATE OFFICE

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

REGIONAL OFFICES

Mumbai
 Coimbatore
 Chennai
 New Delhi

ENGINEERING WORKS

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

REAL ESTATE DIVN
GINNING FACTORIES

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

DAIRY

Birla Dairy (Delhi)

CONTENTS

Notice	2
Report of the Directors	5
Auditors' Report	9
Financial Highlights	11
Balance Sheet	12
Profit and Loss Account	13
Schedules to Balance Sheet	14
Schedules to Profit and Loss Account	23
Subsidiary Companies' Reports and Accounts	31
Production Highlights	44



NOTICE

TO THE SHAREHOLDERS

NOTICE is hereby given that Fiftyeighth Annual General Meeting of TEXMACO LIMITED will be held on Wednesday, the 19th August, 1998 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, 1998.
2. To declare Dividend on Equity Shares for the year ended 31st March, 1998.
3. To approve payment of Dividend on Preference Shares for the year ended 31st March, 1998.
4. To appoint a Director in place of Shri S. K. Poddar who retires by rotation and is eligible for re-election.
5. To appoint a Director in place of Shri P. N. Kaul who retires by rotation and is eligible for re-election.
6. To appoint a Director in place of Shri B. M. Khaitan 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 Resolutions :

AS ORDINARY RESOLUTIONS

Item No. 8 (a)

"RESOLVED that Shri H. C. Gandhi be and is hereby appointed a Director of the Company".

Item No. 8 (b)

"RESOLVED that Shri A. C. Chakrabortti be and is hereby appointed a Director of the Company".

Item No. 8 (c)

"RESOLVED that Shri B. C. Bose be and is hereby appointed a Director of the Company".

AS SPECIAL RESOLUTIONS

Item No. 9 (a)

RESOLVED that the 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 mortgaging and/or charging by the Board of Directors of the Company of all the immovable and movable properties of the Company pertaining to Belgharia, Agarpara and Sodepur units wheresoever situate, present and future, except on certain equipments acquired under Equipment Finance Scheme to or in favour of the Industrial Development Bank of India (IDBI).

to secure :

- (a) Rupee Term Loan not exceeding Rs. 1125.00 lakhs (Rupees One thousand One hundred Twentyfive lakhs only) lent and advanced/agreed to be lent and advanced by IDBI to the Company.
- (b) together with interest thereon at the respective agreed rates, compound interest, additional interest, liquidated damages, premia on prepayment, costs, charges, expenses and other monies payable by the Company to IDBI, under its Heads of Agreement/Loan Agreements/Letters of Sanction/Memorandum of Terms and Conditions entered into/to be entered into by the Company in respect of the said term loans.

RESOLVED further that the Board of Directors of the Company be and is hereby authorised to finalise with IDBI the documents for creating aforesaid mortgage and/or charge and to do all such acts and things as may be necessary for giving effect to the above resolution.

Item No. 9 (b)

RESOLVED that the 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 mortgaging and/or charging by the Board of Directors of the Company by way of first charge of all the immovable and movable properties of the Company pertaining to Belgharia, Agarpara and Sodepur units wheresoever situate


**TEXMACO
LIMITED**

present and future to secure Redeemable Non-Convertible Debentures of an aggregate value of Rs. 10 crores issued/to be issued by the Company by way of private placement for meeting the Company's long term funds requirement.

RESOLVED further that the Board of Directors of the Company be and is hereby authorised to finalise with the Trustees for the debenture holders in respect of the debentures issued/to be issued, the documents for creating the aforesaid mortgage and/or charge and to do all such acts and things as may be necessary for giving effect to the above resolution.

The Register of Members of the Company will remain closed from 6th August, 1998 to 19th August, 1998 both days inclusive.

Belgharia,
Calcutta - 700 056
Dated : 5th June, 1998.

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 (a)

Shri H. C. Gandhi was appointed as an Additional Director of the Company with effect from 12th September, 1997. Pursuant to the provisions of Section 260 of the Companies Act, 1956 and Articles No. 79 (a) of the Articles of Association of the Company, Shri H. C. Gandhi will hold Office as Director only upto the date of this Annual General Meeting. As required by Section 257 of the Companies Act, 1956, a Notice has been received from a shareholder signifying his intention to propose the appointment of Shri H. C. Gandhi as a Director of the Company. His appointment as Director is considered desirable in the interest of the Company so that the Company may be able to avail his valuable advice. The Directors accordingly recommend the resolution as mentioned in Item No. 8 (a) of the Notice for your approval.

Except Shri H. C. Gandhi, no other Director is interested in the proposed resolution.

Item No. 8 (b)

Shri A. C. Chakrabortti was appointed as an Additional Director of the Company with effect from 28th October, 1997. Pursuant to the provisions of Section 260 of the Companies Act, 1956 and Articles No. 79 (a) of the Articles of Association of the Company, Shri A. C. Chakrabortti will hold Office as Director only upto the date of this Annual General Meeting. As required by Section 257 of the Companies Act, 1956, a Notice has been received from a shareholder signifying his intention to propose the appointment of Shri A. C. Chakrabortti as a Director of the Company. His appointment as Director is considered desirable in the interest of the Company so that the Company may be able to avail his valuable advice. The Directors accordingly recommend the resolution as mentioned in Item No. 8 (b) of the Notice for your approval.

Except Shri A. C. Chakrabortti, no other Director is interested in the proposed resolution.

Item No. 8 (c)

Shri B. C. Bose was appointed as a Director of the Company with effect from 5th June, 1998 in the vacancy caused by the resignation of Shri R. Satagopan as a representative of LIC. Shri R. Satagopan if continued as a Director of the Company would have held Office upto this Annual General Meeting and Shri B. C. Bose's term of Office expires at this Annual General Meeting under Section 262 of the Companies Act, 1956 and Article No. 79 (b) of the Articles of Association of the Company. As required by Section 257 of the Companies Act, 1956, a Notice has been received from a shareholder signifying his intention to propose the appointment of Shri B. C. Bose as a Director of the Company. It is considered desirable that the Company should continue to avail itself of his services. The Directors accordingly recommend the Resolution as mentioned in Item No. 8 (c) of the Notice for your approval.

Except Shri B. C. Bose, no other Director is interested in the proposed resolution.



SPECIAL RESOLUTIONS

Item No. 9 (a)

The Company has approached Industrial Development Bank of India (IDBI) for financial assistance in the form of term loan in connection with its existing units at Belgharia, Agarpara and Sodepur in West Bengal for the purpose of modernisation-cum-diversification of these units.

The financial assistance from IDBI has to be secured by a first mortgage of all the immovable and movable properties pertaining to Belgharia, Agarpara and Sodepur units of the Company, present and future.

Section 293(1)(a) of the Companies Act, 1956, provides, inter alia, that the Board of Directors of a public company shall not, without the consent of such public company in general meeting, sell, lease or otherwise dispose of the whole, or substantially the whole, of the undertaking of the Company, or where the Company owns more than one undertaking of the whole, or substantially the whole, of any such undertaking.

Since the mortgaging by the Company of its immovable and movable properties as aforesaid in favour of IDBI may be regarded as disposal of the Company's properties/undertakings, it is necessary for the members to pass a resolution under Section 293(1)(a) of the Companies Act, 1956, before creation of the said mortgages/charges.

Copy of the Letter of Intent No. IDBI.ERO.NO.6696(A)/PFS. Texmaco dated November 13, 1997 received from IDBI and copies of the relevant documents/correspondence between IDBI and the Company are open for inspection at the Registered Office of the Company between 11.00 A.M. and 1.00 P.M. on any working day prior to the date of the Meeting.

None of the Directors of the Company is interested in the Resolution.

Item No. 9 (b)

The Company, for meeting its long term funds requirement, proposes to issue Secured Redeemable Non-Convertible Debentures for an aggregate value of Rs. 10 crores by way of private placement. The said debentures will be secured by a first charge on the immovable/movable properties of Company's units at Belgharia, Agarpara and Sodepur ranking pari passu with the charge created/to be created in favour of other term lending Institutions/Banks subject to prior charge created/to be created in favour of Commercial Banks for Working Capital Assistance.

Belgharia,
Calcutta - 700 056
Dated : 5th June, 1998.

By Order of the Board
O. P. Jhunjhunwala
Secretary



REPORT OF THE DIRECTORS

Your Directors take pleasure in presenting the 58th Annual Report alongwith the Audited Accounts of the Company for the year ended 31st March, 1998.

	Rs. in Lakhs	
	1997-98	1996-97
FINANCIAL RESULTS		
Operating Profit before interest and depreciation	1683.17	1484.48
Profit on sale of Fixed Assets	967.60	91.06
Gross Profit	2650.77	1575.54
Less : a) Interest	585.95	466.85
	2064.82	1108.69
b) Depreciation	173.32	144.07
Profit before Taxation	1891.50	964.62
Less : Provision for Taxation		
i) For the year (MAT)	153.00	
ii) For the earlier year	500.00	653.00
Profit after Taxation	1238.50	839.62
Less : Extra ordinary items a/c		
Payment to workers of Birla Textiles, Delhi as per Order of the Hon'ble Supreme Court	376.74	—
	861.76	839.62
Add : Balance brought forward from previous year	500.81	1734.86
Balance available for appropriation	1362.57	2574.48
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	1.65	20.21
ii) 51,63,378 Equity Shares of Rs. 10/- each	103.27	104.92
		46.76
66.97		
b) Tax on proposed Dividend	10.49	6.70
c) General Reserve	700.00	2000.00
Balance Carried Forward to Balance Sheet	547.16	500.81
	1362.57	2574.48

Your Directors are glad to report that despite the prevailing slowdown in the country's economy, the Company's performance registered still further improvement during the year under review. Taking into account the profit on sale of Fixed Assets, Company's profit before tax increased to Rs. 1891.50 lakhs, as against Rs. 964.42 lakhs during the previous year. Encouraged by this improved showing, your Directors are happy

to recommend a dividend of 20% on Equity Shares on the increased capital.

OPERATIONAL PERFORMANCE

Sales amounted to Rs. 265.44 crores, against Rs. 284.46 crores of the previous year. This comparative drop is accounted for by the fact that though the Company turned out more wagons during the year for Indian Railways, the inputs of steel, wheelsets and bearings consisted of free issue materials.

During the year, the Company achieved its record turnout of 5470 wagons (FWs), as against 4617 wagons (FWs) during the previous year. The output could have been even higher, but for the insignificant production in the first quarter of the year due to late release of orders from the Indian Railways. As for the current year, the Company has received orders for 3322.5 wagons (FWs) against Railway Board Tender for '98-'99, and also expects to receive further orders this year under 'Own Your Wagon' Scheme.

The Company executed a substantial portion of its export orders for Textile Machinery during the year. However, in the face of persistent sluggish demand in the domestic market, the Company has been obliged to cut down its production and restrict its range to only preparatory machines, viz. Cardings, Draw Frames and Simplex Frames. The Company is trying to induct new products for manufacture in this Division to utilise its plant, machinery and manpower.

With the deepening recession in the Sugar Industry, demand for Water Tube Boilers as well as Sugar Mill Machinery declined considerably, affecting their sale during the year. With the Sugar Industry suffering from liquidity crunch owing to low value realisation, prospects of the inflow of orders for Water Tube Boilers and Sugar Mill Machinery during the current year look bleak.

The Steel Foundry Division continued to show impressive growth, with its sales further rising from Rs. 19.23 crores to Rs. 28.16 crores during the year under review. The modernisation of the Steel Foundry is under way, which should bring about further improvement in the Division's production, sales and profitability during the current year. Meanwhile, steps have been taken to manufacture Couplers in addition to Bogies in this Division.

Panihati Division was adversely affected for lack of orders from Indian Railways for fabricated Points and Crossings. With the resultant surplus manufacturing capacity inducing cut-throat competition, the Company is considering development of new items for manufacture in this Division.

Despite difficult economic conditions in the country, the future outlook of the Company appears satisfactory in the current year.

REAL ESTATE BUSINESS

The Company proposes to enter into Real Estate Business as it has a highly prosperous future. To begin with, it would develop its own land/properties at Worli (Mumbai), Sabjimandi and Sahadra (Delhi).

Birla Textiles, a Unit of the Company, situated at Sabjimandi (Delhi), has been closed under Order of the Hon'ble Supreme



**TEXMACO
LIMITED**

Court. It is proposed to develop the land of this unit in due course. The Company is also entitled to a considerable saleable area in respect of the Sahadra land, which shall be developed no sooner requisite approvals are received from Government Authorities.

Development of the aforesaid properties shall be taken up from the last quarter of the current financial year, which should bring about further improvement in the Company's working results, commensurate with the extent of development.

EXPORTS

The Company's exports, including deemed exports, shot up to Rs. 14.45 crores during the year, as against Rs. 2.58 crores during the previous year. The Company is making efforts to secure further export orders during the current year.

BIRLA TEXTILES

After closing of Birla Textiles with effect from 30th November 1996 under Order of the Hon'ble Supreme Court, the Company offered the workmen option for transfer to Baddi where the Mill is being relocated, or to take their final payment as directed by the Hon'ble Supreme Court. The Company has debited to the Profit & Loss Account for the year, the amount paid to the workmen who have opted not to shift to Baddi and have taken payment of their final dues in accordance with the said Order.

CHENAB TEXTILES MILLS

The Scheme of Arrangement for transfer of Chenab Textile Mills, Kathua to Sutlej Industries Ltd. as a going concern effective 31st March '97 has been approved by the Hon'ble High Court, Calcutta and Hon'ble High Court, Rajasthan. The effect of the transfer under the Scheme referred to is reflected in the Accounts of the Company for the year under review.

SUBSIDIARY

During the year, Shree Export House Ltd. became a subsidiary of your Company. As required by Section 212 of the Companies Act, 1956, Audited Accounts of the Company's Subsidiaries - High Quality Steels Ltd. and Shree Export House Ltd. and Reports thereon from the Directors and the 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 enclosed.

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

Shri R Satagopan resigned from the Board of Directors of the Company as representative of LIC. The Directors place on record their deep appreciation of the valuable advice and guidance received from him during his tenure as Director of the Company.

Shri H C Gandhi resigned from the Board of Directors of the Company as a Special Director of BIFR. He was, however, appointed as an Additional Director of the Company. He retires at the Annual General Meeting and is eligible for re-appointment.

Shri A C Chakrabortti has been appointed as an Additional Director of the Company. He retires at the Annual General Meeting and is eligible for re-appointment.

Shri S K Poddar, Shri P N Kaul and Shri B M Khaitan, Directors of the Company, retire by rotation and are eligible for re-election.

During the current year, Shri B C Bose, representative of LIC, has been appointed as a Director of the Company in the vacancy caused by the resignation of Shri R Satagopan. He holds office until the conclusion of the Annual General Meeting. Being eligible for re-election, he offers himself to be re-elected.

AUDITORS

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

For and on behalf of the Board
K. K. BIRLA
Chairman

Calcutta

Dated : 5th June, 1998



ANNEXURE TO THE REPORT OF THE DIRECTORS

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, 1998.

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

Introducing Oxygen lancing for reducing elect. power consumption and melting time in Arc Furnace.

Engineering Works

Installing proper size capacitors at 6 KV station for overall improvement in power factor.

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) **Impact of measures under (a)**

Steel Foundry

With the improved operating practices in melting and pouring of steel, electricity consumption has been reduced from 843 Units per Ton of Liquid Metal to 816 Units per Ton of Liquid Metal.

ii) **Impact of measures under (b)**

Engineering Works & Steel Foundry

Impact of measures listed at (b) not yet due, as these are under planning/implementation stage.

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)

		1997-98	1996-97	
		Arc	Arc	
		Furnace	Furnace	
i) Power & Fuel Consumption :				
Electricity				
Purchased				
Units (in thousands)		5673	4427	
Total Amount (Rs. in lakhs)		216.14	147.42	
Rate/Unit (Rs.)		3.81	3.33	
ii) Consumption per Unit of Production :				
Electricity	Units	816	843	Per Ton of Liquid Steel
Furnace Oil	Ltrs	—	—	
Coal (Steam)	Kgs	—	—	

II. TECHNOLOGY ABSORPTION

1. Carding Machine

New model Card-CM-X developed and launched with improved features like :

- High speed Coiler driven by timing belts etc., with built-in Can Changer.
- Improved stationary Flats arrangement.
- Improved Pneumafil arrangement.
- Stainless Steel - Cylinder Undercasing, Front and Back Rudder Sheet and Web Gatherer, Feed Tray, etc.
- User-friendly Cover arrangement.

2. Draw Frame

Improved version - Model DFK developed and launched with following features :

- Reinforced additional support with ball bearings for Creel Lifting Rollers.
- Modified Suction System with improved air path around drafting area for better cleaning.
- Superlong Creel with single line Can arrangement for each head (30 can dia).
- Important optional features offered, e.g.
 - Inverter drive for main motor for higher working speed.
 - Photo sensor controlled missing sliver detector at creel.



**TEXMACO
LIMITED**

3. Speed Frame

Speed frame adopted for processing synthetic fibre of long staples with 3 roller latest drafting and improved stronger flyer developed with following other improvement :

- (a) Double can link type drive arrangement for Ermen's Clearer.
- (b) Improved pneuma suction arrangement with in-built provision for OHTC arrangement.

Benefits :

The above developments have improved acceptability and productivity of our machines for both Cotton and Synthetic yarn Spinning.

FUTURE PLAN OF ACTION :

1. Carding Machine

- i) Development of improved type Coiler without can changer.
- ii) Undercard cleaning by Blower-at-front and Suction-at- back.
- iii) Redesigning of pneumatic air line and separate enclosure cabinet for the same.

2. Draw Frame

- i) Modification of Covers for streamlined look.
- ii) Developing an economical version of Drawframe - model 'DFK-E' with Coiler without can changing arrangement and indigenous top roller, etc.

3. Speed Frame

- i) Redesigning of cover arrangement to make it more user friendly.
- ii) Ermen's Clearer drive arrangement by using separate motor with speed change gear, etc.
- iii) Wider footstep arrangement.

4. 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 enumerated under II above are directed to above objectives.

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 benefit. However, we have improved quality and performance of our products after achieving 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. 79.97 Lakhs
Earned :	Rs. 1273.48 Lakhs