TEXMACO LIMITED

Annual Report 2010-11

Collaborating for Change

adventz

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Corporate information

Directors
Shri S. K. Poddar, Chairman

Shri Utsav Parekh

Shri Dipankar Chatterji

Shri Gautam Khaitan

Shri Akshay Poddar

Secretary
Shri Amit Dhanuka

Auditors
M/s K N Gutgutia & Co., Kolkata

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

Report of the Directors

Your Directors have pleasure in presenting the Seventy first Annual Report of the Company along with the Audited Accounts of the Company for the year ended 31st March, 2011.

The performance of the Company is not comparable from the previous year as in terms of a Scheme of Arrangement duly approved by the Shareholders and the Hon'ble High Court, Calcutta, the Heavy Engineering and Steel Foundry businesses of the Company were demerged to Texmaco Rail & Engineering Ltd. (TEXRAIL), effective date being 1st April 2010. Accordingly the financial results of the Company for the year reflect only the Real Estate and Mini Hydro Power Segments and excludes the performance of Heavy Engineering and Steel Foundry businesses.

The Scheme of Arrangement was implemented as the considerations, factors and financials applicable to the Heavy Engineering and Steel Foundry businesses were different and divergent in nature in comparison to Real Estate acquisition and development and other business and interests of Texmaco. As part of an overall business reorganisation plan and in order to take the respective businesses to the next level of growth, it was appropriate to segregate and realign the same. It was accordingly considered desirable and expedient to reorganise and reconstruct Texmaco by demerging the Heavy Engineering and Steel Foundry businesses (Demerged Undertaking) to TEXRAIL in the manner and on the terms and conditions as stated in the Scheme of Arrangement.

The demerger would enable the businesses to be pursued and carried on more conveniently and advantageously with greater focus and attention through two separate companies. i.e. Texmaco and TEXRAIL, each having their own management team and administrative set up. It would facilitate the business consideration and factors applicable to be addressed more effectively and adequately by the respective companies.

Financial Results

Rs. in Lakhs

		2010-2011		2009-2010
Operating Profit (PBIDT)		**1,340.63**		**15,184.77**
Less: Interest (Net)		(33.62)		98.57
Gross Profit (PBDT)		**1,374.25**		**15,086.20**
Less: Depreciation		312.98		1,148.56
Profit before Taxation		1,061.27		13,937.64
Provision for Taxation:				
Current Tax		210.00		4,493.00
Deferred Tax Liability/(Asset)		87.11		63.80
Income Tax for earlier years		3.36		35.23
Profit after Taxation		**760.80**		**9,345.61**
Less : Exceptional items:				
VRS (Engg. Divn.)		–		41.13
Net Profit / Loss		**760.80**		**9,304.48**
Add: Balance brought forward from previous year		5,785.16		5,337.05
		6,545.96		**14,641.53**
Appropriations				
Proposed Dividend on Equity Shares (Incl.Tax)	(10%)	147.81	(90%)	1,339.18
Dividend on Pref. Shares (Incl. Tax)		–	(6%)	17.19
General Reserve		300.00		7,500.00
Balance Carried Forward		6,098.15		5,785.16
		6,545.96		**14,641.53**

Dividend

The Directors have pleasure in recommending payment of a dividend of 10% (Re.0.10 per share) for the year ended March 31, 2011.

THE MANAGEMENT DISCUSSION AND ANALYSIS

Restructuring of the Company.

The Company's restructuring proposal for demerger of its Heavy Engineering and Steel Foundry businesses to its wholly owned subsidiary, Texmaco Rail & Engineering Ltd (Formerly Texmaco Machines Pvt Ltd) was duly approved by the Shareholders and thereafter by the Hon'ble High Court, Calcutta vide its order dated 6 September 2010, the effective date being 1st April 2010. The order was received by the Company on 14 October 2010 and approved by the Registrar of Companies on 19 October 2010.

In consideration of demerger of its Heavy Engineering and Steel Foundry businesses to TexRail, TexRail has allotted one Equity Share of Re.1/- each fully paid up against each Equity Share of Re.1/- each of Texmaco Ltd held by its members and whose names were recorded in the Register of Members on the record date of 2nd November 2010.

The Company presently holds 5.46 Cr. Equity Shares i.e. 30% Equity Share Capital of Texmaco Rail & Engineering Ltd., post allotment of Equity Shares to the shareholders of Texmaco Ltd. by TexRail.

Real Estate:

(i) The Hon'ble Supreme Court of India vide its order dated 25.03.2010 had disposed-off Company's Review Petition on its Delhi land. In terms of the Order, the Company is required to surrender on sliding scale upto 65% of its Industrial Land to Delhi Development Authority (DDA) and is permitted to develop the remaining land at 1.5 times of the normal F.A.R.

The Company is in the process of surrendering the required area to DDA and have moved an application in the Court of District Judge, Delhi, who is the authority nominated by the Hon'ble Supreme Court for executing the orders of the Hon'ble Supreme Court.

(ii) The Gurgaon property acquired by the company at a prime location, has a good prospect for a long term capital appreciation and with the extension of Delhi Metro to Gurgaon, the strategic locational advantage for the property further enhances its revenue yielding potential.

Mini Hydro Power Project

The Company's 3 MW Mini Hydel Power Project located at Neora, District Darjeeling in the State of West Bengal was the first of its kind set up in the State of West Bengal. The Unit has generated electricity of 48.95 lakhs Kwh during the year 2010-11, and all the power was sold to the West Bengal State Electricity Board in terms of Power Selling Agreement entered into with them.

With the experience gained in operation of the Mini Hydro Power Station, the Company plans to expand its operation in the similar field.

Human Relations

The Company continues to maintain its excellent record of human relations over the decades. Your Directors appreciate the commitment and dedication of its staff and officers.

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

Accounting Standard 23 (Accounting for Investments in Associates in Consolidated Financial Statements) and 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 the 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 COMPANY'S 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.

Group

Pursuant to an intimation from the promoters, the names of the promoters and entities comprising "Group" as defined under the Monopolies and Restrictive Trade Practices (MRTP) Act, 1969 are disclosed as Annexure A in the Annual Report for the purpose of the SEBI (Substantial Acquisition of Shares and Takeovers) Regulations 1997.

Particulars of Employees

There was no employee who was in receipt of remuneration as required to be disclosed under Section 217 (2A) of the Companies Act, 1956.

Directors

Shri S. K. Poddar, Director of the Company, retires by rotation and is 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: 23rd May, 2011

S.K. Poddar
Chairman

Enclosure to the Report of the Directors

Annexure – A

Persons constituting Group coming within the definition of "Group" for the purpose of Regulation 3(1)(e)(i) of the Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulation, 1997, include the following:

Sr. No.	Name of the Entity	Sr. No.	Name of the Entity
1.	Abhisekh Holding Pvt. Ltd.	25.	Mcfarlene & Co. Ltd.
2.	Academiam Sales Pvt. Ltd.	26.	New Eros Tradecom Ltd.
3.	Adventz Industries India Ltd.	27.	Paradeep Phosphates Ltd.
4.	Adventz Infraworld India Ltd.	28.	Planon Group Ltd.
5.	Adventz Investments and Holding Ltd.	29.	Poddar Heritage Finance Pvt. Ltd.
6.	Adventz Securities Enterprises Ltd.	30.	Ricon Commerce Ltd.
7.	Birla Construction Ltd.	31.	Sanghashree Investment & Trading Co. Ltd.
8.	Coltrane Corporation Ltd.	32.	Simon India Ltd.
9.	Duke Commerce Ltd.	33.	Style Spa Furniture Ltd.
10.	Eureka Trades Pvt. Ltd.	34.	Syndak Teatech Ltd.
11.	Fullford Vinimay Pvt. Ltd.	35.	The Pench Valley Coal Co. Ltd.
12.	Future Fuels (International) India Pvt. Ltd.	36.	Texmaco Rail & Engineering Ltd.
13.	Globalware Holding Ltd.	37.	Zauri Commodity Trading limited
14.	Globex Ltd.	38.	Zuari Fertilisers & Chemicals Ltd.
15.	Gobind Sugar Mills Ltd.	39.	Zuari Financial Services Ltd.
16.	Greenland Trading Pvt. Ltd.	40.	Zuari Holdings Ltd.
17.	Gulbarga Cement Ltd.	41.	Zuari Indian Oiltanking Ltd.
18.	High Quality Steels Ltd.	42.	Zuari Insurance Brokers Ltd.
19.	India Furniture Products Ltd.	43.	Zuari Industries Ltd.
20.	Indrakshi Trading Company Pvt. Ltd.	44.	Zuari Investments Ltd.
21.	Interglos India Pvt. Ltd.	45.	Zuari Management Services Ltd.
22.	Lionel Edwards Ltd.	46.	Zuari Maroc Phosphates Ltd.
23.	Lionel India Ltd.	47.	Zuari Rotem Speciality Fertilisers Ltd.
24.	Master Exchange & Finance Ltd.	48.	Zuari Seeds Ltd.

Group: Pursuant to an intimation from the Promoters, the names of the Promoters and Entities comprising "Group" as defined under the Monopolies and Restrictive Trade Practices (MRTP) Act, 1969 are disclosed as Annexure "B" in the Annual Report for the purpose of SEBI (Substantial Acquisition of Shares and Takeovers) Regulation, 1997.

Report on Corporate Governance

(Pursuant to Clause 49 of the Listing Agreement)

1. Company's philosophy on 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 fulfill these objectives and enhance the wealth generating capacity, keeping in mind long-term interest of the shareholders, employees and the society. The Company believes in adopting and adhering to the best Corporate Governance practices and continuously benchmarking itself against the best practice in the industry.

2. Board of Directors

The Company's Board consisting of Five 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 Directors	Category of Directorship	No. of Board Meetings attended	Attendance at the last AGM	No. of Directorships in other Companies #	No. of Chairmanship/ Membership of Board/ Committees in other Companies	
					Chairman	Member
Shri S.K. Poddar	Chairman	5	Yes	10	4	3
Shri Ramesh Maheshwari *	Executive Vice Chairman	3	Yes	–	–	–
Shri B.P. Bajoria*	Independent	2	No	–	–	–
Shri H.C. Gandhi*#	Independent	1	No	–	–	–
Shri A.C. Chakrabortti*	Independent	3	Yes	–	–	–
Dr. H. Sadhak ##	Nominee of LIC	3	No	–	–	–
Shri Manish Gupta*	Independent	2	Yes	–	–	–
Shri S Dhasarathy*	Independent	2	No	–	–	–
Shri Akshay Poddar	Non- Executive & Non Independent	2	No	9	2	4
Shri D. H. Kela*	Whole Time	2	No	–	–	–
Shri Gautam Khaitan**	Independent	1	No	9	–	–
Shri Utsav Parekh**	Independent	2	No	6	–	7
Shri Dipankar Chatterji**	Independent	1	No	8	5	10

*# Resigned on 29th May, 2010.

* Resigned on 25th September, 2010.

** Appointed on 25th September, 2010.

Resigned on 8th February, 2011.

excluding Private Companies, Companies under Section 25 of the Companies Act, 1956 and Foreign Companies.

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.

Five Board Meetings were held during the year 2010-2011 on the following dates:-

29th May, 2010 27th July, 2010
25th September, 2010 2nd November, 2010
8th February, 2011

3. Audit Committee/sub-committee

(a) Audit Committee

Terms of Reference and 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 Four Directors, and their attendance in the committee meeting is given alongside

Name of Directors	No. of meetings attended
Shri A. C. Chakrabortti, Ex-Chairman *	2
Shri B. P. Bajoria, Member*	1
Shri Manish Gupta, Member*	1
Shri Akshay Poddar, Member	1
Shri Utsav Parekh, Chairman**	2
Shri Gautam Khaitan, Member**	1
Shri Dipankar Chatterji, Member**	1

* Resigned on 25th September, 2010.
** Appointed on 25th September, 2010.

Four Meetings were held during the year:
29th May, 2010, 27th July, 2010, 2nd November, 2010 and 8th February, 2011.

(b) Sub-Committee

The Sub-Committee comprises of the following four Directors and their attendance in the committee meeting is given alongside.

Name of Directors	No. of Meetings attended
Shri S. K. Poddar, Member	–
Shri B. P. Bajoria, Member*	–
Shri A. C. Chakrabortti, Member*	–
Shri Manish Gupta, Member*	–
Shri Akshay Poddar, Member	1
Shri Dipankar Chatterji, Member**	1
Shri Utsav Parekh, Member**	2

* Resigned on 25th September, 2010.
** Appointed on 25th September, 2010.

Committee met one time during the year on 20th October, 2010.

4. Remuneration of Directors

The Company has not set up a Remuneration Committee. The Remuneration of Executive Directors is fixed by the Board of Directors / Sub-Committee of Directors. Non-Executive Director are eligible for sitting fee and a commission not exceeding 1% of the net profit of the Company for each year, with a ceiling of Rs.1 Lakh per annum, whichever is lower. Directors are paid a sitting fee of Rs.20,000/- each for attending Board Meeting and Rs.10,000/- each for attending Committee / Sub-committee Meeting. The details of the payment made during the year 2010-11 are as follows.