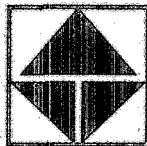


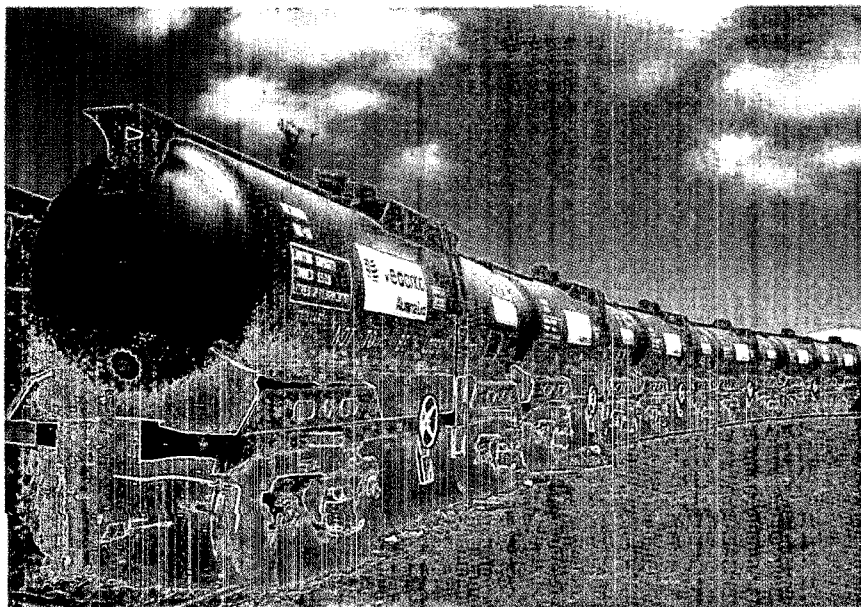


Expanding Horizons

ANNUAL REPORT
2007 - 2008



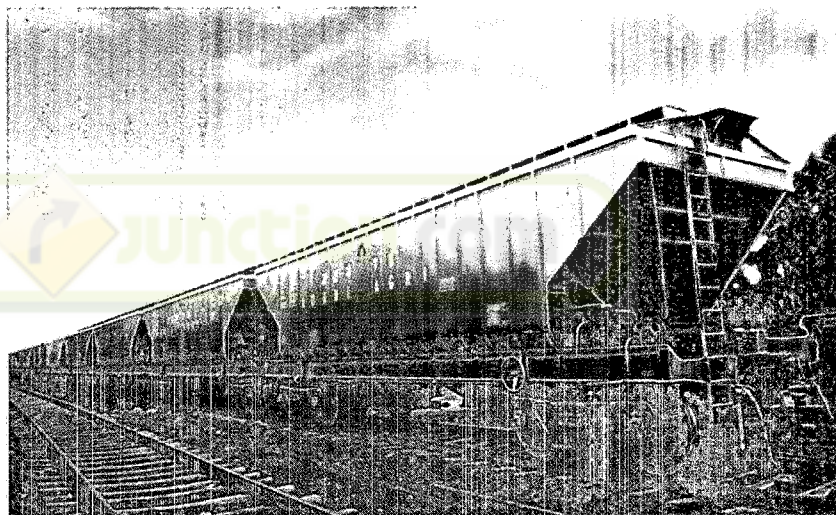
TEXMACO LIMITED



BTCS Tank Wagons

(Bottom Discharge)

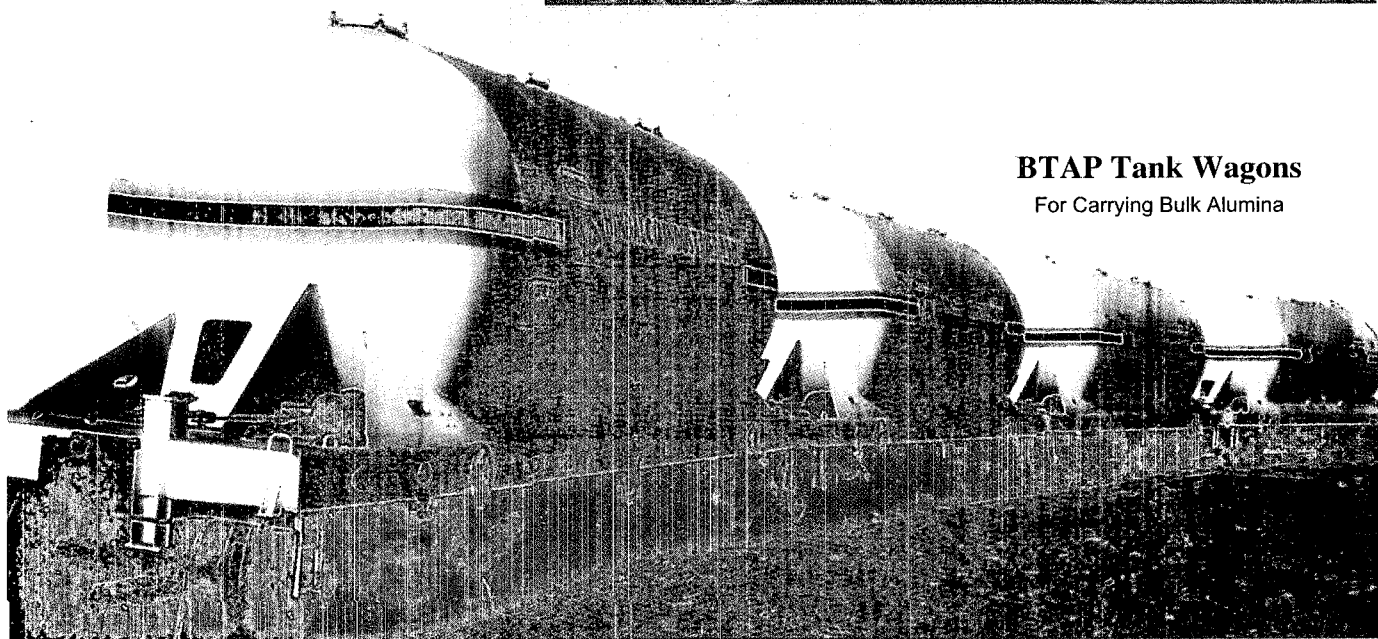
For Carrying Caustic Soda



Bogie Covered Hopper Wagons

(Bottom Discharge thru Sliding Gates)

For Carrying Bulk Food Grain



BTAP Tank Wagons

For Carrying Bulk Alumina

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 D. H. Kela
 (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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REPORT OF THE DIRECTORS

The Directors have pleasure in presenting the Sixty Eighth Annual Report of the Company along with the Audited Accounts of the Company for the year ended 31st March, 2008.

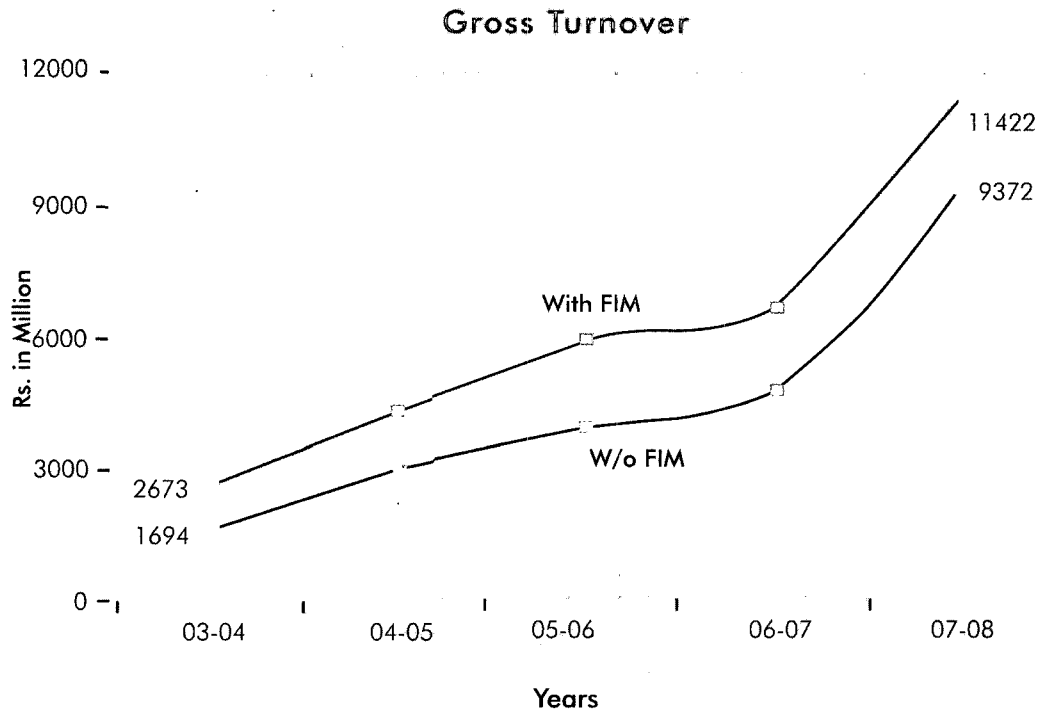
FINANCIAL RESULTS

	Rs. in Lakhs	
	<u>2007-2008</u>	<u>2006-2007</u>
Operating Profit (PBIDT)	11864.02	5238.85
Less: Interest	<u>905.87</u>	<u>402.22</u>
Gross Profit (PBDT)	10958.15	4836.63
Less: Depreciation	<u>886.03</u>	<u>523.09</u>
Profit before Taxation	10072.12	4313.54
Provision for Taxation:		
Current Tax	3067.43	1290.00
Fringe Benefit Tax	28.46	33.00
Deferred Tax Liability/(Asset)	<u>3.21</u>	<u>68.20</u>
Profit after Taxation	6973.02	2922.34
Less : Extraordinary items:		
VRS (Engg. Divn.)	<u>63.95</u>	<u>74.73</u>
Net Profit / Loss	6909.07	2847.61
Add: Balance brought forward from previous year	<u>1798.20</u>	<u>408.81</u>
Appropriations	8707.27	3256.42
Proposed Dividend on Equity Shares (Incl. Tax) (75 %)	950.06	(40%) 483.22
Proposed Dividend on Pref. Shares (Incl. Tax) (6%)	12.83	—
General Reserve	4000.00	975.00
Balance Carried Forward	<u>3744.38</u>	<u>1798.20</u>
	8707.27	3256.42

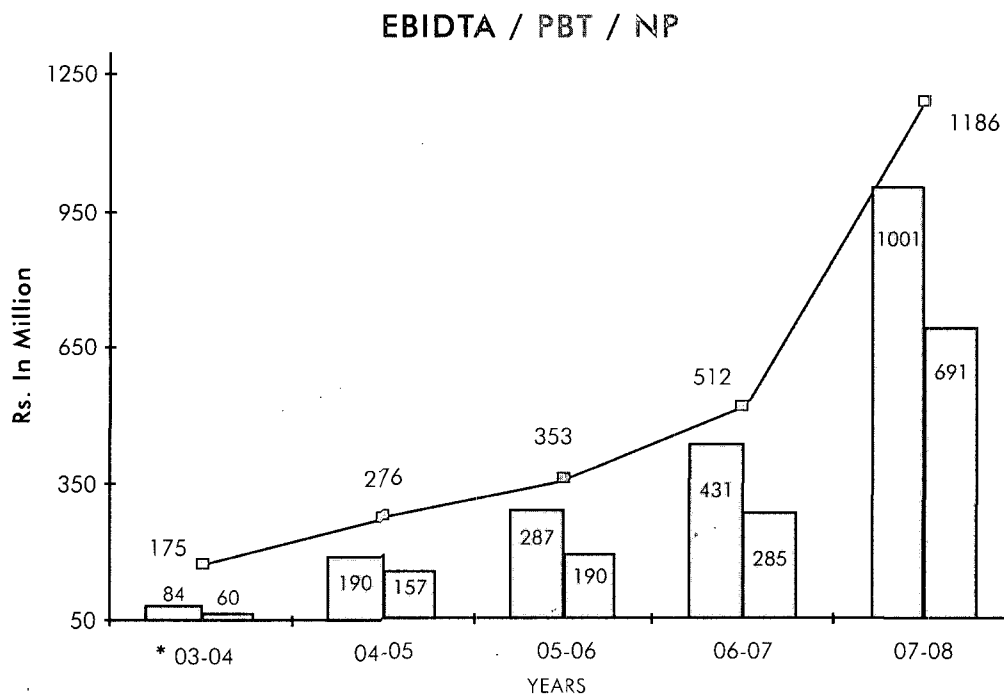
Dividend

The Directors have pleasure in recommending the payment of dividend of 75% (Rs.7.50 per share) for the year ended March 31, 2008 having regard to the commendable performance of the Company.

The year under review has been an excellent year of growth and prosperity for the Company. The Gross Turnover at Rs.937.18 crore was higher by 97% compared to Rs.476.13 crore in the previous year. It does not include the value of free-supply inputs including steel and components of over Rs.205 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 48% over last 5 years.



The Gross Profit for the year (PBDT) increased by 127% to Rs.109.58 crore against Rs.48.37 crore, and profit before tax (PBT) by 133% to Rs.100.72 crore against Rs.43.14 crore in the previous year. The Net Profit at Rs.69.09 crore was higher by 143% compared to Rs.28.48 crore in the previous year, after providing enhanced Tax liability of Rs.30.99 crore against Rs.13.91 crore only in the previous 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'.

Consequent to the merger of Shree Export House Limited, Neora Hydro Limited and Evershine Merchants Pvt. Limited in terms of an order passed by the Hon'ble High Court, Kolkata, effective from 1st August, 2007, the Share Capital of the Company stands enhanced from Rs.1,032.58 lacs to Rs.1,107.83 lacs. The aforesaid results for the year have taken into account the said merger.

THE MANAGEMENT DISCUSSION AND ANALYSIS

The Management had taken a series of measures to encash the unprecedented opportunities thrown up by reforms in the Rail Sector, where it enjoys undisputed leadership over the years. These have started yielding result as reflected in the spectacular performance of the company during the year. The management has further intensified its efforts to build the Company's engineering strength and competitive ability to make a thrust in the area of hi-tech, new design and commodity specific wagons. Efforts are underway to fill the market niche in its other core competence areas through continuous development of infrastructure and forging new alliances with renowned multi-national corporations.

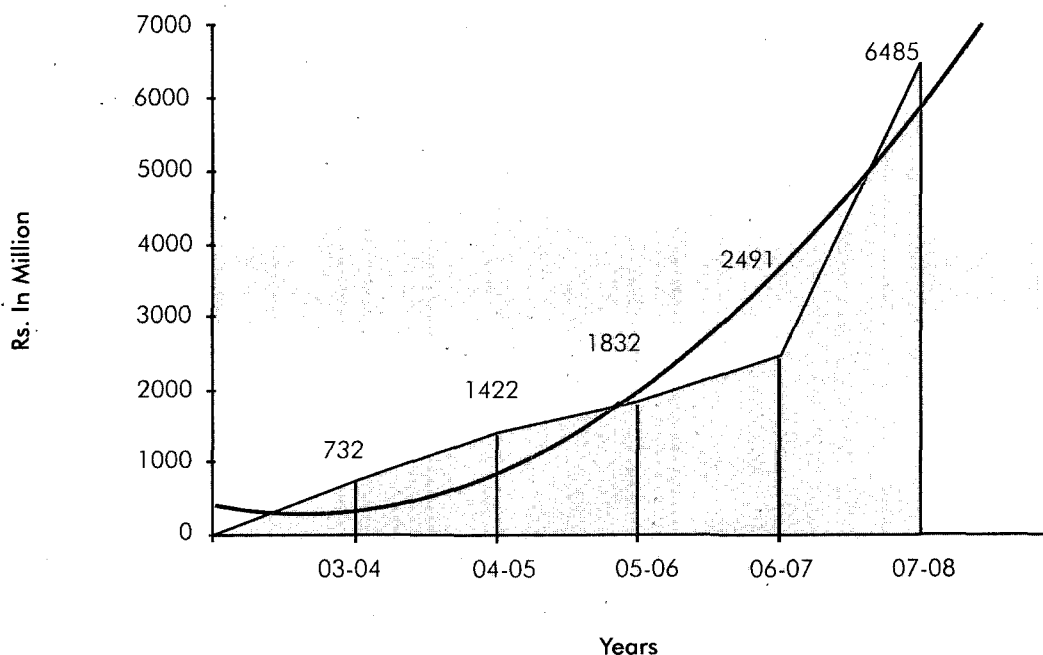
The Management notes with concern the current inflationary spiral in the wake of oil price surge to over \$ 120/bl, credit squeeze, world-wide food shortage, steep escalation in the cost of basic minerals, steel etc. It is vigilant on all fronts and adopting a prudent course to safeguard its working from the economic uncertainties as best as possible.

HEAVY ENGINEERING DIVISION

ROLLING STOCK

The Rolling Stock Division of the Company excelled in turning out the best-ever performance during the year, contributing handsomely to the operating results. There was a record turn-out of 4129 wagons (VUs) during the year as against 2843 wagons in the previous year, an increase of around 45% comprising deliveries to both Indian Railways and private operators. In recognition of its outstanding performance in the industry, the company was awarded the highest-ever order by the Railway Board for 2539 wagons against 2007-08 RSP. Besides, the Railways placed additional orders on the company for 692 nos. comprising special wagons, optional quantity & certain wagons transferred from non-performers in the industry. Significantly, there is a progressive switch-over from conventional to special purpose wagons being procured by Railways. During the year, the company delivered 325 nos. Stainless Steel BOXNLW wagon to Indian Railways.

**Rolling Stock
Turnover**



There has been a steady flow of orders to the Company under Public Private Partnership (PPP) scheme of the Indian Railways. Altogether, the total orders booked by the Company during the year were for 6814 wagons, valued approx. Rs.1100 crore including 3583 wagons valued Rs.775 crore from private parties. *(It bears mention that the value of the Railway orders is exclusive of steel, wheelsets & bearings, which are supplied free of cost by Indian Railways).* The Company delivered a series of Container Freight Rakes as also wagons for bulk transportation of alumina, food grains, caustic soda, etc. to private parties during the year.

Recently, Indian Railways have floated a tender for procurement of 14412 wagons against 2008-09 RSP, which is due to be opened on May 29,'08. The Company hopes to get a substantial share thereof based on its performance in keeping with the tender conditions.

According to the current projections, IR traffic is expected to grow from 794 mn tons in FY 2008 to 1100 mn tons by the end of the current 5-Year Plan in 2012. In the budget for FY 2008-09, there is a clear charter of Indian Railways to increase capacity for its 'bread and butter' freight business. The budget envisages investment of about Rs.750 bn over the next 7 years to augment capacity on a Dedicated Freight Corridor linking Delhi, Mumbai, Chennai and Kolkata, and the lines to and from the major ports. Coal accounts for 40% of freight revenues of Indian Railways, other major contributors being iron ore, steel, cement, container traffic, and foreign trade movement to and from gateway ports. The traffic in these sectors is slated to double by 2011-12. Hence, there would be a pressing need for adding capacity for freight. Your company expects to play a pivotal role in the Indian Railways' new visionary moves.

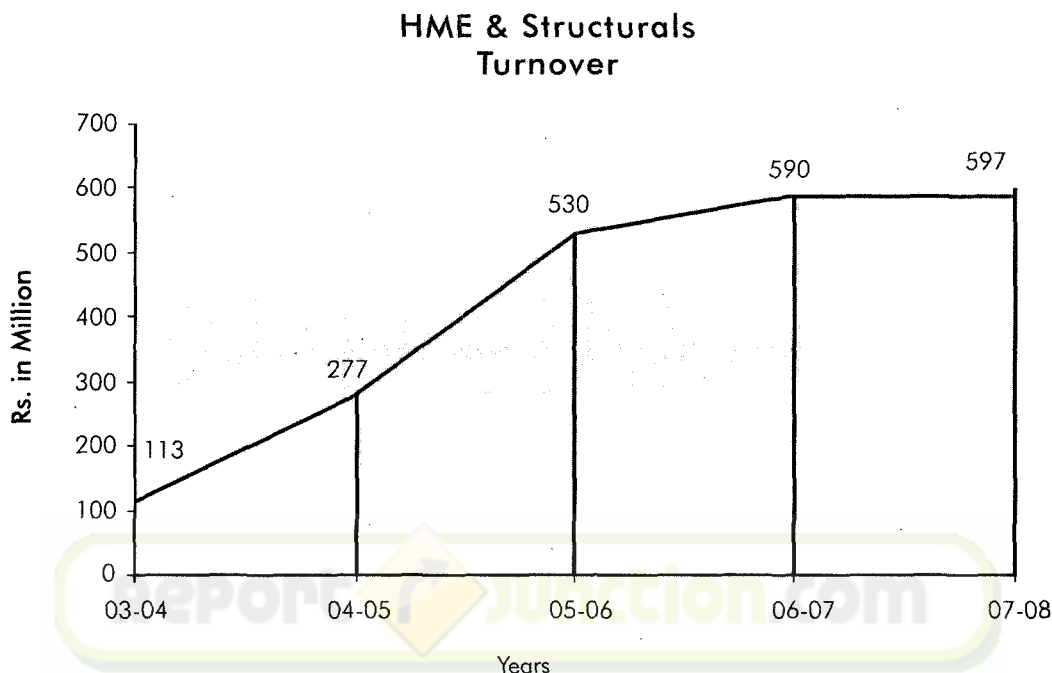
With a view to encouraging investment in modernizing and upgrading the designs, the Railways have announced a new policy for simplifying the process of certification and acceptance of new wagons to the builders' own designs, whilst protecting intellectual property rights of the suppliers. It is coupled with Wagon Leasing Policy and the Liberalized Wagon Investment Scheme to attract investment in special purpose, high capacity wagons. Accordingly, the company has geared to move fast forward in this direction, and as reported earlier it has already signed a Memorandum of Agreement with United Group Ltd., Australia's largest end-to-end rail technology solutions provider.

Coaches & Loco Components

The Company is also embarking on the manufacture of EMUs and Loco Shells. The Railway Board has placed a trial order on the Company for manufacture and supply of one EMU rake valued at Rs.6.7 crore. The planning for manufacture thereof is under way. Further, the Company has received a developmental order from Chittaranjan Locomotive Works (CLW) valued at Rs.3.8 crore for fabrication of 8 nos. body shells for WAG-9 electric locomotives. The preparatory work thereon has been taken up.

HYDRO MECHANICAL EQUIPMENT & STRUCTURALS

The turnover for the year at Rs.60 crore was marginally higher than that of the previous year. It would have been appreciably higher but for the constraints in execution, especially due to non-availability of working fronts from the civil contractors of the customers. The project work was generally affected owing to various geological, environmental, and re-habilitation problems faced by the Project Authorities. It is expected that there would be a substantial increase in turnover in the current year.



During the year, the Division bagged an order valued approx. Rs.42 crore for Loharinag Pala H.E. Project (600 MW) of NTPC in Uttaranchal, which is the first project the Company would be executing for NTPC in hydel sector.

The year marked completion of the supply of hydro-mechanical equipment and successful commissioning of 510 MW Teesta Stage-V H.E. Project in Sikkim. The Project Authority, NHPC Limited, has formally acknowledged the Company's performance under 'Challenging Circumstances' and conveyed compliments & congratulations to the Company's team. The work on Sewa Stage-II H.E. Project (120 MW), J & K, is nearing completion, while that on Teesta Low Dam H.E. Project (132 MW), West Bengal, is progressing satisfactorily. In the prestigious Subansiri Lower H.E. Project (2000 MW), Arunachal Pradesh, the progress is on schedule.

Since power continues to be a major constraint in achieving double digit growth of our economy, the Government of India is according high priority for development of hydel power in the 11th & 12th 5-year plans. NHPC, which is a nodal organization of the Government of India for fulfilling the target, has announced its plan to become a 10,000 MW firm by the end of the 11th Plan from its current capacity of about 5,000 MW. Your Company is ideally placed to participate in this high growth sector.

The division is also exploring the possibility of diversification in Ship Cranes & Shipbuilding, and Railway Bridges, which have good business potential.

NOTICE TO THE SHAREHOLDERS

Notice is hereby given that the 68th Annual General Meeting of TEXMACO LIMITED will be held on Monday, the 11th August, 2008, 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, 2008.
2. To declare Dividend on Equity Shares for the year ended 31st March, 2008.
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 B. Rai, who retires by rotation and is eligible for re-election.
5. To appoint a Director in place of Shri H. C. Gandhi, 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)

As Ordinary Resolution

Increase, Reclassification and Sub-division of Capital

“RESOLVED that pursuant to the provisions of Sections 94(1)(a), 94(1)(d) and other applicable provisions of the Companies Act, 1956, and Article 47 of the Articles of Association of the Company, the Authorised Capital of the Company be and is hereby increased, reclassified and sub-divided from Rs.15,00,00,000/- divided into 1,40,00,000 Equity Shares of Rs. 10/- each, 40,000 Preference shares of Rs.100/- each and 60,000 shares of Rs. 100/- each to Rs. 20,00,00,000/- divided into 17,00,00,000 Equity Shares of Re.1/- each and 3,00,000 6% Redeemable Non-Cumulative Preference Shares of Rs.100/- each and accordingly the relevant portion of Clause No. 5 of the Memorandum of Association be substituted by the following Clause: -

The Authorised Share Capital of the Company is Rs. 20,00,00,000/- (Rupees Twenty Crores only) divided into 17,00,00,000 Equity Shares of Re.1/- each and 3,00,000 6% Redeemable Non-Cumulative Preference shares of Rs. 100/- each with power to sub-divide, consolidate and increase and with power from time to time to issue any share of the original Capital or any new Capital with and subject to any preferential, deferred, qualified or special rights, privileges or conditions as may be thought fit and upon the sub-division of a share to apportion the right to participate in profits in any manner as between the shares resulting from such sub-division.”

“FURTHER RESOLVED that each of the issued and subscribed 1,10,78,309 Equity Shares of Rs.10/- each, fully paid up, in the Capital of the Company be subdivided into 11,07,83,090 Equity shares of Re.1/- each, fully paid up and that the existing certificates of Equity Shares be called back by the Board of Directors and cancelled and that new certificates in respect of the Equity Shares of Re.1 /- each be issued in accordance with the provisions of the Companies (Issue of Share Certificates) Rules, 1960”. .

“FURTHER RESOLVED that for the purpose of giving effect to the above Resolutions, the Board of Directors of the Company be and is hereby authorised to do all such acts, deeds, matters and things as it may consider necessary, expedient, usual or proper including notification in Stock Exchanges wherever the shares are listed and to CDSL and NSDL for dematerialization of shares.”

Item No. 7(ii)

As Special Resolution

Alteration of Object Clause

“RESOLVED that pursuant to Section 17 of the Companies Act, 1956, Object Clause 3 of the Memorandum of Association of the Company be and is hereby altered by inserting the following new sub-clause No. 1(E) after the existing sub-clause 1(D):

7(E) : To carry on business as producers, generators, transmitters, processors, converters, accumulators, agents and intermediators, negotiators, storers, distributors, buyers and sellers of all kinds of energy, power, electricity through conventional or non-conventional sources and processes including power generators by windmill, hydraulic, nuclear, atomic, hydro, tidal, coal, petrol, magnetic, electronic, solar, garbage & waste and to create infrastructural, engineering and servicing facilities of every descriptions including electric transmission towards poles, conductors, switches substations for facilitating above facilities, to acquire from any person, firm or body corporate, whether in India or elsewhere, technical information, know-how, processes, engineering, manufacturing and operating data, plans, layouts and blue prints useful for the design, erection and operation of plants, machineries or apparatus required to attain the above, to acquire any grant or licence and other rights and benefits in connection therewith and to manufacture, buy, sell, deal, export, import, let out on hire or alter any apparatus, equipment, machinery, implements and other articles of all kinds which may be capable of being used for the purpose of any business herein mentioned or likely to be acquired while dealing with any such business activities.

"FURTHER RESOLVED that the Board of Directors of the Company be and is hereby authorised to take such step as may be deemed necessary to give effect to above resolution and to file a copy of altered Memorandum of Association of the Company with the Registrar of Companies, West Bengal for registration along with requisite form."

Item No. 7(iii)

"RESOLVED that pursuant to the provisions 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 D. H. Kela as Whole Time Director of the Company for a period of five years with effect from 18th November, 2007, not liable to retire by rotation and on the terms and conditions approved by the Board of Directors as stated in the Explanatory Statement".

Item No. 7(iv)

Remuneration by way of Commission to Non-Executive Directors

"RESOLVED that subject to the provisions of Sections 198, 309 and other applicable provisions of the Companies Act, 1956, the Non-Executive Directors of the Company be paid remuneration by way of commission, in respect of the profits of the Company for each year, with a ceiling of Rs. 1 lac per annum per Director and not exceeding 1% of the net profits of the Company computed under the provisions of sections 198, 345 and 350 of the Companies Act, 1956, for a period of five years commencing from 1st April, 2007".

Item No. 7(v)

As Special Resolution

Remuneration to Shri Gaurav Agarwala, a relative of Dr. K. K. Birla and Shri S. K. Poddar, Directors of the Company

"RESOLVED THAT subject to the approval of the Central Government and pursuant to the provisions of Section 314(1B) of the Companies Act, 1956, consent be and is hereby accorded to holding of an office or place of profit by Shri Gaurav Agarwala, a relative of Dr. K. K. Birla and Shri S. K. Poddar, Directors of the Company, as Chief Executive, Neora Hydro Division at an overall remuneration of Rs.1,00,000/- (Rupees One lakh only) per month and that he shall be entitled, as per the Company's Rules and Regulations, to such increments, allowances, leave benefits, amenities and facilities, including medical and retirement benefits as are applicable to other Senior Executives of the Company and the Board of Directors is hereby authorized to grant annual increments as may be deemed fit provided however, that the total remuneration payable to him not to exceed Rs.1,50,000/- (Rupees One lakh fifty thousand only) per month."

Belgharia
Kolkata – 700 056.
Dated : 16th May, 2008

By Order of the Board
A. K. Vijay
Secretary

NOTES:

- (i) 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.
- (ii) The Register of Members of the Company will remain closed from Monday, the 4th August, 2008 to Monday, the 11th August, 2008, both days inclusive.
- (iii) The Equity Shares of the Company are listed at The Calcutta Stock Exchange Association Limited, 7 Lyons Range, Kolkata – 700 001, The National Stock Exchange of India Limited, Exchange Plaza, Bandra Kurla Complex, Bandra (E), Mumbai – 400 051 and The Bombay Stock Exchange Limited, P. J. Towers, Dalal Street, Mumbai – 400 001. The Annual Listing fee has been paid to each of the above Stock Exchanges.