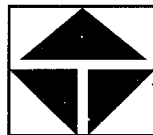


65th Annual Report 2004-2005

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TEXMACO LIMITED


**TEXMACO
LIMITED**
DIRECTORS

Dr. K. K. Birla, Chairman
 Shri S. K. Poddar, Vice Chairman
 Shri B. P. Bajoria
 Shri H. C. Gandhi
 Shri A. C. Chakrabortti
 Shri B. Rai
 Shri Manish Gupta
 Dr. H. Sadhak
 Shri A. K. Nanda
 (Wholetime Director)

PRESIDENT

Shri Ramesh Maheshwari

SECRETARY

Shri A. K. Vijay

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
 Chennai

ENGINEERING WORKS

Belgharia (W. Bengal)
 Agarpura “
 Sodepur “
 Panihati “

REAL ESTATE DIVN.
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**TEXMACO
LIMITED**

NOTICE TO THE SHAREHOLDERS

NOTICE is hereby given that the 65th Annual General Meeting of TEXMACO LIMITED will be held on Tuesday, the 26th July, 2005 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, 2005.
2. To declare Dividend on Equity Shares for the year ended 31st March, 2005.
3. To appoint a Director in place of Shri S. K. Poddar, who retires by rotation and is eligible for re-election.
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 A. C. Chakrabortti, 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 Resolutions :-

As Ordinary Resolutions

Items No. 7 (i)

"Resolved that Shri Manish Gupta be and is hereby appointed as a Director of the Company."

Items No. 7 (ii)

"Resolved that Dr. H. Sadhak be and is hereby appointed as a Director of the Company."

Belgharia,
Kolkata – 700 056
Dated : 5th May, 2005

By Order of the Board
A.K.VIJAY
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 Wednesday, the 20th July, 2005 to Tuesday, the 26th July, 2005, both days inclusive.
- (3) The Equity Shares of the Company are listed at The National Stock Exchange Association Limited, Exchange Plaza, Bandra, Kurla Complex, Bandra (E), Mumbai - 400 051, The Stock Exchange, Mumbai, P. J. Towers, Dalal Street, Mumbai - 400 001 and The Calcutta Stock Exchange Association Ltd., 7, Lyons Range, Kolkata - 700 001. The Equity Shares of the Company were delisted from The Delhi Stock Exchange Association Limited w.e.f. 20.01.2005. The annual listing fee has been paid to each of the above Stock Exchanges.

**TEXMACO
LIMITED****EXPLANATORY STATEMENTS :
AS REQUIRED U/S 173 OF THE COMPANIES ACT, 1956****As Ordinary Resolutions :-****Item No: 7 (i)**

Shri Manish Gupta was appointed as an Additional Director of the Company w.e.f. 16th October, 2004. Pursuant to provisions of Section 260 of the Companies Act, 1956 and Article 79 (a) of the Articles of Association of the Company, Shri Manish Gupta will hold office as Director only upto the date of this Annual General Meeting. Shri Manish Gupta has vast experience of over 35 years in Indian Administrative Services and had served as a Chief Secretary and Home Secretary to Government of West Bengal. He holds a degree of Bachelor of Science and a Field Engineering Certificate (YO). As required under Section 257 of the Companies Act, 1956, a Notice has been received from a shareholder signifying his intention to propose the appointment of Shri Manish Gupta as a Director of the Company.

Except Shri Manish Gupta, no other Director is interested in the proposed resolution.

Item No: 7 (ii)

Dr. H. Sadhak a representative of LIC was appointed as a Director of the Company w.e.f. 30th November, 2004 against the vacancy caused by resignation of Shri B. C. Bose. Dr. H. Sadhak is Doctorate in Industrial Finance and MA (Economics). He has vast professional Experience of over 25 years in Financial Services Industry- Life Insurance, Mutual Fund and Banking. He is presently a Director, Management Development Centre of LIC. He will hold office as a Director only upto the date of this Annual General Meeting. As required under Section 257 of the Companies Act, 1956, a Notice has been received from a shareholder signifying his intention to propose the appointment of Dr. H. Sadhak as a Director of the Company.

Except Dr. H. Sadhak, no other Director is interested in the proposed resolution.

Belgharia,
Kolkata – 700 056
Dated : 5th May, 2005

By Order of the Board
A.K.VIJAY
Secretary


**TEXMACO
LIMITED**

REPORT OF THE DIRECTORS

Your Directors take pleasure in presenting the 65th Annual Report along with the Audited Statement of Accounts of the Company for the year ended 31st March, 2005.

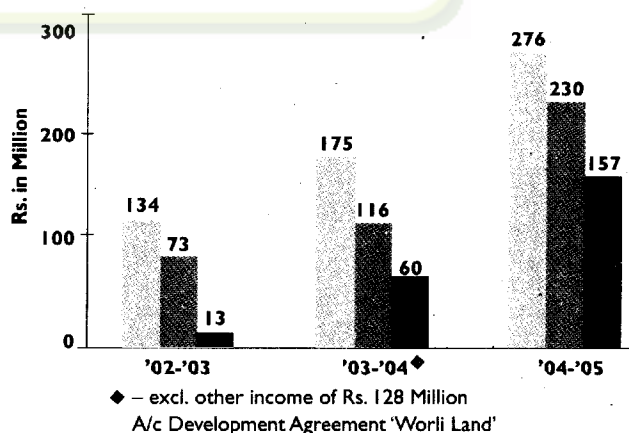
	Rs. in Lakhs	
	2004-2005	2003-2004
FINANCIAL RESULTS		
Operating Profit (PBITD)	2,667.51	1,633.12
Profit on sale of Fixed Assets	93.54	117.48
Total Profit (PBITD)	2,761.05	1,750.60
Less: Interest (net)	459.05	582.55
Gross Profit (PBDT)	2,302.00	1,168.05
Less: Depreciation	397.38	324.18
Profit before Taxation	1,904.62	843.87
Provision for Taxation:		
Current Tax	170.41	108.38
Deferred Tax Liability	(18.51)	100.40
Profit after Taxation	1,752.72	635.09
Less : Extraordinary items :		
Income/ (Expenses)		
Profit from Development Agreement (Worli Land)	-	1,275.54
Loans /Advances written off	(137.04)	-
VRS (Engg. Divn.)	(49.25)	(31.62)
Net Profit / Loss	1,566.43	1,879.01
Add : Balance brought forward from previous year	329.69	38.05
Profit available for appropriation	1,896.12	1,917.06
Proposed Dividend on Equity Shares (Incl. Tax) (20%)	235.48	(7.5%)* 87.37
Transferred to General Reserve	1,350.00	1,500.00
Transferred to Balance Sheet	310.64	329.69
	1,896.12	1,917.06

* - on Post Rights enhanced Equity Capital

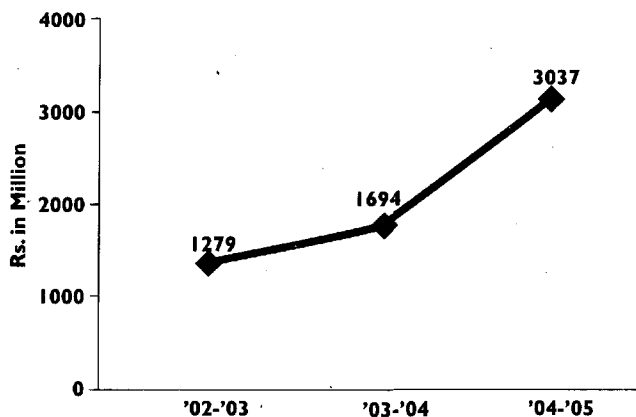
The year under review witnessed a further marked improvement in the Company's operations. The Gross Turnover rose by approx. 80% to Rs. 303.72 Crore from Rs. 169.36 Crore in the previous year. However, in view of the recent guideline of the Institute of Chartered Accountants of India in respect of Accounting Standard - 9 "Revenue Recognition", the Turnover for the year, net of inter-segmental revenue, would stand at Rs. 240.12 Crore against Rs. 135.44 Crore in the previous year, a rise of approx 78%.

For comparative analysis of working results, it needs to be mentioned that in the previous year 2003-04, there was an extraordinary net income of Rs. 12.76 Crore earned from development agreement in respect of Worli Land property at Mumbai. Excluding the said extraordinary income, the performance of the Company was substantially better compared to the previous year. During the year, the Gross Profit was appreciably higher at Rs. 23.02 Crore against Rs. 11.68 Crore, Profit before Taxation at Rs. 19.04 Crore against Rs. 8.44 Crore and Net Profit at Rs. 15.66 Crore against Rs. 6.04 Crore in the previous year respectively, as adjusted by the said extraordinary income. The Deferred Tax liability for the year has been provided in the Profit & Loss Account in accordance with the Accounting Standard - 22 "Accounting for taxes on Income", issued by the Institute of Chartered Accountants of India.

Operating Profit / Gross Profit / Net Profit



Gross Turnover



It would bear special mention for proper appreciation that a substantial part of the Company's income is derived from large value contracts for Wagons and Projects, which provide for free supply of inputs including steel and components. The value of such free supplies of inputs would approximate Rs. 135.50 Crore in respect of the contracts executed during the year, but not reflected in the reported Turnover.

In view of the all-round improved working results as mentioned above, your Directors are pleased to recommend a dividend of 20% on Equity shares for the year (previous year 7.5%).


**TEXMACO
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MANAGEMENT DISCUSSION AND ANALYSIS

The Management continued its endeavour to broad-base its operations further and realise the full potential of the Company's infrastructure and knowledge skills built over the years through execution of prestigious Projects for well over 6 decades. The core group of the Management is fully seized of the emerging opportunities and no less of the attendant challenges in the growing competitive environment.

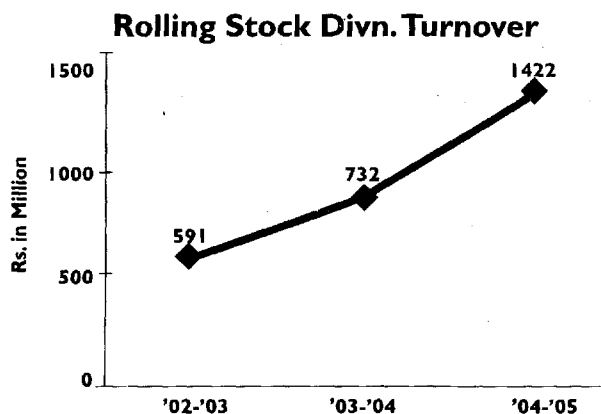
HEAVY ENGINEERING DIVISION

Your Directors are happy to report that the performance of this Division is gaining wide recognition. The Management is, therefore, fully focussed on reinforcing its strengths through upgradation of technology, systems and skills. Marketing occupies high priority in the new strategic planning and engages the best time and attention of the top Executives.

ROLLING STOCK DIVISION

The Company received during the year a total order for 5548 FWs from Indian Railways, which is the highest in recent years. However, it included 1280 FWs which were ordered in mid-March'05 under the Optional clause exercised by the Railways. The Company achieved the highest production of 4707 FWs, accounting for approx. 23% of the total Industry production. The production would have been still higher but for the severe constraint in the availability of wheelsets, a free supply item, owing to shut-down for overhauling and expansion of Rail Wheel Factory, Bangalore, for nearly 4 months (December'04 to March'05). Consequently, the production had to be regulated as directed by the Railway Board.

Your Directors are happy to report record performance of the Company in executing the prestigious order valued approx Rs. 74 Crore, received from M/s. Container Corporation of India Ltd. (CONCOR) for 1125 FWs of High Speed Low Platform Bogie Container Flat Wagons. The final delivery was completed in end April'05, ahead of schedule despite delay in receipt of imported wheelsets. Your Company has earned high commendation from CONCOR Authorities for its outstanding achievement, specially in the context of their unhappy experience in contracts with other manufacturers in the past.

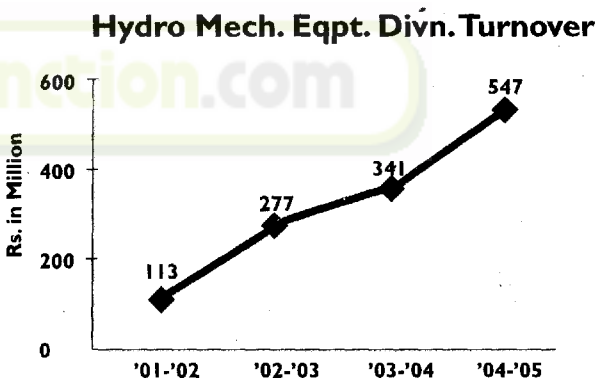


The Company has also secured sizable orders for special Electro-Pneumatically operated Bottom Discharge Coal Hopper Wagons from National Thermal Power Corporation (NTPC), and other industrial users under 'Own Your Wagon Scheme'.

Looking to the current economic scenario and upswing in Railways' demand, the future prospects augur well. The introduction of the new 'Wagon Investment Scheme' (WIS) in the Railway Budget for the year should also accelerate the flow of orders from the Industrial users.

HYDRO-MECHANICAL EQUIPMENT & STRUCTURALS

The performance of this Division continued to be impressive recording a growth of approximately 60% in turnover during the year. The Management is making concerted efforts to fortify its position as the market leader in the field of Hydro Mechanical Equipment. There is a major thrust by the Govt. of India in the Hydro Power Sector, and the Company looks forward to improve its market share through its ongoing performance acknowledged in several multi-mega Hydel Power Projects of the Govt. of India and various State Govts.



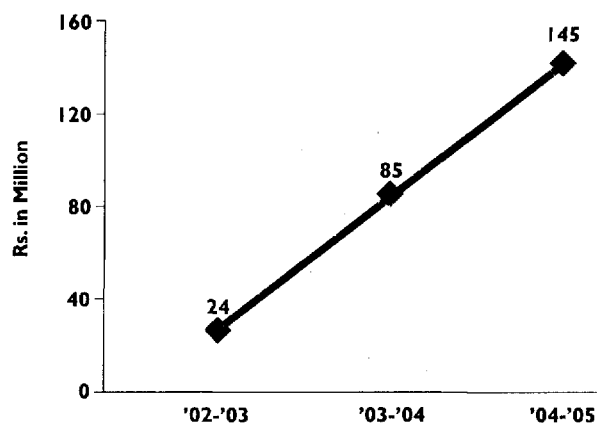
The skills and logistics confer a special advantage on the Company owing to its proximity to the North-Eastern Region with the highest potential for Hydel Power development. Besides, the Company is also exploring other areas involving Heavy Structural Fabrication work where it has proven credentials to undertake large jobs and deliver on time under strict quality assurance.

PROCESS EQUIPMENT DIVISION

The Process Equipment Division made a major breakthrough during the year under review by securing orders worth more than Rs. 72 crore as against the meagre order position of Rs. 13 Crore only as on 1st April 2004. The manufacturing range has been substantially widened, and Pressure Vessels upto single piece weight of 116 T and dia, higher than 4.5M were manufactured by the Company for the first time during the year. The Company also procured a prestigious order from Indian Space Research Organisation (ISRO) for high tech Vacuum Spheres.



Process Eqpt. Divn. Turnover

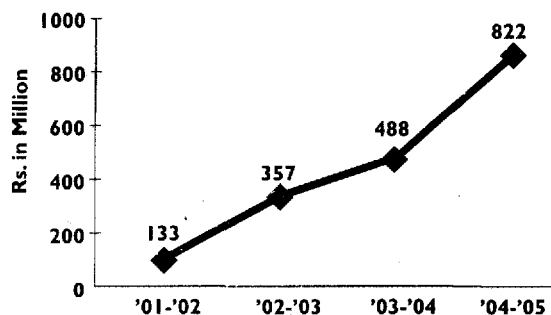


The Division has successfully commissioned a Boiler at 67 kg/cm² pressure, and booked orders for Boilers upto 90T/hr. capacity besides complete Sugar Milling Plants with 5000 TCD capacity. With the upcoming Refinery projects and modernisation in Sugar Industry, the prospects for this Division looks better.

STEEL FOUNDRY

Steel Foundry Division is excelling its performance year after year and created a new record of production and despatch during the year, which were all time high at 11,254 MT and 11,305 MT respectively showing a growth of 30% and 40% successively in the past 2 years. The turnover stood at Rs. 82.15 Crore against Rs. 48.83 Crore in the previous year. However, the Foundry suffered sharp cost push owing to unprecedented rise in the price of Steel Scrap, Alloys and Steel components etc. The Division expects to further improve its performance in the current year owing to better realisation for its products and adoption of various cost control measures.

Steel Foundry Divn. Turnover



Your Directors had reported last year about the prestigious exclusive Licensing Agreement of the Company with world-renowned ASF Keystone of USA for manufacture of Amsted Design Ride Control Bogies. This has started bearing fruit, and the Company has received good orders for Bogies to their design.

Your Directors are pleased to report that the Company has embarked on setting-up a State of the Art Steel Foundry for which the critical Moulding and Sand Plant Equipments have been ordered on a renowned German manufacturer M/s Kunkel Wagner Prozess Technologie GmbH. The new Foundry is scheduled to start its operations around the middle of 2006, and it is expected to rank amongst the most modern foundries for Railway castings in the World.

AGRO MACHINERY

In spite of stiff competition and adverse climatic conditions during the year, the performance of the Division has shown an improvement over last year. 'Texmaco Dhanwan' Power Tiller has established a brand name amongst the farming community as one of the best Power Tillers available in the market, not only in West Bengal but also in the adjoining states. It is duly approved by Ministry of Agriculture (GOI), and has been supplied under all Govt. Assisted Programmes financed by 'NABARD'. With fast growing acceptance of the machine amongst the farmers backed up by excellent after Sales Service, the out-look of the division is promising in the coming years.

MINI HYDEL POWER PROJECT (3 MW)

As stated in the previous reports, the Company's joint venture 'Neora Hydro Ltd.', a 3 MW Mini Hydel Power Project, has had to go through endless hurdles, which fortunately are by and large all resolved now. The Electro-Mechanical Equipment ordered on M/s. Alstom India Ltd., has arrived at Mumbai Port, and the civil work and other related jobs at site are progressing satisfactorily to commission at least the first unit of the plant by end June 2005.

EXPORTS

The Company is looking forward to a major breakthrough in exports from the Steel Foundry Division in the coming years after commissioning of its State of the Art Foundry. Extensive contacts with global buyers are being established to penetrate the export markets. In the field of Hydro-Mechanical Equipment and Structural Division, the Company's export during the year, both physical and deemed, was approx. Rs. 28.78 Crore which would record further growth in the near future.

REAL ESTATE

The Company's application seeking clarification in respect of certain legal issue concerning Birla Mill Land at Delhi is still pending with the Hon'ble Supreme Court of India. The development plans of the Company's properties in Delhi will be firmed up on issuance of the clarification, which is expected shortly. The special Leave Petition filed by Shree Sita Ram Bhandar Trust against acquisition by the Delhi Development Authority of the property at Shahdara - Delhi, in which the Company had Bhoomidar rights, is pending with the Hon'ble Supreme Court of India, and the decision on the same is expected during the current year.


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RIGHTS ISSUE

The Rights Issue of the Company of its Equity Shares of Rs.10/- each in the ratio of 1:1 at a premium of Rs 20/- per Share went off successfully with 18% over-subscription. Pursuant to the allotment of the Rights Equity Shares on 16th June, 2004, the Company's equity base stands enhanced from Rs 5.16 Crore to Rs 10.33 Crore. The Issue proceeds have been utilised to augment the Company's Working Capital, meet repayment obligations towards short-term loans, and expenses of the Issue.

INDUSTRIAL RELATIONS

The Company's track record of industrial peace and harmony for over three decades is its forte and has been cited in the industry as a model of constructive co-operation between the workmen and the Management. Your Directors record their deep appreciation of the significant contribution made by the workmen, staff and officers of the Company in sustained improvement in the Company's operations. The Management at the highest level is actively involved in HRD programmes for education, training, and up-gradation of the skills of the workmen.

PROSPECTS

In the wake of the on-going economic reforms and greater focus in the Five Year Plans on infrastructural development, the Company is expected to make a strong showing through its current emphasis on high value added jobs, which would of course require considerable reinforcement in the areas of engineering, technology, market thrust, and image building as a reliable supplier with total quality assurance. This would contribute to higher asset utilisation with better returns.

OPPORTUNITY & THREATS

Engineering industry engaged in production of capital goods and project activity is most vulnerable to cyclical demands. It suffers from rather inelastic utilisation of capacity through price regulatory mechanism unlike in the case of fast moving consumer goods and consumer durables. Your Company has gone through the vicissitudes of peaks and troughs owing to the erratic wagon procurement programme of Indian Railways. The Management has, therefore, taken steps to achieve greater stability in its operations through synergistic change in product profile having regard to optimal utilization of existing infrastructure.

CONSOLIDATED FINANCIAL STATEMENTS :

In accordance with Accounting Standard 21 – Consolidated Financial Statements, the group accounts form part of this Report & Accounts. The group accounts also incorporate the Accounting Standard 23 – Accounting for investments in Associates in Consolidated Financial Statements and also Accounting Standard 27 – Financial Reporting of interest in Joint Ventures issued by the Institute of Chartered Accountants of India. The group accounts have been prepared on the basis of audited financial statements received from subsidiaries, as approved by their respective Boards.

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 has 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 the annual accounts have been prepared on a 'going concern' basis.

The SEBI's guidelines regarding Corporate Governance have been implemented by the Company. An Audit Committee of the Board and Shareholders'/Investors' Grievance and Share Transfer Committee have already been constituted and are functioning in keeping with the given guidelines.

PARTICULARS OF EMPLOYEES

The number of employees as at 31st March, 05 was 2360. 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

Shri S K Poddar, Shri A C Chakrabortti and Shri B P Bajoria, 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

K. K. BIRLA

Dated : 5th May, 2005

Chairman



ENCLOSURE TO THE REPORT OF THE DIRECTORS FOR THE FINANCIAL YEAR ENDED 31ST MARCH, 2005

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

Name	Designation	Age (Years)	Remuneration (Rs.)	Qualifications	Experience (Years)	Date of commencement of employment	Previous Employment
1	2	3	4	5	6	7	8
Employed throughout the year and in receipt of remuneration aggregating Rs. 24,00,000/- or more							
Maheshwari Ramesh	President	72	32,98,268	M.Com., LL.B.	49	01-02-62	M/s.F & C Osler(India) Limited & Sister Concerns

- NOTES:**
1. Remuneration as shown above includes Salary, House Rent, LTA, Medical Benefits, Bonus, Contribution to Provident Fund and Superannuation Fund etc. as per Company's rules.
 2. The above employee is not a relative of any of the Directors of the Company.
 3. His appointment is non-contractual.
 4. Other terms and condition are 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, 2005.

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 :
Modification of Equipment & their drives is being done regularly to reduce energy consumption.
- 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 contained to the levels of 2003 – 2004.
- ii) By modification in manufacturing process, Overall consumption of power per ton production of Steel Casting has been substantially reduced as compared to 2003 – 2004 as shown below.

II) Impact of measures under (b)

It would be appreciable.


**TEXMACO
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- 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)

	2004-2005	2003-2004
	Arc	Arc
	<u>Furnace</u>	<u>Furnace</u>
i) Power & Fuel Consumption :		
Electricity		
Purchased		
Units (in thousands)	11389	8033
Total Amount (Rs.in lakhs)	490.64	350.28
Rate/Unit (Rs.)	4.31	4.36
ii) Consumption per M/T of Steel Casting Production :		
Electricity	Units	1012
Furnace Oil	Ltrs	91
Coal (Steam)	Kgs	-

II. TECHNOLOGY ABSORPTION

Benefits :

Expenditure on R&D (Rs. in lakhs)

i) Capital	-	-
ii) Recurring	13.50	12.00
iii) Total	13.50	12.00
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 :

Earned : Rs. 3345.67 lakhs

Used : Rs. 1793.51 lakhs