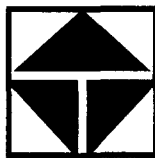


67th Annual Report
2006-2007

Report  Junction.com



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 S. Dhasarathy
 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.
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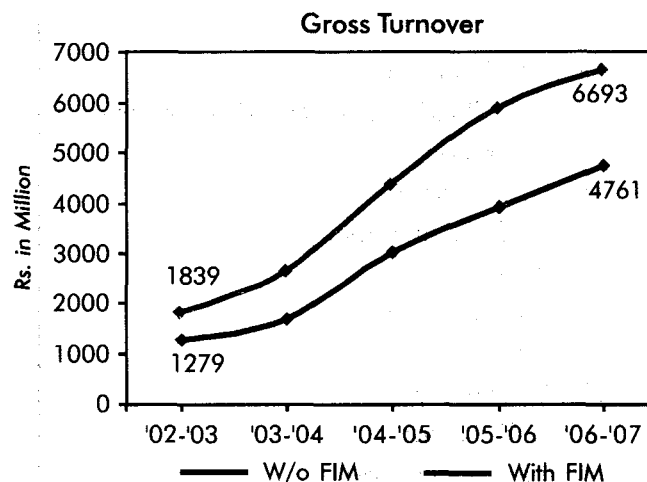
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REPORT OF THE DIRECTORS

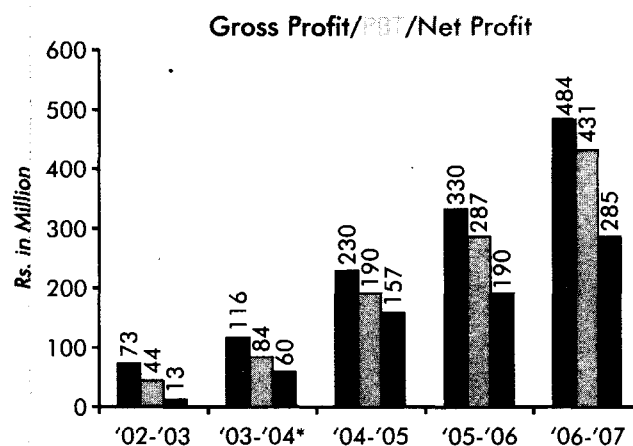
Your Directors take pleasure in presenting the 67th Annual Report along with the Audited Statement of Accounts of the Company for the year ended 31st March, 2007.

	Rs. in Lakhs	
	2006-2007	2005-2006
FINANCIAL RESULTS		
Operating Profit (PBDT)	5111.72	3503.58
Profit on sale of Fixed Assets	9.99	26.07
Total Profit	5121.71	3529.65
Less : Interest (net)	285.08	228.91
Gross Profit (PBDT)	4836.63	3300.74
Less : Depreciation	523.09	427.58
Profit before Taxation	4313.54	2873.16
Provision for Taxation:		
Fringe Benefit Tax	33.00	28.00
Current Tax	1290.00	904.77
Deferred Tax Liability/(Asset)	68.20	(26.62)
Profit after Taxation	2922.34	1967.01
Less : Extraordinary items:		
VRS (Engg. Divn.)	74.73	65.62
Net Profit / Loss	2847.61	1901.39
Add : Balance brought forward from previous year	408.81	310.64
Profit available for appropriation	3256.42	2212.03
Proposed Dividend on Equity Shares (Incl. Tax)	(40%) 483.22	(30%) 335.22
Transferred to General Reserve	975.00	1450.00
Transferred to Balance Sheet	1798.20	408.81
	3256.42	2212.03

During the year under review, there has been a steady improvement in the Company's working. The Gross Turnover registered an increase of 21% at Rs.476.13 crore compared to Rs.392.17 crore in the previous year. The turnover for the year does not include the value of free-supply inputs including steel and components of over Rs.193.20 crore provided to the Company by Indian Railways and other clients for some large value contracts. The compound annual growth of the Company's turnover has been more than 37% over last 5 years, which marks a significant turn-around.



There was a commendable all-round improvement in the Company's operations during the year. The gross profit (PBDT) increased by 46.5% at Rs.48.37 crore against Rs.33.01 crore, and profit before tax (PBT) by 50% at Rs. 43.14 crore against Rs. 28.73 crore in the previous year. The net profit at Rs. 28.48 crore was higher by 50% compared to Rs. 19.01 crore in the previous year. The Tax liability for the year has increased to Rs. 13.91 crore from Rs. 9.05 crore in the previous year. The Company had Tax set-offs available in the previous years, which had reduced the tax burden. However, full tax liability has been provided in the current year. The Deferred Tax Liability 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 sustained improvement in the working results as mentioned above, your Directors are pleased to recommend a dividend of 40% on the equity capital of the Company.

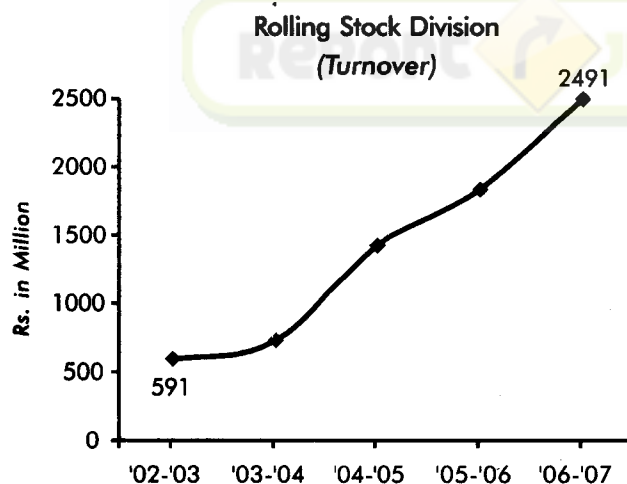
THE MANAGEMENT DISCUSSION AND ANALYSIS

The Management's pursuit of leadership through up-gradation of technology, skills, and systems has been rewarding as reflected in the Company's growing market share and new mile-posts of achievements year-after-year. The Management is further striving to improve its asset utilisation through greater reliance on building engineering capability, market thrust, and total quality management. The intellectual capital will be the driving force behind the future growth of the Company.

HEAVY ENGINEERING DIVISION

ROLLING STOCK

The Company achieved a record turnout of 2843 wagons (VUs) during the year as against 2124 VUs in the previous year, an increase of approx 34%. This was despite the late release of orders by the Indian Railways for 2006-07 RSP in September '06. Besides, the performance was affected owing to continued shortage of free-supply items by the Railways, viz. wheelsets, bogies, and couplers. Fortunately, the Railways have decided to remove bogies and couplers from the list of free supply items in their wagon procurement programme for the current year. It would enable the sourcing and procurement of these critical items directly by the Industry as per their wagon production plan.



It bears special mention that in view of the excellent performance of the Company in face of all odds, it was awarded an additional order by the Railways for 368 wagons (VUs) in February '07 (within 4 months of original order placement) by diverting it from other non-performing units. The Company has also earned the distinction of being the sole recipient in April '07 of further 30% quantity of the original order in exercise of the option clause under the contract.

The Railways have announced a massive programme for building a modern wagon fleet with high axle load, better payload-tare ratio using light construction materials, such as Stainless Steel, Aluminium, etc. They have floated the largest ever tender for over 10,000 wagons (VUs) for 2007-08, which include a large

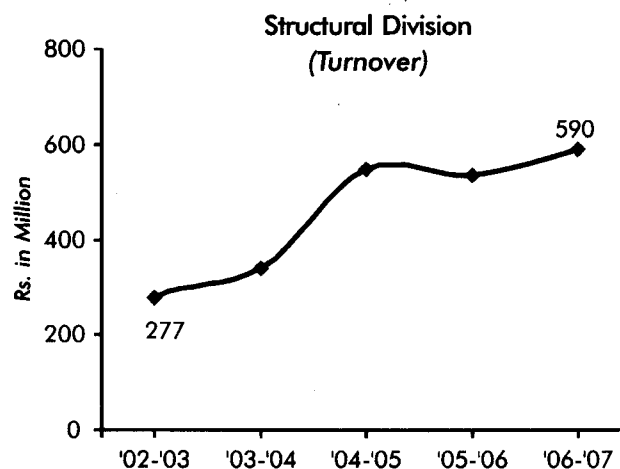
percentage of new design BOXNHL and BCNHL wagons with Huck Bolt construction (*in place of rivets*), special imported couplers and high capacity draft gears. Meanwhile, the Company has received orders from the Railways for BOXNLW and BOXNAL wagons to be made of Stainless Steel and Aluminium, respectively.

The Company also enjoys a dominant position in the non-railway segment of commodity-specific special purpose wagons. The demand for these wagons is growing fast in the wake of the new policy initiatives of the Ministry of Railways to promote Public Private Partnership (PPP) in freight movement. The current order book of the Company in this segment comprises 2655 wagons (VUs), which includes substantial orders for Container Flat rakes and wagons for bulk transportation of Alumina, Caustic Soda, Food Grain, Cement, Iron Ore, Coal, etc. The Company earned commendation for its outstanding performance in execution of 3 prestigious orders for 393 nos. MGR wagons valued Rs. 88.58 crore from National Thermal Power Corporation, Government of India. These were all delivered within March, 2007, including wagons of which the contractual delivery was due up to March, 2008.

Rail sector has indeed thrown up an exciting opportunity for gearing up production of new generation wagons to meet the emerging requirement for the multi-billion Dedicated Freight Corridor planned by the Ministry of Railways. The Company is therefore vigorously pursuing its in-house R&D, as also exploring possibilities of joining hands with world leaders in rail wagons and services.

HYDRO-MECHANICAL EQUIPMENT & STRUCTURALS

The Division consolidated its position by bagging during the year the single largest order in India for Hydro-mechanical Equipment valued at over Rs. 300 crore for Subansiri 2000MW H.E Project of NHPC in Assam & Arunachal Pradesh. It does the Company proud to be associated with this major Project of the Government of India.



The year 2006-07 marked the successful completion of the prestigious contracts for Hydro-mechanical Equipment executed by the Company for 900 MW Purulia Pumped Storage Project of WBSEB in West Bengal and 1020 MW Tala H.E. Project in Bhutan.

The work on 510 MW Teesta Stage V H.E. Project (Sikkim) is nearing completion. The progress on the Hydro Mechanical packages of Parbati H. E. Project in Himachal Pradesh, Sewa H. E. Project in J&K and Teesta Low Dam H.E. Project in West Bengal is satisfactory.

With continuing thrust of the Govt. of India on development of Hydel Power, Texmaco is fully geared up to make its significant contribution in the years to come with its expertise in design, manufacturing, and erection in the field of Hydro-Mechanical equipment.

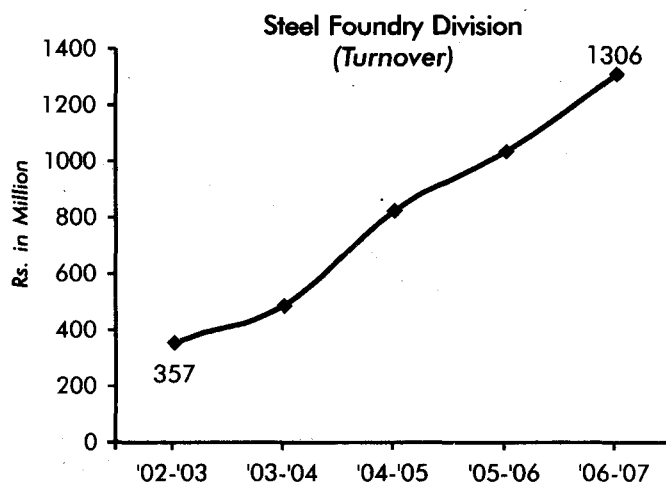
The Division is poised to grow at a faster pace with a healthy order book of approx. Rs.450 crore and the rich business potential going by the projections in the 11th and 12th 5-year Plans of the Government of India.

PROCESS EQUIPMENT

The performance of the Division was sluggish during the year. However, it did well in the specialised manufacture of Cryogenic Vessels of which 22 out of 28 Nos. were delivered during the year. Three numbers of Horton Spheres for Indian Space Research Organisation (ISRO) have also been supplied, and the erection is in progress. The order for Boiler of 120 TPH capacity was successfully executed, and another order for High Pressure Boiler of 90 TPH at 67 kg/cm²g pressure is under execution. The Division has an order book of approx. Rs. 40 crore, and the performance is expected to improve during the current year.

STEEL FOUNDRY DIVISION

The steel foundry continued to scale new height by achieving a record turnover of Rs. 130.5 crore during the current year, which was up by 26% compared to the previous year. It maintained its leadership through highest share of the supplies to the Rail Sector, and reliability for timely delivery and assured quality. The production in the old foundry has reached a near optimum level. It is, therefore, proposed to modernize and refurbish it to sustain high production level, besides achieving incremental production.



The new State-of-Art foundry of the company has commenced commercial production during the year. The initial level of production currently is about 300 tons per month on single shift basis. The foundry is equipped with highly sophisticated, fully automatic sand plant and moulding line, sourced from the world renowned Kunkel Wagner of Germany. This is the first of its kind for production of Railway steel castings in India to meet the most exacting standards of American Rail Roads. Not unexpectedly, some teething problems have continued to surface, which are being resolved through excellent service support from the German suppliers. The operations would fully stabilize shortly so as to step up the production to its rated capacity of 15,000 tons / year.

The castings produced in the high pressure moulding system have been judged by experts deputed by the foreign buyers as far superior in dimensional tolerances, surface finish, sharpness of contours, and weight stability even compared to those produced by similar system overseas.

Besides, in response to enquiries from the US market, the company has completed development of CMS crossing of which 3 nos. have already been dispatched to US after buyers' inspection and acceptance. There are other promising enquiries for Non-Railway industrial castings required for the mining sector in the Australian market, which would also be developed shortly.

Looking to the huge potential for exports, the company has engaged the services of a highly qualified and experienced German expatriate to optimize trouble-free production and enforce strict quality control for international market.

AGRO MACHINERY

The Agro Machinery Division improved its market share during the year. It is in the process of strengthening the Distributor/ Dealer network for rural marketing in Eastern India, and has also initiated action to explore the Southern market. The outlook of the Division is promising in the coming years.

MINI HYDEL POWER

The Company's 3 MW Mini Hydel Power Project on river Neora in Darjeeling District in the Joint Venture 'Neora Hydro Ltd' (NHL) was commissioned successfully in June'06. The total generation during the year 2006-07 was 3.055 million units. However, the recorded evacuation at Chalsa Sub-Station of WBSEB was 2.777 million units after transmission losses and internal consumption. The Power Purchase Agreement with WBSEB has been signed on 24.11.2006 which will be operative for 10 years. The tariff has been fixed at the maximum cap of Rs. 3.60 per unit for a period of 5 years as per the notification of WBERC. Unfortunately, the project is still facing problems on account of inadequate water discharge from Neora river during the lean/semi-lean season (October to May). Besides, there are some technical problems in the smooth evacuation of power from NHL compatible with Chalsa Grid Voltage. The matter has been taken up with WBSEB for smooth evacuation of power during

forthcoming peak season to enable generation and sale of full power. The company's application for subsidy of Rs. 2.50 crore from WBIDC under the State Subsidy Scheme for Mini Power Project has been processed, and the formal sanction letter is expected shortly.

NEW PROJECTS

Coaches

The Company had participated in a tender floated by the Railway Board for 81 EMU Coaches (9 rakes of 9 Coaches each, comprising 3 B motor coaches, 2 D trailers, and 4 C trailers). Railway Board have placed a trial order for 1 EMU rake valued at Rs. 6.7 crore on 18.04.07. It is proposed to take up the manufacture of EMU Coaches at AW for which the planning is under way.

Further, leading multi-nationals have participated in a bid for 340 Metro Coaches for the Delhi Metro Rail Corporation, opened on November 24, 2006. The Company is in active discussion to join hands with either of them for indigenous development of Metro Coaches at the Company's Belgharia Works.

EXPORTS

The Company in its new State of Art Foundry has started development of samples for testing and trials for the overseas buyers, and the initial results are very encouraging. It is expected that the export will start by the end of second quarter of the current year after necessary approval of sample castings by Testing and Inspection Authorities of the buyers. In Hydro Mechanical Equipment and Wagon Divisions, the Company has successfully executed during the year certain prestigious deemed export contracts received against stiff global competition. The exports of the Company during the year, including deemed exports, were approx. Rs.183 crore. Efforts are continuing for development of new export markets.

REAL ESTATE

The decision of the Hon'ble Supreme Court of India on the legal issues relating to Birla Mills Land at Delhi is still awaited. The matter is expected to come up for hearing in the near future. The development plans of the property will be undertaken thereafter.

INDUSTRIAL RELATIONS

The Company continues to maintain its excellent track record of industrial harmony stretching over several decades. Your Directors record their deep appreciation of the significant contribution made by the workmen, staff and officers of the Company in sustained improvement of the Company's operations. The Management at the top level is actively involved in HRD programmes for further improvement in the work culture, structured training, education and upgradation of the knowledge skills of the personnel.

PROSPECTS

The Indian economy has been on a roll for the last three years. The Government has upgraded the GDP growth figure to 9% for the last year 2005-06. The current growth has been fuelled by robust performance of the corporate sector spurred by very healthy demand. There is a wide recognition of the potential of India to become a manufacturing hub for global production. The capital flows, both direct and portfolio investments, remain significant. The company's pre-eminence in the infrastructure sector namely Rail Transport, Hydel Power and Heavy Steel Structures augurs well to ride on the back of strong fundamentals of the Indian economy.

OPPORTUNITY & THREATS

There is an unprecedented opportunity thrown up in the wake of a slew of policy initiatives by the Ministry of Railways, especially the accent on new Public-Private Partnership model (PPP). A huge capital outlay has been planned by the Railways on the strength of their buoyant financial performance for expansion of their network and accelerated modernization of Rolling Stock. As a leader in the wagon Industry, the Company with its proven credentials over the decades looks forward to play a major role in the new development plans of the Railways in partnership with the world leaders to offer the best engineered modern wagons. Unfortunately, the Private sector still continues to suffer discrimination by the 'Purchase Preference' policy of the Government in favour of the Public sector. The other concern is the inflationary pressure, particularly in steel and other metals, and rising credit cost which pose to be major unsettling factors in operational economy.

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 been constituted and are functioning in keeping with the given guidelines.

PARTICULARS OF EMPLOYEES

The number of employees as at 31st March, 07 was 2113. 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 B. P. Bajoria, Shri A.C. Chakrabortti and Shri Manish Gupta, 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, 2007

K. K. BIRLA
Chairman

ENCLOSURE TO THE REPORT OF THE DIRECTORS FOR THE FINANCIAL YEAR ENDED 31ST MARCH, 2007

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							
1. Poddar Saroj Kumar	Executive Vice Chairman	61	44,00,549	B.Com. (Hons.)	38	01-01-06	M/s Poddar Heritage Investments Ltd.
2. Maheshwari Ramesh	President	74	49,47,784	M.Com., LL.B.	51	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. Shri Saroj Kumar Poddar is related to Dr. K. K. Birla. The other employee named above is not relative of any Director of the Company.
 3. Employees named above are whole-time/contractual employees of the Company.
 4. Other terms and conditions 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, 2007.

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)**
By proper staggering the production activities and constant monitoring the electrical load, maximum demand has been contained to the levels of 2005 - 2006.
 - ii) **Impact of measures under (b)**
This is an ongoing exercise, benefit of which is available in long term.

- 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)

	2006-2007	2005-2006
	Arc Furnace	Arc Furnace
i) Power & Fuel Consumption :		
Electricity		
Purchased		
Units (in thousands)	13259	12258
Total Amount (Rs. in lakhs)	549.13	534.47
Rate/Unit (Rs.)	4.14	4.36
ii) Consumption per M/T of Steel Casting Production :		
Electricity	Units 1245	1234
Furnace Oil	Ltrs 107	92

II. TECHNOLOGY ABSORPTION

Benefits :

Expenditure on R & D (Rs. in lakhs)

i) Capital	—	—
ii) Recurring	17.32	14.50
iii) Total	17.32	14.50
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. 7,054.96 lakhs
Earned :	Rs. 388.79 lakhs

REPORT ON CORPORATE GOVERNANCE

(Pursuant to Clause 49 of the Listing Agreement)

1. Company's philosophy of Code of Governance

The core values of the Company's Corporate Governance are Transparency, Professionalism, Accountability, Customer focus, Teamwork, Quality, Fairness and Social Responsibility. Your Company is committed to fulfil these objectives and enhance the wealth generating capacity, keeping in mind long-term interest of the shareholders, employees and the society.

2. Board of Directors

The Company's Board consisting of ten Directors, represents the optimum mix of professionalism, knowledge and experience. The category of Directorship, number of meetings attended, attendance at the last AGM, Directorships 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	No. of Directorships	No. of Chairmanship/ Membership of Board Committees	
					Chairman	Member
Dr. K. K. Birla	Non Executive	03	No	10	—	—
Shri S. K. Poddar	Executive	04	Yes	13	3	2
Shri B. P. Bajoria	Independent	03	No	5	1	2
Shri H. C. Gandhi	Independent	04	Yes	3	—	—
Shri A. C. Chakrabortti	Independent	02	Yes	14	4	1
Shri B. Rai	Independent	04	No	13	5	5
Dr. H. Sadhak	Nominee of LIC	03	No	2	—	—
Shri Manish Gupta	Independent	02	Yes	4	—	4
Shri S Dhasarathy*	Independent	—	N.A.	1	—	—
Shri A. K. Nanda	Whole Time	04	Yes	4	—	1

*Appointed as a Director w.e.f. 19.01.07.

The Chairman does not have a separate office in the Company, and the Corporate Office of the Company supports the Chairman for discharging his responsibilities.

None of the Directors of the Company is a member of more than 10 Committees or Chairman of more than 5 committees across all the Companies in which he is a Director.

Four Board Meetings were held during the year 2006-2007 on the following dates:

12th May, 2006	28th July, 2006	25th October, 2006	19th January, 2007
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3. Audit Committee

Terms of Reference & Composition

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

The Audit Committee comprises of the following Directors, and there attendance in the committee is given alongside.

Name of Director	No. of meetings attended
Shri A. C. Chakrabortti, Chairman	02
Shri S. K. Poddar, Member	04
Shri B. P. Bajoria, Member	03
Shri Manish Gupta, Member**	—

** Shri Manish Gupta has been appointed as a Member of the Audit Committee w.e.f. 25/10/2006.

Four Meetings were held during the year : 12th May 2006, 28th July 2006, 25th October 2006 and 19th January 2007.