

66th Annual Report 2005-2006



TEXMACO LIMITED


DIRECTORS

Dr. K. K. Birla, *Chairman*
 Shri S. K. Poddar, *Executive 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 & CEO

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)
 Agarpara "
 Sodepur "
 Panihati "

REAL ESTATE DIVN.
CONTENTS

Notice	2
Report of the Directors	5
Financial Highlights	18
Auditors' Report	19
Balance Sheet	22
Profit and Loss Account	23
Schedules to Balance Sheet	24
Schedules to Profit and Loss Account	38
Cash Flow Statement	43
Subsidiary Companies' Reports and Accounts	45
Consolidated Accounts	61

NOTICE TO THE SHAREHOLDERS

NOTICE is hereby given that the 66th Annual General Meeting of TEXMACO LIMITED will be held on Friday, the 28th July, 2006 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, 2006.
2. To declare Dividend on Equity Shares for the year ended 31st March, 2006.
3. To appoint a Director in place of Dr. K. K. Birla, 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 modifications the following Resolutions :-

Item No. 7(i)

"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, 2005, 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".

Item No. 7(ii)

"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 appointment of Shri S. K. Poddar as Executive Vice Chairman of the Company for a period of five years with effect from 1st January, 2006, 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 : 12th May, 2006

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 Friday, the 21st July, 2006 to Friday, the 28th July, 2006, 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 Calcutta Stock Exchange Association Limited, 7 Lyons Range, Kolkata - 700 001 and Bombay Stock Exchange Limited, Phiroze Jeejeebhoy Towers, Dalal Street, Mumbai - 400 001. The annual listing fee has been paid to each of the above Stock Exchanges.

EXPLANATORY STATEMENTS

AS REQUIRED U/S 173 OF THE COMPANIES ACT, 1956

AS SPECIAL BUSINESS

Item No. 7(i)

Pursuant to the provisions 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 18th October, 2005 re-appointed Shri A. K. Nanda as a Whole time Director of the Company with effect from 18th November, 2005 for a period of 2 years on the terms and conditions as appearing hereunder :

1. Salary : Rs.53,000/- per month with increments as may be decided by the Board of Directors from time to time.

2. Perquisites :

CATEGORY – A

- a) Housing : Furnished accommodation with gas, electricity & water valued as per Income-Tax Rule, 1962.
- b) Medical Reimbursement : Reimbursement of actual expenses for self and 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 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 or life membership will be paid by the Company.

CATEGORY-B

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

CATEGORY – C

The Company would provide car for use on Company's business and telephone at residence, which will not be considered as perquisites. However, long distance telephone calls 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 Wholetime Director shall not exceed 5% of the profits of the Company and the limits as 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.

Item No. 7(ii)

Pursuant to the provisions 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 in due course, the Board of Directors of the Company at its meeting held on 18th October, 2005 appointed Shri S. K. Poddar as Executive Vice Chairman of the Company with effect from 1st January, 2006 for a period of 5 years on the terms and conditions as appearing hereinafter :-

1. Salary : Rs. 3,00,000/- per month with increments as may be decided by the Board of Directors from time to time.

2. Perquisites :

CATEGORY – A

a) Medical Reimbursement : Reimbursement of actual expenses incurred by the Executive Vice Chairman 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.

d) Leave : As per the Rules of the Company.

CATEGORY-B

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

CATEGORY – C

Provision of car for use on Company's business will not be considered as perquisites. However, 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 Executive Vice Chairman, the aforesaid remuneration shall be treated as minimum remuneration.

4. The variation and increase in the remuneration of the Executive Vice Chairman shall not exceed 5% of the profits of the Company and the limits as specified in Schedule XIII of the Companies Act, 1956.

Except Shri S. K. Poddar and Dr. K. K. Birla, no other Director of the Company is concerned or interested in the above.

Belgharia
Kolkata - 700 056
Dated : 12th May, 2006

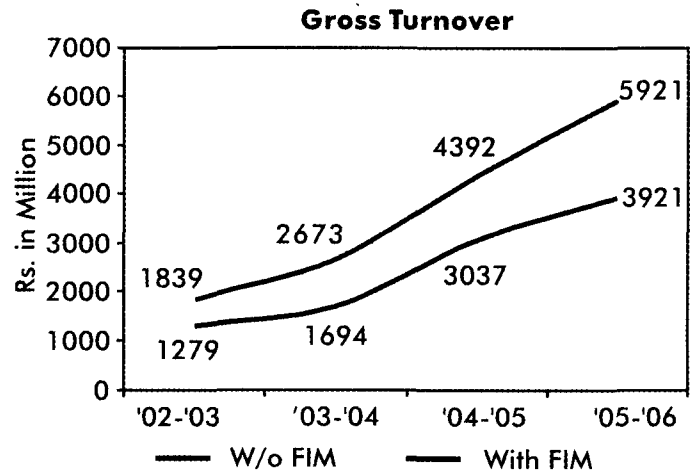
By Order of the Board
A. K. VIJAY
Secretary

REPORT OF THE DIRECTORS

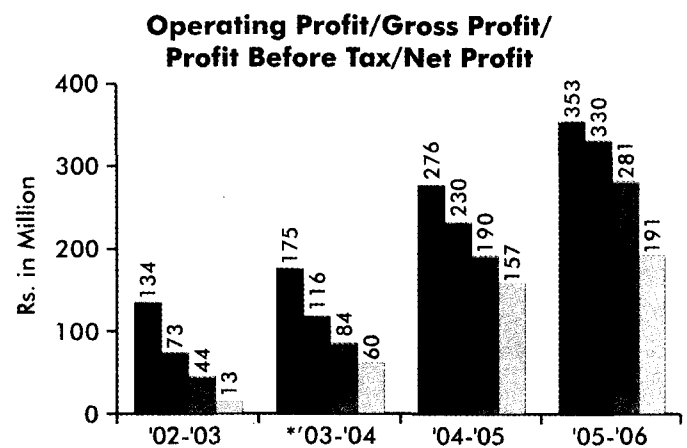
Your Directors take pleasure in presenting the 66th Annual Report along with the Audited Statement of Accounts of the Company for the year ended 31st March, 2006.

	Rs. in Lakhs	
	2005-2006	2004-2005
FINANCIAL RESULTS		
Operating Profit (PBITD)	3503.58	2667.51
Profit on sale of Fixed Assets	26.07	93.54
Total Profit	3529.65	2761.05
Less : Interest (net)	228.91	459.05
Gross Profit (PBDT)	3300.74	2302.00
Less : Depreciation	427.58	397.38
Profit before Taxation	2873.16	1904.62
Provision for Taxation:		
Fringe Benefit Tax	28.00	—
Current Tax	904.77	170.41
Deferred Tax Asset	(26.62)	(18.51)
Profit after Taxation	1967.01	1752.72
Less : Extraordinary items:		
Loans/Advances written off	—	(137.04)
VRS (Engg. Divn.)	(65.62)	(49.25)
Net Profit / Loss	1901.39	1566.43
Add : Balance brought forward from previous year	310.64	329.69
Profit available for appropriation	2212.03	1896.12
Proposed Dividend on Equity Shares (Incl. Tax)	(30%) 353.22	(20%) 235.48
Transferred to General Reserve	1450.00	1350.00
Transferred to Balance Sheet	408.81	310.64
	2212.03	1896.12

During the year under review, the improvement in the Company's working has been sustained with the Gross Turnover registering an increase of 29% at Rs.392.17 Crore compared to Rs. 303.72 Crore in the previous year. The turnover does not include the value of free-supply inputs including steel and components of over Rs. 200 Crore provided to the Company by Indian Railways and other clients for some large value contracts. It bears mention that there has been a change in the system of contracting and billing of Bogies and Couplers produced at the Company's Steel Foundry for wagons against contracts of Indian Railways. As a result, the Company's Wagon Division's invoicing has stood decreased by approx. Rs. 14 Crore.



There was an appreciable all round improvement in the Company's operations resulting in gross profit (PBDT) showing an increase of 43% at Rs. 33.01 Crore against Rs. 23.02 Crore, and profit before tax (PBT) showing an increase of 63% at Rs. 28.08 Crore against Rs. 17.18 Crore in the previous year. The net profit at Rs.19.01 Crore was higher by 21% compared to Rs.15.66 Crore in the previous year. The Tax liability for the year was Rs.9.05 Crore against only Rs. 1.70 Crore in the previous year. The Company had Tax set offs available in the previous year which had reduced the tax liability. In the current year full tax liability has been provided. The Deferred Tax Asset for the year has been created in the Profit and Loss Account in accordance with the Accounting Standard 22 "Accounting for taxes on Income", issued by the Institute of Chartered Accountants of India.



*-excl. other income of 128 million a/c Development Agreement 'Worli Land'.

In view of the continuous uptrend in the working results as mentioned above, your Directors are pleased to recommend a dividend of 30% on the equity capital of the Company.

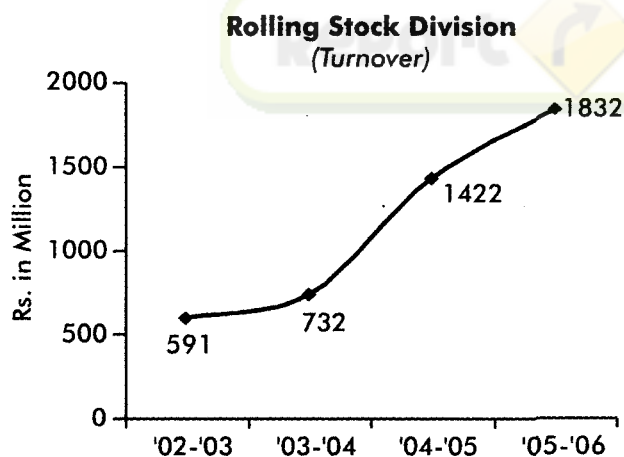
MANAGEMENT DISCUSSION AND ANALYSIS

The Management has continued to pursue vigorously its policy of building the Company's competitive strength and enhancing its market share through relentless cost effective measures, progressive IT applications, and upgradation of the design and manufacturing infrastructure. The Management has been striving to add to the Company's product range into high-end market niches. These efforts are bearing fruit as reflected through better working results over successive years.

HEAVY ENGINEERING DIVISION

ROLLING STOCK

The Company received an order for 2537 FWus only from Indian Railways in 2005-06, which was barely 45% of the order for 5548 FWus received during the previous year. Besides, there was unprecedented delay by Indian Railways in placement of orders, which were released as late as in mid-January 06. Notwithstanding such delay, the Company managed to execute approx. 60% of the order within just about two months by the close of the year on March 31, 06. Overall the Company managed to achieve a total wagon production of 5310 FWus during the year, which was made up of substantial production against special orders from other industrial users.



In this back drop, it is heartening that the Indian Railways have intimated the Industry about their plan to procure the largest ever number of wagons viz, 12,000 VUs or 30,000 FWs in the current year to meet their new freight target. Your Company expects to receive the largest share of the Railway orders based on its consistent record of being the best performing unit in the Industry over the years. The Company has, however, requested the Railway Board for awarding remunerative prices of wagons and arranging timely supply of contractual matched free-inputs for smooth and economic run of production. In particular, the shortage of wheelsets sourced from Rail Wheel Factory, Bangalore, is a major bottleneck in the current wagon production.

Your Directors are happy to report further that the outlook for the current year, and hopefully for the next few years, has turned quite optimistic with the slew of measures announced by the Ministry of Railways to promote Public-Private Partnership in freight movement. The company has received substantial orders and there is a spate of enquiries for wagons from industrial users under Wagon Investment Scheme and several private parties entering into containerised freight segment. Your Company is fully geared to execute the orders flowing in from the Private Sector.

The Railways have also come up with an exciting Rs. 22000 Crore (Approx US \$ 5 bl) 'Dedicated Freight Corridor' plan, which will indeed revolutionize the Rail transport. Your Company is engaged in a serious dialogue with the Railways, along with its world-renowned foreign associates, to upgrade the wagon designs to build a modern fleet for the proposed Dedicated Freight Corridor.

HYDRO-MECHANICAL EQUIPMENT & STRUCTURALS

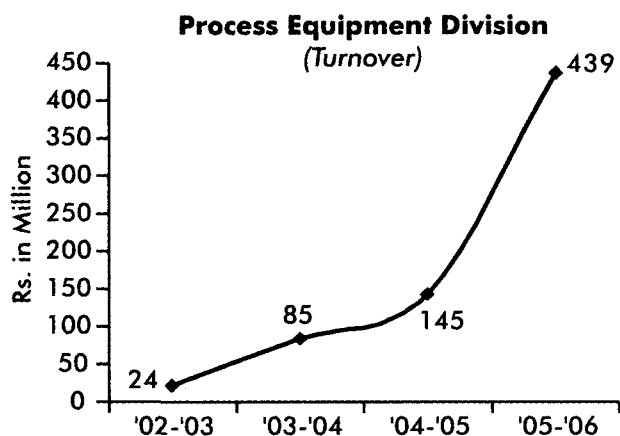
The performance of this Division was just about maintained with Turnover of Rs.52.99 Crore. There were various constraints in the execution of some of the pending contracts due to abnormal increase in price of steel and non-availability of erection fronts at the project sites, etc. The prestigious contract taken up by the Company for JBIC funded 900 MW Purulia Pumped Storage Project under WBSEB is nearing completion. It involved fabrication and erection of around 10,000T of steelwork for Hydro-mechanical equipment, which has been done in a record time ahead of schedule.

Another major contract for Hydro-mechanical equipment for 1020 MW Tala Hydroelectric Project (Bhutan) is under completion. This job had to be executed in an extremely difficult hilly terrain and harsh climate conditions. It has earned the Company valuable experience and will add to its credentials. The work on other Hydro-mechanical packages under NHPC viz. 510 MW Teesta Stage-V Hydroelectric Project (Sikkim), Parbati Hydel Project (Himachal Pradesh), Sewa Hydel Project (J&K), and Teesta Low Dam Project (West Bengal) are progressing as per project requirements. The Division is well poised to receive a large value contract for a mega project shortly. The business potential in the Hydropower sector holds a big promise for this Division in the years to come.

PROCESS EQUIPMENT DIVISION

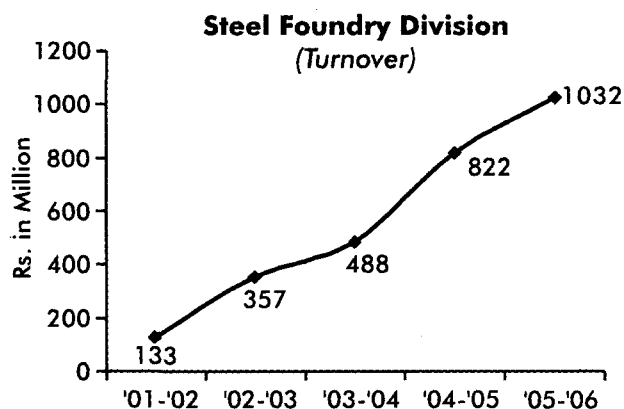
The Turnover of this Division increased threefold to Rs.43.93 Crore during the year. The Division continued to consolidate its position in the pressure vessels market by booking orders and manufacturing a large number of Cryogenic Vessels. The Company is currently executing orders for a Boiler of 120 TPH capacity, a high pressure boiler of 90 TPH at 67 Kg/cm²g, and also

3 Nos. Horton Spheres for Indian Space Research Organisation (ISRO). The current buoyancy in the Sugar Industry augurs well for the Company and the Company expects to receive substantial orders for Boilers and Sugar Milling Plants in the current year.



STEEL FOUNDRY

In keeping with your Directors' expectation as reported in the previous year, the Steel Foundry Division maintained its upward growth trajectory and scaled a new production peak of 12078 MT with a record turnover of Rs.103.16 Crore against Rs.82.16 Crore in the previous year. The change in product-mix and rigorous cost controls contributed handsomely to profits in the Division. Beside meeting the captive requirement of its Wagon Division, the Steel Foundry was a major supplier of Bogies and Couplers to other wagon builders. It is the largest supplier of Bogies and Couplers for Indian Railways with a market share of approx. 32% and 42% respectively during the year.



The new State of Art Foundry being set up by the Company with equipment supplied by the renowned German manufacturer, M/s. KunkelWagner Prozesstechnologie GmbH, is on schedule and is expected to be commissioned by July this year. Being an export oriented hi-tech project, it will entail some time for trial runs and to secure approval of the overseas customers and

Inspection Authority. Therefore, the commercial run is expected in the 3rd quarter of the current year. Hopefully, the successful operation of this Foundry will gain for the Company an international recognition and significantly contribute to the Company's revenues.

AGRO MACHINERY

The performance of the Division has shown an improvement over last year inspite of stiff competition from the cheap Chinese Power Tillers. The Company's Power Tiller, "Texmaco Dhanwan" is gaining market acceptability steadily. The Division is in active negotiation with an Engineering Research Institute for manufacture and marketing of a small low-priced Tractor to meet the needs of middle class farmers and thus expand its product range.

MINI HYDEL POWER PROJECT

The Company's 3 MW Mini Hydel Power Project on river Neora in District Darjeeling, West Bengal, in joint venture company 'Neora Hydro Ltd.' has been commissioned successfully. This is the first mini hydel project commissioned in Private Sector in Eastern India. The project has started generating power and is expected to fully stabilise once adequate water is available with the onset of monsoon.

EXPORTS

The Company has made satisfactory progress in its negotiations with overseas buyers for the export of Steel Castings from its new State of Art Foundry, which will be on stream shortly. There are fair possibilities for export of wagons, for which the Company has made necessary tie-ups with leading export houses. The exports of the Company during the year, both physical and deemed, were approx. Rs.62.31 Crore.

REAL ESTATE

Regarding Birla Mill Land at Delhi, the Company is still awaiting the decision of the Hon'ble Supreme Court of India in respect of certain legal issues whereafter the Management will proceed with the development plans of the property. The Company has acquired in April'06 in an auction by Hon'ble High Court, Kolkata, ownership of its Panihati factory premises on B. T. Road, Kolkata, which was hitherto under tenancy.

INDUSTRIAL RELATIONS

The Company continues to maintain its excellent record of industrial harmony over the decades. Your Directors appreciate the commitment and dedication of the workmen, staff and officers in achieving higher levels of performance. The Management enjoys full cooperation, understanding, and trust of the workmen and their Unions in implementation of its growth oriented programmes including structured training of workmen and staff for up-gradation of their knowledge and skills.

PROSPECTS

The Management is looking forward to further acceleration in the future growth of the Company with the current boom in the manufacturing sector triggered by massive capital outlay of the Central and State Governments for a double-digit growth of the national GDP. The Company has a strong presence in the key infrastructure sectors viz., power, transport and heavy steel structures, etc. Accordingly, the Company's plans and programmes are being drawn to gain an increasing market share in these sectors and for expanding its product base.

OPPORTUNITY & THREATS

The Company has continued to suffer owing to under-utilization of capacity, especially because of the vulnerability of its Rolling Stock Divn. arising from erratic planning and off-take of Indian Railways. The Company has been representing for a rational wagon pricing policy and distribution of orders based on performance of the wagon units. The management hopes that looking to the buoyant wagon procurement targets of the Railways, they would initiate a new policy regime to foster healthy growth of the Industry capable of fulfilling their programme. In the field of hydropower, the company is uniquely placed from the point of logistics. There are large hydropower projects coming up, many of them in Eastern India, which offer tremendous opportunity to the Company with its proven credentials in international competition.

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

A separate report on Corporate Governance pursuant to Clause 49 of the Listing Agreement with the Stock Exchanges is attached as a separate Annexure and 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, 06 was 2233. 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 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 : 12th May, 2006

K. K. BIRLA
Chairman

ENCLOSURE TO THE REPORT OF THE DIRECTORS FOR THE FINANCIAL YEAR ENDED 31ST MARCH, 2006

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
A) Employed throughout the year and in receipt of remuneration aggregating Rs. 24,00,000/- or more							
Maheshwari Ramesh	President	73	37,08,732	M.Com., LL.B.	50	01-02-62	M/s. F & C Osler (India) Limited & Sister Concerns
B) Employed for a part of the year and in receipt of remuneration aggregating Rs. 2,00,000/- or more per month							
Poddar Saroj Kumar	Executive Vice Chairman	60	10,65,400	B.Com. (Hons.)	37	01-01-06	M/s Poddar Heritage Investments Ltd.

- 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. Except Shri Saroj Kumar Poddar, who is related to Dr. K. K. Birla, none of the other employees named above is a relative of any Director of the Company.
 3. Employees named above are whole-time/contractual employees of the Company.
 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, 2006.

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 Equipments & 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 2004 - 2005.
 - ii) By modification in manufacturing process, Overall consumption of power per ton production of Steel Casting has been substantially reduced as compared to 2004 - 2005 as shown below.
 - II) **Impact of measures under (b)**
It would be appreciable.