



TEXMACO LIMITED

(Incorporated in the Republic of India with CIN L35111WB1939PLC009800 under the Indian Companies Act, 1913 and governed by the Companies Act, 1956 ("Companies Act"))

Texmaco Limited (the "Company" or "Texmaco") is issuing up to [●] equity shares of face value of Re. 1 each ("Equity Shares") at a price of Rs. [●] per Equity Share, including a premium of Rs. [●] per Equity Share, aggregating Rs. [●] lakh (the "Issue").

ISSUE IN RELIANCE ON CHAPTER XIII-A OF THE SEBI (DISCLOSURE AND INVESTOR PROTECTION) GUIDELINES, 2000

THIS ISSUE AND THE DISTRIBUTION OF THIS PRELIMINARY PLACEMENT DOCUMENT IS BEING DONE IN RELIANCE ON CHAPTER XIII-A OF THE SEBI (DISCLOSURE AND INVESTOR PROTECTION) GUIDELINES, 2000, AS AMENDED (THE "SEBI GUIDELINES"). THIS PRELIMINARY PLACEMENT DOCUMENT IS PERSONAL TO EACH PROSPECTIVE INVESTOR AND DOES NOT CONSTITUTE AN OFFER OR INVITATION OR SOLICITATION OF AN OFFER TO THE PUBLIC OR TO ANY OTHER PERSON OR CLASS OF INVESTORS.

Invitations, offers and sales of Equity Shares shall only be made pursuant to this Preliminary Placement Document, Application Form and Confirmation of Allocation Note. For further information see "Issue Procedure". The distribution of this Preliminary Placement Document or the disclosure of its contents without our prior consent, to any person, other than Qualified Institutional Buyers as defined in the SEBI Guidelines ("QIBs") and persons retained by QIBs to advise them with respect to their purchase of Equity Shares, is unauthorised and prohibited. Each prospective investor, by accepting delivery of this Preliminary Placement Document agrees to observe the foregoing restrictions, and to make no copies of this Preliminary Placement Document or any documents referred to in this Preliminary Placement Document.

THE PLACEMENT IS MEANT ONLY FOR QIBs ON A PRIVATE PLACEMENT BASIS AND IS NOT AN OFFER TO THE PUBLIC OR TO ANY OTHER CLASS OF INVESTORS

This Preliminary Placement Document has not been reviewed by the Securities and Exchange Board of India (the "SEBI"), the Reserve Bank of India (the "RBI"), the Bombay Stock Exchange Limited (the "BSE"), the National Stock Exchange of India Limited (the "NSE"), the Calcutta Stock Exchange Association Limited (the "CSE") or any other regulatory or listing authority and is intended only for use by QIBs. This Preliminary Placement Document has not been and will not be registered as a prospectus with the Registrar of Companies (the "RoC") in India, and will not be circulated or distributed to the public in India or any other jurisdiction and will not constitute a public offer in India or any other jurisdiction.

Investments in Equity Shares involve a degree of risk and prospective investors should not invest any funds in this Issue unless they are prepared to take the risk of losing all or part of their investment. Prospective investors are advised to read the risk factors carefully before taking an investment decision in this Issue. For further information see section titled "Risk Factors". Each prospective investor is advised to consult its advisers about the particular consequences to it of an investment in the Equity Shares being issued pursuant to this Preliminary Placement Document.

The information on the Company's website or any website directly or indirectly linked to the Company's website does not form part of this Preliminary Placement Document and prospective investors should not rely on such information contained in, or available through, such websites.

All of the Company's outstanding Equity Shares are listed on the BSE, the NSE and the CSE (collectively, the "Stock Exchanges"). The closing price of the outstanding Equity Shares on the BSE and the NSE on July 22, 2009 was Rs. 106.75 and Rs. 106.65 per Equity Share, respectively. Applications shall be made for the listing of the Equity Shares offered through this Preliminary Placement Document on the Stock Exchanges. The Stock Exchanges assume no responsibility for the correctness of any statements made, opinions expressed or reports contained herein. Admission of the Equity Shares to trading on the Stock Exchanges should not be taken as an indication of the merits of the Company or the Equity Shares.

YOU MAY NOT BE AND ARE NOT AUTHORIZED TO (1) DELIVER THIS PRELIMINARY PLACEMENT DOCUMENT TO ANY OTHER PERSON; OR (2) REPRODUCE THIS PRELIMINARY PLACEMENT DOCUMENT IN ANY MANNER WHATSOEVER. ANY DISTRIBUTION OR REPRODUCTION OF THIS DOCUMENT IN WHOLE OR IN PART IS UNAUTHORIZED. FAILURE TO COMPLY WITH THIS INSTRUCTION MAY RESULT IN A VIOLATION OF THE SEBI GUIDELINES OR OTHER APPLICABLE LAWS OF INDIA AND OTHER JURISDICTIONS.

A copy of this Preliminary Placement Document has been delivered to the Stock Exchanges. A copy of the Placement Document will be filed with the Stock Exchanges. A copy of the Placement Document will also be delivered to the SEBI for record purposes.

THIS PRELIMINARY PLACEMENT DOCUMENT HAS BEEN PREPARED BY THE COMPANY SOLELY FOR PROVIDING INFORMATION IN CONNECTION WITH THE PROPOSED ISSUE OF THE EQUITY SHARES DESCRIBED IN THIS PRELIMINARY PLACEMENT DOCUMENT.

The Equity Shares have not been and will not be registered under the U.S. Securities Act of 1933, as amended ("Securities Act"), and may not be offered or sold within the United States, except pursuant to an exemption from, or in a transaction subject to, the registration requirements of the Securities Act and applicable state securities laws. The Equity Shares are being offered and sold under the Securities Act outside the United States in reliance on Regulation S under the Securities Act ("Regulation S"). For further information, see "Selling Restrictions" and "Transfer Restrictions".

This Preliminary Placement Document is dated July 24, 2009.

Sole Global Coordinator



ICICI Securities Limited

The information in this Preliminary Placement Document is not complete and may be changed. This Preliminary Placement Document is not an offer to sell Equity Shares and is not soliciting an offer to subscribe to Equity Shares. It is being issued for the sole purpose of information or discussion on the Equity Shares that may be issued through the Placement Document.

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NOTICE TO INVESTORS

The Sole Global Coordinator has not separately verified all of the information (financial, legal or otherwise) contained in this Preliminary Placement Document. Accordingly, neither the Sole Global Coordinator nor any member, employee, counsel, officer, director, representative, agent or affiliate of the Sole Global Coordinator makes any express or implied representation, warranty or undertaking, and no responsibility or liability is accepted by the Sole Global Coordinator as to the accuracy or completeness of the information contained in this Preliminary Placement Document or any other information supplied in connection with the Equity Shares. Each person receiving this Preliminary Placement Document acknowledges that such person has not relied on the Sole Global Coordinator nor on any person affiliated with the Sole Global Coordinator in connection with its investigation of the accuracy of such information or its investment decision, and each such person must rely on its own examination of the Company and the merits and risks involved in investing in the Equity Shares. Prospective investors should not construe anything in this Preliminary Placement Document as legal, business, tax, accounting or investment advice. No person is authorised to give any information or to make any representation not contained in this Preliminary Placement Document and any information or representation not so contained must not be relied upon as having been authorised by or on behalf of us or the Sole Global Coordinator. The delivery of this Preliminary Placement Document at any time does not imply that the information contained in it is correct as at any time subsequent to its date.

The Equity Shares have not been approved, disapproved or recommended by any regulatory authority in any jurisdiction. No authority has passed on or endorsed the merits of this Issue or the accuracy or adequacy of this Preliminary Placement Document.

The distribution of this Preliminary Placement Document and the issue of the Equity Shares in certain jurisdictions may be restricted by law. As such, this Preliminary Placement Document does not constitute, and may not be used for or in connection with, an offer or solicitation by anyone in any jurisdiction in which such offer or solicitation is not authorised or to any person to whom it is unlawful to make such offer or solicitation. In particular, no action has been taken by us and the Sole Global Coordinator which would permit an Issue of the Equity Shares or distribution of this Preliminary Placement Document in any jurisdiction, other than India. Accordingly, the Equity Shares may not be offered or sold, directly or indirectly, and neither this Preliminary Placement Document nor any Issue materials in connection with the Equity Shares may be distributed or published in or from any country or jurisdiction.

In making an investment decision, investors must rely on their own examination of the Company and the terms of this Issue, including the merits and risks involved. Investors should not construe the contents of this Preliminary Placement Document as legal, tax, accounting or investment advice. Investors should consult their own counsel and advisors as to business, legal, tax, accounting and related matters concerning this Issue. In addition, neither we nor the Sole Global Coordinator are making any representation to any offeree or purchaser of the Equity Shares regarding the legality of an investment in the Equity Shares by such offeree or purchaser under applicable legal, investment or similar laws or regulations. Each purchaser of the Equity Shares in this Issue is deemed to have acknowledged, represented and agreed that it is eligible to invest in India and in the Company under Chapter XIII-A of the SEBI Guidelines and is not prohibited by SEBI or any other regulatory authority from buying, selling or dealing in securities. Each purchaser of Equity Shares in this Issue also acknowledges that it has been afforded an opportunity to request from us and review information relating to us and the Equity Shares.

This Preliminary Placement Document contains summaries of certain terms of certain documents, which summaries are qualified in their entirety by the terms and conditions of such documents.

REPRESENTATIONS BY INVESTORS

By purchasing any Equity Shares under the Issue, you are deemed to have agreed as follows:

- you are a QIB as defined in clause 1.2.1 (xxiv a) of the SEBI Guidelines and undertake to acquire, hold, manage or dispose of any Equity Shares that are allocated to you for the purposes of your business in accordance with Chapter XIII-A of the SEBI Guidelines;
- if you are Allotted Equity Shares pursuant to the Issue, you shall not, for a period of one year from the date of Allotment, sell the Equity Shares so acquired except on the Stock Exchanges;
- you are aware that the Equity Shares have not been and will not be registered under the SEBI regulations or under any other law in force in India. The Preliminary Placement Document has not been verified or affirmed by the SEBI or the Stock Exchanges and will not be filed with the Registrar of Companies. The Preliminary Placement Document has been filed with the Stock Exchanges for record purposes only and has been displayed on the websites of the Company and the Stock Exchanges;
- you are entitled to subscribe to the Equity Shares under the laws of all relevant jurisdictions which apply to you and that you have fully observed such laws and obtained all such governmental and other consents in each case which may be required thereunder and complied with all necessary formalities;
- you are entitled to acquire the Equity Shares under the laws of all relevant jurisdictions and that you have all necessary capacity and have obtained all necessary consents and authorities to enable you to commit to this participation in the Issue and to perform your obligations in relation thereto (including, without limitation, in the case of any person on whose behalf you are acting, all necessary consents and authorities to agree to the terms set out or referred to in the Preliminary Placement Document) and will honor such obligations;
- neither the Company nor the Sole Global Coordinator is making any recommendations to you, advising you regarding the suitability of any transactions you may enter into in connection with the Issue and that participation in the Issue is on the basis that you are not and will not be a client of the Sole Global Coordinator and that the Sole Global Coordinator has no duties or responsibilities to you for providing the protection afforded to its clients or customers or for providing advice in relation to the Issue and is in no way acting in a fiduciary capacity;
- all statements other than statements of historical fact included in the Preliminary Placement Document, including, without limitation, those regarding the Company's financial position, business strategy, plans and objectives of management for future operations (including development plans and objectives relating to our Company's business), are forward-looking statements. Such forward-looking statements involve known and unknown risks, uncertainties and other important factors that could cause actual results to be materially different from future results, performance or achievements expressed or implied by such forward-looking statements. Such forward-looking statements are based on numerous assumptions regarding our Company's present and future business strategies and environment in which our Company will operate in the future. You should not place undue reliance on forward looking statements, which speak only as at the date of Preliminary Placement Document. The Company assumes no responsibility to update any of the forward-looking statements contained in the Preliminary Placement Document;
- you are aware and understand that the Equity Shares are being offered only to QIBs and are not being offered to the general public and the Allotment of the same shall be on a discretionary basis;
- you have made, or been deemed to have made, as applicable, the representations set forth under ***"Transfer Restrictions"***;
- you have been provided a serially numbered copy of the Preliminary Placement Document and have read the Preliminary Placement Document in its entirety;

- that in making your investment decision, (i) you have relied on your own examination of the Company and the terms of the Issue, including the merits and risks involved, (ii) you have made your own assessment of the Company, the Equity Shares and the terms of the Issue based on such information as is publicly available, (iii) you have consulted your own independent advisors or otherwise have satisfied yourself concerning without limitation, the effects of local laws, (iv) you have relied solely on the information contained in the Preliminary Placement Document and no other disclosure or representation by the Company or any other party and (v) you have received all information that you believe is necessary or appropriate in order to make an investment decision in respect of the Company and the Equity Shares;
- you have such knowledge and experience in financial and business matters as to be capable of evaluating the merits and risks of the investment in the Equity Shares and you and any accounts for which you are subscribing the Equity Shares (i) are each able to bear the economic risk of the investment in the Equity Shares, (ii) will not look to the Company and/or the Sole Global Coordinator for all or part of any such loss or losses that may be suffered, (iii) are able to sustain a complete loss on the investment in the Equity Shares, (iv) have no need for liquidity with respect to the investment in the Equity Shares, and (v) have no reason to anticipate any change in your or their circumstances, financial or otherwise, which may cause or require any sale or distribution by you or them of all or any part of the Equity Shares;
- that where you are acquiring the Equity Shares for one or more managed accounts, you represent and warrant that you are authorized in writing, by each such managed account to acquire the Equity Shares for each managed account;
- you are not a Promoter and are not a person related to the Promoters, either directly or indirectly and your Bid does not directly or indirectly represent the Promoters or promoter group of the Company;
- you have no rights under a shareholders agreement or voting agreement with the Promoters or persons related to the Promoters, no veto rights or right to appoint any nominee director on the Board of Directors of the Company other than the acquired in the capacity of a lender which shall not be deemed to be a person related to the Promoter;
- you have no right to withdraw your Bid after the Bid Closing Date;
- you are eligible to Bid and hold Equity Shares so Allotted and together with any Equity Shares held by you prior to the Issue. You further confirm that your holding upon the issue of the Equity Shares shall not exceed the level permissible as per any applicable regulation;
- the Bids made by you would not eventually result in triggering a tender offer under the SEBI (Substantial Acquisition of Shares and Takeovers) Regulations, 1997, as amended (the “**Takeover Code**”);
- to the best of your knowledge and belief together with other QIBs in the Issue that belong to the same group or are under common control as you, the Allotment under the present Issue shall not exceed 50 per cent of the Issue. For the purposes of this statement:
 - a. the expression ‘belongs to the same group’ shall derive meaning from the concept of ‘companies under the same group’ as provided in sub-section (11) of Section 372 of the Companies Act.
 - b. ‘control’ shall have the same meaning as is assigned to it by clause (c) of Regulation 2 of the Takeover Code.
- you shall not undertake any trade in the Equity Shares credited to your Depository Participant account until such time that the final listing and trading approval for the Equity Shares is issued by the Stock Exchanges;
- you are aware that applications have been made to the Stock Exchanges for in-principle approval for listing and admission of the Equity Shares to trading on the Stock Exchanges’ market for listed securities;

- you are aware and understand that the Sole Global Coordinator will have entered into a placement agreement with the Company whereby the Sole Global Coordinator has, subject to the satisfaction of certain conditions set out therein, undertaken to use its reasonable endeavours as agents of the Company to seek to procure placement of the Equity Shares;
- that the contents of this Preliminary Placement Document are exclusively the responsibility of the Company and that neither the Sole Global Coordinator nor any person acting on its behalf has or shall have any liability for any information, representation or statement contained in this Preliminary Placement Document or any information previously published by or on behalf of the Company and will not be liable for your decision to participate in the Issue based on any information, representation or statement contained in this Preliminary Placement Document or otherwise. By accepting a participation in this Issue, you agree to the same and confirm that you have neither received nor relied on any other information, representation, warranty or statement made by or on behalf of the Sole Global Coordinator or the Company or any other person and neither of the Sole Global Coordinator nor the Company nor any other person will be liable for your decision to participate in the Issue based on any other information, representation, warranty or statement that you may have obtained or received;
- that the only information you are entitled to rely on and on which you have relied in committing yourself to acquire the Equity Shares is contained in this Preliminary Placement Document, such information being all that you deem necessary to make an investment decision in respect of the Equity Shares and that you have neither received nor relied on any other information given or representations, warranties or statements made by the Sole Global Coordinator or the Company and neither shall the Sole Global Coordinator be liable for your decision to accept an invitation to participate in the Issue based on any other information, representation, warranty or statement;
- you agree to indemnify and hold the Company and the Sole Global Coordinator harmless from any and all costs, claims, liabilities and expenses (including legal fees and expenses) arising out of or in connection with any breach of the representations and warranties in this paragraph. You agree that the indemnity set forth in this paragraph shall survive the resale of the Equity Shares by or on behalf of the managed accounts;
- that the Company, the Sole Global Coordinator and others will rely on the truth and accuracy of the foregoing representations, warranties, acknowledgements and undertakings which are given to the Sole Global Coordinator on their own behalf and on behalf of the Company and are irrevocable;
- you will obtain your own independent tax advice and will not rely on the Sole Global Co-ordinator or the Company when evaluating the tax consequences in relation to the Equity Shares;
- that you are eligible to invest in India under applicable law, including the Foreign Exchange Management (Transfer or Issue of Security by Person Resident Outside India) Regulations, 2000, as amended from time to time, and have not been prohibited by the SEBI from buying, selling or dealing in securities;
- that you are a sophisticated investor who is seeking to purchase the Equity Shares for your own investment and not with a view to distribution. In particular, you acknowledge that (i) an investment in the Equity Shares involves a high degree of risk and that the Equity Shares are, therefore, a speculative investment, (ii) you have sufficient knowledge, sophistication and experience in financial and business matters so as to be capable of evaluating the merits and risk of the purchase of the Equity Shares, and (iii) you are experienced in investing in private placement transactions of securities of companies in a similar stage of development and in similar jurisdictions and have such knowledge and experience in financial, business and investments matters that you are capable of evaluating the merits and risks of your investment in the Equity Shares; and
- that each of the acknowledgements and agreements set out above shall continue to be true and accurate at all times up to and including the allotment of the Equity Shares.

OFFSHORE DERIVATIVE INSTRUMENTS

Subject to compliance with all applicable Indian laws, rules, regulations, guidelines and approvals in terms of Regulation 15A(1) of the SEBI (Foreign Institutional Investors) Regulations, 1995, as amended, an FII or its sub-account may issue, deal or hold, offshore derivative instruments such as participatory notes, equity-linked notes or any other similar instruments against underlying securities (all such offshore derivative instruments are referred to herein as “P-Notes”) listed or proposed to be listed on any stock exchange in India only in favour of those entities which are regulated by any relevant regulatory authorities in the countries of their incorporation or establishment subject to compliance with “know your client” requirements. An FII or sub-account shall also ensure that no further downstream issue or transfer of any instrument referred to above is made to any person other than a regulated entity. P-Notes have not been and are not being offered or sold pursuant to this Preliminary Placement Document. This Preliminary Placement Document does not contain any information concerning P-Notes, including, without limitation, any information regarding any risk factors relating thereto.

Any P-Notes that may be issued are not the securities of the Company and do not constitute any obligation of, claims on or interests in the Company. The Company has not participated in any offer of any P-Notes, or in the establishment of the terms of any P-Notes, or in the preparation of any disclosure related to the P-Notes. Any P-Notes that may be offered are issued by, and are the sole obligations of, third parties that are unrelated to the Company. The Company does not make any recommendation as to any investment in P-Notes and does not accept any responsibility whatsoever in connection with the P-Notes. Any P-Notes that may be issued are not securities of the Sole Global Coordinator and do not constitute any obligations or claims on the Sole Global Coordinator. FII affiliates of the Sole Global Coordinator may purchase, to the extent permissible under law, Equity Shares in the Issue, and may issue P-Notes in respect thereof.

PROSPECTIVE INVESTORS INTERESTED IN PURCHASING ANY P-NOTES HAVE THE RESPONSIBILITY TO OBTAIN ADEQUATE DISCLOSURES AS TO THE ISSUER(S) OF SUCH P-NOTES AND THE TERMS AND CONDITIONS OF ANY SUCH P-NOTES. NEITHER SEBI NOR ANY OTHER REGULATORY AUTHORITY HAS REVIEWED OR APPROVED ANY P-NOTES OR ANY DISCLOSURE RELATED THERETO. PROSPECTIVE INVESTORS ARE URGED TO CONSULT WITH THEIR OWN FINANCIAL, LEGAL, ACCOUNTING AND TAX ADVISORS REGARDING ANY CONTEMPLATED INVESTMENT IN P-NOTES, INCLUDING WHETHER P-NOTES ARE ISSUED IN COMPLIANCE WITH APPLICABLE LAWS AND REGULATIONS.

DISCLAIMER CLAUSE OF THE STOCK EXCHANGES

As required, a copy of this Preliminary Placement Document has been submitted to the Stock Exchanges. The Stock Exchanges do not in any manner:

1. warrant, certify or endorse the correctness or completeness of any of the contents of the Preliminary Placement Document;
2. warrant that the Company’s Equity Shares will be listed or will continue to be listed on the Stock Exchanges; or
3. take any responsibility for the financial or other soundness of the Company, its Promoters, its management or any scheme or project of the Company; and
4. it should not for any reason be deemed or construed to mean that the Preliminary Placement Document has been cleared or approved by the Stock Exchanges. Every person who desires to apply for or otherwise acquire any securities of the Company may do so pursuant to an independent inquiry, investigation and analysis and shall not have any claim against the Stock Exchanges whatsoever by reason of any loss which may be suffered by such person consequent to or in connection with such subscription/acquisition whether by reason of anything stated or omitted to be stated herein or for any other reason whatsoever.

PRESENTATION OF FINANCIAL AND OTHER INFORMATION

In this Preliminary Placement Document, unless the context otherwise indicates or implies, references to “**you**,” “**offeree**,” “**purchaser**,” “**subscriber**,” “**recipient**,” “**investors**” and “**potential investor**” is to the prospective investors in this Issue, references to “**Texmaco**,” “**our Company**”, the “**Company**” or the “**Issuer**” are to Texmaco Limited.

In this Preliminary Placement Document, references to “**USD**”, “**US\$**” and “**U.S. Dollars**” are to the legal currency of the United States and references to “**Rs.**” and “**Rupees**” are to the legal currency of India. All references herein to the “**U.S.**” or the “**United States**” are to the United States of America and its territories and possessions and all references to “**India**” are to the Republic of India and its territories and possessions.

Unless otherwise stated, references in this Preliminary Placement Document to a particular year are to the calendar year ended on December 31 and to a particular “**fiscal**” or “**fiscal year**” are to the fiscal year ended on March 31. The Company publishes its financial statements in Rupees. Ten lakh Rupees is equivalent to One Million Rupees.

Our financial statements, consisting of the audited consolidated financial statements as of and for Fiscal 2007, 2008 and 2009, and the limited review of the unaudited stand alone financial statements for the three months ended June 30, 2009, included in this Preliminary Placement Document have been prepared in accordance with Indian GAAP and the Companies Act.

Indian GAAP differs in certain significant respects from International Financial Reporting Standards (“**IFRS**”) and U.S. GAAP accordingly, the degree to which the financial statements prepared in accordance with Indian GAAP included in this Preliminary Placement Document will provide meaningful information is entirely dependent on the reader’s level of familiarity with the respective accounting practices. We do not provide a reconciliation of our financial statements to IFRS or U.S. GAAP financial statements. Any reliance by persons not familiar with the respective accounting practices on the financial disclosures presented in this Preliminary Placement Document should accordingly be limited. We have not attempted to explain those differences or quantify their impact on the financial data included herein, and we urge you to consult your own advisors regarding such differences and their impact on our financial data. Any discrepancies in the tables included herein between the amounts listed and the total thereof are due to rounding off.

CURRENCY CONVERSION TABLE

Fluctuations in the exchange rate between the Rupee and the U.S. Dollar will affect the U.S. Dollar equivalent of the Rupee price of the Equity Shares on the Stock Exchanges. These fluctuations will also affect the conversion into U.S. Dollars of any cash dividends paid in Rupees on the Shares.

The following table sets forth, for the periods indicated, information with respect to the exchange rate between the Rupee and the U.S. dollar (in Rupees per U.S. dollar) based on the reference rates released by the Reserve Bank of India. In 1994, the Rupee was permitted to float fully for the first time. The exchange rate as at July 1, 2009 was Rs. 48.09 = U.S. \$1.00. (*Source: Reference rate as released by the Reserve Bank of India*). No representation is made that the Rupee amounts actually represent such amounts in U.S. dollars or could have been or could be converted into U.S. dollars at the rates indicated, any other rates or at all.

Year ended 31 March				
	Period End	Average	High	Low
(Rs. Per U.S.\$1.00)				
2004	43.39	45.92	47.46	43.39
2005	43.75	44.95	46.46	43.36
2006	44.61	44.28	46.33	43.30
2007	43.59	45.29	46.95	43.14

2008	39.97	40.24	43.15	39.27
2009	50.95	45.91	52.06	39.89
First Quarter FY2009.....	42.95	41.73	43.15	39.89
Second Quarter FY2009	46.94	43.75	46.94	41.89
Third Quarter FY2009	48.45	48.76	50.52	46.88
Fourth Quarter FY2009 (up to March 31, 2009)..	50.95	49.76	52.06	48.37
2010				
First Quarter FY 2010.....	47.87	48.67	50.53	46.84

Source: Available at Reserve Bank of India website at www.rbi.org.in

INDUSTRY AND MARKET DATA

Information regarding market position, growth rates and other industry data pertaining to our businesses contained in this Preliminary Placement Document consists of estimates based on data reports compiled by government bodies, professional organizations and analysts, data from other external sources and our knowledge of the markets in which we compete.

Unless stated otherwise, industry, demographic and market data used in this Preliminary Placement Document has been obtained from industry publications, data on websites maintained by private and public entities, data appearing in reports by market research firms and other publicly available information. These resources generally state that the information contained therein has been obtained from sources believed to be reliable but that their accuracy and completeness are not guaranteed and its reliability cannot be assured.

This data is subject to change and cannot be verified with complete certainty due to limits on the availability and reliability of the raw data and other limitations and uncertainties inherent in any statistical survey. In many cases, there is no readily available external information (whether from trade or industry associations, government bodies or other organizations) to validate market-related analysis and estimates, so we rely on internally developed estimates. Further, the data used in these sources may have been reclassified by us for purposes of presentation and the data from these sources may not be comparable.

Neither we nor the Sole Global Coordinator have independently verified this data and neither we nor the Sole Global Coordinator make any representation regarding the accuracy of such data. Similarly, while we believe our internal estimates to be reasonable, such estimates have not been verified by any independent sources and neither we nor the Sole Global Coordinator can assure potential investors as to their accuracy. Accordingly, Investors should not place undue reliance on this information.

FORWARD-LOOKING STATEMENTS

Certain statements contained in this Preliminary Placement Document that are not statements of historical fact constitute “forward-looking statements.” Investors can generally identify forward-looking statements by terminology such as “aim”, “anticipate”, “believe”, “continue”, “could”, “estimate”, “expect”, “intend”, “may”, “objective”, “plan”, “potential”, “project”, “pursue”, “shall”, “should”, “will”, “would”, or other words or phrases of similar import. All statements regarding our expected financial condition and results of operations and business plans and prospects are forward-looking statements. These forward-looking statements include statements as to our business strategy, our revenue and profitability, planned projects and other matters discussed in this Preliminary Placement Document that are not historical facts. These forward-looking statements and any other projections contained in this Preliminary Placement Document (whether made by us or any third party) are predictions and involve known and unknown risks, uncertainties, assumptions and other factors that may cause our actual results, performance or achievements to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements or other projections. All forward-looking statements are subject to risks, uncertainties and assumptions about us that could cause actual results to differ materially from those contemplated by the relevant forward-looking statement. Important factors that could cause actual results to differ materially from our expectations include, among others:

- General political economic and business conditions in India and other countries;
- The Company’s ability to successfully implement its strategy, its growth and expansion plans and technological changes;
- Performance of our heavy engineering division, demand for our special purpose wagons and our relationship with the Indian Railways
- Performance of the Indian debt and equity markets;
- Occurrence of natural calamities or natural disasters affecting the areas in which the Company has operations;
- Changes in policies, laws and regulations that apply to companies in India;
- Changes in the foreign exchange control regulations in India; and
- Other factors discussed in this Preliminary Placement Document, including under the section titled “**Risk Factors**”.

All forward-looking statements are subject to risks, uncertainties and assumptions about us that could cause actual results and property valuations to differ materially from those contemplated by the relevant statement. Additional factors that could cause actual results, performance or achievements to differ materially include, but are not limited to, those discussed under the sections titled “**Management’s Discussion and Analysis of Financial Condition and Results of Operations of Texmaco**”, “**Industry Overview**” and “**Our Business**”. The forward-looking statements contained in this Preliminary Placement Document are based on the beliefs of management, as well as the assumptions made by and information currently available to management. Although, we believe that the expectations reflected in such forward-looking statements are reasonable at this time, we cannot assure investors that such expectations will prove to be correct. Given these uncertainties, investors are cautioned not to place undue reliance on such forward-looking statements. If any of these risks and uncertainties materialize, or if any of our underlying assumptions prove to be incorrect, our actual results of operations or financial condition could differ materially from that described herein as anticipated, believed, estimated or expected. All subsequent forward-looking statements attributable to us are expressly qualified in their entirety by reference to these cautionary statements.

ENFORCEMENT OF CIVIL LIABILITIES

The Company is a limited liability company incorporated under the laws of India. All of the Company's Directors and key managerial personnel named herein are residents of India and a substantial portion of assets of such persons are located in India. As a result, it may be difficult for investors to affect service of process upon the Company or such persons outside India or to enforce judgments obtained against such parties outside India.

Recognition and enforcement of foreign judgments is provided for under Section 13 of the Code of Civil Procedure, 1908 (the "**Civil Code**") on a statutory basis. Sections 13 and 44A of the Civil Code provide that a foreign judgment shall be conclusive regarding any matter directly adjudicated upon except: (i) where the judgment has not been pronounced by a court of competent jurisdiction; (ii) where the judgment has not been given on the merits of the case; (iii) where it appears on the face of the proceedings that the judgment is founded on an incorrect view of international law or a refusal to recognize the law of India in cases in which such law is applicable; (iv) where the proceedings in which the judgment was obtained were opposed to natural justice; (v) where the judgment has been obtained by fraud, and (vi) where the judgment sustains a claim founded on a breach of any law in force in India.

India is not a party to any international party in relation to the recognition or enforcement of foreign judgments. However, Section 44A of the Civil Code provides that where a foreign judgment has been rendered by a superior court within the meaning of that section in any country or territory outside India which the Government of India has by notification declared to be in a reciprocating territory, it may be enforced in India by proceedings in execution as if the judgment had been rendered by the relevant court in India. However, Section 44A of the Civil Code is applicable only to monetary decrees not being in the nature of any amounts payable in respect of taxes or other charges of a like nature or in respect of a fine or other penalties and does not include arbitration awards.

The United Kingdom, Singapore and Hong Kong have been declared by the Government of India to be reciprocating territories for the purposes of Section 44 A of the Civil Code but the United States has not been so declared. A judgment of a court in a jurisdiction which is not a reciprocating territory may be enforced only by a fresh suit upon the judgment and not by proceedings in execution. The suit must be brought in India within three years from the date of the judgment in the same manner as any other suit filed to enforce a civil liability in India. It is unlikely that a court in India would award damages on the same basis as a foreign court if an action is brought in India. Furthermore, it is unlikely that an Indian court would enforce foreign judgments if it viewed the amount of damages awarded as excessive or inconsistent with public policy. Further, any judgment or award in a foreign currency would be converted into Rupees on the date of such judgment or award and not on the date of payment. A party seeking to enforce a foreign judgment in India is required to obtain approval from the RBI to repatriate outside India any amount recovered and any such amount may be subject to income tax in accordance with applicable laws.

CERTAIN DEFINITIONS AND ABBREVIATIONS

We have prepared this Preliminary Placement Document using certain definitions and abbreviations which you should consider when reading the information contained herein. All references to statutes and regulation or other applicable laws shall include their amendments or any modifications hereto, where applicable. The following terms shall have the meanings set forth below:

Definitions

Term	Description
“Texmaco” or “our Company” or “the Company” or “we” or “us”	Texmaco Limited, a public limited company incorporated under the Companies Act, 1913 and having its registered office at Belgharia, Kolkata 700 056.

Issue Related Terms

Term	Description
AGM	Annual general meeting of the Company
Allocated, Allocation	The allocation of Equity Shares following the determination of the Issue Price to QIBs on the basis of Application Forms submitted by them, in consultation with the Sole Global Coordinator in compliance with Chapter XIII-A of the SEBI Guidelines
Allotment/Allotted	The allotment and issue of Equity Shares pursuant to this Issue
Allottees	Persons to whom Equity Shares of the Company are issued pursuant to the Issue
Application Form	The form (including any revisions thereof) pursuant to which a QIB who has been allocated for Equity Shares following the determination of the Issue Price subscribes for the Equity Shares Allocated to such Bidder
Articles/Articles of Association	The Articles of Association of the Company
AS	Accounting Standards issued by the Institute of Chartered Accountants of India
Auditors	M/s K.N. Gutgutia & Company, Chartered Accountants, the statutory auditors of the Company
Bid(s)	An offer by a QIB pursuant to the Application Form
Bid Closing Date	[•]
Bid Opening Date	[•]
Bidding Period	The period between the Bid Opening Date and Bid Closing Date inclusive of both dates during which prospective QIBs can submit their Bids
Board / Board of Directors	The board of directors of our Company
BSE	The Bombay Stock Exchange Limited
CAGR	Compounded Annual Growth Rate
CAN/Confirmation of Allocation Note	Note or advice or intimation to QIBs confirming the Allocation of Equity Shares to such QIBs after discovery of the Issue Price
CDSL	Central Depository Services (India) Limited
Civil Code	The Code of Civil Procedure, 1908, as amended
Closing Date	[•]
Companies Act	The Companies Act, 1956, as amended
CSE	The Calcutta Stock Exchange Association Limited
Cut-off Price	The Issue Price of the Equity Shares which shall be finalized by our Company in consultation with the Sole Global Coordinator
Delisting Guidelines	SEBI (Delisting of Equity Shares) Regulations, 2009
Depositories Act	The Depositories Act, 1996, as amended
Depository	A depository registered with SEBI under the SEBI (Depositories and Participant) Regulations, 1996, as amended
Depository Participant	A depository participant as defined under the Depositories Act
Director(s)	A director of our Company
EGM	Extra ordinary general meeting of the shareholders of our Company
Equity Shares	Equity shares of the Company of par value Re. 1 each
Escrow Bank	ICICI Bank Limited
Escrow Bank Account	Texmaco – QIP Escrow Account
FDI	Foreign Direct Investment
FEMA	The Foreign Exchange Management Act, 1999, as amended
FII	Foreign Institutional Investor (as defined under the Securities and Exchange Board of India

Term	Description
	(Foreign Institutional Investors) Regulations, 1995, as amended) registered with SEBI under applicable laws in India
FIPB	Foreign Investment Promotion Board
Fiscal Year / Fiscal / FY	The financial year ended March 31 of such year
Floor Price	The floor price of Rs. 98.64 for the Equity Shares, which has been calculated in accordance with clause 13A.3 of the SEBI (Disclosure and Investor Protection) Guidelines, 2000
GDP	Gross Domestic Product
GoI	Government of India
GAAP	Generally Accepted Accounting Principles
HUF	Hindu Undivided Family
IFRS	International Financial Reporting Standards
India	The Republic of India
Indian Stock Exchanges / Stock Exchanges	BSE, NSE and CSE
ICAI	The Institute of Chartered Accountants of India
Issue	The offer and sale of the [●] Equity Shares to Qualified Institutional Buyers, pursuant to Chapter XIII-A of the SEBI Guidelines
Issue Price	A price per Equity Share of Rs. [●]
Issue Size	The issue of [●] Equity Shares aggregating to Rs. [●] lakh
I.T. Act	The Income Tax Act, 1961, as amended
Memorandum or Memorandum of Association	The Memorandum of Association of the Company
Mutual Fund	A mutual fund registered with SEBI under the SEBI (Mutual Funds) Regulations, 1996, as amended
NSDL	The National Securities Depositories Limited
NSE	The National Stock Exchange of India Limited
PAN	Permanent Account Number
Pay-in Date	Bid Closing Date or the last date specified in the CAN sent to QIBs, as applicable
Placement Document	The Placement Document to be issued in accordance with Chapter XIII-A of the SEBI Guidelines
Preliminary Placement Document	This Preliminary Placement Document dated July 24, 2009 issued in accordance with Chapter XIII-A of the SEBI Guidelines
Promoter	The Promoter of our Company being Mr. S.K. Poddar.
QIBs or Qualified Institutional Buyers	A Qualified Institutional Buyer as defined under clause 1.2.1 (xxiv a) of the SEBI Guidelines
QIP	Qualified Institutional Placement under chapter XIII-A of the SEBI Guidelines
RBI	The Reserve Bank of India
RBI Act	The Reserve Bank of India Act, 1934
Registered Office	The registered office of our Company at Belgharia, Kolkata 700 056, India
RoC	Registrar of Companies, West Bengal
Regulation S	Regulation S under the Securities Act
Rs./Rupees/INR	Indian Rupees
SAT	Securities Appellate Tribunal
SCRA	Securities Contracts (Regulations) Act, 1956
SCRR/SCRA Rules	Securities Contracts (Regulation) Rules, 1957
SEBI Act	The SEBI Act, 1992
SEBI	The Securities and Exchange Board of India
SEBI Guidelines	Securities and Exchange Board of India (Disclosure and Investor Protection) Guidelines, 2000
Securities Act	The U.S. Securities Act of 1933
Shareholders	Shareholders of the Company
Sole Global Coordinator	ICICI Securities Limited
Stock Exchange(s)	The BSE, NSE and the CSE where our Equity Shares are presently listed
STT	Securities Transaction Tax
Subsidiaries	High Quality Steels Limited, Macfarlane & Company Limited and Texmaco Machines Private Limited
Takeover Code	SEBI (Substantial Acquisition of Shares and Takeover) Regulations, 1997
US /United States	United States of America
USD / US Dollar / US\$	United States dollar

Term	Description
S\$	Singapore dollar

References to Industry or our Business

Term/Abbreviation	Full Form
BCNHL	Bogie covered wagon (91.6 tonnes)
B.G.	Broad guage
BCCW	Bogie covered cement wagon
BCNA HS/BCN –HS	Bogie covered wagon (81.28 tonnes)
BLC	Bogie load container
BOBRN / BOBRN HS	Bogie open rapid discharge hopper wagon
BOBSN	Bogie hopper wagon side discharge (91.6 tonnes)
BOSTHS	Bogie open wagon (81.28 tonnes)
BOXN-HL	Bogie open wagon
BOXN-HS	Bogie open wagon (81.28 tonnes)
BOXN-LW	Bogie open wagon (81.28 tonnes)
BRNA-HS	Bogie rail wagon (81.28 tonnes)
BTAP	Broad gauge bogie alumina wagon
BTCS	Bogie tank caustic soda wagon
BTPN	Bogie pol tank wagon (81.28 tonnes)
BVZI	Bogie brake van
C.B.C.	Centre buffer coupler
CMS	Cast manganese steel
CNC	Computerised numerical control
CTR	Cartridge type rolling
CONCOR	Container Corporation of India Limited
EBITDA	Earnings before interest, taxes, depreciation, and amortization
EMU	Electric multiple unit
EOT	Electrical overhead traction
EPCG	Export promotion capital goods
FWU	Four wheeler unit
Km	Kilometer
Kmph	Kilometer per hour
LWIS	Liberalised wagon investment scheme
MGR	Merry – go – round
MS & CI	Mild steel and cast iron
MW	Mega watt
MT	Metric tone
MTPA	Metric tonne per annum
NHPC	National Hydroelectric Power Corporation
NTPC	National Thermal Power Corporation Limited
PAT	Profit after tax
PBT	Profit before tax
PSU	Public sector undertaking
RDSO	Research Design and Standards Organisation
sq.	Square
VAT	Value added tax

SUMMARY OF THE ISSUE

The following is a general summary of the terms of the Issue:

Issuer	Texmaco Limited
Issue size	up to [●] Equity Shares of the Company of par value Re. 1 each.
Issue Price	Rs. [●] per Equity Share.
Eligible Investors	QIBs as defined in clause 1.2.1 (xxiv a) of the SEBI Guidelines. See section titled “ <i>Issue Procedure — Qualified Institutional Buyers</i> ”.
Equity Shares issued and outstanding as on June 30, 2009	11,07,83,090 Equity Shares ^{**} , aggregating Rs. 11,07,83,090
Equity Shares issued and outstanding immediately after the Issue	[●] Equity Shares, aggregating Rs.[●]
Listing	The Company has made applications to each of Stock Exchanges to obtain in-principle approvals for the listing of the Equity Shares on the Stock Exchanges.
Lock-up	The Company has agreed that, without the prior written consent of the Sole Global Coordinator, it will not, for a period of 60 days from the date of the Placement Document, directly or indirectly, (a) offer, pledge, issue, contract to issue, grant any option, right or warrant for the issuance and allotment, or otherwise dispose of or transfer, or establish or increase a put equivalent position or liquidate or decrease a call equivalent position with respect to, any Equity Shares or securities convertible into or exchangeable or exercisable for such Equity Shares (including any warrants or other rights to subscribe any Equity Shares), (b) enter into a transaction which would have the same effect, or enter into any swap, hedge or other arrangement that transfers, in whole or in part, any of the economic consequences of ownership of any Equity Shares, whether any such aforementioned transaction is to be settled by allotment of any Equity Shares or such other securities, in cash or otherwise, or (c) publicly disclose the intention to make any such offer, issuance and allotment or disposition, or to enter into any such transaction, swap, hedge or other arrangement.
Transferability Restrictions	The Equity Shares being Allotted pursuant to this Issue shall not be sold for a period of one year from the date of Allotment except on the Stock Exchanges.
Use of Proceeds	The net proceeds of the Issue (after deduction of fees, commissions and expenses) are expected to total approximately Rs. [●] lakh. See section titled “ <i>Use of Proceeds</i> ”.
Risk Factors	See section titled “ <i>Risk Factors</i> ” for a discussion of factors you should consider before deciding whether to buy our Equity Shares.
Allotment	The Allotment of the Equity Shares offered pursuant to this Issue is expected to be made on or about [●] (“ <i>Closing Date</i> ”).
Ranking	The Equity Shares being issued shall be subject to the provisions of the Company’s Memorandum and Articles of Association and shall rank <i>pari passu</i> in all respects with the existing Equity Shares including rights in respect of dividends. The Shareholders will be entitled to participate in dividends and other corporate benefits, if any, declared by the Company after the Closing Date, in compliance with the Companies Act. Shareholders may attend and vote in Shareholders’ meetings on the basis of one vote for every Equity Share held. See section titled “ <i>Description of the Equity Shares</i> ”.

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SUMMARY

The following summary is qualified in its entirety by, and should be read in conjunction with, the more detailed information and financial statements appearing elsewhere in this Preliminary Placement Document. In addition to this summary, we urge you to read the entire Preliminary Placement Document carefully, especially the risks of investing in the Equity Shares discussed under the section titled “Risk Factors,” before deciding whether to buy our Equity Shares.

Business Overview

We are a diverse heavy engineering company, founded in 1939 by Late Dr. K.K. Birla, son of Late Shri. G. D. Birla. Our Company started as a textile machinery manufacturing company and subsequently diversified into other engineering fields, providing services to core sectors and process industries in India and abroad. Our major operating divisions are the heavy engineering division consisting of wagon, hydro-mechanical equipment and process equipment manufacturing facilities and the steel foundry division. In addition, we have real estate properties consisting of land and commercial buildings in West Bengal and Delhi, from which we derive lease rental income. Presently, we have five manufacturing facilities in the outskirts of Kolkata, in Agarpara, Belgharia, Sodepur and Panihati.

The order book of the Company, as on July 1, 2009 stands at Rs. 1,87,849 lakh excluding the value of free supply items.

We are presently the largest supplier of wagons to the Indian Railways in India with strong in-house capabilities for the design and manufacture of special purpose wagons for core sectors such as cement, coal, alumina, steel, container freight cars, oil, chemicals, fertilizers, thermal power projects and defense sector among others. We have secured contracts for export of wagons from European, African and Bangladesh Railways in competition with global players.

Over the years, our Company has built strong capabilities in designing, marketing, manufacturing, erecting and commissioning of hydro-mechanical equipments such as hydraulic, radial and vertical gates, hoists, penstocks, trash cleaning machines, stop logs and other heavy steel structures. Our Company has executed several projects both in India and overseas. Our Company is currently executing one of the largest orders for the supply of hydro mechanical equipments in India for a 2000 MW hydro power project of the National Hydroelectric Power Corporation in Subansiri, Arunachal Pradesh.

We also manufacture sugar mill machineries, industrial boilers, cryogenic and pressure vessels, chemical plant equipment and agro-machinery such as power tillers.

For the year ended March 31, 2009, our Company's income (net of excise duty and inter-segment sales) was Rs. 81,505.76 lakh, our EBITDA was Rs. 13,411.37 lakh and our profit after tax for the period was Rs. 7,617.52 lakh, each on a consolidated basis. As at March 31, 2009, our Company's total assets were Rs. 38,892.85 lakh and our total shareholders' funds was Rs. 31,218.98 lakh.

In Fiscal 2009, our gross sales grew by 15.47 per cent to Rs. 1,09,117.96 lakh, our EBITDA grew by 12.41 per cent to Rs. 13,411.37 lakh, our profit before tax grew by 10.36 per cent to Rs. 11,189.12 lakh and our profit after tax grew by 9.64 per cent to Rs. 7,617.52 lakh compared to Fiscal, 2008. Our gross sales have grown at a CAGR of 40.47 per cent in the last three financial years.

The table below sets forth the composition of our Company's total revenues and profit after tax, for Fiscal 2009, Fiscal 2008 and Fiscal 2007 on a consolidated basis.

	<i>(In Rs. lakh)</i>		
	Year ended March 31,		
	2009	2008	2007
Revenues			
- Heavy Engineering Division	77,614.13	66,654.91	30,923.00
- Steel Foundry	1,856.34	2,623.93	6,455.66
- Real Estate	920.02	598.00	
- Others	271.40	246.07	149.90
Total	80,661.89	70,122.91	37,528.56
Profit after Tax	7,617.52	6,947.25	2,738.53
Net Profit (after minority interest)	7,611.02	6,940.72	2,733.01

Revenues are net of excise duty and inter-segment sales

We have three subsidiaries, viz., High Quality Steels Limited, Macfarlane & Company Limited and Texmaco Machines Private Limited. High Quality Steels Limited is engaged in the business of fabrication and erection and provides erection services at various sites of our Company. Macfarlane & Company Limited and Texmaco Machines Private Limited are presently not carrying on any significant operation.

Our Strengths

Our principal competitive strengths are set forth below:

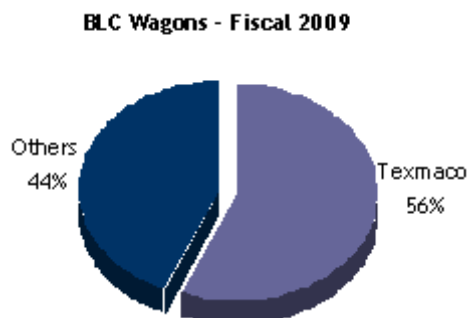
Market leader among wagon manufacturers in India

We have been in the business of manufacturing wagons for over 50 years. The Ministry of Railways, Government of India has recognized us as one of the major suppliers of wagons to the Indian Railways since 1954. In Fiscal 2008 and Fiscal 2009, we have sold 31 per cent and 30 per cent of the total number of wagons sold in India, respectively.

We have consistently been one of the largest suppliers of wagons to the Indian Railways including having been the single largest supplier of wagons to the Indian Railways for the last three financial years. Our consistent track record of being one of the largest wagon suppliers has translated into higher orders awarded to us each year by the Indian Railways. In Fiscal 2008 and Fiscal 2009, we were awarded orders for 2,539 and 3,455 wagons respectively, by the Indian Railways. We have been one of the leading wagon suppliers to private sector customers. In Fiscal 2008 and Fiscal 2009, we had a market share of 51 per cent and 47 per cent respectively.

Our special purpose custom built wagons such as the multi axled wagons for bulky/oversized consignments, coal hopper cars with electro pneumatically door opening mechanism, covered car for bulk transportation of commodities such as cement, tank cars and chemicals have earned us appreciation and repeat orders from our customers.

Further, we currently occupy the position of market leader in the supply of certain commodity specific wagons. In Fiscal 2009, we were the largest supplier of BLC wagons (for transportation of containers) with a market share of 56 per cent.



Strong Infrastructure Facilities

We believe that our infrastructure for the manufacture of wagons is currently one of the best in the country. Our infrastructure facilities are spread over 155 acres of land and include two million square feet of manufacturing facilities with a 10 km long railway track for storing wagons, which facilitates our position as an industry leader in this segment. Our manufacturing units are equipped with standard rooms with sophisticated measuring equipments related to calibration apparatus/devices providing maximum accuracy measurement, in-house x-ray testing facility to check welding quality, cold spun dished end manufacturing, stress relieving furnace for complete wagons, shot blasting chamber, special purpose machine tools, battery of cnc air/plasma profile cutting machines, automated welding equipments, plate bending machine with a capacity of 100 tonnes and up to three metres in width, heavy duty press machines, horizontal and vertical turning machines, hydraulic load testing facilities and other sophisticated equipments. We also have significant storage facilities for raw materials used for manufacturing our wagons. We may leverage our infrastructure facilities to manufacture eight different types of wagon simultaneously at any given point of time.

Bogies, couplers and draft gears are some of the critical components in the wagon manufacturing segment. Our in house steel foundry manufactures railway castings such as bogies, couplers and draft gears which are used in the manufacture of wagons by our wagon manufacturing unit. We believe that going forward our in-house production capabilities will help us maintain timely access to such critical components at competitive prices.

We have received an approval from the RDSO, Ministry of Railways for manufacturing and supplying to primary manufacturers and various railway units, the following items: casnub bogies and its components; high tensile CBC coupler and its components for freight stock and locomotives; high capacity draft gear; and cast steel bogies for CONCOR flat wagons.

We believe that we are in a position to leverage on our strong infrastructure facilities to maintain our position as one of the market leaders in the wagon manufacturing sector.

Well equipped to derive leverage from the recent policy initiatives by the Indian Railways

- ***Wagon Design***

Prior to the railway budget for the year 2007-08, the Indian Railways procured wagons based on designs prescribed and approved by the RDSO. Pursuant to the railway budget for the year 2007-08, it was announced that going forward, wagon manufacturers would be allowed to supply wagons based on designs developed by the wagon manufacturers, provided the designs conform to the standards and specifications prescribed by the RDSO. We are well equipped to take advantage of this policy initiative as we believe that our strong in-house design team has adequate experience and expertise to undertake design of freight wagons.

- ***Free Supply Items***

Indian Railways is gradually phasing out the free supply of raw materials to wagon manufacturers. Whilst we are geared to derive leverage from this change in policy on account of our size and our in house manufacturing capabilities, we believe that smaller competitors may not be able to cope with the said policy initiative due to large working capital requirements, lack of adequate infrastructure and experience.

Policy on Procurement of Wagons by the Indian Railways is advantageous for us

The Indian Railways while procuring wagons by floating tenders and inviting bids, have been following a system of distribution of 75 per cent of the quantity against the tender amongst the bidders, based on their past performance.

In light of the aforesaid system of distribution of wagon orders by the Indian Railways, we believe that we are in a position to leverage our past performance to receive significant wagon manufacturing orders from the Indian Railways.

One of the major supplier of steel castings to the Indian Railways

Our steel foundry has been classified as a “Class A” foundry and a “Part I” manufacturer by RDSO, Ministry of Railways. As a result of the said classifications, we have been certified as an approved source for manufacturing bogies and couplers. Our Company is a major supplier of steel castings for the Indian Railways. We believe that we have been the largest supplier of steel castings for the Indian Railways and other private wagon manufacturers with a market share of around 24 per cent, 27 per cent and 31 per cent in Fiscal 2007, Fiscal 2008 and Fiscal 2009 respectively. Further, we also believe that we have supplied around 22 per cent, 27 per cent and 33 per cent of the total number of bogies and around 33 per cent, 28 per cent and 25 per cent of the total number of couplers supplied for the Indian Railways and other private wagon manufacturers in Fiscal 2007, Fiscal 2008 and Fiscal 2009 respectively. The steel foundry with 30,000 MTPA capacity is also equipped with a state of the art fully automated sand plant and high pressure moulding line from Kunkel Wagner, Germany.

Expertise in hydro mechanical equipment and geographical locational advantage

The Central Electricity Authority has set a target of adding 30,920 MW of hydel power in the Twelfth Five Year Plan. We believe that the emphasis of the Government of India on the development of India’s hydro potential will benefit us. We believe that we are one of the leading manufacturers of hydro-mechanical equipments in India and our strength lies in offering a one point solution to our customers from designing to commissioning of hydro mechanical equipments and in providing after sales services. We manufacture a wide range of hydro-mechanical equipments such as radial gates, vertical gates, hoists, gantry/ EOT cranes, trash cleaning machines, penstock and heavy steel structures.

We were awarded one of the largest orders for hydro-mechanical equipment in India for a 2,000 MW hydel power project of NHPC in Subansiri, Arunachal Pradesh.

We believe that our geographical location enhances our prospects in the hydro mechanical equipment business. Our hydro mechanical equipment division is located near Kolkata, in eastern India. Since a majority of the hydro power projects being established in India, are being executed in the north eastern part of India, we believe that our proximity to the project sites gives us an edge over our competitors in the procurement of orders.

Experienced management team with a proven track record

Our operations are led by an experienced senior management group who we believe has the professional expertise and vision to maintain our position as a leading diverse heavy engineering company. Our Company’s senior management includes highly qualified people with extensive experience in our Company’s business with commercial, engineering or technical background. Our Chairman, Mr. S.K. Poddar has been the president of Federation of Indian Chambers of Commerce and Industry, International Chamber of Commerce, India, Indian Council of Arbitration, All India Organization of Employers, Council of Indian Employers and Indian Chamber of Commerce. Our President and Chief Executive Officer, Mr. Ramesh Maheshwari commands more than four decades of experience in this sector and has been the president of the Confederation of Indian Industry and also the chairman of the Engineering Export Promotion Council of India. He was a member of the Tandon Committee set up by the Reserve Bank of India to frame guidelines for bank credit. He also served on various task forces set up by the Planning Commission and development councils nominated by the Government of India and on the board of the CSE as a nominee of SEBI. He is on the board of governors of Birla Institute of Management Technology, New Delhi and Globsyn Business, Kolkata. Our Executive Director (Operations), Mr. D.H. Kela and our Chief Executive (Heavy Engineering Works), Mr. A.K. Nanda, command more than four decades of rich experience in the heavy engineering manufacturing sector.

Ability to create and maintain strategic partnerships and alliances with leading engineering companies of the world

We have entered into strategic collaborations with global engineering companies for technology collaboration and skill enhancement. In the past we had entered into collaboration arrangements with C.E. USA for manufacturing water tube boilers, with Voest Alpine, Austria for the hydro mechanical equipment division, with Strok-Workspoor, Holland, with Walkers Limited, Australia for the manufacture of sugar mill machinery and with Toyoda Automatic

Loom Works Limited, Japan for an exclusive license to manufacture, use and sell ring spinning frames, among others. We believe that our successful collaborations have enabled us to enhance our technological knowledge and improve our technical skills, thereby empowering us to keep ourselves abreast of the latest technological developments and retain our position as a leading heavy engineering company in India.

We have entered into a memorandum of agreement dated November 13, 2007 with United Group Limited, Australia for the design and manufacture of locomotive components and modern design freight cars. We have entered into a memorandum of agreement with McConway & Torley dated March 29, 2009 pursuant to which McConway & Torley will assist our Company to take up the production of coupler items along with requisite processes and systems for Association of American Railroads' approval. We have also entered into a memorandum of understanding dated April 20, 2009 with Kawasaki Heavy Industries Limited, Japan, for participation in a tender for design, manufacture, supply, testing and commissioning of passenger rolling stock i.e. metro coaches floated by Kolkata Metro Rail Corporation Limited.

Our Strategies

Principal elements of our strategy include the following:

Expansion of our manufacturing facilities

We intend to expand our manufacturing facilities in the heavy engineering and steel foundry divisions and we also propose to invest in manufacturing facilities for new design wagons, EMUs, metro coaches and locomotive components.

We believe that the expansion of our wagon manufacturing facilities would enable us to capitalize on the expansion plans laid down by the Indian Railways which includes development of rail infrastructure such as the dedicated freight corridors.

We also intend to expand the capacity of our steel foundry to cater to the growing requirements of customers in countries such as North America and Australia and also to meet the increasing demand from the domestic market. The products for export to North America include side frames, bolsters and CMS crossings for rail roads for which we have already received approval from the Association of American Railroad for such supplies. The export products to Australia include industrial castings for mining equipment makers.

The demand for EMU coaches and locomotives is set to increase with the proposed rail expansion across the country. Demand for metro coaches is also expected to increase with the proposed metro projects in Mumbai, Chennai, Bangalore, Hyderabad, Ahmedabad, Kochi and the expansion of metro rails in Kolkata and Delhi. We will seek to leverage on our existing wagon manufacturing capabilities to establish our presence in this segment. Pursuant to our memorandum of agreement with United Group Limited, a joint venture company Texmaco United Group Rail Private Limited has been incorporated, which will *inter alia* focus on designing and manufacturing of bogies, bogie components, wagons, passenger coaches, locomotive under frames, locomotive bogies and modern design freight cars.

Exploring options in allied business areas that permit us to take advantage of our inherent strengths

- ***Wagon Leasing Scheme***

The Ministry of Railways formulated a wagon leasing scheme which came into effect from April 15, 2008, which allowed private companies to own and lease wagons, hitherto the prerogative of Indian Railway Finance Corporation. The wagon leasing scheme has opened up new avenues of business opportunities, as the wagons were hitherto owned either by the Indian Railways themselves or by industrial users. In line with the global scenario, where wagon manufacturing companies themselves are operating as wagon leasing entities, we are also exploring the possibility of forming a new company for leasing wagons to prospective customers.

We believe that the growth in the Indian economy will lead to a growth in the demand for wagons from both the Indian Railways and other industrial users. We believe that our experience and position as one of the leading wagon manufacturers in India will enable us to leverage our existing capabilities in the wagon leasing business.

- *Refurbishment and maintenance of rolling stock business*

Our Company intends to enter into the business of refurbishment of wagons for which we believe we have adequate experience and infrastructural facilities. We believe that this segment offers tremendous business opportunities for us.

Increasing focus on special design commodity specific wagons

We believe that rail borne traffic of commodities is poised for a significant growth. Consequently, we expect a growing demand for commodity specific freight wagons from private sector customers. Our Company plans to add additional capabilities to cater to this demand. Further, we believe our Company will benefit greatly due to the expected rise in the demand for wagons with rail borne container operation, hitherto the exclusive domain of CONCOR, being thrown open to private players willing to invest in rolling stock and terminal infrastructure after payment of the requisite registration fees.

Inorganic growth by acquisition of companies in a similar line of business

We intend to expand our businesses by acquiring companies, both in India and overseas, involved in a similar and allied line of business. We would also actively pursue opportunities to backward integrate our manufacturing facilities by acquiring companies engaged in the manufacture of critical components.

Attract, train and retain qualified personnel

We believe that maintaining quality, minimising costs, ensuring timely delivery and completion of our orders depend largely on the technical skill and workmanship of our employees. As competition for qualified personnel increases, we intend to improve our competitiveness by increasing our focus on training our staff and honing their technical skills.

We continuously train our workforce to enhance their knowledge and equip them with the latest technological and engineering skills through a dedicated training and placement department. Trainees from various engineering institutions and trainees nominated by government agencies undergo training at our various manufacturing facilities. We have entered into a memorandum of understanding with Birla Institute of Technology and Science, Pilani, with the objective of running educational programs to meet the human resources development needs of our Company through off-campus work-integrated learning programs.

RISK FACTORS

An investment in equity shares involves a high degree of risk. You should carefully consider all the information in this Preliminary Placement Document, including the risks and uncertainties described below, before making an investment in the Equity Shares of our Company.

If any of the following risks, or other risks that are not currently known or are now deemed immaterial, actually occur, our business, results of operations and financial condition could suffer, the price of the Equity Shares could decline, and all or part of your investment may be lost. Unless otherwise stated, we are not in a position to specify or quantify the financial or other risks mentioned herein.

Risks Associated with Our Business

- 1. Our revenue generation and profitability is heavily dependent on our wagon manufacturing division and since a significant portion of the overall revenue is contributed by the Indian Railways, any slowdown or delay in orders could affect our earnings negatively.***

Our wagon manufacturing division contributed about 68 per cent of our consolidated total revenue in Fiscal 2009. The Indian Railways is one of our largest customers for the wagon manufacturing division. The revenue contributed by the Indian Railways is Rs. 23,359.52 lakh for the Fiscal 2009 which is 21 per cent per cent of the total revenue generated by our Company on a consolidated basis. While we believe that the demand for wagons is estimated to increase manifold as per the Eleventh Five Year Plan, any slowdown in the demand for wagons could affect our earnings adversely. Our results of operations may also suffer a material adverse effect, in the event there is any change in the procurement policy of the Indian Railways or if we are not able to continue to receive orders in the manner we have in the past from the Indian Railways.

- 2. The demand for special purpose commodity wagons manufactured by our Company is directly related to the performance of certain commodities.***

Our Company is one of the largest manufacturers of special purpose commodity wagons, such as cement wagons, wagons for the transportation of food grains, wagons for transportation of alumina and other commodities which involve sensitive handling and require weather protection. The demand for such special purpose commodity wagons is linked to the growth of specific sectors including the infrastructure sectors which in turn depend on the gross domestic product (“GDP”) growth rate and overall economic cycle of our country. Any slowdown in the economy of our country or a dip in the GDP growth rate may adversely affect the demand for such commodities, which in turn may adversely impact the demand for the transportation of such commodities using our special purpose commodity wagons. The revenue generated by the manufacturing of special purpose commodity wagons is directly related to freight loading of commodities and any decrease in freight loading of commodities such as cement, coal, alumina and food grains may adversely affect our revenues and profitability.

- 3. The performance of our wagon manufacturing unit is heavily dependent on the policies of the Government of India.***

Currently, there are certain policies of the Government of India such as the liberalized wagon investment scheme, wagon leasing scheme and procurement policies under the new design policy which, we believe, gives us a competitive edge. Further, we believe that the current procurement policy of the Indian Railways is advantageous to us, since 75 per cent of the total order for wagons is based upon the past performance and track record of the bidder. We believe that we are able to secure large orders on the basis of our good track record for timely delivery and quality control. For more information, see section titled “Our Business” of this Preliminary Placement Document. Any unfavourable change in the policies of the Government of India, especially the procurement policy of the Indian Railways or any policy granting special incentives to public sector wagon manufacturers, may have a material adverse effect on our Company.

4. ***We face margin pressure as a large number of our supply contracts are awarded by our customers following competitive bidding processes.***

A large number of our supply contracts are awarded by our customers following competitive bidding processes and satisfaction of other prescribed pre-qualification criteria. Once the prospective bidders clear the technical requirements of the tender, the contract is usually awarded to the lowest bidder. We face competition from domestic and international companies, some of which operate on a smaller base than us and so may therefore be able to operate on lower overheads. In addition, new entrants to these industries may reduce their margins in order to gain market share. The nature of the bidding process may cause us and our competitors to lower prices for securing contracts, so as to maintain our respective market share. As a result of this competition, we may face substantial margin pressure, which may have a material adverse effect on our profitability.

5. ***We depend on the expertise of our senior management and skilled employees; our results of operations may be adversely affected by the exit of our senior management and skilled employees.***

We are dependent on our directors and senior management for setting our strategic direction and managing our business, which is crucial to our success. Our continued success also depends upon our ability to attract and retain a large group of experienced professionals and skilled workmen. The loss of the services of our senior management or our inability to recruit, train or retain a sufficient number of experienced personnel could have a material adverse effect on our operations and profitability. Our ability to retain experienced personnel and skilled workmen as well as senior management will in part depend on us having in place appropriate staff remuneration and incentive schemes. Any exit of our senior management and skilled employees may adversely affect our profitability.

6. ***The decline of the Indian Railways' share in freight traffic compared to road transport has only recently been arrested. There is no assurance that this growth will continue.***

Road transportation and the Indian Railways are the two major modes of surface transportation in India. The Indian Railways has historically been losing its share of freight traffic to road transportation, until recently. In the event, the recent growth in the Indian Railways is not sustained and freight traffic declines for various reasons, the overall requirement for wagons would decline, which may result in reduced orders and consequently could have a material adverse impact on our business and financial conditions.

7. ***The operations of our hydro mechanical equipment division are subject to inclement weather and natural disasters and risk that may cause significant interruption of execution of projects.***

Projects carried out in respect of our Company's hydro mechanical equipment division involve a number of natural hazards including earthquakes, flash floods and landslides. While the Company insures against loss due to the occurrence of accidents in the conduct of its business, there can be no assurance that all risks are adequately insured against, that a particular claim will be paid or that the Company will be able to procure adequate insurance coverage at commercially reasonable rates in the future. Natural disasters may cause significant interruption to the operations of our hydro mechanical equipment division which could adversely affect our profitability.

8. ***The variable purchase patterns of our customers and the timing of completion, delivery and acceptance of customer orders may cause our sales and income from operations to vary substantially each quarter, which will result in significant fluctuations in our quarterly results.***

Many of our private customers may not make purchases every year, since they may not need to replace, replenish or add to the fleet of their wagons on an annual basis. Many of our customers place orders for products on an 'as-needed' basis. As a result, the order levels for wagons and the mix of wagon types ordered by any particular customer have varied significantly from quarter to quarter in the past and may continue to vary significantly in the future. Therefore, our results of operations in any particular quarterly period may be significantly affected by the number of wagons ordered and delivered and the product mix of wagons delivered in any given quarterly period. As a result of these quarterly fluctuations, comparisons of our sales and operating

results between quarterly periods may not be comparable and, as such, should not be relied upon as indicators of our future performance.

9. *Our process equipment division may suffer due to seasonal fluctuations, changes in government policies and geographical location*

Our process equipment division primarily manufactures sugar mill machinery and boilers and pressure vessels. The demand for sugar mill machinery is seasonal in nature as the overall performance of the sugar industry is dependant on climatic fluctuations. The sugar industry is heavily regulated and any policy initiatives which may be adversely perceived by the sugar industry would in turn result in a lower demand for sugar mill machinery. Further, since most of the sugar mills are located in the southern and western parts of India and most of our customers for the pressure vessels manufactured by us are located in the western parts of India, we suffer from a geographic disadvantage, as our manufacturing facilities are located near Kolkata. The seasonal fluctuations, changes in government policies and our geographical location may adversely affect the profitability of our process equipment division.

10. *Our Promoters hold approximately 54.61 per cent of the Equity Shares and, if they take actions that are not in the best interests of the holders of the Equity Shares, it may harm the value of the investment in the Equity Shares.*

As at June 30, 2009, the Promoters held approximately 54.61 per cent of our Equity Shares. As a result, the Promoters exercise significant control over most matters requiring approval by our shareholders, including the election and removal of directors and significant corporate transactions. This control could delay, defer or prevent a change in control, impede a merger, consolidation, takeover or other business combination involving our Company, or discourage a potential acquirer from making a tender offer or otherwise attempting to obtain control of our Company, even if it were in our best interests.

11. *Our indebtedness and the conditions and restrictions imposed on us by our financing agreements could adversely affect our ability to conduct our business.*

As on March 31, 2009, we had total secured loans of Rs. 6,699.49 lakh and unsecured loans of Rs. 734.16 lakh. We may incur additional indebtedness in the future. Our indebtedness could have several important consequences, including but not limited to the following:

- a portion of our cash flow will be used towards repayment of our existing debt, which will reduce the availability of cash to fund working capital needs, capital expenditures, acquisitions and other general corporate requirements;
- our ability to obtain additional financing in the future at reasonable terms may be restricted;
- fluctuations in market interest rates may affect the cost of our borrowings, as some of our loans are at variable interest rates; and
- we may be more vulnerable to economic downturns, may be limited in our ability to withstand competitive pressures and may have reduced flexibility in responding to changing business, regulatory and economic conditions.

Most of our financing arrangements are secured by our movable assets and by our immovable assets, both present and future. Our stocks, book debts and other current assets are subject to charges created in favour of specific secured lenders. Many of our financing agreements also include various conditions and covenants that require us to give intimation or to obtain consent from certain lenders prior to carrying out certain activities and entering into certain transactions. Any failure to meet these conditions or obtain these consents could have significant consequences for our business.

We believe that our relationships with our lenders are good. Compliance with the various terms of our loans is, however, subject to interpretation and we cannot assure you that we have requested or received all consents from our lenders that would be advisable under our financing documents. As a result, it is possible that a lender could assert that we have not complied with all the terms under our financing documents. Any failure to service our indebtedness, comply with a requirement to obtain a consent or perform any condition or covenant could

lead to a termination of one or more of our credit facilities, acceleration of amounts due under such facilities and cross-defaults under certain of our other financing agreements, any of which may adversely affect our ability to conduct our business and have a material adverse effect on our financial condition and results of operations.

12. Labour disputes could affect our operations.

Our operations are labour intensive and depend upon the productivity of our labour force. The employees of our Company are members of various labour unions. We cannot guarantee that we will not experience any strike, work stoppage or other such industrial unrest, resulting from disputes with our employees, in the future. India has stringent labour legislation that protects the interests of workers, including legislation that sets forth detailed procedures for the establishment of unions, dispute resolution and employee removal and legislation that imposes certain financial obligations on employers upon retrenchment. While we generally share good relations with our employees, there can be no assurance that there will not be any labour related disputes in the future. We may incur costs in defending or initiating such labour related litigations. Any such industrial unrest, resulting from labour disputes with our employees, in the future may adversely affect our business revenues, financial condition and results of operations.

13. Access to components such as wheel sets is critical for the timely delivery of wagons to non-Indian Railway customers.

Wheel sets is a critical component for the manufacture of wagons. The two existing wheel set manufacturers in India are in the public sector which run on full capacity and are booked for the Indian Railways. These wheel set manufacturers, at times, may not be able to meet any additional demand of wheel-sets. Any delay in delivery due to shortage of components will adversely impact our Company. Our operations were adversely affected in Fiscal 2007 due to a shortage in the supply of wheel sets. Any increase in the prices of wheel sets may also adversely affect our profitability.

14. Increased raw material costs may adversely affect our Company's results of operations.

Our business is subject to the risk of price increases and fluctuations and delays in the delivery of raw materials and purchased components that are beyond our control. The principal raw materials for our operations include steel, scrap, specialized components, including bogies, coupler sets, air brakes and CTR bearings.

We do not typically enter into long term contracts for the supply of raw materials or components for hedging the risks associated with the fluctuating prices. We may hence be exposed to fluctuations in the price and demand for such components, which may be driven by governmental regulations, such as the requirement to purchase certain high value components only from certain pre-approved suppliers. The prices and supply of raw materials depend on factors, beyond our control, including general economic conditions, competition, production levels, transportation costs and import duties. If, for any reason, the primary suppliers of raw materials curtail or discontinue their delivery of such materials to our Company in the quantities we need and at prices that are competitive, our Company's ability to meet our material requirements for our rolling stock, steel foundry and hydro mechanical equipment division could be impaired and we might fail to meet our delivery schedules. Our Company's business could suffer as a result. Further, steel based raw materials are principal inputs in manufacturing of heavy engineering equipments. The prices at which we purchase steel plates and steel beams are significantly dependent on steel prices in the international markets. The prices of steel are highly volatile and cyclical in nature. As such, any price fluctuations in the prices of steel will adversely affect our business and financial conditions.

Though some of our contracts for the supply of wagons and hydro-mechanical equipments contain price adjustment clauses, pursuant to which we are covered in the event of any variation in wages or material components, there are pre-determined ceiling limits pertaining to the said variation. In the event, the cost of raw materials and components fluctuates beyond the ceiling limit or increases after we enter into contracts with our customers and we are not able to pass on such price increase to our customers, we would be forced to absorb such increases. Any such absorption of increased costs may cause a material adverse impact on our financial position. Our margins declined to 21.37 per cent in the fourth quarter of Fiscal, 2009 from 31.24 per cent in the

same period in the previous year. The decline was primarily on account of the increase in raw material cost as a percentage of sales which increased to 71.1 per cent from 60.70 per cent in the same period last year.

15. *Our Company has entered into, and will continue to enter into, related party transactions.*

Our Company may in the course of its business enter into transactions with related parties that include our Company's promoters and companies forming part of our promoter group. While our Company believes that all such transactions have been conducted on an arm's length basis, there can be no assurance that we could not have achieved more favourable terms, had such transactions not been entered into with related parties. For details pertaining to related party transactions, see section titled "**Financial Statements - Related Party Transactions**". Furthermore, it is likely that our Company may enter into related party transactions in the future. There can be no assurance that such transactions, individually or in the aggregate, will not have an adverse effect on our Company's financial condition and results of operations.

16. *There can be no assurance that we will be able to efficiently operate our non-core new businesses that we intend to set up.*

The core business of our Company is manufacturing of heavy engineering products. In the past we had unsuccessfully ventured into unrelated business of cement manufacturing. We suffered losses, and subsequently discontinued the cement manufacturing business. We are planning to set up a food park in the surplus land that we are holding. Additionally, we may also establish a wagon leasing company, which carries the risk of significant capital investment. Further, we intend to backward integrate our manufacturing facilities by acquiring companies engaged in the manufacture of critical components.

Any future developments which may not be in line with our core business, may adversely affect our financial conditions and results of operations, if such non-core new businesses turn into a non-profitable venture.

17. *We have not registered our trademark or logo*

Our business logo is not registered either as a trademark or as a service mark, and we have not applied to register the logo, as either. Such non-registration exposes us to the risk of the logo (or similar designs) being used by another entity, although we may have a claim on account of prior usage in such event. Any unauthorized usage by a third party of our logo or use of our previous name may create confusion in the market as to our identity and/or may have a material adverse effect on our reputation, goodwill, business prospects and results of operation.

18. *If our Company does not respond adequately to increased competition in the future, we may lose market share and our profits may go down.*

Presently, our Company has the largest market share amongst manufacturers of wagons in India inspite of facing competition from other wagon manufacturing companies. We believe that there are certain reasonable entry barriers like large working capital requirement, lack of adequate infrastructure and experience which restrict the entry of new players in the field of wagon manufacturing. However, we may, in future, face stiff competition both from Indian and foreign companies. There can be no assurance that such competition will not erode the Company's historical profit margins and may adversely affect our business, prospects, financial condition and results of operation.

19. *Our Company is involved in legal proceedings in various states in India, both as plaintiff and as defendant, in which we may not prevail.*

Our Company is involved in legal proceedings incidental to our business and operations. These legal proceedings are pending at different levels of adjudication before various courts and tribunals. Legal proceedings involving our Company could divert management time and attention, and consume financial resources in our defence or prosecution. In addition, should any new developments arise such as changes in Indian law or rulings against our Company by appellate court or tribunals, may need to make provisions in our financial statements which could increase our expenses and current liabilities. Furthermore, if any claims are

determined against our Company and we are required to pay all or a portion of the disputed amounts as determined, this could have a material adverse effect on our Company's business and financial standing. For details of outstanding material legal proceedings, see section titled "**Legal Proceedings**" of this Preliminary Placement Document.

20. *Land is subject to compulsory acquisition by the government and compensation in lieu of such acquisition may be inadequate.*

The right to own property in India is subject to restrictions that may be imposed by the Government of India. In particular, the Government of India under the provisions of the Land Acquisition Act, 1894, as amended has the right to compulsorily acquire any land if such acquisition is for a 'public purpose', after making payment of compensation to the owner. However, the compensation paid pursuant to such acquisition may not be adequate to compensate the owner for the loss of such property. The likelihood of such actions may increase as the central and state Governments seek to acquire land for the development of infrastructure projects such as roads, railways and airports. Any such action in respect of any of the projects in which our Company is investing (or may invest in the future) may adversely affect our Company's business, financial condition or results of operations.

21. *We are subject to risks of assuming performance guarantees and product warranty costs due to defects in our products and we may be liable to pay liquidated damages if we are unable to meet our contractual obligations.*

Some of our supply contracts expose us to warranty claims. Certain of our supply contracts provide for warranty periods varying from 12-30 months from the date of dispatch or commissioning, whichever is earlier, against manufacturing defects. In addition, certain contracts also require us to provide performance guarantees of up to 10 per cent of the contract value, valid for the duration of such warranty period, which can be invoked against us, in the event there are manufacturing defects that are not rectified by us. Certain contracts would also require us to pay liquidated damages if we are unable to perform to specification(s) and deliver in a timely manner, including in circumstances where lack of performance may be due to no fault of our own. Some of these contracts executed by our Company with private parties and with the Indian Railways contain provisions with respect to payment of liquidated damages by our Company, for performance shortfalls and failure to achieve timely completion, which in certain cases may go up to five per cent of the contract value. Any obligation to pay liquidated damages pursuant to such agreements may adversely affect our business, results of operations and our financial conditions.

22. *Our insurance coverage may not adequately protect us against all material hazards.*

Our significant insurance policies consist of standard fire and special perils policies for our manufacturing facilities. In addition, we have obtained separate insurance coverage for erection, all risks / storage cum erection policy in relation to the hydro mechanical equipments supplied and installed by us for various hydro projects. We are also required to obtain certain specific insurance policies under certain contracts and debt financing documents. While we believe that the insurance coverage we maintain would reasonably be adequate to cover all normal risks associated with the operations of our businesses, there can be no assurance that any claim under the insurance policies maintained by us will be honoured fully, in part or on time, nor that we have taken sufficient insurance to cover all material losses. To the extent that we suffer loss or damage for which we did not obtain or maintain insurance, that is not covered by insurance or exceeds our insurance coverage, the loss may have to be borne by us and our results of operations and financial performance may be adversely affected.

23. *Our inability to obtain, renew or maintain the statutory and regulatory permits and approvals required to operate our business could have a material adverse effect on our business.*

We require certain statutory and regulatory permits and approvals for our business. There can be no assurance that the relevant authorities will issue such permits or approvals in the timeframe anticipated by us or at all. Failure by us to renew, maintain or obtain the required permits or approvals may result in the interruption of our operations and may have a material adverse effect on our business, financial condition and results of operations. Additionally, we are required to adhere to certain terms and conditions provided for under the statutory and

regulatory permits and approvals and any failure in adhering to such terms may result in the revocation of such approvals.

24. Compliance with and changes in, safety, health and environmental laws and regulations may adversely affect our business, prospects, financial condition and results of operations.

Some of our operations are subject to risks generally associated with the storage and transportation of fuels and waste materials, including the discharge of toxic or hazardous substances, which can cause personal injury, loss of life, environmental damage and severe damage to property. We are subject to environmental laws and regulations, which govern the discharge, emission, storage, handling and disposal of a variety of substances that may be used in or result from the operations of our businesses. These laws and regulations include the Environmental Protection Act 1986, the Air (Prevention and Control of Pollution) Act, 1981, the Water (Prevention and Control of Pollution) Act, 1974 and other regulations promulgated by the Ministry of Environment and Forests and the pollution control boards of the relevant states.

We believe that environmental regulation of industrial activities in India will become more stringent in the future. The scope and extent of new environmental regulations, including their effect on our operations, cannot be predicted with certainty. The costs and management time required to comply with these requirements could be significant. The measures we implement in order to comply with these new laws and regulations may not be deemed sufficient by governmental authorities and our compliance costs may significantly exceed our estimates. If we fail to meet environmental requirements, we may also be subject to administrative, civil and criminal proceedings by governmental authorities, as well as civil proceedings by environmental groups and other individuals, which could result in substantial fines and penalties against us as well as orders that could limit or halt our operations.

There can be no assurance that we will not become involved in future litigation or other proceedings or be held responsible in any such future litigation or proceedings relating to safety, health and environmental matters, the costs of which could be material. Clean-up and remediation costs, as well as damages, other liabilities and related litigation, could adversely affect our business, prospects, financial condition and results of operations.

25. Changes in technology may render our current technologies outdated or require us to make substantial capital investments.

Our business is subject to changes in technology, evolving industry standards and norms, new product and service introductions. Though, we endeavor to keep pace with the latest international technology standards, the technology requirements for businesses in the heavy engineering sector are subject to continuing advancement. Some of our existing technologies and processes in the rolling stock division may become obsolete, performing less efficiently compared to newer and better technologies and processes in the future. The process of adapting to new developments in technology is complex and requires us to accurately predict and respond to customers' changing and diverse needs and emerging technological trends. The success of implementation of new technology for our business will depend on several factors, including proper identification of market demands and the competitiveness of our products in national and international markets. In addition, we may need to incur significant expenditure to achieve this goal and to enable us to be positioned to benefit from market and industry changes. The cost of implementing new technology could be significant and could adversely affect our results of operations.

26. We are subject to various Indian taxes and avail ourselves of tax benefits offered by the Government of India. Our profitability may decrease due to any adverse change in general tax policies or if the tax benefits were reduced or withdrawn.

The office of the Jt. Director General of Foreign Trade, Calcutta, Ministry of Commerce and Industry, Government of India, has issued to our Company, an EPCG license, towards 10 EPCG Scheme to save duty of Rs. 49,522,604 against import of certain items and also has imposed an export obligation worth USD 85,47,590.76, which is 8 times the duty saved on capital goods, on FOB basis within eight years from the date of issuance of such license. As per the EPCG license, an export obligation has been cast upon us which needs to be fulfilled by the use of the imported capital goods (steel casting) We are also under an obligation to provide a

bank guarantee to the Customs Authority before clearance of the first consignment as decided by the Customs Authority and the EPCG license is to be utilized only in accordance with the Foreign Trade Policy 2004-2009 and the Customs Notification dated September 17, 2004, as amended from time to time.

An increase in any of these taxes or levies, or withdrawal of benefits offered under the existing EPCG license owing to non-compliance of any of the provisions contained therein or the imposition of new taxes and levies in the future, may have a material adverse impact on our business, results of operations and financial condition.

27. *The level of our order book may not necessarily indicate what our future sales will be and our actual sales may fall short of the estimated sales value attributed to our order book.*

We define our order book as the sales value of products or services for which our customers have placed firm orders on us and which are pending execution from our end. We consider the order book to be an indicator of our future sales. A significant portion of our orders are attributable to the new policy initiatives of the Indian Railways like the liberalized wagon investment scheme, wagon leasing scheme and procurement policies under the new design policy. In the event, the new policy initiatives cease to find favour with our customers, they may not continue to place similar orders in the future and consequently our present order book size may not be repeated in the future years. We also rely on third-party suppliers for various components for our wagons and if these third party suppliers were to stop or reduce their supply of the wagon manufacturing components and other components, our actual sales may fall short of the estimated sales value attributed to our order book.

Customer orders may be subject to cancellation, inspection delays and other customary industry terms and delivery dates may be subject to delay, thereby extending the date of delivery of wagons and consequently revenue realization may not occur within the expected time period. This may have a material adverse impact on our business, results of operations and financial condition.

28. *Our contingent liabilities could adversely affect our financial condition and profitability.*

The contingent liabilities as disclosed in the Company's audited consolidated financial statements as of March 31, 2009 are set out below. If any of these contingent liabilities materialise, the Company's profitability may be adversely affected.

(In Rs. lakh)

Particulars	As at March 31, 2009
Guarantees given by banks	39,607.46
Letters of credit opened by banks	25,638.36
Claims under dispute (excise duty)	2,600.96

29. *Our ability to pay dividends in the future will depend upon future earnings, financial condition, cash flows, working capital requirements and capital expenditures.*

The amount of our future dividend payments, if any, will depend upon our future earnings, financial condition, cash flows, working capital requirements and capital expenditures. Additionally, one of our debt financing documents contain restrictive provisions with respect to pay out of dividend to our shareholders, without prior consent of such lender, in the event of any outstanding dues pursuant to the provisions of such debt financing document. Therefore, our ability to pay dividends is subject to restrictive covenants contained in financing and loan agreements governing indebtedness we have incurred or may incur in the future. There can be no assurance that our Board will declare dividends in the future.

30. *Our property situated in Gurgaon has not been registered in our name*

Gillette India Limited and Evershine Merchants Private Limited have executed an Agreement to Sell dated May 25, 2007 ("**Agreement to Sell**") for the sale, transfer and conveyance of rights, title, interests and lien in certain premises situated at Gurgaon, Haryana on an 'as is where is basis' for commercial purposes, for a total consideration of Rs. 72,75,00,000. Thereafter, pursuant to an order of the High Court of Calcutta dated March

26, 2008, Evershine Merchants Private Limited merged with our Company, with effect from August 1, 2007. The said premises comprises of five floors (fifth to ninth floors) in Tower A of Global Business Park, which is constructed on approximately 1.11 acres of land, situated at sector 26, Mehrauli-Gurgaon Road. The said premises comprises approximately a super built up area of 6178.350 square mtrs in aggregate, including 105 underground dedicated car parks and 35 surface car parks. We also enjoy easement rights on the said premises. This Agreement to Sell was valid until June 15, 2007. However the validity of the Agreement to Sell has been extended from time to time by Gillette India Limited, the last being, *vide* letter dated July 11, 2008 whereby the validity has been extended until July 31, 2009. As per the provisions of the Agreement to Sell, the parties were to execute the sale deed/ conveyance deed within six months from the date of handing over of possession of the last of the five floors of the said premises. However, the said sale deed has not been executed by our Company, as of the date of this Preliminary Placement Document.

31. *We cannot guarantee the accuracy of facts and other statistics with respect to India, the Indian economy, and the Indian Railways and heavy engineering industries contained in this Preliminary Placement Document.*

Facts and other statistics in this Preliminary Placement Document relating to India, the Indian economy and the Indian Railways and heavy engineering industries have been derived from various government publications and obtained in communications with various Indian government agencies that we believe to be reliable. However, we cannot guarantee the quality or reliability of such source of materials. While our directors and management have taken reasonable care in the reproduction of the information, it has not been prepared or independently verified by us, the Sole Global Coordinator or any of our or their respective affiliates or advisers and, therefore, we make no representation as to the accuracy of such facts and statistics, which may not be consistent with other information compiled within or outside India. These facts and other statistics more particularly include the facts and statistics included in the sections titled “**Industry Overview**”, “**Our Business**” and “**Management’s Discussion and Analysis**”. Due to possibly flawed or ineffective collection methods or discrepancies between published information and market practice and other problems, the statistics herein may be inaccurate or may not be comparable to statistics produced for other economies and should not be unduly relied upon. Further, there is no assurance that they are stated or compiled on the same basis or with the same degree of accuracy as may be the case elsewhere. In all cases, investors should give consideration as to how much weight or importance they should attach to or place on such facts or statistics.

Risks Associated with Investments in an Indian Company

1. *A slowdown in economic growth in India or, to a lesser degree, the other countries in which we operate or have investments could cause our business to suffer.*

Our performance and the quality of growth of our business are necessarily dependent on the health of the overall economies in which we operate or expect to operate. Substantially all of our revenue-generating operations are currently located in West Bengal, India. As such, any slowdown in the Indian economy or, to a lesser degree, the economies of the other countries in which we operate or have investments, could adversely affect our business. India’s economy or the other economies in which we operate or have investments could be adversely affected by a general rise in interest rates, adverse conditions affecting the agriculture, commodity and electricity prices or various other factors. The Indian economy is currently in a state of transition and it is difficult to gauge the impact of certain fundamental economic changes on our business. Any downturn in the macroeconomic environment in India, or to a lesser degree, the other countries in which we operate or have investments, or in specific sectors could adversely affect the price of our Equity Shares and our business and financial performance.

2. ***Any downgrading of India's debt rating by a domestic or international rating agency could have a negative impact on our business.***

Any adverse revision to India's credit ratings for domestic and international debt by domestic or international rating agencies may adversely impact our ability to raise additional financing, and the interest rates and other commercial terms at which such additional financing is available. This could have a material adverse effect on our business and financial performance, ability to obtain financing for capital expenditures and the price of our Equity Shares.

3. ***Political instability or changes in the Government of India could adversely affect economic conditions in India generally and our business in particular.***

The Government of India has traditionally exercised, and continues to exercise, a significant influence over many aspects of the economy. Our business, and the market price and liquidity of our Equity Shares, may be affected by interest rates, changes in government policy, taxation, social and civil unrest and other political, economic or other developments in or affecting India.

Since 1991, successive Indian governments have pursued policies of economic liberalization and financial sector reforms. The government dissolved parliament in May 18, 2009 and following the general elections held during April and May 2009, a new coalition Government of India, was formed on May 22, 2009. The new cabinet was sworn in on May 28, 2009. The new Government of India has announced its general intention to continue India's current economic and financial sector liberalization and deregulation policies. However, there can be no assurance that such policies will be continued and a significant change in the Government of India's policies in the future could affect business and economic conditions in India and could also adversely affect our business, prospects, financial condition and results of operations.

4. ***Each of our businesses face certain risks from actual or perceived terrorism in India and elsewhere.***

There has recently been an increase in the frequency and scale of terrorism in India and globally. In November 2008, terrorists attacked two hotels, a railway station, restaurant, hospital, and other locations in Mumbai causing over 100 fatalities. In July 2006, a series of seven explosions were launched by extremists on commuter trains and stations in India which killed at least 174 people. The seas, east and west of India, and in particular, the shipping routes between India and certain parts of Africa, are prone to piracy, including hijacking of shipments, which can increase the risks and costs associated with shipping throughout the region. Each of our businesses is vulnerable to terrorism, whether due to physical damage, reduced usage or increased fuel, insurance or other costs.

Terrorism is inherently unpredictable and difficult to protect against. There can be no assurance that a terrorist attack on a scale equal to or greater than that of the November, 2008 attacks in Mumbai will not take place elsewhere in India. Many of our insurance policies specifically exclude recovery for damage that results from terrorism. Moreover, even the threat or perception of terrorism can have serious economic consequences. Any damage to any of our businesses as a result of actual or perceived terrorist activities could reduce our revenues or increase our costs, which may adversely affect our business, results of operations and financial condition.

5. ***If communal disturbances or riots erupt in India, or if regional hostilities increase, it may adversely affect the Indian economy and our business.***

Some parts of India have experienced communal disturbances, terrorist attacks and riots during recent years. If such events recur, our operational and marketing activities may be adversely affected, resulting in a decline in our income.

The Asian region has, from time to time, experienced instances of civil unrest and hostilities amongst neighboring countries, including those between India and Pakistan. Since May 1999, military confrontations between both the countries have occurred in Kashmir. The hostilities between India and Pakistan are particularly threatening because both India and Pakistan possess nuclear weapons. Hostilities and tensions may occur in the future and on a wider scale. Also, since 2003, there have been military hostilities and continuing

civil unrest and instability in Iraq, Afghanistan and other countries in the Indian sub-continent. India recently witnessed a major terrorist attack in Mumbai on November 26, 2008, which led to an escalation of political tensions between India and Pakistan. Political tensions could create a perception that there is a risk of disruption of services provided by India-based companies, which could have an adverse effect on the Company's business, future financial performance and price of our Equity Shares. Furthermore, if India were to become engaged in armed hostilities, particularly hostilities that are protracted or involve the threat or use of nuclear weapons, the Company's operations might be significantly affected.

6. *The occurrence of natural or man-made disasters could adversely affect our results of operations and financial condition.*

The occurrence of natural disasters, including hurricanes, floods, earthquakes, tornadoes, fires, explosions, pandemic disease and man-made disasters, including acts of terrorism and military actions, could adversely affect our results of operations or financial condition, including in the following respects:

- Catastrophic loss of life due to natural or man-made disasters could cause us to pay benefits at higher levels and/or materially earlier than anticipated and could lead to unexpected changes in persistency rates.
- A natural or man-made disaster could result in losses in our investment portfolio, or the failure of our counterparties to perform, or cause significant volatility in global financial markets.
- Pandemic disease, caused by a virus such as H5N1, the "avian flu" virus, or H1N1, the "swine flu" virus, could have a severe adverse effect on our business. The potential impact of such a pandemic on our results of operations and financial position is highly speculative, and would depend on numerous factors, including: the probability of the virus mutating to a form that can be passed from human to human; the rate of contagion if and when that occurs; the regions of the world most affected; the effectiveness of treatment of the infected population; the rates of mortality and morbidity among various segments of the insured versus the uninsured population; our insurance coverage and related exclusions; the possible macroeconomic effects of a pandemic on our asset portfolio; the effect on lapses and surrenders of existing policies, as well as sales of new policies; and many other variables.

7. *Significant differences exist between Indian GAAP, used throughout the Company's financial information and other accounting principles with which investors may be more familiar.*

As stated in the report of our Company's auditors included in this Preliminary Placement Document, our financial statements are prepared and presented in conformity with Indian GAAP, consistently applied during the periods stated, except as provided in such reports, and no attempt has been made to reconcile any of the information given in this Preliminary Placement Document to any other principles or to base it on any other standards. Indian GAAP differs from accounting principles and auditing standards with which prospective investors may be familiar in other countries, including IFRS.

8. *We are subject to risks arising from exchange rate fluctuations.*

The exchange rates between the Rupee and the US dollar and between the Rupee and the Euro has changed substantially in recent years and may continue to fluctuate substantially in the future. From March 31, 2000 to May 31, 2002, the value of the Rupee declined by 12.4 per cent against the US dollar. From May 31, 2002 to October 31, 2007, the value of the Rupee against the dollar rose by approximately 19.8 per cent. From October 31, 2007 to July 15, 2009, the value of the Rupee against the dollar declined by approximately 23.91 per cent. The Rupee against the Euro has declined 38.79 per cent from March 31, 2000 to July 15, 2009. Accordingly, our operating and financial results would be negatively affected when the rupee depreciates against the dollar or the Euro. We cannot assure you that we will be able to effectively mitigate the adverse impact of currency fluctuations on our results of operation.

Risks Related to Our Equity Shares

9. *There are restrictions on daily movements in the price of our Equity Shares, which may adversely affect a holder's ability to sell, or the price at which it can sell, shares at a particular point in time.*

Our Equity Shares are subject to a daily circuit-breaker imposed by all stock exchanges in India which does not allow transactions that would cause volatility in the price of our Equity Shares to exceed a pre-specified level. This circuit-breaker operates independently of the index-based market-wide circuit-breakers generally imposed by the SEBI on Indian stock exchanges. The percentage limit on our circuit-breaker is set by stock exchanges based on the historical volatility in the price and trading volume of our Equity Shares. The stock exchanges do not inform us of the percentage limit of the circuit-breaker from time to time, and may change it without our knowledge. This circuit-breaker effectively limits the upward and downward movements in the price of our Equity Shares on a day-to-day basis and therefore affects price movements in our Equity Shares. As a result of this circuit-breaker, there can be no assurance regarding the ability of our shareholders to sell shares or the price at which shareholders may be able to sell their shares at a particular point in time.

10. There may be less company information available in Indian securities markets than in securities markets in other more developed countries.

There is a difference between the level of regulation, disclosure and monitoring of the Indian securities markets and the activities of investors, brokers and other participants and that of markets in the Organisation for Economic Co-operation and Development (“OECD”), United States and other more developed economies. The SEBI is responsible for ensuring and improving disclosure and other regulatory standards for the Indian securities markets. The SEBI received statutory powers in 1992 to assist it in carrying out its responsibility for improving disclosure and other regulatory standards for the Indian securities markets. The SEBI has issued regulations and guidelines on disclosure requirements, insider trading and other matters. There may, however, be less publicly available information about Indian companies than is regularly made available by public companies in more developed economies. As a result an investor may have access to less information about the Company’s business, results of operations and financial condition, and those of the Company’s competitors that are listed on the BSE, the NSE, the CSE and other stock exchanges in India on an ongoing basis than in the case of companies subject to reporting requirements of other more developed countries.

11. Investors will bear the risk of fluctuations in the price of our Equity Shares.

It is not possible to predict whether the price of our Equity Shares will rise or fall. Trading prices of our Equity Shares will be influenced by, among other factors, our financial condition, results of operations and political, economic and financial factors. Sales of a substantial number of our Equity Shares in the market could adversely affect the prevailing market price of our Equity Shares.

12. Investors may be subject to Indian taxes arising out of capital gains on the sale of our Equity Shares.

Capital gains arising from the sale of our Equity Shares are generally taxable in India. Any gain realized on the sale of our Equity Shares on a stock exchange held for more than 12 months will not be subject to capital gains tax in India if the securities transaction tax, or STT, has been paid on the transaction. The STT will be levied on and collected by an Indian stock exchange on which our Equity Shares are sold. Any gain realized on the sale of our Equity Shares held for more than 12 months to an Indian resident, which are sold other than on a recognized stock exchange and as a result of which no STT has been paid, will be subject to capital gains tax in India. Further, any gain realized on the sale of our Equity Shares held for a period of 12 months or less will be subject to capital gains tax in India. Capital gains arising from the sale of our Equity Shares will be exempt from taxation in India in cases where an exemption is provided under a treaty between India and the country of which the seller is a resident. Generally, Indian tax treaties do not limit India’s ability to impose tax on capital gains. As a result, residents of other countries may be liable for tax in India as well as in their own jurisdictions on gains arising from a sale of our Equity Shares. For more information, see section entitled “***Taxation***” in this Pre Placement Document. However, capital gains on the sale of our Equity Shares purchased in the Issue by residents of certain countries will not be taxable in India by virtue of the provisions contained in the taxation treaties between India and such countries.

- 13. An investor will not be able to sell any of our Equity Shares purchased in the Issue other than on a recognized Indian stock exchange for a period of 12 months from the date of issue of such Equity Shares.***

Pursuant to the SEBI Guidelines, for a period of 12 months from the date of the issue of our Equity Shares in the Issue, investors purchasing our Equity Shares in the Issue may only sell their shares on the BSE, the NSE or the CSE and may not enter into any off-market trading in respect of our Equity Shares. We cannot be certain that these restrictions will not have an impact on the price of our Equity Shares.

- 14. There may be no active market for our Equity Shares, which may cause the price of our Equity Shares to fall.***

Prior to the Issue, our Equity Shares have been listed on the BSE, the NSE and the CSE. No assurance can be given as to the liquidity or sustainability of the trading market for our Equity Shares, the ability of Shareholders to sell their shares or the price at which Shareholders will be able to sell their shares following completion of the Issue. If a market for our Equity Shares fails to be sustained, the trading price of our Equity Shares could fall. In addition, it is possible that our Equity Shares could trade at prices that may be lower than the Issue Price. The Sole Global Coordinator has no obligation to make a market for our Equity Shares. The market for debt and equity securities in emerging markets has been subject to disruptions that have caused substantial volatility in the prices of securities similar to our Equity Shares. There can be no assurance that the markets for our Equity Shares, if any, will not be subject to similar disruptions. Any disruptions in these markets may have an adverse effect on the market price of our Equity Shares.

- 15. Future sales of Equity Shares by us or any of our major shareholders may adversely affect the market price of our Equity Shares.***

We will have [●] shares outstanding after the completion of the Issue. The market price of our Equity Shares could decline as a result of future sales of a large number of our Equity Shares by us or by any of our major shareholders. Additionally, the perception that such sales may occur might make it more difficult for our shareholders to sell their Equity Shares in the future at a time and at a price that they deem appropriate.

- 16. Conditions in the Indian securities market may affect the price or liquidity of our Equity Shares.***

The Indian securities markets are smaller than securities markets in more developed economies and are more volatile than the securities markets in other countries. Indian stock exchanges have in the past experienced substantial fluctuations in the prices of listed securities. During 2008, the NSE and the BSE suffered from a high level of intra-day volatility.

In addition, Indian stock exchanges have also experienced problems that have affected the market price and liquidity of the securities of Indian companies. These problems have included temporary exchange closures, broker defaults, settlement delays and strikes by brokers. In addition, the governing bodies of the Indian stock exchanges have from time to time restricted securities from trading, limited price movements and restricted margin requirements. Further, from time to time, disputes have occurred between listed companies and the Indian stock exchanges and other regulatory bodies that, in some cases, have had a negative effect on market sentiment. Similar problems could occur in the future and, if they do, they could harm the market price and liquidity of our Equity Shares.

- 17. There is no guarantee that our Equity Shares issued pursuant to the Issue will be listed on the BSE, the NSE and the CSE in a timely manner or at all.***

In accordance with Indian law and practice, permission for listing and trading of our Equity Shares issued pursuant to the Issue will not be granted until after those Equity Shares have been issued and allotted. Approval will require all relevant documents authorising the issuing of Equity Shares to be submitted. There could be a failure or delay in listing our Equity Shares on the BSE, the NSE and the CSE. Any failure or delay in obtaining the approval would restrict your ability to dispose of your Equity Shares. Further, historical trading prices, therefore, may not be indicative of the prices at which the Equity Shares will trade in the future.

18. *Investors may have difficulty enforcing foreign judgments against the Company or its management.*

The Company is a limited liability company incorporated under the laws of India. Substantially all of the Company's Directors and key management personnel are residents of India and a substantial portion of the assets of the Company and such persons are located in India. As a result, it may not be possible for investors to effect service of process upon the Company or such persons outside India, or to enforce judgements obtained against such parties outside India.

Recognition and enforcement of foreign judgements is provided for under Section 13 of the Code of Civil Procedure, 1908, of India (the "**Civil Code**") on a statutory basis. Section 13 of the Civil Code provides that foreign judgements shall be conclusive regarding any matter directly adjudicated upon, except: (i) where the judgement has not been pronounced by a court of competent jurisdiction; (ii) where the judgement has not been given on the merits of the case; (iii) where it appears on the face of the proceedings that the judgement is founded on an incorrect view of international law or a refusal to recognise the law of India in cases to which such law is applicable; (iv) where the proceedings in which the judgement was obtained were opposed to natural justice; (v) where the judgement has been obtained by fraud; and (vi) where the judgement sustains a claim founded on a breach of any law then in force in India. Under the Civil Code, a court in India shall, upon the production of any document purporting to be a certified copy of a foreign judgement, presume that the judgement was pronounced by a court of competent jurisdiction, unless the contrary appears on record.

India is not a party to any international treaty in relation to the recognition or enforcement of foreign judgements. Section 44A of the Civil Code provides that where a foreign judgement has been rendered by a superior court, within the meaning of that Section, in any country or territory outside India which the Government of India has by notification declared to be in a reciprocating territory, it may be enforced in India by proceedings in execution as if the judgement had been rendered by the relevant court in India. However, Section 44A of the Civil Code is applicable only to monetary decrees not being of the same nature as amounts payable in respect of taxes, other charges of a like nature or of a fine or other penalties.

The United Kingdom has been declared by the Government of India to be a reciprocating territory for the purposes of Section 44A of the Civil Code but the United States has not been so declared. A judgement of a court of a country which is not a reciprocating territory may be enforced only by a suit upon the judgement and not by proceedings in execution. Such a suit has to be filed in India within three years from the date of the judgement in the same manner as any other suit filed to enforce a civil liability in India. Generally, there are considerable delays in the disposal of suits by Indian courts. It is unlikely that a court in India would award damages on the same basis as a foreign court if an action was brought in India. Furthermore, it is unlikely that an Indian court would enforce foreign judgements if that court were of the view that the amount of damages awarded was excessive or inconsistent with public policy. A party seeking to enforce a foreign judgement in India is required to obtain approval from RBI to execute such a judgement or to repatriate outside India any amount recovered. It is uncertain as to whether an Indian court would enforce foreign judgements that would contravene or violate Indian law.

19. *Rights of shareholders under Indian law may be more limited than under the laws of other jurisdictions.*

The Company's Articles of Association and Indian law govern its corporate affairs. Legal principles relating to these matters and the validity of corporate procedures, directors' fiduciary duties and liabilities, and shareholders' rights may differ from those that would apply to a company in another jurisdiction. Shareholders' rights under Indian law may not be as extensive as shareholders' rights under the laws of other countries or jurisdictions. Investors may have more difficulty in asserting their rights as a shareholder than as a shareholder of a corporation in another jurisdiction.

20. *Foreign investors are subject to foreign investment restrictions under Indian law that limit the Company's ability to attract foreign investors, which may adversely impact the market price of our Equity Shares.*

Under the foreign exchange regulations currently in force in India, transfers of shares between non-residents and residents are freely permitted (subject to certain restrictions) if they comply with the pricing guidelines and reporting requirements specified by the RBI. If the transfer of shares, which are sought to be transferred is not

in compliance with such pricing guidelines or reporting requirements or fall under any of the exceptions referred to above, then the prior approval of the RBI will be required. Additionally, shareholders who seek to convert the Rupee proceeds from a sale of shares in India into foreign currency and repatriate that foreign currency from India will require a no objection/ tax clearance certificate from the income tax authority. The Company cannot assure investors that any required approval from the RBI or any other Government agency can be obtained on any particular terms or at all.

21. Any future equity offerings by us could lead to dilution of your shareholding or your interest in our Company or adversely affect the market price of our Equity Shares.

If we do not have sufficient internal resources to fund our investment requirements or working capital needs in the future, we may need to raise funds through equity financing, through the issuance and sale of our Equity Shares. As a purchaser of our Equity Shares in the Issue, you could experience dilution to your shareholding, in the event that we conduct future equity offerings. Such dilution can adversely affect the market price of our Equity Shares and could impact our ability to raise capital through an offering of our Equity Shares. In addition, any perception by investors that such issuance or sales will occur could also affect the trading price of our Equity Shares.

MARKET PRICE INFORMATION

Source: NSE and BSE Websites

Pursuant to a resolution passed at the AGM dated August 11, 2008 the face value of one equity share of Rs. 10 each was split into ten equity shares of Re. 1 each. The record date for the above split was January 9, 2009. As of June 30, 2009, we have 11,07,83,090 Equity Shares of Re. 1 each outstanding.

Note: As there is no or insignificant trading on the CSE, price statistics are disclosed for the BSE and the NSE and are not provided for the CSE.

A. The following tables set forth the reported high and low closing prices of our Equity Shares (of face value of Re 1 each) on the BSE and the NSE and the number of Equity Shares traded on the days such high and low prices were recorded, for the fiscal years 2007, 2008 and 2009

BSE (Pre-split)

Year ending March 31	High (Rs.)	Date of High	Volume on date of high (No. of Equity Shares)	Low (Rs.)	Date of Low	Volume on date of low (No. of Equity Shares)	Average price for the year (Rs.)
2007	1,359.80	18/01/2007	4,049	505.45	14/06/2006	5,443	836.87
2008	1,880.20	02/01/2008	18,633	740.95	03/04/2007	382	1,259.79
2009*	1,626.50	16/05/2008	55,508	606.50	17/12/2008	728	1,108.91

**The period from April 01, 2008 to December 31, 2008*

BSE (Post-split)

Year ending March 31	High (Rs.)	Date of High	Volume on date of high (No. of Equity Shares)	Low (Rs.)	Date of Low	Volume on date of low (No. of Equity Shares)	Average price for the year (Rs.)
2009*	76.35	02/01/2009	28,599	36.25	13/03/2009	41,286	51.48

**The period from January 01 to March 31, 2009*

NSE (Pre-split)

Year ending March 31	High (Rs.)	Date of High	Volume on date of high (No. of Equity Shares)	Low (Rs.)	Date of Low	Volume on date of low (No. of Equity Shares)	Average price for the year (Rs.)
2007	1,378.80	18/01/2007	40,148	505.40	14/06/2006	8,005	836.67
2008	1,875.90	02/01/2008	15,559	741.40	02/04/2007	1,806	1,259.61
2009*	1629.90	16/05/2008	67,633	608.75	11/12/2008	3,587	1109.22

**The period from April 01 to December 31, 2008*

NSE (Post-split)

Year ending March 31	High (Rs.)	Date of High	Volume on date of high (No. of Equity Shares)	Low (Rs.)	Date of Low	Volume on date of low (No. of Equity Shares)	Average price for the year (Rs.)
2009* (for period January,01-March-31)	76.30	02/01/2009	71,310	36.10	12/03/2009	40,140	51.58

** The period from January 01 to March 31, 2009*

- B.** The following tables set forth the reported high and low closing prices of our Equity Shares on the BSE, the NSE and the CSE, the number of Equity Shares traded on the days such high and low prices were recorded and the volume of securities traded in each month during the last six months. The record date for the stock-split was January 01, 2009, hence for the entire period of last six months, there was no change in the face value of the Equity Shares.

BSE

Month, Year	High (Rs.)	Date of High	Volume on date of high (No. of Equity Shares)	Low (Rs.)	Date of Low	Volume on date of low (No. of Equity Shares)	Average price for the month (Rs.)*	Total volume of Equity Shares traded in the month
June, 2009	120.00	05/06/2009	664,453	94.10	02/06/2009	29,523	109.25	4,596,217
May, 2009	99.30	22/05/2009	129,185	60.35	04/05/2009	26,046	76.57	1,506,032
April, 2009	64.25	24/04/2009	304,237	46.85	01/04/2009	56,205	56.77	1,438,131
March, 2009	45.20	27/03/2009	17,185	36.25	13/03/2009	41,167	40.38	896,360
February, 2009	64.30	13/02/2009	1,451,546	44.25	24/02/2009	70,333	52.05	2,728,713
January, 2009	76.35	02/01/2009	28,599	50.05	30/01/2009	8,747	62.04	384,980

** Average of the daily closing prices*

NSE

Month, Year	High (Rs.)	Date of High	Volume on date of high (No. of Equity Shares)	Low (Rs.)	Date of Low	Volume on date of low (No. of Equity Shares)	Average price for the month (Rs.)*	Total volume of Equity Shares traded in the month
June, 2009	120.00	05/06/2009	1,282,034	93.80	02/06/2009	103,680	109.30	9,800,977
May, 2009	99.85	25/05/2009	218,819	59.85	04/05/2009	45,790	76.69	2,931,802
April, 2009	64.55	24/04/2009	397,790	46.75	01/04/2009	308,422	56.80	2,252,149
March, 2009	45.40	27/03/2009	46,369	36.10	12/03/2009	40,140	40.45	1,440,683
February, 2009	64.10	13/02/2009	2,373,458	44.20	24/02/2009	61,218	52.10	4,887,409
January, 2009	76.30	02/01/2009	71,310	49.85	30/01/2009	44,329	62.23	867,545

2009

** Average of the daily closing prices*

- C.** The following tables set forth the details of the volume of business transacted during the last six months on the BSE and the NSE.

(Rs. in millions)

Period	BSE *	NSE *
June, 2009	23.78	50.50
May, 2009	6.43	12.72
April, 2009	5.08	7.76
March, 2009	1.85	2.93
February, 2009	8.44	15.09
January, 2009	1.26	2.84

** Average of Net Turnover*

- D.** The following table sets forth the market price of our Equity Shares on the BSE, the NSE and the CSE on June 23 , 2009, the first working day following the Board meeting approving the Issue.

Date	BSE				NSE			
	Open	High	Low	Close	Open	High	Low	Close
June 23 , 2009	107.70	115.10	106.90	115.10	109.00	115.45	105.00	115.45

(Source: www.nseindia.com; www.bseindia.com)

USE OF PROCEEDS

The total proceeds of the Issue will be Rs. [●]. After deducting the Issue expenses of approximately Rs. [●], the net proceeds of the Issue will be approximately Rs. [●].

We intend to use the net proceeds of the Issue towards investing in our current and proposed joint ventures, including our proposed joint venture with United Group Limited, Australia for jointly setting up manufacturing facilities to manufacture new design freight wagons, locomotive components and EMUs. We also intend to use a portion of the net proceeds for upgrading and purchasing new equipment for our steel foundry and wagon manufacturing units. Depending on prevailing market conditions, we may also use the net proceeds of the Issue to finance any capacity expansion at our manufacturing units. In the event we decide to undertake such capacity expansion, we may need to enter into additional debt and/or equity financing arrangements to finance any such proposed capacity expansion.

We also intend to use a part of the proceeds of this Issue towards general corporate purposes to drive our business growth.

In accordance with the policies set up by our Board, our management will have flexibility in deploying the proceeds received by us from the Issue. Pending utilization for the purposes described above, we currently intend to temporarily invest the funds in interest or dividend bearing liquid instruments including money market mutual funds and term deposits with banks or financial institutions. Such investments will be in accordance with the investment policies approved by the Board from time to time.

CAPITALISATION AND INDEBTEDNESS

The following table sets forth our Company's capitalization and total indebtedness as of March 31, 2009 derived from the audited consolidated financial statements of the Company and as adjusted to give effect to the Issue pursuant to this Preliminary Placement Document. This table should be read in conjunction with the Company's financial statements and the related notes and other financial information contained elsewhere in this Preliminary Placement Document.

<i>(Rs. In lakh)</i>		
As at March 31, 2009		
	Actual	As adjusted for this Issue
	Rs.	Rs.
Shareholders' funds		
Share capital		
- 11,07,83,090 Equity Shares ¹ of Re. 1 each	1,107.82	[•]
- Forfeited Equity Shares (Amount paid up)	0.01	0.01
- 2,74,050 6% redeemable non cumulative preference shares of Rs. 100 each redeemable on July 15, 2017 **	274.05	274.05
Total issued capital	1,381.88	[•]
Reserve and surplus (including a revaluation reserve of Rs. 1,355.42 lakh and a state capital investment subsidy of Rs. 265.00 lakh)	29,882.07	[•]
Total shareholders' funds	31,263.95	[•]
Minority Interest	18.87	18.87
Borrowings		
Secured	6,699.49	6,699.49
Unsecured	734.16	734.16
Total borrowings	7433.65	7433.65
Deferred Tax Liabilities (Net)	221.35	221.35
Total capitalization	38,937.82	[•]

** 2,74,050 6% redeemable non cumulative preference shares of Rs 100 each redeemable on July 15, 2017 issued to the shareholders of Evershine Merchants Private Limited pursuant to the merger of Evershine Merchants Private Limited with our Company with effect from August 1, 2007 by an order of the Calcutta High Court dated March 26, 2008.

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- As on June 30, 2009, 11,07,83,090 Equity Shares of Re. 1 each were issued, subscribed and fully paid up (including 37,50,000 Equity Shares allotted for consideration other than cash) excluding 9,960 Equity Shares lying in abeyance-NDSL transit case.
- The shareholders of our Company at a meeting dated July 18, 2007, have passed a special resolution approving the 'Texmaco Employees Stock Option Scheme, 2007' and have accorded their consent to offer/issue and allot stock options to such permanent employees of the Company in the managerial grade, as the Company may decide by way of procedure laid down thereunder, exercisable into not more than 1,00,000 Equity Shares of Rs 10 each (pursuant to the share split, presently which will be 10,00,000 Equity Shares of Re 1 each). For further details, see section titled **"Board of Directors and Senior Managerial Personnel - Employee Stock Option Scheme, 2007"**.

DIVIDENDS AND DIVIDEND POLICY

Under the Companies Act, an Indian company pays dividends upon the recommendation by its Board of Directors and approval by a majority of the shareholders, who have the right to decrease but not to increase the amount of the dividend declared by the Board of Directors. Under the Companies Act, dividends may be paid out of profits of a company in the year in which the dividend is declared or out of the undistributed profits or reserves of previous fiscal years or out of both. The declaration and payment of dividends will be recommended by our Board of Directors and approved by our shareholders at their discretion and will depend on a number of factors, including but not limited, to our profits, capital requirements and overall financial condition. The Board may also from time to time pay interim dividends. All dividend payments are made in cash to the shareholders of the Company.

The Company does not have a formal dividend policy. The dividends declared by our Company in respect of the three financial years ended March 31, 2007, 2008 and 2009 are as under:

(In Rs. lakh, except percentages)

Particulars	Year ended March 31, 2009	Year ended March 31, 2008	Year ended March 31, 2007
Equity Dividend			
Equity Share Capital	1,107.83	1,107.83	1,032.58
Rate of dividend (per cent)	75	75	40
Amount of dividend	830.87	812.05	413.03
Dividend Distribution Tax	141.21	138.01	70.19
Preference Dividend *			
Preference Share Capital	274.05	274.05	-
Rate of dividend (per cent)	6	6	-
Amount of dividend	16.44	10.97	-
Dividend Distribution Tax	2.79	1.86	-

* 2,74,050 6% redeemable non cumulative preference shares of Rs 100 each redeemable on July 15, 2017 issued to the shareholders of Evershine Merchants Private Limited pursuant to the merger of Evershine Merchants Private Limited with our Company with effect from August 1, 2007 by an order of the Calcutta High Court dated March 26, 2008.

The amount paid as dividends in the past are not necessarily indicative of our dividend policy or dividend amounts, if any, in the future. Any future dividends declared would be at the discretion of our Board of Directors and would depend on the financial condition, results of operations, capital requirements, contractual obligations, the terms of credit facilities and other financing arrangements of the Company at the time a dividend is considered, and other relevant factors.

Presently, one of our debt financing documents, contains certain restrictive provisions with respect to pay out of dividend to our shareholders, without prior consent of such lender, in the event of any outstanding dues pursuant to the provisions of such debt financing document.

The Equity Shares to be issued in connection with this Issue shall qualify for any dividend that is declared in respect of the financial year in which they have been Allotted.

SELECTED FINANCIAL DATA

The selected financial data set forth below have been derived from the audited consolidated financial statements of the Company for Fiscal 2009, Fiscal 2008 and Fiscal 2007 and the Company's unaudited limited review standalone financial statements for the three months period ended June 30, 2009. The financial information included in this Preliminary Placement Document does not reflect the Company's results of operations, financial position and cash flows for the future and its past operating results are no guarantee of its future operating performance. The Company's financial statements are prepared and presented in accordance with Indian GAAP.

The selected financial data set forth below should be read in conjunction with "*Management's Discussion and Analysis of Financial Condition and Results of Operations*" and the Company's audited consolidated financial statements for Fiscal 2009, Fiscal 2008 and Fiscal 2007 and the unaudited limited review standalone financial statements for the three months period ended June 30, 2009.

CONSOLIDATED BALANCE SHEET				
For the year ended March 31				
		2007	2008	2009
	Schedule/ Notes	(Rs. in lakh)		
I. Sources of Funds				
1. Shareholders' Funds				
(a) Capital	"A"	1,032.56	1,381.88	1,381.88
(b) Reserves and Surplus	"B"	15,251.37	23,061.50	29,882.07
		16,283.93	24,443.38	31,263.95
2. Minority Interest				
		5.84	12.37	18.87
3. Loan Funds				
(a) Secured Loans	"C"	4,879.20	6,613.17	6,699.49
(b) Unsecured Loans	"D"	789.93	635.78	734.16
		5,669.13	7,248.95	7,433.65
4. Deferred Tax Liabilities (Net)				
(Refer Note No. 17 of Schedule 'N')		224.52	231.34	221.35
Total		22,183.42	31,936.04	38,937.82
II. Application of Funds				
1. Fixed Assets				
(a) Gross Block	"E"	21,597.95	32,126.13	33,111.60
(b) Less: Depreciation		8,568.53	9,704.97	10,293.44
(c) Net Block		13,029.42	22,421.16	22,818.16
(d) Capital Work-in-Progress		-	-	30.63
		13,029.42	22,421.16	22,848.79
2. Investments				
	"F"	5,528.39	9,333.06	5,844.74
3. Current Assets, Loans and Advances				
(a) Inventories	"G"	9,198.16	10,939.81	22,855.25
(b) Sundry Debtors	"H"	12,346.17	13,947.34	18,133.76
(c) Cash and Bank Balances	"I"	729.80	433.03	2,476.28
(d) Other Current Assets	"J"	86.68	108.47	142.73
(e) Loans and Advances	"K"	5,870.00	8,224.61	7,749.69
Total		28,230.81	33,653.26	51,357.71

Less : Current Liabilities and Provisions				
(a) Liabilities	"L"	23,425.56	31,890.04	39,569.34
(b) Provisions	"M"	1,356.05	1,700.47	1,589.05
Total		24,781.61	33,590.51	41,158.39
Net Current Assets		3,449.20	62.75	10,199.32
4. Miscellaneous Expenditure (to the extent not written-off or adjusted)		176.41	119.07	44.97
Total		22,183.42	31,936.04	38,937.82

Notes

"N"

CONSOLIDATED PROFIT & LOSS ACCOUNT

		2007	For the year ended March 31	
	Schedule		2008	2009
			(Rs. in lakh)	
Income	-			
Sales		47,745.65	94,493.09	109,117.96
Less : Inter Segment Revenue		5,676.60	13,351.00	20,061.00
Less : Excise Duty		4,540.49	11,019.18	8,395.07
		37,528.56	70,122.91	80,661.89
Other Sources	"O"	508.53	645.19	843.87
Total		38,037.09	70,768.10	81,505.76
Expenditure and Charges				
Operating Costs	"P"	38,401.18	72,189.23	88,155.39
Less : Inter Segment Revenue		5,676.60	13,351.00	20,061.00
		32,724.58	58,838.23	68,094.39
Interest	"Q"	439.77	905.87	1,086.85
Depreciation				
For the year		717.02	949.86	1,183.55
Less: Recouped from Revaluation Reserve			63.83	48.15

	65.93		
	651.09	886.03	1,135.40
Total	33,815.44	60,630.13	70,316.64
Profit before Taxation and Extraordinary items	4,221.65	10,137.97	11,189.12
Less: Provision for taxation			
- Current Tax	1,306.42	3,094.80	3,498.24
- Fringe Benefit Tax	33.77	28.46	35.60
- Deferred Tax	68.20	3.51	(7.62)
	1,408.39	3,126.77	3,526.22
Profit After Taxation (before Extraordinary items)	2,813.26	7,011.20	7,662.90
Less: Extra-ordinary Items			
-VRS in Engineering Division	(74.73)	(63.95)	(45.38)
Profit After Taxation and Extraordinary items	2,738.53	6,947.25	7,617.52
Less : Minority Interest	5.52	6.53	6.50
Profit after Minority Interest	2,733.01	6,940.72	7,611.02
Add/(Less): Income Tax for earlier year	(0.16)	0.22	(0.53)
Add: Balance Brought Forward from previous year	487.59	1,894.83	3,875.26

CONSOLIDATED PROFIT & LOSS ACCOUNT

Schedule	For the year ended March 31		
	2007	2008	2009
(Opening differences of Rs. 2.38 lakh arise due to transitional provision on deferred taxation of a subsidiary)			
Profit available for appropriation	3,220.44	8,835.77	11,485.75
Proposed Dividend on Equity Shares	413.03	812.06	830.87
Propose Dividend on Preference Shares	----	10.96	16.44
Provision for Tax on Proposed Dividend	70.19	139.87	144.00

Transferred to/(from) General Reserve	982.00	4,000.00	5,000.00
Transferred to Reserve Fund	2.30	----	----
Transferred to Balance Sheet	1,752.92	3,872.88	5,494.44
	3,220.44	8,835.77	11,485.75
Basic & Diluted Earning Per Share (Rs.) *	26.52	62.60	6.86

* The face value of Equity shares of Rs. 10/- each has been sub-divided into Equity Shares of Re. 1/- each w.e.f. 9th January, 2009.

CONSOLIDATED CASH FLOW STATEMENT

Year Ended March 31

2007 2008 2009
(Rs. in lakh)

A) Cash Flow from Operating Activities:

Net Profit before Tax & Extra-ordinary Items	4,221.65	10,137.97	11,189.12
Adjustments for:			
Depreciation	651.09	886.03	1,135.40
Interest Paid	439.77	905.87	1,086.85
Interest Received	(117.14)	(128.29)	(168.07)
Income from Investments	(111.14)	(161.79)	(196.64)
Profit on sale of Fixed Assets(Net)	(9.99)	(6.57)	(83.68)
Profit/(Loss) on sale of Current Investments(Net)	(18.99)	(281.99)	(132.54)
Provision for Diminution of Investments	-	25.63	23.45
Miscellaneous Expenditure	370.54	57.34	74.10
	1,204.14	1,296.23	1,738.87
Operating Profit before Working Capital Changes & Extra-ordinary Items	5,425.79	11,434.20	12,927.99
Adjustments for:			
Trade & Other Receivables	(2,781.38)	(3,096.56)	(3,320.70)
Inventories	(5,586.68)	(1,741.65)	(11,915.44)
Trade Payables	8,308.04	6,252.46	7,529.75
	(60.02)	1,414.25	(7,706.39)
Cash generated from Operations	5,365.77	12,848.45	5,221.60
Direct Taxes (Paid)/Received	(1,650.80)	(2,929.63)	(3,925.17)
Cash flow before Extra-ordinary Items	3,714.97	9,918.82	1,296.43
Extra-ordinary Items	(74.73)	(63.95)	(45.38)
Net Cash from Operating Activities	3,640.24	9,854.87	1,251.05

B) Cash Flow from Investing Activities:

Purchase of Fixed Assets	(3,577.90)	(2,045.94)	(1,629.02)
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Sale of Fixed Assets	18.69	19.31	98.67
Purchase/Sale of Investments	166.94	(3,274.27)	3,597.43
Interest Received	110.15	106.43	133.81
Income from Investments	130.13	161.79	196.64

Net Cash used in Investing Activities	(3,151.99)	(5,032.68)	2,397.53
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C) Cash Flow from Financing Activities:

Receipt/Payment of Long-term borrowings	486.65	(5,767.64)	(1,275.37)
Receipt/Payment of Short-term borrowings	(1,421.82)	2,020.45	1,460.07
Interest Paid	(441.83)	(905.87)	(1,086.85)
Dividend (incl. Dividend Tax) Paid	(308.49)	(481.63)	(953.18)
Capital Subsidy Received			250.00

Net Cash from Financing Activities	(1,685.49)	(5,134.69)	(1,605.33)
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Net Increase/(Decrease) in Cash & Cash Equivalents	(1,197.24)	(312.50)	2,043.25
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CONSOLIDATED CASH FLOW STATEMENT

	Year Ended March 31		
	2007	2008	2009
	(Rs. in lakh)		
Cash and Cash Equivalents as at (Opening Balance)	1,927.04	718.28	433.03
Cash and Cash Equivalents as at 01.08.2007			
(Effect of Merger)			
Evershine Merchants Pvt. Ltd	-	0.40	-
Shree Export House Ltd	-	1.05	-
Neora Hydro Ltd	-	25.80	-
Cash and Cash Equivalents as at (Closing Balance)	729.80	433.03	2,476.28

Note: The above Cash Flow Statement has been prepared under the "Indirect Method" as set out in the Accounting Standard -3 on Cash Flow Statement issued by the Institute of Chartered Accountants of India. Difference on Opening and Closing Balance of Cash and Cash Equivalent i.e. Rs. 11.52 Lakh is due to Effect of Merger.

UNAUDITED STANDALONE FINANCIAL RESULTS FOR THE QUARTER ENDED JUNE 30, 2009

(In Rs. lakh)

PARTICULARS	For the Quarter Ended 30th June		For the year ended 31st March (audited)
	2009	2008	2009
1. GROSS SALES/ INCOME	23,985.74	28,042.99	109,125.45
Less : Inter Segment Revenue	4,573.71	5,917.90	20,061.00
Less : Excise Duty	1,088.05	2,442.40	8,395.07
(a) NET SALES / INCOME FROM OPERATIONS	18,323.98	19,682.69	80,669.38
(b) OTHER OPERATING INCOME	15.65	100.60	180.48
TOTAL INCOME	18,339.63	19,783.29	80,849.86
2. EXPENDITURE			
a) (Increase)/decrease in Stock in trade and Work in Progress	(342.74)	(960.15)	(1,521.10)
b) Consumption of Raw Matls, Comp., Services etc.	13,122.77	14,852.44	60,401.19
c) Power & Fuel	542.32	660.98	2,403.07
d) Purchase of traded goods	--	--	9.90
e) Employees Cost	814.41	817.21	3,263.40
f) Depreciation	283.85	244.69	1,135.40
g) Other Expenditure	726.50	796.70	3,549.94
TOTAL	15,147.11	16,411.87	69,241.80
3 PROFIT FROM OPERATIONS BEFORE OTHER INCOME INTEREST & EXCEPTIONAL ITEMS (1-2)	3,192.52	3,371.42	11,608.06
4 OTHER INCOME	18.48	16.29	616.47
5 PROFIT BEFORE INTEREST & EXCEPTIONAL ITEMS (3+4)	3,211.00	3,387.71	12,224.53
6 INTEREST	196.64	148.32	1,086.81
7 PROFIT AFTER INTEREST BUT BEFORE EXCEPTIONAL ITEMS (5-6)	3,014.36	3,239.39	11,137.72
8 EXCEPTIONAL ITEMS			
- VRS in Engg. Divn.	(6.89)	(11.34)	(45.38)
9 PROFIT BEFORE TAX (7 + 8)	3,007.47	3,228.05	11,092.34
10 TAX EXPENSE			
a) Current Tax	915.35	949.50	3,478.44

b)	Deferred Tax	7.14	(9.43)	(5.60)
c)	Fringe Benefit Tax	--	5.50	35.52
11	NET PROFIT AFTER TAX (9-10)	2,084.98	2,282.48	7,583.98
12	PAID-UP EQUITY CAPITAL (Face Value Re.1 per Share)	1,107.83	1,032.58	1,107.83
13	RESERVES (Excluding Revaluation Reserve as per Balance Sheet of Previous Accounting year)			28,409.95
14	EARNING PER SHARE (EPS) (Re. 1 each) :			
	Basic	1.88	2.06	6.83
	Diluted	1.88	2.06	6.83
15	PUBLIC SHAREHOLDING			
a)	NUMBER OF SHARES	50280640	49008700	50280640
b)	% OF SHAREHOLDING	45.39	47.46	45.39
16	Promoters and Promoter Group Shareholding			
a)	Pledged / Encumbered			
	- Number. of Shares	738800	--	--
	- Percentage of Shares (as a % of the total shareholding of promoter and promoter group)	1.22	--	--
	- Percentage of Shares (as a % of the total share capital of the company)	0.67	--	--
b)	Non-Encumbered			
	- Number. of Shares	59763650	54248900	60502450
	- Percentage of Shares (as a % of the total shareholding of promoter and promoter group)	100.00	100.00	100.00
	- Percentage of Shares (as a % of the total share capital of the company)	53.94	52.54	54.61

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS OF TEXMACO

You should read the following discussion of our financial condition and results of operations together with the Financial Statements, the notes and significant accounting policies thereto and the reports thereon, in the section titled “Financial Statements”. The Financial Statements are based on Indian GAAP, which differ in certain significant respects from U.S. GAAP and IFRS.

Our financial year ends on March 31 of each year, so all references to a particular Fiscal are to the twelve-month period ended March 31 of that year.

This discussion contains forward-looking statements and reflects our current views with respect to future events and financial performance. Actual results may differ materially from those anticipated in these forward-looking statements as a result of certain factors such as those set forth in the section titled “Risk Factors”.

Overview

We are a diverse heavy engineering company, founded in 1939 by Late Dr. K.K. Birla, son of Late Shri. G. D. Birla. Our Company started as a textile machinery manufacturing company and subsequently diversified into other engineering fields, providing services to core sectors and process industries in India and abroad. Our major operating divisions are the heavy engineering division consisting of wagon, hydro-mechanical equipment and process equipment manufacturing facilities and the steel foundry division. In addition, we have real estate properties consisting of land and commercial buildings in West Bengal and Delhi, from which we derive lease rental income.

Presently, we have five manufacturing facilities in the outskirts of Kolkata, in Agarpara, Belgharia, Sodepur and Panihati.

The order book of the Company, as on July 1, 2009 stands at Rs. 1,87,849 lakh excluding the value of free supply items.

We are presently the largest supplier of wagons to the Indian Railways in India with strong in-house capabilities for the design and manufacture of special purpose wagons for core sectors such as cement, coal, alumina, steel, container freight cars, oil, chemicals, fertilizers, thermal power projects and defense sector among others. We have secured contracts for export of wagons from European, African and Bangladesh Railways in competition with global players. We believe that we have forged long standing relationships with the Indian Railways, National Thermal Power Corporation Limited, National Hydroelectric Power Corporation, Container Corporation of India Limited and several other national and international core sector companies. We have consistently maintained our position as one of the largest supplier of wagons to the Indian Railways and other private sector customers for the last three years.

Over the years, our Company has built strong capabilities in designing, marketing, manufacturing, erecting and commissioning of hydro-mechanical equipments such as hydraulic, radial and vertical gates, hoists, penstocks, trash cleaning machines, stop logs and other heavy steel structures. Our Company has executed several projects both in India and overseas. Our Company is currently executing one of the largest orders for the supply of hydro mechanical equipments in India for a 2,000 MW hydro power project of the National Hydroelectric Power Corporation in Subansiri, Arunachal Pradesh.

We also manufacture sugar mill machineries, industrial boilers, cryogenic and pressure vessels, chemical plant equipment and agro-machinery such as power tillers.

For the year ended March 31, 2009, our Company's income (net of excise duty and inter-segment sales) was Rs. 81,505.76 lakh, our EBITDA was Rs. 13,411.37 lakh and our profit after tax for the period was Rs. 7,617.52 lakh, each on a consolidated basis. As at March 31, 2009, our Company's total assets were Rs. 38,892.85 lakh and our total shareholders' funds was Rs. 31,218.98 lakh.

In Fiscal 2009, our gross sales grew by 15.47 per cent to Rs. 1,09,117.96 lakh, our EBITDA grew by 12.41 per cent to Rs. 13,411.37 lakh, our profit before tax grew by 10.36 per cent to Rs. 11,189.12 lakh and our profit after tax grew by 9.64 per cent to Rs. 7,617.52 lakh compared to Fiscal 2008. Our gross sales have grown at a CAGR of 40.47 per cent in the last three financial years.

The table below sets forth the composition of our Company's total revenues and profit after tax, for Fiscal 2009, Fiscal 2008 and Fiscal 2007 on a consolidated basis.

	<i>(In Rs. lakh)</i>		
	Year ended March 31,		2007
	2009	2008	
Revenues			
- Heavy Engineering Division	77,614.13	66,654.91	30,923.00
- Steel Foundry	1,856.34	2,623.93	6,455.66
- Real Estate	920.02	598.00	
- Others	271.40	246.07	149.90
Total	80,661.89	70,122.91	37,528.56
Profit after Tax	7,617.52	6,947.25	2,738.53
Net Profit (after minority interest)	7,611.02	6,940.72	2,733.01

Revenues are net of excise duty and inter-segment sales

We have three subsidiaries, viz., High Quality Steels Limited, Macfarlane & Company Limited and Texmaco Machines Private Limited. High Quality Steels Limited is engaged in the business of fabrication and erection and provides erection services at various sites of our Company. Macfarlane & Company Limited and Texmaco Machines Private Limited are presently not carrying on any significant operation.

Basis and method of preparation of Consolidated Financial Statements

The consolidated financial statements have been prepared as per Accounting Standard 21 on 'Consolidated Financial Statements', under the historic cost convention on an accrual basis and on the accounting principles of a going concern. Accounting policies not specifically referred to otherwise are consistent and in consonance with generally accepted accounting principles. Applicable Accounting Standards notified by the Companies Accounting Standards Rules, 2006 have been followed except AS-23 on Accounting for Investments in Associates in Consolidated Financial Statements.

Factors affecting our Results of Operations

Our financial condition and results of operations are affected by numerous factors and the following are of particular importance:

Financial health of the Indian Railways

Indian Railways is our single largest customer and any development that has an adverse effect on the financial health of the Indian Railways or on its capital expenditure plans such as procurement of wagons, construction of rail infrastructure is likely to affect us.

Schemes, policies and regulations of Ministry of Railways

The Ministry of Railways, through its annual budgets, introduces policies, schemes and regulations to govern and develop the system of railways in the country. The Ministry of Railways has announced various schemes relating to freight movement like the construction of the Dedicated Freight Corridor, wagon investment scheme and the wagon leasing scheme which are likely to benefit us. Any change in such schemes or withdrawal of such schemes is likely to affect our growth.

Shortage of Wheel sets in the global markets

There are a limited number of suppliers of wheel sets who are approved by the Indian Railways both in India and globally. Whilst we are looking at long term arrangements and other alternatives, in the event we have difficulty in procuring Wheel sets, our production may be delayed and the same is likely to affect our operations.

Our ability to tie up our major raw material requirements

We rely on various raw materials such as steel, bogies, couplers and bearings. We do not typically enter into long term contracts with the suppliers of our raw materials. Any delay in procuring such material in a timely manner is likely to affect our operations.

The availability of finance on favourable terms for our business and for our customers

Any change in interest rates and availability of finance may affect the demand for our wagons as the same would increase the costs for our customers.

Competition

We may also face competition from large Indian and international companies including large freight wagons manufacturers, who might consider setting up facilities to manufacture freight wagons in India. The entry of such players may adversely affect our results of operations.

Geological, environmental and re-habilitation problems faced by Project Authority in hydro power projects

Revenues from Hydro-mechanical equipment division may be affected due to geological problems, environmental clearance and re-habilitation problems faced by the project authority (the customer) in the execution of the project.

Non-availability of working fronts from the civil contractors of the Hydro Project Developers

Revenues from hydro-mechanical equipment may also be affected by delays in the execution of civil works by the civil contractors of the project authority.

Increased pollution control norms for foundries

We may have to incur additional capital expenditure on pollution control equipment in the event pollution control norms for foundries are increased by the relevant governmental authority.

General economic and business conditions

Any change in the prevailing conditions in the economy impacting the overall development and growth of the Indian economy is likely to affect our business.

Critical Accounting Policies

Our financial statements are prepared under the historical cost convention on an accrual basis; in accordance with Indian GAAP as prescribed by the ICAI and the relevant provisions of the Companies Act. Preparation of financial statements in accordance with the above require our management to make judgments, estimates and assumptions regarding uncertainties that affect the reported amounts of our assets and liabilities, disclosures of contingent liabilities and the reported amounts of revenues and expenses. These judgments, assumptions and estimates are reflected in our accounting policies. Certain of our accounting policies are particularly important to the portrayal of our financial position and results of operations and require the application of significant assumptions and estimates of our management. We refer to these accounting policies as our “critical accounting policies”. Our management uses our experience and analyses, the terms of existing contracts, historical cost convention, industry trends, information provided by our agents and information available from other outside sources, as appropriate, when

forming our assumptions and estimates. However, this task is inexact because our management is making assumptions and providing estimates on matters that are inherently uncertain.

Certain 'critical accounting policies', that are relevant to our business and operations are described below. For a full description of our significant accounting policies adopted in the preparation of the Financial Statements, see section titled "**Financial Statements**".

Recognition of income and expenditure

Sales revenue is recognized on transfer of the significant risks and regards of ownership of the goods to the buyer and stated at net of sales tax, VAT, trade discounts, rebates but includes excise duty. Income from services is recognized as the services are rendered based on agreement/arrangement with the concerned parties. Dividend income on investments is accounted for when the right to receive the payment is established. Interest income is recognized on time proportion basis. Export incentives, certain insurance, railway and other claims, where quantum of accruals cannot be ascertained with reasonable certainty, are accounted on acceptance basis.

Fixed assets

Certain land, buildings, roads, railway siding and plant and machinery as existing on December 31, 1985 are stated on the basis of their revalued costs. Other fixed assets are stated at cost net of cenvat. Cost includes purchase price and related expenses.

The carrying amounts of assets are reviewed at each balance sheet date to determine whether there is any indication of impairment based on external/internal factors. An impairment loss is recognised wherever the carrying amount of an asset exceeds its recoverable amount, which represents the greater of the net selling price and 'value in use' of the assets. The estimated future cash flows considered for determining the value in use are discounted to their present value at the weighted average cost of capital.

Depreciation

Depreciation on revalued assets is calculated on their respective revalued amounts and is computed on the basis of remaining useful life as estimated by the valuer on straight line method. On other assets, depreciation has been provided on straight line method except in respect of a unit (Neora hydro) where written down method has been followed, in accordance with the rates in Schedule XIV of the Companies Act. The depreciation on amount added on revaluation is being set off by transfer from revaluation reserve.

Valuation of inventories

Inventories are valued at the lower of cost and net realizable value. In the case of manufactured goods, costs are calculated at direct material cost, conversion and other costs incurred to bring the goods to their respective present location and condition. For other inventory, cost is computed on weighted average basis.

Provisions

A provision is recognized when an enterprise has a present obligation as a result of past event and it is probable that an outflow of resources will be required to settle the obligation, in respect of which a reliable estimate can be made.

Employee benefits

The Company's contribution to provident fund, employees' state insurance scheme and super-annuation fund are charged on accrual basis to profit and loss account.

Leave liability is accounted for based on actuarial valuation at the end of year.

We have an approved gratuity fund for our engineering units which have taken a group gratuity cash accumulation scheme policy with Life Insurance Corporation of India ("**LIC**") for future payment of gratuity to the employees.

Year-end accrued liabilities on account of gratuity payable to employees are provided on the basis of actuarial valuation. We account for gratuity liability equivalent to the premium amount payable to LIC every year, which together with the annual contribution in subsequent years would be sufficient to cover the gratuity liability as and when it accrues for payment.

Investments

Current investment are stated at lower of cost and fair value. Long-term investments are considered 'at cost' on individual investment basis, unless there is a decline other than temporary in value thereof, in which case adequate provision is made against such diminution in the value of investments.

Borrowing Costs

Interest on borrowings directly attributable to the acquisition, construction or production of qualifying assets is being capitalized till the date of commercial use of the qualifying assets. Other interests on borrowings are recognized as an expense in the period in which they are incurred.

Overview of Financials

Income

The income (net of excise duty and inter-segment sales) for the financial years Fiscal 2007, Fiscal 2008 and Fiscal 2009 were Rs 38,037.09 lakh, Rs 70,768.10 lakh and Rs 81,505.76 lakh respectively indicating a two year CAGR of 46.40 per cent.

Our Company is organized into four main business segments:

Heavy Engineering Division

This division consists of the rolling stock, hydro-mechanical equipment and process equipment manufacturing facilities. The income (net of excise duty and inter segment sales) from the heavy engineering division for the financial years Fiscal 2007, Fiscal 2008 and Fiscal 2009 were Rs 30,923.00 lakh, Rs 66,654.91 lakh and Rs 77,614.13 lakh respectively indicating a two year CAGR of 58.40 per cent. This comprises 81.30 per cent, 94.20 per cent and 95.20 per cent respectively of total income.

Steel Foundry Division

The steel foundry division consists of two units which manufacture steel castings. The division manufactures railway castings both for captive use in the manufacture of rolling stock and for sale to other manufacturers. It also produces industrial casting and exports to the various industries such as earth moving equipment, engineering industries, aluminium refinery. The income from the Steel Foundry Division (net of excise duty and inter segment sales) for the financial years Fiscal 2007, Fiscal 2008 and Fiscal 2009 were Rs 6,455.66 lakh, Rs 2,623.93 lakh and Rs 1,856.34 lakh respectively comprising 17.00 per cent, 3.70 per cent and 2.30 per cent of total income for the respective years. In addition, the Steel Foundry also had inter-segment sales of Rs 4,770.58 lakh, Rs 12,277.15 lakh and Rs 17,987.04 lakh in Fiscal 2007, Fiscal 2008 and Fiscal 2009 respectively yielding total segment sales (net of excise duty) of Rs. 11,226.24 lakh, Rs.14,901.08 lakh and Rs.19,843.38 lakh respectively implying a two year CAGR of 33 per cent on total sales for the division.

Real Estate Division

Income from the real estate assets of our Company amounted to Rs 920.02 lakh in Fiscal 2009. This consists of lease rental from properties that have been leased out by the Company.

Others

In Fiscal 2009, income from our other businesses (net of excise duty) was Rs. 337.83 lakh which included inter-segment sales of Rs 66.43 lakhs yielding a net external income of Rs. 271.40 lakh. The corresponding amounts for Fiscal 2008 were income (net of excise duty) of Rs. 277.85 lakh which included inter-segment sales of Rs. 31.78 lakh resulting in net external sales of Rs. 246.07 lakh.

Order Book Position as on July 1, 2009

Division	Amount (In Rs. lakh)*
Heavy Engineering Division	
- Wagons	1,31,907.00
- Hydro-Mechanical Equipment	33,089.00
- Process Equipment and Agro Machinery	886.00
Steel Foundry Division	21,967.00

*Including estimated procurement costs of raw materials including wheel sets.

Operating Costs

The main components of operating cost are -

- Cost of raw materials consumed and bought out components, stores and spare parts
- Power and fuel
- Employee costs (including benefits)
- Selling expenses (such as freight, sales commission)
- Erection expenses (for Hydro-mechanical division)
- Research and development expenditure
- Administrative expenses including rates and taxes, rent, repairs and maintenance, insurance, auditors and directors fees, directors commission and other miscellaneous expenses

During the year, operating costs net of inter-segment purchases were Rs. 68,094.40 lakh, an increase of 15.70 per cent over the previous year's expense of Rs 58,838.20 lakh. As a percentage of total income, operating costs were at 83.50 per cent in Fiscal 2009 as against 83.10 per cent in Fiscal 2008.

Our Results of Operations

Details	Fiscal 2009		Fiscal 2008		Fiscal 2007	
	Rs. in Lakh	Percentage of Income	Rs. in Lakh	Percentage of Income	Rs. in Lakh	Percentage of Income
Sales	109117.96		94493.09		47745.65	
Less: Inter segment sales	(20061.00)		(13351.00)		(5676.60)	
Less: Excise duty	(8395.07)		(11019.18)		(4540.49)	
Net Sales	80661.89	98.96	70122.91	99.09	37528.56	98.66
Add: Other sources	843.87	1.04	645.19	0.91	508.53	1.34
Total Income	81505.76	100.00	70768.10	100.00	38037.09	100.00
Operating costs	88155.39		72189.23		38401.18	
Less: Inter segment costs	(20061.00)		(13351.00)		(5676.60)	
Total	68094.39	83.55	58838.23	83.14	32724.58	86.03
EBITDA	13411.37	16.45	11929.87	16.86	5312.49	13.97
Financial charges	1086.85		905.87		439.77	
Depreciation	1135.40		886.03		651.09	
Profit before tax	11189.12	13.73	10137.97	14.33	4221.65	11.10
Provision for taxation	3526.22		3126.77		1408.39	
Profit after tax	7662.90	9.40	7011.20	9.91	2813.26	7.40

Details	Fiscal 2009		Fiscal 2008		Fiscal 2007	
Extraordinary Items	45.38		63.95		74.73	
PAT after extraordinary items	7617.52	9.35	6947.25	9.82	2738.53	7.20

Comparison of Results of Fiscal 2009 with Fiscal 2008

Income

In Fiscal 2009, total income grew 15.47 per cent from Rs 94,493.09 lakh to 1,09,117.96 lakh. The reasons for the same are analyzed segment-wise below:

Heavy Engineering Division

External sales net of excise duty grew 16.44 per cent from Rs 66,654.91 lakh to Rs 77,614.13 lakh.

Wagons

During the year, we sold 4071 wagons (1783 to Indian Railways and 2288 to other customers) as against 4129 wagons (1437 to Indian Railways and 2692 to other customers) in the previous year. However, the average realization per wagon increased from Rs 15.70 lakh to Rs 18.47 lakh resulting in sales increasing from Rs 64,841.61 lakh in Fiscal 2008 to 75,223.57 lakh, an increase of 16 per cent

The fall in volumes in the private customers segment is attributable to the general slowdown experienced in the Indian economy particularly in the second half of the financial year. Demand for certain type of wagons (mainly BLC – container wagons and wagons for transportation of iron-ore) were impacted due to deceleration in exports. Some private sector customers, affected by the liquidity crunch, were forced to defer taking delivery of orders placed. In the Indian Railways segment, the slowdown has been caused mainly by the delay in the award of orders for Fiscal 2009.

The main reason for the increase in average realization per wagon is due to a change in the sales mix of wagons. In the Indian Railways segment, lower value BOXN-HS and BCN-HS wagons, which together accounted for 59 per cent of Fiscal 2008 sales were replaced by higher value BOXN-HL and BCN-HL wagons in Fiscal 2009 leading to higher realization per wagon. In the non-Indian Railway Segment, a combination of increased selling prices and change in sales mix in favour of higher value wagons like the BCCW wagons (cement) contributed to an increased average realization per wagon.

Hydro-Mechanical Equipment

Overall Sales (including site erection and fabrication income) increased from Rs 6,262.31 lakh in Fiscal 2008 to Rs 6,671.40 lakh during Fiscal 2009, an increase of 6.50 per cent. This increase is mainly due to increase in commissioning activity as compared to previous year.

Process Equipment and Agro-Machinery

Details	Sales (In Rs. lakh)	
	Fiscal 2009	Fiscal 2008
Boilers	109.64	1466.29
Sugar Mill Machinery	67.91	1742.29
Pressure Vessels, Heat Exchangers and Chemical Machinery	227.95	458.19
Power Tillers	663.53	217.33

During the year, the income from sale of process equipment and agro-machinery was Rs. 1069.03 lakh as against Rs. 3884.10 lakh in Fiscal 2008, a fall of 72.50 per cent. Decrease in revenues was primarily due to decrease in the volumes for boilers and sugar-mill machinery. The fall in these items is primarily due to competition from local manufacturers as our Company is not situated in proximity to the sugar belt.

As seen in the above table, sales of all products fell with the exception of power tillers and reapers which witnessed an increase of 190 per cent in volume terms and 205 per cent in value terms.

Steel Foundry

During the year Fiscal 2009, the Steel Foundry recorded sales of Rs. 19,843.38 lakh of which Rs. 17,987.04 lakh (90.64 per cent) was inter-segment sales. The corresponding numbers for the previous year sales – Rs. 14,901.08 lakh, of which inter-segment sales was Rs 12,277.15 lakh (82.39 per cent).

During Fiscal 2009, the Steel foundry recorded an increase in overall sales of 33.17 per cent over Fiscal 2008. However, this growth mainly came from increased supply for captive use – 90.64 per cent of total sales was inter-segment sales in Fiscal 2009 as compared to 82.39 per cent in Fiscal 2008. External Sales fell 29.25 per cent from Rs. 2,623.93 lakh to Rs 1,856.34 lakh.

In the past bogies, couplers and draft gears required for the manufacture of Indian Railways wagons were provided as free supply items by the Indian Railways. During the year, in continuation of the policy introduced in Fiscal 2008, Indian Railways did not provide bogies and couplers as free supply items for wagon manufacturers. From 32 per cent of wagon supplied in Fiscal 2008, wagons supplied to Indian Railways increased to 44 per cent in Fiscal 2009. Bogies and couplers for the same were internally supplied by the Steel Foundry increasing percentage of inter-segment sale as compared to the previous year.

Real Estate

During Fiscal 2009, we earned rental income of Rs. 920.02 lakh from our real estate properties. The main component of this income was rent received of Rs 893.55 lakh for the commercial building owned by us in Gurgaon. We also received rent from other properties aggregating to Rs. 26.47 lakh.

Others

In Fiscal 2009, income from our other businesses (net of excise duty) was Rs. 337.83 lakh which included inter-segment sales of Rs 66.43 lakh yielding a net external income of Rs. 271.40 lakh. The corresponding amounts for Fiscal 2008 were income (net of excise duty) of Rs. 277.85 lakh which included inter-segment sales of Rs. 31.78 Lakh resulting in net external sales of Rs. 246.07 lakh.

Other Income

During the year, we had income from other sources including profit on sale of investments, profit on sale of fixed assets, interest received, dividend received, miscellaneous receipts and write back of provisions of Rs 843.87 lakh as compared to Rs 645.19 lakh in Fiscal 2008.

Operating costs

During the year, operating costs net of inter-segment purchases were Rs. 68,094.39 lakh, an increase of 15.73 per cent over the previous year's expense of Rs 58,838.23 lakh. As a percentage of total income (net of excise duty and inter-segment sales), operating costs were at 83.55 per cent in Fiscal 2009 as against 83.14 per cent in Fiscal 2008.

Cost of raw materials consumed and bought out components, stores and spare parts

During Fiscal 2009, expense under this head was Rs. 77,726.35 lakh (including Rs 20,061 lakh of inter-segment sales) as compared to Rs. 62,839.40 lakh in Fiscal 2008 (Rs. 13,151 lakh of inter-segment sales). On a net basis (i.e. excluding inter-segment purchases and sales), in Fiscal 2009, the cost of materials, bought out components, stores and spare parts, as a per cent of total income (net of excise duty and inter-segment sales) was 70.70 per cent as compared to 70.20 per cent in Fiscal 2008.

Power and Fuel

The expense incurred under this head during the year was Rs. 2,402.95 lakh as compared to Rs 2,098.87 lakh in the previous year, an increase of 14.49 per cent. This amounted to 2.95 per cent of total income (net of excise duty and inter-segment sales) as compared to 2.97 per cent in Fiscal 2008. This was due to increase in the power tariff and arrears of fuel surcharge that was charged during the year.

Employee Costs (including benefits)

Expenses classified under this head include compensation to employees by way of salary, wages, gratuity and bonus, contribution to provident and other funds and staff welfare expenses. The employee costs were Rs. 3,561.79 lakh as compared to Rs. 3307.13 lakh in Fiscal 2008, an increase of 7.70 per cent. The total number of employees of our Company as at March 31, 2009 is 1857 and as of March 31, 2008 was 2014. The average compensation per employee (including employee welfare expenses) increased from Rs. 1.64 lakh in Fiscal 2008 to Rs 1.92 lakh in Fiscal 2009.

As a percentage of total income (net of excise duty and inter-segment sales), employee costs were 4.37 per cent in Fiscal 2009 as compared to 4.67 per cent in Fiscal 2008.

Erection Expenses (for hydro-mechanical division)

Expense incurred towards the erection and installation of the hydro-mechanical equipment at the project site is classified under this head of expense. Erection expense was Rs 1,324.72 lakh in Fiscal 2009 as compared to Rs 1,372.29 lakh. As a percentage of hydro-mechanical equipment sales, erection expenses were 19.85 per cent in Fiscal 2009 as compared to 21.91 per cent in Fiscal 2008.

Research & Development expenditure

During the year, a dedicated research and development department was set up by our Company with the approval of the department of scientific and industrial research, Ministry of Science and Technology, Government of India. Cost incurred on research and development during the year was Rs. 10 lakh.

Administrative expenses

This includes expenses such as royalty, rates and taxes, rent, repairs and maintenance, insurance, auditors & directors fees, directors commission and other miscellaneous expenses. This amounted to Rs. 2,448.55 lakh during Fiscal 2009 as compared to Rs. 2,370.93 lakh in Fiscal 2008, an increase of 3.30 per cent. The increase was mainly due to increase in royalty and know-how and increase in miscellaneous expenses which increased in line with sales. The increase in royalty and know-how expense is attributable to a change in our accounting policy to charge the entire amount of royalty to the profit and loss account in place of the earlier policy where royalty was charged to the profit and loss account over a period of six years.

As a percentage of total income (net of excise duty and inter-segment sales), administrative expenses were 3.00 per cent in Fiscal 2009 as compared to 3.40 per cent in Fiscal 2008.

Depreciation

Depreciation for the year was Rs. 1,183.55 lakh of which Rs 48.15 lakh was pertaining to revalued amounts resulting in a net charge of Rs. 1,135.40 lakh to the profit and loss a/c. The corresponding amounts for Fiscal 2008 are Rs 949.86 lakh, Rs. 63.83 lakh and Rs 886.03 lakh.

Interest

Our interest expense increased from Rs 905.87 lakh in Fiscal 2008 to Rs. 1,086.85 lakh in Fiscal 2009. During the year, due to the general slowdown in the Indian economy, some of our customers deferred taking delivery of wagons

which were ready for delivery. This resulted in a temporary cash crunch for our Company which we addressed through short term borrowings. The increase in interest is due to these borrowings.

Provision for Taxation

Our tax expense for the year was Rs 3,526.22 lakh as compared to Rs 3,126.77 lakh in Fiscal 2008. Our average tax rate in Fiscal 2009 was 31.64 per cent as compared to 31.03 per cent in Fiscal 2008.

Profit after Tax

In Fiscal 2009, we made a Profit after Tax of Rs. 7,617.52 lakh, an increase of 9.64 per cent over the corresponding amount in Fiscal 2008 of Rs. 6,947.25 lakh.

As a percentage of total income (net of excise duty and inter-segment sales), Profit after Tax was 9.34 per cent in Fiscal 2009 as compared to 9.81 per cent in Fiscal 2008. The fall in the margins is attributable to increased operating costs in Fiscal 2009 as compared to Fiscal 2008 (83.55 per cent of total income in Fiscal 2009 as compared to 83.14 per cent of total income in Fiscal 2008)

Comparison of Results of Fiscal 2008 with Fiscal 2007

Income

In Fiscal 2008, total income grew 97.90 per cent from Rs. 47,745.65 lakh to Rs. 94,493.09 lakh. The reasons for the same are analyzed segment-wise below:

Heavy Engineering Division

External sales net of excise duty grew 115.55 per cent from Rs 30,923 lakh to Rs 66,654.91 lakh.

Wagons

During the year, we sold 4129 wagons (1437 to Indian Railways and 2692 to other customers) as against 2843 wagons (1930 to Indian Railways and 913 to other customers) in the previous year. Average realization per wagon increased from Rs 8.75 lakh to Rs. 15.70 lakh resulting in sales of wagons increasing from Rs. 24887.19 lakh in Fiscal 2007 to Rs.64,841.61 lakh, an increase of 160.54 per cent. The increase in income is due to increase in volumes and increase in average realization per wagon.

Volumes increased in the private sector customers segment due to sale of wagons to private container operators and sale of wagons under the wagon investment scheme. The Indian Government, in a bid to open up the container freight industry, issued licenses to 15 private operators apart from CONCOR, to carry on the business of operating container trains. As a result there was a surge in volumes for BLC container wagons manufactured by us. Under the Wagon Investment Scheme instituted by the Indian Railways, companies which participated in the scheme to purchase and own wagons, would get an assured supply of rakes every month as per the terms of the scheme.

Increase in average realization per wagon is due to a change in the overall sales mix of wagons sold to Indian Railways and wagons sold to private sector customers. In the Indian Railway orders, raw materials such as steel, wheel sets, bogies and couplers are supplied free of cost by the Indian railways and hence not included in the selling price. On the other hand, there is no free supply in sales to private sector customers. Hence, average realization per wagon is higher for private sector customers. The sales mix for the year was 35 per cent Indian Railways and 65 per cent private sector customers in Fiscal 2008 as compared to 68 per cent and 32 per cent respectively in Fiscal 2007.

Hydro-Mechanical Equipment

Overall sales (including Site erection and fabrication income) increased from Rs 5725.16 lakh in Fiscal 2007 to Rs 6262.31 lakh during Fiscal 2008, an increase of 9.38 per cent. This increase is due to execution of large contracts such as the 2000 MW project in Subansiri, Arunachal Pradesh.

Process Equipment and Agro-machinery (sales)

<i>(Rs. in Lakh)</i>		
Details	Fiscal 2008	Fiscal 2007
Boiler	1466.29	1745.73
Sugar Mill Machinery	1742.29	459.16
Pressure Vessels, Heat Exchangers and Chemical Machinery	458.19	600.44
Power Tillers	217.33	254.00

During the year the sales of process equipment and agro-machinery was Rs. 3,884.10 lakh as against Rs. 3,059.33 lakh in Fiscal 2007, an increase of 26.96 per cent mainly contributed to by an increase in sales of sugar mill machinery.

Steel Foundry

During the year Fiscal 2008, the steel foundry recorded sales of Rs. 14,901.08 lakh of which Rs. 12,277.15 lakh (82.39 per cent) was inter-segment sales. The corresponding numbers for the previous year are sales of Rs 11,226.24 lakh of which, inter-segment sales was Rs 4,770.58 lakh (42.49 per cent).

During Fiscal 2008, the steel foundry recorded an increase in overall sales of 32.73 per cent over Fiscal 2007. However this growth mainly came from increased supply for captive use – 82.39 per cent of total sales was inter-segment sales in Fiscal 2008 as compared to 42.49 per cent in Fiscal 2007. External sales fell 59.35 per cent from Rs. 6,455.66 lakh to Rs. 2,623.93 lakh.

During the year, Indian Railways discontinuing the practice of providing bogies and couplers as free supply items for wagon manufacturers. As a result of this bogies and couplers required for Indian Railway wagon orders were manufactured and sold to the heavy engineering division by the steel foundry which increased the inter-segment sales.

Real Estate

During Fiscal 2008, we earned rental income of Rs. 598 lakh from our real estate properties.

Others

In Fiscal 2008, income from our other businesses (net of excise duty) was Rs. 277.85 lakh which included inter-segment sales of Rs 31.78 lakh yielding a net external income of Rs. 246.07 lakh. In Fiscal 2007 income (net of excise duty) was Rs. 149.90 lakh. There was no inter-segment sale.

Other Income

During the year, we had income from other sources such as profit on sale of investments, profit on sale of fixed assets, interest received, dividend received, miscellaneous receipts, write back of provisions etc of Rs 645.19 lakh as compared to Rs 508.53 lakh in Fiscal 2007.

Operating Costs

During the year, operating costs net of inter-segment purchases were Rs. 58,838.23 lakh, an increase of 79.80 per cent over the previous year's expense of Rs 32,724.58 lakh. As a percentage of total income (net of excise duty and inter-segment sales), operating costs were at 83.14 per cent in Fiscal 2008 as against 86.03 per cent in Fiscal 2007.

Cost of raw materials consumed and bought out components, stores and spare parts

This is the main item of cost. During Fiscal 2008, expense under this head was Rs. 62,839.40 lakh (including Rs 13,151.00 lakh of inter-segment sales) as compared to Rs. 30,394.35 lakh in Fiscal 2007 (Rs. 5,676.60 lakh of inter-segment sales). On a net basis (i.e. excluding inter-segment purchases and sales), in Fiscal 2008, the cost of

materials, bought out components, stores and spare parts, as a percentage of total income (net of excise duty and inter-segment sales) was 70.20 per cent as compared to 64.90 per cent in Fiscal 2007.

The increase in the cost of material as a percentage of sales is due to change in the sales mix of wagons. As explained under the head 'Income', due to free supply of raw material for Indian Railway orders, raw material cost for Indian Railways sales is lower than raw material cost for private party sales. As during the year, the sales mix changed from 68:32 in favour of Indian Railways to 35:65 in favour of private parties, the raw material cost as percentage of sales has increased in Fiscal 2008.

Power and Fuel

The expense incurred under this head during the year was Rs. 2,098.87 lakh as compared to Rs 1,442.58 lakh in the previous year, an increase of 45.50 per cent. This amounted to 2.97 per cent of total income (net of excise duty and inter-segment sales) as compared to 3.79 per cent in FY Fiscal 2007.

Employee Costs (including benefits)

Expenses classified under this head include compensation to employees by way of salary, wages, gratuity and bonus, contribution to provident and other funds and staff welfare expenses. The employee costs were Rs. 3,307.13 lakh as compared to Rs. 2,936.05 lakh in Fiscal 2007, an increase of 12.63 per cent.

As a percentage of total income (net of excise duty and inter-segment sales), employee costs were 4.67 per cent in Fiscal 2008 as compared to 7.72 per cent in Fiscal 2007. The total number of employees of our Company as at March 31, 2008 was 2014 and as of March 31, 2007 was 2113. The average compensation per employee (including employee welfare expenses) increased from Rs. 1.39 lakh in Fiscal 2007 to Rs. 1.64 lakh in Fiscal 2008.

Erection Expenses (for hydro-mechanical division)

Erection expense was Rs. Rs 1,372.29 lakh in Fiscal 2008 as compared to Rs.1,245.38 lakh in Fiscal 2007. As a percentage of Hydro-Mechanical equipment income, erection expenses were 21.91 per cent in Fiscal 2008 as compared to 21.75 per cent in Fiscal 2007.

Administrative expenses

Administrative expenses amounted to Rs. 2,370.93 lakh during Fiscal 2008 as compared to Rs. 1,927.26 lakh in Fiscal 2007, an increase of 23 per cent. As a percentage of total income (net of excise duty and inter-segment sales), administrative expenses were 3.40 per cent in Fiscal 2008 as compared to 5.06 per cent in Fiscal 2007. The increase was mainly due to expenses for repairs and maintenance which was carried out during the year.

Depreciation

Depreciation for the year was Rs. 949.86 lakh of which Rs 63.83 lakh was pertaining to revalued amounts resulting in a net charge of Rs. 886.03 lakh to the profit and loss a/c. The corresponding amounts for Fiscal 2007 are Rs 717.02 lakh, Rs.65.93 lakh and Rs. 651.09 lakh. The higher depreciation was due to the capital expenditure incurred in the setting up of the new steel foundry unit in Fiscal 2007. However, since depreciation was only charged for that period of the year during which the plant was in operation in Fiscal 2007, the depreciation for Fiscal 2008 is considerably higher.

Interest

Our interest expense increased from Rs 439.77 lakh in Fiscal 2007 to Rs. 905.87 lakh in Fiscal 2008. This was due to an increase in the cash credit loan (of Rs 2,020.45 lakh) availed by us to fund our increased working capital needs in line with the increase in revenue.

Provision for Taxation

Our tax expense for the year was Rs 3,126.77 lakh as compared to Rs 1,408.39 lakh in Fiscal 2007. Our average tax rate in Fiscal 2008 was 31.04 per cent as compared to 33.96 per cent in Fiscal 2007.

Profit after Tax

In Fiscal 2008, we made a profit after tax of Rs. 6,947.25 lakh, an increase of 153.69 per cent over the corresponding amount in Fiscal 2007 of Rs. 2,738.53 lakh.

As a percentage of total income (net of excise duty and inter-segment sales), profit after tax was 9.82 per cent in Fiscal 2008 as compared to 7.20 per cent in Fiscal 2007. The increase in the margins is mainly due to lower operating costs in Fiscal 2008 as compared to Fiscal 2007 (83.14 per cent of total income in Fiscal 2008 as compared to 86.03 per cent of total income in Fiscal 2007).

Liquidity and Capital Resources

As of March 31, 2009, we had cash and bank balance of Rs. 2,476.28 lakh of which Rs 1,565.94 lakh was cash including cheques on hand and Rs. 910.34 lakh was balance with scheduled banks (in deposit, current and dividend accounts). Historically, our primary liquidity requirements have been to finance our working capital requirements for our operations and capital expenditures. We have met these requirements from cash flows in the form of advances from our customers, internal accruals as well as from borrowings. Till date, we have experienced no loss or lack of access to our invested cash, cash equivalents and short term investments. However, we can provide no assurances that access to our invested cash, cash equivalents and short term investments in liquid schemes and units of mutual funds, will not be adversely impacted by the fluctuations in the financial markets. We seek to maintain at least two months of operating expenses as cash and cash equivalents, and we also have working capital facilities extended by various banks.

Net Cash Flow Statements

<i>(In Rs. lakh)</i>			
Details	Fiscal 2009	Fiscal 2008	Fiscal 2007
Net Cash flow from Operating Activities	1,251.05	9,854.87	3,640.24
Net Cash flow from Investing Activities	2,397.53	(5,032.68)	(3,151.99)
Net Cash flow from Financing Activities	(1,605.33)	(5,134.69)	(1,685.49)
Net Increase/(decrease) in Cash*	2,043.25	(312.50)	(1,197.24)

*Cash and Cash Equivalents

Net Cash Flow from Operating Activities

Fiscal 2009

The main components of net cash from operating activities in Fiscal 2009 consisted of net profit before tax of Rs. 11,189.12 lakh, tax payments of Rs. 3,925.17 lakh and an increase in working capital of Rs 7,706.39 lakh of which an increase in sundry debtors constituted Rs. 3,320.70 lakh, increase in inventories Rs. 11,915.44 lakh and an increase in current liabilities of Rs. 7,529.75 lakh.

Fiscal 2008

The main components of net cash from operating activities in Fiscal 2008 consisted of net profit before tax of Rs. 10,137.97 lakh, tax payments of Rs. 2,929.63 lakh and a decrease in working capital of Rs 1,414.25 lakh of which an increase in sundry debtors constituted Rs. 3096.56 lakh, increase in inventories Rs. 1,741.65 lakh and an increase in current liabilities of Rs. 6,252.46 lakh.

Fiscal 2007

The main components of net cash from operating activities in Fiscal 2007 consisted of net profit before tax of Rs. 4,221.65 lakh, tax payments of Rs. 1,650.80 lakh and an increase in working capital of Rs 60.02 lakh of which an increase in sundry debtors constituted Rs. 2,781.38 lakh, increase in inventories Rs. 5,586.68 lakh and a increase in current liabilities of Rs. 8,308.04 lakh.

Net Cash Flow from Investing Activities

Fiscal 2009

Cash flow from investing activities mainly consisted of purchase of fixed assets such as plant and machinery, land, buildings and railway sidings among others of Rs 1,629.02 lakh (for a complete list refer to schedule E of the audited consolidated financial statements for Fiscal 2009 in this Preliminary Placement Document) and sale of current investments to the tune of Rs. 3,597.43 lakh.

Fiscal 2008

Cash flow from investing activities mainly consisted of purchase of fixed assets of Rs 2,045.94 lakh, which included mainly buildings and plant and machinery, and purchase of current investments to the tune of Rs. 3,274.27 lakh.

Fiscal 2007

Cash flow from investing activities mainly consisted of purchase of fixed assets of Rs 3,577.90 lakh which included additions to land, buildings, plant and machinery, electrical machinery and railway sidings.

Net Cash Flow from Financing Activities

Fiscal 2009

The main components of cash flow from financing activities were repayment of borrowing to the tune of Rs 1,275.37 lakh, fresh borrowing to the tune of Rs. 1,460.07 lakh, interest paid of Rs 1,086.85 lakh and dividend paid of Rs 953.18 lakh.

Fiscal 2008

The main components of cash flow from financing activities were repayment of borrowing to the tune of Rs 5,767.64 lakh, fresh borrowing of Rs. 2,020.45 lakh to fund our working capital requirements which had increased in line with the increase in revenue, interest paid of Rs 905.87 lakh and dividend paid of Rs 481.63 lakh.

Fiscal 2007

The main components of cash flow from financing activities were repayment of borrowing to the tune of Rs 1,421.82 lakh, fresh borrowing to the tune of Rs. 486.65 lakh, interest paid of Rs 441.83 lakh and dividend paid of Rs 308.49 lakh.

Borrowing and repayment of borrowings are made in the normal course of business depending upon the funds position of the Company and as per the terms of the borrowings.

Indebtedness

The following table sets forth our secured and unsecured debt position as on March 31, 2009.

		(in Rs. lakh)
Particulars	Amount Outstanding as at March 31, 2009	
Secured loans		
Loans from banks*		6353.43
Loans from others*		346.06
Total (A):		6699.49
Unsecured loans		
Long term		
Body Corporate		15.74
Fixed Deposit from employees/ ex – employees		18.42
Advance against sale of land		700.00
Total(B):		734.16
Total (A+B)		7433.65

Loans from Banks

Rupee Loans

S.No	Bank	Amount (In Rs. lakh)	Remarks
1.	State Bank of India	4333.62	Secured by first charge on current assets, second charge on fixed assets of engineering division and first charge on immovable property of the Company in Delhi.
2.	State Bank of India	1178.67	Term loan for expansion of Steel Foundry – secured against assets created out of the term loan.
3.	State Bank of India	392.81	Post shipment export credit – secured against letter of credit.
	Total	5905.09	

Foreign Currency Loan

S.No	Bank	Amount (USD)	Remarks
1.	Landes Bank	759272.87	For expansion of Steel Foundry. Secured against assets created out of the term loan.
2.	State Bank of India	144300.00	Post shipment export credit – secured against letter of credit.
	Total	903572.87	

Loans from Others

S.No	Lender	Amount (In Rs. lakh)	Remarks
1.	IREDA	344.38	Project Loan - Secured by first charge on immoveable and moveable properties of Neora Hydro project.
2.	Others	1.68	Secured by bank guarantee under subsidized Industrial Housing Scheme.
	Total	346.06	

Contingent Liabilities

As of March 31, 2009, we had the following contingent liabilities which have not been provided for in our consolidated financial statements.

S.No	Details	Amount (Rs lakh)
1.	Guarantees given by Banks	39607.46

2.	Letters of Credit opened by Banks	25638.36
3.	Claims under dispute (excise duty)	2600.96

Litigation

We are involved in a number of legal proceedings including labour, property and tax related disputes. In the opinion of the management, no material liability is likely to arise on account of such legal proceedings. However, the outcome of litigation cannot always be predicted and some or all of these cases may be ruled against us, which could have a material adverse effect on our business, results of operations and financial condition. For details, please see section titled “*Legal Proceedings*”.

Off-Balance Sheet Arrangements

Our non-fund based arrangements with Banks as on March 31, 2009 are summarized below –

S.No	Lender	Utilisation (in Rs. lakh)	Remarks
1.	SBI	54,156.64	Bank guarantee and letter of credit - secured by first charge on current assets, second charge on fixed assets of engineering division and first charge on immovable property of the Company in Delhi.
2.	ICICI	7,204.61	Bank guarantee and letter of credit - second charge on Company's current assets
3.	IDBI	1,605.72	Bank Guarantee - Secured on all immoveable property of the Company pertaining to its units in Belgharia, Agarpura and Sodepur.
4.	BNP	282.68	Letter of Credit – Unsecured
5.	Yes Bank	1,996.17	Bank Guarantee – Unsecured
	Total	65,245.82	

Quantitative and qualitative disclosure about market risk

Interest rate risk

Interest rate risk arises when we are exposed to changes in the fair value of our interest rate sensitive financial instruments and borrowings, which arise from changes in market interest rates. Our exposure to changes in interest rates is not material to our financial position or results of operations.

Commodity Price Risk

We are exposed to market risk with respect to the prices of raw materials and components used in our products including steel, wheelsets, bearings, bogies and couplers. The costs for these raw materials and components are subject to fluctuation based on commodity prices. The costs of various components sourced from third party manufacturers may also fluctuate based on their availability from suppliers.

Foreign Currency Risks

Our accounting records are kept in Indian rupees. Our revenues, significant costs and significant borrowings are denominated in Indian rupees. We limit our foreign currency risk by purchasing raw materials predominantly from Indian suppliers in Indian rupees, and borrowing funds from Indian banks in Indian rupees, to the extent possible. However we have a limited amount of exposure to various foreign currencies. Accordingly, any depreciation to the Rupee against these currencies will increase the Rupee cost to the Company of servicing and repaying its foreign currency payables.

Effect of New Accounting Pronouncements

There are no recent accounting pronouncements that were not yet effective as at March 31, 2009 that will result in a change in our Company's significant accounting policies.

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Recent developments

UNAUDITED STANDALONE FINANCIAL RESULTS FOR THE QUARTER ENDED JUNE 30, 2009

(In Rs. lakh)

PARTICULARS	For the Quarter Ended 30 th June		For the year ended 31st March, 2009 (audited)
	2009	2008	2009
1. GROSS SALES/ INCOME	23,985.74	28,042.99	109,125.45
Less : Inter Segment Revenue	4,573.71	5,917.90	20,061.00
Less : Excise Duty	1,088.05	2,442.40	8,395.07
(a) NET SALES / INCOME FROM OPERATIONS	18,323.98	19,682.69	80,669.38
(b) OTHER OPERATING INCOME	15.65	100.60	180.48
TOTAL INCOME	18,339.63	19,783.29	80,849.86
2. EXPENDITURE			
a) (Increase)/decrease in Stock in trade and Work in Progress	(342.74)	(960.15)	(1,521.10)
b) Consumption of Raw Matls,Comp., Services etc.	13,122.77	14,852.44	60,401.19
c) Power & Fuel	542.32	660.98	2,403.07
d) Purchase of traded goods	--	--	9.90
e) Employees Cost	814.41	817.21	3,263.40
f) Depreciation	283.85	244.69	1,135.40
g) Other Expenditure	726.50	796.70	3,549.94
TOTAL	15,147.11	16,411.87	69,241.80
3 PROFIT FROM OPERATIONS BEFORE OTHER INCOME INTEREST & EXCEPTIONAL ITEMS (1-2)	3,192.52	3,371.42	11,608.06
4 OTHER INCOME	18.48	16.29	616.47
5 PROFIT BEFORE INTEREST & EXCEPTIONAL ITEMS (3+4)	3,211.00	3,387.71	12,224.53
6 INTEREST	196.64	148.32	1,086.81
7 PROFIT AFTER INTEREST BUT BEFORE EXCEPTIONAL ITEMS (5-6)	3,014.36	3,239.39	11,137.72
8 EXCEPTIONAL ITEMS			
- VRS in Engg. Divn.	(6.89)	(11.34)	(45.38)
9 PROFIT BEFORE TAX (7 + 8)	3,007.47	3,228.05	11,092.34

10	TAX EXPENSE			
a)	Current Tax	915.35	949.50	3,478.44
b)	Deferred Tax	7.14	(9.43)	(5.60)
c)	Fringe Benefit Tax	--	5.50	35.52
11	NET PROFIT AFTER TAX (9-10)	2,084.98	2,282.48	7,583.98
12	PAID-UP EQUITY CAPITAL (Face Value Re.1 per Share)	1,107.83	1,032.58	1,107.83
13	RESERVES (Excluding Revaluation Reserve as per Balance Sheet of Previous Accounting year)			28,409.95
14	EARNING PER SHARE (EPS) (Re. 1 each) :			
	Basic	1.88	2.06	6.83
	Diluted	1.88	2.06	6.83
15	PUBLIC SHAREHOLDING			
a)	NUMBER OF SHARES	50280640	49008700	50280640
b)	% OF SHAREHOLDING	45.39	47.46	45.39
16	Promoters and Promoter Group Shareholding			
a)	Pledged / Encumbered			
	- Number. of Shares	738800	--	--
	- Percentage of Shares (as a % of the total shareholding of promoter and promoter group)	1.22	--	--
	- Percentage of Shares (as a % of the total share capital of the company)	0.67	--	--
b)	Non-Encumbered			
	- Number. of Shares	59763650	54248900	60502450
	- Percentage of Shares (as a % of the total shareholding of promoter and promoter group)	100.00	100.00	100.00
	- Percentage of Shares (as a % of the total share capital of the company)	53.94	52.54	54.61

Gross sales for the quarter ended June 30, 2009 is Rs 23,985.74 lakh, which is 14.46 per cent lower than the gross sales achieved for the quarter ended June 30, 2008. During the quarter the Company earned the distinction of being the only supplier of the new generation, high payload, stainless steel BCN HL wagons, required by the Indian Railways. However, production flow was impacted for part of the period owing to certain technical issues in the new design construction, which have since been resolved. We expect a significant portion of IR orders to be of BCN-HL wagons and we believe that having played a significant role in the design and manufacture of these wagons, we are in a good position to benefit from this. Profit after tax for the quarter ended June 30, 2009 is Rs 2,084.98 lakh as compared to Rs 2,282.48 lakh for the quarter ended June 30, 2008, implying a PAT margin of 11.4 per cent on total

income (net of excise duty and inter-segment sales). This is comparable to the 11.5 per cent PAT margin achieved in the quarter ended June 30, 2008.

The railway budget for Fiscal 2010 was presented by the Honourable Minister for Railways Ms. Mamta Banerjee on July 3, 2009. Highlights of the budget presented by the Minister for Railways are:

- Indian Railways would procure 18,000 freight wagons during the Fiscal 2010
- Emphasis placed on modernisation of rolling stock through induction of new design and high capacity wagons, stainless steel wagons and higher horse power locomotives
- Importance of dedicated freight corridor re-iterated. Western and eastern dedicated freight corridors to be referred to as Diamond Rail Corridor.
- Pre-feasibility studies to be conducted for 4 more dedicated freight corridors
- Proposed modernisation of 50 railway stations announced
- Indian Railways to encourage private ownership of special purpose wagons

There has been no material change in our financial or trading position since March 31, 2009 the date of the latest financial statements prepared in accordance with Indian GAAP included in this Preliminary Placement Document, except as disclosed herein.

INDUSTRY OVERVIEW

The information in this section has not been independently verified by us, the Sole Global Coordinator or any of our or their respective affiliates or advisors. The information may not be consistent with other information compiled by third parties within or outside India. Industry sources and publications generally state that the information contained therein has been obtained from sources it believes to be reliable, but their accuracy, completeness and underlying assumptions are not guaranteed and their reliability cannot be assured. Industry sources are also prepared based on information as of specific dates and may no longer be current or reflect current trends. Industry sources and publications may also base their information on estimates, forecasts and assumptions which may prove to be incorrect. Accordingly, investors should not place undue reliance on this information.

Unless otherwise indicated, industry data used throughout this document has come from industry and company sources including publication in the public domains

The performance of our Company is primarily dependent on the developments in the following sectors:

- Wagons
- Hydro Mechanical Equipments
- Steel Castings

Wagons

Overview

Indian Railways is the world's largest railway under government management. Since its inception 156 years ago, the Indian Railways have contributed significantly to India's transport needs and economic growth. As compared to road transport, railway has a number of intrinsic advantages as it is five to six times more energy efficient, four times more efficient in land use and significantly superior from the standpoint of environment impact and safety. Indian Railways, therefore, rightly occupies pride of place in the growth and development of the nation. (Source: Standing Committee on Railways (2006-07), Ministry of Railways (Railway Board), Demands for Grants (2007-08), Twenty Seventh Report)

Covering a total distance of 63,327 route km, Indian Railways' tracks span across the country. As the principal constituent of the nation's transport system, Indian Railways owns a fleet of 8,153 locomotives, 51,255 coaches and 207,719 wagons. Indian Railways carries approximately two million tonnes of freight traffic and about 17.04 million passengers covering 6,909 stations daily (Source: Indian Railways, Year Book- 2006-07). Indian Railways has also been part of one of the most successful turnaround stories in the past decade. Indian Railways generated a cash surplus before dividend of Rs. 17,400 crore during 2008-09, recovering from a situation of having to defer dividend payment of Rs. 28,000 million in 2001 (Source: Railway Budget 2009).

Increase in Freight Traffic

The chief initiatives that assisted the Indian Railways in achieving the spectacular turnaround occurred in the freight segment. Freight traffic has been a lifeline for the Indian Railways with the segment showing a steady growth in the late nineties and touched level of 833 million tonnes in 2008-09 from 557 million tonnes in 2002-03 registering a CAGR of 6.9 per cent. (Source: Railway Budget 2009).

The Report of the Working Group on Railway Programmes for the Eleventh Five Year Plan (2007–2012) states that the Tenth Five Year Plan (2002-2007) had envisaged that by the terminal year of the Tenth Five Year Plan (2002-2007), the freight traffic of the Indian Railways would reach a level of 624 million tonnes of originating traffic and 396 billion tonne kms ("BTKM") of transportation output. The actual achievement is likely to be 726 million tonnes and 479 BTKMs. The net increment in traffic during the Tenth Five Year Plan (2002-2007) is of the order of more than 230 million tonnes over the terminal year of Ninth Five Year Plan (1997-2002) – an achievement without precedent in the history of Indian Railways. The year-wise loading and freight movement is shown below:

Year	Originating loading (million tonne)	Annual Growth Rate (percent)	Freight Output (Billion NTKM)	Annual Growth Rate (percent)
2001-02	492.5	-	333.23	-
2002-03	518.7	5.32	353.19	5.60
2003-04	557.4	7.36	381.24	7.94
2004-05	602.1	8.02	411.28	7.88
2005-06	666.5	10.70	441.76	7.41
2006-07	726.0	8.93	476.77	7.92
Average Growth Rate	-	8.1	-	7.4

Source: The Report of the Working Group on Railway Programmes for the Eleventh Five Year Plan (2007 – 2012)

As per the Railway Budget, 2009-10 presented in the 15th Lok Sabha in July, 2009, freight loading and earnings registered an annual growth of five per cent and 11 per cent respectively, in the year 2008-09. During the months of October and November of 2008, the growth in freight loading was adversely impacted by the recession in the international markets. There was a steep reduction in iron ore for export and container traffic. The growth rate of steel traffic also reflected a decrease. This resulted in a decrease in freight loading and freight earnings in the months of October and November of 2008. The situation had improved slightly during of the last quarter of 2008-09 because of which Indian Railways earned traffic revenue of Rs. 79,682,000 lakh.

By the terminal year of the Eleventh Five Year Plan (2007-1012), the Indian Railways is targeting a freight loading of 1,100 million tonnes. In line with these targets, the Indian Railways have plans for increased investments in the freight segment, with initiatives such as construction of dedicated freight corridors along highly saturated eastern and western routes, introduction of higher capacity wagon designs with better payload to tare ratio, running double stack container trains etc. With these initiatives by the Indian Railways to regain the lost market share in freight business, the wagons manufacturing industry, by the virtue of being directly linked to freight business is poised to witness a phenomenal growth.

With the quantum increase in both passenger and freight traffic during the last three years of the Tenth Five Year Plan (2002-2007) and the projected increase in the Eleventh Five Year Plan (2007-2012), rolling stock availability will be a key factor. In addition to augmenting the existing production capacities, new production facilities for coaches, locomotives and wagons would be required. These new production facilities would have to be capable of producing superior rolling stock like higher horsepower locomotives, better coaches and wagons.

Increased demand for wagons

The Eleventh Five Year Plan (2007-2012) indicates that investments in wagons would be witnessing a substantial increase, as compared to investments made during the earlier plan periods. As per Railway Budget, 2009-10, Indian Railways plans to acquire 18,000 wagons in 2009-10. In addition to the demand from Indian Railways, demand for wagons for captive utilization from cement and steel manufacturers has been growing. Container wagon procurement by the Container Corporation of India Limited (“**CONCOR**”) and private freight logistic service suppliers such as Gateway Distriparks, Dinesh ETA (Emirates Trading Agency) among others, has also gone up.

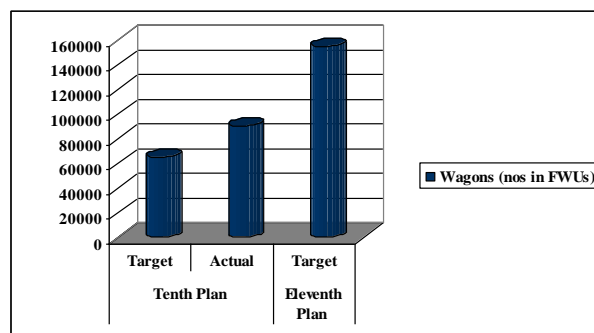
The projected requirement of wagons during the Eleventh Five Year Plan (2007-2012) is 1,30,000 FWU to meet the normal traffic growth on railways alone, which is about 45 per cent higher than the wagon acquisition for the first four years of Tenth Five Year Plan (2002-2007) period. Requirement of electric and diesel locomotives as projected by the sub group on Eleventh Five Year Plan (2007-2012) is 1,800 each (360 locomotives per year). The requirement takes into account quantum jump in traffic including construction of dedicated freight corridor, increased number of licensed operators in containers, implementation of engine on load concept, right powering of trains to improve average speed and the need to avoid detentions arising out of frequent change of locomotives even within the same traction. The existing capacities for the manufacture of these locomotives are 150 per annum each which can be augmented to 295 per annum for electric locomotives and 250 per annum for diesel locomotives. The gap between the requirement and the augmented capacity will be bridged by setting up locomotive manufacturing units as a joint venture, with the objective of bringing in world class technology, lower maintenance and operating costs and harnessing expertise and efficiency of private sector players of international repute in operating such a

plant. (Source: Report of the Working Group on Railway Programmes for the Eleventh Five Year Plan (2007 – 2012))

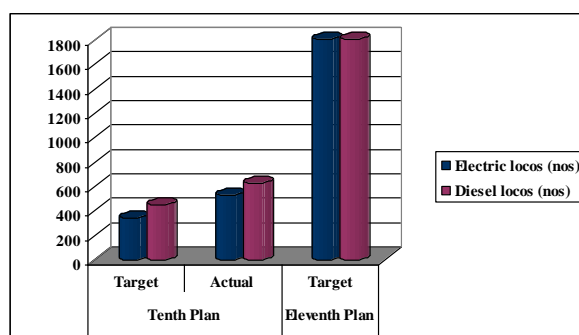
Technological upgradation and modernization of rolling stock has been identified by Eleventh Five Year Plan (2007-2012) as the key element of the plan for rolling assets. Indian Railways is planning to introduce special types of wagons for movement of automobiles, bulk cement, fly ash, and hazardous chemicals. During the Eleventh Five Year Plan (2007-2012) the proportion of high horsepower locomotives will be increased.

The planning and procurement of wagons is normally done for a five year plan period based on traffic projections and replacement of wagons due for condemnation. Any revision, if required is carried out during the mid term appraisal. The requirement as stated in the Eleventh Five Year Plan (2007-2012) is as follows:

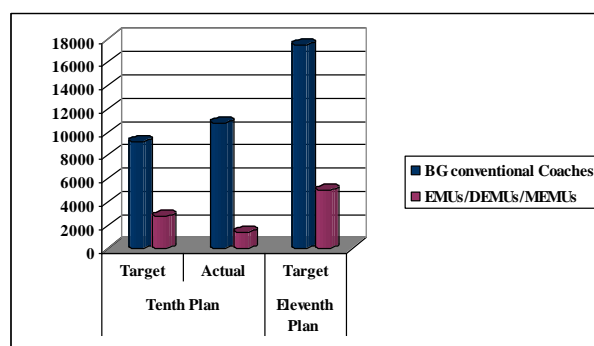
Wagons



Locomotives



Coaches and EMU



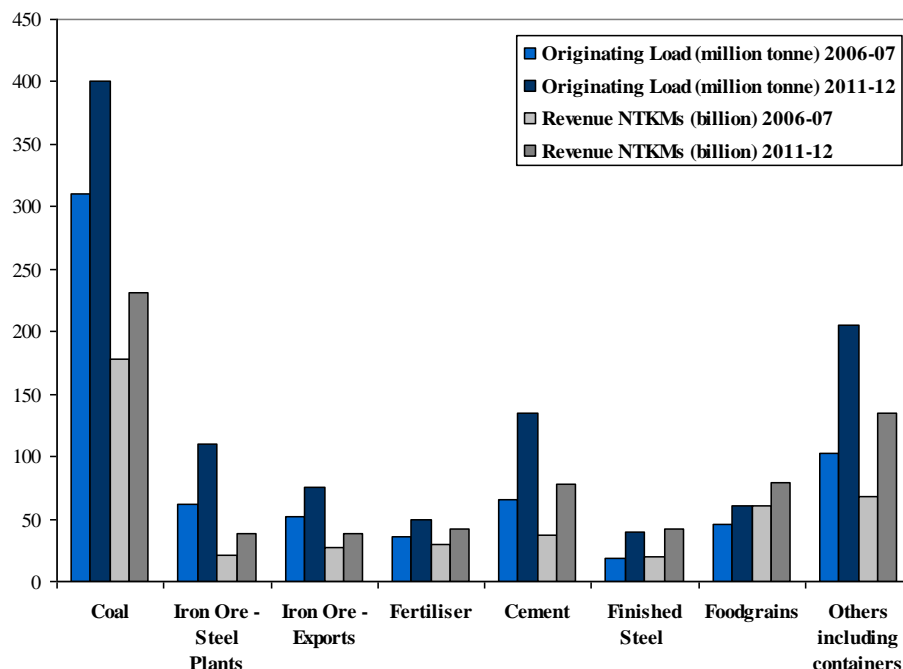
Factors contributing to the increased demand for wagons

(a) Developments in commodity specific industries

Coal would continue to be the mainstay of the rail traffic accounting for close to 40 per cent of the total traffic. The total quantum of rail-borne coal traffic is likely to be to the tune of 400 million tonnes. According to the estimate

made by the Working Group of Ministry of Steel, the capacity addition to steel production in the country during the Eleventh Five Year Plan (2007-2012) would be of the order of 40 million tonnes. This should have a major implication for the demand for rail traffic as each tonne of steel production is likely to add five to six million tonnes of raw materials and finished product to rail traffic. Even if a conservative estimate of 70 per cent of the capacity addition actually materializing is considered, that would mean an incremental iron-ore movement of about 45 million tonnes. The Indian Railways may be able to capture a larger share of the total cement production projected at 250 million tonnes in 2011-12. This may mean traffic of volume of 135 million tonnes in 2011-12. At the end of the Eleventh Five Year Plan period automobile business is expected to generate Rs. 1,000 crores per annum. A projection of the traffic based on the above summary is set out below:

Commodity-wise projection for traffic:



Source: The Report of the Working Group on Railway Programmes for the Eleventh Five Year Plan (2007 – 2012)

Railway transportation is a derived demand and is directly dependent on the growth of six major infrastructure industries in the country viz. electricity, coal, steel, crude petroleum, petroleum refinery products and cement, to which majority of railway customers belong. The wagon fleet of the Indian Railways plays an important role in the day to day freight operations of the Indian Railways. The timely maintenance and optimal utilisation of the wagon fleet is essential for increasing revenue earnings. (Source: Performance Audit, Railways Report no. 6 of 2007 issued by the Comptroller and Auditor General of India)

The types of wagons generally used by the Indian Railways to carry different commodities are as under:

Wagon Type	Commodities for which suited
Open top wagon	coal, ores, minerals
Covered wagons	fertilizer, cement foodgrains
Flat wagons	steel, container, timber
Tank wagons	oil, milk, acid, caustic soda
Tank wagon (pressurized)	Liquefied petroleum gas
Tank wagon (with air fluidising system)	alumina, cement
Hopper wagon	coal, ballast

Special purpose wagon (multi axle/well type)	over sized/extra heavy consignments, defence equipments
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Source: Standing Committee on Railways (2005-06), Ministry of Railways (Railway Board), Procurement of Wagons, Thirteenth Report

(b) *Dedicated Freight Corridor*

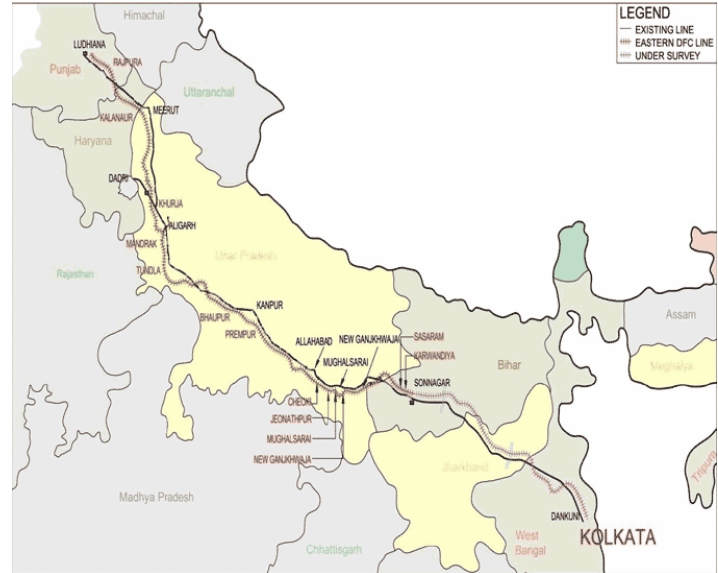
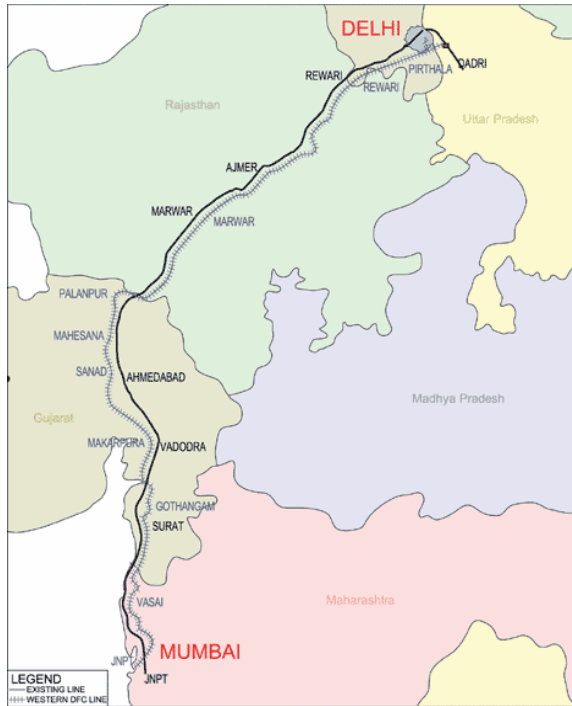
The high-density network connecting the four metro cities of Delhi, Kolkata, Chennai and Mumbai including the diagonals, is popularly called the 'golden quadrilateral'. Though comprising only 16 per cent of the network it carries more than 50 per cent of the goods traffic and passenger traffic. This network is saturated at most of the locations.

In order to create capacity and improve quality of services, dedicated railway freight corridor projects on western and eastern routes were sanctioned in the rail budget of 2006-07. Reiterating its importance in creating infrastructure in the country and generating employment, the dedicated freight corridor project was declared as the 'Diamond Rail Corridors' in Railway Budget 2009-10. The costs of western (1,469 km) and eastern (1,232 km) corridors are Rs. 16,592 crores and Rs. 11,589 crores respectively. Western Corridor will consist of 1,469 km long double line tracks from Jawaharlal Nehru Port to Dadri/Tuglakabad in Delhi area. Eastern Corridor will connect Ludhiana and Sonenagar. The eastern corridor will in future be extended to Kolkata to connect the proposed deep-sea port in the region. (Source: Report of the Working Group on Railway Programmes for the Eleventh Five Year Plan (2007 – 2012))

A special purpose vehicle (Dedicated Freight Corridor Corporation of India Limited) has been formed to implement the dedicated freight corridor project on Indian Railways. The special purpose vehicle will also implement the future corridors. The relationship between Ministry of Railways and the special purpose vehicle will be codified in a concession agreement.

Apart from the above-named two corridors, as announced in Railway budget 2009-10, prefeasibility studies for other routes such as North-South, East-West, East-South and Southern (Chennai-Goa) corridors have been conducted. These corridors will create demand for new design, high capacity wagons.

Positive Impact of Dedicated Freight Corridor		
Traffic on Route	FISCAL 06	FISCAL 22E
Eastern (mn tonne)	52	144
Western (mn tonne, excluding container)	23	40
Western, container traffic (mn TEUs)	0.7	6.2



Proposed Eastern Corridor

Proposed Western Corridor

(Source: Dedicated Freight Corridor Website, <http://dfccil.org/wps/portal/DFCCPortal>)

(c) Privatisation of Container Freight Traffic Scheme

Until recently, transportation of goods by rail was a monopoly of the Government of India, with the container movement by rail being handled by CONCOR, a Government of India enterprise. However, from the year 2006, Indian Railways has opened up its containerized operations to the private and public sector players and has done away with its erstwhile monopoly. So far, 16 operators in India including CONCOR have been issued license by the Railway Board. Based on the operations in specific sector/ route or all over India, the license fees charged are Rs. 100 million and Rs. 500 million, respectively. Operating permission is being granted for a period of 20 years at a time, which can further be extended by another 10 years. While the registration fee has been kept relatively low, the earnings for the Railways would be through haulage charges that the parties would have to pay on a per-container basis.

Applicants, private as well as public, will have to procure flat wagons for transporting containers, whereas Indian Railways would provide locomotives. As a result, the demand for container flat wagons is expected to grow manifold.

As declared in the Railway Budget, 2008-09, 146 trains of CONCOR and 44 container trains of other container operator are running. There are 60 container depots are operational including three constructed by private parties. (Source: Railway Budget, 2008-09)

(d) Liberalised Wagon Investment Scheme

The demand of wagons was bolstered by the Wagon Investment Scheme, which was implemented by the Ministry of Railways, Government of India with effect from April 1, 2005. This scheme was superseded by the Liberalised Wagon Investment Scheme (“LWIS”) which came into effect on April 15, 2008. Under the LWIS, investments can be made for procurement or leasing of special purpose and high capacity wagons. Freight discounts at prescribed rates will be granted for investment in special purpose wagons and high capacity wagons. Procurement of wagons will be allowed with the prior approval of the Ministry of Railways, Government of India. However, transport of commodities such as coal, coke, ores and mineral will not be permitted in privately owned wagons.

Rakes will be procured by customers directly from wagon manufacturers or through import subject to compliance with the designs and specifications and inspection by RDSO.

(e) *Wagon Leasing Scheme*

The Ministry of Railways, Government of India also formulated a new wagon leasing scheme which came into effect on April 15, 2008. Under this scheme, high capacity wagons or special purpose wagons for specific commodities can be owned and leased out by private companies. Companies with a net worth of at least Rs. 250 crores and with a minimum experience of five years will be eligible for the scheme. Such companies will have to pay a one time registration fee of Rs. 500 lakh to the Indian Railways. This will be valid for a period for 20 years, after which extension can be given for 10 years based on the performance of the leasing company. Wagon leasing firms will also get freight discounts between 12 per cent and 15 per cent. High capacity wagons with a payload of two tonnes or more will get a freight discount of 12 per cent and 0.5 per cent for every additional tonne for 20 years based on the current freight rate.

(f) *Technology Upgradation*

The Indian Railways Modernisation Plan, 2005-2010, envisaged modernization of passenger and freight business segments. Technological improvements are envisaged in fixed infrastructure and rolling assets. Reduction in unit cost of operation by introducing heavier trains of 25 t/30 t axle load, high capacity wagons with better payload to tare ratio fully exploiting the standard moving dimensions on existing routes and introducing longer freight trains on specified sections will be explored by the Indian Railways. The Indian Railways plans to run double stack container trains and longer passenger trains. (Source: *Report of the Working Group on Railway Programmes for the Eleventh Five Year Plan (2007 – 2012)*)

(g) *Dedicated rakes to transport long rails*

Indian Railways is progressively welding the rails thereby minimising the fish plated joints. All primary track renewals are being done with welded rails. On all the routes, the rails are welded into long length of one kilometer or more. Longer rails in track leads to savings in maintenance efforts, efficiency in fuel consumption, reduced wear and tear of both the rails and the rolling stock and comfortable and safer travel. In order to reduce the population of welded joints, Steel Authority of India is now rolling 65/78 metre long rails against 13/26 metre long rails being rolled earlier. It is also planned that these rails will then be welded into 260 metre long panels at the steel plant and be supplied to work sites. There shall be associated investment in transportation of long rails, as special dedicated rakes would need to be manufactured. (Source: *Report of the Working Group on Railway Programmes for the Eleventh Five Year Plan (2007 – 2012)*)

(h) *New Design Policy*

The Railway Budget for 2007-08 heralded a new era by allowing wagon manufacturers to supply wagons of their own designs. This would give a thrust to introduction of new and more efficient designs of wagons thereby making the rolling stock more cost effective and help in further gaining of market share. Earlier, wagon manufacturers had to manufacture wagons in accordance with standard designs prescribed by RDSO. The new policy seeks to make adequate provision for simplifying the process of certifying and accepting the new wagon designs and protecting the intellectual property rights of the companies. Wagon manufacturers will now also be able to import technology from abroad to bring modern designs into the Indian Railways.

(i) *Bulk and Non-Bulk Goods Terminal Scheme*

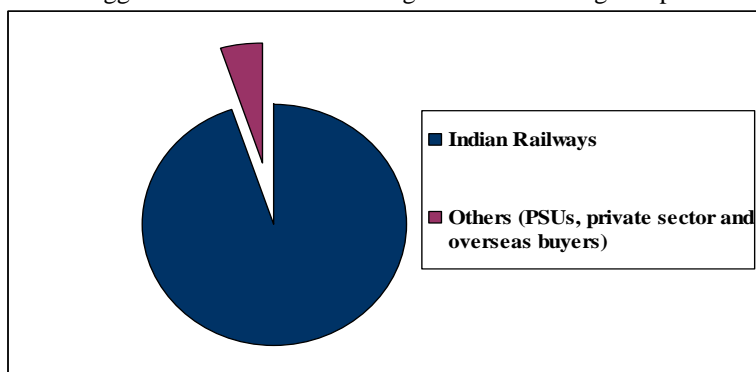
A new policy for development of bulk handling terminals was announced in the railway budget 2008-2009. This policy will facilitate the bulk movement of commodities such as cement, food grains, fertilizers etc. which will reduce the transportation cost of bulk movement. Under this policy, construction of bulk handling terminals for cement, fly ash, food grains and fertilizers will be permissible by the producers of these commodities or by their authorized agencies. The terminal developer will have to invest in special purpose wagons necessary for bulk movement. A policy has also been prepared for development of traditional unloading goods terminals for non-bulk

finished goods like steel, bagged cement and fertilizer. Under this policy, busy season surcharge and terminal charges will not be levied.

Competitive landscape in wagon manufacturing sector

At present, there are about 11 companies operating in the wagon manufacturing business in India, manufacturing wagons as per designs laid down by Indian Railways. Five companies are in the public sector domain under the Department of Heavy Industries and six companies are in the private and joint sector. Besides the afore mentioned companies, three railway workshops are also manufacturing wagons. (Source: *Standing Committee on Railways (2005-06), Ministry of Railways (Railway Board), Procurement of Wagons, Thirteenth Report*) Public sector companies in this industry include Burn Standard Company Limited, Bharat Wagon Engineering Company Limited, Braithwaite & Company Limited, and Bridge & Roof Company Limited which come under the Ministry of Heavy Industry and Public Enterprises (Department of Heavy Industries). Companies such as Texmaco Limited, Hindustan Engineering Industries Limited, Modern Industries Limited, Besco Limited, Titagarh Wagons Limited and Jessop & Company Limited are in the private sector and joint sector. Indian Railways is one of the biggest customers of these wagon-manufacturing companies. The public sector companies occupy 30-40 per cent market share of wagon industry in the country. PSUs have not been able to execute the orders and are continuously under performing for the last three years. Every year each PSU had order, much more than what they could produce. As on July 1, 2005, the total outstanding orders on PSUs are 7,100 FWUs which is around their one and half years' production capacity. The Standing Committee on Railways in its thirteenth report on 'Procurement of Wagons' described the state of affairs of the five wagon manufacturing units in the public sector, as "beleaguered with low level of morale and efficiency, inadequate, working capital and inadequate, untimely and unviable wagon orders from the Railways."

Indian Railways is one of the biggest customers of these wagon-manufacturing companies.



(Source: *Standing Committee on Railways (2005-06), Ministry of Railways (Railway Board), Procurement of Wagons, Thirteenth Report*)

Wagon Procurement System of Indian Railways

Wagon procurement by Indian Railways is made via open tendering system. The Railway Board floats a tender on behalf of the Ministry of Railways, Government of India for acquisition of wagons. Indian Railways has been following a system of distributing 75 per cent of the quantity against the tender among all established players. PSUs are eligible for purchase preference as per provisions of the policy made by the Government of India. The two criteria for allocation of orders in this category are:

- (i) best yearly performance during the last five years; and
- (ii) average performance during the last five years.

The residual 25 per cent tender quantity is distributed amongst the three lowest bidders. All orders are placed at the lowest eligible bidding price, ensuring equitable distribution of load among the established players in the industry, as well as ensuring achievement of competitive prices to bring in cost savings. Technical and commercial aspects of

price and allocation of quantities are evaluated by the tender committee of Indian Railway. (Source: Government of India, Ministry of Railways (Railway Board), Tender No. 2008/RS(I)/954/1/(TC))

Since the tender structure inherently gives strong preference to past performance in terms of timely deliveries and execution, it may make it comparatively difficult for the new entrants and other small competitors to gain scale in this business in the short term.

After certain major changes in the design of bogies and coupler adopted by Indian Railways around 1980s, materials like steel, wheel sets, bogie and coupler etc. were introduced as 'free supply' items by Indian Railways due to significant cost involved in manufacturing of these items. However, these items were converted to 'bought out' category in the contracts released by Indian Railways after November, 1995. This practice has continued till 2004-05. In the year 2005-06, Indian Railways again agreed to issue these items as 'free supply' for the orders to be placed on central PSUs. Moreover, two major bought out items viz. 'bogie' and 'coupler' were taken out of the purview of free supply items. (Source: Standing Committee on Railways (2005-06), Ministry of Railways (Railway Board), Procurement of Wagons, Thirteenth Report). This change in policy of Indian Railways regarding the 'free supply items' will benefit wagon manufacturers which have in-house steel foundries.

Further, the proposed dedicated freight corridor and new the new policies such as LWIS, wagon leasing scheme and new design policy will provide a competitive edge to wagon manufacturers with strong in-house design capabilities.

Wheel-sets are one of the most critical components in the wagon manufacturing business. There are currently two existing wheel-set manufacturing companies in India, in West Bengal and in Bangalore, both of which are in the public sector. These companies generally run on full capacity and are booked for the Indian Railways. Consequently, these companies are not able to meet any additional demand for wheel-sets created by LWIS or by the entry of private players in containerised freight transport. Consequently, wagon manufacturers have started importing wagon wheel-sets to take care of this scarcity. Presently there are a limited number of Railway Board approved wheel-set manufacturers from whom wagon manufacturers in India can import wheels. The performance of wagon manufacturing companies depends on their ability to procure wheel-sets at a competitive price and in timely manner.

Hydro-Mechanical Equipment

India is endowed with enormous hydro power potential, last assessed to be about 84,000 MW at 60 per cent load factor, which translates to 1,48,700 MW in terms of installed capacity. In addition, 6,782 MW of installed capacity has been assessed from small, mini and micro hydel schemes (i.e. schemes of capacity up to 25 MW). Further, 56 potential pumped storage sites, with an aggregate installed capacity of 94,000 MW, have also been identified. The programmed capacity addition from hydro projects during the Eleventh Five Year Plan is 16,553 MW, of which central and state sectors will contribute 9,685 MW, of which central and state sectors will contribute 9,685 MW and 3,605 MW respectively, and the balance 3,263 MW will be contributed by the private sector. Based on the demand forecasts, and on the level of preparedness of various agencies, a hydro capacity addition of about 30,000 MW is envisaged during the Twelfth Five Year Plan. As of December 31, 2007, 31,439.5 MW (21.14 per cent) of the potential has been developed and 14,177 MW (9.53 per cent) is under development in terms of installed capacity. Thus, about 69.32 per cent of the potential is yet to be tapped. (Source: Hydro Power Policy, 2008)

The total power generation capacity in India stands at 1,50,323 MW. Thermal power contributes a major share (63.9 per cent) with 96,044 MW capacity, whereas share of hydro power is 24.6 per cent with 36,917 MW installed capacity. The residual 11.5 per cent energy is contributed by nuclear and renewable energy. (Source: Monthly Review of Power Sector, Central Electricity Authority, June 2009)

In pursuing the low carbon growth strategy, Government of India has targeted increasing share of hydro electric power to total installed capacity. It has targeted hydel capacity addition of 15,627 MW during Eleventh Five Year Plan taking the total Hydel capacity to 50,281 MW by the end of Eleventh plan.

Major Projects under Approval/ Award	Capacity (MW)
Diwang	3,000
Tehri Pass	1,000
Pakeldul	700
Kotlibhel Ia, Ib	515
Lower Jurala	240
Vyasi	120
Sawara Kuddu	110
Sorang	100

For the Twelfth Five Year Plan, Central Electricity Authority (CEA) has identified a shelf of 146 candidate projects with aggregate installed capacity of 58,573 MW. (*Source: Hydro Development Plan for 12th Five Year Plan (2012-17), CEA, September 2008*).

Region-wise, north-east region of the country has the maximum share of the development potential in hydro-power.

Region	Undeveloped hydro-power capacity (MW)	Share (percent)
North- Eastern	55,044	53.8
Northern	32,559	31.8
Southern	6,277	6.1
Western	2,724	2.7
Eastern	5,689	5.6
Total	102,293	100.0

(*Source: Status of Hydro Electric Potential Development, As on 30.04.2009, Central Electricity Authority*)

Steel Castings

Indian Railways is a major consumer of steel castings in the country. Rail castings involve bogies and couplers which are parts of wagon and CMS crossing. The steel castings required for wagon manufacturing need to be procured from the steel foundries approved by Indian Railways.

In recent years, there is an increasing export potential for rail castings as well as industrial castings. Steel foundry is a labour intensive sector and the high labour cost involved in the operations of a steel foundry becomes a deterrent for setting up of such foundries. Therefore, operating a steel foundry is more cost efficient in developing countries as compared to developed countries. These developments make sourcing steel castings from developing countries like India and China much more attractive.

OUR BUSINESS

The following summary is qualified in its entirety by, and should be read in conjunction with, the more detailed information and the financial statements that appear elsewhere in this Preliminary Placement Document. In addition, you should carefully consider the risks discussed under the section titled "Risk Factors" for an understanding of the risks associated with a purchase of our Equity Shares.

Overview

We are a diverse heavy engineering company, founded in 1939 by Late Dr. K.K. Birla, son of Late Shri. G. D. Birla. Our Company started as a textile machinery manufacturing company and subsequently diversified into other engineering fields, providing services to core sectors and process industries in India and abroad. Our major operating divisions are the heavy engineering division consisting of wagon, hydro-mechanical equipment and process equipment manufacturing facilities and the steel foundry division. In addition, we have real estate properties consisting of land and commercial buildings in West Bengal and Delhi, from which we derive lease rental income. Presently, we have five manufacturing facilities in the outskirts of Kolkata, in Agarpura, Belgharia, Sodepur and Panihati.

The order book of the Company, as on July 1, 2009 stands at Rs. 1,87,849 lakh excluding the value of free supply items.

We are presently the largest supplier of wagons to the Indian Railways in India with strong in-house capabilities for the design and manufacture of special purpose wagons for core sectors such as cement, coal, alumina, steel, container freight cars, oil, chemicals, fertilizers, thermal power projects and defense sector among others. We have secured contracts for export of wagons from European, African and Bangladesh Railways in competition with global players. We believe that we have forged long standing relationships with the Indian Railways, National Thermal Power Corporation Limited, National Hydroelectric Power Corporation, Container Corporation of India Limited and several other national and international core sector companies. We have consistently maintained our position as one of the largest supplier of wagons to the Indian Railways and other private sector customers for the last three years.

Over the years, our Company has built strong capabilities in designing, marketing, manufacturing, erecting and commissioning of hydro-mechanical equipments such as hydraulic, radial and vertical gates, hoists, penstocks, trash cleaning machines, stop logs and other heavy steel structures. Our Company has executed several projects both in India and overseas. Our Company is currently executing one of the largest orders for the supply of hydro mechanical equipments in India for a 2,000 MW hydro power project of the National Hydroelectric Power Corporation in Subansiri, Arunachal Pradesh.

We also manufacture sugar mill machineries, industrial boilers, cryogenic and pressure vessels, chemical plant equipment and agro-machinery such as power tillers.

For the year ended March 31, 2009, our Company's income (net of excise duty and inter-segment sales) was Rs. 81,505.76 lakh, our EBITDA was Rs. 13,411.37 lakh and our profit after tax for the period was Rs. 7,617.52 lakh, each on a consolidated basis. As at March 31, 2009, our Company's total assets were Rs. 38,892.85 lakh and our total shareholders' funds was Rs. 31,218.98 lakh.

In Fiscal 2009, our gross sales grew by 15.47 per cent to Rs. 1,09,117.96 lakh, our EBITDA grew by 12.41 per cent to Rs. 13,411.37 lakh, our profit before tax grew by 10.36 per cent to Rs. 11,189.12 lakh and our profit after tax grew by 9.64 per cent to Rs. 7,617.52 lakh compared to Fiscal, 2008. Our gross sales have grown at a CAGR of 40.47 per cent in the last three financial years.

The table below sets forth the composition of our Company's total revenues and profit after tax, for Fiscal 2009, Fiscal 2008 and Fiscal 2007 on a consolidated basis.

	<i>(In Rs. lakh)</i>		
	Year ended March 31,		
	2009	2008	2007
Revenues			
- Heavy Engineering Division	77,614.13	66,654.91	30,923.00
- Steel Foundry	1,856.34	2,623.93	6,455.66
- Real Estate	920.02	598.00	
- Others	271.40	246.07	149.90
Total	80,661.89	70,122.91	37,528.56
Profit after Tax	7,617.52	6,947.25	2,738.53
Net Profit (after minority interest)	7,611.02	6,940.72	2,733.01

Revenues are net of excise duty and inter-segment sales

We have three subsidiaries, viz., High Quality Steels Limited, Macfarlane & Company Limited and Texmaco Machines Private Limited. High Quality Steels Limited is engaged in the business of fabrication and erection and provides erection services at various sites of our Company. Macfarlane & Company Limited and Texmaco Machines Private Limited are presently not carrying on any significant operation.

Our Strengths

Our principle competitive strengths are set forth below:

Market leader among wagon manufacturers in India

We have been in the business of manufacturing wagons for over 50 years. The Ministry of Railways (Government of India) has recognized us as one of the major suppliers of wagons to the Indian Railways since 1954. In Fiscal 2008 and Fiscal 2009, we have sold 31 per cent and 30 per cent of the total number of wagons sold in India, respectively.

We have consistently been one of the largest suppliers of wagons to the Indian Railways including having been the single largest supplier of wagons to the Indian Railways for the last three financial years. Our consistent track record of being one of the largest wagon suppliers has translated into higher orders awarded to us each year by the Indian Railways. In Fiscal 2008 and Fiscal 2009, we were awarded orders for 2,539 and 3,455 wagons respectively, by the Indian Railways. We have been one of the leading wagon suppliers to private sector customers. In Fiscal 2008 and Fiscal 2009, we had a market share of 51 per cent and 47 per cent respectively.

Our special purpose custom built wagons such as the multi axled wagons for bulky/oversized consignments, coal hopper cars with electro pneumatically door opening mechanism, covered car for bulk transportation of commodities such as cement, tank cars and chemicals have earned us appreciation and repeat orders from our customers.

Further, we currently occupy the position of market leader in the supply of certain commodity specific wagons. In Fiscal 2009, we were the largest supplier of BLC wagons (for transportation of containers) with a market share of 56 per cent.



Strong Infrastructure Facilities

We believe that our infrastructure for the manufacture of wagons is currently one of the best in the country. Our infrastructure facilities are spread over 155 acres of land and include two million square feet of manufacturing facilities with a 10 km long railway track for storing wagons, which facilitates our position as an industry leader in this segment. Our manufacturing units are equipped with standard rooms with sophisticated measuring equipments related to calibration apparatus/devices providing maximum accuracy measurement, in-house x-ray testing facility to check welding quality, cold spun dished end manufacturing, stress relieving furnace for complete wagons, shot blasting chamber, special purpose machine tools, battery of cnc air/plasma profile cutting machines, automated welding equipments, plate bending machine with a capacity of 100 tonnes and up to three metres in width, heavy duty press machines, horizontal and vertical turning machines, hydraulic load testing facilities and other sophisticated equipments. We also have significant storage facilities for raw materials used for manufacturing our wagons. We may leverage our infrastructure facilities to manufacture eight different types of wagon simultaneously at any given point of time.

Bogies, couplers and draft gears are some of the critical components in the wagon manufacturing segment. Our in house steel foundry manufactures railway castings such as bogies, couplers and draft gears which are used in the manufacture of wagons by our wagon manufacturing unit. We believe that going forward our in-house production capabilities will help us maintain timely access to such critical components at competitive prices.

We have received an approval from the RDSO, Ministry of Railways for manufacturing and supplying to primary manufacturers and various railway units, the following items: casnub bogies and its components; high tensile CBC coupler and its components for freight stock and locomotives; high capacity draft gear; and cast steel bogies for CONCOR flat wagons.

We believe that we are in a position to leverage on our strong infrastructure facilities to maintain our position as one of the market leaders in the wagon manufacturing sector.

Well equipped to derive leverage from the recent policy initiatives by the Indian Railways

- ***Wagon Design***

Prior to the railway budget for the year 2007-08, the Indian Railways procured wagons based on designs prescribed and approved by the RDSO. Pursuant to the railway budget for the year 2007-08, it was announced that going forward, wagon manufacturers would be allowed to supply wagons based on designs developed by the wagon manufacturers, provided the designs conform to the standards and specifications prescribed by the RDSO. We are well equipped to take advantage of this policy initiative as we believe that our strong in-house design team has adequate experience and expertise to undertake design of freight wagons.

- ***Free Supply Items***

Indian Railways is gradually phasing out the free supply of raw materials to wagon manufacturers. Whilst we are geared to derive leverage from this change in policy on account of our size and our in house manufacturing capabilities, we believe that smaller competitors may not be able to cope with the said policy initiative due to large working capital requirements, lack of adequate infrastructure and experience.

Policy on Procurement of Wagons by the Indian Railways is advantageous for us

The Indian Railways while procuring wagons by floating tenders and inviting bids, have been following a system of distribution of 75 per cent of the quantity against the tender amongst the bidders, based on their past performance.

In light of the aforesaid system of distribution of wagon orders by the Indian Railways, we believe that we are in a position to leverage our past performance to receive significant wagon manufacturing orders from the Indian Railways.

One of the major supplier of steel castings to the Indian Railways

Our steel foundry has been classified as a “Class A” foundry and a “Part I” manufacturer by RDSO, Ministry of Railways. As a result of the said classifications, we have been certified as an approved source for manufacturing bogies and couplers. Our Company is a major supplier of steel castings for the Indian Railways. We believe that we have been the largest supplier of steel castings for the Indian Railways and other private wagon manufacturers with a market share of around 24 per cent, 27 per cent and 31 per cent in Fiscal 2007, Fiscal 2008 and Fiscal 2009 respectively. Further, we also believe that we have supplied around 22 per cent, 27 per cent and 33 per cent of the total number of bogies and around 33 per cent, 28 per cent and 25 per cent of the total number of couplers supplied for the Indian Railways and other private wagon manufacturers in Fiscal 2007, Fiscal 2008 and Fiscal 2009 respectively. The steel foundry with 30,000 MTPA capacity is also equipped with a state of the art fully automated sand plant and high pressure moulding line from Kunkel Wagner, Germany.

Expertise in hydro mechanical equipment and geographical locational advantage

The Central Electricity Authority has set a target of adding 30,920 MW of hydel power in the Twelfth Five Year Plan. We believe that the emphasis of the Government of India on the development of India’s hydro potential will benefit us. We believe that we are one of the leading manufacturers of hydro-mechanical equipments in India and our strength lies in offering a one point solution to our customers from designing to commissioning of hydro mechanical equipments and in providing after sales services. We manufacture a wide range of hydro-mechanical equipments such as radial gates, vertical gates, hoists, gantry/ EOT cranes, trash cleaning machines, penstock and heavy steel structures.

We were awarded one of the largest orders for hydro-mechanical equipment in India for a 2,000 MW hydel power project of NHPC in Subansiri, Arunachal Pradesh.

We believe that our geographical location enhances our prospects in the hydro mechanical equipment business. Our hydro mechanical equipment division is located near Kolkata, in eastern India. Since a majority of the hydro power projects being established in India, are being executed in the north eastern part of India, we believe that our proximity to the project sites gives us an edge over our competitors in the procurement of orders.

Experienced management team with a proven track record

Our operations are led by an experienced senior management group who we believe has the professional expertise and vision to maintain our position as a leading diverse heavy engineering company. Our Company’s senior management includes highly qualified people with extensive experience in our Company’s business with commercial, engineering or technical background. Our Chairman, Mr. S.K. Poddar has been the president of Federation of Indian Chambers of Commerce and Industry, International Chamber of Commerce, India, Indian Council of Arbitration, All India Organization of Employers, Council of Indian Employers and Indian Chamber of Commerce. Our President and Chief Executive Officer, Mr. Ramesh Maheshwari commands more than four decades of experience in this sector and has been the president of the Confederation of Indian Industry and also the chairman of the Engineering Export Promotion Council of India. He was a member of the Tandon Committee set up by the Reserve Bank of India to frame guidelines for bank credit. He also served on various task forces set up by the Planning Commission and development councils nominated by the Government of India and on the board of the CSE as a nominee of SEBI. He is on the board of governors of Birla Institute of Management Technology, New Delhi and Globsyn Business, Kolkata. Our Executive Director (Operations), Mr. D.H. Kela and our Chief Executive (Heavy Engineering Works), Mr. A.K. Nanda, command more than four decades of rich experience in the heavy engineering manufacturing sector.

Ability to create and maintain strategic partnerships and alliances with leading engineering companies of the world

We have entered into strategic collaborations with global engineering companies for technology collaboration and skill enhancement. In the past we had entered into collaboration arrangements with C.E. USA for manufacturing water tube boilers, with Voest Alpine, Austria for the hydro mechanical equipment division, with Strok-Workspoor, Holland, with Walkers Limited, Australia for the manufacture of sugar mill machinery and with Toyoda Automatic

Loom Works Limited, Japan for an exclusive license to manufacture, use and sell ring spinning frames, among others. We believe that our successful collaborations have enabled us to enhance our technological knowledge and improve our technical skills, thereby empowering us to keep ourselves abreast of the latest technological developments and retain our position as a leading heavy engineering company in India.

We have entered into a memorandum of agreement dated November 13, 2007 with United Group Limited, Australia for the design and manufacture of locomotive components and modern design freight cars. We have entered into a memorandum of agreement with McConway & Torley dated March 29, 2009 pursuant to which McConway & Torley will assist our Company to take up the production of coupler items along with requisite processes and systems for Association of American Railroads' approval. We have also entered into a memorandum of understanding dated April 20, 2009 with Kawasaki Heavy Industries Limited, Japan, for participation in a tender for design, manufacture, supply, testing and commissioning of passenger rolling stock i.e. metro coaches floated by Kolkata Metro Rail Corporation Limited.

Our Strategies

Principal elements of our strategy include the following:

Expansion of our manufacturing facilities

We intend to expand our manufacturing facilities in the heavy engineering and steel foundry divisions and we also propose to invest in manufacturing facilities for new design wagons, EMUs, metro coaches and locomotive components.

We believe that the expansion of our wagon manufacturing facilities would enable us to capitalize on the expansion plans laid down by the Indian Railways which includes development of rail infrastructure such as the dedicated freight corridors.

We also intend to expand the capacity of our steel foundry to cater to the growing requirements of customers in countries such as North America and Australia and also to meet the increasing demand from the domestic market. The products for export to North America include side frames, bolsters and CMS crossings for rail roads for which we have already received approval from the Association of American Railroad for such supplies. The export products to Australia include industrial castings for mining equipment makers.

The demand for EMU coaches and locomotives is set to increase with the proposed rail expansion across the country. Demand for metro coaches is also expected to increase with the proposed metro projects in Mumbai, Chennai, Bangalore, Hyderabad, Ahmedabad, Kochi and the expansion of metro rails in Kolkata and Delhi. We will seek to leverage on our existing wagon manufacturing capabilities to establish our presence in this segment. Pursuant to our memorandum of agreement with United Group Limited, a joint venture company Texmaco United Group Rail Private Limited has been incorporated, which will *inter alia* focus on designing and manufacturing of bogies, bogie components, wagons, passenger coaches, locomotive under frames, locomotive bogies and modern design freight cars.

Exploring options in allied business areas that permit us to take advantage of our inherent strengths

- ***Wagon Leasing Scheme***

The Ministry of Railways formulated a wagon leasing scheme which came into effect from April 15, 2008, which allowed private companies to own and lease wagons, hitherto the prerogative of Indian Railway Finance Corporation. The wagon leasing scheme has opened up new avenues of business opportunities, as the wagons were hitherto owned either by the Indian Railways themselves or by industrial users. In line with the global scenario, where wagon manufacturing companies themselves are operating as wagon leasing entities, we are also exploring the possibility of forming a new company for leasing wagons to prospective customers.

We believe that the growth in the Indian economy will lead to a growth in the demand for wagons from both the Indian Railways and other industrial users. We believe that our experience and position as one of the leading wagon manufacturers in India will enable us to leverage our existing capabilities in the wagon leasing business.

- *Refurbishment and maintenance of rolling stock business*

Our Company intends to enter into the business of refurbishment of wagons for which we believe we have adequate experience and infrastructural facilities. We believe that this segment offers tremendous business opportunities for us.

Increasing focus on special design commodity specific wagons

We believe that rail borne traffic of commodities is poised for a significant growth. Consequently, we expect a growing demand for commodity specific freight wagons from private sector customers. Our Company plans to add additional capabilities to cater to this demand. Further, we believe our Company will benefit greatly due to the expected rise in the demand for wagons with rail borne container operation, hitherto the exclusive domain of CONCOR, being thrown open to private players willing to invest in rolling stock and terminal infrastructure after payment of the requisite registration fees.

Inorganic growth by acquisition of companies in a similar line of business

We intend to expand our businesses by acquiring companies, both in India and overseas, involved in a similar and allied line of business. We would also actively pursue opportunities to backward integrate our manufacturing facilities by acquiring companies engaged in the manufacture of critical components.

Attract, train and retain qualified personnel

We believe that maintaining quality, minimising costs, ensuring timely delivery and completion of our orders depend largely on the technical skill and workmanship of our employees. As competition for qualified personnel increases, we intend to improve our competitiveness by increasing our focus on training our staff and honing their technical skills.

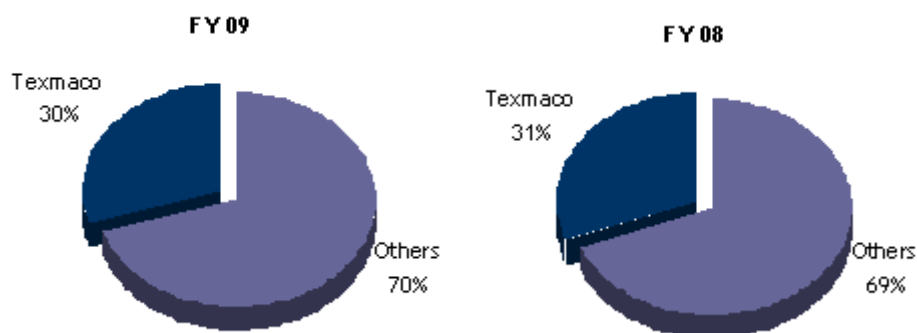
We continuously train our workforce to enhance their knowledge and equip them with the latest technological and engineering skills through a dedicated training and placement department. Trainees from various engineering institutions and trainees nominated by government agencies undergo training at our various manufacturing facilities. We have entered into a memorandum of understanding with Birla Institute of Technology and Science, Pilani, with the objective of running educational programs to meet the human resources development needs of our Company through off-campus work-integrated learning programs.

Our Business

Heavy Engineering Division

- **Wagons**

We are presently one of the largest supplier of wagons in India. Apart from being a major supplier of wagons to the Indian Railways since 1954, we also cater to the requirements of other customers including container freight operators and industries involved in the production of commodities such as cement, alumina, coal, steel, oil, chemicals and fertilizers. Given below, is the percentage of the total number of wagons sold by as compared to other wagon manufacturers during Fiscal 2008 and Fiscal 2009.



Our Products

The products manufactured by our Wagon division include the following:

Wagon	Description
BOXN-HL	BOXN wagon with higher axle load with stainless steel construction
BOXN-HS	BOXN wagon fitted with high speed bogies, maximum speed 100 kmph
BCN –HL	Covered bogie wagons with higher axle load with stainless steel body
BCN-HS	Covered bogie wagon with high speed bogies, maximum speed 100 kmph
BOBRN- HS	Rapid pneumatic bottom discharge hopper car, equipped with high speed bogies Uses: transportation of coal to thermal power plants, also for stone, track ballast
MGR	Electro pneumatic bottom discharge coal hopper car equipped with ride control bogies
BOXN-LW	BOXN wagon with low-tare-weight, stainless steel construction for corrosion reduction
BTAP	Tank car for transportation of alumina in fluidized form
BCCW	Pneumatic discharge wagons for transport of bulk cement
BLC	Container flat cars
BOXN-LW	BOXN wagon with low-tare-weight, stainless steel construction for corrosion reduction

Our Customers

Some of our key industry specific customers are set out below:

Industry	Key Customers
Railways	Indian Railways
Cement	ACC Limited Ultra Tech Cement Limited Bulk Cement Corporation (India) Limited Vasavadatta Cements
Alumina	Vedanta Aluminium Limited Hindalco Industries Limited National Aluminium Company Limited
Coal	NTPC Limited
Steel	Sesa Goa Limited Adhunik Corporation Limited CONCOR Container Rail Road Services (P) Limited Gateway Rail Freight Limited
Food grains	Adani Agri Logistics Limited
Container	ETA Engineering Private Limited
Chemicals	Grasim Industries Limited

Performance of the Wagon Segment

Number of Wagons	Fiscal 2007	Fiscal 2008	Fiscal 2009
Railway Sales	1,930	1,437	1,783
Private Sales	913	2,692	2,288
Total	2,843	4,129	4,071
Sales (in Rs. Lakh)	24,887.2	64,841.6	75,223.6

Significant Orders

Indian Railways

Our Company has been one of the major suppliers of wagons to the Indian Railways since 1954. In the last five years we have successfully bid for many tenders floated by the Indian Railways as well as by organisations based in foreign countries. These include:

Date	Type of wagon	Quantity
September 14, 2006	BOXNHS	1119
	BTPN	135
	BFNS	100
	BOBRN	425
	BTPN	373
	BOSTHS	135
	BOBSN	100
	BOXNHS	308
	BOSTHS	225
	BOXNHS	170
	BTPN	266
February 20, 2007	BOXNHS	188
	BTPN	135
	BFNS	100
	BCNAHS	180
April 27, 2007	BOXNHS	517
August 23, 2007	BOXNHS	1822
	BTPN	135
	BCNAHS	282*
October 31, 2007	BCN-HL	842
	BCN-HL	600
	BOBRN-HS	697
	BRNA-HS	400
February 2, 2009	BOSTHS	340
	BOXNHL	160**
	B BCNHL	1908**

* Order for 100 BFNS wagons and 2 BOXNHS wagons were transferred from our Company to Besco Limited in exchange for 102 BCNAHS wagons from Besco Limited

** The order will be released only after our Company completes delivery of at least 75 per cent of our outstanding orders of wagons as on April 1, 2008.

Private Parties

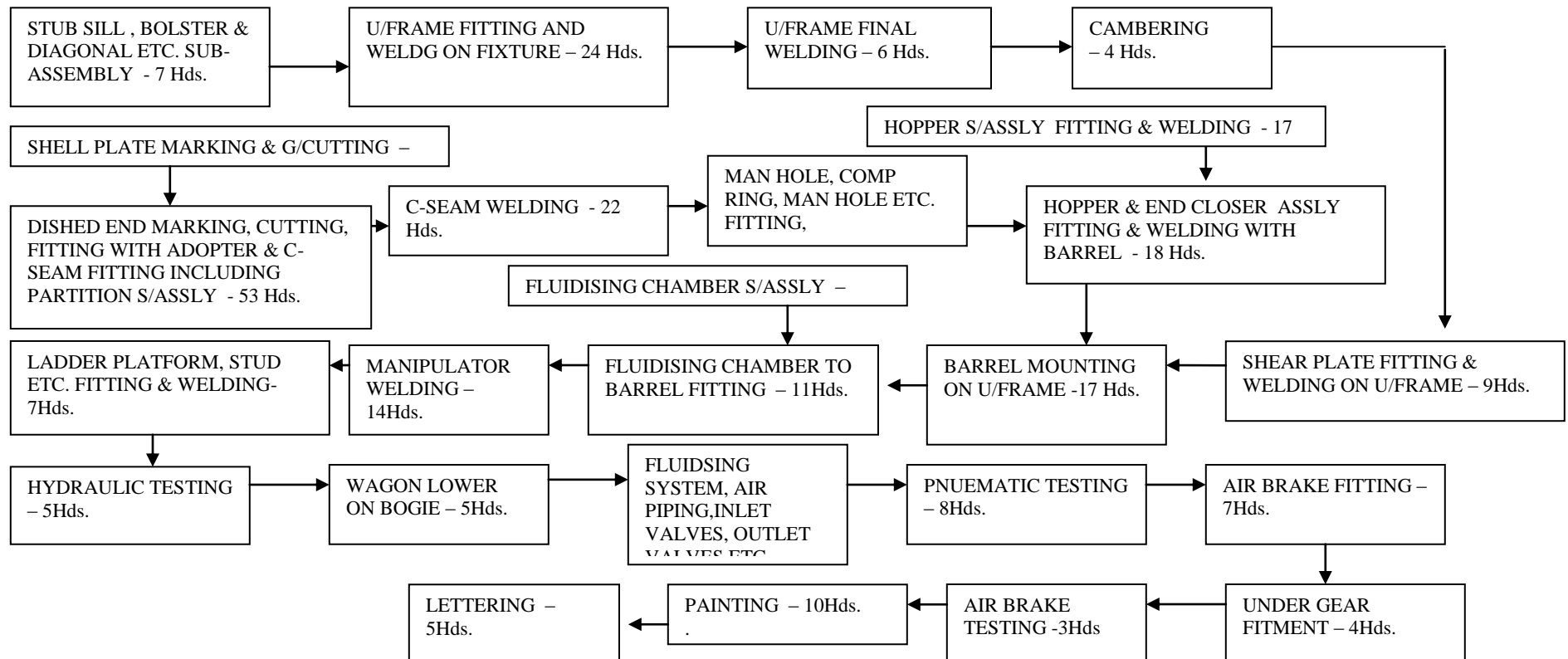
We have been one of the leading suppliers of wagons to private sectors customers in India. Some of the significant orders received by us include the following:

Company	Date	Type of Wagon	Quantity
Gateway Rail Freight Limited	March 11, 2008	BLC wagons	720
ACC Limited	September	BCCW for transportation of fly ash	61

	20, 2007		
National Thermal Power Corporation Limited	December 8, 2004	Bottom discharge coal hopper wagons type MGR	200
Ultra Tech Cement Limited	May 26, 2008	Closed wagon for fly ash transportation	40
Bulk Cement Corporation (India) Limited	October 17, 2007	BCCW wagons for cement transport	42
Vedanta Aluminium Limited	December 11, 2008	BOBRN wagons	232
Sesa Goa Limited	April 3, 2009	BVZI goods brake van	2
Grasim Industries Limited	January 5, 2007	Closed wagons for fly ash transportation	60
Adani Logistics Limited	May 1, 2008	BLC wagons	225

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Production Process for BTAP wagon



*production @ 2 wagon per day
head required -305 heads (based on 8 hours working)*

Competition

The public sector companies operating as wagon manufacturing units include:

1. Burn Standard Company Limited;
2. Bharat Wagon Engineering Company Limited;
3. Braithwaite & Company; and
4. Bridge & Roof Company Limited

The private sector companies operating as wagon manufacturing units include:

1. Hindustan Engineering Industries;
2. Modern Industries;
3. Besco Limited;
4. Titagarh Wagons Limited;
5. Jessop & Company; and
6. Jupiter Limited

• Hyrdo-Mechanical Equipments and Structural

We believe that we are one of the largest manufacturers of hydro-mechanical equipments in India. With the industrial and hydro-mechanical structures, designed and fabricated at our Company's works, we believe we have made significant contribution to several infrastructure projects such as hydro-electric power plants, irrigation projects and flood control projects among others, in India and abroad. We were recently involved in the successful commissioning of the 1,020 MW Tala Hydro Electric Project in Bhutan. The hydro mechanical segment of our company recorded an increase of 6.5 per cent in its turnover in Fiscal 2009 as compared to Fiscal 2008.

Our Company has also established export credentials in the field of hydraulic and industrial heavy steel structures and hoisting equipment, through our successful execution of large contracts secured from Africa and other Asian countries. Our Company exported hydro-mechanical equipments to Nkula Falls on the Shire river for electricity supply commission of Malawi, Wadi Ghan Dam in Libya, Tenom Pangi Project, Sabah in Malaysia and Kalingandaki Project in Nepal, among others.

Neora Hydro Limited, a company promoted for setting up a 2.40 MW hydroelectric project in Darjeeling, West Bengal was merged with our Company from the effective date of August 1, 2007 pursuant to an order duly passed by the Calcutta High Court. We are currently operating the 3 MW hydel power plant on the Neora river in Darjeeling.

Our Products

We manufacture radial gates, vertical gates, hoists, gantry / EOT cranes, trash cleaning machines, penstock and heavy steel structures including girders, hull blocks and other parts of bridges, flyovers and marine vessels.

Our Customers

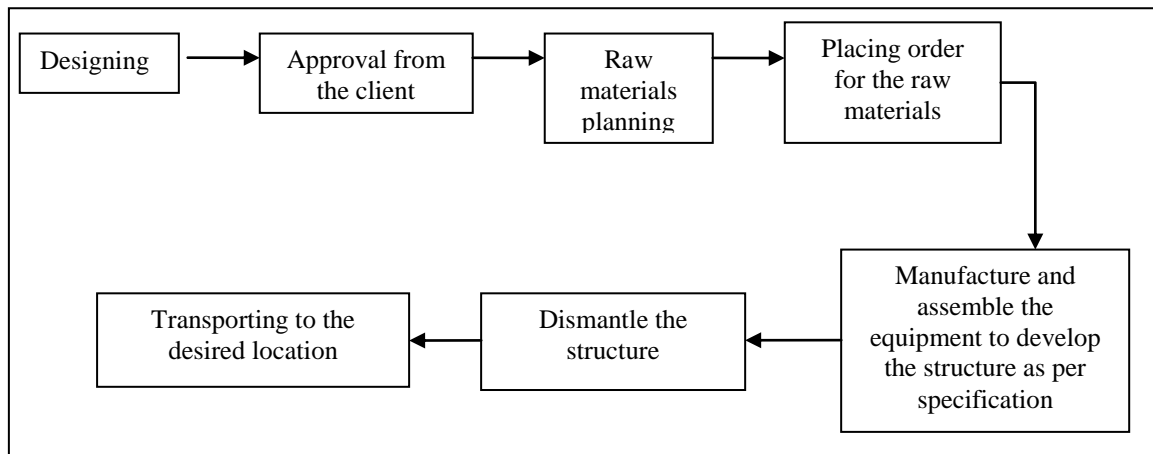
We supply the products manufactured by us to public sector companies such as NHPC, NTPC and others. We also supply our products to private sector companies such as Mitsubishi Heavy Industries and Jai Prakash Industries among others.

Performance of the hydro mechanical equipment segment

(in Rs. lakh)

Revenue	Fiscal 2009	Fiscal 2008	Fiscal 2007
Hydro mechanical Equipment and structurals	6,671.4	6,262.31	5,725.16

Process for manufacture of hydro mechanical / structural equipments



Significant projects

Some of the significant projects in which we have been involved are set out below:

- Supply and erection of hydro mechanical equipments for the Kalingandaki Project in Nepal;
- Tenom Pangi Hydro Power Station in Malaysia;
- Design, fabrication, transportation and erection of penstock and trash rack in Ranagadi Hydroelectric project under North Eastern Electric Power Corporation Limited in Arunachal Pradesh;
- Hydro mechanical works for Chamera, stage II, project of 300 MW capacity in Himachal Pradesh;
- Design and manufacture of hydro mechanical equipments for Baglihar hydro electric project (3x150 MW) for J&K Power Development Corporation in Jammu and Kashmir;
- Fabrication, transportation and erection of steel penstock pipes among others for Rammam Hydel Project, stage II in West Bengal;
- Fabrication, transportation, erection, testing and commissioning of complete underground and surface penstock steel liner for 900 MW Purulia Pumped Storage Project in West Bengal;
- Supply, erection, commissioning of hydro mechanical equipments for Vishnupraya hydro electric project (4x100 MW);
- Synchronization and commissioning of all three units of Teesta stage V hydro electric project;
- Renovation and refurbishing works of the hydro mechanical equipments of Umiam Umtru stage III concrete dam under Meghalaya State Electricity Board in Meghalaya;
- Design, fabrication, transportation and erection of gates with hoist of Umiam Umtru stage IV Hydroelectric project under Meghalaya State Electricity Board in Meghalaya;
- Fabrication and erection of steel work for the Kolaghat Thermal Power Project, phase I in West Bengal;
- Supply of high head gates for the Rihand Dam Project in Sikkim;
- Designing, fabrication, supply, erection and commissioning of hydro mechanical equipments at Salal Hydro Electric Project in Jammu & Kashmir;
- Designing, drawing, fabrication, supply, transport and delivery of gates and hydraulic hoists including allied structures for power station – I of T.C.F. Hydroelectric project situated at Liesupukuri, Darjeeling in West Bengal;
- Fabrication work for the flyover at AJC Bose Road, Kolkata, which was executed by Hooghly River Bridge Commissioners;
- Galuidh Barrage Project in Bihar;
- Design, manufacture, supply, installation and commissioning of steel gates of North Koel barrage at Mohammadganj in Bihar;
- Design, fabrication, transportation and erection of penstock at Kopili Hydro Electric Project under the North Eastern Electric Power Corporation Limited in Assam;
- Transport, erection and commissioning of lift gates, rope drum hoist, gantry crane and the design, fabrication, supply, erection and commissioning of head regulator gates, stop logs among others for the Tons Hydel Project in Madhya Pradesh;

- Design, fabrication, transport and erection of radial gates of spillways of Ramganga River Project at Kalagarh in Uttar Pradesh;
- Fabrication, supply and installation of penstocks and liners for 2x30 MW Kyrdekulai Hydro Electric Project in Meghalaya;
- Fabrication and erection of steel liners with boiler quality plates for Khandong tunnel and Umrong tunnel;
- Design, supply, manufacture and erection of vertical gates for Mahananda Barrage;
- Supply of radial gates for OBRA Hydel Power Station in Uttar Pradesh; and
- Supply, transportation and erection of steel penstock and gate for Chandil Hydro Electric Project in Singbhum.

Competition

Our primary competitors in the 500 MW and above hydro power projects segment are multi national companies such as Voest Alpine, Austria, Alstom, Portugal, Technoprome Export, Russia among others. In the sub 500 MW segment, our competitors are Om Metals Infraprojects Limited and Precision Technofab Engineering Private Limited.

Process Equipments

- **Boilers and Pressure Vessels**

Our Company is engaged in the manufacture of industrial boilers, cryogenic and pressure vessels and chemical plant equipments which are used in a wide range of process industries in the country, especially in the sugar industry.

Some of our customers include Kochi Refineries Limited, Indian Oil Corporation Limited, Bharat Sugar Mills and Praxair India Private Limited. Our competitors for sugar mill machineries are Thyssen Krupp Industries (I) Private Limited and Walchand Nagar Industries Limited among others. Our competitors for boilers and pressure vessels are Thermax India Limited, Indian Sugar & Engineering Corporation, Bharat Heavy Plates & Vessels Limited and Godrej & Boyce Manufacturing Company Limited among others.

Financial Performance

<i>(in Rs. lakh)</i>			
Revenues	Fiscal 2009	Fiscal 2008	Fiscal 2007
Boiler	109.6	1,466.3	1,745.7
Sugar Mill Machinery	67.9	1,742.3	459.2
Pressure Vessels	227.9	458.2	600.4

- **Agro Machinery**

Our Company also manufactures various agricultural machines such as power tillers and power reapers among others. Power tillers are marketed by our Company to the farmers under the brand name 'Texmaco Dhanwan'. 'Texmaco Dhanwan' power tillers are equipped with engines manufactured by Kubota Corporation. The power tillers have been approved by the Ministry of Agriculture, Government of India and enlisted by National Bank for Agriculture and Rural Development for distribution in all government assisted programs.

Our competitors in this segment include Kerala Agro Machinery Corporation, VST Tractors and Tillers Limited and Bengal Tools Limited.

Financial Performance

	Fiscal 2009	Fiscal 2008	Fiscal 2007
Sales (in Rs. lakh)	663.5	217.3	254

Steel Foundry

Our steel foundry division is presently capable of producing 30,000 MT of castings on an annual basis and is engaged in manufacturing industrial products for cement plants, refractory plants, sugar mills, steel plants, engineering industry and aluminum smelters. The facilities of the foundry consist of high pressure moulding line and automated sand plant with on-line sand testing equipment.

Our steel foundry division achieved a 33 per cent annual growth, recording a turnover (net of excise duty) of Rs. 19843.38 lakh in the year 2008-09, including inter segment sales of Rs. 17,987.04 lakh, in spite of an adverse global business environment. Our Company has also received an approval from the Association of American Railroads for manufacture of side frame, bolster and freight car centre plates for the market in the United States of America.

The manufacturing facility is located at Belgharia, Kolkata. The foundry carried out a Rs. 5,300 lakh expansion to implement a fully automated sand plant and high pressure moulding line supplied by Kunkel Wagner, Germany.

Our Products

The products of the steel foundry include:

- Bracket Casting
- C.B.C – Knuckle
- Bogies
- Coupler Body
- Draft Gear (RF-361) (Miner)
- High Speed Bogie
- Yoke
- Coupler(s)
- Flange
- Lip Casting
- Tooth Point
- Shot Blasting Machine
- Moulding Machine & Sand Plants

Our Customers

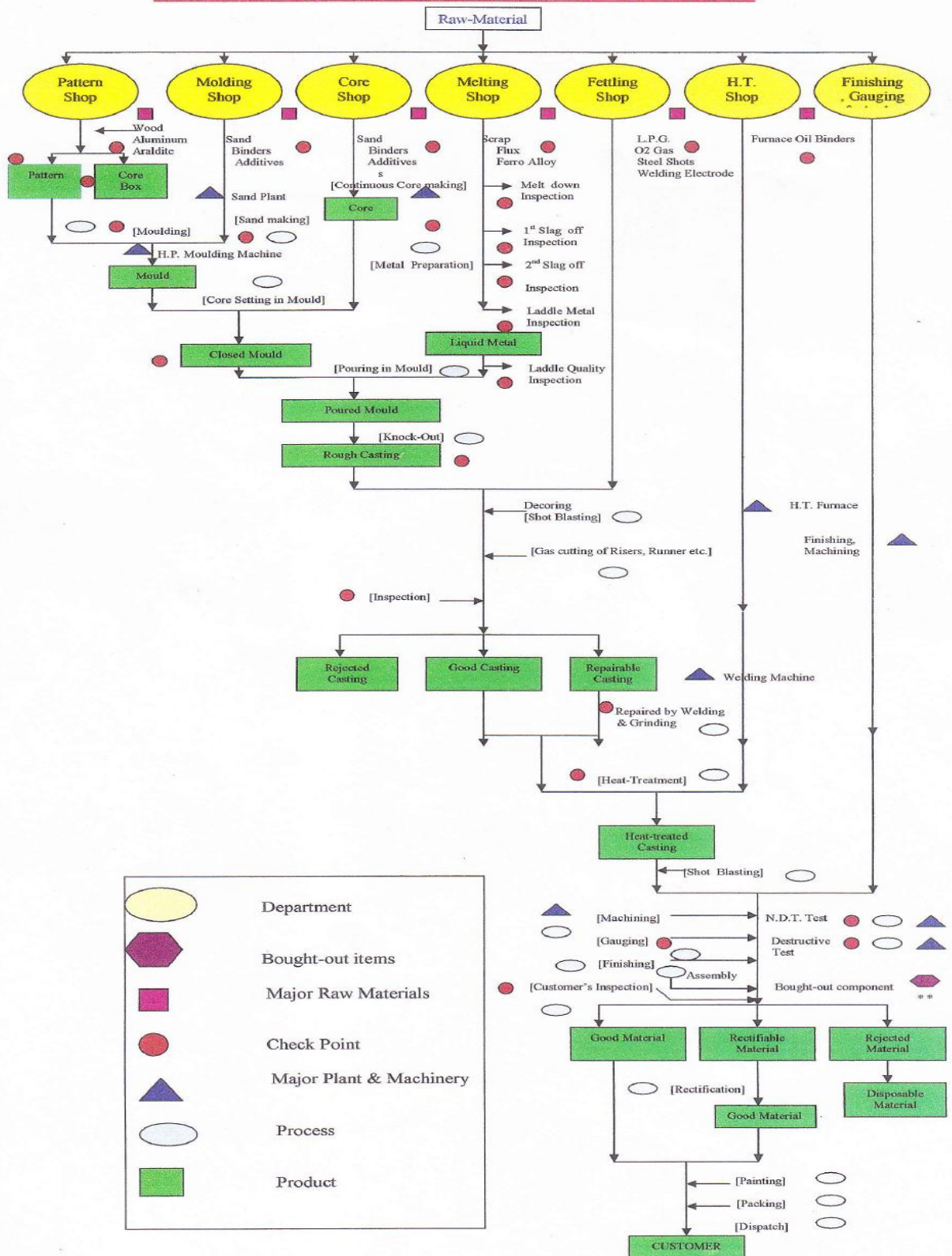
Our primary customer is the Indian Railways. Our other major customers include Sandvik Shark Ptl Limited, Australia and Progress Rail Services, United States of America among others.

Performance of the steel foundry division

	Fiscal 2009	Fiscal 2008	Fiscal 2007
Sales (MT)	18150	17,331	13,498
Sales (in Rs. lakh)	22,375.46	17,338.63	13,054

Process for manufacturing castings

PROCESS FLOW DIAGRAM FOR MANUFACTURING OF CASTING



Significant Orders

Presently, we are primarily catering to the requirements of our in house wagon manufacturing facilities apart from other wagon manufacturers. The Ministry of Railways has *inter alia* placed the following orders on our Company:

Date	Description of Product	Quantity
May 4, 2009	Cast steel bogies for CONCOR's low platform bogie container flat wagons including brake gear assembly	750
January 30, 2009	High capacity draft gear for high tensile centre buffer coupler for B.G. bogie wagons	1,303

Exports

We plan to increase our focus on export of steel castings to developed countries. Our target countries for export are North America and Australia. The products for export to North America include side frames, bolsters and CMS crossings for rail roads. The products for export to Australia include industrial castings for mining equipment. We have already booked export orders for high technology castings and exported two pilot batches of castings, one batch to the United States of America and the other batch to Australia.

Operations of our Company

Raw Materials

Raw materials used by our Company for the manufacturing activities include steel plates, sheets, tubes, pipes, rounds, bars, flats, MS & CI scrap, which are being sourced from Steel Authority of India Limited, Tata Steel Limited, Essar Steel Limited and other entities.

Water

The entire requirement of water for our manufacturing activities is met from the deep bore wells within our manufacturing facilities.

Power

The total power requirements are met from external sources, mainly from the West Bengal State Electricity Board.

Technology

We have entered into a license agreement dated June 1, 2003 with ASF-Keystone Incorporated, a division of Amsted Industries Incorporated, pursuant to which our Company has been granted a non-exclusive license to use the trademarks on certain products used in complete railway cars made by our Company in India and sold outside India. We have our own technical team, which is engaged in research and development, for improving upon its systems and procedures.

The Department of Scientific & Industrial Research, Ministry of Science & Technology, Government of India has accorded accreditation to the in-house research and development unit of our Company at Belgharia.

Marketing

We have our marketing offices in Mumbai, Chennai and Delhi apart from marketing our products through an established network of agents. Our marketing network is spread across the country. Some of our major customers include the Indian Railways, National Hydroelectric Power Corporation Limited, National Thermal Power Corporation Limited, Mitsubishi Heavy Industries, Jaiprakash Industries among others. Most of the orders procured by our Company are through tenders floated by these entities.

Employees

As on July 1, 2009, we have a workforce of 1,744 persons including 448 managerial, commercial and technical staff.

We continuously train our workforce to enhance their knowledge and equip them with the latest technological and engineering skills through a dedicated training and placement department. Trainees from various engineering institutions and trainees nominated by government agencies undergo training at our various manufacturing facilities. We have entered into a memorandum of understanding dated September 22, 2007 with Birla Institute of Technology and Science, Pilani, with the objective of running educational programs to meet the human resources development needs of our Company through off-campus work-integrated learning programs.

Employees in India enjoy certain statutory rights, which prevent them from being dismissed or made redundant, except in limited circumstances. Wages are generally revised every three to five years through negotiations with recognised unions. Membership of a union is not mandatory in India. Whilst, the management of our Company is not unionised, our Company has unions at its project sites and workers, at their option, may become members of a union.

There are four registered trade unions affiliated with central trade unions. They are as follows:

Name of operating union	Affiliated to
Texmaco Workers' Union	CITU
Texmaco Engineering Employees Union	INTUC
Texmaco Mazdoor Union	INTTUC
Texmaco Sramik Karmachari Union	Independent

In addition to its workforce, our Company's third party contractors also employ contract labour for construction works. The Company is regulated by the provisions of the Contract Labour (Regulation and Abolition) Act, 1970 which require it to be registered as a principal employer of the contract labourers and imposes certain prescribed obligations with respect to their welfare and health. Our Company has applied for and/or has obtained registration as a principal employer wherever required.

Certificate of Quality

The quality management system of our Company's Agarpara and Sodepur works, Belgharia has been approved by Lloyd's Register Quality Assurance to quality management system standard: BS EN ISO 9001:2000, which is valid upto July 23, 2009. The quality management system is applicable to:

- (a) the manufacture of open, covered, hopper and tank type wagons including special purpose wagons, suitable for metre, standard and broad gauge lines for Indian Railways and export purposes;
- (b) the manufacture of fabricated bogies for passenger coaches;
- (c) the design and manufacture of hydro-mechanical equipment and fabricated structures, boilers and pressure vessels to various national and international standards; and
- (d) the manufacture of fabricated switches and crossings.

The Bureau Veritas has certified that the management system of our Company is in accordance with the requirement of ISO 9001:2008 with respect to the manufacture and dispatch of carbon and alloy steel casting upto 8 tonnes in weight in as cast, machined and assembled condition including cast manganese steel crossings; and fabricated components for railway sections and engineering applications including castings.

The Association of American Railroads, quality assurance program has certified that our Company has met the requirements of the Association of American Railroads' quality assurance program as specified in M-1003 for freight car centre plates, side frames and bolsters.

Insurance

We maintain a range of insurance policies to cover our assets, including a standard fire and special perils policy for the manufacturing facilities situated at Agarpara, Belgharia, Sodepur, Panihati and the steel foundry division at Belgharia. The total sum insured in this regard is Rs. 19,085 lakh.

We also maintain erection all risks/ storage cum erection insurance policy in relation to the hydro mechanical equipment supplied and installed by us for various hydro projects. We are presently maintaining such insurance covers for our activities in relation to the Teesta low dam hydro electric project in West Bengal and the Subansiri lower hydroelectric project in Arunachal Pradesh. We have also maintained a standard fire and special perils policy for the office premises of our subsidiary Macfarlane & Company Limited. We have also maintained certain marine open policies (cargo).

Our Company believes that the amount of insurance cover presently maintained by us and our subsidiaries represent the appropriate level of coverage required to insure our businesses and those of our subsidiaries.

Property

Our registered office is located at Belgharia, Kolkata- 700 056 and our corporate office is located at Birla Building, Kolkata 700 001. Apart from our registered and corporate offices, we have regional marketing offices in New Delhi, Mumbai and Chennai.

Our Company currently owns the following plots of land:

S. No.	Location	Area (in acre)
1.	Belgharia and Agarpura	114.1185
2.	Panihati	11.80
3.	Sodepur	30.175
4.	Sankrail	111.53

Our Company currently owns the following properties in Delhi:

Name of premises	Survey No./Town Survey No.	Area
Mills premises, workers' residential colony at Birla Lines, called Old Lines abutting Mill Premises	7395, 7396 to 7643, 7651	72,627 sq. yards
Mills premises, workers' residential colony at Birla Lines, called Old Lines abutting Mill Premises		42,000 sq. yards
Near back gate of mill premises for constructing road boundary		2,403.5 sq. yards
Two plots near the circus of Roshanara Road Extension Scheme No. 1, Subzimandi, (Behind Birla Hills Premises)		688.0 sq. yards 85.0 sq. yards
Garden styled as Koharwala situated in Mauza Saohana, Delhi. Now known as Workers' Residential Colony Pandelia Road, Kamalanagar as New Lines and Officers Quarters Colony	6957 to 7177, 7183A, 7183, 7183 A, 7184	39 bighas 1 biswa (kham)
Area near Birla Higher Secondary School at Kamalanagar- 110007		248.0 sq. yards 129.1 sq. yards
Situated at Grand Trunk Road, Delhi, Now known as Garden Raghunath Dass	4 Pumbari Road Code No. 21500524, under Vijay Nagar	22 bighas 10 biswas
Roshanara Extension Scheme Block No. 32. Now known as Shivaji Bhawan, Roshanara Road, Shaktinagar	12119/12207	4,300 sq. yards

In addition, our Company owns three apartments in Kolkata measuring 1,385, 1,237 and 1,318 square feet respectively. Our subsidiary, High Quality Steels Limited owns 32.09 acres of land at Sankrail.

Our property in Gurgaon, Haryana

Gillette India Limited and Evershine Merchants Private Limited (now merged with our Company) had executed an agreement to sell dated May 25, 2007 for the sale, transfer and conveyance of rights, title, interests and lien in certain premises situated at Gurgaon, Haryana on an ‘as is where is basis’ for commercial purposes, for a total consideration of Rs. 72,75,00,000. The said premises comprises of approximately 1.11 acres of undivided, impartible and proportionate share and interests in a piece of land admeasuring 4.337 acres situated at sector 26, Mehrauli-Gurgaon Road; five floors (fifth to ninth floors) in Tower A of the Global Business Park, measuring in aggregate approximately a super built up area of 6,178.350 square metres together with all pipelines and installations; all easement rights on such premises; 105 underground dedicated car parks and 35 surface car parks. This agreement to sell was valid until June 15, 2007 and Gillette India Limited *vide* letter dated July 11, 2008 has enhanced the validity of this agreement to sell for a period of up to July 31, 2009. As per the provisions of this agreement to sell, the parties were to execute the sale deed/ conveyance deed within six months from the date of handing over of the possession of the last of the five floors of the said premises. However, the said sale deed has not been executed by our Company, as of the date of this Preliminary Placement Document.

Intellectual Property

We have entered into a non exclusive license agreement with ASF-Keystone Incorporated, a division of Amsted Industries Incorporated, pursuant to which our Company has been granted the license to use the trademarks, ‘Alliance’, ‘ASF’ and ‘Ride Control’ on certain products sold in India.

We have not registered our business logo either as a trademark or as a service mark. Further, we do not own, nor have we applied for the registration of, any intellectual property rights in India or abroad.

Environmental Matters

Our Company is required to comply with various laws and regulations relating to the environment. India has a number of pollution control statutes which empower state regulatory authorities to establish and enforce effluent standards relating to the discharging of pollutants or effluents into water or the air. In addition, there are various regulations in relation to using hazardous processes. As we increase our international operations, we will become increasingly subject to more stringent environmental regulatory regimes.

Our Company has received renewal of consent to operate under sections 25 and 26 of Water (Prevention and Control of Pollution) Act, 1974 and section 21 of Air (Prevention and Control of Pollution) Act, 1981 from the West Bengal Pollution Control Board for the various manufacturing facilities.

We believe that we comply in all material respects with all such statutes applicable to us and the regulations thereunder. In particular, we have applied for and/or have obtained all the consents from the appropriate regulatory authorities necessary to carry on our business.

Except as set forth in the section titled “***Legal Proceedings***” of this Preliminary Placement Document, there are currently no proceedings pending or, to the knowledge of our Company, threatened against us or any of our directors, officers or employees in relation to such statutes or regulations.

Corporate Social Responsibility

We pursue several corporate social responsibility (“***CSR***”) activities. We have been engaged in a series of community welfare programmes, directly and through philanthropic organisations, especially in the areas of education and health care. We have established the Texmaco Scholarship Trust for providing financial aid and grants to deserving students. We have also established the Texmaco Neighbourhood Welfare Society for extending assistance in the field of healthcare and education to the impoverished section of the society residing in the neighbouring areas of our registered office in Belgharia.

As a part of our CSR initiative we have entered into a memorandum of understanding with Birla Institute of Technology and Science, Pilani for running an off campus educational program offering a chance to our employees to further their education and hone their technical skill sets. In the future, we intend to open the program to other deserving individuals who are not our employees.

REGULATIONS AND POLICIES

The following description is a summary of the relevant regulations and policies as prescribed by the Government of India. The information detailed in this chapter has been obtained from publications available in the public domain. The regulations set out below are not exhaustive, and is only intended to provide general information to the investors and is neither designed nor intended to be a substitute for professional legal advice.

Set forth below are certain significant legislations and regulations that generally govern our operational segments in India.

General

Our Company is primarily engaged in the manufacture of railway freight cars, hydro mechanical equipment, process equipments and agro machinery. Contracts are executed in pursuance of tenders/quotations issued by the Government of India, Government of India agencies, Government companies, private companies, public companies and multinational companies or by orders placed by them. For the purpose of executing the work undertaken by the Company, we may be required to obtain licenses and approvals depending upon the prevailing laws and regulations as applicable.

(A) Indian Railways

Wagon Procurement Policy: Competitive Bidding

Wagon procurement for the use of Indian Railways is centralised in the railway board. Wagon acquisition is a need based activity which is dependent *inter alia* upon the traffic needs and availability of funds after taking into consideration the replacement of wagons due for condemnation. Target for acquisition of wagons for a particular year are fixed on the basis of traffic projections as intimated by planning/traffic directorate of railway board. The bulk of this acquisition of wagons is funded through railway's own budget and funded through the Indian Railway Finance Corporation.

Till 1993-94, orders for wagons were placed directly on member units of Wagon Indian Limited (a company especially created to procure orders and their equitable distribution among all wagon manufacturers), without calling for tenders and the prices of wagons were determined on the basis of cost analysis by following a cost plus approach which consists 81 per cent material cost including free issue materials, 13 per cent fabrication cost and 6 per cent transportation markup/contribution etc. cost. Subsequently, a decision was taken to go for competitive tender for part (10 per cent) requirement for the year 1994-95. Procurement through competitive tender brought in reduction in prices and resulted in financial savings to the Indian Railways. Keeping in view the financial savings which accrued to Indian Railways against the tender for 1994-95, it was decided to increase the percentage of procurement of wagons through tender to 50 per cent in 1995-96 and 1996-97. Subsequently, the Ministry of Railways decided to go in for open tender for 100 per cent requirement from 1998-99 onwards to obtain competitive prices.

Although 100 per cent procurement is being made through tender, distribution of entire tendered quantity is not done on competitive bidding basis. Indian Railways follows a system of distribution of 75 per cent of the quantity against the tender amongst all the established wagon building units as per their past performance with a view to make the distribution more broad based. Remaining 25 per cent is considered for ordering on competitive basis. To determine the past performance, Indian Railways take into account the average performance of the units during the last five years as well as what has been the best production in any one year in the last five years. Thus, currently, the entire procurement of wagons is made through open tenders. There are approximately 11 companies operating in India for manufacturing wagons. Six companies are in the public sector domain under the Department of Heavy Industries and six companies in the private sector. Besides, three Indian Railways workshops are also manufacturing wagons.

Design Policy

In the year 1957, the already existing Central Standards Office and the Railway Testing and Research Centre were integrated into a single unit named RDSO, under Ministry of Railways at Lucknow. RDSO is the sole research and development organisation of Indian Railways and functions as the technical advisor to railway board, zonal railways and production units and performs important functions including technical investigation,

statutory clearances, testing and inspection of critical and safety items of rolling stock, locomotives, signalling and telecommunication equipment and track components. Indian Railways procure wagons based on RDSO's designs. In the railway budget 2007-08, a new policy was formulated whereby wagon manufacturers were permitted to supply wagons of their own designs with RDSO recommended bogies, coupler, draft and brake gear. RDSO will certify and approve the new designs of wagons from the safety angle. To encourage the development of such new technology wagons, a new freight discount policy was also announced.

Wagon Leasing Scheme

The Ministry of Railways formulated a new wagon leasing scheme which came into effect from April 15, 2008, which allowed private companies to own and lease wagons, hitherto the prerogative of Indian Railway Finance Corporation. Companies eligible for the scheme will be required to procure wagons directly from wagon manufacturers or through imports. For getting registered under the scheme, wagon leasing companies should have a minimum net worth of Rs. 25,00,000,000 and will have to deposit Rs. 5,00,00,000 as registration fee. Registration will be valid for 20 years and will be renewable for another 10 years on rendering satisfactory services. Leasing companies will lease out special purpose wagons, high capacity wagons and container wagons.

Liberalised Wagon Investment Scheme

The Ministry of Railways has also formulated a liberalized wagon investment scheme, under which high capacity wagons with a payload of at least two tonne more than the prevalent 25 tonne and 22.9 tonne axle load wagons or special purpose wagons for specific commodities can be owned and leased out by private companies.

(B) Export Promotion of Capital Goods

The Government of India, Ministry of Commerce and Industries announces Export Import Policy (“**Exim Policy**”) after every five years. The current Exim Policy covers the period 2004-2009. The Exim Policy is updated every year on the 31st of March and the modifications, improvements and new schemes becomes effective from 1st April of every year. The EPCG scheme, as contained in chapter five of the Exim Policy, allows import of capital goods for pre production, production and post production at a concessional rate of customs duty (currently at three per cent), subject to an export obligation which is worked out on the basis of the concession on duty obtained. For this purpose EPCG licenses are required to be obtained.

(C) Foreign Investment in Manufacturing Sector

Foreign investment in Indian securities is regulated through the industrial policy of the Government of India and FEMA. While the industrial policy prescribes the limits and the conditions subject to which foreign investment can be made in different sectors of the Indian economy, FEMA regulates the precise manner in which such investment may be made. Under the industrial policy, unless specifically restricted, foreign investment is freely permitted in all sectors of Indian economy up to any extent and without any prior approvals, but the foreign investor is required to follow certain prescribed procedures for making such investment. The government bodies responsible for granting foreign investment approvals are the FIPB and the RBI.

As per the sector specific guidelines of the Government of India, FDI up to 100 per cent is permitted in the manufacturing sector under the automatic route.

(D) Investment by Foreign Institutional Investors

Subject to certain restrictions, Foreign Institutional Investors (“**FII**s”) including institutions such as pension funds, investment trusts, asset management companies, nominee companies and incorporated, institutional portfolio managers can invest in all the securities traded on the primary and secondary markets in India. FIIs are required to obtain an initial registration from the SEBI and a general permission from the RBI to engage in transactions regulated under FEMA. FIIs must also comply with the provisions of the SEBI (Foreign Institutional Investors) Regulations, 1995, as amended from time to time. The initial registration and the RBI's general permission together enable the registered FII to buy (subject to the ownership restrictions discussed below) and sell freely securities issued by Indian companies, to realise capital gains or investments made through the initial amount invested in India, to subscribe or renounce rights issues for shares, to appoint a domestic custodian for custody of investments held and to repatriate the capital, capital gains, dividends, income received by way of interest and any compensation received towards sale or renunciation of rights issues of shares.

(E) Ownership restrictions of FIIs

Under the portfolio investment scheme, the overall issue of equity shares to FIIs on a repatriation basis should not exceed 24 per cent of post-issue paid-up capital of a company. However, the limit of 24 per cent can be raised up to the permitted sectoral cap for such company after obtaining approval of the board of directors and shareholders of the company. The total holding of a single FII should not exceed 10 per cent of the post-issue paid-up capital of the Company or five percent of the total paid-up capital in case such sub-account is a foreign corporate or an individual. In respect of an FII investing in equity shares of a company on behalf of its sub-accounts, the investment on behalf of each sub-account shall not exceed 10 per cent of the total issued capital of that company.

(F) Environmental Regulations

The major statutes in India which seek to regulate and protect the environment against pollution related activities in India are the Environment Protection Act, 1986 ("**Environment Protection Act**"), Water (Prevention and Control of Pollution) Act 1974 ("**Water Act**") and the Air (Prevention and Control of Pollution) Act, 1981 ("**Air Act**").

The Central Pollution Control Board ("**CPCB**") was constituted in 1974 under the Water Act. Further, CPCB was entrusted with the powers and functions under the Air Act. Principal functions of the CPCB, as spelt out in the Water Act are (i) to promote cleanliness of streams and wells in different areas of the states by prevention, control and abatement of water pollution, and (ii) to improve the quality of air and to prevent, control or abate air pollution in the country.

State pollution control boards ("**SPCB**"), which are vested with diverse powers to deal with water and air pollution, have been set up in each state to control and prevent pollution. Apart from the Water Act and the Air Act, the SPCB also enforce various other legislations. In exercise of its powers and performance of its functions, the SPCB can issue any directions to any person and such person shall be bound to comply with such directions.

The management, storage and disposal of hazardous waste are regulated by the Hazardous Waste Management Rules, 1989 made under the Environment Protection Act.

Water (Prevention and Control of Pollution) Act 1974

The Water Act mandates that the previous consent of the SPCB be taken before establishing any industry, operation or process, or any treatment and disposal system or any extension or addition thereto, which is likely to discharge sewages or trade effluent into a stream or well or sewer or on land; or bring into use any new or altered outlet for the discharge of sewage; or begin to make any new discharge of sewage. In addition, a cess is payable under the Water (Prevention and Control of Pollution) Cess Act, 1977 by a person carrying on any specified industry.

Air (Prevention and Control of Pollution) Act, 1981

The Air Act was enacted for the prevention, control and abatement of air pollution. The state government may declare any area as air pollution control area and the previous consent of the SPCB is required for establishing or operating any industrial plant in such an. Further, no person operating any industrial plant, in any air pollution control area is permitted to discharge any air pollutant in excess of the standard laid down by the SPCB.

The Environment (Protection) Act, 1986

The Environment Protection Act provides for the protection and improvement of the environment and for matters connected therewith, including without limitation the standards of quality of air, water or soil for various areas and purposes, the maximum allowable units of concentration of various environmental pollutants, procedure for handling of hazardous substances, the prohibition and restrictions on the location of industries and the carrying on of processes and operations in different areas. Among other things, these laws regulate the environmental impact of construction and development activities, emission of air pollutants and discharge of chemicals into surrounding water bodies. These various environmental laws give primary environmental oversight authority to the Ministry of Environment and Forest ("**MoEF**"), the CPCB and the SPCB.

Environment Impact Assessment

The MoEF looks into Environment Impact Assessment (“EIA”). The MoEF receives proposals for expansion, modernization and setting up of certain projects and the impact, which such projects would have on the environment, is assessed by the MoEF before granting clearances for the proposed projects.

The Explosives Act, 1884 and The Explosive Rules, 1983

The Explosives Act, 1884 regulates the manufacture, possession, use, sale, transport, import and export of explosives. It provides that no person shall possess, sell or use any explosive except under the license granted under the Explosives Rules, 1983.

Hazardous Wastes (Management and Handling) Rules, 1989

The Hazardous Wastes (Management and Handling) Rules, 1989 allocate the responsibility of the occupier and the operator of the facility that treats hazardous wastes to collect, treat, store or dispose the hazardous wastes without adverse effects on the environment. Moreover, the occupier and the operator must take steps to ensure that persons working on the site are given adequate training and equipment for performing their work. Hazardous wastes can be collected, treated, stored and disposed of only in such facilities as may be authorized for this purpose.

In addition to the above, and depending upon the nature of the projects undertaken by the Company, the Company is or may be required to comply with other applicable environmental laws and regulations, which include the Forest (Conservation) Act, 1980, The Water (Prevention and Control of Pollution) Cess Act, 1977 and The Public Liability Insurance Act, 1991.

(G) Labour Legislations

As part of our business, we are required to comply from time to time with the laws, rules and regulations in relation to hiring and employment of labour.

A brief description of certain legislations which are applicable to our operations and our workmen, is set forth below:

Factories Act, 1948

The Factories Act, 1948 defines a factory as any premises on which 10 or more workers are working on any day in the previous 12 months, 10 or more workers are or were working and in which a manufacturing process is being carried on or is ordinarily carried on with the aid of power; or where at least 20 workers are or were working on any day in the preceding 12 months and on which a manufacturing process is being carried on or is ordinarily carried on without the aid of power. State governments prescribe rules requiring previous permission for the site on which a factory is to be situated and for the construction or extension of any factory and requiring the registration and licensing of factories.

Minimum Wages Act, 1948

The legislation provides a framework for State governments to stipulate the minimum wages applicable to a particular industry. The minimum wages generally consist of a basic rate of wages, cash value of supplies of essential commodities at concession rates and a special allowance, the aggregate of which reflects the cost of living index as notified in the official gazette. Workers are to be paid for overtime at overtime rates stipulated by the appropriate Government. Any contravention may result in imprisonment up to six months or a fine as stipulated in the Minimum Wages Act, 1948.

Payment of Bonus Act, 1965

Pursuant to the Payment of Bonus Act, 1965, an employee in a factory or in any establishment where 20 or more persons are employed on any day during an accounting year, who has worked for at least 30 working days in a year, is eligible to be paid a bonus. The minimum bonus to be paid is the higher of 8.33 per cent of the salary or wage or Rs.100 and must be paid irrespective of the existence of any allocable surplus. If allocable surplus exceeds minimum bonus payable, then the employer must pay bonus proportionate to the salary or wage earned

during that period, subject to a maximum of 20 per cent of such salary or wage. The maximum bonus payable must not exceed Rs. 500. Contravention of the Payment of Bonus Act, 1965 by a company will be punishable by proceedings for imprisonment up to six months or a fine up to Rs. 1,000 or both against those individuals in charge at the time of contravention.

Employees State Insurance Act, 1948

The Employees State Insurance Act, 1948, (“**ESI Act**”) provides for certain benefits to employees in case of sickness, maternity and employment injury. All employees in establishments covered by the ESI Act are required to be insured, with an obligation imposed on the employer to make certain contributions in relation thereto. In addition, the employer is also required to register itself under the ESI Act and maintain prescribed records and registers.

Employees Provident Fund and Miscellaneous Provisions Act, 1952

The Employees Provident Fund and Miscellaneous Provisions Act, 1952, provides for the institution of compulsory provident fund, pension fund and deposit linked insurance funds for the benefit of employees in factories and other establishments. Liability is placed both on the employer and the employee to make certain contributions to the funds mentioned above. The contribution to be made by the employer is 10 percent of the basic wages, dearness allowance and retaining allowance, if any, payable to each of the employees whether employed by him, directly or through a contractor, and the employees’ contribution should be equal to the contribution payable by the employer in respect of him and may, if the employee so desires, be an amount exceeding 10 percent of his basic wages, dearness allowance and retaining allowance, subject to the condition that the employer shall not be under an obligation to pay any contribution over and above the contribution payable by him. An employer who makes default in making such contribution shall be punishable for a term which may extend to three years, but which shall not be less than one year and fine of Rs. 10,000 in case of default in payment of the employees’ contribution which has been deducted by the employer from the employees’ wages.

Contract Labour (Regulation and Abolition) Act, 1970

The Contract Labour (Regulation and Abolition) Act, 1970 (“**CLRA**”) requires establishments that employ or have employed on any day in the previous 12 months, 20 or more workmen as contract labour to be registered and prescribes certain obligations with respect to the welfare and health of contract labour.

The CLRA places an obligation on the principal employer of an establishment to which the CLRA applies to make an application for registration of the establishment. In the absence of registration, contract labour cannot be employed in the establishment. Likewise, every contractor to whom the CLRA applies is required to obtain a license and not to undertake or execute any work through contract labour except under and in accordance with the license issued. To ensure the welfare and health of contract labour, the CLRA imposes certain obligations on the contractor including the establishment of canteens, rest rooms, washing facilities, first aid facilities, provision of drinking water and payment of wages. In the event that the contractor fails to provide these amenities, the principal employer is under an obligation to provide these facilities within a prescribed time period. A person in contravention of the provisions of the CLRA may be punished with a fine or imprisonment, or both.

In addition to the above, and depending upon the nature of the projects undertaken by the Company, the Company is required to comply with other applicable labour laws and regulations, which include the following:

- Industrial Disputes Act, 1947
- Industrial Employment (Standing Orders) Act, 1946
- Inter State Migrant Workers Act, 1979
- Maternity Benefit Act, 1961
- Payment of Gratuity Act, 1972
- Payment of Wages Act, 1936
- Shops and Commercial Establishments Acts, where applicable
- Workmen’s Compensation Act, 1923

(H) Others

The Indian Stamp Act, 1899

Stamp duty is payable on instruments evidencing a transfer or creation or extinguishment of any right, title or interest in immoveable property. Stamp duty needs to be paid on all instruments specified under the Indian Stamp Act, 1899 (“**Stamp Act**”) at the rates specified in the schedules to the Stamp Act. The applicable rates for stamp duty on the instruments chargeable with duty are prescribed by state legislations. Instruments chargeable to duty under the Stamp Act which are not duly stamped are incapable of being admitted in a court of law as evidence of the transaction contained therein and it also provides for impounding of instruments that are not sufficiently stamped or not stamped at all.

The Land Acquisition Act, 1894

Land holdings are subject to the Land Acquisition Act, 1894 which provides for the compulsory acquisition of land by the Central Government or appropriate State Government for public purposes, including planned development and town and rural planning. However, any person having an interest in such land has the right to object to such compulsory acquisition and has the right to compensation. Some states have their own land acquisition statutes and the Company has to abide by State legislations in those states in which it conducts its business.

BOARD OF DIRECTORS AND SENIOR MANAGERIAL PERSONNEL

Board of Directors

The composition of our Board of Directors is governed by the provisions of the Companies Act and the listing agreements with the Stock Exchanges where the Equity Shares of our Company are listed. Our Articles of Association provide that the minimum number of Directors shall be three and the maximum number of Directors shall be 18. Presently, the Company has nine Directors. The present composition of the Board of Directors and its proceedings are in accordance with the Companies Act and the norms of the code of corporate governance as applicable to listed companies in India.

The following table sets forth details regarding the Board of Directors as at the date of this Preliminary Placement Document:

Name	Age (years)	Designation	Business Address
Mr. S.K. Poddar (DIN: 00008654)	63	Chairman, Executive Director	Hongkong House, 31 B.B. D. Bagh (S), Kolkata 700001
Mr. B.P. Bajoria (DIN: 00075026)	79	Independent Director	McLeod House, 3, Netaji Subhas Road, Kolkata 700001
Mr. H.C. Gandhi (DIN: 00062484)	76	Independent Director	Airforce & Naval Officer's Enclave Flat no. 557, Plot no. 11, Sector 7, Dwarka, New Delhi 110045
Mr. S. Dhasarathy (DIN: 01308724)	65	Independent Director	Retired Member Mechanical Railway Board, No. ICF 611, Pilkington Road, Aynavaram, Chennai 600023
Mr. D.H. Kela (DIN: 01050842)	67	Whole Time Director	Texmaco Limited, Belghoria, Kolkata 700056
Mr. A.C. Chakraborti (DIN: 00015622)	78	Independent Director	Hormaz Mansion, 17, Dr. Sundari Mohan Avenue, Kolkata 700014
Dr. H. Sadhak (DIN: 00203098)	58	Nominee Director of L.I.C. (Independent Director)	Chief Executive, Life Insurance Corporation of India, New Pension Fund, Yogakshema, 7th floor, Jeevan Bima Marg, Mumbai 400021
Mr. Manish Gupta (DIN: 00119990)	67	Independent Director	20, Suren Tagore Road, 1st Floor, Kolkata 700019
Mr. Akshay Poddar (DIN: 00008686)	32	Non- Executive Director	Hongkong House, 31 B.B. D. Bagh (S), Kolkata 700001

All our Directors are Indian residents.

Profiles

The following are brief biographies of the Company's Directors:

Mr. S.K. Poddar	Mr. S.K. Poddar, aged 63 years, is the chairman of the Company since September 11, 2008. He was appointed to the Board of Directors of the Company on February 14, 1991. Mr. S.K. Poddar is a gold medalist in B. Com (Hons) from Calcutta University. He is the
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	chairman of Poddar Heritage Enterprises, Gillette India Limited, Chambal Fertilizers and Chemicals Limited, Zuari Industries Limited, Areva T & D India Limited, Zuari Cement Limited, Chambal Infrastructure Ventures Limited, Simon India Limited and Poddar Heritage Investments Limited. He is also on the advisory board of M/s N M Rothschild & Sons (India) Private Limited. Mr Poddar has been the president of Federation of Indian Chambers of Commerce and Industry, International Chamber of Commerce - India, Indian Council of Arbitration, All India Organization of Employers, Council of Indian Employers and Indian Chamber of Commerce.
Mr. D.H. Kela	Mr. D. H. Kela, aged 67 years, has been a director on the Board of Directors of the Company since November 18, 2007. He graduated in metallurgical engineering in 1964 and has experience of more than 40 years in the industry. He has held senior positions in several engineering and metallurgical companies.
Mr. B. P. Bajoria	Mr. B P Bajoria, aged 79 years, has been a director on the Board of Directors of the Company since February 5, 1985. He was the president of the Tea Association of India and was also a committee member of the Indian Chamber of Commerce and Federation of Indian Chambers of Commerce and Industry. He is presently holding directorships in a number of reputed companies.
Mr. H. C. Gandhi	Mr. Harish Chander Gandhi, aged 76 years, has been a director on the Board of Directors of the Company since April 16, 1994. He was appointed as a special director of Board for Industrial and Financial Reconstruction. He held the position of chairman of the Public Enterprises Selection Board, Government of India till November, 1993. Prior to this, he was secretary (technical development), Ministry of Industry, Government of India. He has several years of experience of over three decades in the industry and had been associated with companies such as HMT Limited and Bharat Yantra Nigam Limited.
Mr. S. Dhasarathy	Mr. S. Dhasarathy, aged 65 years, has been a director on the Board of Directors of the Company since January 19, 2007. He was a member mechanical, Ministry of Railways, Government of India, an ex-office Secretary, Government of India. He is a qualified engineer, holding the degree of B.E (Hons.) & M.I.E and also holds a master degree in defence studies. He has a vast experience in the field of railway and railway related industries.
Mr. Amal Chandra Chakrabortti	Mr. A. C. Chakrabortti, aged 78 years, has been a director on the Board of Directors of the Company since October 28, 1997. He is a qualified chartered accountant and was a managing partner at S.R.Batliboi & Co. and Ernst & Young. He also held the position of president of the Institute of Chartered Accountants of India and was a member of the governing committee of the International Federation of Accountants, New York. He is presently associated with a number of companies in the capacity of a director.
Dr. H. Sadhak	Dr. H. Sadhak, aged 58 years, has been a nominee director on the Board of Directors of the Company since November 30, 2004. He has been nominated by L.I.C. on the Board of Directors of the Company. He is an executive director, L.I.C. of India and presently working as chief executive officer of L.I.C. Pension Fund Limited, a public limited company.
Mr. Manish Gupta	Mr. Manish Gupta, aged 67 years, has been a director on the Board of Directors of the Company since October 16, 2004. He holds a bachelors degree in science and he also holds a field engineering certificate. He has been in the Indian Administrative Services for 35 years and has served as a chief secretary and home secretary to the government of West Bengal.
Mr. Akshay Poddar	Mr. Akshay Poddar, aged 32 years, has been a director on the Board of Directors of the Company since September 11, 2008. He has graduated from the London School of Economics. He is one of the promoter directors of Poddar Heritage Enterprises, which has promoted several joint ventures with leading international corporations, which include Gillette India Limited for manufacturing razor blades and shaving related product. He is also on the board of directors of Paradeep Phosphates Limited, Gobind Sugar Mills Limited, Lionel Edwards Limited, Poddar Heritage Investments Limited, Poddar Heritage Corporation Limited, Syndak Teatech Limited, Poddar Heritage Finance Private Limited and Abhisekh Holdings Private Limited amongst others. He is also associated with overseas corporate bodies such as Coltrane Corporation Limited, Globalware Holding Limited and Planon Group Limited. Mr. Akshay Poddar is the immediate past president of the Kolkata chapter of Entrepreneurs Organisation and is also a committee member of the Indian Chamber of Commerce.

None of the Company's Directors have been convicted in relation to fraudulent offences within the previous five years and none of the companies with which the Company's Directors have been associated have experienced any bankruptcies, receiverships or liquidations within the previous five years. None of our Directors have been prosecuted by any statutory or regulatory authorities (including designated professional bodies), and none have been disqualified by a court from acting as a member of the administrative, management or supervisory bodies of an issuer or from acting in the management or conduct of the affairs of any issuer for the previous five years.

Relationship with other Directors

Name of Director	Relationship with other Directors
Mr. S.K. Poddar	Father of Mr. Akshay Poddar

Except as stated above, none of the Directors of our Company are related to each other.

Borrowing Powers of the Directors in the Company

Pursuant to a resolution passed by our shareholders on July 21, 1984 in accordance with provisions of the Companies Act, our Board of Directors has been authorised to borrow sums of money for the purpose of the Company upon such terms and conditions as the Board may think fit, provided that the money or monies to be borrowed together with the monies already borrowed by the Company shall not exceed, at any time, a sum of Rs. 20,000 lakh.

Interest of Directors in the Company

All our Directors may be deemed to be interested to the extent of benefits they are entitled to in terms of their appointment, fees, commission if any, payable to them for attending meetings of the Board or a committee thereof, to the extent of reimbursement of expenses payable to them.

All our Directors may be interested in the Equity Shares already held by them and/or that may be allotted to companies, firms and trusts in which they are Directors, members, partners or trustees, as the case may be. See the section titled "*Financial Statements*".

The director(s) may have further interest to the extent of any dividend payable to them and other distributions in respect of the Equity Shares and to the extent of incentives payable under various schemes, long term incentive plan and reimbursement of expenses incurred by them in the ordinary course of business.

As of the date of this Preliminary Placement Document, there are no loans or guarantees provided and outstanding, other than those entered into in our Company's ordinary course of business, to any of our Directors or executives. In addition, there have been no transactions during the current or previous audited fiscal year of our Company between our Company and any of our Directors and our key managerial management personnel or the key managerial personnel of our Subsidiaries, which, because of their unusual nature or the circumstances into which they have been entered, are or will be required to be disclosed in our Company's accounts or approved by our shareholders and there are no such transactions during an earlier fiscal year which remain in any respect outstanding or unperformed.

Our Directors have not taken any loan from our Company.

Terms of Appointment of Chairman

Pursuant to the shareholders' resolution in the annual general meeting of our Company held on July 28, 2006, Mr. S.K. Poddar was appointed as the Executive Vice Chairman of our Company for a period of five years with effect from January 1, 2006, with a salary of Rs. 3,00,000 per month with increments as may be decided by the Board of Directors from time to time. Mr. Poddar was also granted medical reimbursements incurred by him and his family subject to the ceiling of one month's salary in a year or three months' salary over a period of three years. The contribution towards provident fund would be at the rate of 12 per cent of the salary. Mr. Poddar's appointment can be terminated if either the Company or Mr. Poddar gives a notice to that effect to the other party and the termination will become effective within three months of such notice. Subsequently, Mr. Poddar was appointed as the Chairman of our Company pursuant to a resolution of the Board of Directors dated September 11, 2008.

Terms of Appointment of Whole Time Director

Pursuant to the shareholders' resolution in the annual general meeting of our Company held on August 11, 2008, Mr. D.H. Kela was appointed as a whole time director of our Company for a period of five years with effect from November 18, 2007 with a salary of Rs. 90,000 per month with increments as may be decided by the Board of Directors of our Company from time to time. In addition, Mr. Kela is entitled to perquisites including:

Housing	<ul style="list-style-type: none"> Free furnished accommodation or HRA upto 40 per cent of the salary. Expenditure incurred on gas, electricity, water and furnishing shall be valued as per Income Tax Rules, 1962.
Medical Reimbursement	Reimbursement of actual expenses incurred by the whole time director and his family subject to the ceiling of one month's salary in a year or three months' salary over a period of three years.
Leave Travel Concession	In accordance with the rules of the Company
Leave	In accordance with the rules of the Company
Club Fees	Subject to a maximum of one club
Contribution to provident fund and superannuation fund	In accordance with the rules of the Company
Gratuity	In accordance with the rules of the Company

Shareholding of the Directors

The following table sets forth the shareholding pattern of the Directors as on June 30, 2009:

Name	Number of Equity Shares	Percentage
S.K.Poddar	2,355,030	2.13
Akshay Poddar	14,820	0.01

Remuneration of our Directors

The following tables set forth all compensation paid by the Company to the Directors for Fiscal 2009:

Executive Directors

The following tables set forth all compensation paid by the Company to the executive Directors in Fiscal 2009:

Name of Director	Salary (in Rs.)	Monetary value of perquisites (in Rs.)	Total (in Rs.)
S.K. Poddar	36,00,000	4,87,000	40,87,000
D.H. Kela	15,09,600	12,34,509	27,44,109

Non-Executive Directors

Non-executive Directors are eligible for sitting fee and a commission not exceeding one per cent of the net profit of our Company for each year, with a ceiling of Rs. 1 lakh per annum, whichever is lower and are paid a sitting fee of Rs. 10,000 each for attending a meeting of the Board of Directors and Rs. 5,000 each for attending a meeting of committees or sub-committees.

The following tables set forth all compensation paid by the Company to the non - executive Directors for the Fiscal 2009:

Name of the Director	Sitting Fee (in Rs.)	Commission (in Rs.)	Total (in Rs.)
Dr. K.K. Birla*	10,000	Nil	10,000
Mr. B.P. Bajoria	85,000	100,000	185,000
Mr. H.C. Gandhi	50,000	100,000	150,000
Mr. A.C. Chakrabortti	65,000	100,000	165,000
Mr. Manish Gupta	80,000	100,000	180,000
Mr. S. Dhasarathy	40,000	100,000	140,000
L.I.C.**	40,000	100,000	140,000

Mr. Akshay Poddar***	25,000	55,343	80,343
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* Dr. K.K. Birla expired on August 30, 2008

** For the meeting attended by Dr. H. Sadhak, nominee director of L.I.C.

*** Mr. Akshay Poddar was appointed as a Director on September 11, 2008

Corporate Governance

The Company has been complying with all applicable requirements of the guidelines on corporate governance as per Clause 49 of the listing agreement, as amended, entered into with the Stock Exchanges.

Committees of the Board of Directors

There are two Board level committees of the Company, which have been constituted and function in accordance with the relevant provisions of the Companies Act and the Listing Agreement(s). These are (i) Audit Committee, (ii) Shareholders' / Investors' Grievance and Share Transfer Committee. A brief on each Committee, its scope and composition is given below:

Audit Committee

The current members of the audit committee are:

1. Mr. A.C. Chakrabortti, Chairman
2. Mr. B.P. Bajoria
3. Mr. Manish Gupta
4. Mr. Akshay Poddar

Three of the members namely Mr. A.C. Chakrabortti, Mr. B.P. Bajoria and Mr. Manish Gupta are independent Directors. Mr. A.K. Vijay, company secretary is the secretary of the audit committee in terms of Clause 49 of the Listing Agreement.

Scope and terms of reference

Pursuant to the Listing Agreement, the terms of reference of the audit committee include:

1. Oversight of the company's financial reporting process and the disclosure of its financial information to ensure that the financial statement is correct, sufficient and credible.
2. Recommending to the Board, the appointment, re-appointment and, if required, the replacement or removal of the statutory auditor and the fixation of audit fees.
3. Approval of payment to statutory auditors for any other services rendered by the statutory auditors.
4. Reviewing, with the management, the annual financial statements before submission to the Board for approval, with particular reference to:
 - a. Matters required to be included in the director's responsibility statement to be included in the Board's report in terms of clause (2AA) of section 217 of the Companies Act.
 - b. Changes, if any, in accounting policies and practices and reasons for the same.
 - c. Major accounting entries involving estimates based on the exercise of judgment by management.
 - d. Significant adjustments made in the financial statements arising out of audit findings.
 - e. Compliance with listing and other legal requirements relating to financial statements.
 - f. Disclosure of any related party transactions.
 - g. Qualifications in the draft audit report.
5. Reviewing, with the management, the quarterly financial statements before submission to the Board for approval.
6. Reviewing, with the management, the statement of uses / application of funds raised through an issue

(public issue, rights issue, preferential issue, etc.), the statement of funds utilized for purposes other than those stated in the offer document/prospectus/notice and the report submitted by the monitoring agency monitoring the utilisation of proceeds of a public or rights issue, and making appropriate recommendations to the Board to take up steps in this matter.

7. Reviewing, with the management, performance of statutory and internal auditors, and adequacy of the internal control systems.
8. Reviewing the adequacy of internal audit function, if any, including the structure of the internal audit department, staffing and seniority of the official heading the department, reporting structure coverage and frequency of internal audit.
9. Discussion with internal auditors any significant findings and follow up there on.
10. Reviewing the findings of any internal investigations by the internal auditors into matters where there is suspected fraud or irregularity or a failure of internal control systems of a material nature and reporting the matter to the board.
11. Discussion with statutory auditors before the audit commences, about the nature and scope of audit as well as post-audit discussion to ascertain any area of concern.
12. To look into the reasons for substantial defaults in the payment to the depositors, debenture holders, shareholders (in case of non payment of declared dividends) and creditors.
13. To review the functioning of the whistle blower mechanism, in case the same is existing.

Shareholder/Investor Grievance and Share Transfer Committee

The current members of the shareholders/investor grievance committee are:

1. Mr. S.K. Poddar;
2. Mr. Manish Gupta;
3. Mr. D.H. Kela

Mr. Manish Gupta is an independent director.

Scope and Terms of Reference

Pursuant to the Listing Agreement, the terms of reference of the Shareholder/Investor Grievance and Share Transfer committee include:

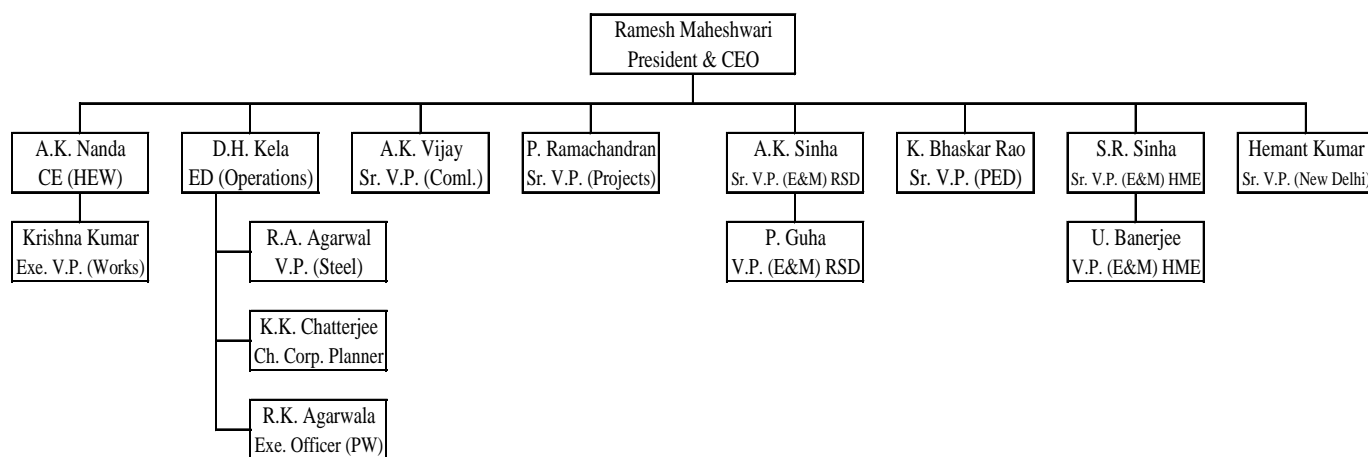
1. To redress the investor complaints like non-receipt of balance sheet, non-receipt of declared dividends, non receipt of share certificates, sub-division, consolidation, approval and issue of duplicate share certificates etc.

Besides the above mentioned committees, the Company has the following other working committees of the Board:

1. Sub-Committee; and
2. Committee of Directors.

Senior Management of the Company

ORGANISATION CHART FOR THE KEY EXECUTIVES



Mr. R. Maheshwari	Mr. Maheshwari holds a bachelors degree in law and a masters degree in commerce. Mr. Maheshwari has held the positions of president of the Confederation of Indian Industry and also the chairman of the Engineering Export Promotion Council of India. He was a member of the Tandon Committee set up by the Reserve Bank of India to frame guidelines for bank credit. He also served on various task forces set up by the Planning Commission and development councils nominated by the Government of India. He has also served on the board of the CSE as a nominee of SEBI. He is on the board of governors of Birla Institute of Management Technology, New Delhi and Globsyn Business, Kolkata. He joined our Company on February 1, 1962. He currently holds the position of President and CEO in our Company.
Mr. D.H. Kela	Mr. Kela holds a bachelors degree in Engineering (Met.) from Sangar University, Raipur. He has 45 years of experience in engineering, manufacturing and marketing of steel castings. He was previously employed with Hindusthan Engineering and Industries before joining our Company on November 14, 2000. He currently holds the position of Executive Director (Operations) in our Company.
Mr. A.K. Nanda	Mr. Nanda holds a bachelors degree in science and in mechanical engineering from Birla Institute of Technology and Science, Pilani. He also holds the degrees of M.A.S.W., M.I. Inst. W. He has 51 years of experience in manufacturing, process planning and material management and has been with our Company from June 17, 1957. He currently holds the position of Chief Executive (Heavy Engineering Works) in our Company.
Mr. A.K. Vijay	Mr. Vijay holds a bachelors degree in commerce from Calcutta University and is a qualified chartered accountant and company secretary. He has 34 years of experience in looking after commercial activities at the macro level including procurement, marketing, export, finance, accounts, plant coordination, project coordination, legal matters, collaborations, etc. He was previously employed with Hindusthan Engineering and Industries before joining our Company on October 17, 2001. He currently holds the position of Senior Vice President (Commercial) in our Company.
Mr. P. Ramachandran	Mr. Ramchandran holds a bachelors degree in engineering and technology (mechanical) from IRIMEE, Jamalpur. He has 49 years in railways, workshops, production, industrial engineering, information systems and management. He has been associated with the Indian Railways in various capacities including general manager, southern railways, additional member of the Ministry of Railways etc. He joined our Company on June 23, 2006. He currently holds the position of Senior Vice President (Projects) in our Company.
Mr. Asoke Kumar Sinha	Mr. Sinha holds the degree of B. Tech (Mech) from Indian Institute of Technology, Kharagpur. He has fifty years of experience in engineering, marketing, project management. He was previously employed with Burn Standard Company Limited and Braithwaite & Company Limited before joining our Company on November 1, 1971. He currently holds

	the position of Senior Vice President (Engineering and Marketing) Rolling Stock in our Company.
Mr. Suhrid Ranjan Sinha	Mr. Sinha holds a bachelors degree in civil engineering from Calcutta University. He has 39 years of experience in engineering, marketing, project management and executing various engineering projects. He has joined our Company on September 24, 1969. He currently holds the position of Senior Vice President (Engineering & Marketing) Hydro Mechanical Equipment and Structural in our Company.
Mr. K. Bhaskara Rao	Mr. Rao holds a bachelors degree in chemical engineering from National Institute of Technology, masters degree in engineering (design) from Indian Institute of Science and a diploma in computer science from the Indian Institute of Technology, Chennai. He has 38 years of experience in engineering, marketing and project management. He has been associated with the KCP Limited, Chennai, Indian Space Research Organisation, Vikram Sarabhai Space Centre, Trivandrum, Kerala before joining our Company on October 5, 1976. He currently holds the position of Senior Vice President (Engineering and Marketing) Process Equipment Division in our Company.
Mr. Hemant Kumar	Mr. Kumar holds a bachelors degree in electrical engineering from Agra University. He has 48 years of experience in international and domestic marketing of capital equipments, liaison, contracting, legal and general management. He has been previously associated with Larsen & Toubro Limited and Projects & Equipments Corporation of India before joining our Company. He worked in our Company from January 1, 1974 to June 30, 1995 and was reappointed on June 1, 1999. He currently holds the position of Senior Vice President, New Delhi in our Company.
Mr. Krishna Kumar	Mr. Kumar holds a masters degree in business administration from Indian Institute of Management, Ahmedabad. He has 25 years of experience in the field of automotive industries, precision engineering industries, fabrication engineering industries and steel industries. He has been associated with Tata Motors Limited, Gajara Gears Limited and Jessop Company Limited before joining our Company on April 24, 2009. He currently holds the position of Executive Vice President (Works) in our Company.
Mr. Pradip Guha	Mr. Guha holds a bachelors degree in technology (mechanical) from Indian Institute of Technology, Kharagpur. He has 27 years of experience in workshops, production, industrial engineering, and information systems, management. He was previously associated with Mukand Limited and Turnkey International Limited before joining our Company on July 1, 1990. He currently holds the position of Vice President (Engineering and Marketing) Rolling Stock in our Company.
Mr. Udayan Banerjee	Mr. Banerjee holds a bachelors degree in technology (mechanical) from National Institute of Technology, Calicut and a masters degree in business administration from the Indian Institute of Social Welfare and Business Management, Kolkata. He has 27 years of experience in the heavy engineering industry. He has been associated with Alstom India and Larsen & Toubro before joining our Company on July 16, 1996. He currently holds the position of Vice President (Engineering & Marketing) Structural in our Company.
Mr. Ram Avtar Agarwal	Mr. Agarwal holds a bachelors degree in mechanical engineering from Rajasthan University. He has 33 years of experience in marketing, projects, procurement and inventory management. He was previously employed with Shriram Chemicals & Fertilisers before joining our Company on March 15, 1978. He currently holds the position of Vice President (Steel) in our Company.
Mr. Kalyan Kumar Chatterjee	Mr. Chatterjee holds a bachelors degree in engineering from Calcutta University. He has 47 years on experience in developing corporate plans and business strategies. He was previously with Jessop & Company Limited before joining our Company on June 4, 2008. He currently holds the position of Chief Corporate Planner in our Company.
Mr. Ramesh Kumar Agarwala	Mr. Agarwala holds a bachelors degree in engineering from Birla Institute of Technology and Science, Pilani. He has 38 years of experience in the engineering industry. He has been associated with Rahee Track Technologies Private Limited and Hindusthan Engineering & Industries Limited before joining our Company on June 9, 2009. He currently holds the position of Executive Officer (Panhati Works) in our Company.

Shareholding of senior managerial personnel

The following senior managerial personnel currently hold Equity Shares as on June 30, 2009.

Name of Senior Managerial Employee	No. of Equity Shares	Percentage
A.K. Nanda	60,000	0.05
A.K. Vijay	12,530	0.01

None of our Subsidiaries have instituted employee stock option schemes pursuant to which any of our senior managerial personnel have received stock options to purchase equity shares in such Subsidiaries.

Interest of senior managerial personnel

Except as stated in “*Financial Statements – Related Party Transactions*”, and to the extent of their shareholding in our Company, our senior managerial personnel do not have any other interest in our business.

The senior managerial personnel of our Company do not have any interest in our Company other than to the extent of the remuneration or benefits to which they are entitled to as per the terms of appointment, incentive payable under the various employee schemes, long term incentive plan and reimbursement of expenses incurred by them in the ordinary course of business.

Texmaco Employees Stock Option Scheme, 2007

The shareholders of our Company at a meeting dated July 18, 2007, have passed a special resolution approving the ‘Texmaco Employees Stock Option Scheme, 2007’ and have accorded their consent to offer/issue and allot stock options to such permanent employees of the Company in the managerial grade, as the Company may decide by way of procedure laid down thereunder, exercisable into not more than 1,00,000 Equity Shares of Rs 10 each (pursuant to the share split, presently which will be 10,00,000 Equity Shares of Re. 1 each). Pursuant to a resolution dated October 20, 2008, the committee of directors has drawn up a list of eligible employees and their respective eligibility and entitlements for such stock options. In the said meeting, the committee of directors provided for 37,500 options, which at present, if accepted and converted, will give rise to 3,75,000 Equity Shares of Re. 1 each. In the same meeting, it was further decided that an additional 5,500 options (which at present, if issued, accepted and converted, will give rise to 55,000 Equity Shares of Re. 1 each) would be kept reserved for allotment to existing employees and new recruits who would be recruited on or after October 20, 2008.

As on June 30, 2009, the ‘Texmaco Employees Stock Option Scheme, 2007’ has not been filed with the Stock Exchanges.

Payment or benefit to officers of the Company

Except statutory benefits upon termination of their employment in the Company or superannuation, no officer of the Company is entitled to any benefit upon termination of his employment with the Company.

ORGANISATIONAL STRUCTURE AND MAJOR SHAREHOLDERS

Our Company was originally incorporated on August 4, 1939 under the Companies Act, 1913 as 'Textile Machinery Corporation Limited'. The name of our Company was subsequently changed to 'Texmaco Limited' pursuant to a fresh certificate of incorporation consequent on change of name issued by the Registrar of Companies, West Bengal on January 1, 1974.

Our registered office is situated at Belgharia, Kolkata 700 056.

Restructuring

Pursuant to a scheme of amalgamation under the Companies Act, effective from April 1, 1981, Birla Cotton Spinning and Weaving Mills Limited was merged with the Company. Birla Cotton Spinning and Weaving Mills Limited *inter alia* owned and operated a composite textile mills for the manufacture of yarn and textiles at Delhi, a dairy for the sale of milk at Shahdara, Delhi and four ginning factories for the manufacture of *inter alia* cotton and cotton seeds, oil and oil cake and soap and a spinning unit at Kathua. Pursuant to the scheme our Company was required to allot 3,75,000 equity shares of Rs. 10 each credited as fully paid up ranking *pari passu* in all respects with the existing equity shares of Rs. 10 each of the Company.

The High Court of Calcutta in its order dated March 26, 2008 approved the merger of Evershine Merchants Private Limited, Neora Hydro Limited and Shree Export House Limited with the Company from the effective date of August 1, 2007. As per the scheme sanctioned by the High Court of Calcutta, the Company was required to issue and allot:

- (i) to every equity shareholder of Evershine Merchants Private Limited, one equity share of Rs. 10 each credited as fully paid up of the Company for every 28 equity shares of Rs. 10 each fully paid up and held by such shareholders in Evershine Merchants Private Limited;
- (ii) to every 6 per cent redeemable non-cumulative preference shareholder of Evershine Merchants Private Limited, one six percent redeemable non-cumulative preference share of Rs. 100 each credited as fully paid up of the Company for every one 6 per cent redeemable non-cumulative preference share of Rs. 100 each full paid up and held by such shareholder in Evershine Merchants Private Limited; and
- (iii) to every equity shareholder of Neora Hydro Limited, one equity share of Rs. 10 each credited as fully paid up of the Company for every 65 equity shares of Rs. 10 each fully paid up and held by such shareholders in Neora Hydro Limited.

In order to enable our Company to issue and allot shares to the shareholders of the transferor companies in terms of the scheme of amalgamation approved by Calcutta High Court *vide* its order dated March 26, 2008 and also to take care of the normal expansion plans of the Company, the capital structure of the Company was restructured. The share capital of the Company was reclassified and subdivided from Rs.1,50,000,000 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 six percent redeemable non cumulative preference shares of Rs.100 each. The equity shares of Rs.10 each fully paid up in the capital of the Company were sub-divided into equity shares of Re.1 each fully paid up, with effect from January 9, 2009.

Out of 7,52,749 equity shares allotted 1,88,187 equity shares are under lock-in up to December 5, 2011 as per the scheme sanctioned by BSE, NSE and CSE.

Shareholding Pattern

The shareholding pattern of the Company as on June 30, 2009 is as follows:

Category code	Category of Shareholder	Number of Shareholders	Total number of shares	Number of shares held in dematerialized form	Total shareholding as a percentage of total number of shares		Shares Pledged or otherwise encumbered	
					As a percentage of (A+B) ¹	As a percentage of (A+B+C)	No. of Shares	As a percentage
(I)	(II)	(III)	(IV)	(V)	(VI)	(VII)	(VIII)	(IX) = (VIII)/(IV)*100

Category code	Category of Shareholder	Number of Shareholders	Total number of shares	Number of shares held in dematerialized form	Total shareholding as a percentage of total number of shares		Shares Pledged or otherwise encumbered	
					As a percentage of (A+B) ¹	As a percentage of (A+B+C)	No. of Shares	As a percentage
(A)	Shareholding of Promoter and Promoter Group²							
1	Indian							
(a)	Individuals/ Hindu Undivided Family	10	3502960	1912190	3.16	3.16		
(b)	Central Government/ State Government(s)	0	0	0	0.00	0.00		
	Bodies Corporate	19	56999490	52810240	51.45	51.45	738800	1.22
(d)	Financial Institutions/ Banks	0	0	0	0.00	0.00		
(e)	Any Others(Persons Acting in Concern)	0	0	0	0.00	0.00		
	Sub Total(A)(1)	29	60502450	54722430	54.61	54.61	738800	1.22
2	Foreign							
A	Individuals (Non-Residents Individuals/ Foreign Individuals)	0	0	0	0.00	0.00		
B	Bodies Corporate	0	0	0	0.00	0.00		
C	Institutions	0	0	0	0.00	0.00		
D	Any Others(trust)	0	0	0	0.00	0.00		
	Sub Total(A)(2)	0	0	0	0.00	0.00		
						0.00		
	Total Shareholding of Promoter and Promoter Group (A)= (A)(1)+(A)(2)	29	60502450	54722430	54.61	54.61	738800	1.22
(B)	Public shareholding							
1	Institutions							
(a)	Mutual Funds/ UTI	34	16505039	16505039	14.90	14.90		

Category code	Category of Shareholder	Number of Shareholders	Total number of shares	Number of shares held in dematerialized form	Total shareholding as a percentage of total number of shares		Shares Pledged or otherwise encumbered	
					As a percentage of (A+B) ¹	As a percentage of (A+B+C)	No. of Shares	As a percentage
(b)	Financial Institutions / Banks	0	0	0	0.00	0.00		
(c)	Central Government/ State Government(s)	0	0	0	0.00	0.00		
(d)	Venture Capital Funds	0	0	0	0.00	0.00		
(e)	Insurance Companies	5	5432230	5418220	4.90	4.90		
(f)	Foreign Institutional Investors	21	2065259	2065259	1.86	1.86		
(g)	Foreign Venture Capital Investors	0	0	0	0.00	0.00		
(h)	Any Other (specify)					0.00		
						0.00		
	Sub-Total (B)(1)	60	24002528	23988518	21.67	21.67		
B 2	Non-institutions							
(a)	Bodies Corporate	796	13361629	12999179	12.06	12.06		
(b)	Individuals							
I	Individuals -i. Individual shareholders holding nominal share capital up to Rs 1 lakh	13702	8678012	7671150	7.83	7.83		
II	ii. Individual shareholders holding nominal share capital in excess of Rs. 1 lakh.	16	3239708	3239708	2.92	2.92		
(c)	Any Other							
	HUF	307	475444	475444	0.43	0.43		
	Non-resident Indians	196	161991	142601	0.15	0.15		
	Trusts	5	24261	24261	0.02	0.02		
	Clearing Members	324	337067	337067	0.30	0.30		
	Sub-Total (B)(2)	15346	26278112	24889410	23.72	23.72		

Category code	Category of Shareholder	Number of Shareholders	Total number of shares	Number of shares held in dematerialized form	Total shareholding as a percentage of total number of shares		Shares Pledged or otherwise encumbered	
					As a percentage of (A+B) ¹	As a percentage of (A+B+C)	No. of Shares	As a percentage
(B)	Total Public Shareholding (B)= (B)(1)+(B)(2)	15406	50280640	48877928	45.39	45.39		
	TOTAL (A)+(B)	15435	110783090	103600358	100.00	100.00		
(C)	Shares held by Custodians and against which Depository Receipts have been issued	NIL	NIL	NIL				
	GRAND TOTAL (A)+(B)+(C)	15435	110783090	103600358	100.00	100.00	738800	0.67

Pursuant to a resolution passed at the AGM dated August 11, 2008 the face value of one equity share of Rs. 10 each was split into ten Equity Shares of Re. 1 each. The record date for the above split was January 9, 2009.

The shareholding of the category 'Promoters and Promoter Group', is set forth as of June 30, 2009

S. No.	Name of the shareholder	Number of shares	Shares as a percentage of total number of shares {i.e., Grand Total (A)+(B)+(C) indicated in Statement at para (I)(a) above}
INDIVIDUALS/HUF			
1.	Mr. S. K. Poddar	2,355,030	2.13
2.	Mrs. Jyotsna Poddar	119,870	0.11
3.	Mrs. Puja Poddar	828,570	0.75
4.	Smt. Monorama Devi Birla	98,130	0.09
5.	Shri Krishna Kumar Birla	25,840	0.02
6.	Mr. Akshay Poddar	14,820	0.01
7.	Mrs. Shradha Agarwal	14,280	0.01
8.	Miss Aashti Agarwal	14,280	0.01
9.	Miss Anisha Agarwal	32,140	0.03
		3,502,960	3.16
OTHERS			
10.	Jeewan Jyoti Medical Society	160,500	0.14
11.	Gobind Sugar Mills Limited	738,800	0.67
12.	Zuari Industries Limited	4,025,000	3.63
13.	Poddar Heritage Investments Limited	7,948,120	7.17
14.	Duke Commerce Limited	7,514,000	6.78
15.	Zuari Investment Limited	28,963,900	26.14
16.	Poddar Udyog Limited	440	0.00

S. No.	Name of the shareholder	Number of shares	Shares as a percentage of total number of shares {i.e., Grand Total (A)+(B)+(C) indicated in Statement at para (I)(a) above}
17.	Hope Cardomon Estates Limited	560	0.00
18.	Poddar Heritage Corporation Limited	3,808,140	3.44
19.	Premium Exchange & Finance Limited	148,090	0.13
20.	Master Exchange & Finance Limited	15,760	0.01
21.	Shri Krishna Kumar Birla (HUF)	74,680	0.07
22.	Academiam Sales Private Limited	3,035,710	2.74
23.	Fullford Vinimay Private Limited	428,570	0.39
24.	S. K. Poddar (HUF)	10,710	0.01
25.	S. K. Poddar Family Trust	89,280	0.08
26.	Jyotsna Poddar Family Trust	35,710	0.03
27.	Poddar Heritage Finance Private Limited	710	0.00
28.	Eureka Traders Private Limited	530	0.00
29.	Abhishek Holdings Private Limited	280	0.00
		56,999,490	51.45
	TOTAL	60,502,450	54.61

Each person or entity known to the Company to beneficially own more than 1 per cent of its outstanding Equity Shares as of June 30, 2009 is listed below. Each shareholder identified below is both the holder on record and the beneficial owner with sole power to vote and invest the Equity Shares listed next to its name below.

S. No.	Name of the shareholder	Number of shares	Shares as a percentage of total number of shares {i.e., Grand Total (A)+(B)+(C) indicated in Statement at para (I)(a) above}
PROMOTER AND PROMOTER GROUP			
1.	Mr. S. K. Poddar	2,355,030	2.13
2.	Zuari Industries Limited	4,025,000	3.63
3.	Poddar Heritage Investments Limited	7,948,120	7.17
4.	Duke Commerce Limited	7,514,000	6.78
5.	Zuari Investment Limited	28,963,900	26.14
6.	Poddar Heritage Corporation Limited	3,808,140	3.44
7.	Academiam Sales Private Limited	3,035,710	2.74
OTHERS			
8.	Dalmia Securities Limited	2,947,450	2.66
9.	ICICI Prudential Dynamic Plan	2,835,995	2.56
10.	Avis-Tie Up Private Limited	2,184,200	1.97
11.	Life Insurance Corporation Of India	5,418,220	4.89
12.	Reliance Capital Trustee Company Limited a/c Reliance Growth Fund	2,740,060	2.47
13.	Tata Trustee Company Private Limited a/c Tata Mutual Fund	1,626,880	1.47
14.	FIL Trustee Company Private Limited a/c Fidelity Equity Fund	1,542,970	1.39
15.	SBI Magnum Sector Fund Umbrella Contra	1,259,573	1.14

Material Agreements/Memorandum of Agreements

License Agreement between Amsted Industries Incorporated and our Company

Our Company has entered into a license agreement dated June 1, 2003 with ASF-Keystone Incorporated, (“**License Agreement**”) a division of Amsted Industries Incorporated, pursuant to which our Company has been granted the license to use the trademarks on certain products sold in India. Further, our Company has also been granted a non-exclusive license to use the trademarks on certain products used in complete railway cars made by our Company in India and sold outside India. The products in respect of which the licenses have been granted are as follows:

I. Arrangement- 76483 ride control bogie A3.

1. A-3 ride control side frame-76475
2. A-3 ride control bolster-76486
3. A-3 ride control friction shoe-76487.

II. Arrangement- 76368 broad gauge ride control bogie AV.

1. side frame-75045
2. bolster-75056.
3. friction shoe-75049.

The licenses have been granted in relation to the following trademarks:

1. ALLIANCE
2. ASF
3. RIDE CONTROL.

The relevant drawings and specifications of the products named above will be provided by ASF-Keystone Incorporated to our Company upon a receipt of the initial payment due under the License Agreement.

Any use of the licensed trademarks by our Company will inure to the benefit of ASF-Keystone Incorporated, who shall have the sole control of the licensed trademarks.

The License Agreement is valid for seven years from the date of the agreement. ASF-Keystone Incorporated may terminate the said license or the entire License Agreement if our Company, after 60 days notice, continues to use trademarks or products, which do not meet the standards of quality specified by ASF-Keystone Incorporated or our Company uses any of these trademarks in such a manner which is in any way injurious to the goodwill enjoyed by ASF-Keystone Incorporated.

Our Company will indemnify in writing and hold ASF-Keystone Incorporated harmless for damage to the property or injury or death of any person, whether or not it has resulted from negligence of ASF-Keystone Incorporated or any of its representatives:

- (i) resulting from an incident while representing one of the parties hereto and visiting premises of the other party at the Company’s request;
- (ii) by any act or failure to act of any ASF-Keystone Incorporated’s representatives while visiting our Company’s premises at our request;
- (iii) by an product manufactured, used or sold by our Company;
- (iv) by any defect in our Company’s premises or any equipment thereon; or
- (v) by any act or failure to act by any representative of our Company while visiting ASF-Keystone Incorporated’s premises.

Our Company is required to make annual payments every year during the term of the License Agreement.

Memorandum of Agreement between McConway & Torley and our Company

Our Company has entered into a memorandum of agreement with McConway & Torley (“**M&T**”) dated March 29, 2009 (“**M&T MOA**”). As per the terms of the M&T MOA, M&T will assist our Company to take up the production of coupler items alongwith requisite processes and systems for the Association for American Railroads’ approval.

Under this M&T MOA, the following areas have been identified for the above purpose:

- a) Core making: selection and supply of equipment and product standardisation
- b) Supply of patterns of coupler items
- c) Supply of gauges
- d) Process standardization
- e) Product standardization
- f) Reducing the heat cycle of Arc furnace from 4 hours to 2 hours/heat

M&T has agreed to look into the possibilities of supplying their lampe/other core shooting machines, which can be utilized for making cores of the coupler items. M&T will assist in standardizing our Company's gauges. Finally, both the companies will organize and exchange technical teams to facilitate technology implementation.

Pursuant to the terms of the M&T MOA, M&T will form a joint collaboration to sell casting outside the Association for American Railroads governance. For the collaboration, our Company will pay M&T a technical assistance fee, which is to be agreed upon, for couplers within India. For sales outside India, the royalty payment will be made on sales, which is to be agreed upon. Finally, for new technology, our Company will receive a specified margin over standard prices, and the remaining margin will be split between the two parties.

Memorandum of Agreement between our Company and United Group Rail Services Limited

Our Company has entered into a memorandum of agreement dated November 13, 2007 with United Group Rail Services Limited ("UGL MOA"). The parties to the UGL MOA have agreed to explore the possibility of entering into a mutually beneficial joint venture related to the design, manufacture and supply of bogies, bogie components, wagons and passenger coaches for the Indian rail industry and export markets.

Pursuant to the UGL MOA, a joint venture company is proposed to be incorporated by United Group Rail Services Limited and our Company. For the purposes of the joint venture, the parties will carry out a feasibility study for assessing the feasibility and economic viability of the joint venture. The feasibility study will mainly address the land, production, market, design/accreditation, financial issues and other issues necessary for feasibility and economic viability of the venture. The feasibility study will be carried out in two phases. phase 1 of the feasibility study will focus on developing a business case by mutual discussions, based on our Company's facilities at Belgharia, Agarpara and Panihatti. The parties will also carry out a high level market analysis and business case to establish the feasibility and viability of a greenfield manufacturing plant. During phase 1 of the study, each party will bear half of the external costs associated with the study, its own internal costs, and the external costs required only for its own interests. The second phase of the feasibility study will be carried out by the joint venture company and will examine in detail the feasibility and viability of setting up a greenfield site. The parties will bring out a detailed project report in relation to the joint venture. If the phase 1 of the study is favourable, the parties will mutually negotiate and conclude mutually acceptable joint venture documents including the joint venture agreement.

The other business opportunities which may be developed on satisfactory completion of phase 1 study by the joint venture are the operation for closed loop wagons, container flats, end-to-end asset management solutions, auto car, refrigerated cars, special cars for petroleum products, gases, chemicals, limestone, high axle load wagons and locomotive bogies and frames.

The UGL MOA also refers to long term business opportunities in Indian rail industry and export markets which relate to passenger (EMU/DMU), export wagons, diesel/electric locomotives, freight rolling stock manufacture, rolling stock maintenance/refurbishment, rail infrastructure construction and maintenance, wagon leasing, wheel and axle assembly and other associated areas.

The UGL MOA will terminate automatically on the execution of definitive documentation. Alternatively, either party can terminate the UGL MOA by serving one month's notice to the other party. Both Texmaco and UGL have mutually agreed to the extension of the UGL MOA till July 31, 2009.

ISSUE PROCEDURE

Below is a summary intended to present a general outline of the procedure relating to the application, payment, Allocation and Allotment of the Equity Shares. The procedure followed in the Issue may differ from the one mentioned below and the investors are assumed to have apprised themselves of the same from the Company or the Sole Global Coordinator. The investors are advised to inform themselves of any restrictions or limitations that may be applicable to them.

Summary of SEBI Guidelines for Qualified Institutional Placements

The Issue is being made on a private placement basis to QIBs in reliance upon Chapter XIII-A of the SEBI Guidelines. Under Chapter XIII-A of the SEBI Guidelines, a listed company in India may issue equity shares /fully convertible debentures/partly convertible debentures or any other security (other than warrants) which are convertible into or exchangeable with equity shares at a later date to QIBs, provided that:

- equity shares of the same class of such company are listed on a stock exchange in India that has nation-wide trading terminals for a period of at least one year as on the date of issuance of notice to its shareholders for convening the meeting; and
- such company complies with the minimum public shareholding requirements set out in the listing agreement with the stock exchange referred to above.

Additionally, there is a minimum pricing requirement under the SEBI Guidelines. The issue price of the equity shares shall not be less than the average of the weekly high and low of the closing prices of the related shares quoted on the stock exchange during the two weeks preceding the relevant date.

The 'relevant date' referred to above means the date of the meeting in which the board of the company or the committee of directors duly authorized by the board of the company decides to open the Issue. And "stock exchange" means any of the recognized stock exchanges in which the equity shares of the issuer are listed and on which the highest trading volume in such shares has been recorded during the two weeks immediately preceding the relevant date.

Issue Procedure

1. The Company and the Sole Global Coordinator shall circulate serially numbered copies of the Preliminary Placement Document and the Application Form, either in electronic form or physical form, to QIBs.
2. The list of QIBs to whom the Application Form is delivered shall be determined by the Sole Global Coordinator at its sole discretion. Unless a serially numbered Preliminary Placement Document along with the Application Form is addressed to a particular QIB, no invitation to subscribe shall be deemed to have been made. Even if such documentation were to come into the possession of any person other than the intended recipient, no offer or invitation to offer shall be deemed to have been made to such person.
3. QIBs may submit an Application Form, including any revisions thereof, during the Bidding Period to the Sole Global Coordinator.
4. QIBs will be required to indicate the following in the Application Form:
 - a. Name of the QIB to whom Equity Shares are to be Allotted;
 - b. Number of Equity Shares Bid for;
 - c. Price at which they offer to subscribe the Equity Shares, provided that QIBs may also indicate that they are agreeable to submit a Application Form at "**Cut-off Price**"; and
 - d. The details of the dematerialized account(s) to which the Equity Shares should be credited.

Note: Each sub-account of an FII will be considered as an individual QIB and separate Application Forms would be required from each such sub-account for submitting Application Form(s).

5. Once the Application Form is submitted by a QIB, such Application Form constitutes an irrevocable offer and cannot be withdrawn after the Bid Closing Date. The Bid Closing Date shall be notified to

the Stock Exchanges and the QIBs shall be deemed to have been given notice of such date after the receipt of the Application Form.

6. Upon the receipt of the Application Form, the Company shall determine the Issue Price and the number of Equity Shares to be issued in consultation with the Sole Global Coordinator. On determination of the Issue Price, the Sole Global Coordinator will send the CAN to the QIBs who have been Allocated Equity Shares. The dispatch of the CAN shall be deemed a valid, binding and irrevocable contract for the QIBs to pay the entire Issue Price for all the Equity Shares Allocated to such QIB. The CAN shall contain details such as the number of Equity Shares Allocated to the QIB and payment instructions including the details of the amounts payable by the QIB for Allotment of the Equity Shares in its name and the Pay-In Date as applicable to the respective QIB.

Pursuant to receiving a CAN, each QIB shall be required to make the payment of the entire application monies for the Equity Shares indicated in the CAN at the Issue Price, by high value cheques or through electronic transfer to the designated bank account of the Company by the Pay- In Date specified in the CAN.

Upon receipt of the application monies from the QIBs, the Company shall Allot as per the details in the CAN to the QIBs. The Company will intimate to the Stock Exchanges the details of the Allotment.

7. After receipt of the listing approval from the Stock Exchanges, the Company shall credit the Equity Shares into the Depository Participant accounts of the QIBs.
8. The Company shall then apply for the trading permissions from the Stock Exchanges.
9. The Equity Shares that have been credited to the Depository Participant accounts of the QIBs shall be eligible for trading on the Stock Exchanges only upon the receipt of final trading and listing approvals from the Stock Exchanges.
10. Upon intimation of final trading and listing approval from the Stock Exchanges, the Company shall inform the QIBs who have received an Allotment of the receipt of such approval. The Company shall not be responsible for any delay or non-receipt of the communication of the final trading and listing permissions from the Stock Exchanges or any loss arising from such delay or non-receipt. Final listing and trading approvals granted by the Stock Exchanges are also placed on the respective websites. QIBs are advised to appraise themselves of the status of the receipt of the permissions from the Stock Exchanges or the Company.

Qualified Institutional Buyers

Only QIBs as defined in clause 1.2.1 (xxiv a) of the SEBI Guidelines are eligible to invest. Currently these include:

- Public financial institutions as defined in section 4A of the Companies Act;
- Scheduled commercial banks;
- Mutual funds registered with SEBI;
- Foreign institutional investors and sub-account registered with SEBI, other than a sub-account which is a foreign corporate or foreign individual (subject to applicable laws);
- Multilateral and bilateral development financial institutions;
- Venture capital funds registered with SEBI;
- Foreign venture capital investors registered with SEBI;
- State industrial development corporations;
- Insurance companies registered with Insurance Regulatory and Development Authority;
- Provident Funds with minimum corpus of Rs.2,500 lakh;
- Pension Funds with minimum corpus of Rs.2,500 lakh; and
- National Investment Fund set up by resolution no. F. No. 2/3/2005-DDII dated November 23, 2005 of the GoI published in the Gazette of India.

FIIIs are permitted to participate in the QIP subject to compliance with all applicable laws and such that the shareholding of the FIIIs does not exceed specified limits as prescribed under applicable laws in this regard.

The issue of Equity Shares to a single FII should not exceed 10 per cent of the post-Issue, issued paid-up equity capital of the Company. In respect of an FII investing in the Equity Shares on behalf of its sub-accounts, the investment on behalf of each sub-account shall not exceed 10 per cent of the total issued paid-up equity capital of the Company or 5 per cent of the total issued paid-up equity capital of the Company in case such sub-account is a foreign corporate or an individual.

No Allotment shall be made pursuant to the Issue, either directly or indirectly, to any QIB being our Promoter or any person related to our Promoter(s). QIBs which have all or any of the following rights shall be deemed to be persons related to Promoter(s):

- a) rights under a shareholders agreement or voting agreement entered into with our promoters or persons related to our promoters;
- b) veto rights; or
- c) right to appoint any nominee director on the Board.

The Issuer and the Sole Global Coordinator are not liable for any amendments or modification or changes in applicable laws or regulations, which may occur after the date of this Preliminary Placement Document. QIBs are advised to make their independent investigations and satisfy themselves that they are eligible to apply. QIBs are advised to ensure that any single Application from them does not exceed the investment limits or maximum number of Equity Shares that can be held by them under applicable law or regulation or as specified in this Preliminary Placement Document. Further, QIBs are required to satisfy themselves that their Applications would not eventually result in triggering a tender offer under the Takeover Code.

A minimum of 10 per cent of the Equity Shares in this Issue shall be Allotted to Mutual Funds. If no Mutual Fund is agreeable to take up the minimum portion as specified above, such minimum portion or part thereof may be Allotted to other QIBs.

Note: Affiliates or associates of the Sole Global Coordinator who are QIBs may participate in the Issue in compliance with applicable laws.

Application Process

Application Form

QIBs shall only use the serially numbered Application Forms supplied by the Sole Global Coordinator in either electronic form or by physical delivery for the purpose of making a Bid (including revision of Bid) in terms of the Preliminary Placement Document and the Placement Document.

By making a Bid (including the revision thereof) for Equity Shares through Application Forms, the QIB will be deemed to have made the following representations and warranties and the representations, warranties and agreements made under ***“Transfer Restrictions”***.

1. The QIB confirms that it is a QIB in terms of Clause 1.2.1 (xxiv a) of the SEBI Guidelines and is eligible to participate in this Issue;
2. The QIB confirms that it is not a promoter and is not a person related to the Promoters, either directly or indirectly and its Application Form does not directly or indirectly represent the Promoter or Promoter group of the Company;
3. The QIB confirms that it has no rights under a shareholders agreement or voting agreement with the Promoters or persons related to the Promoters, no veto rights or right to appoint any nominee director on the Board of the Company other than those acquired in the capacity of a lender which shall not be deemed to be a person related to the Promoters;
4. The QIB has no right to withdraw its application after the Bid Closing Date;
5. The QIB confirms that if Equity Shares are Allotted through this Issue, it shall not, for a period of one year from Allotment, sell such Equity Shares otherwise than on the Stock Exchanges;

6. The QIB confirms that the QIB is eligible to apply and hold Equity Shares so Allotted and together with any Equity Shares held by the QIB prior to the Issue. The QIB further confirms that the holding of the QIB, does not and shall not, exceed the level permissible as per any applicable regulations applicable to the QIB;
7. The QIB confirms that the Application Form would not eventually result in triggering a tender offer under the Takeover Code;
8. The QIB confirms that to the best of its knowledge and belief together with other QIBs in the Issue that belong to the same group or are under common control, the Allotment to the QIB shall not exceed 50 per cent of the Issue Size. For the purposes of this statement:
 - a. The expression 'belongs to the same group' shall derive meaning from the concept of 'companies under the same group' as provided in sub-section (11) of Section 372 of the Companies Act;
 - b. 'Control' shall have the same meaning as is assigned to it by clause I of Regulation 2 of the Takeover Code.
9. The QIBs shall not undertake any trade in the Equity Shares credited to its Depository Participant account until such time that the final listing and trading approvals for the Equity Shares are issued by the Stock Exchanges.

QIBS WOULD NEED TO PROVIDE THEIR DEPOSITORY ACCOUNT DETAILS, THEIR DEPOSITORY PARTICIPANT'S NAME, DEPOSITORY PARTICIPANT IDENTIFICATION NUMBER AND BENEFICIARY ACCOUNT NUMBER IN THE APPLICATION FORM. QIBS MUST ENSURE THAT THE NAME GIVEN IN THE APPLICATION FORM IS EXACTLY THE SAME AS THE NAME IN WHICH THE DEPOSITORY ACCOUNT IS HELD.

Demographic details such as address and bank account will be obtained from the Depositories as per the Depository Participant account details given above.

The submission of an Application Form by the QIBs shall be deemed a valid, binding and irrevocable offer for the QIB to pay the entire Issue Price for its share of Allotment (as indicated by the CAN) and becomes a binding contract on the QIB, upon issuance of the CAN by the Company in favour of the QIB.

Submission of Application Form

All Application Forms must be duly completed with information including the name of the QIB, the price and the number of Equity Shares applied for. The Application Form shall be submitted to the Sole Global Coordinator either through electronic form or through physical delivery at the following address:

Name: ICICI Securities Limited
 Address: ICICI Centre, H.T. Parekh Marg, Churchgate, Mumbai 400 020, India
 Contact Person: Mr. Amit Ramchandani
 Email: xpress_qip@isecltd.com

The Sole Global Coordinator shall not be required to provide any written acknowledgement of the same.

Pricing and Allocation

Build up of the book

The QIBs shall submit their Bids (including the revision there of) within the Bidding Period to the Sole Global Coordinator.

Price discovery and allocation

The Company, in consultation with the Sole Global Coordinator, shall determine the Issue Price for the Equity Shares which shall be at or above the Floor Price.

Method of Allocation

The Company shall determine the Allocation in consultation with the Sole Global Coordinator on a discretionary basis and in compliance with Chapter XIII-A of the SEBI Guidelines.

Application Forms received from the QIBs at or above the Issue Price shall be grouped together to determine the total demand. The Allocation to all such QIBs will be made at the Issue Price. Allocation to Mutual Funds for up to a minimum of 10 per cent of the Issue Size shall be undertaken subject to valid Bids being received at or above the Issue Price.

THE DECISION OF THE ISSUER AND THE SOLE GLOBAL COORDINATOR IN RESPECT OF ALLOCATION SHALL BE BINDING ON ALL QIBS. QIBS MAY NOTE THAT ALLOCATION OF EQUITY SHARES IS AT THE SOLE AND ABSOLUTE DISCRETION OF THE ISSUER AND QIBS MAY NOT RECEIVE ANY ALLOCATION EVEN IF THEY HAVE SUBMITTED VALID APPLICATION FORMS AT OR ABOVE THE ISSUE PRICE. NEITHER THE ISSUER NOR THE SOLE GLOBAL COORDINATOR ARE OBLIGED TO ASSIGN ANY REASONS FOR SUCH NON-ALLOCATION.

All Application Forms duly completed along with payment and a copy of the PAN card or application for PAN shall be submitted to the Sole Global Coordinator as per the details provided in the respective CAN.

Number of Allottees

The minimum number of Allottees in the Issue shall not be less than:

- (a) two, where the issue size is less than or equal to Rs. 2.5 billion; or
- (b) five, where the issue size is greater than Rs. 2.5 billion.

Provided that no single allottee shall be Allotted more than 50 per cent of the aggregate amount of the Issue Size.

Provided further that QIBs belonging to the same group or those who are under common control shall be deemed to be a single Allottee for the purpose of this clause. For details of what constitutes ‘same group’ or “common control” see “***Application Process—Application Form.***”

Further the Equity Shares will be Allotted within 12 months from the date of the shareholders resolution approving the Issue.

CAN

Based on the Application Forms received, the Company and the Sole Global Coordinator, in their sole and absolute discretion, decide the list of QIBs to whom the serially numbered CAN shall be sent, pursuant to which the details of the Equity Shares allocated to them and the details of the amounts payable for Allotment of such Equity Shares in their respective names shall be notified to such QIBs. Additionally, the CAN will include details of the bank account(s) for transfer of funds if done electronically, address where the application money needs to be sent, Pay-In Date as well as the probable designated date (“**Designated Date**”), being the date of credit of the Equity Shares to the QIB’s account, as applicable to the respective QIBs.

The eligible QIBs would also be sent a serially numbered Placement Document either in electronic form or by physical delivery alongwith the serially numbered CAN.

The dispatch of the serially numbered Placement Document and the CAN by the QIB shall be deemed a valid, binding and irrevocable contract for the QIB to furnish all details that may be required by the Sole Global Coordinator and to pay the entire Issue Price for all the Equity Shares Allocated to such QIB.

Company Account for Payment of Application Money

The Company has opened a special bank account (the “**Escrow Bank Account**”) with ICICI Bank Limited (“**Escrow Bank**”) in terms of the arrangement between the Company, Sole Global Coordinator and ICICI Bank Limited (acting as an escrow bank). The QIB will be required to deposit the entire amount payable for the

Equity Shares allocated to it by the Pay-In Date as mentioned in the respective CAN.

If the payment is not made favouring the Escrow Bank Account within the time stipulated in the CAN, the Application Form and the CAN of the QIB are liable to be cancelled.

In case of cancellations or default by the QIBs, the Company and the Joint Global Coordinators have the right to reallocate the Equity Shares at the Issue Price among existing or new QIBs at their sole and absolute discretion.

Payment Instructions

The payment of application money shall be made by the QIBs in the name of “*Texmaco – QIP Escrow Account*” as per the payment instructions provided in the CAN.

QIBs may make payment through cheques or electronic fund transfer.

Note: Payment of the amounts through outstation cheques are liable to be rejected. Payments through cheques should be only through high value cheques payable at Kolkata and Mumbai.

Designated Date and Allotment of Equity Shares

1. The Equity Shares will not be Allotted unless the QIBs pay the Issue Price to the Texmaco - QIP Escrow Account.
2. In accordance with the SEBI Guidelines, Equity Shares will be issued and Allotment shall be made only in the dematerialized form to the Allottees. Allottees will have the option to re-materialize the Equity Shares, if they so desire, as per the provisions of the Companies Act and the Depositories Act.
3. The Company reserves the right to cancel the Issue at any time up to Allotment without assigning any reasons whatsoever.
4. Post Allotment and credit of Equity Shares into the QIBs Depository Participant account, the Company would apply for trading/listing approvals from the Stock Exchanges.
5. In the unlikely event of any delay in the Allotment or credit of Equity Shares, or receipt of trading or listing approvals or cancellation of the Issue, no interest or penalty would be payable by the Company.
6. The Escrow Bank shall not release the monies lying to the credit of the Texmaco - QIP Escrow Account to us, until such time as we deliver to the Escrow Bank documentation regarding the approval of the Stock Exchanges, for the listing of the Equity Shares.

After finalization of the Issue Price, the Company shall update the Preliminary Placement Document with the Issue details and file the same with the Stock Exchanges as the Placement Document.

Submission to SEBI

The Company shall submit the Placement Document to SEBI within 30 days of the date of Allotment for record purposes.

Other Instructions

Permanent Account Number or PAN

Each QIB should mention its PAN allotted under the I.T. Act. **The copy of the PAN card or PAN allotment letter is required to be submitted with the Application Form.** Applications without this information will be considered incomplete and are liable to be rejected. It is to be specifically noted that applicants should not submit the GIR number instead of the PAN as the Application Form is liable to be rejected on this ground.

Our Right to Reject Applications

The Company, in consultation with the Sole Global Coordinator, may reject Bids, in part or in full, without

assigning any reasons whatsoever. The decision of the Company and the Sole Global Coordinator in relation to the rejection of Bids shall be final and binding.

Equity Shares in dematerialised form with NSDL or CDSL

The Allotment of the Equity Shares in this Issue shall be only in dematerialized form (i.e., not in the form of physical certificates but be fungible and be represented by the statement issued through the electronic mode).

1. A QIB applying for Equity Shares must have at least one beneficiary account with a Depository Participant of either NSDL or CDSL prior to making the Bid.
2. Allotment to a successful QIB will be credited in electronic form directly to the beneficiary account (with the Depository Participant) of the QIB.
3. Equity shares in electronic form can be traded only on the stock exchanges having electronic connectivity with NSDL and CDSL. The Stock Exchanges have electronic connectivity with CDSL and NSDL.
4. The trading of the Equity Shares would be in dematerialized form only for all QIBs in the demat segment of the respective Stock Exchanges.
5. The Company will not be responsible or liable for the delay in the credit of Equity Shares due to errors in the Application Form or on part of the QIBs.

PLACEMENT

Placement Agreement

On July 23, 2009 the Sole Global Coordinator entered into a placement agreement with us, (the “**Placement Agreement**”) pursuant to which the Sole Global Coordinator has agreed to place up to such number of the Company’s Equity Shares as may be agreed among the Company and the Sole Global Coordinator, to QIBs, pursuant to Chapter XIII-A of the SEBI Guidelines, outside the United States in reliance on Regulation S under the Securities Act.

The Placement Agreement provides that the obligations of the Sole Global Coordinator to participate in this Issue is subject to the approval of certain legal matters by the counsels to the Sole Global Coordinator and to the other conditions contained in the Placement Agreement. The Placement Agreement also provides that we will indemnify the Sole Global Coordinator against certain liabilities including liabilities under securities laws. Application shall be made to list the Equity Shares and admit them to trading on the Stock Exchanges.

No assurance can be given as to the liquidity or sustainability of the trading market for the Equity Shares, the ability of holders of the Equity Shares to sell their Equity Shares or the price at which holders of the Equity Shares will be able to sell their Equity Shares. This Preliminary Placement Document has not been, and will not be, registered as a prospectus with the RoC in India. No Equity Shares will be offered in India or overseas to the public or any members of the public in India or any other class of investors other than QIBs.

ICICI Bank Limited, the Escrow Bank for this Issue, is an affiliate of ICICI Securities Limited, the Sole Global Coordinator. Further, the Sole Global Coordinator and its respective affiliates may engage in transactions with, and perform services for, the Company and its group companies or affiliates in the ordinary course of business and have engaged, or may in the future engage, in commercial banking and investment banking transactions with the Company, for which they have received, and may in the future receive, customary compensation.

Lock-up

The Company has agreed that, without the prior written consent of the Sole Global Coordinator, it will not, for a period of 60 days from the date of the Placement Document, directly or indirectly, (a) offer, pledge, issue, contract to issue, grant any option, right or warrant for the issuance and allotment, or otherwise dispose of or transfer, or establish or increase a put equivalent position or liquidate or decrease a call equivalent position with respect to, any Equity Shares or securities convertible into or exchangeable or exercisable for such Equity Shares (including any warrants or other rights to subscribe any equity shares), (b) enter into a transaction which would have the same effect, or enter into any swap, hedge or other arrangement that transfers, in whole or in part, any of the economic consequences of ownership of any Equity Shares, whether any such aforementioned transaction is to be settled by allotment of any Equity Shares or such other securities, in cash or otherwise, or (c) publicly disclose the intention to make any such offer, issuance and allotment or disposition, or to enter into any such transaction, swap, hedge or other arrangement.

SELLING RESTRICTIONS

The distribution of this Preliminary Placement Document and the offer, sale or delivery of the Equity Shares is restricted by law in certain jurisdictions. Persons who come into possession of this Preliminary Placement Document are advised to take legal advice with regard to any restrictions which may be applicable to them and to observe such restrictions. This Preliminary Placement Document may not be used for the purpose of an offer or sale in any circumstances in which such offer or sale is not authorised or permitted.

United States of America

The Equity Shares are being offered and sold outside of United States in reliance on Regulation S. The Equity Shares have not been and will not be registered under Securities Act and may not be offered or sold within the United States except in certain transactions exempt from the registration requirements of the Securities Act. Terms used in this paragraph have the meanings given to them by Regulation S under the Securities Act.

In addition, until 40 days after the first date upon which the Equity Shares were *bona fide* offered to the public, an offer of the Equity Shares within the United States by the dealer may violate the registration requirements of the Securities Act.

Each purchaser of the Equity Shares will be deemed to have made the acknowledgements, representations and agreements described in the section titled “**Transfer Restrictions**” of this Preliminary Placement Document.

United Kingdom

The Equity Shares cannot be promoted in the United Kingdom to the general public. No invitation or inducement to engage in investment activity (within the meaning of section 21 of the Financial Services and Markets Act 2000, as amended (the “FSMA”) in connection with the issue or sales of any Equity Shares may be communicated or caused to be communicated in circumstances in which section 21(1) of the FSMA does not apply to the Company. All applicable provisions of the FSMA must be complied with in respect of anything done in relation to the Equity Shares in, from or otherwise involving the United Kingdom.

Hong Kong

The Preliminary Placement Document has not been delivered for registration to the Registrar of Companies in Hong Kong and its contents have not been reviewed by any regulatory authority in Hong Kong. Accordingly: (i) the Equity Shares may not be offered or sold in Hong Kong by means of any document other than to persons who are “professional investors” within the meaning of the Securities and Futures Ordinance (Cap. 571) of Hong Kong and the Securities and Futures (Professional Investor) Rules made thereunder or in other circumstances which do not result in the document being a “prospectus” within the meaning of the Companies Ordinance (Cap. 32) of Hong Kong or which do not constitute an offer to the public within the meaning of the Companies Ordinance; and (ii) no person may issue any invitation, advertisement or other document relating to the Equity Shares whether in Hong Kong or elsewhere, which is directed at, or the contents of which are likely to be accessed or read by, the public in Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than with respect to the Equity Shares which are or are intended to be disposed of only to persons outside Hong Kong or only to “professional investors” within the meaning of the Securities and Futures Ordinance and the Securities and Futures (Professional Investor) Rules made thereunder.

Japan

The Sole Global Coordinator has represented, warranted and agreed, that the Equity Shares have not been registered under the Financial Instruments and Exchange Law of Japan and the Equity Shares which it subscribes or purchases will be subscribed or purchased by it as principal and that, in connection with the Equity Shares, it will not, directly or indirectly, offer or sell any Equity Shares in Japan or to, or for the benefit of, any resident of Japan (which terms as used herein means any person resident in Japan, including any corporation or other entity organized under the laws of Japan), except pursuant to an exemption from the registration requirements of, and otherwise in compliance with, the Financial Instruments and Exchange Law of Japan and other relevant laws and regulations of Japan.

Singapore

This Preliminary Placement Document has not been registered as a prospectus with the Monetary Authority of Singapore under the Securities and Futures Act, Cap. 289 of Singapore (the "**SFA**") and accordingly, the Equity Shares may not be offered or sold, nor may the Equity Shares be the subject of an invitation for subscription or purchase, nor may this Preliminary Placement Document or any other document or material in connection with the offer or sale, or invitation for subscription or purchase of the Equity Shares be circulated or distributed, whether directly or indirectly, to any person in Singapore other than under exemptions provided in the SFA for offers made (a) to an institutional investor (as defined in Section 4A of the SFA) pursuant to Section 274 of the SFA, (b) to a relevant person (as defined in Section 275(2) of the SFA), or any person pursuant to an offer referred to in Section 275(1A) of the SFA, and in accordance with the conditions specified in Section 275 of the SFA or (c) otherwise pursuant to, and in accordance with, the conditions of any other applicable provision of the SFA.

Where the Equity Shares are acquired by persons who are relevant persons specified in Section 276 of the SFA, namely:

- (a) a corporation (which is not an accredited investor (as defined in Section 4A of the SFA)) the sole business of which is to hold investments and the entire share capital of which is owned by one or more individuals, each of whom is an accredited investor; or
- (b) a trust (where the trustee is not an accredited investor) whose sole purpose is to hold investments and each beneficiary of the trust is an individual who is an accredited investor,

the shares, debentures and units of shares and debentures of that corporation or the beneficiaries' rights and interest (howsoever described) in that trust shall not be transferred within 6 months after that corporation or that trust has acquired the Equity Shares pursuant to an offer made under Section 275 of the SFA except:

- (1) to an institutional investor (under Section 274 of the SFA) or to a relevant person as defined in Section 275(2) of the SFA, or any person pursuant to an offer that is made on terms that such shares, debentures and units of shares and debentures of that corporation or such rights interest in that trust are acquired at a consideration of not less than S\$200,000 (or its equivalent in a foreign currency) for each transaction, whether such amount is to be paid for in cash or by exchange of securities or other assets and further for corporations, in accordance with the conditions specified in Section 275(1A) of the SFA;
- (2) where no consideration is or will be given for the transfer; or
- (3) where the transfer is by operation of law.

United Arab Emirates

The Equity Shares may not be, have not been and are not being sold, subscribed for, transferred or delivered in the United Arab Emirates ("**UAE**") or the Dubai International Financial Centre ("**DIFC**") other than in compliance with the laws of the UAE or the DIFC governing the sale, subscription for, transfer and delivery of securities.

TRANSFER RESTRICTIONS

Allottees are not permitted to sell the Equity Shares for a period of one year from the date of Allotment except through the Stock Exchanges. Subject to the foregoing:

Because the following restrictions will apply to the issue, purchasers are advised to consult their own legal counsel prior to making any offer, re-sale, pledge or transfer of the Equity Shares.

General

Each purchaser of the Equity Shares, by accepting delivery of this document will be deemed to have represented, agreed and acknowledged that:

- (i) It is purchasing the Equity Shares outside the United States in an offshore transaction in accordance with Regulation S under the Securities Act.
- (ii) It is relying on this document and not on any other information or the representation concerning the Company or the Equity Shares and neither the Company nor any other person responsible for this document or any part of it or the Sole Global Coordinator will have any liability for any such other information or representation.
- (iii) The Company, the Sole Global Coordinator and their affiliates and others will rely upon the truth and accuracy of the foregoing acknowledgements, representations and agreements.

THE SECURITIES MARKET OF INDIA

The information in this section has been extracted from publicly available documents from various sources, including officially prepared materials from the SEBI, the BSE, NSE and the CSE, and has not been prepared or independently verified by our Company or the Sole Global Coordinator or any of their respective affiliates or advisors.

India has a long history of organized securities trading. In 1875, the first stock exchange was established in Mumbai.

Stock Exchange Regulations

Indian Stock Exchanges are regulated primarily by SEBI, as well as by the Government of India acting through the Ministry of Finance, Stock Exchange Division, under the Securities Contracts (Regulation) Act, 1956, as amended (the “SCRA”) and the Securities Contracts (Regulation) Rules, 1957, as amended (the “SCRR”). The SCRA and the SCRR along with the rules, by-laws and regulations of the respective stock exchanges regulate the recognition of stock exchanges, the qualifications for membership thereof and the manner in which contracts are entered into, settled and enforced between members.

The SEBI Act granted SEBI, the powers to regulate the business of Indian securities markets, including stock exchanges and other financial intermediaries, promote and monitor self-regulatory organizations, prohibit fraudulent and unfair trade practices and insider trading and regulate substantial acquisitions of shares and takeovers of companies. SEBI has also issued guidelines concerning minimum disclosure requirements by public companies, rules and regulations concerning investor protection, insider trading, substantial acquisitions of shares and takeovers of companies, buybacks of securities, employee stock option schemes, stockbrokers, merchant bankers, underwriters, mutual funds, foreign institutional investors, credit rating agencies and other capital market participants.

SEBI has also set up a committee for the review of Indian securities laws, which has proposed a draft Securities Bill. The draft Securities Bill, if enacted in its present form may result in a substantial revision in the laws relating to securities transactions in India. The Companies Bill has also been introduced in the Lok Sabha on October 23, 2008 for a comprehensive revision of the Companies Act..

Listing

The listing of securities on a recognised Indian stock exchange is regulated by the Companies Act, the SCRA, the SCRR, the SEBI Act and various guidelines issued by SEBI and the listing agreements of the respective stock exchanges (“**Listing Agreement(s)**”). Under the SCRR, the governing body of each stock exchange is empowered to suspend trading of or dealing in a listed security for breach of an issuer’s obligations under such listing agreement or for any other reason, subject to the issuer receiving prior notice of the intent of the exchange and upon granting of a hearing in the matter. In the event that a suspension of a company’s securities continues for a period in excess of three months, the company may appeal to the Securities Appellate Tribunal (“**SAT**”) established under the SEBI Act to set aside the suspension. SEBI has the power to veto stock exchange decisions in this regard. SEBI also has the power to amend such listing agreements and the by-laws of the stock exchanges in India.

Clause 49 of the Listing Agreement provides that if a non-executive chairman of a listed company is a promoter or is related to promoters of the company or persons occupying management positions at the board level or at one level below the board, at least one-half of the board of the company should consist of independent directors.

The Listing Agreement requires that all listed companies are required to ensure a minimum level of public shareholding at 25 per cent of the total number of issued shares of a class or kind for the purpose of continuous listing.

The exceptions to this rule are for companies which (i) are offering or have offered shares to the extent of at least 10 per cent of the issue size in terms of Rule 19(2)(b) of the Securities Contracts (Regulations) Rules, 1957; (ii) have 20 million or more outstanding shares; (iii) have a market capitalisation of Rs. 100,000 lakh or more and the minimum public shareholding to be maintained by such companies is 10 per cent. Consequently, a

listed company may be delisted from the stock exchanges for not complying with the above-mentioned requirement.

In order to restrict abnormal price volatility in any particular stock, the SEBI has instructed stock exchanges to apply daily circuit breakers which do not allow transactions beyond a certain level of price volatility. The index-based market-wide circuit breaker system (equity and equity derivatives) applies at three stages of the index movement, at 10 percent, 15 percent and 20 percent. These circuit breakers, when triggered, bring about a coordinated trading halt in all equity and equity derivative markets nationwide. The market-wide circuit breakers are triggered by movement of either the Sensex of the BSE or Nifty of the NSE, whichever is breached earlier.

In addition to the market-wide index-based circuit breakers, there are currently in place varying individual scrip-wise price bands. However, no price bands are applicable on scrips on which derivative products are available or scrips included in indices on which derivative products are available.

The stock exchanges in India can also exercise the power to suspend trading during periods of market volatility. Margin requirements are imposed by stock exchanges that are required to be paid by the stockbrokers.

Delisting of Securities

SEBI has recently, pursuant to a notification dated June 10, 2009, notified the SEBI (Delisting of Equity Shares) Regulations, 2009 (“**Delisting Guidelines**”).

The Delisting Guidelines are applicable to: (i) voluntary delisting of securities by promoters of a company; (ii) any acquisition of shares of a company (either by a promoter or by any other person) or a scheme or arrangement, consequent to which the public shareholding in such company falls below the minimum limits specified in the listing conditions or listing agreement that may result in delisting of securities; (iii) promoters of companies who voluntarily seek to delist their securities from some or all stock exchanges on which the security is listed; (iv) cases where a person in control of the management is seeking to consolidate his holdings in a company in a manner that would result in the public shareholding in the company falling below the limit specified in the listing conditions or in the listing agreement that may have the effect of company being delisted; and (v) companies which may be compulsorily delisted by the stock exchanges on account of, among other things, violation of stock exchange by-laws. Following a compulsory delisting, a company, its whole time directors, its promoters and the firms promoted by any of them cannot directly or indirectly access the securities market or seek listing of any equity shares for a period of 10 years from the date of such delisting.

No company can apply for permission to delist: (i) pursuant to a buy back of equity shares or preferential allotment made by a company or (ii) unless a period of three years has elapsed since the listing of that class of equity shares on any recognized stock exchange. Furthermore, if any instruments issued by the company which are convertible into the same class of equity shares that are sought to be delisted, are outstanding, delisting is disallowed.

The Delisting Guidelines allow a company to delist its equity shares from all or only recognized stock exchanges on which they are listed, provided an exit opportunity is given to shareholders. However they provide that an exit opportunity need not be given to the shareholders in cases where the securities continue to be listed on a stock exchange having nationwide trading terminals. Presently, only the BSE and the NSE have nationwide trading terminals. When an exit option is required, the Delisting Guidelines require a promoter or an acquirer intending to delist securities of a company to obtain the prior approval of the shareholders by a special resolution, make a public announcement in the manner provided for in the Delisting Guidelines and make an in-principle application to and obtain final approval of the stock exchanges within one year of the passing of the shareholders resolution for delisting. A proposed delisting where no exit option is required to be given, does not require a shareholders resolution and a resolution of the board of directors is sufficient.

The floor price for delisting will be determined by calculating the average of the weekly high and low of the closing prices during the last 26 weeks or two weeks preceding the date on which the recognized stock exchanges were notified. The offer must fulfil the criteria prescribed in the Delisting Guidelines to be successful. Upon closure of the open offer process, all shareholders whose equity shares are verified will be paid the final price stated in the public announcement within 10 working days.

Further, the Ministry of Finance has, on June 10, 2009, proposed certain amendments to the Securities Contracts (Regulation) Rules, 1957 (“**MoF Notification**”) in relation to voluntary and compulsory delisting, to bring them in line with the Delisting Guidelines. The MoF Notification shall become effective from the date that it is published in the Official Gazette. Due to their recent issuance, the applicability of the Delisting Guidelines and MoF Notification have not been tested in any manner and hence it is possible that some of the clauses may be amended to make either the Delisting Guidelines or the MoF Notification more effective or clarify any ambiguities contained therein. Investors are also requested to consult their advisors before taking any steps under the Delisting Guidelines.

Disclosures under the Companies Act and Securities Regulations

Under the Companies Act, a public offering of securities in India must be made by means of a prospectus, which must contain information specified in the Companies Act and the SEBI Guidelines, and be filed with the Registrar of Companies having jurisdiction over the place where a company’s registered office is situated. A company’s directors and promoters may be subjected to civil and criminal liability for misstatements in a prospectus. The Companies Act also sets forth procedures for the acceptance of subscriptions and the allotment of securities among subscribers and establishes maximum commission rates for the sale of securities. Pursuant to the provisions of the SEBI Act, the SEBI has issued detailed guidelines concerning disclosures by public companies and to further investor protection. Prior to the repeal of certain rules in mid-1992, the Controller of Capital Issues of the Government of India regulated the prices at which companies could issue securities. The SEBI Guidelines now permit companies to price their domestic issues of securities freely. The SEBI Guidelines permit companies to freely price their issues of securities. All companies, including public limited companies, are required under the Companies Act to prepare, file with the Registrar of Companies and circulate to their shareholders audited annual accounts, which comply with the disclosure requirements of the Companies Act and regulations governing their manner of presentation, which include sections pertaining to corporate governance and the management’s discussion and analysis. In addition, a listed company is subject to continuing disclosure requirements pursuant to the terms of its listing agreement with the relevant stock exchange, including the requirement to publish un-audited financial statements on a quarterly basis, and is required to inform stock exchanges immediately regarding any stock price-sensitive information.

The Companies Act further requires mandatory compliance with accounting standards issued by the ICAI. The ICAI and SEBI have implemented changes which require Indian companies to account for deferred taxation, consolidate their accounts (subsidiaries only), and provide segment-wise reporting and disclosure of related party transactions from April 1, 2001 and accounting for investments in affiliated companies and joint ventures in consolidated accounts from April 1, 2002.

As of April 1, 2003, accounting of intangible assets is also regulated by accounting standards set by the ICAI and as of April 1, 2004 accounting standards set by the ICAI will regulate accounting for impairment of assets. The ICAI has recently announced that all listed companies and public interest entities have to comply with International Financial Reporting Standards from April 1, 2011.

Indian Stock Exchanges

There are currently 23 recognized stock exchanges in India. Most of the stock exchanges have their own governing board for self regulation. The BSE and NSE together hold a dominant position among the stock exchanges in terms of the number of listed companies, market capitalisation, and trading activity.

BSE

Established in 1875, it is the oldest stock exchange in India. In 1956 it became the first stock exchange in India to obtain permanent recognition from the Government of India under the SCRA. Recently, pursuant to the SEBI’s BSE (Corporatisation and Demutualisation) Scheme, 2005, with effect from August 20, 2005 the BSE has been corporatised and demutualised and is now a company under the Companies Act. The BSE switched over from an open outcry trading system to an online trading network in May 1995 and has today expanded this network to over 349 cities in India. As of March 2009, the BSE had 1,007 members, comprising 175 individual members, 809 Indian companies and 23 FIIs. Only a member of the BSE has the right to trade in the stocks listed on the BSE. As of April 30, 2009, the BSE had 1008 members comprising 175 individual members, 810 Indian companies and 23 foreign institutional investors. As of April 30, 2009, there were 4,930 companies trading on the BSE and the estimated market capitalisation of stocks trading on the BSE was Rs. 35,869.79

billion (approximately US\$ 714.25 billion). The average daily turnover on the BSE as of April 30, 2009 was Rs. 52.32 billion (approximately US\$ 1.04 billion). (Source: BSE)

NSE

The NSE was established by financial institutions and banks to provide nationwide, online, satellite-linked, screen-based trading facilities for market-makers and electronic clearing and settlement for securities including government securities, debentures, public sector bonds and units. The NSE was recognised as a stock exchange under the SCRA in April 1993 and commenced operations in the wholesale debt market segment in June 1994. The capital market (equities) segment commenced operations in November 1994 and operations in the derivatives segment commenced in June 2000. In March 2009, the average daily traded value of the capital market segment was Rs. 101,400 million. As of March 31, 2008, the NSE had 1,075 trading members and over 21,083 registered sub-brokers on the capital market segment and the wholesale debt market segment. The NSE launched the NSE 50 index, now known as S&P CNX NIFTY, on April 22, 1996 and the Mid-cap Index on January 1, 1996. As of April 17, 2009, the market capitalisation of the NSE was approximately Rs. 33,106 billion. With a wide network in major metropolitan cities, screen based trading, a central monitoring system and greater transparency, the NSE has recorded high volumes of trading.

CSE

Incorporated in 1908, the CSE has approximately 945 members which includes corporate and institutional members. The number of companies listed on the CSE is more than 3,200. In 1997, the CSE replaced the old manual trading system known as “C-STAR” (CSE Screen Based Trading and Reporting).

Internet-based Securities Trading and Services

SEBI approved internet trading in January 2000. Internet trading takes place through order routing systems, which route client orders to exchange trading systems for execution. Stockbrokers interested in providing this service are required to apply for permission to the relevant stock exchange and also have to comply with certain minimum conditions stipulated by the SEBI. The NSE became the first exchange to grant approval to its members for providing internet-based trading services. Internet trading is possible on both the “equities” as well as the “derivatives” segments of the NSE.

Trading Hours

Trading on both NSE and BSE occurs from Monday through Friday, between 9:55 a.m. and 3:30 p.m. The BSE and NSE are closed on public holidays.

Trading Procedure

In order to facilitate smooth transactions, in 1995, BSE replaced its open outcry system with BSE On-line Trading (“**BOLT**”) facility in 1995. This totally automated screen based trading in securities was put into practice nation-wide. This has enhanced transparency in dealings and has assisted considerably in smoothening settlement cycles and improving efficiency in back-office work.

Electronic trading was introduced in India by NSE, which developed its technology in-house. NSE introduced for the first time in India, fully automated screen based trading, which uses a modern, fully computerised trading system designed to offer investors across the length and breadth of the country a safe and easy way to invest. The NSE trading system called ‘National Exchange for Automated Trading’ (NEAT) is a fully automated screen based trading system, which adopts the principle of an order driven market. The derivatives turnover on the NSE has surpassed the equity market turnover. The turnover of derivatives on the NSE increased from Rs. 23,654 million (US\$ 207 million) in 2000-2001 to Rs. 130,904,779 million (US\$ 3,275,076 million) in 2007-2008.

NSE fared very well in 2007 in terms of traded volumes in futures and options taken together, improving its worldwide ranking from 15th in 2006 to 9th in 2007. The traded volumes in the derivatives segment of the NSE saw an increase of 95 per cent in 2007 over the figure in 2006.

Stock Market Indices

There is an array of indices of stock prices on NSE. The popular indices are the S&P CNX Nifty, CNX Nifty Junior, S&P CNX Defty, S&P CNX 500, CNX Midcap and CNX 100.

The following two indices are generally used in tracking the aggregate price movements on the BSE.

1. The BSE Sensitive Index, or Sensex, consists of listed shares of 30 large market capitalisation companies. The companies are selected on the basis of market capitalisation, liquidity and industry representation. Sensex was first compiled in 1986 with the Fiscal year ended March 31, 1979 as its base year. This is the most commonly used index in India.
2. The BSE 100 Index (formerly the BSE National Index) contains listed shares of 100 companies including the 30 in Sensex. The BSE 100 Index was introduced in January 1989 with the Fiscal year ended March 31, 1984 as its base year.

Takeover Code

Disclosure and mandatory bid obligations for listed Indian companies under Indian law are governed by the Takeover Code, which prescribes certain thresholds or trigger points that give rise to these obligations. The Takeover Code is under constant review by the SEBI. Since Texmaco is an Indian listed company, the provisions of the Takeover Code apply to Texmaco.

The salient features of the Takeover Code are as follows:

- The term “shares” is defined under the Takeover Code to mean equity shares or any other security, which entitles a person to receive shares with voting rights but does not include preference shares.
- Any acquirer (meaning a person who, directly or indirectly, acquires or agrees to acquire shares or voting rights in a company, or acquires or agrees to acquire control over a company, either by himself or with any person acting in concert with him) who acquires shares or voting rights that would entitle him to more than 5 per cent, 10 per cent, 14 per cent, 54 per cent or 74 per cent of the shares or voting rights in a company is required to disclose the aggregate of his shareholding or voting rights in that company to the company and to each of the stock exchanges on which the company’s shares are listed at every such stage within two days of (i) the receipt of intimation of allotment of shares or (ii) the acquisition of shares or voting rights, as the case may be. Such company in turn is also required to disclose the same to the stock exchanges on which the company’s shares are listed.
- A person who holds more than 15 per cent of the shares or voting rights in any company is required to make an annual disclosure of his holdings to that company within 21 days of the financial year ending on March 31 (which in turn is required to disclose the same to each of the stock exchanges on which that company’s shares are listed). Further, such person who holds 15 per cent or more but less than 55 per cent of the shares or voting rights in any company is required to disclose any purchase or sale of shares aggregating 2 per cent of the share capital of a company along with the aggregate shareholding after such acquisition or sale, to that company (which in turn is required to disclose the same to each of the stock exchanges on which the company’s shares are listed) and to each of the stock exchanges on which the shares of the company are listed within two days of (i) the receipt of intimation of the allotment of shares or (ii) the acquisition of shares or voting rights, as the case may be.
- Promoters or persons in control of a company are also required to make periodic disclosure of their holdings or the voting rights held by them along with persons acting in concert, in the same manner as above, annually within 21 days of the end of each financial year as well as from the record date for entitlement of dividends. The company is also required to disclose the holdings of its promoters or persons in control as of March 31 of the respective year and on the record date fixed for the declaration of dividends to each of the stock exchanges on which its equity shares are listed. In addition, promoters or persons forming part of the promoter group of the company are also required to disclose to the company the details of the shares of the company pledged by them within 7 days of the creation, or invocation, of the pledge, as the case may be. The company is, in turn, required to disclose the information to the stock exchanges within 7 days of receipt of such information, if during any quarter ending March, June, September and December of any year: (i) the aggregate number of pledged shares taken together with the shares already pledged

during that quarter exceeds 25,000, or (ii) the aggregate total pledged shares taken together with the shares already pledged during that quarter exceeds 1 per cent of the total shareholding or voting rights of the company, whichever is lower.

- An acquirer who, together with persons acting in concert with him, acquires or agrees to acquire 15 per cent or more (taken together with existing equity shares or voting rights, if any, held by it or by persons acting in concert with it) of the shares or voting rights of a company would be required to make a public announcement offering to acquire a further minimum of 20 per cent of the shares of the company at a price not lower than the price determined in accordance with the Takeover Code. Such offer has to be made to all public shareholders of a company (public shareholding is defined as shareholding held by persons other than the promoters) and within four working days of entering into an agreement for the acquisition of or of the decision to acquire shares or voting rights which exceed 15 per cent or more of the voting rights in a company. A copy of the public announcement is required to be delivered on the date on which such announcement is published to SEBI, the company and the stock exchanges on which a company's equity shares are listed.
- An acquirer who, together with persons acting in concert with him, has acquired 15 per cent, or more, but less than 55 per cent of the shares or voting rights in the shares of a company, cannot acquire additional shares or voting rights that would entitle him to exercise more than 5 per cent of the voting rights in any financial year ending on March 31 unless such acquirer makes a public announcement offering to acquire a further minimum of 20 per cent of the shares of the company at a price not lower than the price determined in accordance with the Takeover Code.
- An acquirer who, together with persons acting in concert with him, if any, holds 55 per cent or more but less than 75 per cent of the shares or voting rights (or, where the company concerned obtained the initial listing of its shares by making an offer of at least 10 per cent of the issue size to the public pursuant to Rule 19(2)(b) of the SCR Rules, less than 90 per cent of the shares or voting rights in the company) in a company cannot acquire additional shares entitling him to exercise voting rights or voting rights unless such acquirer makes a public announcement offering to acquire a further minimum of 20 per cent of the shares of the company at a price not lower than the price determined in accordance with the Takeover Code.
- However, an acquirer may acquire, together with persons acting in concert with him, additional shares or voting rights that would entitle him to exercise up to 5 per cent voting rights in the company, without making a public announcement as aforesaid if (i) the acquisition is made through open market purchase in normal segment on the stock exchange but not through bulk/block deal/negotiated deal/preferential allotment, or the increase in the shareholding or voting rights of the acquirer is pursuant to a buyback of shares by the company; and (ii) the post acquisition shareholding of the acquirer together with persons acting in concert with him shall not increase beyond 75 per cent.
- Where an acquirer who (together with persons acting in concert) holds 55 per cent or more, but less than 75 per cent of the shares or voting rights (or, where the company concerned obtained initial listing of its shares by making an offer of at least 10 per cent of the issue size to the public pursuant to Rule 19(2)(b) of the SCR Rules, less than 90 per cent of the shares or voting rights) in the company, intends to consolidate its holdings while ensuring that the public shareholding in the target company does not fall below the minimum level permitted by the listing agreement with the stock exchanges, the acquirer may do so only through an open offer under the Takeover Code. Such open offer would be required to be made for the lesser of (i) 20 per cent of the voting capital of the company, or (ii) such other lesser percentage of the voting capital of the company as would, assuming full subscription to the open offer, enable the acquirer (together with persons acting in concert), to increase the holding to the maximum level possible, i.e. up to the delisting threshold (75 per cent or 90 per cent, as the case may be).
- In addition, regardless of whether there has been any acquisition of shares or voting rights in a company, an acquirer cannot directly or indirectly acquire control over a company (for example, by way of acquiring the right to appoint a majority of the directors or to control the management or the policy decisions of the company) unless such acquirer makes a public announcement offering to acquire a minimum of 20 per cent of the shares of the company. In addition, the Takeover Code introduces the "chain principle" by which the acquisition of a holding company will obligate the acquirer to make a public offer to the shareholders of each of its subsidiary companies which is listed. However, the public announcement requirement will not apply to any change in control which takes place pursuant to a special resolution passed by way of postal ballot by shareholders. The Takeover Code sets out the contents of the required public announcements as

well as the minimum offer price. The minimum offer price depends on whether the shares of the company are “frequently” or “infrequently” traded (as defined in the Takeover Code). In the case of shares which are Frequently traded, the minimum offer price shall be the highest of:

- (a) the negotiated price under the agreement for the acquisition of shares or voting rights in the company;
 - (b) the highest price paid by the acquirer or persons acting in concert with him/her for any acquisitions, including through an allotment in a public, preferential or rights issue, during the 26-week period prior to the date of the public announcement; or
 - (c) the average of the weekly high and low of the closing prices of the shares of the company as quoted on the stock exchange where the shares of the company are most frequently traded during the 26-week period prior to the date of the public announcement or the average of the daily high and low of the prices of the shares as quoted on the stock exchange where the shares of the company are most frequently traded during the two-week period prior to the date of the public announcement, whichever is higher.
- The open offer for the acquisition of a further minimum of 20 per cent of the shares of a company has to be made by way of a public announcement which is to be made within four working days of entering into an agreement for the acquisition or the decision to acquire shares or voting rights exceeding the relevant percentages or within four working days after the decision to make any such change(s) is made which would result in acquisition of control.
 - The Takeover Code provides that an acquirer who seeks to acquire any shares or voting rights which would result in the public shareholding in the target company being reduced to a level below the limit specified in the listing agreement with the stock exchange for the purpose of listing on a continuous basis, shall take the necessary steps to facilitate the compliance by the company with the relevant provisions of such listing agreement, within the time period mentioned therein. Further, the Takeover Code contains penalties for the violation of any provisions.
 - The Takeover Code permits conditional offers and provides specific guidelines for the gradual acquisition of shares or voting rights. Specific obligations of the acquirer and the board of directors of the target company in the offer process have also been set out.
 - Acquirers making a public offer are also required to deposit a percentage of the total consideration for such offer in an escrow account. This amount will be forfeited in the event that the acquirer does not fulfil his/her obligations.

The public offer provisions of the Takeover Code (subject to certain specified conditions), do not apply, *inter alia*, to certain specified acquisitions, including the acquisition of shares (i) by allotment in a public and rights issue subject to the fulfilment of certain conditions, (ii) pursuant to an underwriting agreement, (iii) by registered stockbrokers in the ordinary course of business on behalf of clients, (iv) in unlisted companies (unless such acquisition results in an indirect acquisition of shares in excess of 15 per cent in a listed company), (v) pursuant to a scheme of arrangement or reconstruction including an amalgamation or demerger, under any law or regulation of India or any other country, (vi) pursuant to a scheme under the SICA, (vii) resulting from transfers between companies belonging to the same group of companies or between promoters of a publicly listed company and their relatives, provided the relevant conditions are complied with, (viii) through inheritance on succession, (ix) resulting from transfers by Indian venture capital funds or foreign venture capital investors registered with the SEBI, to their respective promoters or to other venture capital undertakings, (x) by companies controlled by the Government of India unless such acquisition is made pursuant to a disinvestment process undertaken by the Government of India or a State Government, (xi) pursuant to a change in control by the takeover/restoration of the management of a borrower company by a secured creditor under the terms of the Securitisation and Reconstruction of Financial Assets and Enforcement of Security Interest Act, 2002, (xii) by acquisition of shares by a person in exchange for equity shares received under a public offer made under the Takeover Code, and (xiii) in terms of guidelines and regulations relating to delisting of securities as specified by SEBI. The Takeover Code does not apply to acquisitions in the ordinary course of business by public financial institutions, either on their own account or as a pledgee. An application may also be filed with the SEBI seeking exemption from the requirements of the Takeover Code. The general requirements to make such a public announcement do not, however, apply entirely to bailout takeovers of a ‘financially weak company’ but not a ‘sick industrial company’ pursuant to a rehabilitation scheme approved by a public financial institution or a scheduled bank. A ‘financially weak company’ is a company which has at the end of the previous financial year

accumulated losses which have resulted in the erosion of more than 50 per cent but less than 100 per cent of the total sum of its paid up capital and free reserves as at the beginning of the previous financial year. A 'sick industrial company' is a company registered for not less than five years which has at the end of any financial year accumulated losses equal to or exceeding its entire net worth. The obligation to make an open offer also does not arise in case of the acquisition of global depository receipts so long as they are not converted into shares carrying voting rights.

Recent amendments to the Takeover Code further empower the SEBI to relax, upon application by a target company, the provisions of Chapter III of the regulations which pertain to the disclosure and the open offer requirements, in the event the directors of such company have been removed and replaced by the regulatory authorities for the orderly conduct of the affairs of the company and the replaced board has, *inter alia*, devised a plan for a transparent, open and competitive process for the continued operation of the company in the interests of all stakeholders of the company without furthering the interests of any particular acquirer. In the event the SEBI has granted such relaxation, no competitive bidding is allowed after a bid has been publicly announced by an acquirer.

Recent amendments to the Takeover Code also obligate every promoter and person forming part of the Promoter group of a listed company to disclose to the company details of pledge of shares of that company held by such person and the revocation of pledge within seven working days from the date of creation of the pledge or the revocation, as the case maybe. The company is further required to disclose such information to all the stock exchanges on which its shares are listed within seven working days of its receipt thereof if, during any quarter ending March, June, September and December of any year, the aggregate number of pledged shares of a promoter or every person forming part of the Promoter group (taken together with shares already pledged during that quarter by such promoter or persons) exceeds 25,000 shares or 1 per cent of the total shareholding or voting rights of the company, whichever is lower.

The Takeover Code does not apply to the acquisition of shares in companies whose shares are not listed on any stock exchange.

Insider Trading Regulations

The SEBI (Prohibition of Insider Trading) Regulations 1992, as amended ("**Insider Trading Regulations**") have been notified by SEBI to prohibit and penalize insider trading in India. The Insider Trading Regulations prohibit an "insider" from dealing, either on his own behalf or on behalf of any other person, in the securities of a company listed on any stock exchanges when in possession of unpublished price-sensitive information. The terms "insider" and "unpublished price-sensitive information" are defined in the Insider Trading Regulations. The insider is also prohibited from communicating, counseling or procuring, directly or indirectly, any unpublished price-sensitive information to any other person who while in possession of such unpublished price-sensitive information is prohibited from dealing in securities. The prohibition under the Insider Trading Regulations extends to all persons, including a company dealing in the securities of a company listed on any stock exchange or associate of that other company, while in the possession of unpublished price-sensitive information. Pursuant to recent amendments to the Insider Trading Regulations, the definition of the term insider has been broadened to include any person who has received or has had access to unpublished price sensitive information of the company.

On a continuous basis any person who holds more than 5 per cent of the shares or voting rights in any listed company is required to disclose to the company the number of shares or voting rights held by such person and change in shareholding or voting rights (even if such change results in the shareholding falling below 5 percent) and any such change in such holding since last disclosure made, where such change exceeds 2 per cent of the total shareholding or voting rights in the company. Such disclosure is required to be made within two working days of either: (i) the receipt of intimation of allotment of shares; or (ii) the acquisition or sale of shares or voting rights, as the case may be.

Further, all directors and officers of a listed company are required to disclose to the company the number of shares or voting rights held and positions taken derivatives by such person in such company within two working days of becoming a director or officer of such company. All directors and officers of a listed company are also required to make periodic disclosures of their shareholding in the company as specified in the Insider Trading Regulations.

The Insider Trading Regulations make it compulsory for listed companies and certain other entities associated with the securities market to establish an internal code of conduct to prevent insider trading deals and also to regulate disclosure of unpublished price-sensitive information within such entities so as to minimise misuse of such information. To this end, the Insider Trading Regulations provide a model code of conduct. As per the recent amendments, the Insider Trading Regulations require that the model code of conduct should not be diluted in any manner and shall be complied with. The model code of conduct has also been amended to prohibit all directors/ officers/ designated employees who buy or sell any number of shares of the company from entering into opposite transactions during the next six months following the prior transaction. All directors and designated employees have also been prohibited from taking positions in derivative transactions in shares of the company at any time. Further, certain provisions pertaining to, *inter alia*, reporting requirements have also been extended to dependants of directors and designated employees of the company.

Depositories

In August 1996, the Indian Parliament enacted the Depositories Act which provides a legal framework for the establishment of depositories to record ownership details and effect transfers in book-entry form. SEBI framed the Securities and Exchange Board of India (Depositories and Participants) Rules and Regulations, 1996 which provide *inter alia*, for the formation of such depositories, the registration of participants as well as the rights and obligations of the depositories, participants, companies and beneficial owners. The depository system has significantly improved the operation of the Indian securities markets. The Depositories Act requires that every person subscribing to securities offered by an issuer has the option either to receive the security certificate or hold the securities with a depository. The National Securities Depository Limited and the Central Depository Services Limited are two depositories that provide electronic depository facilities for the trading of equity and debt securities in India. Trading of securities in book-entry form commenced in December 1996. In order to encourage 'dematerialization' of securities, SEBI has set up a working group on dematerialization of securities comprising foreign institutional investors, custodians, stock exchanges, mutual funds and the National Securities Depository Limited to review the progress of securities and trading in dematerialised form and to recommend scrips for compulsory, dematerialised trading in a phased manner. In January 1998, the SEBI notified scrips of various companies for compulsory dematerialised trading by certain categories of investors such as foreign institutional investors and other institutional investors and has also notified compulsory dematerialised trading in specified scrips for all retail investors. SEBI has subsequently significantly increased the number of scrips in which dematerialised trading is compulsory for all investors. SEBI has also provided that the issue and allotment of shares in public offers, rights offers or offers for sale after specified dates to be notified from time to time by SEBI shall only be in dematerialised form and an investor shall be compulsorily required to open a depository account with a participant. Under the Depositories Act, a company shall give the option to subscribers/shareholders to receive the security certificates or hold securities in dematerialised form with a depository. However, even in the case of scrips notified for compulsory dematerialised trading, investors, other than institutional investors, are permitted to trade in physical shares on transactions outside the stock exchange where there are no requirements for reporting such transactions to the stock exchange and on transactions on the stock exchange involving lots of less than 500 securities.

Transfers of shares in book-entry form require both the seller and the purchaser of the equity shares to establish accounts with depository participants registered with the depositories established under the Depositories Act. Charges for opening an account with a depository participant, transaction charges for each trade and custodian charges for securities held in each account vary depending upon the practice of each depository participant and have to be borne by the accountholder. Upon delivery, the shares shall be registered in the name of the relevant depository on the company's books and this depository shall enter the name of the investor in its records as the beneficial owner. The transfer of beneficial ownership shall be effected through the records of the depository. The beneficial owner shall be entitled to all rights and benefits and be subject to all liabilities in respect of his/her securities held by a depository.

The Companies Act compulsorily provides that Indian companies making any initial public offerings of securities for or in excess of Rs.1,000 lakh should issue the securities in dematerialised form in accordance with the provisions of the Depositories Act of 1996 and the Regulations made thereunder.

Derivatives (Futures and Options)

Trading in derivatives is governed by the SCRA, the SCRA Rules and the SEBI Act. The SCRA was amended in February 2000 and derivative contracts were included within the term 'securities', as defined by the SCRA. Trading in derivatives in India takes place either on separate and independent derivatives exchanges or on a

separate segment of an existing stock exchange. The derivative exchange or derivative segment of a stock exchange functions as a self regulatory organization under the supervision of SEBI. Derivatives products were introduced in phases in India, starting with futures contracts in June 2000 and index options, stock options and stock futures in June 2000, July 2001 and November 2001, respectively.

DESCRIPTION OF THE EQUITY SHARES

Set forth below is certain information relating to the share capital of the Company including a brief summary of some of the provisions of the Memorandum and Articles of Association of the Company and the Companies Act relating to the rights attached to its shares.

General

The Company's authorized share capital is Rs. 20,00,00,000 divided into 17,00,00,000 Equity Shares of Re. 1 each; 3,00,000 6% redeemable non-cumulative preference shares of Rs. 100 each.

Articles of Association

The Company is governed by its Articles of Association and except as provided in its Articles of Association the regulations contained in Table "A" of Schedule I of the Companies Act do not apply to the Company.

Dividends

Under the Companies Act, an Indian company pays dividend upon a recommendation by its board of directors and subject to approval by a majority of the members, who have the right to decrease but not to increase the amount of the dividend recommended by the board of directors. However, the board of directors is not obligated to recommend a dividend. The decision of the board of directors and shareholders of the company may depend on a number of factors, including but not limited to the Company's profits, capital requirements and overall financial condition. According to article 101 of the Articles of Association, the net profits of the Company shall subject to the rights of the preference share holders and to any resolution of the company attaching any special privileges to other shares and to other provisions of the Articles, be divisible among the equity shareholders in proportion to the amounts paid up on the equity shares held by them. In addition, article 107 of the Articles of Association, permits the Directors to pay interim dividend to the members from time to time if in their opinion, the position of the Company justifies the same. Under the Companies Act, dividends can only be paid in cash to shareholders listed on the register of shareholders or those persons whose names are entered as beneficial owners in the record of the depository on the date specified as the "**record date**" or "**book closure date**."

No unclaimed dividend shall be forfeited unless the claim thereto becomes barred by law. The Company shall comply with the provisions of sections 205A of the Companies Act in respect of unpaid or unclaimed dividend. Where the Company had declared a dividend which has not been paid or claimed by the shareholders entitled to the payment of such dividend, the Company shall within seven days from the expiry of 30 days from declaration of such dividend open a special account in any scheduled bank and transfer to the same the amount that remains unpaid. Any dividend payments unclaimed by the shareholders for over seven years from the date of disbursement is required to be deposited by the Company with the Investor Education and Protection Fund constituted by the Government of India, from where the amounts deposited can neither be claimed by the shareholders nor by the Company.

Under the Companies Act, dividends may be paid out of profits of a company in the year in which the dividend is declared or out of the undistributed profits or reserves of the previous fiscal years or out of both in compliance with the provisions of Companies (Declaration of Dividend out of Reserves) Rules, 1975. Under the Companies Act, a company may pay a dividend in excess of 10 per cent of paid-up capital in respect of any year out of the profits of that year only after it has transferred to the reserves of the company a percentage of its profits for that year, ranging between 2.5 per cent to 10 per cent depending on the rate of dividend proposed to be declared in that year. The Companies Act further provides that if the profit for a year is insufficient, the dividend for that year may be declared out of the accumulated profits earned in previous years and transferred to reserves, subject to the following conditions: (i) the rate of dividend to be declared may not exceed the lesser of the average of the rates at which dividends were declared in the five years immediately preceding the year, or 10 per cent of paid-up capital; (ii) the total amount to be drawn from the accumulated profits from previous years may not exceed an amount equivalent to 10 per cent of paid-up capital and reserves and the amount so drawn is first to be used to set off the losses incurred in the financial year before any dividends in respect of preference shares or shares; and (iii) the balance of reserves after withdrawals must not be below 15 per cent of paid-up capital.

Capitalization of Profits

Article 111 of the Articles of Association permits the Company to capitalize the whole or part of the amount for the time being standing in credit of any of the Company's reserve accounts or to the profit or special account or available for distribution, upon recommendation of the Board of Directors and a resolution passed by at any

general meeting of the shareholders of the Company. Further, the Articles of Association provide that such sums are to be capitalized and distributed in the manner and as permissible under the provisions of the Companies Act amongst such shareholders as would be entitled to receive the same if distributed by way of dividend and in the same proportions on the footing that they become entitled thereto as capital and that all or any part of such capitalized fund are to be applied towards paying up in full either at par or at such premium as the resolution may provide any amount which is unpaid towards shares held by such member respectively, or paying in full un-issued shares, debentures or debenture- stock of the Company to be allotted and distributed, credited as fully paid up, to and among such members in the proportion aforesaid or a combination of both. A securities premium account and a capital redemption reserve fund may, for this article, only be applied in the paying up of un-issued shares to be issued to the members of a company as fully paid bonus shares or for any other purpose specified in section 78 of the Companies Act and the board of directors is required to give effect to the resolution passed by the company in this regard.

In addition to permitting dividends to be paid out of current or retained earnings, the Companies Act permits a company to distribute an amount transferred from the general reserve or surplus in its profit and loss account to its shareholders in the form of bonus shares, which are similar to a stock dividend. The Companies Act also permits the issue of bonus shares from a securities premium account. Bonus shares are distributed to shareholders in the proportion of the number of shares owned by them as recommended by the board of directors. The shareholders on record on a fixed record date are entitled to receive such bonus shares. Any issue of bonus shares is subject to guidelines issued by SEBI.

The relevant SEBI guidelines prescribe that no company shall, pending conversion of convertible securities, issue any shares by way of bonus unless similar benefit is extended to the holders of such convertible securities, through reservation of shares in proportion to such conversion. Further, as per the Companies Act, for the issuance of bonus shares a company should not have defaulted in the payment of interest or principal in respect of fixed deposits and interest on existing debentures or principal on redemption of such debentures. The bonus issue must be made out of free reserves built out of genuine profits or securities premium account collected in cash only. The issuance of bonus shares must be implemented within two months from the date of approval by the board of directors.

Pre-Emptive Rights and Alteration of Share Capital

Article 4 of the Articles of Association of the Company provides that if the Company wishes to increase the issued capital by issue of further shares, it may do so in compliance with section 81 of the Companies Act.

Article 47 of the Articles of Association of the Company provides that the Company may from time to time, by ordinary resolution:

- increase the share capital by such amount, to be divided into shares of such amount as may be specified in the resolution;
- consolidate and divide all or any of its share capital into shares of larger amount than its existing shares;
- sub-divide its existing shares or any of them into shares of smaller amount than is fixed by the Memorandum of Association of the Company, so however, that in the sub-division the proportion between the amount paid and the amount if any, unpaid on each reduced share shall be the same as it was in the case of the share from which the reduced share is derived; and
- cancel any shares which, at the date of passing of the resolution, have not been taken or agreed to be taken by any person and diminish the amount of its share capital by the amount of share so cancelled.

General Meetings of Shareholders

In accordance with section 166 of the Companies Act, a company must hold its annual general meeting each year within 15 months of the previous annual general meeting or within six months after the end of each accounting year, whichever is earlier, unless extended by the Registrar of Companies at the request of the company for any special reason. Every member of the company shall be entitled to attend every general meeting either in person or by proxy, and the auditor of the company shall have the right to attend and to be heard at any general meeting on any part of the business which concerns him as an auditor.

Article 55 of the Articles of Association of the Company provide that the Board of Directors may, whenever it thinks fit, call an extraordinary general meeting. If at any time, there are not within India, directors capable of acting who are sufficient in number to form a quorum, the directors present in India may call an extraordinary general meeting, in the same manner and as nearly as possible as that in which such a meeting may be called by the Board Of Directors. Additionally, the Board of Directors shall, if required, call an extraordinary general meeting of the Company on requisition of members in accordance with section 169 of the Companies Act. Written notices convening a meeting setting out the date, place and agenda of the meeting must be given to members at least 21 days prior to the date of the proposed meeting in accordance with section 171 of the Companies Act. A general meeting may be called after giving shorter notice if consent is received from all shareholders at an Annual General Meeting, or from shareholders holding not less than 95 per cent of the paid-up capital of the company, at any other general meeting. The accidental omission to give notice of any meeting to or the non-receipt of any, notice by the member or other person to whom it should be given shall not invalidate the proceedings at the meetings. All business transacted at an extraordinary general meeting or an annual general meeting (except declaration of dividend, consideration of accounts, balance sheet, reports of the board of directors and auditors, election of directors in place of those retiring by rotation and appointment of and fixing remuneration of the auditors) shall be deemed to be special businesses in which case an explanatory statement as required under section 173 of the Companies Act shall accompany the notice of the meeting.

Article 56 of the Articles of Association provides that five members present in person shall constitute the quorum. Article 59 of the Articles of Association provides that if the quorum is not present within half an hour of the time appointed for a meeting of the shareholders, the meeting, if convened upon a requisition of the shareholders, shall be dissolved; but in any other case it shall stand adjourned to the same day in the next week at the same time and place, unless the same be a public holiday, in which case the meeting shall stand adjourned to the next day not being a public holiday, at the same time and place and if at such adjourned meeting, a quorum is not present within half an hour from the time appointed for the meeting, those members who are present and not being less than two persons shall be a quorum and may transact the business for which the meeting was called.

Voting Rights

Subject to the provisions of the Companies Act, votes may be given either personally or by proxy and in the case of a body corporate, a duly authorised representative under section 187 of the Companies Act shall be entitled to exercise the same powers on behalf of the corporation as if it were an individual member of the Company. Article 63 of the Articles of Association provides that every holder of ordinary shares entitled to vote and present in person or by proxy shall have one vote and on poll, every holder of ordinary shares entitled to vote and present in person or by proxy shall have one vote for every share held by him. Section 177 of the Companies Act provides that at any general meeting, a resolution put to the vote at the meeting shall be decided on a show of hands, unless a poll is (before or on the declaration of the result of the show of hands) demanded in accordance with the provisions of Section 179 of the Companies Act. Unless a poll is so demanded, a declaration by the chairman that resolution has, on a show of hands, been carried unanimously or by a particular majority, or lost and an entry made to that effect in the book of the proceedings of the company shall be conclusive evidence of the fact without proof of the number or proportion of the votes cast in favour of or against that resolution as provided in section 178 of the Companies Act. If a poll is duly demanded, it shall be taken in such manner as the chairman directs and the results of the poll shall be deemed to be the decision of the meeting on the resolution in respect of which the poll was demanded. A demand for a poll may be withdrawn at any time by the person or persons who made that demand. A poll demanded on any other question (not being a question relating to the election of the Chairman) shall be taken at such time not being later than 48 hours from the time when the demand was made, as the Chairman may direct. A member present by proxy may not vote except on a poll and he shall not have the right to speak at the meetings. Pursuant to Article 60 of the Articles of Association, the Chairman of the meeting, in case of an equality of votes, has a casting vote in addition to the vote or votes to which he is entitled to as a member. Article 58 of the Articles of Association provide that any act or resolution which, under the provisions of the Articles of Association or of the Companies Act, is permitted or required to be done or passed by the Company in general meeting shall be sufficiently so done or passed if effected by an ordinary resolution, unless required, to be done through a special resolution. The Companies Act provides that to amend the articles of association a special resolution is required to be passed in a general meeting.

In relation to voting rights of members holding preference shares of the Company, Section 87 of the Companies Act provides that the holders of preference shares shall have no voting rights save and except on a resolution placed before the Company which directly affects the rights attached to his preference shares, subject to section 89 and section 92(2) of the Companies Act and in the same proportion as the capital paid in respect of the

preference shares bears to the total paid up equity capital of the Company. Article 65 of the Articles of Association provides that in the case of joint holders, any one of such persons may vote at any meeting either personally or by proxy in respect of such share as if he were solely entitled thereto and if more than one such joint-holders be present at any meeting either personally or by proxy then the vote of the first named person of such joint holders who tenders a vote whether in person or proxy shall be accepted to the exclusion of the votes of the other joint holders. Pursuant to article 69 of the Articles of Association, the instrument appointing a proxy is required to be lodged with the company at least 48 hours before the time of the meeting in accordance with Schedule IX of the Companies Act, as far as possible. Further, Article 68 of the Articles provides that a vote given in accordance with the terms of an instrument appointing a proxy shall be valid notwithstanding the prior death or insanity of the principal, or revocation of the instrument, or transfer of the share in respect of which the vote is given, provided no intimation in writing of the death, insanity, revocation or transfer of the share shall have been received by the company at the office or by the chairman of the meeting before the vote is given. Provided nevertheless that the Chairman of the meeting shall be entitled to require such evidence as he may in his discretion think fit, of the due execution of instrument of proxy and that the same has not been revoked. No member shall be entitled to exercise any voting right personally or by proxy or be reckoned in the quorum at any meeting of the Company in respect of any shares registered in his name on which any calls or other sums presently payable by him have not been paid as provided in article 70 of the Articles of Association.

Registration of Transfers and Register of Members

The Company is required to maintain a register of members wherein the particulars of the members of the Company are entered. For the purpose of determining the shareholders the register may be closed for such period not exceeding 45 days in any one year or 30 days at any one time at such times, as the board of directors may deem expedient in accordance with the provisions of the Companies Act. Under the listing agreements of the stock exchanges on which the Company's outstanding Shares are listed, the Company may, upon at least seven days' advance notice to such stock exchanges, set a record date and/or close the register of shareholders in order to ascertain the identity of shareholders. The trading of Shares and the delivery of certificates in respect thereof may continue while the register of shareholders is closed.

Directors

Article 72 of the Articles of Association provides that the number of directors of the Company shall not be less than three and not be more than eighteen excluding the nominee directors provided for in article 81A of the Articles of Association, as per Central Government's approval No. 1(276)CL. VIII/80. The directors shall be appointed by the Company in a general meeting subject to the provisions of the Companies Act and the Articles of Association. Not less than two-thirds of the directors of the Company shall be persons whose period of office is liable to determination by retirement of directors by rotation. Further, article 81A of the Articles of Association provides that –

- a) so long as any money remains owing by the Company to the Industrial Credit and Investment Corporation of India, the Industrial Finance Corporation, or any financial institution owned or controlled by the Central Government or the State Government or the Reserve Bank of India or by the Governments themselves ("**Corporations**"); or
- b) so long as the Corporations continue to hold debentures by direct subscription or private placement or shares in the Company by direct subscription or as a result of underwriting ; or
- c) so long as any liability of the Company arising from any guarantee furnished by the Corporation on behalf of the Company remains outstanding;

the Corporations shall have a right to appoint from time to time any persons as whole time or non-whole time Directors ("**Nominee Directors**") on the Board of Directors of the Company. The Board of Directors shall have no power to remove such Nominee Directors. At the option of the Corporations, such Nominee Directors shall be liable to retirement by rotation. Nominee Directors shall be entitled to the same rights and privileges and be subject to the same obligations as any other Director of the Company. The Nominee Directors so appointed shall hold office only as long as the aforesaid conditions subsist.

The Company may by a special resolution in a general meeting increase or reduce the number of its directors subject to the provisions of section 259 of the Companies Act. Pursuant to article 79 of the Articles of Association, the directors are permitted to appoint any other persons as an addition to the Board of Directors but so that the total number of directors does not exceed the maximum number fixed and any director so

appointed shall hold office only up to the date of the next following annual general meeting of the Company but shall be eligible for reelection at such meeting. Subject to the provisions of section 313 of the Companies Act and article 81 of the Articles of Association, the Board Of Directors shall also have the power to appoint any person to act as an alternate director for a director during the latter's absence for a period of not less than three months from the state in which the meeting of the directors is ordinarily held. Pursuant to the Companies Act, not less than two-thirds of the total numbers of directors shall be persons whose period of office is subject to retirement by rotation and one third of such directors, or if their number is not three or a multiple of three, then the number nearest to one-third, shall retire from office at every annual general meeting. The directors to retire are those who have been the longest in the office since their last appointment. The directors are not required to hold any shares by way of qualification shares.

Annual Report and Financial Results

The annual report must be laid before the annual general meeting of the shareholders of a company. This includes financial information about the company such as the audited financial statements as of the date of closing of the financial year, directors' report, management's discussion and analysis and a corporate governance section, and is sent to the shareholders of the company. Under the Companies Act, a company must file the annual report with the Registrar of Companies within 30 days from the date of the annual general meeting. As required under the listing agreements with the stock exchanges, copies are required to be simultaneously sent to the stock exchanges. The company must also file its financial results in at least one English language daily newspaper circulating the whole or substantially the whole of India and also in a newspaper published in the language of the region where the registered office of the company is situate. The Company files certain information on-line, including its Annual Report, financial statements and the shareholding pattern statement, in accordance with the requirements of the listing agreements and as may be specified by SEBI from time to time.

Transfer of shares

Pursuant to article 33 of the Articles of Association, no transfer of shares shall be registered unless a common form of transfer duly stamped and executed by the transferor and transferee has been delivered to the Company together with the certificate or certificates of the shares or if no such certificate is in existence, along with the letter of allotment of shares. Such instrument of transfer is required to be signed by the transferor and the transferee and shall contain the name and other particulars both of the transferor and the transferee and the transferor shall be deemed to remain the holder of such share until the name of the transferee is entered in the register in respect thereof. Further, article 42A of the Articles of Association provides that notwithstanding anything contained in the Companies Act or the Articles of Association, transfer of securities effected by a transferor and transferee, both of whom are entered as beneficial owner in the records of the Depositor, will be governed by the provisions of the Depositories Act, 1996.

Shares held through depositories are transferred in the form of book entries or in electronic form in accordance with the regulations laid down by SEBI. These regulations provide the regime for the functioning of the depositories and the participants and set out the manner in which the records are to be kept and maintained and the safeguards to be followed in this system. Transfers of beneficial ownership of shares held through a depository are exempt from stamp duty. The Company has entered into an agreement for such depository services with the National Securities Depository Limited and the Central Depository Services India Limited. SEBI requires that the Company's shares for trading and settlement purposes be in book-entry form for all investors, except for transactions that are not made on a stock exchange and transactions that are not required to be reported to the stock exchange. The Company shall keep a book in which every transfer or transmission of shares will be entered.

Pursuant to the listing agreements, in the event the Company has not effected the transfer of shares within one month or where the Company has failed to communicate to the transferee any valid objection to the transfer within the stipulated time period of one month, the Company is required to compensate the aggrieved party for the opportunity loss caused during the period of the delay. The Companies Act provides that the shares or debentures of a publicly listed company shall be freely transferable. However, the Board of Directors may, subject to section 111A of the Companies Act, at any time in their discretion by giving reasons, decline to register shares on grounds mentioned under the Companies Act. Further, article 40 of the Articles of Association provides that notice of such refusal must be sent to the transferee within two month of the date on which the transfer was lodged with the company. However, as provided by article 40A, the registration of transfer of shares may not be done on the grounds that the transferor is either solely or jointly indebted to the

Company on any account whatsoever. Additionally, pursuant to the SEBI Guidelines, the securities allotted through a qualified institutional placement, cannot be sold by the qualified institutional buyers for a period of one year from the date of allotment, except on a recognized stock exchange. A transfer may also happen through transmission. According to the Articles of Association, any person becoming entitled to a share in consequence of death or insolvency of any member upon producing such evidence as required by the Board of Directors, and may be registered as a member in respect of such share, or may subject to the regulations as to transfer mentioned above, transfer such shares.

Acquisition by the Company of its own Shares

A Company may purchase its own shares subject to the compliance of sections 77A, 77AA and section 77B of the Companies Act. Sections 77A, 77AA and 77B of the Companies Act empower a company to purchase its own shares or other specified securities out of its free reserves, or the securities premium account or the proceeds of the issue of any shares or other specified securities (other than from the proceeds of an earlier issue of the same kind of shares or other specified securities proposed to be bought back) subject to certain conditions, including:

- the buy-back should be authorized by the Articles of Association of the Company;
- a special resolution has been passed in the general meeting of the company authorizing the buy-back;
- the buy-back is limited to 25 per cent of the total paid-up capital and free reserves;
- all the shares or other specified securities for buy-back are fully paid-up;
- the debt owed by the company is not more than twice the capital and free reserves after such buy-back;
and
- the buy-back is in accordance with the SEBI (Buy-Back of Securities) Regulation, 1998.

The Articles of Association of our Company does not authorize our Company to buy back its own shares.

Liquidation Rights

The Articles of Association of the Company provide that on winding up, the surplus assets shall be applied in the first place in repaying to the holders of the preference shares, the amount paid up thereon with all arrears of deficiency of dividend (if any) and the residue shall belong to the holders of the equity shares and to the holders of such other class or classes of shares according to the rights existing in them. In the event of the winding up of the Company, the liquidators may, with the sanction of a special resolution and subject to the Articles of Association divide among the contributories in specie or kind, any part of the assets of the Company and may vest any part of the assets of the Company in Trustees upon such assets for the benefit of the contributories, or any of them, as the Liquidators, with the sanction, shall think fit.

TAXATION

The information provided below sets out the possible tax benefits available to the shareholders in a summary manner only and is not a complete analysis or listing of all potential tax consequences of the purchase, ownership and disposal of equity shares, under the current tax laws presently in force in India. It is not exhaustive or comprehensive and is not intended to be a substitute for professional advice. Investors are advised to consult their own tax consultant with respect to the tax implications of an investment in the Equity Shares particularly in view of the fact that certain recently enacted legislation may not have a direct legal precedent or may have a different interpretation on the benefits, which an investor can avail.

YOU SHOULD CONSULT YOUR OWN TAX ADVISORS CONCERNING THE INDIAN TAX IMPLICATIONS AND CONSEQUENCES OF PURCHASING, OWNING AND DISPOSING OF EQUITY SHARES IN YOUR PARTICULAR SITUATION.

For these purposes, ‘non-resident’ means a person who is not a resident in India. For purposes of the Income Tax Act, 1961, (“**I.T. Act**”) an individual is considered to be a resident of India during any financial year if he satisfies at least one of the following basic conditions:

- (a) He is in India in the previous year for a period of 182 days or more; or
- (b) He is in India for a period of 60 days or more during the previous year and 365 days or more during the four years immediately preceding the previous year.

However, by virtue of Explanation (a) to section 6(1) of the I.T. Act, 1961, the period of 60 days as referred in clause (b) above has been extended to 182 days in the following cases:

- (i) an Indian citizen or a person of Indian origin living abroad who visits India; or
- (ii) an Indian citizen who leaves India for the purposes of employment outside India in any previous year or leaves India as a member of the crew of an Indian ship.

A company is resident in India if it is formed and incorporated in accordance with the Companies Act and has its registered office in India or the control and management of its affairs is situated wholly in India. A firm or other association of persons is resident in India if the control and management of its affairs are wholly or partly situated within India during the relevant previous year. It is, however, treated as non-resident in India if the control and management of its affairs are situated wholly outside India.

The I.T. Act is revised by the Finance Act every fiscal year. The following is based on the provisions of Indian tax laws as of the date hereof, which are subject to change, possibly on a retroactive basis. This summary is not intended to constitute a complete analysis of the Indian tax consequences to any particular shareholders. Individual tax consequences of an investment in Equity Shares may vary for Non-Residents in various circumstances, and potential investors should therefore consult their own tax advisers as to the tax consequences of such purchase, ownership and disposition under the tax laws of India, the jurisdiction of their residence and any tax treaty between India and their country of residence.

As per the taxation laws in force, the tax benefits / consequences as applicable, to the QIBs (not being individuals or HUFs) investing in the Equity Shares of the Company (on the assumption that the units are not held as stock-in-trade) are described below.

1. Benefits available to resident shareholders

1.1 Dividends exempt under Section 10(34)

Dividends (whether interim or final) declared, distributed or paid by the Company are exempt in the hands of shareholders as per the provisions of Section 10(34) of the I.T. Act. The Company is liable to pay a ‘dividend distribution tax’ currently at the rate of 16.99 per cent (including applicable surcharge and education cess) on the total amount distributed or declared or paid as dividend (whether interim or final). Dividends are not taxable in India in the hands of the recipients. Distribution to non-residents of

bonus shares or rights to subscribe equity shares made with respect to the bonus shares are not subject to Indian tax.

1.2 Computation of capital gains

1.2.1 Capital assets may be categorized into short term capital assets and long term capital assets based on the period of holding. Shares in a company, listed securities or units or zero coupon bonds will be considered as long term capital assets if they are held for a period exceeding 12 months. Consequently, capital gains arising on sale of these assets held for more than 12 months are considered as 'long term capital gains'. Capital gains arising on sale of these assets held for 12 months or less are considered as 'short term capital gains'.

1.2.2 Section 48 of the I.T. Act, which prescribes the mode of computation of capital gains, provides for deduction of cost of acquisition/ improvement and expenses incurred in connection with the transfer of a capital asset, from the sale consideration to arrive at the amount of capital gains. However, in respect of long term capital gains, it offers a benefit by permitting substitution of cost of acquisition/ improvement with the indexed cost of acquisition / improvement, which adjusts the cost of acquisition / improvement by a cost inflation index as prescribed from time to time.

1.2.3 As per the provisions of section 10(38) of the I.T. Act, any gain transferred by a resident from the sale of listed equity shares that have been held for more than 12 months (long-term capital gain) will not be subject to Indian capital gains tax if the sale is on a recognised stock exchange and Security Transaction Tax ("STT") has been paid on the transaction.

1.2.4 Further, as per the provisions of Section 112 of the I.T. Act, long term gains as computed above that are not exempt under section 10(38) of the I.T. Act would be subject to tax at a rate of 20 per cent (plus applicable surcharge and various education cesses). However, as per the proviso to Section 112(1), if the tax on long term capital gains resulting on transfer of listed securities or units or zero coupon bonds, calculated at the rate of 20 per cent (plus applicable surcharge and education cess) with indexation benefit exceeds the tax on long term gains computed at the rate of 10 per cent (plus applicable surcharge and education cess) with without indexation benefit, then such excess shall be ignored for the purpose of computing the tax on capital gains and therefore, would be chargeable to tax at a concessional rate of 10 per cent (plus applicable surcharge and various education cesses) without indexation benefits. As per the provisions of section 111A of the I.T. Act, short-term capital gains on sale of equity shares where the transaction of sale is chargeable to STT shall be subject to tax at a rate of 15 per cent (plus applicable surcharge and various education cesses) in addition to the other requirements, as specified in the section.

1.2.5 Exemption of capital gain from income tax

According to section 10(38) of the I.T. Act, long-term capital gains on sale of equity shares or unit of equity oriented fund, where the transaction of sale is chargeable to STT shall be exempt from tax. However, in case of company, profits on transfer of above referred long term capital asset shall not be reduced in computing the book profits for the purposes of computation of minimum alternate tax ("MAT") under section 115JB of the I.T. Act.

According to the provisions of section 54EC of the I.T. Act and subject to the conditions and investment limits specified therein, long-term capital gains not exempt under section 10(38) and arising on transfer of a long term capital asset shall not be chargeable to tax to the extent such capital gains are invested in certain notified bonds within six months from the date of transfer. However, if the said bonds are transferred or converted into money within a period of three years from the date of their acquisition, the amount of capital gains exempted earlier would become chargeable to tax as long term capital gains in the year in which the bonds are transferred or converted into money. The maximum investment permissible for the purpose of claiming the exemption in the above bonds by any person in a financial year is Rs. 50 lakh.

2. Benefits available to Non-residents (Other than Foreign Institutional Investors)

2.1 Dividends exempt under Section 10(34)

See *“Taxation- benefits available to resident shareholders- dividends exempt under section 10(34)”*.

2.2 Computation of capital gains

2.2.1 Section 48 of the I.T. Act contains special provisions in relation to computation of capital gains on transfer of an Indian company’s shares by non-residents. Computation of capital gains arising on transfer of shares in case of non-residents has to be done in the original foreign currency, which was used to acquire the shares. The capital gain (i.e., sale proceeds less cost of acquisition/ improvement) computed in the original foreign currency is then converted into Indian Rupees at the prevailing rate of exchange. The shareholders are not entitled to indexation benefit.

2.2.2 In case investment is made in Indian rupees, the long-term capital gain is to be computed after indexing the cost. See *“Taxation- benefits available to resident shareholders-computation of capital gains-1.2.4”*.

2.2.3 Exemption of capital gain from income tax

See *“Taxation-benefits available to resident shareholders-computation of capital gains-1.2.5”*.

3. Benefits available to Foreign Institutional Investors (“FIIs”)

3.1 Dividends exempt under section 10(34)

See *“Taxation-benefits available to residents shareholders-dividends exempt under section 10(34)”*.

3.2 Taxability of capital gains

As per the provisions of section 115AD of the I.T. Act, FIIs will be taxed on the capital gains that are not exempt under section 10(38) of the I.T. Act at the following rates:

Nature of income	Rate of tax (%)	
	STT paid	STT Not Paid
Long term capital gains	NIL	10
Short term capital gains	15	30

The above tax rates would be increased by the applicable surcharge and various education cesses. The benefits of indexation and foreign currency fluctuation protection as provided by Section 48 of the I.T. Act are not available to an FII.

3.3 Exemption of capital gain from income tax

See *“Taxation-benefits available to resident shareholders-computation of capital gains-1.2.5”*.

3.4 Benefits available to Mutual Funds

As per the provisions of Section 10(23D) of the I.T. Act, any income of Mutual Funds registered under the SEBI Act or Regulations made thereunder, Mutual Funds set up by public sector banks or public financial institutions and Mutual Funds authorised by the Reserve Bank of India would be exempt from income tax, subject to the conditions as the Central Government may by notification in the Official Gazette specify in this behalf. However, the Mutual Funds shall be liable to pay tax on distributed income to unit holders under Section 115R of the I.T. Act.

3.5 Tax Deduction at Source

No income-tax is deductible at source from income by way of capital gains under the present provisions of the I.T. Act in case of residents.

However, the provisions of section 195 of the I.T. Act, any income by way of capital gains, payable to non residents (long-term capital gains exempt under section 10(38) of the I.T. Act), may be eligible to the provisions of withholding tax, subject to the tax treaty.

Accordingly income tax may have to be deducted at source in the case of a non- resident at the rate under the domestic tax laws or under the tax treaty, whichever is beneficial to the assessee unless a lower withholding tax certificate is obtained from the tax authorities.

4. Tax Treaty benefits

An investor has an option to be governed by the provisions of the I.T. Act or the provisions of a tax treaty that India has entered into with another country of which the investor is a tax resident, whichever is more beneficial.

5. Benefits available under the Wealth Tax Act, 1957

Asset as defined under Section 2(ea) of the Wealth Tax Act, 1957 does not include shares in companies and hence, shares are not liable to wealth tax.

Notes:

- 1. All the above benefits are as per the current tax law as amended by the Finance Bill, 2009.**
- 2. The stated benefits will be available only to the sole / first named holder in case the Equity Shares are held by joint holders.**
- 3. In view of the individual nature of tax consequences, each investor is advised to consult his/her own tax advisor with respect to specific tax consequences of his/her participation in the Issue.**

The above statement of possible direct tax benefits sets out the provisions of law in a summary manner only and is not a complete analysis or listing of all potential tax consequences of the purchase, ownership and disposal of Equity Shares held as investment (and not as stock in trade). The statements made above are based on the tax laws in force and as interpreted by the relevant taxation authorities as of date. Investors are advised to consult their tax advisors with respect to the tax consequences of the purchase, ownership and disposal of Equity Shares.

LEGAL PROCEEDINGS

Except as set forth below, we are not involved in any legal proceedings and, to our knowledge, no legal proceedings are threatened, which may have, or have had during the twelve months preceding the date of this Preliminary Placement Document, a material adverse effect on our business, properties, financial conditions or operation.

I. Litigation against our Company

A. Civil Suits

Daulat Shetkari Sahakari Sakhar Karkhana Limited (“Daulat Shetkari”) v Texmaco Limited

Daulat Shetkari has instituted a suit against our Company (Civil Suit No. 16/1997) before the Court of the Civil Judge (Senior Division), Gandhigaj, for recovery of money and damages amounting to Rs. 785.27 lakh, on the grounds of alleged non-performance of contractual obligations by our Company in relation to an agreement dated July 9, 1991 (“**agreement**”). Our Company challenged the aforesaid proceedings through a writ petition (W.P.(C) No. 9339/2006) before the Bombay High Court on the grounds that a prior suit for recovery of money (Suit No. 246 of 1996) from Daulat Shetkari by our Company, in relation to the said agreement was pending for hearing before the High Court at Calcutta. Pursuant to the said writ petition, the Bombay High Court has passed an interim order dated January 31, 2006 granting stay of proceedings in Civil Suit No. 16/1997 till the prior suit instituted by the Company is finally disposed of by the High Court at Calcutta. The said prior suit is currently pending adjudication before the High Court at Calcutta.

Board of Trustees of the Port of Calcutta (“Board of Trustees”) v. Texmaco Limited

The Board of Trustees has filed a suit (T.S. No. 38/1992), in the court of the 6th Assistant District Judge, Alipore, *inter alia*, seeking recovery of an amount of Rs. 148.20 lakh as damages, interest and other claims and specific performance in relation to an agreement dated June 22, 1989 (“**agreement**”) between the Board of Trustees and our Company. Pursuant to the agreement, our Company had contracted to supply a top lift truck to the Calcutta Port Trust. It has been alleged in the aforesaid suit that our Company failed to deliver the truck within the time period specified in the said agreement and eventually diverted the same to another party while illegally forfeiting the monetary advance paid to our Company by the Board of Trustees. Our Company has refuted these allegations, denying any liability to pay the aforesaid amount and *inter alia* stated that the Board of Trustees had effectively repudiated the agreement through its negligent conduct during the pendency of the agreement. The matter is currently pending in the aforesaid Court and the next date of hearing has been fixed on August 3, 2009.

M/s. Green Force Engineers Limited (“Green Force”) v. Texmaco Limited

Green Force has filed an appeal in the Court of the District Judge, Chandigarh (“**appeal**”) against an order of the Civil Judge, Junior Division, Chandigarh dated October 24, 2006 (“**order**”) in a civil suit (Civil Suit No. 120 of 2004). In the said civil suit, Green Force had sought recovery of an amount of Rs. 1.25 lakh along with interest, allegedly due and payable by our Company in relation to the delivery of certain wet scrubbers. However, our Company filed an application in the said suit under section 8 of the Arbitration Act contending that a valid and binding arbitration existed between the parties, pursuant to which the aforesaid court passed the order directing the parties to refer the dispute to an arbitral panel under the Indian Chamber of Commerce in Kolkata. In the said appeal, Green Force has contended *inter alia* that the Order has been passed without jurisdiction and on the basis of conjecture and surmisal and is therefore liable to be set aside. Our Company has further filed an objection to the appeal, dated May 28, 2007, in the court of the said District Judge contending that the appeal is not maintainable either on facts or law. The matter is currently pending.

Prakash Cotton Mills Pvt. Ltd. (“Prakash Mills”) v. Texmaco Limited

Prakash Mills has filed a suit (Suit No. 1586 of 1982) against us in the Bombay High Court for recovery of losses due to alleged non-supply of materials by our Company. Pursuant to the said suit the Bombay High Court passed an *ex parte* decree on December 21, 2002 allowing an amount of Rs. 490.50 lakh and interest at the rate of 21 per cent per annum to be recovered from our Company by

Prakash Mills. First notice for execution of the said *ex parte* decree was served on our Company on May 12, 2005. Our Company challenged the same in an appeal (Appeal No. 611 of 2006) pursuant to which, an interim order has been passed staying the said *ex parte* decree dated December 21, 2002 by the Bombay High Court on August 18, 2006. The matter is currently pending before the High Court.

B. Arbitration Proceedings

Arbitration proceedings between Shri. Sant Damaji Sahakari Sakhar Karkhana Limited (“Damaji Limited”) and Texmaco Limited

A dispute between Damaji Limited and our Company in relation to an agreement dated March 17, 1990 (“**agreement**”) is pending before the arbitral tribunal of Justice S.C. Pratap (Retd.), Justice A. N. Mody (Retd.) and Justice A. V. Savant (Retd.). Pursuant to the agreement, our Company had undertaken to design, procure, manufacture, insure and supply of sugar plant and machinery for Damaji Limited. However, in its claim statement filed before the aforesaid tribunal, Damaji Limited has alleged that the Company delayed in delivery of certain equipment and failed to perform its obligations under the agreement. On the basis of these allegations Damaji Limited has sought recovery of Rs. 2991.74 lakh from our Company in damages, interest and other claims. Our Company in its counter-claim has refuted the said allegations and has sought damages to the tune of Rs. 31.51 lakh, with interest of 18% with effect from December 31, 1995 till the date of payment or the date of award, whichever is earlier. The matter is currently pending before the aforesaid tribunal. The dates July 28 to 30, 2009 have been fixed as the next dates of sitting of the arbitral tribunal.

C. Labour disputes

There are two labour related disputes pending against our Company before the First Industrial Tribunal, Kolkata. One of the matters is in relation to regularization of service of 92 *badli workmen* referred to by the Labour Department, Government of West Bengal, in May 1995. The next date of hearing of this matter has been fixed for August 26, 2009. The second matter is in relation to 16 contract labourers, referred to by the Labour Department, Government of West Bengal, in September 1999 for their permanency/ regularization, relating to Sodepur Works of our Company. The next date of hearing of this matter has been fixed for July 31, 2009. Both these matters are currently pending before the tribunal. The Company estimates the approximate liability arising out of these two matters to an aggregate of Rs. 1,200 lakh.

Our Company's mill in Delhi was shut down with effect from November 30, 1996, pursuant to an order of the Supreme Court in petition No. 4677 of 1985. Subsequently, our Company filed several cases, under section 630 of the Companies Act, praying for (i) eviction of our erstwhile employees at the mill in Delhi from our Company's accommodation; (ii) punishment of the erstwhile employees who had not yet vacated our Company's quarters; and (iii) a declaration that such erstwhile employees be directed to hand over actual, physical and vacant possession of the quarters to our Company. 292 of these cases are now pending in the District Court, New Delhi, at various stages of adjudication. In this relation, a public interest litigation was filed in the Supreme Court against our Company (C.W.P. No. 4677/1985), in which the Supreme Court, *vide* order dated December 4, 1996, directed that the retiring workmen shall be entitled to remain in our Company quarters for a period of one and half years and those opting for relocation to the new site in Baddi will vacate our Company quarters on offering of alternate accommodation at Baddi. Subsequently, the Supreme Court, in IA No.153/1997, *vide* order dated February 2, 2002 observed that employees residing in these quarters enjoy no rights. These cases are currently pending. There is no monetary claim made by or against our Company in these cases.

D. Tax related disputes

A. Income Tax Matters

1. Assessment year 1995-1996

The office of the Deputy Commissioner of Income Tax (the “**Assessing Officer**”/“**AO**”) under Section 143(1) of the I.T. Act had disallowed our claim for a deduction of Rs. 2,794.20 lakh for the assessment year 1995-1996, being interest on term loans from financial institutions, on account that this sum was not actually paid to the financial institutions and that it was only adjusted, as

ascertainable from our audited accounts and other documents accompanying the return. This was confirmed by the Commissioner of Income Tax (Appeals) (“**CIT Appeals**”), *vide* its order dated March 16, 1998. Aggrieved by the order of CIT Appeals, we filed an appeal before the Income Tax Appellate Tribunal (“**ITAT**”). The ITAT, *vide* order dated May 28, 2002 allowed our appeal and held that the action of the Assessing Officer in making adjustments of interest payable to the financial institutions while processing the return was not justified. Aggrieved by the order of ITAT, the AO has filed an appeal before the High Court of Calcutta, which has been admitted upon condonation of delay by the High Court. The matter is currently pending.

2. Assessment year 1995-1996

The AO had under Section 43B of the I.T. Act, *inter alia*, disallowed our claim for a deduction of Rs. 2,881.88 lakh for the assessment year 1995-1996, on account of interest payable to certain financial institutions, disallowed Rs. 1.3 lakh towards gratuity payments and disallowed Rs. 1,369.30 lakh towards certain investment allowance. Aggrieved by the order of the AO, we filed an appeal before the CIT Appeals. The CIT Appeals only partly allowed our appeal. Aggrieved by the said order of the CIT Appeals, we filed an appeal before the ITAT. The ITAT, *vide* order dated May 28, 2002 dismissed our appeal. Aggrieved by the order of ITAT, we have filed an appeal before the High Court of Calcutta. The matter is currently pending.

3. Assessment year 2000-2001

The AO, *vide* order dated March 17, 2003 disallowed several of our claims, including, payments made to our employees under various heads, *viz.*, salary and wages; gratuity; payments under the voluntary retirement scheme for the assessment year 2000-2001. Aggrieved by this order, we had filed an appeal before the CIT Appeals. The CIT Appeals partly allowed our claim and consequently restored certain claims back to the Assessing Officer for re-examination. Aggrieved by this order of the CIT Appeals, our Company and the AO filed appeals before the ITAT. The ITAT, *vide* order dated April 30, 2004, partly allowed the appeals filed before it for statistical purposes. Aggrieved by the order of the ITAT, the AO has filed an appeal before the High Court of Calcutta and along with an application for condonation of delay. The matter is currently pending.

4. Assessment year 2000-2001

The AO, *vide* order dated May 29, 2006 reopened the assessment for the assessment year 2000-2001 and disallowed certain claims, including the disallowance of salary and wages amounting to Rs. 32.27 lakh paid to the workers of our Delhi unit, disallowance of Rs. 119.94 lakh being expenses relating to textile business holding the same as Birla Textile Mills etc. Aggrieved by the said order for reassessment, we filed an appeal before the CIT Appeals. The CIT Appeals, *vide* order dated August 31, 2007 partly allowed our appeal. Aggrieved by the said order, the AO filed an appeal before the ITAT and the ITAT, *vide* a clarificatory order dated August 1, 2008 dismissed the appeal filed by the AO. Aggrieved by the order of ITAT we filed an appeal before the High Court of Calcutta. The matter is currently pending.

5. Assessment year 2005-2006

The AO had disallowed our claim for a deduction of Rs. 137.03 lakh from taxable income on account of certain bad debts for the assessment year 2005-2006. Aggrieved by the order of the AO, we had filed an appeal before the CIT Appeals. The CIT Appeals partly allowed our claim and confirmed a deduction of Rs. 37.43 lakh. Aggrieved by the order of CIT Appeals, our Company and the AO filed appeals before the ITAT. The ITAT, *vide* order dated December 31, 2008, set aside the order of the CIT Appeals and has referred the matter back to CIT Appeals for fresh adjudication. The matter is currently pending.

6. Assessment year 2006-2007

The AO had disallowed a sum of Rs. 59.36 lakh being exempt dividend income and disallowed Rs. 86.87 lakh being interest on certain borrowings. Aggrieved by the said order of the AO, we filed an appeal before the CIT Appeals seeking adjustment by allowing the said interest amount paid by us. The matter is currently pending.

B. Wealth Tax Matters

The Deputy Commissioner of Wealth Tax, *vide* notice dated February 5, 2009 has sought reassessment of the wealth tax payable by our Company for the assessment year 2003-04. We have filed a reply, *vide* letter dated February 9, 2009, denying the allegation that a part of our wealth had escaped assessment and that there was no failure or omission on part of our Company to disclose any basic facts and that returns were filed along with valuation report with respect to each of our properties. The matter is currently pending before the Deputy Commissioner of Wealth Tax.

C. Excise and Service Tax Matters

There are nine central excise cases pending against our Company aggregating up to Rs. 350,068,009 and one service tax case pending against our Company with a claim of Rs. 347,628.

II. Litigation against our Subsidiaries

There are two title suits (Title Suit Nos. 591 and 592 of 2001) pending against one of our Subsidiaries, Macfarlane & Co. Limited before the Civil Judge (Jr. Division), II Court at Sealdaha, instituted by Mr. Nirmal Kumar Dutta and others, for the recovery of possession of certain premises leased to Macfarlane & Co. Limited, situated at plot no. 17 Radhanath Chowdhury Road, Kolkata. The aggregate value of the two title suits is Rs. 9000. The two suits are currently pending.

Apart from the litigations mentioned above, there are no litigations pending against any of the other Subsidiaries of our Company, as on the date of this Preliminary Placement Document.

III. Litigation against our Directors

There are no litigations pending against any of the Directors of our Company, as on the date of this Preliminary Placement Document.

IV. Litigation against our Promoters

There are no litigations pending against any of the Promoters of our Company, as on the date of this Preliminary Placement Document.

V. Litigation by our Company

There are about 28 civil cases filed by our Company against various parties, which are currently pending before various courts in India and the approximate aggregate claim amount is Rs. 5,659.78 lakh.

Litigation involving our property situated in Delhi

The Supreme Court of India, *in re* M.C. Mehta vs. Union of India (C.W.P. No. 4677 of 1985), *vide* order dated May 10, 1996 had directed the Delhi Development Authority to take possession of land from the those industry that had shut down. Our Company on behalf of our Birla Textile division challenged the legality and validity of this order by way of a review petition contending that the said order of the Supreme Court is violative of Article 300A of the Constitution of India and that only up on adequate compensation can the Government of India seek surrender of any property. After completion of hearing by the Supreme Court the matter was reserved for judgment on April 28, 2008. We have also filed an application praying for clarification that the said order of the Supreme Court would not apply to us, as the surrender of any land can only be in case of leasehold property and that freehold land cannot be surrendered and that it can only be acquired on payment of adequate compensation. This application was also heard by the Supreme Court and reserved for judgment on April 29, 2008. Both these matters are currently pending.

VI. Litigation by our Subsidiaries

Our subsidiary, Macfarlane & Co. Limited has filed a suit against the Shipping Corporation of India for recovery of Rs. 51.28 lakh. The matter is currently pending.

Our subsidiary, High Quality Steels Limited has filed the following cases:

1. Winding up petition under sections 433 and 434 of the Companies Act against Dwarikesh Sugar Industries Limited at Allahabad High Court for realization of outstanding dues of Rs 42.44 lakh. The matter is presently pending.
2. An appeal in the High Court at Calcutta against the state of West Bengal and others for quashing the order for requisition of land at Sankrail under section 3(1) of the West Bengal Land (Requisition and Acquisition) Act, 1948. The matter is presently pending.
3. Writ petition in the High Court of Calcutta against the state of West Bengal and others for notice issued by the land acquisition collector, Howrah under sections 9 (3B) of the Land Acquisition (West Bengal Amendment) Act, 1999 for acquiring about two acres of land in Sankrail. The matter is presently pending
4. Application before the Bombay High Court for claiming Rs 10.13 lakh from the official liquidator of APV Equipments Company Limited. The matter is presently pending.

GENERAL INFORMATION

1. The Company was originally incorporated in Calcutta as Textile Machinery Corporation Limited on August 4, 1939 under the Indian Companies Act, 1913. A fresh certificate of incorporation was granted by the Registrar of Companies, West Bengal, Republic of India on January 1, 1974 under the Companies Act approving the change of name to Texmaco Limited with limited liability. The registered office of the Company is located at Belgharia, Kolkata – 700 056, India.
2. The Issue was authorised and approved by our Board of Directors on June 22, 2009, approved by the shareholders in their meeting on July 23, 2009 and by a committee formed by our Board of Directors on July 24, 2009.
3. The Company has applied for in-principle approval to list the Equity Shares on NSE, BSE and CSE.
4. Copies of our Memorandum and Articles of Association will be available for inspection during usual business hours on any day of the week between 10.00 a.m. to 1.00 p.m. (except Mondays and public holidays) at our registered office.
5. We have obtained all consents, approvals and authorizations required in connection with this Issue.
6. There has been no material change in our financial or trading position since March 31, 2009, the date of the latest financial statements prepared in accordance with Indian GAAP included in this Preliminary Placement Document, except as disclosed herein.
7. Except as disclosed in this Preliminary Placement Document, there are no material litigation or arbitration proceedings against or affecting us or our assets or revenues, nor are we aware of any pending or threatened litigation or arbitration proceedings, which are or might be material in the context of this Issue of Equity Shares.
8. The Company's auditors are M/s K.N. Gutgutia & Co, who have (i) audited the consolidated financial statements of the Company as of and for the period ended March 31, 2007, March 31, 2008 and March 31, 2009 and (ii) undertaken a limited review of the standalone financial statements of the Company as of and for the three months ended June 30, 2009; and have agreed to the inclusion of their respective reports in this Preliminary Placement Document.
9. We confirm that we are in compliance with the minimum public shareholding requirements as required under the terms of the listing agreements with the Stock Exchanges.
10. The Floor Price for the Issue is Rs. 98.64 calculated in accordance with clause 13A.3.1 of the SEBI Guidelines, as certified by M/s K.N. Gutgutia & Co , Chartered Accountants.
11. The Sole Global Coordinator and its affiliates have provided, and may in the future provide, investment banking and other services to us, our affiliates, officers and directors, for which such Sole Global Coordinator and its affiliates have received customary fees and commissions.

FINANCIAL STATEMENTS

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AUDITORS' REPORT

To
The Board of Directors of
Texmaco Limited

1. We have audited the attached consolidated balance sheets of **Texmaco Limited** as at 31st March, 2009, 2008 and 2007 and also the consolidated Profit & Loss accounts and the consolidated Cash Flow statements for the years ended on these dates annexed thereto. These statements are the responsibility of the Texmaco's management and have been prepared by the management on the basis of separate financial statements and other financial information regarding components. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We conducted our audit in accordance with the auditing standards generally accepted in India. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. We did not audit the financial statements of a subsidiaries and joint venture, whose financial statements reflect total assets of Rs. 115.83 lakh as at 31st March, 2009, Rs. 82.29 lakh as at 31st March, 2008, Rs. 1,771.55 lakh as at 31st March, 2007. The total revenue of Rs. 39.53 lakh as at 31st March, 2009, Rs. 38.69 lakh as at 31st March, 2008, Rs. 101.86 lakh as at 31st March, 2007, and cash flows amounting to Rs. 1.17 lakh as at 31st March, 2009, Rs. 0.31 lakh as at 31st March, 2008, Rs. 135.26 lakh as at 31st March, 2007. These financial statements and other financial information have been audited by other auditor whose report has been furnished to us, and our opinion is based solely on the report of other auditor.
4. *Subject to notes No, 3 (b) & (c) and 13 of Schedule 'N' regarding provisions for Gratuity and Leave Pay which are not in accordance with AS-15(Revised) and non-adjustment of carrying amount of investment in associates respectively and its corresponding adjustment in the retained earning(amount not ascertained), we report that the consolidated financial statements have been prepared by the Texmaco's management in accordance with the requirements of Accounting Standards (AS) 21, Consolidated financial statements and Accounting Standard (AS) 27, Financial Reporting of interest in joint ventures, issued by The Institute of Chartered Accountants of India.*

Based on our audit and on consideration of report of other auditor on separate financial statements and on the other financial information of the components and to the best of our information and according to the explanations given to us, we are of the opinion that the attached consolidated financial statements give a true and fair view in conformity with the accounting principles generally accepted in India.

- a) in the case of the consolidated Balance Sheet, of the state of affair of Texmaco Limited as at 31st March, 2009, 31st March, 2008 and 31st March, 2007 respectively
- b) in the case of the consolidated Profit and Loss account, of the profit for the year ended on these dates; and
- c) in the case of the consolidated cash flow statement, of the cash flows for the year ended on these dates.

For K. N. Gututia & Co.
Chartered Accountants

6C, Middleton Street,
Kolkata - 700 071
Dated : 20th July, 2009

K.C. Sharma
Partner
Membership No. 50819

CONSOLIDATED BALANCE SHEET

		For the year ended March 31		
		2007	2008	2009
		(Rs. in lakh)		
	Schedule/ Notes			
I. Sources of Funds				
1. Shareholders' Funds				
(a) Capital	"A"	1,032.56	1,381.88	1,381.88
(b) Reserves and Surplus	"B"	15,251.37	23,061.50	29,882.07
		16,283.93	24,443.38	31,263.95
2. Minority Interest				
		5.84	12.37	18.87
3. Loan Funds				
(a) Secured Loans	"C"	4,879.20	6,613.17	6,699.49
(b) Unsecured Loans	"D"	789.93	635.78	734.16
		5,669.13	7,248.95	7,433.65
4. Deferred Tax Liabilities (Net)				
(Refer Note No. 17 of Schedule 'N')				
		224.52	231.34	221.35
Total		22,183.42	31,936.04	38,937.82
II. Application of Funds				
1. Fixed Assets				
(a) Gross Block	"E"	21,597.95	32,126.13	33,111.60
(b) Less: Depreciation		8,568.53	9,704.97	10,293.44
(c) Net Block		13,029.42	22,421.16	22,818.16
(d) Capital Work-in-Progress		-	-	30.63
		13,029.42	22,421.16	22,848.79
2. Investments				
	"F"	5,528.39	9,333.06	5,844.74
3. Current Assets, Loans and Advances				
(a) Inventories	"G"	9,198.16	10,939.81	22,855.25
(b) Sundry Debtors	"H"	12,346.17	13,947.34	18,133.76
(c) Cash and Bank Balances	"I"	729.80	433.03	2,476.28
(d) Other Current Assets	"J"	86.68	108.47	142.73
(e) Loans and Advances	"K"	5,870.00	8,224.61	7,749.69
Total		28,230.81	33,653.26	51,357.71
Less : Current Liabilities and Provisions				
(a) Liabilities	"L"	23,425.56	31,890.04	39,569.34
(b) Provisions	"M"	1,356.05	1,700.47	1,589.05
Total		24,781.61	33,590.51	41,158.39
Net Current Assets		3,449.20	62.75	10,199.32
4. Miscellaneous Expenditure				
(to the extent not written-off or adjusted)				
		176.41	119.07	44.97
Total		22,183.42	31,936.04	38,937.82
Notes	"N"			

CONSOLIDATED PROFIT & LOSS ACCOUNT				
		2007	For the year ended March 31	
	Schedule		2008	2009
			(Rs. in lakh)	
Income	-			
Sales		47,745.65	94,493.09	109,117.96
Less : Inter Segment Revenue		5,676.60	13,351.00	20,061.00
Less : Excise Duty		4,540.49	11,019.18	8,395.07
		37,528.56	70,122.91	80,661.89
Other Sources	"O"	508.53	645.19	843.87
Total		38,037.09	70,768.10	81,505.76
Expenditure and Charges				
Operating Costs	"P"	38,401.18	72,189.23	88,155.39
Less : Inter Segment Revenue		5,676.60	13,351.00	20,061.00
		32,724.58	58,838.23	68,094.39
Interest	"Q"	439.77	905.87	1,086.85
Depreciation				
For the year		717.02	949.86	1,183.55
Less: Recouped from				
Revaluation Reserve		65.93	63.83	48.15
		651.09	886.03	1,135.40
Total		33,815.44	60,630.13	70,316.64
Profit before Taxation and Extraordinary items		4,221.65	10,137.97	11,189.12
Less: Provision for taxation				
- Current Tax		1,306.42	3,094.80	3,498.24
- Fringe Benefit Tax		33.77	28.46	35.60
- Deferred Tax		68.20	3.51	(7.62)
		1,408.39	3,126.77	3,526.22
Profit After Taxation (before Extraordinary items)		2,813.26	7,011.20	7,662.90

Less: Extra-ordinary Items

-VRS in Engineering Division	(74.73)	(63.95)	(45.38)
Profit After Taxation and Extraordinary items	2,738.53	6,947.25	7,617.52
Less : Minority Interest	5.52	6.53	6.50
Profit after Minority Interest	2,733.01	6,940.72	7,611.02
Add/(Less): Income Tax for earlier year	(0.16)	0.22	(0.53)
Add: Balance Brought Forward from previous year	487.59	1,894.83	3,875.26

CONSOLIDATED PROFIT & LOSS ACCOUNT

For the year ended March 31

Schedule	2007	2008 (Rs. in lakh)	2009
(Opening differences of Rs. 2.38 lakh arise due to transitional provision on deferred taxation of a subsidiary)			
Profit available for appropriation	3,220.44	8,835.77	11,485.75
Proposed Dividend on Equity Shares	413.03	812.06	830.87
Propose Dividend on Preference Shares	----	10.96	16.44
Provision for Tax on Proposed Dividend	70.19	139.87	144.00
Transferred to/(from) General Reserve	982.00	4,000.00	5,000.00
Transferred to Reserve Fund	2.30	----	----
Transferred to Balance Sheet	1,752.92	3,872.88	5,494.44
	3,220.44	8,835.77	11,485.75
Basic & Diluted Earning Per Share (Rs.) *	26.52	62.60	6.86

* The face value of Equity shares of Rs. 10/- each has been sub-divided into Equity Shares of Re. 1 each with effect from January 9, 2009.

CONSOLIDATED CASH FLOW STATEMENT

Year Ended March 31

2007 2008 2009
(Rs. in lakh)

A) Cash Flow from Operating Activities:

Net Profit before Tax & Extra-ordinary Items	4,221.65	10,137.97	11,189.12
Adjustments for:			
Depreciation	651.09	886.03	1,135.40
Interest Paid	439.77	905.87	1,086.85
Interest Received	(117.14)	(128.29)	(168.07)
Income from Investments	(111.14)	(161.79)	(196.64)
Profit on sale of Fixed Assets(Net)	(9.99)	(6.57)	(83.68)
Profit/(Loss) on sale of Current Investments(Net)	(18.99)	(281.99)	(132.54)
Provision for Diminution of Investments	-	25.63	23.45
Miscellaneous Expenditure	370.54	57.34	74.10
	1,204.14	1,296.23	1,738.87
Operating Profit before Working Capital Changes & Extra-ordinary Items	5,425.79	11,434.20	12,927.99
Adjustments for:			
Trade & Other Receivables	(2,781.38)	(3,096.56)	(3,320.70)
Inventories	(5,586.68)	(1,741.65)	(11,915.44)
Trade Payables	8,308.04	6,252.46	7,529.75
	(60.02)	1,414.25	(7,706.39)
Cash generated from Operations	5,365.77	12,848.45	5,221.60
Direct Taxes (Paid)/Received	(1,650.80)	(2,929.63)	(3,925.17)
Cash flow before Extra-ordinary Items	3,714.97	9,918.82	1,296.43
Extra-ordinary Items	(74.73)	(63.95)	(45.38)
Net Cash from Operating Activities	3,640.24	9,854.87	1,251.05

B) Cash Flow from Investing Activities:

Purchase of Fixed Assets	(3,577.90)	(2,045.94)	(1,629.02)
Sale of Fixed Assets	18.69	19.31	98.67
Purchase/Sale of Investments	166.94	(3,274.27)	3,597.43
Interest Received	110.15	106.43	133.81
Income from Investments	130.13	161.79	196.64
Net Cash used in Investing Activities	(3,151.99)	(5,032.68)	2,397.53

C) Cash Flow from Financing Activities:

Receipt/Payment of Long-term borrowings	486.65	(5,767.64)	(1,275.37)
Receipt/Payment of Short-term borrowings	(1,421.82)	2,020.45	1,460.07
Interest Paid	(441.83)	(905.87)	(1,086.85)
Dividend (incl. Dividend Tax) Paid	(308.49)	(481.63)	(953.18)
Capital Subsidy Received			250.00
Net Cash from Financing Activities	(1,685.49)	(5,134.69)	(1,605.33)
Net Increase/(Decrease) in Cash & Cash Equivalents	(1,197.24)	(312.50)	2,043.25

CONSOLIDATED CASH FLOW STATEMENT

	Year Ended March 31		
	2007	2008	2009
	(Rs. in lakh)		
Cash and Cash Equivalents as at (Opening Balance)	1,927.04	718.28	433.03
Cash and Cash Equivalents as at 01.08.2007			
(Effect of Merger)			
Evershine Merchants Pvt. Ltd	-	0.40	-
Shree Export House Ltd	-	1.05	-
Neora Hydro Ltd	-	25.80	-
Cash and Cash Equivalents as at (Closing Balance)	729.80	433.03	2,476.28

Note: The above Cash Flow Statement has been prepared under the "Indirect Method" as set out in the Accounting Standard -3 on Cash Flow Statement issued by the Institute of Chartered Accountants of India. Difference on Opening and Closing Balance of Cash & Cash Equivalent i.e. Rs. 11.52 Lakh is due to Effect of Merger.

Schedules Annexed to and Forming Part of the Balance Sheet

		As at March 31		
		2007	2008	2009
		(Rs. in lakh)		
SCHEDULE-A				
CAPITAL				
Authorised				
1,70,00,000 (1,40,00,000) Equity Shares of Rs.1/- each (Rs. 10/- each in FY 2008 & 2007)		1,400.00	1,400.00	1,700.00
3,00,000 (40,000) Preference Shares of Rs.100/- each		40.00	40.00	300.00
NIL (60,000) Shares of Rs.100/- each		60.00	60.00	-
		1,500.00	1,500.00	2,000.00
Issued, Subscribed and Paid-up				
11,07,83,090 (1,03,25,760) Equity Shares of Re. 1/- each (Previous Year Rs.10/- each) fully paid-up (including 37,50,000 Equity Shares allotted for consideration other than cash), excluding 9,960 equity shares lying in abeyance-NSDL transit case (previous year 9,960 equity shares)		1,032.57	1,032.57	1,107.82
Add: Forfeited Shares (Amount paid-up)		0.01	0.01	0.01
		1,032.58	1,032.58	1,107.83
Equity Share Capital (Suspense) (7,52,548 Equity Shares of Rs.10 each to be issued to the shareholders of transferor company without payment being received in cash as per the scheme of arrangement)		-	75.25	-
2,74,050 6% Redeemable Non-Cumulative Preference Share of Rs. 100/- each redeemable on 15.07.2017		-	274.05	274.05
Less: Capital held by Subsidiary 200 Equity Shares of Rs. 10/- each fully paid-up		0.02	-	-
		1,032.56	1,381.88	1,381.88

	As at March 31		
	2007	2008	2009
	(Rs. in lakh)		
SCHEDULE-B			
RESERVES AND SURPLUS			
Share Premium			
As per last Account	2,323.02	2,323.02	2,323.02
Less : Share premium on Capital held by Subsidiary	(0.02)	-	-
	2,323.00	2,323.02	2,323.02
Revaluation Reserve			
As per last Account	1,537.76	1,471.51	1,406.42
Less: On Assets sold/ discarded during the year	0.32	1.26	2.85
	1,537.44	1,470.25	1,403.57
Less: Transferred to Profit and Loss Account	65.93	63.83	48.15
	1,471.51	1,406.42	1,355.42
State Capital Investment Subsidy			
As per last Account	15.00	15.00	15.00
Add : Received during the year	-	-	250.00
	15.00	15.00	265.00
Capital Redemption Reserve			
As per last Account	141.02	141.02	141.02
Reserve Fund			
(*) As per last Account	11.12	-	-
Transferred from Profit and Loss Account	2.30	-	-
	13.42	-	-
General Reserve			
(*) As per last Account	8,552.51	9,492.26	15,303.16
Add: Reversal of Gratuity Liability at the beginning of the year, arising on adoption of Accounting Standard 15 (Revised 2005)		10.61	
Less: Tax adjustment on reversal of Gratuity Liability		3.61	-
On amalgamation as per scheme of arrangement		1,803.90	-
Less/Add : Transferred to/from Profit and Loss Account	982.00	4,000.00	5,000.00
Less/Add : Goodwill Written-off / Capital Reserve	(0.01)	-	0.01
	9,534.50	15,303.16	20,303.17
Profit & Loss account	1,752.92	3,872.88	5,494.44
	15,251.37	23,061.50	29,882.07

* Opening differences arises due to merger and same has effected in General Reserve.

As at March 31

	2007	2008	2009
	(Rs. In lakh)		

SCHEDULE – C

SECURED LOANS

From Banks :

Secured by hypothecation of Finished Goods and part of Raw Materials, Stock-in-Process, Stores, Book Debts, etc. and second charge on Fixed Assets.

Cash Credit Accounts / WCDL / FCNR (B)	1,353.10	2,873.55	4,333.62
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Term Loans :

Secured by first equitable mortgage/charge on the immovable/Movable properties both present and future of Belgharia, Agarpara and Sodepur Units of the Company created/to be created except exclusive first charge by way of Hypothecation in favour of the respective financial institutions on the Plant & Machinery acquired/ to be acquired under their Equipment Finance Scheme and Working Capital Loan

From Industrial Development Bank of India	45.00		
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Secured by Letter of Credit opened by the Buyer from State Bank of India	698.10	878.00	456.04
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Project Loans :-

From State Bank of India	1,784.44	1,881.53	1,178.67
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From Landesbank Wutterberg, Germany	660.19	456.82	385.10
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From IREDA -	335.01	521.11	344.38
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Secured by Exclusives first charge of immovable / movable properties of Neora Hydro Project both existing and future subject to prior charge of Banks on specified Current Assets.

Loans from others-HDFC Bank secured by hypothecation of vehicle	1.68	0.48	-
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Loan from Others - Secured by Bank Guarantee under Subsidised Industrial

Housing Scheme	1.68	1.68	1.68
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4,879.20	6,613.17	6,699.49
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As at March 31

	2007	2008	2009
	(Rs. in lakh)		

SCHEDULE – D

UNSECURED LOANS

From Body Corporates	15.74	15.74	15.74
Fixed Deposit from employees/ex-employees	24.19	20.04	18.42
Advance against sale of land	750.00	600.00	700.00
	789.93	635.78	734.16

SCHEDULE –E

2009										
GROSS BLOCK						DEPRECIATION				NET BLOCK
	AS ON 01.04.2008	ADDI. DURING THE YEAR	ADJ. DUE TO MERGER	SALES/ ADJUSTS.	AS ON 31.03.2009	AS ON 01.04.2008	DURING THE YEAR	SALES/ ADJ.	AS ON 31.03.2009	AS ON 31.03.2009
LAND (INCLUDING LEASE HOLD)	4671.89	44.75	-	-	4716.64	-	-	-	0.00	4716.64
BUILDINGS	14336.67	183.68	-	430.06	14090.29	3114.62	347.89	426.94	3035.57	11054.72
ROADS	66.83	2.55	-	-	69.38	39.49	0.50	-	39.99	29.39
RAILWAY SIDINGS	192.60	74.78	-	-	267.38	110.84	7.82	-	118.66	148.72
PLANT & MACHINERY	11252.62	1158.73	-	139.86	12271.49	5703.83	737.31	132.88	6308.26	5963.23
ELECTRICAL MACHINERY	828.98	14.25	-	20.82	822.41	318.01	32.01	17.60	332.42	489.99
OFFICE EQUIPMENTS	354.81	31.61	-	0.02	386.40	204.77	23.81	0.02	228.56	157.84
FURNITURES & FITTINGS	120.68	0.00	-	0.68	120.00	77.78	3.57	0.47	80.88	39.12
VEHICLES	301.05	88.04	-	21.48	367.61	135.63	30.64	17.17	149.10	218.51
TOTAL	32126.13	1598.39	-	612.92	33111.60	9704.97	1183.55	595.08	10293.44	22818.16
CAPITAL WORK-IN- PROGRESS	-	30.63	-	-	30.63	-	-	-	-	30.63
GRAND TOTAL	32126.13	1629.02	-	612.92	33142.23	9704.97	1183.55	595.08	10293.44	22848.79

1. Gross Block includes 4849.13 and Depreciation includes 3493.71 due to revaluation on 31/12/1985.
2. Includes Assets held in co-ownership with others at Kolkata, Delhi, Mussorie and Shillong.
3. 3265.68 (including 44.75 for this year) expenses incurred for development of land of Birla Textile capitalised (see Note 6 of Schedule 'N')
4. Buildings include 7275.00 pending registration.
5. Includes 8526.20 in Gross Block and 216.51 in accumulated depreciation due to merger scheme.

2008													
Assets	GROSS BLOCK						DEPRECIATION						NET BLOCK AS ON 31.03.2008 (Rs.)
	Revalued Cost and/or Book Value as per last B/Sheet (Rs.)	Addi. due to Merger Scheme (Rs.)	Addi/ Adj. during the Year (Rs.)	Adj. due to Merger Scheme (Rs.)	Ded./ Adj. during the Year (Rs.)	AS ON 31.03.2008 @ (Rs.)	AS ON 01.04.2007 (Rs.)	ACCMTD. DEPN. DUE TO MERGER SCHEME (Rs.)	DURING THE YEAR (Rs.)	Adj. due to Merger Scheme (Rs.)	SALES/ ADJ. (Rs.)	AS ON 31.03.2008 @ (Rs.)	
	(Rs.)	(Rs.)	(Rs.)	(Rs.)	(Rs.)	(Rs.)	(Rs.)	(Rs.)	(Rs.)	(Rs.)	(Rs.)	(Rs.)	(Rs.)
LAND (INCLUDING LEASE HOLD)	4622.80	20.15	39.01	10.07	--	4671.89	--	--	--	--	--	--	4671.89
BUILDINGS	5621.75	8892.84	649.31	809.88	17.35	14336.67	2757.31	195.30	256.56	79.81	14.74	3114.62	11222.05
ROADS	50.94	--	15.89	--	--	66.83	39.25	--	0.24	--	--	39.49	27.34
RAILWAY SIDINGS	176.58	--	16.02	--	--	192.60	104.69	--	6.15	--	--	110.84	81.76
PLANT & MACHINERY	9691.14	842.86	1142.56	421.51	2.43	11252.62	5007.12	142.47	609.87	53.33	2.30	5703.83	5548.79
ELECTRICAL MACHINERY	748.76	--	87.24	--	7.02	828.98	295.15	--	29.49	--	6.63	318.01	510.97
OFFICE EQUIPMENTS	335.04	6.44	16.77	3.01	0.43	354.81	175.66	4.89	24.76	0.14	0.40	204.77	150.04
FURNITURE & FITTINGS	89.72	0.31	30.81	0.16	--	120.68	74.34	0.20	3.25	0.01	--	77.78	42.90
VEHICLES	261.22	16.46	48.32	8.23	16.72	301.05	115.01	8.33	19.54	1.39	5.86	135.63	165.42
TOTAL	21597.95	9779.06	2045.93	1252.86	43.95	\$32126.13	8568.53	351.19	949.86	134.68	29.93	9704.97	22421.16

NOTES : 1. @ Gross Block includes Rs. 4923.15 lakh and Depreciation includes Rs. 3516.73 lakh due to revaluation on 31/12/1985.

2. \$ Includes Assets held in co-ownership with others at Kolkata, Delhi, Mussorie and Shillong.

3. Rs.3220.93 Lakh (including Rs.39.01 lakh for this year) expenses incurred for development of land of Birla Textile capitalised (see Note 6 of Schedule 'N').

4. Building include Rs. 7275.00 lakh pending registration.

2007									
	GROSS BLOCK				DEPRECIATION				
ASSETS	Revalued Cost and/or Book Value as per last Balance Sheet (Rs.)	Add./ Adj. during the Year (Rs.)	Ded./ Adj. during the Year (Rs.)	@Total (Rs.)	Upto Last Balance Sheet (Rs.)	For the Year (Rs.)	Ded./ Adj. during the Year (Rs.)	@TOTAL (Rs.)	Net Block as on 31.03.2007 (Rs.)
LAND	3,736.44	886.36	-	4,622.80	-	-	-	-	4,622.80
BUILDINGS	4,243.09	1,380.24	1.58	5,621.75	2,498.24	259.30	0.22	2,757.32	2,864.42
ROADS	50.94	-	-	50.94	39.14	0.11	-	39.25	11.69
RAILWAY SIDINGS	155.02	21.56	-	176.58	100.37	4.32	-	104.69	71.89
PLANT & MACHINERY	6,145.41	3,568.64	22.91	9,691.14	4,639.75	389.00	21.63	5,007.12	4,684.02
ELECTRICAL MACHINERY	424.53	324.83	0.60	748.76	276.18	19.49	0.52	295.15	453.61
OFFICE AND ANCILLARY EQUIPMENT	306.32	28.94	0.22	335.04	153.76	22.09	0.19	175.66	159.38
FURNITURE & FITTINGS	90.52	0.14	0.94	89.72	73.29	1.99	0.94	74.34	15.38
VEHICLES	253.11	26.49	18.38	261.22	106.15	20.87	12.01	115.01	146.21
TOTAL	15,405.38	6,237.20	44.63	\$21,597.95	7,886.88	717.17	35.51	8,568.54	13,029.41
CAPITAL WORK-IN-PROGRESS	2,659.06	-	2,659.06	-	-	-	-	-	-
GRAND TOTAL	18,064.44	6,237.20	2,703.69	21,597.95	7,886.88	717.17	35.51	8,568.54	13,029.41

Note : 1. @ Gross Block includes Rs.5008.55 lakh and Depreciation includes Rs.3472.12 lakh due revaluation on 31.12.1985

2. \$ Includes assets held in co-ownership with others at Kolkata, Delhi, Mussorie and Shilong.

3. Rs.3130.70 lakh (including Rs.35.14 lakh for this year) expenses incurred for development of land of Birla Textile capitalized

As at March 31			
	2007	2008	2009
	(Rs. in lakh)		

SCHEDULE – F

INVESTMENTS

A) Long Term Investments (At Cost)

Trade Investments

Fully paid-up Shares held in :-

Quantity F. V.

1,499	100	Wagon India Ltd.	1.50	1.50	1.50
15,000	10	MSTC Limited	0.75	0.75	0.75
			2.25	2.25	2.25

Other Investments

a) In Government Securities:

12% Tamilnadu Loan, 2011	0.10	0.10	0.10
12 - Yr. National Plan Saving Certificates	0.01	0.01	0.01
12 - Yr. National Defence Certificates	0.03	0.03	0.03

b) Fully paid-up Shares held in:-

Quantity F. V.

7,500	10	Birla Buildings Limited	0.75	0.75	0.75
120	10	Elgin Mills Limited (5% 'B' Cumulative Preference Shares)	0.01	0.01	0.01
1,16,700	10	APV-Textmaco Limited	9.61	9.61	9.61
		Less: Provision for diminution of investment	-9.61	-9.61	-9.61
25,57,941	10	Zuari Industries Limited	4766.84	4766.83	4766.83
3,20,000	10	Gobind Sugar Mills Ltd.	102.00	102.00	102.00
42,900	10	Chambal Fertilizers & Chemicals Ltd. (*)	7.55	7.55	7.55
35,529	10	Upper Ganges Sugar Industries Ltd. (**)	25.83	24.03	24.04
4,100	10	New India Sugar Mills Ltd (**)	-	1.78	1.78
22,000	10	Leas Communication Ltd	2.20	2.20	2.20
		Less: Provision for diminution of investment	-	-	-2.20
3,500	10	Taparia Ltd	0.40	0.40	0.40
1,000	10	Chandausi Rice Mills Ltd.	0.10	0.10	0.10
		Less: Provision for diminution of investment	-	-	-0.10
15,000	10	Birla Construction Ltd.	1.50	1.50	1.50
6187	1	Calcutta Stock Exchange Limited	-	123.74	123.74
274,050	100	Lionel India Ltd.	-	274.05	274.05
			4907.32	5305.08	5302.79

B) Current Investment

a) Fully paid-up shares in:-

Quantity F. V.

22,750	10	Andhra Bank	20.32	-	-
37,500	10	ONGC Ltd.	348.50	-	-
5,000	10	Idea Cellular Limited	-	7.30	7.30
11,000	10	Powergrid Corporation of India Ltd	-	16.78	16.78
2,500	10	Naitional Thermal Power Corp. Ltd.	-	5.13	5.13
20,000	10	Tata Teleservices(Maharashtra) Ltd.	-	9.79	9.79

				As at March 31		
				2007	2008	2009
				(Rs. in lakh)		
2,000	2	Bharat Forge Ltd.		-	5.88	5.88
5,000	10	Lakshmi Vilas Bank		-	6.66	6.66
9,500	10	Bihar Caustic & Chemicals		-	9.80	9.80
5,000	2	East India Hotels Ltd		-	11.17	11.17
1,000	10	SREI infrastructure Finance Limited		-	2.18	2.18
500	10	Century Textiles Ltd		-	4.34	4.34
1,000	10	Jindal Iron & Steel Ltd.		-	7.45	7.45
				-	86.48	86.48
Less: Provision for diminution in Value of current Investments				----	25.63	46.78
				368.82	60.85	39.70
b) Mutual Funds in						
	Quantity	F. V.				
25,00,000	10	JM Financial Mutual Fund		250.00	-	-
3,015,431.471	10	ABN AMRO Monthly Income Plan-G		-	400.00	-
47,25,897.921	10	ICICI Prudential Equity & Derivative Fund		-	500.00	-
25,61,629.79	10	J M Arbitrage Advantage Fund		-	256.25	-
48,77,572.92	10	J M Money Manager Fund		-	500.00	-
34,68,441.589	10	J M Liquid Plus Fund		-	358.58	-
32,27,271.648	10	SBI SHF Liquid Plus		-	350.05	-
28,20,954.047	10	SBI Arbitrage Opportunities Fund		-	300.00	-
124,77,598.574	10	UTI Liquid Plus		-	1300.00	-
4477599.000	10	UTI Spread Fund		-	-	500.00
				250.00	3964.88	500.00
					-	-
				5528.39	9333.06	5844.74
Aggregate amount of Quoted Investment (Book Value)				5,270.93	5,086.79	5,065.64
Aggregate amount of Unquoted Investment (Book Value)				257.46	4,246.27	779.10
Aggregate amount of Quoted Investment (Market Value)				4,397.39	5,917.67	3,846.00
Subscribed and sold during the year units as per note no. 15 of Schedule "N"						

	As at March 31		
	2007	2008	2009
	(Rs. in lakh)		

SCHEDULE – G

INVENTORIES

Stock as per inventories taken, valued and certified by the Management

Land	320.04	320.04	320.04
Stores, Components & Spare Parts, etc	2,544.06	4,036.19	9,821.78
Jigs & Fixtures	89.03	140.83	-
Raw Materials	4,089.17	3,547.31	3,323.58
Stock-in-Process	1,390.49	2,449.89	4,037.67
Finished Goods	234.07	157.17	90.49
Work-in-Progress	372.25	-	-
Goods-in-Transit	159.05	288.38	5,261.69
	9,198.16	10,939.81	22,855.25

	As at March 31		
	2007	2008	2009
	(Rs. in lakh)		

SCHEDULE – H

SUNDRY DEBTORS (Unsecured-considered good)

(including Retention money Rs. 2985.97 lakh (Rs. 2279.22 lakh))

Exceeding six months	5,138.30	4,789.01	3,708.52
Other Debts	7,207.87	9,158.33	14,425.24
	12,346.17	13,947.34	18,133.76

Debts for which the Company holds no security other than the debtors' personal security and/or guarantee by banks and others)

(i) On deferred payment basis	781.42	586.06	455.83
(ii) Others	11,564.75	13,361.28	17,677.93
	12,346.17	13,947.34	18,133.76

	As at March 31		
	2007	2008	2009
	(Rs. in lakh)		

SCHEDULE – I

CASH AND BANK BALANCES

Cash Balance (Including Rs. 1534.76 lakh Cheques in hand) (Previous year Rs.67.44 lakh)	332.98	177.61	1,565.94
Balances with Scheduled Banks :			
Deposit Accounts	1.98	2.63	2.81
Current Accounts	387.17	243.51	888.54
Dividend Accounts	7.67	9.28	18.99
	729.80	433.03	2,476.28

	As at March 31		
	2007	2008	2009
	(Rs. in lakh)		

SCHEDULE – J

OTHER CURRENT ASSETS

Interest accrued on Loans	86.62	108.47	142.73
Interest Suspense	0.06	-	-
	86.68	108.47	142.73

	As at March 31		
	2007	2008	2009
	(Rs. in Lakh)		

SCHEDULE – K

LOANS AND ADVANCES

(Unsecured considered good unless otherwise stated)

Loans	852.00	1,290.00	540.00
Advances recoverable in cash or in kind or value to be received)	4,477.59	4,718.74	4,943.03
Share Application money	-	135.00	135.51
Advance to Workmen/ Misc. Advs.			
Balance with Customs, Port, Excise and other Govt. Authorities	263.96	1,905.75	1,566.19
Deposits	41.64	40.99	40.03
Advance payment of Income Tax and FBT and Tax			
Deducted at Source / I. Tax refundable(net of provision)	234.81	134.13	524.93
	5,870.00	8,224.61	7,749.69

	As at March 31		
	2007	2008	2009
	(Rs. in lakh)		

SCHEDULE – L

LIABILITIES

Sundry Creditors

For Goods supplied	8,241.07	11,247.01	24,215.28
For Expenses and other Finance	2,250.24	3,194.42	4,274.08
Trade and Other Deposits and Advances	12,920.50	17,433.27	11,054.55
Advance against Sale of Land/Factory		-	0.38
Preference Share Capital Redeemed	5.83	5.81	5.81
Unclaimed Dividend on Preference Shares	0.26	0.25	0.25
Unclaimed Dividend on Equity Shares (*)	7.66	9.28	18.99

* There is no amount due and outstanding to be credited to the Investor Education and Protection Fund

23,425.56	31,890.04	39,569.34
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	As at March 31		
	2007	2008	2009
	(Rs. in lakh)		

SCHEDULE – M

PROVISIONS

For Contingencies	4.93	4.93	4.93
Proposed Dividend	413.03	823.02	847.31
Tax on Dividend	70.19	139.87	144.00
For others	314.94	327.26	398.28
For Leave	128.42	129.59	112.49
For Gratuity	424.54	275.80	82.04
	1,356.05	1,700.47	1,589.05

SCHEDULE - N

NOTES ON BALANCE SHEET

A. ACCOUNTING POLICIES

General

These accounts are prepared on historical cost basis and on the accounting principles of a going concern. Accounting policies not specifically referred to otherwise are consistent and in consonance with generally accepted accounting principles. For the Financial Year 2008-09 Applicable Accounting Standards notified by the Companies Accounting Standards Rules, 2006 have been followed except otherwise stated. For the Financial Year 2007-08 & 2006-07 Applicable Accounting Standards specified by the Institute of Chartered Accountants of India (I.C.A.I.) have been followed except otherwise stated.

Fixed Assets

Certain Land, Buildings, Roads, Railway Siding and Plant & Machinery as existing on 31.12.1985 are stated on the basis of their revalued costs. Other Fixed assets are stated at cost net of Cenvat. Cost includes purchase price and related expenses.

The carrying amounts of assets are reviewed at each balance sheet date to determine whether there is any indication of impairment based on external/internal factors. An impairment loss is recognised wherever the carrying amount of an asset exceeds its recoverable amount, which represents the greater of the net selling price and 'value in use' of the assets. The estimated future cash flows considered for determining the value in use are discounted to their present value at the weighted average cost of capital.

For the Financial Year 2007-08 & 2006-07, Assets waiting disposal are valued at the lower of written down value and net realisable value and disclosed separately.

Depreciation

Depreciation on revalued assets is calculated on their respective revalued amounts and is computed on the basis of remaining useful life as estimated by the valuer on straight line method. On other assets, depreciation has been provided on straight line method except in respect of a unit (Neora Hydro) where Written Down method has been followed, in accordance with the rates in Schedule XIV of the Companies Act, 1956. The depreciation on amount added on revaluation is being set off by transfer from Revaluation Reserve. For the Financial Year 2007-08 & 2006-07, Site assets, depreciation have been provided based on tenure of working at the Site.

Investments

Current Investment are stated at lower of cost and fair value.

For the Financial Year 2008-09 & 2007-08, Long-term Investments are considered "at Cost" on individual investment basis, unless there is a decline other than temporary in value thereof, in which case adequate provision is made against such diminution in the value of investments. For the Financial Year 2006-07, Long-term Investments are stated at cost after deducting provision made for permanent diminution in the value.

Recognition of Income and Expenditure

Sales revenue is recognized on transfer of the significant risks and regards of ownership of the goods to the buyer and stated at net of Sales Tax, VAT, trade discounts, rebates but include excise duty. Income from services is recognized as the services are rendered based on agreement/arrangement with the concerned parties. Dividend income on investments is accounted for when the right to receive the payment is established. Interest income is recognized on time proportion basis. Export incentives, certain insurance, railway and other claims, where quantum of accruals cannot be ascertained with reasonable certainty, are accounted on acceptance basis.

Employee Benefits

- (1) The company's contribution to provident fund, employees' state insurance scheme and super-annuation fund are charged on accrual basis to Profit & Loss Account.

(2) Leave :

Leave liability is accounted for based on accrual basis for the financial year 2006-07 & on actuarial valuation for the Financial Year 2008-09 & 2007-08.

(3) Gratuity:

The Company has an approved Gratuity Fund for its Engineering Units which has taken a Group Gratuity Cash Accumulation Scheme Policy with Life Insurance Corporation of India (LIC) for future payment of gratuity to the employees. Year-end accrued liabilities on account of gratuity payable to employees are provided on the basis of actuarial valuation. The Company accounts for gratuity liability equivalent to the premium amount payable to LIC every year, which together with the annual contribution in subsequent years would be sufficient to cover the gratuity liability as and when it accrues for payment.

Recognition of Profit/ Loss on erection Jobs

For the Financial Year 2007-08 & 2006-07, Profit/Loss on erection jobs of machineries/equipments is accounted for on the basis of percentage of completion of job.

Cenvat duty, Custom duty & Cenvat credit

Cenvat Credit availed on Raw materials, Stores and Capital Goods are reduced from the cost of the Respective Goods. Cenvat Duty payable on finished goods lying in factory is provided for and included in Closing Stock of Inventory.

Research and Development

Research and Development expenditures of revenue nature are charged to Profit & Loss Account, while capital expenditure is added to the cost of fixed assets in the year in which these are incurred.

Valuation of Inventories

Inventories are valued at the lower of cost and net realizable value. In the case of manufactured goods, costs are calculated at direct material cost, conversion and other costs incurred to bring the goods to their respective present location and condition. For other inventory, cost is computed on weighted average basis.

For the Financial Year 2006-07, Inventories are valued at the lower of cost and net realizable value except waste/scrap, which is valued at net realizable value. The cost is computed on weighted average basis.

Foreign Currency Transactions

Foreign Currency transactions are recorded at the exchange rate prevailing on the date of transaction. Monetary Assets and Liabilities in foreign currency existing at balance sheet date translated at the exchange rate prevailing on that date. All exchange differences are recognized in Profit & Loss Account. Premium or discount on forward exchange contract is amortised as expense or income over the life of the contract.

For the Financial Year 2006-07, Exchange differences in case of borrowed funds and liabilities in foreign currency for the acquisition of fixed assets from a country outside India are adjusted to the cost of fixed asset.

Contingent Liabilities

Liabilities which are material and whose future outcome cannot be ascertained with reasonable certainty are treated as contingent and disclosed by way of notes to the accounts.

Provisions

A provision is recognised when an enterprise has a present obligation as a result of past event and it is probable that an outflow of resources will be required to settle the obligation, in respect of which a reliable estimate can be made.

Use of Estimates

The presentation of financial statements require estimates and assumptions to be made that affect the reported amount of assets and liabilities on the date of the financial statements and the reported amount of revenues and expenses during the reporting period. Difference between the actual result and the estimates are recognized in the period in which the results are known/ materialized.

Borrowing Cost

Interest on borrowings directly attributable to the acquisition, construction or production of qualifying assets is being capitalised till the date of commercial use of the qualifying assets. Other interests on borrowings are recognised as an expense in the period in which they are incurred.

Segment Reporting

- a) Based on the organisational structures and its Financial Reporting System, the Company has classified its operation into four business segments namely Heavy Engineering Division, Steel Foundry Division, Real Estate and Others for the Financial Year 2008-09. For the Financial Year 2007-08 & 2006-07, the Company has classified its operation into three business segments namely Heavy Engineering Division, Steel Foundry Division and Others
- b) Revenue and expenses have been identified to segments on the basis of their relationship to the operating activities of the segment. Revenue and expenses which are related to the enterprise as a whole and are not allocable to segments on a reasonable basis have been included under un-allocable expenses.
- c) Capital Employed to each segment is classified on the basis of allocable assets minus allocable liabilities identifiable to each segment on reasonable basis.

Taxation

Current Income Tax and Fringe Benefit Tax are measured at the amount expected to be paid to the tax authorities in accordance with the Indian Income Tax Act, 1961. Deferred tax is calculated at current statutory Income Tax Rate and is recognised on timing differences between taxable income and accounting income that originate in one period and are capable of reversal in one or more subsequent periods. Deferred tax assets, subject to consideration of prudence, are recognised and carried forward only to the extent that there is reasonable certainty supported by convincing evidence that sufficient future taxable income will be available against which such deferred tax assets can be realised.

Miscellaneous Expenditure

(to the extent not written off or adjusted)

- a) In view of an enduring benefit over the years, the compensation paid to employees during the year under the Voluntary Retirement Scheme, is amortised over a period of 5 years.
- b) For the Financial Year 2008-09 & 2007-08, Preliminary expenses is amortised over a period of 5 years.
- c) For the Financial Year 2007-08 & 2006-07, Royalty and know-how is amortised over a period of 6 years.
- d) For the Financial Year 2006-07, Amount incurred on Right issue expenses are being amortized over a period of 3 years.

B. NOTES ON ACCOUNTS

	As at 31.03.2007	As at 31.03.2008 (Rs. in lakh)	As at 31.03.2009
1. Estimated amount of contracts remaining to be executed on Capital Account and not provided for (Net of advance)	15.55	50.00	30.21
2. Contingent Liabilities (not provided for) in respect of :-			
(a) Guarantees given by Banks	28,262.70	45,362.14	39,607.46
(b) Letters of Credit opened by Banks	19,830.28	23,171.21	25,638.36
(c) Claims under dispute (excise duty)	111.67	111.67	2,600.96
(d) Claims not acknowledged as debts (Amount unascertainable)	-	-	-
(e) Income Tax assessment re-opened (Amount unascertainable)	-	-	-

3. (a) For the Financial Year 2008-09 & 2007-08, The Company accounts for gratuity liability of its Engineering units equivalent to the premium amount paid/ payable to Life Insurance Corporation of India (LIC). However, the entire amount of provision of gratuity has not been funded with LIC.

For the Financial Year 2006-07, The Company Accounts for gratuity liability equivalent to the premium amount paid/ payable to Life Insurance Corporation of India (LIC). In the Accounts the Company has made provision of the gratuity liability on the actuarial basis in respect of Engineering Division. However, the entire amount of provision of gratuity has not been funded with LIC. In respect of Birla Textiles, Gratuity liability is provided on accrual basis.

- (b) Provision for Leave Pay and Gratuity Liability as at 31st March, 2009 & 31st March, 2008 has been made on Accrued Basis, instead of Actuarial Valuation as per AS – 15 (Revised), in High Quality Steel Limited, a Subsidiary of the Company.
- (c) For the Financial Year 2008-09 & 2007-08, No provision for Gratuity in accordance with the requirement of AS - 15 (Revised) on Employee Benefits has been made by Macfarlane & Company Limited, a Subsidiary of the Company as it has only one employee, who has not completed five years of services to be eligible for Gratuity under the Payment of Gratuity Act, 1972, and in the opinion of the Director, the amount is not material.
4. The Compensation under the Voluntary Retirement Scheme, payable in deferred monthly installments over a period of 4 years, by means of post-dated cheques of the value of Rs. Nil, Rs. 0.91 lakh & Rs. 9.74 lakh for the Financial Year 2008-09, 2007-08 & 2006-07 respectively, issued to the employees, will be accounted for in the year as and when they fall due and are payable.
5. Movement of Provisions during the Financial Year 2008-09, 2007-08 & 2006-07 as required under AS 29 prescribed by the ICAI.

	As at 31.03.2007	As at 31.03.2008 (Rs. in lakh)	As at 31.03.2009
Opening Provision			
- Site warranty period maintenance	83.50	101.18	156.72
- Others	189.36	173.36 (*)	170.54
Utilised during the year			
- Site warranty period maintenance	-	18.68	-
- Others	64.86	22.82	22.68
Reversed during the year			
- Site warranty period maintenance	-	-	-
- Others	-	-	-
Provision during the year			
- Site warranty period maintenance	17.68	74.22	27.27
- Others	88.87	20.00	66.43
Closing provision			
- Site warranty period maintenance	101.18	156.72	183.99
- Others	213.37	170.54	214.29

* Opening Balance of Other Provisions in the FY 07-08 reduced due to adjustment of Rs. 40.01 lakh against Leave encashment & Gratuity of Birla Textile unit.

In accordance with the requirement of AS 29 "Provisions, Contingent Liabilities and Contingent Assets issued by the ICAI, the company has provided liability for warranty and other expenses amounting to Rs. 93.70 lakh, Rs. 94.22 lakh & **Rs. 106.55 lakh for the Financial Year 2008-09, 2007-08 & 2006-07 respectively**, as estimated by the management.

6. As per the Agreement with Chambal Fertilizers & Chemicals Ltd., when they took over the assets and liabilities of Baddi Unit from 01-10-99, Texmaco is liable to pay wages and salary in respect of excess workers/ staff taken over by them over and above the required one to run the Baddi Unit. The Company has paid Rs. 44.75 lakh, Rs. 39.01 lakh & Rs. 51.22 lakh for the Financial Year 2008-09, 2007-08 & 2006-07 respectively, during the years to such workers/ staff including various other related expenses. Such expenses have been shown as expenses on land and capitalised under the head 'Land'.
7. In the opinion of the management, current assets, loans and advances have a value on realisation in the ordinary course of business unless otherwise stated, at least to the amount at which they are stated.
8. Balance of debtors and loans and advances are subject to confirmation from respective parties.

9. Related Party Disclosure

(a) Name of the related parties and relationship:

	Parties where control exists	Relationship
A	High Quality Steels Limited	Subsidiary Company (99.87% of the Capital held by the Company)
	Macfarlane & Company Limited	Subsidiary Company (71.27% of the Capital held by the Company) Fellow subsidiary Company for the Financial Year 2006-07 (71.27% of the Capital held by Shree Export House Limited)
	Texmaco Machines Private Limited	Subsidiary Company (99.30% of the Capital held by the company) Fellow subsidiary Company for the Financial Year 2006-07 (99.30% of the Capital held by Shree Export House Limited)
	Shree Export House Limited	Subsidiary Company for the Financial Year 2006-07(100% of the Capital held by the Company and its nominees)
	Neora Hydro Limited	50% Joint Venture for the Financial Year 2006-07
B	Lionel India Limited	Associate Company (34.28% of the Capital held by the Company w.e.f. 01.08.2007)
C	Key Management Personnel	
	Shri S. K. Poddar	Chairman (Executive Vice Chairman for the Financial Year 2006-07 & 2007-08)
	Shri D. H. Kela	Wholtime Director (Appointed w.e.f. 18.11.2007)
	Shri Ramesh Maheshwari	President & CEO (President for the Financial Year 2006-07)
	Shri A. K. Nanda	Wholtime Director (Ceased w.e.f. 17.11.2007)
	Shri K. K. Birla	Non –executive and Independent Director for the Financial Year 2006-07, 2007-08.
D	Relatives of Key Management Personnel	
	Sri Gaurav Agarwala	Relative of Director (For the Financial Year 2008-09 & 2007-08)

(b) Related Party Transactions

(Rs in lakh)

Transactions	Year	Subsidiaries	Associate	Key Management Personnel	Relatives of Key Management Personnel	Grand Total
Purchase of	2008-09	1224.85	49.99	----	----	1274.84
Goods/	2007-08	862.10	41.26	----	----	903.36
Services	2006-07	628.28	----	----	----	628.28
Sale of Goods	2008-09	----	----	----	----	----
	2007-08	----	----	----	----	----
	2006-07	----	----	----	----	----
Loans/	2008-09	188.08	----	----	----	188.08
Advances	2007-08	115.94	----	----	----	115.94
	2006-07	1,796.85	----	----	----	1,796.85
Remuneration	2008-09	----	----	----	----	151.91
paid	2007-08	----	----	----	----	117.90
	2006-07	----	----	----	----	104.73

Sri S. K. Poddar	2008-09	----	----	40.87	----	
	2007-08	----	----	40.32	----	
	2006-07	----	----	44.01	----	
Sri A.K.Nanda	2008-09	----	----	8.49	----	
	2007-08	----	----	11.24	----	
	2006-07	----	----	27.44	----	
Sri D. H. Kela	2008-09	----	----	6.73	----	
	2007-08	----	----	----	----	
	2006-07	----	----	70.10	----	
Sri Ramesh Maheshwari	2008-09	----	----	58.36	----	
	2007-08	----	----	49.48	----	
	2006-07	----	----	----	----	
Sri Gaurav Agarwala	2008-09	----	----	----	13.50	
	2007-08	----	----	----	4.00	
	2006-07	----	----	----	----	
Debit Balance Outstanding as on 31.03.09	2008-09	0.41	----	----	----	0.41
	2007-08	0.28	----	----	----	0.28
	2006-07	0.18	----	----	----	0.18
Credit Balance Outstanding as on 31.03.09	2008-09	188.49	----	----	----	188.49
	2007-08	116.22	----	----	----	116.22
	2006-07	115.59	----	----	----	115.59

- (c) Remuneration paid to Non –executive and Independent Directors as sitting fees Rs. 3.95 lakh , Rs. 4.55 lakh & Rs. 2.35 lakh for the Financial Year 2008-09, 2007-08 & 2006-07 respectively and Commission Rs. 6.55 lakh & Rs. 8.00 lakh for the Financial Year 2008-09 & 2007-08.

10. Earning per Share:

	As at 31.03.2007	As at 31.03.2008	As at 31.03.2009
Basic & Diluted Earning per Share: (Rs.)	26.52	62.60	6.86
Nominal Value per Share (Rs.)	10	10	1*

* The face value of Equity shares of Rs.10/- each has been sub-divided into Equity Shares of Re. 1/- each w.e.f. 9th January, 2009.

Earning per Share is calculated by dividing the Profit after tax, attributable to the Equity Share holders by the weighted average number of Equity Shares outstanding during the year as below:

	As at 31.03.2007	As at 31.03.2008 (Rs. in lakh)	As at 31.03.2009
Profit after taxation	2,738.53	6,947.25	7,617.52
Less: Preference Share Dividend (Including Tax)	-	12.83	19.24
	2,738.53	6,934.42	7,598.28
Weighted average number of Shares outstanding during the year	1,03,25,760	1,10,78,308	11,07,83,090

11. For the Financial Year 2007-08

- a) Pursuant to the scheme of arrangement for amalgamation of erstwhile wholly owned subsidiary Shree Export House Limited, Neora Hydro Limited (erstwhile joint venture company) and Evershine Merchants Private Limited with the company as approved by the shareholders at the court convened meeting held on 7th day of January, 2008 and subsequently sanctioned by the Honourable High Court of Calcutta on 10/04/2008, the assets and liabilities of the above said companies were transferred to and vested in the company with effect from 1st August, 2007. The scheme has accordingly been given effect to in these accounts. The amalgamation has been accounted for under the pooling of interest method as prescribed by Accounting Standard (AS-14) issued by the Institute of Chartered Accountants of India. Accordingly, the assets and liabilities and other reserves of the above said companies as at the aforementioned date have been taken over at their book values.
- b) As per the scheme of arrangement 38462 shares of Rs. 10 each fully paid up of the company is to be issued to the shareholders of Neora Hydro Limited in the ratio of 65:1 and 714286 shares to the shareholders of Evershine Merchants Private Limited in the ratio of 28:1 which is shown as share capital suspense account. Further, 200 shares held by Shree Export House Limited (erstwhile wholly owned company) is being cancelled.

c) In view of the aforesaid amalgamation with effect from 1st August, 2007, the figures for the previous year are not comparable with current year.

12. Deferred Tax Assets/Liability is recognised as per AS 22 "Accounting for Taxes on Income" issued by the I.C.A.I. The Deferred Tax Assets & Liabilities comprise of Tax effect of following timing differences;

	As at 31.03.2007	As at 31.03.2008 (Rs. in lakh)	As at 31.03.2009
Items u/s 43B and u/s 40(a)(i)(a) of I.T Act	263.98	340.86	398.70
Depreciation	(488.50)	(572.20)	(620.05)
Net Deferred Tax Liability	(224.52)	(231.34)	(221.35)

13. The Account for the year ended 31st March, 2009 & 31st March, 2008 of the Associate Company, namely Lionel India Limited was not readily available and hence carrying amount of the investment in associate is shown at cost without adjustment under the Equity Method as per AS-23 – Accounting for Investments in Associate as prescribed by the Institute of Chartered Accountants of India.

14. Principles of Consolidated Financial Statement:

The Consolidated Financial Statement that relate Texmaco Limited and its various subsidiaries have been prepared on the following basis:

- The Financial Statements of the Company and its Subsidiaries are combined on a line - by - line basis by adding together the book value of like terms of assets, liabilities, income and expenditure, after fully eliminating intra group balance, intra group transactions and any unrealized profit/ loss included therein.
- The Consolidated Financial Statements have been prepared using uniform accounting policies, except stated otherwise, for like transaction and are presented, to the extent possible, in the same manner as the Company's separate Financial Statement.
- The Subsidiary/ Associate Companies considered in the Financial Statement are as follows:

Name	Country of Incorporation	% of Voting power As at 31.03.2007	% of Voting power As at 31.03.2008	% of Voting power as at 31.03.2009
High Quality Steels Limited	India	99.87	99.87	99.87
Macfarlane & Company Limited	India	71.27	71.27	71.27
Texmaco Machines Pvt. Ltd.	India	99.30	99.30	99.30
Lionel India Limited	India	-	34.28	34.28
Shree Export House Limited	India	100.00	-	-
Neora Hydro Limited	India	50.00	-	-

15. Details of Shares/Units of Mutual Fund purchased and sold during the financial year 2007-08 & 2008-09:

For the Financial Year 2006-07

SBI Mutual Fund - Magnum Institutional Income Fund - 26282228.78 Units of Rs.10/- each, Templeton Mutual - Treasury Management Account - 8522733 Units of Rs.10/- each, DBS Chola - Liquid Fund - 1266464.032 Units of Rs.10/- each, Birla Sun Life - Cash Manager - 1499415.228 Units of Rs.10/- each, Prudential ICICI - Institutional Liquid Plan - 1500000 Units of Rs.10/- each, Kotak Liquid - (Institutional) - 122682.8044 Units of Rs.10/- each, Parasnath Developers Limited - 1122 Equity Shares & Reliance Petroleum Limited - 14001 Equity Shares.

For the Financial Year 2007-08

ONGC Equity Shares 25500 of Rs. 10 each, Andhra Bank Equity shares 22570 of Rs. 10 each, L&T Equity Shares 22250 of Rs. 10 each, Tata Power Equity Shares 10500 of Rs. 10 each, Tata Steel Equity Shares 19500 of Rs. 10 each, GIPL Equity Shares 25000 of Rs.10 each, PFC Equity Shares 55000 of Rs. 10 each, PUNJ LLOYD Equity Shares 15000 of Rs.10 each, HINDALCO Equity Shares 31000 of Rs.10 each, DLF Ltd. Equity Shares 50000 of Rs. 10 each, CESC Ltd. Equity Shares 26304 of Rs. 10 each, ITC Equity Shares 26000 of Rs. 10 each, PETRONET Equity Shares 110000 of Rs. 10 each, IDFC Equity Shares 50000 of Rs. 10 each, ICICI Bank Equity Shares 2000 of Rs. 10 each, BHEL Equity Shares 3250 of Rs. 10 each, IFCI Equity Shares 70000 of Rs. 10 each, IDEA Equity Shares 15000 of Rs.10 each, SIMPLEX Equity Shares 170 of Rs.10 each, INDHOTEL Equity Shares 20000 of Rs.10 each, BPCL Equity Shares 5000 of Rs.10 each, CAIRN Equity Shares 7500 of Rs.10 each,

POWER GRID Equity Shares 9791 of Rs.10 each, TORNPOWER Equity Shares 5000 of Rs.10 each, NTPC Equity Shares 5000 of Rs.10 each, SESAGOA Equity Shares 400 of Rs.10 each, TTML Equity Shares 25000 of Rs.10 each, BHARAT FORGE Equity Shares 5000 of Rs.2 each, MUNDRA PORT & SEZ Equity Shares 297 of Rs. 10 each, LAKSHMI VILAS Equity Shares 5000 of Rs.10 each, JYOTHI LABORATORIES LTD., Equity Shares 1014 of Rs. 10 each, Bihar Caustic & Chem Equity Shares 500 of Rs.10 each, ACC Equity Shares 2000 of Rs. 10 each, HIND PETRO Equity Shares 1000 of Rs. 10 each, IOC Equity Shares 1000 of Rs. 10 each, EXIDE Industries Ltd., Equity Shares 1000 of Rs. 10 each, RPOWEWR Equity Shares 2000 of Rs. 10 each, SBI Equity Shares 1000 of Rs.10 each, ORCHIDCHEM Equity Shares 5000 of Rs. 10 each, ABN AMRO Flexi Debt Fund Regular-Growth Mutual Fund 4000000 Units of Rs. 10 each, ABN Amro Money Plus Mutual Fund 10000000 units of Rs. 10 each, BIRLA Bond Plus/Birla Sun Life Liquid Plus Mutual Fund 3000000 units of Rs. 10 each, DSPML Strategic Bond Fund-Reg Mutual Fund 3000000 units of Rs. 10 each , J. M. Short Term Fund Mutual Fund 3000000 units of Rs. 10 each, J. M. Liquid Plus Fund Mutual Fund 3500000 units of Rs. 10 each, Principal Floating Rate Fund FMP Mutual fund 3000000 units of Rs. 10 each, Principal Income fund Short Term Plan Mutual fund 3000000 units of Rs. 10 each, Principal FRF-SM Plan 3044650.285 units of Rs. 10 each, S B I SHF Liquid Plus Mutual Fund 3500000 units of Rs. 10 each, SBI Arbitrage Opportunities Fund Mutual Fund 3000000 units of Rs.10 each, TATA Short Term Bond Fund Mutual Fund 3000000 units of Rs. 10 each, UTI Money Manager Fund 5000000 units of Rs. 10 each, UTI Liquid Plus Mutual Fund 5000000 units of Rs. 10 each, UTI Liquid Plus Mutual Fund 3000000 units of Rs. 10 each, Standard Chartered Arbitrage Fund Plan Mutual Fund 3000000 units of Rs. 10 each.

For the Financial Year 2008-09

ACC Equity Shares 1000 of Rs.10 each, Kotak FMP IM Series Mutual Fund 4000000 units of Rs. 10 each, JM Money Manager Fund Super plus Plan Mutual Fund 1999180.336 units of Rs. 10 each, Birla Sun life Quarterly Interval Mutual Fund 5000000 of Rs.10 each, Reliance Liquid Plus Mutual Fund 49943.2445 units of Rs. 10 each, UTI Liquid plus Mutual Fund 39991.442 units of Rs. 10 each, Lotus India Liquid Mutual Fund 3993729.844 units of Rs.10 each.

16. There is a change in the basis of Accounting Policy of amortization in respect of Jigs & Fixtures and Royalty & Knowhow in full on yearly basis, instead of one third in earlier years. As a result profit for the Financial Year 2008-09 is reduced by Rs 239.95 lakh.
17. The Company has 50% share in Neora Hydro Ltd. In the Financial Year 2006-07 , a Joint Venture Company, incorporated in India. The Joint Venture Company's Share Capital, Assets, Liabilities, Income, Expenditure, Contingent Liability and Capital Commitments are Rs.500.00 lakh, Rs 2354.91 lakh, Rs.2157.00 lakh, Rs.111.18 lakh, Rs.413.12 lakh, NIL & NIL respectively
18. Interest paid for the Financial Year 2006-07 shown in schedule 'Q' is net after adjusting interest received from Banks Rs. 12.41 lakh, from Others Rs. 78.02 lakh and after capitalising Rs. 61.69 lakh.
19. Information about Segment Working is given below:

For the Financial Year 2006-07

	Heavy Engg. Division 1	Steel Foundry 2	Others 3	Total 4 (1+2+3)
Revenue (Net of Excise Duty)				
External Sales	30,923.00	6,455.66	149.90	37,528.56
Internal-Segment Sales	906.02	4,770.58	-	5,676.60
Net Revenue	31,829.02	11,226.24	149.90	43,205.16
Result				
Segment Result	2,753.13	1,957.48	(49.19)	4,661.42
Extraordinary Item				(74.73)
Unallocated Corporate Expenses				
Add/ (Less): Interest (Net)				(439.77)
Total Profit before Tax				4,146.92
Less: Provision for Taxation				1,306.42
Deferred Tax				68.20

Fringe Benefit Tax				<u>33.77</u>
Net Profit/(Loss) after Tax				2,738.53
Capital Employed:	5,194.00	1,867.00	5,712.39	12,773.39
Segment Assets	28,708.26	6,912.81	7,627.13	43,248.20
Segment Liabilities	23,514.26	5,045.81	1,914.74	30,474.81
Unallocated Liabilities				224.52
Other Information:				
Capital expenditure	259.44	2,066.10	1,252.59	3,578.13
Depreciation	295.53	200.53	155.03	651.09
Significant Non-cash expenses other than depreciation				-

For the Financial Year 2007-08

	Heavy Engg. Division 1	Steel Foundry 2	Real Estate 3	Others 4	Total 5 (1+2+3+4)
Revenue (Net of Excise Duty)					
External Sales	66,654.91	2,623.93	598.00	246.07	70,122.91
Internal-Segment Sales	<u>1,042.07</u>	<u>12,277.15</u>	<u>-</u>	<u>31.78</u>	13,351.00
Net Revenue	67,696.98	14,901.08	598.00	277.85	83,473.91
Result					
Segment Result	8,220.91	2,459.41	439.41	(75.89)	11,043.84
Extraordinary Item					(63.95)
Unallocated Corporate Expenses					
Add/ (Less):Interest (Net)					<u>(905.87)</u>
Total Profit before Tax					10,074.02
Less: Provision for Taxation					3,094.80
Deferred Tax					3.51
Fringe Benefit Tax					<u>28.46</u>
Net Profit/(Loss) after Tax					6,947.25
Capital Employed:	3,604.60	3,011.83	10,013.00	2,317.30	18,946.73
Segment Assets	37,716.98	8,805.60	11,361.73	1,901.88	59,786.19
Segment Liabilities	34,112.38	5,793.77	1,348.73	(415.42)	40,839.46
Unallocated Liabilities					231.34
Other Information:					
Capital expenditure	460.01	1,516.02	39.01	30.89	2,045.93
Depreciation	191.17	425.15	80.51	189.20	886.03
Significant Non-cash expenses other than depreciation					25.63

For the Financial Year 2008-09

	Heavy Engg. Division 1	Steel Foundry 2	Real Estate 3	Others 4	Total 5 (1+2+3+4)
Revenue (Net of Excise Duty)					
External Sales	77,614.13	1,856.34	920.02	271.40	80,661.89
Internal-Segment Sales	2,007.53	17,987.04	-	66.43	20,061.00
Net Revenue	79,621.66	19,843.38	920.02	337.83	100,722.89
Result					
Segment Result	8,920.91	2,534.69	873.37	(53.00)	12,275.97
Extraordinary Item					(45.38)
Unallocated Corporate Expenses					
Add/ (Less):Interest (Net)					(1,086.85)
Total Profit before Tax					11,143.74
Less: Provision for Taxation					3,498.24
Deferred Tax					(7.62)
Fringe Benefit Tax					35.60
Net Profit/(Loss) after Tax					7,617.52
Capital Employed:	7,083.29	4,361.04	9,941.89	2,306.00	23,692.22
Segment Assets	48,849.16	8,160.19	11,398.75	3,876.16	72,284.26
Segment Liabilities	41,765.87	3,799.15	1,456.86	1,570.16	48,592.04
Unallocated Liabilities					221.35
Other Information:					
Capital expenditure	1,136.55	434.79	44.75	12.93	1,629.02
Depreciation	239.30	523.46	119.95	252.69	1,135.40
Significant Non-cash expenses other than depreciation					23.35

20. Previous Year's figure have been regrouped/ re- arranged wherever necessary.

As per our report attached

For K. N. Gutgutia & Co.
Chartered Accountants
K.C. Sharma
Partner
Membership No. 50819
6C, Middleton Street,
Kolkata - 700 071
Dated : 20th July, 2009

A. K. Vijay
Secretary

Directors

S. K. Poddar
B. P. Bajoria
A. C. Chakrabortti
Manish Gupta
H. Sadhak
S. Dhasarathy
H.C.Gandhi
Akshay Poddar
D. H. Kela

LIMITED REVIEW REPORT OF TEXMACO LIMITED FOR THE QUARTER ENDED JUNE 30, 2009

We have reviewed the accompanying statement of un-audited financial results of Texmaco Limited for the quarter ended June 30, 2009. This statement is the responsibility of the Company's management and has been approved by the Board of Directors at their meeting held on July 23, 2009. Our responsibility is to issue a report on these financial statements based on our review.

We conducted our review in accordance with the Standard on Review Engagement (SRE) 2400, 'Engagements to Review Financial Statements' issued by the Institute of Chartered Accountants of India. This standard requires that we plan and perform the review to obtain moderate assurances to whether the financial statements are free of material misstatement. A review is limited primarily to inquiries of Company personnel and analytical procedures applied to financial data and thus provide less assurance than an audit. We have performed an audit and accordingly, we do not express an audit opinion.

Based on our review conducted as above, nothing has come to our attention that causes us to believe that the accompanying statement of un-audited financial results prepared in accordance with applicable accounting standards and other recognized accounting practices and policies has not disclosed the information required to be disclosed in terms of Clause 41 of the Listing Agreement including the manner in which it is to be disclosed, or that it contains any material misstatement

For K.N. Gutgutia & Co

K.C. Sharma
Partner

Chartered Accountants
Membership No – 50819

Place: 6C, Middleton Street
Kolkata 700 071

Dated – July 23, 2009

UNAUDITED FINANCIAL RESULTS FOR THE QUARTER ENDED JUNE 30, 2009

(In Rs. lakh)

PARTICULARS	For the Quarter Ended 30th June		For the year ended 31st March (audited)
	2009	2008	2009
1. GROSS SALES/ INCOME	23,985.74	28,042.99	109,125.45
Less : Inter Segment Revenue	4,573.71	5,917.90	20,061.00
Less : Excise Duty	1,088.05	2,442.40	8,395.07
(a) NET SALES / INCOME FROM OPERATIONS	18,323.98	19,682.69	80,669.38
(b) OTHER OPERATING INCOME	15.65	100.60	180.48
TOTAL INCOME	18,339.63	19,783.29	80,849.86
2. EXPENDITURE			
a) (Increase)/decrease in Stock in trade and Work in Progress	(342.74)	(960.15)	(1,521.10)
b) Consumption of Raw Matls, Comp., Services etc.	13,122.77	14,852.44	60,401.19
c) Power & Fuel	542.32	660.98	2,403.07
d) Purchase of traded goods	--	--	9.90
e) Employees Cost	814.41	817.21	3,263.40
f) Depreciation	283.85	244.69	1,135.40
g) Other Expenditure	726.50	796.70	3,549.94
TOTAL	15,147.11	16,411.87	69,241.80
3 PROFIT FROM OPERATIONS BEFORE OTHER INCOME INTEREST & EXCEPTIONAL ITEMS (1-2)	3,192.52	3,371.42	11,608.06
4 OTHER INCOME	18.48	16.29	616.47
5 PROFIT BEFORE INTEREST & EXCEPTIONAL ITEMS (3+4)	3,211.00	3,387.71	12,224.53
6 INTEREST	196.64	148.32	1,086.81
7 PROFIT AFTER INTEREST BUT BEFORE EXCEPTIONAL ITEMS (5-6)	3,014.36	3,239.39	11,137.72
8 EXCEPTIONAL ITEMS			
- VRS in Engg. Divn.	(6.89)	(11.34)	(45.38)
9 PROFIT BEFORE TAX (7 + 8)	3,007.47	3,228.05	11,092.34
10 TAX EXPENSE			
a) Current Tax	915.35	949.50	3,478.44
b) Deferred Tax	7.14	(9.43)	(5.60)
c) Fringe Benefit Tax	--	5.50	35.52

11	NET PROFIT AFTER TAX (9-10)	2,084.98	2,282.48	7,583.98
12	PAID-UP EQUITY CAPITAL (Face Value Re.1 per Share)	1,107.83	1,032.58	1,107.83
13	RESERVES (Excluding Revaluation Reserve as per Balance Sheet of Previous Accounting year)			28,409.95
14	EARNING PER SHARE (EPS) (Re. 1 each) :			
	Basic	1.88	2.06	6.83
	Diluted	1.88	2.06	6.83
15	PUBLIC SHAREHOLDING			
	a) NUMBER OF SHARES	50280640	49008700	50280640
	b) % OF SHAREHOLDING	45.39	47.46	45.39
16	Promoters and Promoter Group Shareholding			
	a) Pledged / Encumbered			
	- Number. of Shares	738800	--	--
	- Percentage of Shares (as a % of the total shareholding of promoter and promoter group)	1.22	--	--
	- Percentage of Shares (as a % of the total share capital of the company)	0.67	--	--
	b) Non-Encumbered			
	- Number. of Shares	59763650	54248900	60502450
	- Percentage of Shares (as a % of the total shareholding of promoter and promoter group)	100.00	100.00	100.00
	- Percentage of Shares (as a % of the total share capital of the company)	53.94	52.54	54.61

SEGMENT REVENUE, RESULTS AND CAPITAL EMPLOYED

(In Rs. lakh)

		For the quarter ended June 30 (unaudited)		For the year ended March 31 (audited)
		2009	2008	2009
1. Segment Revenue				
<i>(Net of Excise Duty)</i>				
a)	Heavy Engg. Division	18,236.36	19,622.76	79,621.66
b)	Steel Foundry	4,357.79	5,695.13	19,843.38
c)	Real Estate	227.97	228.94	920.02
d)	Others - Unallocated	75.57	53.76	345.32
	Total	22,897.69	25,600.59	100,730.38

Less : Inter Segment Revenue	4,573.71	5,917.90	20,061.00
Net Sales/Income from operation	18,323.98	19,682.69	80,669.38

2. Segment Results

Profit before Interest & Tax				
a)	Heavy Engg. Division	2,331.66	2,456.26	8,877.02
b)	Steel Foundry	713.41	750.88	2,533.20
c)	Real Estate	179.33	204.65	873.37
d)	Others - Unallocated Income	(20.29)	(35.42)	(104.44)
	Net of unallocated expenses			
	Total	3,204.11	3,376.37	12,179.15
Less :				
	Interest	196.64	148.32	1,086.81
	Total Profit before Tax	3,007.47	3,228.05	11,092.34

3. CAPITAL EMPLOYED

(Excluding Investments)				
a)	Heavy Engg. Division	7,786.81	2,903.74	7,083.29
b)	Steel Foundry	4,584.41	1,165.70	4,361.04
c)	Real Estate	9,954.69	9,972.28	9,941.89
d)	Others - Unallocated	2,572.63	2,445.14	2,598.01

DECLARATION

All the relevant provisions of the Companies Act, 1956 and the guidelines issued by the Government of India or the guidelines issued by the Securities and Exchange Board of India, established under Section 3 of the Securities and Exchange Board of India Act, 1992, as the case may be, have been complied with and no statement made in this Preliminary Placement Document is contrary to the provisions of the Companies Act, 1956, the Securities and Exchange Board of India Act, 1992 or rules made or guidelines issued thereunder, as the case may be. We further certify that all statements in this Preliminary Placement Document are true and correct.

Signed by:

Mr. S.K. Poddar
Director

Mr. D.H. Kela
Director

Mr. Manish Gupta
Director

Mr. Akshay Poddar
Director

Mr. B.P. Bajoria
Director

Mr. Ramesh Maheshwari
President & CEO

Mr. A.K. Vijay
Secretary

Date: July 24, 2009
Place: Kolkata

OUR REGISTERED OFFICE

Belgharia
Kolkata 700 056, India

SOLE GLOBAL COORDINATOR

ICICI Securities Limited
ICICI Centre, H.T. Parekh Marg,
Churchgate,
Mumbai 400 020, India

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Amarchand & Mangaldas & Suresh A. Shroff & Co.

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Amarchand Towers,
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New Delhi 110 020, India

AUDITORS TO THE COMPANY

M/s K.N. Gutgutia & Company
6C, Middleton Street
Kolkata 700 001, India