ANNUAL REPORT

2005 - 2006

VEEDOL LUBRICANTS

TIDE WATER OIL CO. (INDIA) LTD.

Board of Directors	ARINDOM MUKHERJEE
	K. DATTA
	MUKUL KUMAR
	S. MURALIDHARAN
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 Wednesday, the 5th day of July, 2006 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, 2006, 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, 2006.

(3) To appoint a Director in place of Shri K. Datta 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. Muralidharan be and is hereby appointed a Director of the Company."

(6) "Resolved that Shri Mukul Kumar 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 28th June, 2006 to 4th July, 2006, both days inclusive.

Registered Office :
8 Dr. Rajendra Prasad Sarani,
Kolkata 700 001
Dated : 29th May, 2006

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 forty-eight 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

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, 2006.

(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, 2006.

(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, 1998, which remained 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, 1999 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 K. Datta is a Director of the Company since 23rd July, 2004. He is B.E. (Mech.) from Kolkata University and M. Tech. (Industrial Engineering) from IIT, Kharagpur. He has wide experience in Corporate management. He is Chief Executive of WEBFIL Limited and also part-time Director of the following Companies :

Hooghly Printing Co. Limited

The Bengal Coal Company Limited

Yule Agro Industries Limited

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

Item no. 5

Shri S. Muralidharan was appointed as Additional Director of the Company with effect from 17th November, 2005. 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 Muralidharan as Director of the Company at this Annual General meeting and Shri Muralidharan has consented to act as such, if appointed.

Shri S. Muralidharan is a member of the Institute of Chartered Accountants of India, the Institute of Cost and Works Accountants of India and Institute of Company Secretaries of India. He has considerable experience in administrative and management functions.

The Board recommends appointment of Shri Muralidharan as a Director.

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

Item no. 6

Shri Mukul Kumar was appointed as Additional Director of the Company with effect from 6th March, 2006. 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 Mukul Kumar as Director of the Company at this Annual General Meeting and Shri Mukul Kumar has consented to act as such, if appointed.

Shri Mukul Kumar is an engineering graduate. He has considerable experience in administrative and management functions.

The Board recommends appointment of Shri Mukul Kumar as a Director.

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

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, 2006.

		Amount (Rupees in lakhs)
The Accounts before charging depreciation show a profit of		1184.63
From which has been deducted : Depreciation (net)	175.72	
Provision for Taxation	256.40	432.12
		752.51
To which is added the balance brought forward from the last accounts of		3010.29
		3762.80
The Directors have transferred to General Reserve		75.25
Leaving a balance of		3687.55
And the Directors now recommend a dividend @ 150% on the Ordinary Shares amounting to		130.68
Tax on Dividend		18.33
Leaving a balance to be carried forward of		3538.54

Your Company has completed another successful year. During the year under review the turnover recorded was the highest-ever in the history of the Company at Rs. 305 crores as compared to Rs. 256 crores in the previous year. Notwithstanding the sluggishness in the lubricant industry, due to the continuing advancement of engine design and introduction of long-drain lubes, the volume of sales recorded a satisfactory growth of 8% approximately primarily due to continuing focus on the "bazaar" segment, specially in the petrol vehicle segment. However, the presence of numerous players, including multinational oil companies, resulted in intense competition in the market.

The incessant rise in crude oil prices resulted in sharp escalation of raw material prices thereby exerting severe pressure on margins. The Company, however, partially hedged its needs with timely procurement of base oil from both the domestic and international sources. Despite the above, your Company achieved a Profit before Tax of Rs. 10.09 crores primarily due to focus on niche segments and efficiency in procurement of raw material.

Your Directors have the pleasure in recommending a dividend at the rate of 150% on the Ordinary Shares.

The Company's plants at Silvassa, Royapuram and Ramkristopur continue to be accredited under ISO9001:2000 quality standards. The Silvassa Plant has also obtained accreditation under ISO 14001 for environmental standards.

The Company continued its policy of building its brand equity through sustained campaign on the electronic media for its VEEDOL brands in both the diesel and petrol segments. The ENEOS brand of Nippon Oil Corporation, Japan was also promoted extensively through intensive field activity.

The Company's products primarily marketed under the "VEEDOL" brand name are well established and recognized in the industry for their quality and range. The products manufactured under the technical collaboration agrement with Nippon Oil Corporation (formerly Mitsubishi Oil Co. Ltd.) and marketed under the "ENEOS" brand name have carved out a niche for themselves in selected markets.

There were no Fixed Deposits from the public outstanding with the Company at the end of the financial year. Deposits totaling Rs. 1.88 lacs due for repayment on or before 31st March, 2006 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, 2006, the applicable accounting standards have been followed along with proper explanation relating to material departures;

(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, 2006 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 K. Datta retires from the Board by rotation and being eligible offers himself for re-appointment.

During the year under review, Shri S. Muralidharan and Shri Mukul Kumar had been appointed as additional directors with effect from 17th November, 2005 and 6th March, 2006 respectively. They will hold office upto the date of the ensuing Annual General meeting and are eligible for re-appointment. The Company has received notices under Section 257 of the Companies Act, 1956 proposing their appointment as Director.

Shri S. Siddharth and Shri A. Basu resigned from the Board of Directors of the Company with effect from 12th January, 2006 and 26th September, 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
29th May, 2006

A. Mukherjee
Chairman

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. 61.11 lakhs
c) Total	Rs. 61.11 lakhs
d) Total R&D Expenditure as percentage of total turnover	0.20%

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. 19.85 lakhs while Foreign exchange outgo was Rs. 2572.65 lakhs.

On behalf of the Board

Kolkata
29th May, 2006

A. Mukherjee
Chairman

ANNEXURE TO DIRECTORS' REPORT
MANAGEMENT DISCUSSION & ANALYSIS

Industry Structure & Development

Over the past few years, the Bureau of Indian Standards has been introducing increasingly stringent emission norms for motor vehicles in the country. In order to comply with the above guidelines, the quality of fuels being used in the country has improved due to setting up of state of the art petroleum refineries and upgradation of existing facilities. Also improvement in engine design has been taking place owing to advent of multinational Original Equipment Manufacturers (OEMs) and new generation vehicles. This has resulted in longer drain intervals for lubricants and lower sump capacity. As a result the industry growth has decelerated as reported in various sections of the press.

Opportunities & Threats

The Company has a wide range of excellent products and a well-known brand "VEEDOL" which has helped the Company perform admirably even in difficult times. The countrywide network of dedicated disributors and dealers and consignment depots provide effective support to the marketing efforts of the Company.

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 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 continuous rise in 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 although sales volume and value have increased, profits have stagnated due to sharp rise in raw material costs.

Human Resources

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