

ANNUAL REPORT

2004-2005



TIDE WATER OIL CO. (INDIA) LTD.

TIDE WATER OIL CO. (INDIA), LTD.

Board of Directors

ARINDOM MUKHERJEE

ASOK BASU

S. SIDDHARTH

K. DATTA

Secretary

S. BASU

Auditors

DELOITTE HASKINS & SELLS

Registered Office

'YULE HOUSE'

8, DR. RAJENDRA PRASAD SARANI

KOLKATA 700 001

MUMBAI OFFICE

CTS No. 90, Kachvadi
Govandi
Deonar
Mumbai 400 088

DELHI OFFICE

Bhardwaj Bhavan
1497, Wazir Nagar
Bhisma Pitamah Marg
New Delhi 110 003

CHENNAI OFFICE

JVL Plaza
626, Anna Salai
Teynampet
Chennai 600 018

NOTICE TO MEMBERS

Notice is hereby given that the Annual General Meeting of the members of Tide Water Oil Company (India) Limited will be held at the Williamson Magor Hall of the Bengal Chamber of Commerce & Industry, Royal Exchange, 6 Netaji Subhas Road, Kolkata 700 001 on Tuesday, the 5th day of July, 2005 at 11.00 a.m. to transact the following business :-

- (1) To consider and adopt the Profit & Loss Account for the year ended 31st March, 2005, the Balance Sheet as at that date and the Reports of the Board of Directors and the Auditors thereon.
- (2) To declare a dividend for the financial year ended 31st March, 2005.
- (3) To appoint a Director in place of Shri A. Mukherjee who retires by rotation and being eligible offers himself for re-appointment.
- (4) To consider and, if thought fit, to pass with or without modification the following resolution as a Special Resolution :

"RESOLVED that Messrs. Deloitte Haskins & Sells, Chartered Accountants who have offered their services and who are not disqualified under Section 224(1-B) of the Companies Act, 1956, be appointed as Auditors of the Company to hold office from the conclusion of this meeting until the conclusion of the next Annual General Meeting at a fee to be negotiated between the Company and the Auditors and that the Chairman be and is hereby authorised to conclude the matter with the Auditors on behalf of the Company."

SPECIAL BUSINESS

To consider and, if thought fit, to pass with or without modification the following resolutions :
As an Ordinary Resolution :

- (5) "Resolved that Shri S. Siddharth be and is hereby appointed a Director of the Company."
- (6) "Resolved that Shri K. Datta be and is hereby appointed a Director of the Company."

The Register of the Members and the Transfer Register of the Company will remain closed from 27th June, 2005 to 4th July, 2005, both days inclusive.

Registered Office :
8 Dr. Rajendra Prasad Sarani,
Kolkata 700 001
Dated : 6th June, 2005

By Order of the Board
S. Basu
Secretary

- Notes : (1) A member entitled to attend and vote at this meeting may appoint a proxy to attend and vote in his stead. A proxy need not be a member of the Company. Proxies, in order to be effective, must be received at the Company's Registered Office not less than fortyeight hours before the meeting.
- (2) Members who hold shares in dematerialised form are requested to bring their Client ID and DP ID numbers for easy identification of attendance at the meeting.
- (3) Messrs. Deloitte Haskins & Sells, the retiring Auditors have offered themselves for re-appointment as auditors of

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the Company and accordingly, their name has been proposed for appointment. Section 224A of the Companies Act, 1956, is applicable to the Company and therefore it is necessary to pass a Special Resolution for appointment of the Auditors.

- (4) Dividend that may be declared by the Company will be paid to those members whose names will appear on the Register of Members of the Company on 4th July, 2005.
- (5) Messrs. MCS Limited, 77/2A Hazra Road, Kolkata 700 029, has been appointed as Registrars and Share Transfer Agents for both physical and dematerialised shares of the Company.
- (6) Instructions regarding change of address and/or mandate should be sent so as to reach the Registrar or Registered Office of the Company latest by 4th July, 2005.
- (7) Members holding shares in more than one account are requested to intimate the Registrar or the Company the ledger folios to enable the Company to consolidate the same into one account.
- (8) Pursuant to Section 205A(5) of the Companies Act, 1956, all dividends upto the financial year ended 31st March, 1995, which remained unclaimed/unpaid have been transferred to the General Revenue Account of the Central Government. Members concerned are requested to claim such dividend from the Registrar of Companies, West Bengal, Nizam Palace, II MSO Building, 234/4 A.J.C. Bose Road, Kolkata 700 020.
- (9) Pursuant to the provision of Section 205A of the Companies Act, 1956, as amended, dividend for the financial year ended 31st March, 1997, which remain unpaid or unclaimed have been transferred to the Investor Education and Protection Fund of the Central Government. Shareholders who have not encashed the dividend warrants so far for the financial year ended 31st March, 1998 or any subsequent financial years are requested to make their claim to the Registered Office of the Company. It may be noted that once the unclaimed dividend is transferred to the Central Government, as above, no claim shall lie in respect thereof.
- (10) Shri A. Mukherjee is a Director of the company since 7th June, 1998. He is B. Tech (Mech.) from IIT (Kharagpur) and PGDBA from IIM, Ahmedabad. He has wide experience in financial and Corporate management. He is Chairman & Managing Director of Andrew Yule & Co. Limited and also part-time Director of the following Companies :

Phoenix Yule Limited

Hooghly Printing Co. Limited

WEBFIL Limited

**EXPLANATORY STATEMENT PURSUANT TO SECTION 173 (2)
OF THE COMPANIES ACT, 1956**

Item no. 5

Shri S. Siddharth was appointed as additional Director of the Company with effect from 22nd November, 2004. Accordingly, he will hold office up to the date of this Annual General Meeting. The Company has received a notice in writing under Section 257 of the Companies Act, 1956, from a member proposing the appointment of Shri Siddharth as Director of the Company at this Annual General meeting and Shri Siddharth has consented to act as such, if appointed.

Shri S. Siddharth is an engineering and management graduate. He is also an IAS officer and Director in the Department of Heavy Industry, Ministry of Heavy Industries and Public Enterprises. He has considerable experience in administrative and management functions.

The Board recommends appointment of Shri Siddharth as a Director.

No Director other than Shri Siddharth has any interest or concern in the proposed resolution.

Item no. 6

Shri K. Datta was appointed as Additional Director of the Company with effect from 23rd July, 2004. Accordingly, he will hold office up to the date of this Annual General Meeting. The Company has received a notice in writing under Section 257 of the Companies Act, 1956, from a member proposing the appointment of Shri Datta as Director of the Company at this Annual General Meeting and Shri Datta has consented to act as such, if appointed.

Shri K. Datta is an engineering graduate. He has considerable experience in administrative and management functions.

The Board recommends appointment of Shri Datta as a Director.

No Director other than Shri Datta has any interest or concern in the proposed resolution.

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DIRECTORS' REPORT

Your Directors are pleased to present their Annual Report on the operations of the Company together with audited accounts for the year ended 31st March, 2005.

	Amount (Rupees in lakhs)
The Accounts before charging depreciation show a profit of	1184.88
From which has been deducted : Depreciation (net)	181.24
Provision for Taxation	269.27
	<u>450.51</u>
	734.37
To which is added the balance brought forward from the last accounts of	2448.07
	<u>3182.44</u>
The Directors have transferred to General Reserve	73.44
Leaving a balance of	<u>3109.00</u>
And the Directors now recommend a dividend @ 100% (including interim dividend) on the Ordinary Shares amounting to	87.12
Tax on Dividend	11.59
Leaving a balance to be carried forward of	<u><u>3010.29</u></u>

The performance of your Company during the year under review was commendable. The turnover recorded a significant increase to reach Rs. 256 crores, the highest in the history of the Company, compared to Rs. 218 crores in the previous year. The volume of sales also recorded a corresponding increase due to a mix of higher 'bazaar' sales and procurement of bulk industrial orders. However, as mentioned in the previous year, the overall lubricant industry remained depressed due to the ongoing upgradation of engine design and introduction of long-drain lubes. As a result of the negligible generic growth, the market witnessed intensified competition among the existing market players for a greater share. On the other hand, in view of the rise of crude oil prices in international markets cost of inputs continued to rise during the year. Notwithstanding the adverse factors the Company managed to maintain its Profit before Tax at Rs. 10.04 crores, similar to that in the preceding year

primarily due to continued focus on the bazaar segment and launch of products in new segments.

In view of the praiseworthy working results of the Company your Directors have the pleasure in recommending a dividend at the rate of 100% (including the interim dividend of 75% already paid) on the ordinary shares.

During the year under review, the Ramkristopur plant of the Company received accreditation of ISO 9001:2000 quality standards in line with the Company's Plants at Silvassa and Royapuram, which had been accredited earlier. The Silvassa Plant has also obtained accreditation under ISO 14001 for environmental standards.

In order to enhance its brand equity, the Company unveiled a new campaign for both the VEEDOL brand in the diesel and petrol segments which was appreciated by all concerned. The ENEOS brand of Nippon Oil Corporation, Japan was also formally launched in India and has received a favourable response.

The Company's products primarily marketed under the "VEEDOL" brand name are widely accepted and recognized in the industry for their quality and range. The products manufactured under the technical collaboration agreement with Nippon Oil Corporation (formerly Mitsubishi Oil Co. Ltd.) and marketed under the "ENEOS" brand name have been getting encouraging response from the market.

There were no Fixed Deposits from the public outstanding with the Company at the end of financial year. Deposits totalling Rs. 1.88 lakhs due for repayment on or before 31st March, 2005 were not claimed by the depositors.

Pursuant to the requirement under Section 217 (2AA) of the Companies Act, 1956, with respect to Directors' Responsibility Statement, it is hereby confirmed that :

- (i) In preparation of the accounts for the financial year ended 31st March, 2005, the applicable accounting standards have been followed along with proper explanation relating to material departures;

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- (ii) The Directors have selected such accounting policies and applied them consistently and made judgements and estimates that were 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 or loss of the Company for the year under review;
- (iii) The Directors have taken proper and sufficient care 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) The Directors have prepared the Accounts for the financial year ended 31st March, 2005 on a 'going concern' basis.

Measures relating to conservation of energy and the benefits derived from R&D and other related details have been furnished in the statement annexed to this report pursuant to Section 217(1)(e) of the Companies Act, 1956.

A statement detailing significant Accounting Policies of the Company is annexed to the Accounts.

There were no employees drawing remuneration in excess of the limits specified under Section 217 (2A) of the Companies Act, 1956.

Shri A. Mukherjee retires from the Board by rotation and being eligible offers himself for re-appointment.

During the year under review, Shri S. Siddharth and Shri K. Datta had been appointed as additional directors with effect from 22nd November, 2004 and

23rd July, 2004 respectively. They will hold office upto the date of the ensuing Annual general meeting and are eligible for re-appointment. The Company has received notice under Section 257 of the Companies Act, 1956 proposing their appointment as Director.

Shri S.K. Chaturvedi and Shri H.N. Sengupta resigned from the Board of Directors of the Company with effect from 18th June, 2004 and 31st March, 2005 respectively. The Board of Directors place on record the valued guidance received from them during their tenure of directorship of the Company.

The retiring Auditors, Messrs. Deloitte Haskins & Sells, Chartered Accountants have offered their services for appointment as Auditors.

The observations made in the Auditors' Report read with the Notes on the Accounts are self-explanatory and do not require any further clarification.

The Board of Directors would like to place on record their appreciation of the support and assistance received from the Government of India and the State Government. The Directors are thankful to the Company's Bankers/Shareholders/all other Stakeholders and the esteemed customers for their continued support.

The Board deeply appreciates the commitment and the invaluable contribution of all the employees towards the satisfactory performance of your Company.

On behalf of the Board

Kolkata
6th June, 2005

A. Mukherjee
Chairman

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ANNEXURE TO DIRECTORS' REPORT

Particulars relating to Conservation of Energy, Technology Absorption and foreign exchange earnings and out-go pursuant to Section 217(1)(a) of the Companies Act, 1956 and Rules made thereunder.

A. Conservation of Energy :

- (a) The Company has installed Thermopac Liquid Heating System at its plants, which has resulted in substantial saving in the consumption of fuel oil. The heating system is free from explosion hazards and is fully automatic.
- (b) No additional investment was made during the year under review for reduction of consumption of energy.
- (c) Impact of measures taken for conservation of energy as well as reduction of cost of production cannot be accurately measured.

B.1 Research and Development (R&D) :

- (i) Government of India, Ministry of Science & Technology, Dept. of Scientific and Industrial Research has accorded recognition to the Company's in-house R&D Unit at Royapuram, Chennai and R&D Unit at Deonar, Mumbai. Both these units are equipped with modern testing facilities so essential for petroleum industry.
- (ii) The R&D Units have developed a number of new products, which are required for high-tech industries and upgraded the formulations to suit the requirement of industry.
- (iii) The R&D Units have plans to develop new products in future.
- (iv) Expenditure on R&D :

a) Capital	Rs. Nil
b) Recurring	Rs. 66.17 lakhs
c) Total	Rs. 66.17 lakhs

d) Total R&D Expenditure as percentage of total turnover 0.26%

B.2 Technology Absorption, Adaptation and Innovation :

- (i) The Company had entered into a technical collaboration agreement with Nippon Oil Corporation (formerly Mitsubishi Oil Co. Ltd.), Japan, for manufacture of hi-tech lubricants. The product formulations received from collaborator have been utilised for manufacture of such products.
- (ii) With the absorption and adoption of above technical know-how through collaboration, the Company has been able to produce quality products in India.
- (iii) Information regarding imported technology :
 - a) Technology imported from Mitsubishi Oil Co. Ltd., Japan for manufacture of hi-tech lubricants.
 - b) Year of import : 1993-94 (agreement renewed in 2003-04 for 3 years).
 - c) Technology has been partially absorbed.
 - d) Absorption of technology is continuing in respect of all grades of lubricants and is expected to be completed over the period of agreement.

C. Foreign Exchange earnings :

Foreign Exchange earnings during the year under review was Rs. 98.65 lakhs while Foreign exchange outgo was Rs. 1114.52 lakhs.

On behalf of the Board

Kolkata
6th June, 2005

A. Mukherjee
Chairman

ANNEXURE TO DIRECTORS' REPORT MANAGEMENT DISCUSSION & ANALYSIS

Industry Structure & Development

Over the past few years, the emission norms for motor vehicles in the country have been made more and more stringent. In order to comply with the above guidelines, the quality of fuels being used in the country has improved gradually owing to setting up of state of the art petroleum refineries and modernisation of existing facilities. Also improvements in engine design have been taking place owing to advent of multinational Original Equipment Manufacturers (OEMs) and new generation vehicles. The above factors have resulted in longer drain intervals and consequently lower consumption of lubricants. As a result the industry growth has stagnated as reported in various sections of the press.

Opportunities & Threats

The Company has a wide range of quality products and a well-known brand "VEEDOL" which has helped the Company perform creditably even in difficult times. This is supported by a countrywide network of dedicated distributors and dealers and consignment depots to effectively cater to the Company's customers.

While the industry is at present passing through a period of consolidation, a shakeout is inevitable and signs of the same are visible as many companies have rationalized or curtailed their operations over the years.

Segmentwise performance

The Company is a single segment Company as mentioned in Schedule 21 of the Accounts.

Outlook

With regard to the current year your Directors expect the Company to continue satisfactory performance as in the previous year. However the hardening of crude oil prices and the consequent increase in price of raw materials could result in a pressure on margins of the Company.

Risk & concerns

Apart from normal risks applicable to an industrial undertaking, the Company does not foresee any serious area of concern.

Internal Control System

The Company has proper and adequate systems of internal control.

Financial performance

The details of financial performance of the Company are appearing in the Balance Sheet and the Profit & Loss Account for the year. During the year sales volume have increased but profits have stagnated due to sharp rise in raw material costs.

Human Resources

During the year employer/employee relationships remained cordial. With regard to other pending settlements, discussions were in progress.

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ANNEXURE TO DIRECTORS' REPORT ON CORPORATE GOVERNANCE

1. Company's philosophy on corporate governance

The Company has been following the principles of corporate governance over the years by placing emphasis on transparency, accountability and integrity so as to enhance value of all stakeholders namely employees, shareholders, customers and creditors.

With regard to corporate governance code the relevant information is given as under :

2. Board of Directors

Composition, Category of Directors, their other directorships and the membership of various committees as on 31st March, 2005.

The Board of Directors comprises 5 non-executive directors, out of whom 3 are independent.

Details of the Board of Directors are given below :

Name	Business Relation	Category	Other Directorship in Public Ltd. Companies incorporated in India *	Other Committee # positions held	
				As Chairman	As Member
Mr. A. Mukherjee	Chairman	Non-Executive	4	One	None
Mr. Asok Basu	Director	Non-Executive	4	None	Two
Mr. H.N. Sengupta	Director	Independent Non-Executive	3	None	None
Mr. S. Siddharth	Director	Independent Non-Executive	1	None	None
Mr. K. Datta	Director	Independent Non-Executive	3	None	None

* Excluding directorships in private limited companies, foreign companies and companies under Section 25 of the Companies Act, 1956

only the three committees, viz. the Audit Committee, the Remuneration Committee and the Shareholders' Grievance Committee are considered.

Number of Board meetings, attendance at Board meetings and at previous annual general meeting.

There were 5 meetings of the Board of Directors held during the year 2004-05 on 20.5.04, 18.6.04, 23.7.04, 22.11.04 and 12.2.05.

Attendance record

Name of Director	No. of meetings Attended	Annual General Meeting on 18.6.2004
Mr. A. Mukherjee	5	Yes
Mr. Asok Basu	5	Yes
Mr. H.N. Sengupta	5	Yes
Mr. S.K. Chaturvedi	1	No
Mr. S. Siddharth	2	No
Mr. K. Datta	2	No