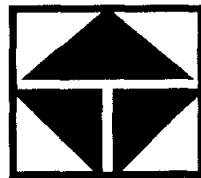


Annual Report 2001-2002

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TEXMACO LIMITED

**DIRECTORS**

Dr. K. K. Birla, *Chairman*
 Shri S. K. Poddar, *Vice-Chairman*
 Shri B. M. Khaitan
 Shri B. P. Bajoria
 Shri K. K. Dutt
 Shri G. P. Goenka
 Shri H. C. Gandhi
 Shri A. C. Chakrabortti
 Shri B. C. Bose
 Shri B. Rai
 Shri A. K. Nanda
 (*Wholetime Director*)

PRESIDENT

Shri Ramesh Maheshwari

SECRETARY

Shri O. P. Jhunjhunwala

AUDITORS

Messrs. K. N. Gutgutia & Co.

BANKERS

State Bank of India

REGISTERED OFFICE

Belgharia, Kolkata – 700 056

CORPORATE OFFICE

Birla Building
 9/1, R. N. Mukherjee Road
 Kolkata – 700 001

REGIONAL OFFICES

New Delhi
 Mumbai

ENGINEERING WORKS

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

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NOTICE

TO THE SHAREHOLDERS

NOTICE is hereby given that the 62nd Annual General Meeting of TEXMACO LIMITED will be held on Tuesday, the 30th July, 2002 at 2.30 P.M. at Birla Building, 9/1, R.N. Mukherjee Road, Kolkata – 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, 2002.
2. To appoint a Director in place of Dr. K. K. Birla, who retires by rotation and is eligible for re-election.
3. To appoint a Director in place of Shri G. P. Goenka, who retires by rotation and is eligible for re-election.
4. To appoint a Director in place of Shri H. C. Gandhi, who retires by rotation and is eligible for re-election.
5. To appoint a Director in place of Shri B. Rai, who retires by rotation and is eligible for re-election.
6. To appoint Auditors and to fix their remuneration.

AS SPECIAL BUSINESS

To consider and if thought fit, to pass with or without modification the following Resolution as an Ordinary Resolution.

7. RESOLVED THAT pursuant to the provision of Sections 198, 269, 309 read with Schedule XIII and other applicable provisions, if any, of the Companies Act, 1956, the Company hereby approves the re-appointment of Shri A. K. Nanda as Whole time Director of the Company for a period of two years with effect from 18th November, 2001, not liable to retire by rotation and on such terms and conditions as approved by the Board of Directors as stated in the Explanatory Statement.

Belgharia
Kolkata - 700 056
Dated : 8th May, 2002

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.

The instrument appointing Proxy should, however, be deposited at the Registered Office of the Company not less than forty eight hours before the commencement of the Meeting.

2. The Register of Members of the Company will remain closed from Tuesday, the 23rd July, 2002 to Tuesday, the 30th July, 2002 both days inclusive.
3. The Equity Shares of the Company are listed at The Calcutta Stock Exchange Association Ltd., 7, Lyons Range, Kolkata 700 001. The Stock Exchange, Mumbai, Phiroze Jeejeebhoy Towers, Dalal Street, Mumbai – 400 001, The Delhi Stock Exchange Association Ltd., D. S. E. House. 3/1 Asaf Ali Road. New Delhi – 110 002 and The Hyderabad Stock Exchange Ltd., 3-6-275 Himayatnagar, Hyderabad 500 029. The annual listing fee has been paid to each of the above Stock Exchanges.



EXPLANATORY STATEMENT

AS REQUIRED UNDER SECTION 173 OF THE COMPANIES ACT, 1956

ORDINARY RESOLUTION

Item No. 7

Pursuant to the provision of Sections 198, 269 and 309 read with Schedule XIII and other applicable provisions, if any, of the Companies Act, 1956 and subject to the approval of the shareholders by a Resolution in General Meeting, the Board of Directors of the Company at its meeting held on 7th November, 2001 re-appointed Shri A. K. Nanda as a Wholtime Director of the Company with effect from 18th November, 2001 for a period of 2 years, on the terms and conditions as appearing hereinafter:

1. Salary : Rs. 35000/- per month with increments as may be decided by the Board of Directors from time to time.

Perquisites :

CATEGORY – A

- a) Housing : i) The expenditure by the Company on hiring furnished accommodation will be subjected to a ceiling of 60 percent of the salary.
ii) The expenditure incurred on gas, electricity, water, and furnishing shall be valued as per Income Tax Rules, 1962.
- b) Medical Reimbursement : Reimbursement of actual expenses incurred by the Wholtime Director for self and his family subject to the ceiling of one month's salary in a year or three months 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 maximum of one club. No admission of life membership will be paid by the Company.

CATEGORY-B

- a) Contribution to Provident Fund and Superannuation Fund : Contribution to Provident Fund and Superannuation Fund shall be as per Rules of the Company.
- b) Gratuity : Gratuity at the rate of 15 days' salary for each completed year of service

CATEGORY – C

- a) Provision of car for use on Company's business and telephone at residence will not 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 Wholtime Director shall not exceed 5% of the net 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 above.

Belgharia
Kolkata - 700 056
Dated : 8th May, 2002

By Order of the Board
O. P. JHUNJHUNWALA
Secretary



REPORT OF THE DIRECTORS

Your Directors take pleasure in presenting the 62nd Annual Report along with the Audited Accounts of the Company for the year ended 31st March, 2002.

	Rs. in Lakhs	
	2001-2002	2000-2001
FINANCIAL RESULTS		
Profit before		
Interest and Depreciation	78.66	917.59
Profit on sale of Fixed Assets	135.76	174.68
Gross Profit	214.42	1092.27
Less: Interest (net)	650.56	440.69
Profit before Depreciation and Taxation	(436.14)	651.58
Less: Depreciation	254.04	229.30
Profit before Taxation	(690.18)	422.28
Provision for Taxation:		
Less: Current Tax	—	15.00
Add: Deferred Tax	275.41	—
Profit after Taxation	(414.77)	407.28
Less: Extraordinary items :		
a) Payment to workers of Birla Textiles, Delhi	—	22.75
b) VRS (Engg. Divns.) (1/3rd of total expenditure of Rs. 293.21 lakhs incurred in 1999-2000)	97.73	97.73
Net Profit/Loss	(512.50)	286.79
Add: Balance brought forward from previous year	506.23	504.79
Balance available for appropriation	(6.27)	791.58
a) Proposed Dividend on Equity Shares & Tax thereon	—	85.35
b) General Reserve	—	200.00
Transferred from General Reserve	6.27	—
Transferred to Balance Sheet	—	506.23
	—	791.58

Your Directors regret to report that during the year under review, the Company's income decreased to Rs. 10592 lacs from Rs. 15390 lacs in the previous year, resulting in a net loss of Rs. 512.50 lacs as against the net profit of Rs. 286.79 lacs during the previous year. Deferred Tax Credit for the year amounting to Rs. 275.41 lacs has been recognised in the Profit and Loss Account, in accordance with

Accounting Standard 22 "Accounting for taxes on Income", issued by the Institute of Chartered Accountants of India.

It is most unfortunate that the year's working result has turned out to be so adverse on account of the historically lowest order for 5175 FWUs only placed by the Railways on the industry, notwithstanding an approved Budgetary Provision for 23000 FWUs for the year. Even these meagre orders were released as late as in mid October 2001. This wholly unexpected development threw the entire production planning of the company for the year in complete disarray, and thousands of workmen in the company's Wagon and Steel Foundry Divisions sat through absolutely idle for over six months. In consequence, the company suffered a staggering loss of Rs. 1080.70 Lacs in the 1st half of the year on account of idle labour and overheads.

In view of the loss during the year, your Directors do not recommend dividend on equity shares for the year.

MANAGEMENT DISCUSSION AND ANALYSIS: ENGINEERING DIVISION

Your Directors regret to report that during the year under review, the Railway Board placed orders for only 5175 FWUs on the Industry, compared to 20,250 FWUs ordered in the previous year. Your Company had also to bear the burnt of it and received the lowest-ever order from the Railway Board for 770 FWUs only as against 1857 FWUs in the previous year. The average order on the Company during the 3 years – 1996-97, 1997-98 and 1998-99 was for 3843 FWUs. Thereafter, there has been a sharp deceleration in Indian Railways' orders, plummeting to 770 FWUs during the year under review. This provided barely 15% workload to the Company against its established performance close to 5000 FWUs for a number of years, which was indeed a crippling blow to the Company's operations.

For the current year 2002-03, the Railway Board has lately ordered 14375 FWUs on the industry, and your company's share thereof is 1830 FWUs. While the order quantum has no doubt increased, the prices awarded this year have further come down substantially owing to an absolutely irrational pricing by the new entrants in sheer desperation to secure a larger share of orders. Unfortunately these units, which have triggered the price war, do not even fulfil the eligibility criteria laid down by Railway Board's own G-93 (Rev. 1) specification of August 2000. There is thus no level playing field for those wagon builders, such as your company, who have made massive investment in infrastructure and fully comply with G-93 specification. Under the circumstances, the company has been obliged to make a strong representation in the matter to the Railway Board on the question of uniform enforcement of G-93 specification. Your Directors are happy to report that this is being seriously examined at the highest level in the Railway Board and hope that the Railway Board would take due cognizance of consistently the best performance of the company over the decades with 100% compliance with G-93 specification. The company would



continue to pursue further against the inequity of the system of imposing L-I price of an ineligible bidder on the other eligible bidders in the present tendering system.

The Company received a trial order for 3 nos. special 6-Axle Bogie Flat Wagons to carry "Arjun Tanks" from the Ministry of Defence. Your Directors are happy to report that following successful field tests of the wagons supplied against this order, the Ministry of Defence has now placed an order for 30 nos. 6-Axle Bogie Flat Wagons to be delivered during the current year.

The Steel Foundry Division of the Company, which primarily catered to its Wagon Division requirements, was also adversely affected due to the late ordering and that too of rather small wagon orders by the Railways, resulting in suspension of production activities during May-October, 2001. As a result, during the year under review, the production decreased to 2050 Tonnes from 4843 Tonnes and the despatches to 2393 Tonnes from 4624 compared to the previous year. Your Directors are, however, happy to report about a major reorganisation of the Steel Foundry Division, which has resulted in substantial improvement in productivity and cost effectiveness. There is also an all-out marketing effort launched to cater to non-wagon casting orders, which will help improve the Foundry capacity utilisation and value realisation.

As indicated in your Directors' Report last year, the Company, true to its pre-eminent position in the field of Hydro Mechanical Equipment, has built a strong order book in the Structurals Division, which should hold it in good stead, especially in face of the depressing scenario on the wagon orders front. The Company stood out in international competition and booked several large value prestigious order for high priority National Projects from renowned Multi-nationals and Government Corporations. The Company is hopeful of maintaining its thrust in this field. In the Home State, the Company's reliability for 'delivery on time' has secured it a prestigious order for structurals for the largest Kolkata Flyover. The working results of this Division should significantly contribute to the earnings of the Company in years to come.

The performance of Water Tube Boiler, Pressure Vessel and Sugar Machinery Divisions was more or less maintained during the year. These divisions have been re-organised and have all been combined in one Division called Process Equipment Division under a single administrative charge. It is expected that this would help in better co-ordination of the much-needed marketing effort in the present highly competitive environment.

MINI HYDEL POWER PROJECT

The Company concluded during the year a Joint Venture Agreement on 50:50 basis with Hanuman Tea Co Ltd., Kolkata for 2.40 MW Hydroelectric Project on river Neora, District Darjeeling. The Project cost is estimated at approximately Rs. 15 Crores, and is financed by the Indian Renewable Energy Development Agency (IREDA) of the Government of India on their usual terms and conditions. The Project is expected to be commissioned by mid next year, and will

result in significant energy cost saving to the Company, beside a fair return on investment by the Company.

EXPORTS

The Company successfully executed two US Dollar contracts, aggregating to the equivalent of Rs. 1902 Lacs. These contracts marked a major break-through in the manufacture by the Company of the first-ever 45' long Container Flat Wagons, beside Hi-tech Stainless Steel Tank Wagons for transportation of Phosphoric Acid. Hopefully, these would be the forerunner for further export orders.

PROSPECTS

Your Directors do hope that the worst is behind the Company. In face of the major dent in the Company's working results owing to successive sharp fall in wagon prices over the past few years, the Company has further intensified its efforts to develop and cater to specialized wagons, for which there is considerable demand potential in the country. The Company is entering into suitable Technology Agreements in furtherance thereof. The Structurals Division holds a big promise, and your Company expects to be the lead contender for large Hydro-mechanical Equipment Tenders for major Hydrel Schemes in the country.

REAL ESTATE

The Company could not go ahead as yet for development of the Company's land/properties at Sabjimandi and Sahadra in Delhi as certain issues are still pending before the Hon'ble Supreme Court for review and final decision. It is hoped that these would stand to be resolved by end of the current year.

The Company has received the requisite approval for development of the Worli land. However, because of depressed Real Estate market, development of this property is being delayed. It is likely to be taken up during course of next year.

INDUSTRIAL RELATIONS

Your Directors appreciate the sustained support and co-operation of the workmen, staff and officers during the rather difficult period the Company passed during the year. The Company continues to have cordial Industrial Relations, which will help the Company to further consolidate its position and improve its competitive ability.

ADDITIONAL DISCLOSURES

In line with the requirements of the Listing Agreements and Accounting Standards of the Institute of Chartered Accountants of India, your Company has made additional disclosures in respect of Consolidated Financial Statements, related Party transactions and Segmental Reporting

CORPORATE GOVERNANCE

As a Listed Company, necessary measures have been taken to comply with the Listing Agreements with the Stock Exchanges. A report



on Corporate Governance, along with a certificate of compliance from the Auditors, forms a part of this Report.

DIRECTORS' RESPONSIBILITY STATEMENT U/S 217 (2AA) OF THE COMPANIES ACT, 1956

Your Directors state :

- (i) That in the preparation of the annual accounts, applicable accounting standards have been followed, along with proper explanations relating to material departures, and the Notes in the Auditors' Report in this regard are self-explanatory;
- (ii) That such accounting policies have been selected and applied consistently and judgements and estimates made 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 of the Company for that period;
- (iii) That proper and sufficient care have been taken for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act 1956 for safeguarding the assets of the company, and for preventing and detecting fraud and other irregularities;
- (iv) That annual accounts have been prepared on a 'going concern' basis.

The SEBI's guidelines regarding corporate governance has been implemented by the Company. An Audit Committee of the Board

is already constituted and functioning in keeping with the guidelines. Shareholders'/Investors' Grievance and Share Transfer Committee has also been formed.

PARTICULARS OF EMPLOYEES

A statement containing the required particulars of employees as stipulated under Section 217(2A) of 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

Dr. K K Birla, Shri G P Goenka, Shri H C Gandhi, and Shri B Rai Directors of the Company, retire by rotation and are eligible for re-election.

AUDITORS

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

For and on behalf of the Board

Kolkata

Dated : 8th May, 2002

K. K. BIRLA

Chairman

**ENCLOSURE TO THE REPORT OF THE DIRECTORS
FOR THE FINANCIAL YEAR ENDED 31ST MARCH, 2002**

Particulars of Employees under Section 217 (2A) of the Companies Act, 1956 and forming part of the Directors' Report

Name	Designation	Age (Years)	Remune- ration (Rs.)	Qualifications	Experience (Years)	Date of commence- ment of employment	Previous Employment
1	2	3	4	5	6	7	8
Employed throughout the year and in receipt of remuneration aggregating Rs. 12,00,000/- or more							
Maheshwari Ramesh	President	69	2,433,518	M.Com., LL.B.	46	01-02-62	M/s. F & C Osler (India) Limited & Sister Concerns

- NOTES: 1. Remuneration as shown above includes Salary, Allowances, Bonus, Contribution to Provident Fund, Superannuation Fund and other perquisites.
2. The above employee is not a relative of any of the Director of the Company.
3. His appointment is non-contractual.
4. Other terms and condition as per Company's rules.

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, 2002.

I. CONSERVATION OF ENERGY

a) Energy conservation measures taken:

Engineering Works

- i) Installation & commissioning of Power Factor Improvement System continued during the year.
- ii) Load management for reducing Max. demand continued during the year.

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

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)**

- i) By proper staggering the production activities and constant monitoring the electrical load, Maximum demand has been reduced by around 36% as compared to 2000 – 2001.
- ii) By modification in manufacturing process, Overall consumption of power per ton production of Steel Casting has been reduced by 20% as compared to 2000 – 2001.

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

Nil



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, 2002.

- 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)

		2001 – 2002 Arc Furnace	2000 – 2001 Arc Furnace
i) Power & Fuel Consumption :			
Electricity			
Purchased			
Units (in thousands)		3467	6129
Total Amount (Rs. in lakhs)		144.22	239.03
Rate/Unit (Rs.)		4.17	3.90
ii) Consumption per Units of Production :			
Electricity	Units	719	796
Furnace Oil	Ltrs	—	—
Coal (Steam)	Kgs	—	—

II. TECHNOLOGY ABSORPTION

Benefits :

Expenditure on R & D (Rs. in lakhs)

i) Capital	—	—
ii) Recurring	10.00	—
iii) Total	10.00	—
iv) Total R & D Expenditure as percentage of total turnover	—	—

IIA. TECHNOLOGY ABSORPTION, ADAPTATION AND INNOVATION

Not Applicable

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. 710.01 lakhs
Earned :	Rs. 1425.61 lakhs

REPORT ON CORPORATE GOVERNANCE

(Pursuant to Clause 49 of the Listing Agreement)

1. Company's philosophy of Code of Governance

Corporate Governance pertains to systems, by which companies are directed and controlled, keeping in mind long-term interests of shareholders. It refers to a blend of law, regulation, and voluntary practices, which enable the Company to attract financial and human capital, perform efficiently, and thereby perpetuate it into generating long-term economic value for its shareholders, while respecting interests of other shareholders and the society at large.

The Company's principal characteristics of Corporate Governance are Transparency, Accountability, Responsibility, Fairness and Social Responsibility. The Company's philosophy of Corporate Governance is aimed at assisting the top management of the Company in the efficient conduct of its business and in meeting its obligations to shareholders, and the Company has adopted such measures to fulfill its corporate responsibility and to achieve its financial obligations.

2. Board of Directors

Texmaco's Board consists of eleven Directors, whose category of Directorship, number of meetings attended, attendance at the last AGM, Directorship in other Companies, Number of committees in which such Director is a member are mentioned below:-

Name of Director	Category of Directorship	No. of Board meetings Attended	Attendance at the last AGM	Directorship in other Companies	No. of Committees in which he is a member
Dr. K K Birla	Non Executive	4	No	13	1
Sri S K Poddar	Non Executive	4	Yes	12	10
Sri B M Khaitan	Independent	1	No	10	—
Sri B P Bajoria	Independent	2	No	05	—
Sri K K Dutt	Independent	5	Yes	07	04
Sri G P Goenka	Independent	—	No	13	—
Sri H C Gandhi	Independent	4	No	03	—
Sri A C Chakrabortti	Independent	4	No	12	10
Sri B Rai	Independent	3	No	14	10
Sri B C Bose	Nominee of LIC	5	No	01	—
Sri A K Nanda	Whole Time	5	Yes	01	02

Five Board meetings were held during year 2001-02 on the following dates.

May 16, 2001	October 30, 2001	February 20, 2002
July 02, 2001	November 7, 2001	—

3. Audit Committee

Terms of reference, composition:

The terms of reference of this Committee cover the matters specified for Audit Committee under Clause 49 of the Listing Agreements as well as in Section 292A of the Companies Act, 1956.

The Audit Committee comprises of the following Directors, and there were 4 meetings of the Committee during the year. The attendance of this committee is also given alongside.

Name of Director	No. of meetings attended
Sri S K Poddar	3
Sri K K Dutt	4
Sri A C Chakrabortti	4