*Preliminary Placement Document*
*Not for circulation*
*Serial No.______*
*Strictly confidential*

**The information in this Preliminary Placement Document is not complete and may be changed. This Preliminary Placement Document does not constitute a public offer to any person to purchase securities and is for the sole purpose of inviting Bids from QIBs for the Equity Shares being offered pursuant to the Issue. This Preliminary Placement Document is not an offer to sell securities and is not soliciting an offer to subscribe to or buy securities in any jurisdiction where such offer or sale is not permitted.**

# TEXMACO RAIL & ENGINEERING LIMITED

Texmaco Rail & Engineering Limited (our "**Company**" or the "**Issuer**") was incorporated as a public limited company under the name of Texmaco Machines Private Limited on June 25, 1998 under the Companies Act, 1956. On March 3, 2010, the name of our Company was changed to Texmaco Machines Limited. The name of our Company was further changed to Texmaco Rail & Engineering Limited on April 23, 2010.

Our Company is issuing up to [●] equity shares of face value of Re. 1 each (the "**Equity Shares**") at a price of ₹ [●] per Equity Share (the "**Issue Price**"), including a premium of ₹ [●] per Equity Share aggregating up to ₹ [●] (the "**Issue**").

**ISSUE IN RELIANCE UPON CHAPTER VIII OF THE SECURITIES AND EXCHANGE BOARD OF INDIA (ISSUE OF CAPITAL AND DISCLOSURE REQUIREMENTS) REGULATIONS, 2009, AS AMENDED (THE "SEBI REGULATIONS") AND SECTION 42 OF THE COMPANIES ACT, 2013, AS AMENDED AND THE RULES MADE THEREUNDER**

**THE DISTRIBUTION OF THIS PRELIMINARY PLACEMENT DOCUMENT IS BEING MADE TO QUALIFIED INSTITUTIONAL BUYERS ("QIBs") AS DEFINED UNDER THE SEBI REGULATIONS IN RELIANCE UPON CHAPTER VIII OF THE SEBI REGULATIONS AND SECTION 42 OF THE COMPANIES ACT, 2013, AS AMENDED AND THE RULES MADE THEREUNDER. 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 WITHIN OR OUTSIDE INDIA.**

**YOU ARE NOT AUTHORISED TO AND MAY NOT (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 PRELIMINARY PLACEMENT DOCUMENT IN WHOLE OR IN PART IS UNAUTHORISED. FAILURE TO COMPLY WITH THIS INSTRUCTION MAY RESULT IN A VIOLATION OF THE SEBI REGULATIONS OR OTHER APPLICABLE LAWS OF INDIA AND OTHER JURISDICTIONS.**

**INVESTMENTS IN EQUITY SHARES INVOLVE A DEGREE OF RISK AND PROSPECTIVE INVESTORS SHOULD NOT INVEST IN THIS ISSUE UNLESS THEY ARE PREPARED TO TAKE THE RISK OF LOSING ALL OR PART OF THEIR INVESTMENT. PROSPECTIVE INVESTORS ARE ADVISED TO CAREFULLY READ "RISK FACTORS" BEFORE MAKING AN INVESTMENT DECISION RELATING TO THIS ISSUE. EACH PROSPECTIVE INVESTOR IS ADVISED TO CONSULT ITS OWN ADVISORS ABOUT THE PARTICULAR CONSEQUENCES OF AN INVESTMENT IN THE EQUITY SHARES BEING ISSUED PURSUANT TO THIS PRELIMINARY PLACEMENT DOCUMENT.**

The Equity Shares are listed on the National Stock Exchange of India Limited (the "**NSE**"), the BSE Limited and the Calcutta Stock Exchange Limited (the "**CSE**", and together with the NSE and the BSE, the "**Stock Exchanges**"). In-principle approvals under Clause 24(a) of the Equity Listing Agreements (as defined hereinafter) for listing of the Equity Shares have been received from the NSE, the BSE and the CSE on November 18, 2014, November 18, 2014 and on November 18, 2014, respectively. Applications shall be made for obtaining the listing and trading approvals for the Equity Shares to be issued pursuant to the Issue 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 for trading on the Stock Exchanges should not be taken as an indication of the merits of the business of our Company or the Equity Shares.

A copy of this Preliminary Placement Document (which includes disclosures prescribed under Form PAS-4 (as defined hereinafter)) has been delivered to the Stock Exchanges. A copy of the Placement Document (which will include disclosures prescribed under Form PAS-4) will also be delivered to the Stock Exchanges. Our Company shall also make the requisite filings with the Registrar of Companies, West Bengal (the "**RoC**") and the Securities and Exchange Board of India ("**SEBI**") within the stipulated period as required under the Companies Act, 2013 and the Companies (Prospectus and Allotment of Securities) Rules, 2014. This Preliminary Placement Document has not been reviewed by SEBI, the Reserve Bank of India (the "**RBI**"), the Stock Exchanges, the RoC or any other regulatory or listing authority and is intended only for use by the QIBs. This Preliminary Placement Document has not been and will not be registered as a prospectus with the RoC, 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. This Preliminary Placement Document has been prepared by our Company solely for providing information in connection with the Issue.

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

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

All of our Company's outstanding Equity Shares are listed on each of the Stock Exchanges. The closing price of the outstanding Equity Shares on the NSE and the BSE on November 17, 2014, was ₹ 112.75 and ₹ 112.95 per Equity Share, respectively.

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

## SOLE GLOBAL BOOK RUNNING LEAD MANAGER

ICICI Securities

This Preliminary Placement Document is dated November 18, 2014.

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## NOTICE TO INVESTORS

Our Company has furnished and accepts full responsibility for all of the information contained in this Preliminary Placement Document and confirms that to its best knowledge and belief, having made all reasonable enquiries, this Preliminary Placement Document contains all information with respect to our Company and the Equity Shares that is material in the context of the Issue. The statements contained in this Preliminary Placement Document relating to our Company and the Equity Shares are, in every material respect, true and accurate and not misleading. The opinions and intentions expressed in this Preliminary Placement Document with regard to our Company and the Equity Shares are honestly held, have been reached after considering all relevant circumstances, are based on information presently available to our Company and are based on reasonable assumptions. There are no other facts in relation to our Company and the Equity Shares, the omission of which would, in the context of the Issue, make any statement in this Preliminary Placement Document misleading in any material respect. Further, all reasonable enquiries have been made by our Company to ascertain such facts and to verify the accuracy of all such information and statements. ICICI Securities Limited (the "**Sole Global Book Running Lead Manager**") has not separately verified all of the information contained in this Preliminary Placement Document (financial, legal or otherwise). Accordingly, neither the Sole Global Book Running Lead Manager nor any of its respective shareholders, employees, counsel, officers, directors, representatives, agents or affiliates make any express or implied representation, warranty or undertaking, and no responsibility or liability is accepted by the Sole Global Book Running Lead Manager or any of its respective shareholders, employees, counsel, officers, directors, representatives, agents or affiliates in connection with its investigation of 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 Book Running Lead Manager or on any of its respective shareholders, employees, counsel, officers, directors, representatives, agents or affiliates 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 our Company and the merits and risks involved in investing in the Equity Shares.

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 the Sole Global Book Running Lead Manager. The delivery of this Preliminary Placement Document at any time does not imply that the information contained in it is correct as of any time subsequent to its date.

The Equity Shares have not been and will not be registered under the Securities Act, and may not be offered or sold in the United States (within the meaning of Regulation S) except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act and applicable state securities laws. The Equity Shares are being offered and sold only to QIBs outside the United States in reliance on Regulation S. Purchasers of the Equity Shares will be deemed to make the representations set forth in "Representations by Investors" and "Transfer Restrictions". For further details, see "Selling Restrictions" and "Transfer Restrictions".

The distribution of this Preliminary Placement Document or the disclosure of its contents without the prior consent of our Company to any person, other than QIBs specified by the Sole Global Book Running Lead Manager or its representatives, and those retained by QIBs to advise them with respect to their purchase of the 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 not make copies of this Preliminary Placement Document or any documents referred to in this Preliminary Placement Document.

The distribution of this Preliminary Placement Document and the Issue may be restricted by law in certain countries or jurisdictions. 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 our Company and the Sole Global Book Running Lead Manager which would permit an offering of the Equity Shares or distribution of this Preliminary Placement Document in any country or jurisdiction, other than India, where action for that purpose is required. Accordingly, the Equity Shares may not be offered or sold, directly or indirectly, and neither this Preliminary Placement Document nor any offering materials in connection with the Equity Shares may be distributed or published in or from any country or jurisdiction, except under circumstances that will result in compliance with any applicable rules and regulations of any such country or jurisdiction.

In making an investment decision, prospective investors must rely on their own examination of our Company and the terms of the 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 the Issue. In addition, neither our Company nor the Sole Global Book Running Lead Manager are making any representation to any offeree or subscriber of the Equity Shares regarding the legality of an investment in the Equity Shares by such offeree or subscriber under applicable legal, investment or similar laws or regulations.

**Each purchaser of the Equity Shares in the Issue is deemed to have acknowledged, represented and agreed that it is eligible to invest in India and in our Company under Indian law, including Chapter VIII of the SEBI Regulations and Section 42 of the Companies Act, 2013, and that it is not prohibited by SEBI or any other statutory authority from buying, selling or dealing in the securities including the Equity Shares. Each purchaser of the Equity Shares in the Issue also acknowledges that it has been afforded an opportunity to request from our Company and review information relating to our Company and the Equity Shares. This Preliminary Placement Document contains summaries of certain terms of certain documents, which are qualified in their entirety by the terms and conditions of such documents.**

The information on our Company’s website, any website directly or indirectly linked to the website of our Company or the websites of the Sole Global Book Running Lead Manager or its affiliates, does not constitute nor form part of this Preliminary Placement Document. Prospective investors should not rely on the information contained in, or available through such websites.

## REPRESENTATIONS BY INVESTORS

References herein to "you" or "your" is to the prospective investors in the Issue.

By Bidding for and/or subscribing to any Equity Shares in the Issue, you are deemed to have represented, warranted, acknowledged and agreed to our Company and the Sole Global Book Running Lead Manager, as follows:

- you are a "**QIB**" as defined in Regulation 2(1)(zd) of the SEBI Regulations and not excluded pursuant to Regulation 86 of the SEBI Regulations, having a valid and existing registration under applicable laws and regulations of India, and undertake to acquire, hold, manage or dispose of any Equity Shares that are Allocated to you in accordance with Chapter VIII of the SEBI Regulations and undertake to comply with the SEBI Regulations, the Companies Act and all other applicable laws, including any reporting obligations;
- if you are not a resident of India, but a QIB, you are an Eligible FPI including an FII (including a sub-account other than a sub-account which is a foreign corporate or a foreign individual) having a valid and existing certificate of registration with or on behalf of SEBI under the applicable laws in India or a multilateral or bilateral development financial institution or an FVCI, and have a valid and existing registration with SEBI under the applicable laws in India and are eligible to invest in India under applicable law, including the FEMA Regulations, and any notifications, circulars or clarifications issued thereunder, and have not been prohibited by SEBI or any other regulatory authority, from buying, selling or dealing in securities;
- you will make all necessary filings with appropriate regulatory authorities, including the RBI, as required pursuant to applicable laws;
- if you are Allotted Equity Shares, you shall not, for a period of one year from the date of Allotment, sell the Equity Shares so acquired except on the floor of the Stock Exchanges;
- you have made, or have been deemed to have made, as applicable, the representations set forth under "Selling Restrictions" and "Transfer Restrictions";
- you are aware that the Equity Shares have not been and will not be registered through a prospectus under the Companies Act, the SEBI Regulations or under any other law in force in India. This Preliminary Placement Document has not been reviewed or affirmed by the RBI, SEBI, the Stock Exchanges, the RoC or any other regulatory or listing authority and is intended only for use by QIBs;
- you are entitled to subscribe for and acquire the Equity Shares under the laws of all relevant jurisdictions that apply to you and that you have fully observed such laws and you have the necessary capacity, have obtained all necessary consents, governmental or otherwise, and authorisations and have complied with all necessary formalities, to enable you to commit to 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 authorisations to agree to the terms set out or referred to in this Preliminary Placement Document), and will honour such obligations;
- neither our Company nor the Sole Global Book Running Lead Manager or any of its respective shareholders, directors, officers, employees, counsels, representatives, agents or affiliates is making any recommendations to you or advising you regarding the suitability of any transactions it may enter into in connection with the Issue and your participation in the Issue is on the basis that you are not, and will not, up to the Allotment of the Equity Shares, be a client of any of the Sole Global Book Running Lead Manager;
- neither the Sole Global Book Running Lead Manager nor any of its respective shareholders, directors, officers, employees, counsels, representatives, agents or affiliates has any duty or responsibility to you for providing the protection afforded to their clients or customers or for providing advice in relation to the Issue and are not in any way acting in any fiduciary capacity;
- you confirm that, either: (i) you have not participated in or attended any investor meetings or presentations by our Company or its agents (the "**Company Presentations**") with regard to our Company or the Issue; or (ii) if you have participated in or attended any Company Presentations: (a) you understand and acknowledge that the Sole Global Book Running Lead Manager may not have knowledge of the statements that our Company, its Directors (as defined hereinafter), its key managerial personnel or its agents may have made at such Company Presentations and are therefore unable to determine whether the information provided to you at

such Company Presentations may have included any material misstatements or omissions, and, accordingly you acknowledge that the Sole Global Book Running Lead Manager has advised you not to rely in any way on any information that was provided to you at such Company Presentations, and (b) confirm that, to the best of your knowledge, you have not been provided any material information relating to our Company and the Issue that was not publicly available;

- all statements other than statements of historical fact included in this Preliminary Placement Document, including, without limitation, those regarding our Company's financial position, business strategy, plans and objectives of management for future operations 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 this Preliminary Placement Document. Our Company assumes no responsibility to update any of the forward-looking statements contained in this 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 at the discretion of our Company and the Sole Global Book Running Lead Manager;

- you are aware that if you are Allotted more than 5.00% of the Equity Shares in the Issue, our Company shall be required to disclose your name and the number of the Equity Shares Allotted to you to the Stock Exchanges and the Stock Exchanges will make the same available on their websites and you consent to such disclosures;

- you have been provided a serially numbered copy of this Preliminary Placement Document and have read it in its entirety, including in particular, "Risk Factors";

- in making your investment decision, you have (i) relied on your own examination of our Company and the terms of the Issue, including the merits and risks involved, (ii) made your own assessment of our Company, the Equity Shares and the terms of the Issue based solely on the information contained in this Preliminary Placement Document and no other disclosure or representation by our Company, its Directors, Promoters (as defined hereainafter) and affiliates, or any other party, (iii) consulted your own independent counsel and advisors or otherwise have satisfied yourself concerning, without limitation, the effects of local laws, (iv) received all information that you believe is necessary or appropriate in order to make an investment decision in respect of our Company and the Equity Shares, and (v) relied upon your own investigation and resources in deciding to invest in the Issue;

- neither our Company and the Sole Global Book Running Lead Manager, nor any of its shareholders, directors, officers, employees, counsels, representatives, agents or affiliates, have provided you with any tax advice or otherwise made any representations regarding the tax consequences of purchase, ownership and disposal of the Equity Shares (including but not limited to the Issue and the use of proceeds from the Equity Shares). You will obtain your own independent tax advice from a reputable service provider and will not rely on the Sole Global Book Running Lead Manager nor on any of its shareholders, directors, officers, employees, counsels, representatives, agents or affiliates when evaluating the tax consequences in relation to the Equity Shares (including but not limited to the Issue and the use of proceeds from the Equity Shares). You waive, and agree not to assert any claim against our Company and/or the Sole Global Book Running Lead Manager or any of its shareholders, directors, officers, employees, counsels, representatives, agents or affiliates with respect to the tax aspects of the Equity Shares or as a result of any tax audits by tax authorities, wherever situated;

- you are a sophisticated investor and have such knowledge and experience in financial, business and investment matters as to be capable of evaluating the merits and risks of an investment in the Equity Shares. You are experienced in investing in private placement transactions of securities of companies in a similar nature of business, similar stage of development and in similar jurisdictions. You and any accounts for which you are subscribing to the Equity Shares (i) are each able to bear the economic risk in relation to your investment in the Equity Shares, (ii) will not look to our Company and/or the Sole Global Book Running Lead Manager or any of its shareholders, directors, officers, employees, counsels, representatives, agents or affiliates for all or part of any such loss or losses that may be suffered in connection with the Issue, including losses arising out of non-performance by our Company of any of its obligations or any breach of any representations and warranties by our Company, whether to you or otherwise, (iii) are able to sustain a complete loss on the investment in the Equity Shares, and (iv) 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. You acknowledge that an investment in the Equity Shares involves a high degree of risk and that the Equity Shares are, therefore, a speculative investment. You are seeking to subscribe to the Equity Shares in the Issue for your own investment and not with a view to resell or distribute;

- if you are acquiring the Equity Shares to be issued pursuant to the Issue, for one or more managed accounts, you represent and warrant that you are authorised in writing, by each such managed account to acquire such Equity Shares for each managed account and to make (and you hereby make) the representations, warranties, acknowledgements and agreements herein for and on behalf of each such account, reading the reference to 'you' to include such accounts;

- you are not a "Promoter" (as defined under the SEBI Regulations) of our Company or any of its affiliates and are not a person related to the Promoters, either directly or indirectly, and your Bid does not directly or indirectly represent the "Promoter", or "Promoter Group", (as defined under the SEBI Regulations) of our Company or persons relating to the Promoter;

- 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, other than the rights acquired, if any, in the capacity of a lender not holding any Equity Shares, which shall not be deemed to be a person related to the Promoter;

- you will have no right to withdraw your Bid after the Bid/Issue Closing Date;

- you are eligible to apply and hold the Equity Shares Allotted to you together with any Equity Shares held by you prior to the Issue. Further, you confirm that your aggregate holding after the Allotment of the Equity Shares shall not exceed the level permissible as per any applicable regulation;

- the Bid made by you would not result in triggering a tender offer under the Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 2011, as amended (the "**Takeover Regulations**");

- to the best of your knowledge and belief, your aggregate holding, together with other QIBs in the Issue that belong to the same group or are under common control as you, pursuant to the Allotment under the Issue shall not exceed 50.00% of the Issue. For the purposes of this representation:

  a) the expression 'belong 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, 1956; and

  b) 'control' shall have the same meaning as is assigned to it by Regulation 2(1)(e) of the Takeover Regulations;

- you shall not undertake any trade in the Equity Shares credited to your beneficiary account until such time that the final listing and trading approvals for such Equity Shares are issued by the Stock Exchanges, as applicable;

- you are aware that (i) applications for in-principle approval, in terms of Clause 24(a) of the Equity Listing Agreements, for listing and admission of the Equity Shares and for trading on the Stock Exchanges, were made and approval has been received from each of the Stock Exchanges, and (ii) the application for the final listing and trading approvals will be made only after Allotment. There can be no assurance that the final approvals for listing and trading in the Equity Shares will be obtained in time or at all. Our Company shall not be responsible for any delay or non-receipt of such final approvals or any loss arising from such delay or non-receipt;

- you are aware and understand that the Sole Global Book Running Lead Manager has entered into a placement agreement with our Company, whereby the Sole Global Book Running Lead Manager has, subject to the satisfaction of certain conditions set out therein, agreed to manage the Issue and use reasonable efforts to procure subscriptions for the Equity Shares on the terms and conditions set forth therein;

- you understand that the contents of this Preliminary Placement Document are exclusively the responsibility of our Company, and that neither the Sole Global Book Running Lead Manager 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 our 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 the Issue, you agree to the same and confirm 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, you have neither received nor relied on any other information, representation, warranty or statement made by or on behalf of the Sole Global Book Running Lead Manager or our Company or any of its respective affiliates or any other person, and neither the Sole Global Book Running Lead Manager nor our 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;

- you understand that the Sole Global Book Running Lead Manager has no obligation to purchase or acquire all or any part of the Equity Shares purchased by you in the Issue;

- you are eligible to invest in India under applicable law, including the FEMA Regulations, and any notifications, circulars or clarifications issued thereunder, and have not been prohibited by SEBI or any other regulatory authority, from buying, selling or dealing in securities;

- you agree that any dispute arising in connection with the Issue will be governed by and construed in accordance with the laws of India, and the courts in Kolkata, India shall have exclusive jurisdiction to settle any disputes which may arise out of or in connection with this Preliminary Placement Document and the Placement Document;

- each of the representations, warranties, acknowledgements and agreements set out above shall continue to be true and accurate at all times up to and including the Allotment, listing and trading of the Equity Shares in the Issue;

- you agree to indemnify and hold our Company, its Directors, its key managerial personnel, the Sole Global Book Running Lead Manager and its affiliates 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 foregoing representations, warranties, acknowledgements and undertakings made by you in this Preliminary Placement Document. 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; and

- our Company, its Directors, its key managerial personnel, the Sole Global Book Running Lead Manager, its affiliates and others will rely on the truth and accuracy of the foregoing representations, warranties, acknowledgements and undertakings, which are given to the Sole Global Book Running Lead Manager on its own behalf and on behalf of our Company, and are irrevocable.

## OFFSHORE DERIVATIVE INSTRUMENTS

Subject to compliance with all applicable Indian laws, rules, regulations, guidelines and approvals in terms of Regulation 22 of the SEBI FPI Regulations (as defined below), FPIs (other than Category III foreign portfolio investors and unregulated broad based funds, which are classified as Category II FPI by virtue of their investment manager being appropriately regulated) may issue or otherwise deal in offshore derivative instruments (as defined under the SEBI FPI Regulations as any instrument, by whatever name called, which is issued overseas by a FPI against securities held by it that are listed or proposed to be listed on any recognised stock exchange in India, as its underlying, and all such offshore derivative instruments are referred to herein as "**P-Notes**"), for which they may receive compensation from the purchasers of such instruments. P-Notes may be issued only in favour of those entities which are regulated by any appropriate foreign regulatory authorities subject to compliance with 'know your client' requirements. An FPI shall also ensure that no further issue or transfer of any instrument referred to above is made to any person other than such entities regulated by appropriate foreign regulatory authorities. 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 or the issuer(s) of any P-notes, including any information regarding any risk factors relating thereto.

Any P-Notes that may be issued are not securities of our Company and do not constitute any obligation of, claims on or interests in our Company. Our 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 any P-Notes. Any P-Notes that may be offered are issued by, and are the sole obligations of, third parties that are unrelated to our Company. Our Company and the Sole Global Book Running Lead Manager do not make any recommendation as to any investment in P-Notes and do not accept any responsibility whatsoever in connection with any P-Notes. Any P-Notes that may be issued are not securities of the Sole Global Book Running Lead Manager and do not constitute any obligations of or claims on the Sole Global Book Running Lead Manager. Affiliates of the Sole Global Book Running Lead Manager which are Eligible FPIs may purchase, to the extent permissible under law, the 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 from the issuer(s) of 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 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 each of the Stock Exchanges. The Stock Exchanges do not in any manner:

i) warrant, certify or endorse the correctness or completeness of the contents of this Preliminary Placement Document;

ii) warrant that the Equity Shares will be listed or will continue to be listed on the Stock Exchanges; or

iii) take any responsibility for the financial or other soundness of our Company, its Promoters, its management or any scheme or project of our Company;

and it should not for any reason be deemed or construed to mean that this Preliminary Placement Document has been cleared or approved by the Stock Exchanges. Every person who desires to apply for or otherwise acquire any Equity Shares 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 otherwise specified or the context otherwise indicates or implies, references to ‘you’, ‘your’, ‘offeree’, ‘purchaser’, ‘subscriber’, ‘recipient’, ‘investors’, ‘prospective investors’ and ‘potential investor’ are to the prospective investors in the Issue, references to the ‘Company’, ‘our Company’, or the ‘Issuer’ are to Texmaco Rail & Engineering Limited and references to ‘we’, ‘us’, or ‘our’ are to, where applicable, Texmaco Rail & Engineering Limited, except as the context otherwise requires.

In this Preliminary Placement Document, all references to “Indian Rupees”, “Rs.” and “₹” are to the legal currency of India, all references to “U.S. dollars”, “USD” and “U.S.$” are to the legal currency of the United States of America. 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. References to the singular also refers to the plural and one gender also refers to any other gender, wherever applicable, and the words “Lakh” or “Lac” mean “100 thousand”, the word “million” means “10 lakh”, the word “crore” means “10 million” or “100 lakhs” and the word “billion” means “1,000 million” or “100 crores”. All references herein to the ‘Government’ or ‘GoI’ or the ‘Central Government’ or the ‘State Government’ are to the Government of India, central or state, as applicable.

Our Company publishes its financial statements in Indian Rupees. The financial statements of our Company as of and for the years ended March 31, 2014, 2013 and 2012 included herein and unaudited interim financial statements as of and for the six month period ended September 30, 2014 (collectively, the “**Financial Statements**”) have been prepared in line with the accounting principles generally accepted in India, including the Accounting Standards notified under the Companies Act, 1956, read with General Circular 8/2014 dated April 4, 2014 issued by the MCA and have been audited by the Auditors in accordance with the applicable generally accepted auditing standards in India prescribed by the ICAI. Our Company does not attempt to quantify the impact of U.S. GAAP or IFRS on the financial data included in this Preliminary Placement Document, nor does our Company provide a reconciliation of its Financial Statements to International Financial Reporting Standards (“**IFRS**”) or U.S. GAAP. Each of IFRS and U.S. GAAP differ in certain significant respects from Indian GAAP. Accordingly, the degree to which the Financial Statements prepared in accordance with Indian GAAP included in the Preliminary Placement Document will provide meaningful information is entirely dependent on the reader’s familiarity with the respective accounting practices. Any reliance by persons not familiar with Indian accounting practices on the financial disclosures presented in this Preliminary Placement Document should accordingly be limited. For further details, see “Risk Factors”.

All numerical and financial information as set out and presented in this Preliminary Placement Document for the sake of consistency and convenience have been rounded off to two decimal places. Accordingly, figures shown as totals in certain tables may not be an arithmetic aggregation of the figures which precede them.

The fiscal year of our Company commences on April 1 of each calendar year and ends on March 31 of the succeeding calendar year, so, unless otherwise specified or if the context requires otherwise, all references to a particular ‘Financial Year’, ‘fiscal year’ or ‘fiscal’ or ‘FY’ are to the twelve month period ended on March 31 of that year.

## INDUSTRY AND MARKET DATA

Information regarding market position, growth rates and other industry data and certain industry forecasts pertaining to the businesses of our Company contained in this Preliminary Placement Document consists of estimates based on data reports compiled by government bodies, recognised industry sources, professional organisations and analysts, data from other external sources and knowledge of the markets in which our Company competes. Unless stated otherwise, the statistical information included in this Preliminary Placement Document relating to the industry in which our Company operates has been reproduced from various trade, industry and government publications and websites. We confirm that such information and data has been accurately reproduced, and that as far as they are aware and are able to ascertain from information published by third parties, no facts have been omitted that would render the reproduced information inaccurate or misleading.

This data is subject to change and cannot be verified with certainty due to limits on the availability and reliability of the raw data and other limitations and uncertainties inherent in any statistical survey. Neither our Company nor the Sole Global Book Running Lead Manager have independently verified this data and do not make any representation regarding the accuracy or completeness of such data. Our Company takes responsibility for accurately reproducing such information but accepts no further responsibility in respect of such information and data. In many cases, there is no readily available external information (whether from trade or industry associations, government bodies or other organisations) to validate market-related analysis and estimates, so our Company has relied on internally developed estimates. Additionally, some data relating to our business have been assessed and quantified internally by our Company as no other credible third party sources are available for such data. The assessment of the data is based on our understanding, experience and internal estimates of our business. While our Company believes its internal estimates to be reasonable, such estimates have not been verified by any independent sources and neither our Company nor the Sole Global Book Running Lead Manager can assure potential investors as to their accuracy.

Certain information in “Industry Overview” has been derived from various Indian government publications and industry reports, and has not been prepared or independently verified by us, the Sole Global Book Running Lead Manager or any of our or its affiliates or advisors.

## FORWARD-LOOKING STATEMENTS

Certain statements contained in this Preliminary Placement Document that are not statements of historical facts constitute ‘forward-looking statements’. Investors can generally identify forward-looking statements by terminology such as ‘aim’, ‘anticipate’, ‘believe’, ‘continue’, ‘can’, ‘could’, ‘estimate’, ‘expect’, ‘intend’, ‘may’, ‘objective’, ‘plan’, ‘potential’, ‘project’, ‘pursue’, ‘shall’, ‘should’, ‘will’, ‘would’, or other words or phrases of similar import. Similarly, statements that describe the strategies, objectives, plans or goals of our Company are also forward-looking statements. However, these are not the exclusive means of identifying forward-looking statements.

All statements regarding our Company’s expected financial condition, results of operations; business plans and prospects are forward-looking statements. These forward-looking statements include statements as to our Company’s business strategy, revenue and profitability (including, without limitation, any financial or operating projections or forecasts), new business and other matters discussed in this Preliminary Placement Document that are not historical facts. These forward-looking statements contained in this Preliminary Placement Document (whether made by our Company or any third party), are predictions and involve known and unknown risks, uncertainties, assumptions and other factors that may cause the actual results, performance or achievements of our Company 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 our Company that could cause actual results to differ materially from those contemplated by the relevant forward-looking statement. Important factors that could cause the actual results, performances and achievements of our Company to be materially different from any of the forward-looking statements.

Additional factors that could cause actual results, performance or achievements of our Company to differ materially include, but are not limited to, those discussed under “Risk Factors”, “Industry Overview”, “Business” and “Management’s Discussion and Analysis of Financial Condition and Results of Operations”.

The forward-looking statements contained in this Preliminary Placement Document are based on the beliefs of the management, as well as the assumptions made by, and information currently available to, the management of our Company. Although our Company believes that the expectations reflected in such forward-looking statements are reasonable at this time, it 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. In any event, these statements speak only as of the date of this Preliminary Placement Document or the respective dates indicated in this Preliminary Placement Document and our Company undertakes no obligation to update or revise any of them, whether as a result of new information, future events, changes in assumptions or changes in factors affecting these forward looking statements or otherwise. If any of these risks and uncertainties materialise, or if any of our Company’s underlying assumptions prove to be incorrect, the actual results of operations or financial condition of our Company could differ materially from that described herein as anticipated, believed, estimated or expected. All subsequent forward-looking statements attributable to our Company are expressly qualified in their entirety by reference to these cautionary statements.

## ENFORCEMENT OF CIVIL LIABILITIES

Our Company is a public limited liability company incorporated under the laws of India. All our Directors and the key managerial personnel of our Company named herein are residents of India and all or a substantial portion of the assets of our Company are located in India. As a result, it may be difficult or may not be possible for investors outside India to effect service of process upon our Company or such persons in India, or to enforce judgments obtained against such parties outside India.

Recognition and enforcement of foreign judgments is provided for under Section 13 and Section 44A of the Code of Civil Procedure, 1908, as amended (the "**Civil Procedure Code**"), on a statutory basis. Section 13 of the Civil Procedure Code provides that a foreign judgment shall be conclusive regarding any matter directly adjudicated upon between the same parties or parties litigating under the same title, 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 recognise 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 then in force in India.

India is not a party to any international treaty in relation to the recognition or enforcement of foreign judgments. However, Section 44A of the Civil Procedure Code provides that a foreign judgment rendered by a superior court (within the meaning of that section) in any jurisdiction outside India which the Government has by notification declared to be a reciprocating territory, may be enforced in India by proceedings in execution as if the judgment had been rendered by a District Court in India. However, Section 44A of the Civil Procedure 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.

Each of the United Kingdom, Republic of Singapore and Hong Kong has been declared by the Government to be a reciprocating territory for the purposes of Section 44A of the Civil Procedure Code, but the United States of America 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 foreign 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 of India. 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.

## EXCHANGE RATES

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

The following table sets forth information with respect to the exchange rates between the Rupee and the U.S. dollar (in ₹ per US$1.00), for the periods indicated. The exchange rates are based on the reference rates released by RBI, which are available on the website of RBI. No representation is made that any Rupee amounts could have been, or could be, converted into U.S. dollars at any particular rate, the rates stated below, or at all.

*₹Per U.S. $*

| Period | Period End | Average(1) | High(2) | Low(3) |
|---|---|---|---|---|
| **Month ended:** | | | | |
| October 2014 | 61.41 | 61.34 | 61.75 | 61.04 |
| September 2014 | 61.61 | 60.86 | 61.61 | 60.26 |
| August 2014 | 60.47 | 60.90 | 61.56 | 60.43 |
| July 2014 | 60.25 | 60.06 | 60.33 | 59.72 |
| June 2014 | 60.09 | 59.73 | 60.37 | 59.06 |
| May 2014 | 59.03 | 59.31 | 60.23 | 58.43 |
| | | | | |
| **Quarter ended:** | | | | |
| March 31, 2014 | 60.10 | 61.79 | 62.99 | 60.10 |
| June 30, 2014 | 60.09 | 59.77 | 61.12 | 58.43 |
| September 30, 2014 | 61.61 | 60.59 | 61.61 | 59.72 |
| | | | | |
| **Fiscal Year:** | | | | |
| 2014 | 60.10 | 60.50 | 68.36 | 53.74 |
| 2013 | 54.39 | 54.45 | 57.22 | 50.56 |
| 2012 | 51.16 | 47.95 | 54.24 | 43.95 |

*1) Average of the official rate of each working day of the relevant period*
*2) Maximum of the official rate of each working day of the relevant period*
*3) Minimum of the official rate of each working day of the relevant period*
*Note: High, low and average are based on the RBI reference rate*
*(Source: www.rbi.org.in)*

## DEFINITIONS AND ABBREVIATIONS

This Preliminary Placement Document uses the definitions and abbreviations set forth below, which you should consider when reading the information contained herein. References to any legislation, act or regulation shall be to such term as amended from time to time.

**Company Related Terms**

| Term | Description |
|---|---|
| "Our Company" or "the Company" or "the Issuer" | Texmaco Rail & Engineering Limited |
| Articles/ Articles of Association | Articles of association of our Company, as amended from time to time |
| Auditors | K.N. Gutgutia & Co., statutory auditors of our Company |
| Board of Directors/ Board | The board of directors of our Company or any duly constituted committee thereof |
| Committee of Directors | The special committee of our Directors formed with respect to this Issue, pursuant to a resolution passed by our Board dated July 21, 2014 |
| Directors | The directors of our Company |
| Equity Shares | The equity shares of our Company of a face value of ₹ 1 each |
| Memorandum / Memorandum of Association | Memorandum of association of our Company, as amended from time to time |
| Promoters | Promoters of our Company, as set out under the head "shareholding pattern" in "Organisational Structure and Major Shareholders" |
| Promoter Group | Promoter group of our Company as per the definition provided in Regulation 2(1)(zb) of the SEBI Regulations |
| Registered Office | Registered office of our Company located at Belgharia, Kolkata, India 700 056 |
| RoC | Registrar of Companies, West Bengal |
| "we"/ "us"/ "our" | Our Company, except as the context otherwise requires |

**Issue Related Terms**

| Term | Description |
|---|---|
| Allocated /Allocation | The allocation of Equity Shares following the determination of the Issue Price to QIBs on the basis of the Application Form submitted by them, by our Company in consultation with the Sole Global Book Running Lead Manager and in compliance with Chapter VIII of the SEBI Regulations |
| Allotment /Allotted | Unless the context otherwise requires, the issue and allotment of Equity Shares to be issued pursuant to the Issue |
| Allottees | QIBs to whom Equity Shares are issued and Allotted pursuant to the Issue |
| Application Form | The form (including any revisions thereof) pursuant to which a QIB shall submit a Bid for the Equity Shares in the Issue |
| Bid(s) | Indication of interest of a Bidders, including all revisions and modifications thereto, as provided in the Application Form, to subscribe for the Equity Shares |
| Bid/ Issue Closing Date | [●], 2014, which is the last date up to which the Application Forms shall be accepted |
| Bid/Issue Opening Date | November 18, 2014 |
| Bid/Issue Period | Period between the Bid/Issue Opening Date and the Bid/Issue Closing Date, inclusive of both days, during which prospective Bidders can submit their Bids |
| Bidder | Any prospective investor, being a QIB, who makes a Bid pursuant to the terms of this Preliminary Placement Document and the Application Form |

| Term | Description |
|---|---|
| CAN or Confirmation of Allocation Note | Note or advice or intimation to QIBs confirming Allocation of Equity Shares to such QIBs after determination of the Issue Price and requesting payment for the entire applicable Issue Price for all Equity Shares Allocated to such QIBs |
| Closing Date | The date on which Allotment of Equity Shares pursuant to the Issue shall be made, i.e. on or about [●], 2014 |
| Cut-off Price | The Issue Price of the Equity Shares to be issued pursuant to the Issue, which shall be finalised by our Company in consultation with the Sole Global Book Running Lead Manager |
| Designated Date | The date of credit of Equity Shares to the QIB's demat account, as applicable to the respective QIB |
| Equity Listing Agreement(s) | The agreement entered into by our Company with each of the Stock Exchanges in relation to listing of the Equity Shares to be issued pursuant to the Issue, on each of the Stock Exchanges |
| Escrow Account | The account entitled "TEXMACO RAIL & ENGG LTD QIP ESC AC" with regard to any money received towards the subscription of the Equity Shares, opened with the Escrow Bank, subject to the terms of the Escrow Agreement |
| Escrow Agreement | Agreement dated November 18, 2014, entered into amongst our Company, the Escrow Bank and the Sole Global Book Running Lead Manager for collection of the Bid amounts and for remitting refunds, if any, of the amounts collected, to the Bidders |
| Escrow Bank | ICICI Bank Limited |
| Floor Price | The floor price of ₹ 106.80 which has been calculated in accordance with Chapter VIII of the SEBI Regulations. In terms of the SEBI Regulations, the Issue Price cannot be lower than the Floor Price. Our Company may offer a discount of not more than 5% on the Floor Price in terms of Regulation 85 of the SEBI Regulations |
| Issue | The offer, issue and Allotment of [●] Equity Shares to QIBs pursuant to Chapter VIII of the SEBI Regulations and the provisions of the Companies Act, 2013 |
| Issue Price | ₹ [●] per Equity Share |
| Issue Size | The issue of up to [●] Equity Shares aggregating up to ₹ [●] |
| Mutual Fund | A mutual fund registered with SEBI under the Securities and Exchange Board of India (Mutual Funds) Regulations, 1996, as amended |
| Mutual Fund Portion | 10.00% of the Equity Shares proposed to be Allotted in the Issue, which is available for Allocation to Mutual Funds |
| Pay-in Date | The last date specified in the CAN for payment of application monies by the successful Bidders |
| Placement Agreement | Placement agreement dated November 18, 2014, entered into by our Company and the Sole Global Book Running Lead Manager |
| Placement Document | The placement document to be issued by our Company in accordance with Chapter VIII of the SEBI Regulations and Section 42 of the Companies Act, 2013 |
| Preliminary Placement Document | This preliminary placement document dated November 18, 2014 issued in accordance with Chapter VIII of the SEBI Regulations and Section 42 of the Companies Act, 2013 |
| QIB or Qualified Institutional Buyer | Qualified institutional buyers as defined under Regulation 2(1)(zd) of the SEBI Regulations |
| QIP | Qualified institutions placement under Chapter VIII of the SEBI Regulations |
| Regulation S | Regulation S under the Securities Act |
| Relevant Date | November 18, 2014, which is the date of the meeting of the Board, or any committee duly authorised by the Board, deciding to open the Issue |

| Term | Description |
|---|---|
| Securities Act | The U.S. Securities Act of 1933, and the related rules and regulations |
| Sole Global Book Running Lead Manager | ICICI Securities Limited |
| Stock Exchanges | The NSE, the BSE and the CSE |

**Conventional and General Terms/ Abbreviations**

| Term/Abbreviation | Full Form |
|---|---|
| AS | Accounting Standards notified under the Companies Act, 1956, read with General Circular 8/2014 dated April 4, 2014 issued by the MCA |
| BSE | BSE Limited |
| CAGR | Compounded annual growth rate |
| CDSL | Central Depository Services (India) Limited |
| Client ID | Beneficiary account number |
| Civil Procedure Code | Code of Civil Procedure, 1908, as amended |
| Companies Act | Companies Act, 1956 and/or the Companies Act, 2013, as applicable |
| Companies Act, 1956 | Companies Act, 1956, as amended (without reference to the provisions thereof that have ceased to have effect upon the notification of the Notified Sections) and the rules made thereunder |
| Companies Act, 2013 | Companies Act, 2013, to the extent in force pursuant to the notification of the Notified Sections, and the rules made thereunder |
| CSE | The Calcutta Stock Exchange Limited |
| Depositories Act | Depositories Act, 1996 |
| Depositories | NSDL and CDSL |
| DP ID | Depository Participant’s Identity Number |
| DP/Depository Participant | Depository participant as defined under the Depositories Act, 1996, as amended |
| EBITDA | Earnings before interest, tax, depreciation and amortisation |
| Eligible FPIs | FPIs that are eligible to participate in the Issue and does not include qualified foreign investors or Category II or Category III Foreign Portfolio Investors (who are not eligible to participate in the Issue) |
| EPS | Earnings per share, i.e., profit after tax after minority interest from continuing and discontinuing operations for a fiscal year divided by the weighted average number of equity shares during the fiscal year |
| FDI | Foreign direct investment |
| FEMA | The Foreign Exchange Management Act, 1999, together with rules and regulations thereunder |
| FEMA Regulations | The Foreign Exchange Management (Transfer or Issue of Security by a Person Resident Outside India) Regulations, 2000, as amended |
| FIIs | Foreign Institutional Investors (as defined under the SEBI FPI Regulations) |
| Financial Year/fiscal/FY | Period of 12 months ended March 31 of that particular year |
| FIPB | Foreign Investment Promotion Board |
| Form PAS-4 | Form PAS-4 prescribed under the Companies (Prospectus and Allotment of Securities) Rules, 2014 |

| Term/Abbreviation | Full Form |
|---|---|
| FPI | Foreign portfolio investors as defined under the SEBI FPI Regulations and includes person who has been registered under the SEBI FPI Regulations. Any foreign institutional investor or qualified foreign investor who holds a valid certificate of registration is deemed to be a foreign portfolio investor till the expiry of the block of three years for which fees have been paid as per the Securities and Exchange Board of India (Foreign Institutional Investors) Regulations, 1995 |
| FVCI | Foreign Venture Capital Investors (as defined under the SEBI (Foreign Venture Capital Investors) Regulations, 2000) registered with the SEBI |
| GoI/ Government | Government of India |
| GST | Goods and service tax |
| HUF | Hindu undivided family |
| I.T. Act | Income Tax Act, 1961, as amended |
| ICAI | Institute of Chartered Accountants of India |
| IFRS | International Financial Reporting Standards |
| India | Republic of India |
| Indian GAAP | Generally accepted accounting principles followed in India |
| Insider Trading Regulations | Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 1992, as amended |
| IT | Information technology |
| Notified Sections | Sections of Companies Act, 2013 that have been notified by the Government of India |
| NSDL | National Securities Depository Limited |
| NSE | National Stock Exchange of India Limited |
| p.a. | Per annum |
| P-Notes | Offshore derivative instruments such as participatory notes, equity-linked notes or any other similar instruments against underlying securities, listed or proposed to be listed on any stock exchange in India |
| PAN | Permanent account number |
| RBI | Reserve Bank of India |
| ₹ or Re. or Rs. or Rupees | The lawful currency of India |
| SCR (SECC) Rules | Securities Contracts (Regulation) (Stock Exchanges and Clearing Corporations) Regulations, 2012 |
| SCRA | Securities Contracts (Regulation) Act, 1956, as amended |
| SCRR | Securities Contracts (Regulation) Rules, 1957, as amended |
| SEBI | Securities and Exchange Board of India |
| SEBI Act | Securities and Exchange Board of India Act, 1992, as amended |
| SEBI FPI Regulations | Securities and Exchange Board of India (Foreign Portfolio Investors) Regulations, 2014 |
| SEBI Regulations | Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements), 2009, as amended |
| STT | Securities transaction tax |
| Takeover Regulations | SEBI (Substantial Acquisition of Shares and Takeover) Regulations, 2011, as amended |
| UK | United Kingdom |

| Term/Abbreviation | Full Form |
| --- | --- |
| U.S. or United States | United States of America |
| U.S.$ or U.S. dollars or USD | U.S. dollars, the lawful currency of the United States |
| VAT | Value added tax |

**Certain Technical and Industry Terms**

| Term | Description |
| --- | --- |
| AFTO | Automobile Freight Train Operator |
| AGM | Annual General Meeting |
| AIF | Alternative Investment Funds |
| APL | Adoptable Program Loan |
| BCD | Basic Customs Duty |
| Capex. | Capital Expenditures |
| CCS | Cabinet Committee on Security |
| CEA | Central Electricity Authority |
| CENVAT | Central Value Added Tax |
| CLRA | The Contract Labour (Regulation and Abolition) Act |
| CMS | Competence Management System |
| COI | Committee on Infrastructure |
| CPCB | Central Pollution Control Board |
| Cr. | Crore |
| CRF | Central Road Fund |
| DEMU | Diesel Electric Multiple Unit |
| DFC | Dedicated Freight Corridor |
| DFCCIL | Dedicated Freight Corridor Corporation of India Limited |
| DIPP | Department of Industrial Policy & Promotion |
| EIA | Environment Impact Assessment |
| EMU | Electric Multiple Unit |
| EO | Export Obligation |
| EOP | Export Obligation Period |
| EPC | Engineering, procurement and construction |
| EPCG | Export Promotion Capital Goods |
| ESI Act | Employees' State Insurance Act |
| EXIM Policy | Export Import Policy |
| FICCI | Federation of Indian Chambers of Commerce and Industry |
| FOB | Foot Over Bridge |
| FTP | Foreign Trade Policy |
| GDP | Gross Domestic Product |
| H.E. | Hydro electric |

| Term | Description |
|---|---|
| HUF | Hindu Undivided Family |
| I.R. | Indian Railways |
| ICD | Inland Container Depot |
| JNPT | Jawaharlal Nehru Port Trust |
| JV | Joint Venture |
| Kg | Kilogram |
| Km | Kilometre |
| Kmph | Kilometre per hour |
| KV | Kilo volt |
| LED | Light Emitting Diode |
| LWIS | Liberalised Wagon Investment Scheme |
| MAT | Minimum Alternate Tax |
| MEMU | Mainline Electric Multiple Units |
| MoEF | Ministry of Environment and Forest |
| MoR | Ministry of Railways |
| MoU | Memorandum of Understanding |
| MT. | Metric tonne |
| MU | Million units |
| MW | Mega watt |
| NCR | National Capital Region |
| NTKM | Net Tonne Kilometre |
| PCB | Pollution Control Board |
| PKM | Passenger Kilometre |
| PPP | Public Private Partnership |
| PSU | Public Sector Undertaking |
| RDSO | Research Designs & Standards Organisation |
| ROB | Railway Over Bridge |
| RUB | Railway Under Bridge |
| SFTO | Special Freight Train Operator Scheme |
| SPCB | State Pollution Control Board |
| SPV | Special Purpose Vehicle |
| SPW | Special Purpose Wagons |
| TEU | Twenty-foot equivalent units |
| TVU | Train Vehicle Unit |
| U.P | Uttar Pradesh |
| VAT | Value Added Tax |
| VCF | Venture Capital Funds |

| Term | Description |
|---|---|
| WLC | Wagon Leasing Company |
| WLS | Wagon Leasing Scheme |
| YoY | Year on Year |

## DISCLOSURE REQUIREMENTS UNDER FORM PAS-4 PRESCRIBED UNDER THE COMPANIES ACT, 2013

*The table below sets out the disclosure requirements as provided in PAS-4 and the relevant pages in this Preliminary Placement Document where these disclosures, to the extent applicable, have been provided.*

| S. No. | Disclosure Requirements | Relevant Page of this Preliminary Placement Document |
|---|---|---|
| **1.** | **GENERAL INFORMATION** | |
| a. | Name, address, website and other contact details of the company indicating both registered office and corporate office. | 158 |
| b. | Date of incorporation of the company. | 154 |
| c. | Business carried on by the company and its subsidiaries with the details of branches or units, if any. | 76 to 90 |
| d. | Brief particulars of the management of the company. | 97 to 105 |
| e. | Names, addresses, DIN and occupations of the directors. | 97 to 105 |
| f. | Management's perception of risk factors. | 33 to 45 |
| g. | Details of default, if any, including therein the amount involved, duration of default and present status, in repayment of: | |
| i) | statutory dues; | 151 to 152 |
| ii) | debentures and interest thereon; | 151 to 152 |
| iii) | deposits and interest thereon; and | 151 to 152 |
| iv) | loan from any bank or financial institution and interest thereon. | 151 to 152 |
| h. | names, designation, address and phone number, email ID of the nodal/ compliance officer of the company, if any, for the private placement offer process. | 158 |
| **2.** | **PARTICULARS OF THE OFFER** | |
| a. | Date of passing of board resolution. | 154 |
| b. | Date of passing of resolution in the general meeting, authorising the offer of securities. | 154 |
| c. | Kinds of securities offered (i.e. whether share or debenture) and class of security. | 24 |
| d. | Price at which the security is being offered including the premium, if any, along with justification of the price. | 24 |
| e. | Name and address of the valuer who performed valuation of the security offered. | Not applicable |
| f. | Amount which the company intends to raise by way of securities. | 48 |
| g. | Terms of raising of securities: | |
| (i). | Duration, if applicable; | Not applicable |
| (ii). | Rate of dividend; | 51 |
| (iii). | Rate of interest; | Not applicable |
| (iv). | Mode of payment; and | Not applicable |

| S. No. | Disclosure Requirements | Relevant Page of this Preliminary Placement Document |
|---|---|---|
| (v) | Mode of repayment. | Not applicable |
| h. | Proposed time schedule for which the offer letter is valid. | 14 |
| i. | Purposes and objects of the offer. | 48 |
| j. | Contribution being made by the promoters or directors either as part of the offer or separately in furtherance of such objects. | Not applicable |
| k. | Principle terms of assets charged as security, if applicable. | Not applicable |
| **3.** | **DISCLOSURES WITH REGARD TO INTEREST OF DIRECTORS, LITIGATION ETC** | |
| a. | Any financial or other material interest of the directors, promoters or key managerial personnel in the offer and the effect of such interest in so far as it is different from the interests of other persons. | 105 |
| b. | Details of any litigation or legal action pending or taken by any Ministry or Department of the Government or a statutory authority against any promoter of the offeree company during the last three years immediately preceding the year of the circulation of the offer letter and any direction issued by such Ministry or Department or statutory authority upon conclusion of such litigation or legal action shall be disclosed. | 152 |
| c. | Remuneration of directors (during the current year and last three financial years). | 101 to 102 |
| d. | Related party transactions entered during the last three financial years immediately preceding the year of circulation of offer letter including with regard to loans made or, guarantees given or securities provided. | 105 |
| e. | Summary of reservations or qualifications or adverse remarks of auditors in the last five financial years immediately preceding the year of circulation of offer letter and of their impact on the financial statements and financial position of the company and the corrective steps taken and proposed to be taken by the company for each of the said reservations or qualifications or adverse remark. | Not applicable |
| f. | Details of any inquiry, inspections or investigations initiated or conducted under the Companies Act or any previous company law in the last three years immediately preceding the year of circulation of offer letter in the case of company and all of its subsidiaries. Also if there were any prosecutions filed (whether pending or not) fines imposed, compounding of offences in the last three years immediately preceding the year of the offer letter and if so, section-wise details thereof for the company and all of its subsidiaries. | 152 |
| g. | Details of acts of material frauds committed against the company in the last three years, if any, and if so, the action taken by the company. | 152 |
| **4.** | **FINANCIAL POSITION OF THE COMPANY** | |
| a. | The capital structure of the company in the following manner in a tabular form: | |
| (i)(a) | The authorised, issued, subscribed and paid up capital (number of securities, description and aggregate nominal value); | 50 |
| (b) | Size of the present offer; and | 50 |
| (c) | Paid up capital: | 50 |
| (A) | After the offer; and | 50 |
| (B) | After conversion of convertible instruments (if applicable); | Not applicable |

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|---|---|---|
| (d) | Share premium account (before and after the offer). | 50 |
| (ii) | The details of the existing share capital of the issuer company in a tabular form, indicating therein with regard to each allotment, the date of allotment, the number of shares allotted, the face value of the shares allotted, the price and the form of consideration. | 50 |
| | Provided that the issuer company shall also disclose the number and price at which each of the allotments were made in the last one year preceding the date of the offer letter separately indicating the allotments made for considerations other than cash and the details of the consideration in each case. | Not applicable |
| b. | Profits of the company, before and after making provision for tax, for the three financial years immediately preceding the date of circulation of offer letter. | F1 to F105 |
| c. | Dividends declared by the company in respect of the said three financial years; interest coverage ratio for last three years (Cash profit after tax plus interest paid/interest paid). | 51; 62 |
| d. | A summary of the financial position of the company as in the three audited balance sheets immediately preceding the date of circulation of offer letter. | 28 |
| e. | Audited Cash Flow Statement for the three years immediately preceding the date of circulation of offer letter. | 30 to 32 |
| f. | Any change in accounting policies during the last three years and their effect on the profits and the reserves of the company. | Not applicable |
| **5.** | **A DECLARATION BY THE DIRECTORS THAT** | 156 to 157 |
| a. | The company has complied with the provisions of the Act and the rules made thereunder. | |
| b. | The compliance with the Act and the rules does not imply that payment of dividend or interest or repayment of debentures, if applicable, is guaranteed by the Central Government. | |
| c. | The monies received under the offer shall be used only for the purposes and objects indicated in the Offer letter. | |

## SUMMARY OF THE ISSUE

The following is a general summary of the terms of the Issue. This summary should be read in conjunction with, and is qualified in its entirety by, the more detailed information appearing elsewhere in this Preliminary Placement Document, including "Risk Factors", "Use of Proceeds", "Placement", "Issue Procedure" and "Description of the Equity Shares".

| | |
|---|---|
| **Issuer** | Texmaco Rail & Engineering Limited |
| **Face value** | ₹1 per Equity Share |
| **Issue size** | Issue of up to [●] Equity Shares, aggregating to ₹ [●]<br><br>A minimum of 10.00% of the Issue Size i.e. up to [●] Equity Shares shall be available for Allocation to Mutual Funds only, and up to [●] Equity Shares shall be available for Allocation to all QIBs, including Mutual Funds. If no Mutual Fund is agreeable to take up the minimum portion mentioned above, such minimum portion or part thereof may be Allotted to other eligible QIBs. |
| **Date of board resolution** | July 21, 2014 |
| **Date of shareholders resolution** | September 4, 2014 |
| **Floor Price** | ₹ 106.80 per Equity Share.<br><br>In terms of the SEBI Regulations, the Issue Price cannot be lower than the Floor Price. Our Company may offer a discount of not more than 5.00% on the Floor Price in terms of Regulation 85 of the SEBI Regulations. |
| **Issue Price** | ₹ [●] per Equity Share |
| **Eligible Investors** | QIBs as defined in regulation 2(1)(zd) of the SEBI Regulations and not excluded pursuant to Regulation 86 of the SEBI Regulations. See "Issue Procedure – Qualified Institutional Buyers" and "Transfer Restrictions". |
| **Equity Shares issued and outstanding prior to the Issue** | 18,20,26,590 Equity Shares |
| **Equity Shares issued and outstanding immediately after the Issue** | [●] Equity Shares |
| **Listing** | Our Company has obtained in-principle approvals in terms of Clause 24(a) of the Equity Listing Agreements, for listing of the Equity Shares issued pursuant to the Issue from the Stock Exchanges. Our Company will make applications to each of the Stock Exchanges to obtain final listing and trading approvals for the Equity Shares after Allotment of the Equity Shares in the Issue. |
| **Lock-up** | Our Company has undertaken that it shall not, without the consent of the Sole Global Book Running Lead Manager, during the period commencing from the date hereof and ending sixty (60) calendar days after the date of Allotment of Equity Shares in the Issue or failure of the Issue and the termination of the Placement Agreement, whichever is earlier, directly or indirectly: (i) issue, offer, lend, pledge, sell, contract to sell or issue, sell any option or contract to purchase, purchase any option or contract to sell or issue, grant any option, right or warrant to purchase, lend, or otherwise transfer or dispose of or create any encumbrances in relation to any Equity Shares or any securities convertible into or exercisable or exchangeable for Equity Shares; (ii) enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of Equity Shares or any other securities convertible into or exercisable as or exchangeable for Equity Shares; or (iii) publicly announce any intention to enter into any transaction described in (i) or (ii) above; whether any such transaction described in (i) or (ii) above is to be settled by delivery of Equity Shares or such other securities, in cash or otherwise. The foregoing restriction shall not apply to any issuance, sale, transfer or disposition of Equity Shares by the Company (a) pursuant to this Issue; (b) pursuant to an employee stock option scheme; (c) pursuant to the scheme of |

| | |
|---|---|
| | arrangement to merge our Company and Kalindee; and (d) to the extent such issuance, sale, transfer or disposition is required by any statutory or regulatory authorities or under Indian law.<br><br>In addition, our Promoters and members of our Promoter Group have undertaken that they shall not, without the consent of the Sole Global Book Running Lead Manager, during the period commencing from the date hereof and ending ninety (90) calendar days after the date of Allotment of Equity Shares in the Issue or failure of the Issue and the termination of the Placement Agreement, whichever is earlier, directly or indirectly: (i) issue, offer, lend, pledge, sell, contract to sell or issue, sell any option or contract to purchase, purchase any option or contract to sell or issue, grant any option, right or warrant to purchase, lend, or otherwise transfer or dispose of or create any encumbrances in relation to any Equity Shares or any securities convertible into or exercisable or exchangeable for Equity Shares; (ii) enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of Equity Shares or any other securities convertible into or exercisable as or exchangeable for Equity Shares; or (iii) publicly announce any intention to enter into any transaction described in (i) or (ii) above; whether any such transaction described in (i) or (ii) above is to be settled by delivery of Equity Shares or such other securities, in cash or otherwise. |
| **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. For further details, see "Transfer Restrictions". |
| **Use of Proceeds** | The gross proceeds from the Issue will be approximately ₹ [●].<br><br>The net proceeds from the Issue, after deducting fees, commissions and expenses of the Issue, will be approximately ₹ [●] crore.<br><br>See "Use of Proceeds" for additional information. |
| **Risk Factors** | See "Risk Factors" for a discussion of risks you should consider before deciding whether to subscribe for the Equity Shares. |
| **Pay-In Date** | Last date specified in the CAN sent to the QIBs for payment of application money. |
| **Closing** | The Allotment of the Equity Shares offered pursuant to the Issue is expected to be made on or about [●], 2014. |
| **Status and Ranking** | The Equity Shares being issued pursuant to the Issue shall be subject to the provisions of the Memorandum of Association and Articles of Association and shall rank *pari passu* in all respects with the existing Equity Shares, including rights in respect of dividends.<br><br>The shareholders of our Company will be entitled to participate in dividends and other corporate benefits, if any, declared by our Company after the Closing Date, in compliance with the Companies Act, the Equity Listing Agreements and other applicable laws and regulations. Shareholders of our Company may attend and vote in shareholders' meetings on the basis of one vote for every Equity Share held. See "Description of the Equity Shares". |
| **Security Codes for the Equity Shares** | DEMAT ISIN No. FOR NSDL/ CDSL: INE 621L01012<br><br>BSE Code:533326<br><br>NSE Code: TEXRAIL<br><br>CSE Code : 30285 |

## SUMMARY OF BUSINESS

We are one of the flagship company of the Adventz Group of companies that are engaged in the agri business, engineering, infrastructure, real estate, consumer durables and services sectors under the Chairmanship of Mr. Saroj Kumar Poddar. We are a diversified heavy engineering company. We are primarily engaged in the business of manufacturing railway freight cars, EMU coaches, locomotive components and assemblies, hydro-mechanical equipment, bridges, structural equipment and steel castings. Our Company was operational since April 1, 2010, post the demerger of the heavy engineering and steel foundry division of Texmaco Limited, which was founded in 1939 by Late Dr. K.K. Birla, son of Late G. D. Birla. Texmaco Limited was set up as a textile machinery manufacturing unit and subsequently diversified into other engineering fields including wagon manufacturing, hydro-mechanical equipment, steel castings, providing services to core sectors and process industries in India and abroad.

Our major operating divisions presently are the heavy engineering division comprising (i) manufacture and supply of wagons; (ii) hydro-mechanical equipment; and (iii) bridges and structural equipment and the steel foundry division. In addition, as a part of our heavy engineering division, we recently set up a production facility comprising of the traction and coaching division to manufacture EMU, DEMU, MEMU coaches, passenger coaches, locomotive shells, locomotive components and assemblies. Presently, we have five manufacturing facilities in Agarpara, Belgharia, Sodepur and Panihati located at the outskirts of Kolkata, West Bengal.

We are one of the largest suppliers of wagons in India, with the Indian Railways being our largest customer. We have also expanded our market overseas and exported wagons in the past to European, African and South East Asian countries in competition with global players. We have strong in-house capabilities for the design and manufacture of commodity specific special purpose wagons for core sectors such as cement, coal, alumina, steel, container freight cars, oil, chemicals, fertilisers, thermal power projects and the defence sector among others. We have been certified by the RDSO for manufacture of an annual production of 6,800 wagons, based on our past production. Our current production capacity is 10,000 wagons per annum. Over the years, we have also built strong capabilities in designing, marketing, manufacturing, erecting and commissioning of hydro-mechanical equipment and executed several hydro-mechanical projects both in India and overseas. In addition, we also manufacture steel super structure for railway bridges and flyovers.

We are also one of the largest suppliers of steel castings in India, with an annual production capacity of 30,000 metric tonnes of steel castings. Our steel foundry division located at Belgharia is engaged in manufacturing of railway castings such as bogies, couplers, draft gears and industrial castings such as shovels, shrouds for mining equipments, trackwork manganese castings and hub castings for hydro equipment. We supply steel castings to the Indian Railways and other wagon builders in India. We are also exporting steel castings to USA, Australia and South East Asia.

During fiscal 2014, our Company made a strategic investment in Kalindee Rail Nirman (Engineers) Limited ("**Kalindee**") engaged in the business of providing EPC services to railways and metros, especially in the field of signaling track, telecommunication and auto fare collection machines. We acquired shares in Kalindee through various modes, i.e., a preferential allotment, share purchase agreement with the erstwhile promoters of Kalindee and an acquisition of shares through an open offer to the public. Upon completion of the balance transfer of shares through the share purchase agreement, our equity shareholding in Kalindee will go up to 49.07 per cent. In addition, our Board and the Board of Kalindee have recently approved a scheme of arrangement to merge our Company and Kalindee with an aim to create greater synergies between the business operations of both companies to enable our Company to emerge as a "total rail solutions provider". The proposed merger, subject to the approval of our shareholders, SEBI, Stock Exchanges, the Hon'ble High Courts of Delhi and Calcutta, our lenders and other stakeholders, when complete, shall enable us to target value contracts for various solution requirements for the railway sector, exports and the private and public sector.

We have expanded our business by entering into strategic collaborations with renowned multi-national companies such as UGL Rail Services Limited, Australia, Touax Rail, France and Wabtec International Inc., U.S.A which have diverse experience in the rail industry. For instance, Texmaco UGL Rail Private Limited ("**TexUGL**"), our joint venture company with UGL Rail Services Limited, Australia has set up a specialised fabrication facility for manufacture of high precession fabrications primarily catering to the export market. TexUGL has recently executed a prestigious order for supply of locomotive bogies to Kazakhastan Railways and is presently executing orders for manufacturing bogies for Queensland Railway and Mozambique Railway, besides various other fabricated items for locomotives and coaches. Further, our joint venture company Touax Texmaco Railcar Leading Private Limited ("**TTRPL**") with Touax Rail (a French group) has been set up for leasing of wagons. In addition, we recently entered into a joint venture arrangement with Wabtec International

Inc. which is a leading global provider of products for freight rail cars, passenger transit cars and locomotives, including brake equipment, electronics (including train control), doors, couplers, bogies, pantographs and engine rebuilds to develop, market and sell products for the railway industry. We intend to form a joint venture company along with Wabtec International Inc. in order to be able to provide the Indian Railways with the latest generation of safety and control equipment and systems. We believe that this cooperation will enable the joint venture to bring to the Indian Railways the latest generation of safety and control equipment and systems.

The order book of our Company, as on March 31, 2014 and September 30, 2014 stands at ₹ 50,544 lakhs and ₹ 1,18,411 lakhs, excluding the value of free supply items, respectively.

The table below sets forth the composition of our Company's total revenues and profit after tax, for fiscal 2014, fiscal 2013 and fiscal 2012.

*(In ₹ Lakhs)*

| | **Fiscal 2014** | **Fiscal 2013** | **Fiscal 2012** |
|---|---|---|---|
| Revenues | | | |
| - Heavy Engineering Division | 35,131.80 | 77,883.80 | 7,0143.59 |
| - Steel Foundry | 9,441.86 | 5,057.43 | 6,599.77 |
| Total | 44,573.66 | 82,941.23 | 7,6743.36 |
| Net Profit (Profit after Tax) | 1,697.22 | 9,426.91 | 9,305.72 |

## SELECTED FINANCIAL INFORMATION

*The following selected financial information is extracted from and should be read in conjunction with, the Financial Statements and notes thereto as at, and for the, fiscal years ended March 31, 2014, 2013 and 2012 prepared in accordance with Indian GAAP, each included elsewhere in this Preliminary Placement Document. You should refer to "Management's Discussion and Analysis of Financial Condition and Results of Operations", for further discussion and analysis of the Financial Statements.*

*The financial information included in this Preliminary Placement Document does not reflect our 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.*

**TEXMACO RAIL & ENGINEERING LIMITED**

**Balance Sheet as at 31st March**

*(₹ in Lakhs)*

| **Particulars** | **As at 31.03.2014** | **As at 31.03.2013** | **As at 31.03.2012** |
|---|---|---|---|
| **I. EQUITY AND LIABILITIES** | | | |
| **(1) Shareholders' funds** | | | |
| (a) Share capital | 1,820.27 | 1,820.27 | 1,820.27 |
| (b) Reserves and surplus | 57,386.93 | 56,270.79 | 49,042.46 |
| | 59,207.21 | 58,091.06 | 50,862.73 |
| **(2) Non-current liabilities** | | | |
| (a)Long-term borrowings | 772.59 | 928.71 | 1,523.12 |
| (b) Deferred tax liabilities (Net) | 420.94 | 246.37 | 208.61 |
| (c) Other Long term liabilities | 574.54 | 574.54 | 633.65 |
| (d) Long-term provisions | 416.58 | 410.99 | 418.12 |
| | 2,184.66 | 2,160.61 | 2,783.50 |
| **(3) Current liabilities** | | | |
| (a) Short-term borrowings | 9,077.64 | 8,975.70 | 5,390.51 |
| (b) Trade payables | 20,365.65 | 23,947.39 | 34,371.14 |
| (c) Other current liabilities | 10,221.88 | 11,370.07 | 11,237.26 |
| (d) Short-term provisions | 703.59 | 2,193.81 | 2,168.30 |
| | 40,368.77 | 46,486.97 | 53,167.21 |
| **Total** | **1,01,760.63** | **1,06,738.64** | **1,06,813.44** |
| **II. ASSETS** | | | |
| **(1) Non-current assets** | | | |
| (a) Fixed assets | | | |
| (i) Tangible assets | 15,915.52 | 11,285.43 | 10,331.38 |
| (i) Intangible assets | 93.76 | - | - |
| (iii) Capital work-in-progress | 4,789.33 | 5,540.48 | 3,718.68 |
| | 20,798.61 | 16825.91 | 14050.06 |
| (b) Non-current investments | 11,194.04 | 6,631.26 | 4,336.23 |
| (c) Long-term loans and advances | 1,287.72 | 1,295.09 | 2,072.07 |

| | | | |
|---|---|---|---|
| | 33,280.37 | 24,752.26 | 20,458.36 |
| **(2) Current assets** | | | |
| (a) Current investments | 20,518.66 | 25,242.17 | 26,928.45 |
| (b) Inventories | 21,015.06 | 24,665.07 | 27,997.56 |
| (c) Trade receivables | 19,150.85 | 22,431.16 | 21,739.64 |
| (d) Cash and bank balances | 1,372.02 | 2,871.70 | 233.23 |
| (e) Short-term loans and advances | 6,259.42 | 6,642.23 | 9,364.26 |
| (f) Other current assets | 164.24 | 134.05 | 91.94 |
| | 68,480.25 | 81,986.38 | 86,355.08 |
| **Total** | **1,01,760.62** | **1,06,738.64** | **1,06,813.44** |

**TEXMACO RAIL & ENGINEERING LIMITED**

**Statement of Profit and Loss for the Year Ended 31st March**

*(₹ in Lakhs)*

| Particulars | For the Year Ended 31.03.2014 | For the year ended 31.03.2013 | For the year ended 31.03.2012 |
|---|---|---|---|
| **I. Revenue from operations** | | | |
| Sale of products | 51,517.43 | 1,03,596.50 | 93,796.84 |
| Less: Inter Segment Revenue | (4,179.94) | (15,857.58) | (13,592.62) |
| Less: Excise Duty | (2,878.32) | (5,261.44) | (4,178.56) |
| | 44,459.17 | 82,477.48 | 76,025.66 |
| Other operating revenues | 114.49 | 463.75 | 717.70 |
| **Total** | **44,573.66** | **82,941.23** | **76,743.36** |
| **II. Other income** | 2,354.08 | 3,096.69 | 2,560.74 |
| **III. Total Revenue (I + II)** | **46,927.74** | **86,037.92** | **79,304.10** |
| **IV. Expenses:** | | | |
| Cost of materials consumed | 27,486.19 | 53,075.81 | 48,321.56 |
| Changes in inventories of finished goods, work-in-progress and Stock-in-Trade | (433.90) | (2,010.49) | (1,518.00) |
| Employee benefit expense | 4,383.02 | 4,404.94 | 4,466.38 |
| Finance costs | | 1,192.99 | 1,121.91 |

| | | | |
|---|---|---|---|
| | 998.67 | | |
| Depreciation and amortisation expenses | 1,173.78 | 939.18 | 917.80 |
| Other expenses | 11,444.04 | 14,958.82 | 12,368.73 |
| **Total expenses** | **45,051.80** | **72561.25** | **65678.38** |
| **V. Profit before tax (III-IV)** | **1,875.94** | **13,476.67** | **13,625.72** |
| **VI. Tax expense:** | | | |
| (1) Current tax | 355.00 | 4,012.00 | 3,940.00 |
| (2) Income Tax for earlier year | 4.15 | - | - |
| (3) Deferred tax | 174.57 | 37.76 | 380.00 |
| (4) MAT Credit Entitlement | (355.00) | - | - |
| **VII. Profit for the period from continuing operations (V-VI)** | **1,697.21** | **9,426.91** | **9,305.72** |
| **VIII. Earnings per equity share: (face value of Re.1/- each)** | | | |
| (1) Basic | 0.93 | 5.18 | 5.11 |
| (2) Diluted | 0.93 | 5.18 | 5.11 |

**Texmaco Rail & Engineering Limited**

**Cash Flow Statement**

*(₹ in Lakhs)*

| | | Year Ended 31.03.2014 | Year Ended 31.03.2013 | Year Ended 31.03.2012 |
|---|---|---|---|---|
| A) | **Cash Flows From Operating Activities** | | | |
| | Net Profit before Taxation & Exceptional Items | 1,875.94 | 13476.67 | 13625.72 |
| | Adjustments for: | | | |
| | Depreciation | 1,173.78 | 939.18 | 917.80 |
| | Interest Paid | 998.67 | 1192.99 | 1121.91 |
| | Provision for Doubtful debt | - | 600.00 | - |
| | Bad Debt Written off | 127.30 | 106.14 | 147.69 |
| | Fixed Assets Written off | 36.13 | - | - |
| | Provision & Excess Liabilities Written Back | (7.96) | (15.82) | - |

| | | | | |
|---|---|---|---|---|
| | Employee Compensation Expenses under ESOP | - | - | (35.61) |
| | Provision for Dimunition in value of Investments | (2.60) | 4.15 | (0.90) |
| | Interest Received | (330.17) | (327.81) | (319.35) |
| | Income From Investments | (24.97) | (424.47) | (848.22) |
| | Profit on Sale Of Investments-Current(Net) | (992.66) | (765.89) | (1187.13) |
| | Profit on Sale Of Fixed Assets(Net) | (9.63) | (15.63) | (56.28) |
| | | 967.89 | 1292.84 | (260.09) |
| | **Operating Profit before Working Capital Changes & Exceptional Items** | 2,843.83 | 14769.51 | 13365.63 |
| | (Increase)/Decrease in Inventories | 3,650.01 | 3332.49 | (6423.33) |
| | (Increase)/Decrease in Trade & Other Receivables | 4,398.10 | 1798.88 | (3745.16) |
| | Increase/(Decrease) in Trade Payables | (4,656.86) | (10459.17) | 14309.08 |
| | Cash Generated from Operations | 6,235.08 | 9441.71 | 17506.22 |
| | Direct Taxes Paid | (859.06) | (3709.53) | (4692.60) |
| | Cash Flow before Exceptional Items | 5,376.02 | 5732.18 | 12813.62 |
| | Exceptional Items | - | - | - |
| | Net Cash from Operating Activities | 5,376.02 | 5732.18 | 12813.62 |
| B) | **Cash Flows From Investing Activities** | | | |
| | Purchase of Fixed Assets | (5251.44) | (3788.91) | (4359.94) |
| | Sale of Fixed Assets | 29.80 | 20.55 | 69.36 |
| | Purchase/Sale of Investments | 1155.99 | 152.99 | (3891.27) |
| | Bank Deposits(Includes deposit having maturity more than three months) | (9.13) | (6.05) | (5.62) |
| | Interest Received | 299.98 | 285.70 | 270.61 |
| | Income From Investments | 24.97 | 424.47 | 848.22 |
| | Net Cash used in Investing Activities | (3749.83) | (2911.25) | (7068.64) |
| C) | **Cash Flows From Financing Activities** | | | |
| | Receipt/(Payment) of Long Term Borrowings | (115.13) | (471.26) | 1655.20 |
| | Receipt/(Payment) of Short Term Borrowings | 101.94 | 3585.19 | (4297.82) |
| | Proceeds from issue of ESOP | - | - | 79.17 |
| | Dividend Paid | (2120.93) | (2,109.71) | (2107.12) |
| | Interest Paid | (1000.88) | (1192.73) | (1121.91) |
| | **Net Cash used in Financing** | (3135.00) | (188.51) | (5792.48) |

| | | | |
|---|---|---|---|
| **Activities** | | | |
| **Net Increase/(Decrease) in Cash and Cash Equivalents** | (1508.81) | 2632.42 | (47.50) |
| Cash And Cash Equivalents at the beginning of the period | 2853.37 | 220.95 | 268.45 |
| Cash and Cash Equivalents at the end of the period | 1344.56 | 2853.37 | 220.95 |

| **Note:** | 31.03.2014 | 31.03.2013 | 31.03.2012 |
|---|---|---|---|
| **(1) Cash and cash equivalents** | | | |
| Balances with banks | | | |
| Current Accounts | **1336.36** | **2844.26** | **160.91** |
| Cash on hand | **8.20** | **9.11** | **60.04** |
| | **1344.56** | **2853.37** | **220.95** |

(2)The Above Cash and 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.

(3) Previous year's figures are regrouped/rearranged wherever necessary.

Notes referred to above form an integral part of the Cash Flow Statement In terms of our Report of even date attached herewith.

## RISK FACTORS

*Prospective investors should carefully consider the risk factors described below together with all other information contained in this Preliminary Placement Document before making any investment decision relating to the Equity Shares. These risks and uncertainties are not the only issues that we face. These risks and uncertainties and additional risks and uncertainties not presently known to us or that we currently believe to be immaterial may adversely affect our business, results of operations, financial condition or prospects and may cause the market price of the Equity Shares to fall significantly and you to lose all or part of your investment in the Equity Shares. Prospective investors should pay particular attention to the fact that our Company is incorporated under the laws of India and that our Company is subject to a legal and regulatory environment which may differ in certain respects from other countries.*

### Risks associated with our business

***1. Our Company is currently dependent on the Indian Railways for a large portion of its revenues.***

For the last three fiscals, our Company has derived a majority of its revenues from the Indian Railways, which accounted for ₹ 33,234.69 lakhs (or 64%), ₹ 75,677.39 lakhs (or 73%) and ₹ 67,599.80 lakhs (or 72%) of our revenue from operations for the financial years ended March 31, 2014, March 31, 2013 and March 31, 2012, respectively. In addition, approximately 18% of our Company's order book as at March 31, 2014 consisted of orders from the Indian Railways. The decrease in revenue for the financial year ended March 31, 2014 is due to the Indian Railways not releasing any new orders for wagons during the financial year despite their budgeted expenditure for the procurement of wagons.

We believe that our Company benefits from various programmes and policies of the Indian Railways which facilitate and encourage the involvement of the private sector in railway infrastructure development. These include the Liberalised Wagon Investment Scheme, the Wagon Leasing Scheme, the Automobile Freight Train Operator Scheme and the Special Freight Train Operator Scheme. In addition, our Company also benefits from the wagon procurement policies of the Indian Railways where 60% of the total order for wagons is based on the past performance and track record of the bidder.

Our Company plans to increase the orders received from customers other than the Indian Railways with the Government of India recently permitting FDI in certain parts of the railways sector. In addition, our Company expects that wagon sales and other sales made to the Indian Railways will, however, continue to account for a significant portion of its revenues for the near future. If the Indian Railways reduce their volume of business with our Company, including due to an amendment of the relevant policies to favour public sector enterprises, or a withdrawal of the programmes and policies beneficial to the private sector, or if the Indian Railways do not release any new wagon orders, our Company's business, financial condition, results of operations and prospects may be adversely affected.

***2. The demand for our special purpose commodity specific wagons is related to GDP growth which sustains the demand for specific commodities like coal, steel, cement, alumina, food grains and automobiles.***

Our Company is one of the largest manufacturers in India of special purpose commodity specific wagons which cater to the coal, steel, cement, alumina, automobiles, perishable goods and certain commodity-specific industries. The demand for these wagons is directly related to the demand for the commodities in these industries and any decrease in such demand may result in a decrease in the demand for our special purpose commodity specific wagons. In addition, any slowdown in the core sector of the Indian economy (which includes the coal, steel and cement industries) may also reduce the demand for our special purpose commodity specific wagons. Any of these events may adversely affect our business, financial condition and results of operations.

***3. We face competition that may increase margin pressure and reduce our market share and profits.***

We operate in a competitive environment where we face competition from companies such as Titagarh Wagons Limited, Hindustan Engineering Industries Limited, Modern Industries Limited, Besco Limited, Jessop & Company Limited, Jupiter Wagons Limited, Bharat Wagon & Engineering Company Limited, Om Metals Infraprojects Limited, PES Engineers Private Limited and BBJ Construction Company Limited.

In particular, this competition may affect our ability to bid competitively for supply contracts with the Indian Railways and other government bodies which are awarded pursuant to competitive bidding processes. In accordance with the prevailing procurement policies of the Indian Railways, a certain proportion of these contracts are awarded to the lowest bidder. Some of our competitors which operate on a relatively smaller base (and are therefore also able to operate on lower overheads) and any new entrants to the industry may be willing to reduce their margins in order to gain market share and may lower their bid values for securing these contracts.

Certain of our competitors may also respond and adapt faster to technological changes in the industries that we operate in, in particular, changes in technology of rolling stock.

Pursuant to press note no. 8 (2014 series) dated August 27, 2014, the DIPP has amended the FDI Policy to permit foreign investment up to 100% through the automatic route in the construction, operation and maintenance of, amongst others, rolling stock. We may therefore face further competition from global and foreign companies who may have more experience and better financial resources, infrastructure and technology.

If we are unable to successfully compete in the industries that we operate in, our business and results of operations may be adversely affected.

4. ***The terms of one of our debt financing arrangements require us to obtain consent from the relevant lender for altering our share capital, which formal consent has not been received as of the date of this Preliminary Placement Document.***

Under one of our debt financing arrangements with State Bank of India, there is a covenant which requires us to obtain consent from the lender before altering our capital structure. Whilst we have applied to the lender for the consent, the formal consent is awaited as of the date of this Preliminary Placement Document.

Please note that undertaking the Issue, or otherwise altering our capital structure, may constitute an event of default under our financing arrangement with the lender, and will entitle the lender to enforce its rights under the arrangement, which may result in an increase in the applicable rates of interest or the acceleration of the relevant indebtedness and, through cross-default clauses, other indebtedness that is subject to cross-default provisions.

A default under our debt financing arrangements may adversely affect our ability to raise new funds or renew maturing borrowings, on terms and conditions acceptable to us, which may be required to conduct our operations and pursue our growth initiatives.

5. ***The decline in railway freight traffic may adversely affect our business and results of operations.***

The share of the railways in India’s freight traffic has declined during the last 30 years. Railway freight traffic in India generally depends on a number of factors such as policy initiatives taken by the Indian Railways, the amount of investment in railway infrastructure, the performance of the core sector of the Indian economy, overall growth in India’s GDP and the amount of investment in road transport infrastructure.

If the share of the Indian Railways in India’s freight traffic continues to decline, the demand for wagons will consequently reduce which may adversely affect our business, financial condition and results of operations.

6. ***Increase in material costs may adversely affect our results of operations.***

During the financial years ended 31 March 2014, 31 March 2013 and 31 March 2012, consumption of materials constituted approximately 59.6%, 62% and 61%, respectively, of our revenue from operations. The principal materials required for our operations include steel plates and sheets, scrap and specialised components such as wheel sets although certain materials are received by our Company as free supply items pursuant to wagon orders placed by the Indian Railways. As a resource-intensive manufacturing operation, we are exposed to a variety of market risks, including the effects of changes in input prices.

We do not typically enter into long term contracts with our vendors for the supply of materials and components. Accordingly, we do not have an ability to hedge any changes in input prices. The costs at which we procure certain of our materials and components have been impacted due to increases in the prices of the relevant commodities, such as steel. In addition to cost reduction measures, we also attempt to manage such increases through increases in the prices of our products. There can be no assurance that we will be able to pass on all cost increases to our customers or that such price increases will not result in reduced sales. In addition, because of intense price competition and fixed costs, we may not be able to adequately address changes in input prices even if they are foreseeable. Substantial changes in these prices may adversely affect our financial condition and results of operations.

7. ***Changes in technology may render existing technologies obsolete and our inability to identify evolving industry trends and customer preferences and make capital investments in new technology may adversely affect our business, financial condition, results of operations or prospects.***

Changes in technology may render some of our products obsolete or less attractive. Our ability to anticipate changes in technology and regulatory standards and to successfully introduce new and enhanced products in a timely manner is a significant factor in our ability to remain competitive. This is particularly important in order to compete effectively in the wagon manufacturing and supply business. For instance, the Twelfth Five Year Plan (2012 – 2017) notes the implementation of technological solutions for improving wagon quality which would involve improved axle loads and payload to tare ratios. This is expected to increase the demand for newer, improved wagons with greater load carrying capacity and other design enhancements.

We cannot assure you that we will be able to secure the necessary technological knowledge or capability, through technical assistance agreements or otherwise, which will allow us to develop products in a manner that meets the demands of our customers, or that we will be able to expand capacity and install and commission new equipment required to manufacture new products. If we are unable to obtain access to technology in a timely manner or at all, we may be unable to effectively implement our strategies, and our business, results of operations and prospects may be adversely affected.

***8. The operations of our hydro mechanical division involve certain risks.***

The operations of our hydro mechanical division involve certain risks, including natural disasters such as earthquakes, flash floods and landslides, unanticipated changes in engineering design, inaccurate drawings and technical information provided by customers on which bids were based, unforeseen design and engineering construction conditions, resulting in delays and increased costs, inability of our customers to obtain requisite environmental and other approvals, delays associated with the delivery of equipment and materials to the project site, unanticipated increases in costs of equipment and other materials, and delays caused by local and seasonal weather conditions.

The occurrence of any of these risks could significantly affect our operating results. Under certain unfavourable conditions caused due to one or more factors listed above, we may be forced to pursue alternative plans that may differ from our routine activities, including shortening operation time and reducing shifts. As a result, our productivity may decrease and we may experience delays in the completion of projects in a timely and cost-effective manner.

***9. We have limited experience in manufacturing passenger coaches, electric locomotive shells and components, and we may not be successful in this endeavour.***

We have limited experience in the manufacture of passenger coaches, electric locomotive shells, components and assemblies and we may need to incur additional capital expenditure in this regard. Accordingly, we may be subject to certain risks, such as:

- Diversion of our management's attention and our resources from our existing businesses.
- Inability to hire and retain skilled personnel experienced in the manufacture of passenger coaches, locomotive shells, components and assemblies.
- Inability to adapt to the technological requirements of passenger coach, locomotive shell, component and assembly manufacture.

If we are unsuccessful in this endeavour, our business, financial condition, results of operations or reputation may be adversely affected.

***10. We typically provide warranties and performance guarantees under our supply contracts and we may also be liable to pay liquidated damages for any failure to achieve timely completion or performance shortfalls.***

We typically provide warranties and performance guarantees under our supply contracts. The warranty periods in these contracts are typically up to 30 months and the performance guarantees are generally provided for up to 10% of the contract value. During the relevant warranty period or period covered by performance guarantee, if any of the products supplied by us fails to meet the relevant specifications, we would typically be required to either rectify the defects, or replace the product free of cost. Any expenses incurred by us in this regard may adversely affect our results of operations.

In addition, under certain contracts, if we fail to manufacture as per specifications or deliver in a timely manner, we may generally be held liable for penalties in the form of agreed liquidated damages. Any expenses incurred by us in this regard may adversely affect our results of operations.

***11. Certain contracts entered into by our Company do not contain price escalation or variation clauses in respect of increases in materials' prices.***

Certain of our contracts do not contain price escalation or variation clauses that provide for reimbursement by the customer or increases in the contract amount in the event of a variation in the prices of key materials required. Consequently, if the prices of materials required increase during the execution period, our Company's costs will increase, which will reduce our profitability and may lead to cost overruns. This may occur due to a variety of reasons that may be outside our control, including unanticipated changes in engineering design;

increases in equipment costs, materials or manpower; delays associated with the delivery of equipment and materials, unforeseen construction conditions and delays caused by local weather.

If we fail either to estimate costs accurately upon entry into a particular contract or to control costs during the term of a contract and are unable to renegotiate the contract to obtain an escalation in a given contract price, any costs in excess of the contract price will need to be absorbed by our Company and may affect its ability to sustain existing levels of profitability or to obtain future contract awards. In addition, if our cost estimates are too high, our Company's competitive position or reputation could be adversely affected.

12. ***We derive a significant portion of our revenue from government contracts, which are prone to delays and longer working capital cycles, which could in turn adversely affect our business and results of operations.***

For the last three fiscals, our Company has derived a majority of its revenues from the Indian Railways, which accounted for ₹ 33,234.69 lakhs (or 64%), ₹ 75,677.39 lakhs (or 73%) and ₹ 67,599.80 lakhs (or 72%) of our revenue from operations for the financial years ended March 31, 2014, March 31, 2013 and March 31, 2012, respectively. In addition, approximately 18% of our Company's order book as at March 31, 2014, consisted of orders from the Indian Railways.

The Indian Railways and other government bodies typically take a longer period than corporates in the private sector to make payment for services rendered. Our reliance on contracts with government bodies may lead to a longer working capital cycle. There is no assurance that we will be able to obtain payment from the Indian Railways and other government bodies in a timely fashion, or, if bad debts fall due, that we will be able to enforce repayment for such amounts.

13. ***Our Company may be unable to realise the strategy of the new businesses which would be integrated with our existing businesses following the scheme of arrangement with Kalindee taking effect.***

Following the scheme of arrangement with Kalindee taking effect, Kalindee would be merged with our Company and the current businesses of Kalindee would be integrated with the current business operations of our Company. In view of this, our Company would be entering a new business area in which it has limited experience. The successful realisation of our new business strategy is dependent on, amongst others, the following factors:

- our ability to secure orders in the sectors currently targeted by Kalindee, including through competitive bidding processes;
- enter into joint venture arrangements with domestic and international partners;
- invest in additional capacity and incur capital expenditures; and
- hire and retain skilled personnel experienced in the sectors in which Kalindee currently operates.

Any failure by our Company to successfully realise the strategy of its new businesses may adversely affect its business, financial condition, results of operations and prospects.

14. ***We have, in the past, entered into related party transactions and may continue to do so in the future and there can be no assurance that we could not have achieved more favourable terms if such transactions had not been entered into with related parties.***

We have entered into transactions with several related parties in the past. For the financial year ended March 31, 2014, out of ₹ 44,573.66 lakhs of our revenue from operations, ₹ 2,817.44 lakhs is related to transactions with related parties, and out of ₹ 45,051.80 lakhs of our total expenses, ₹ 1,281.76 lakhs relates to transactions with related parties. For further details on our related party transactions, see "Financial Statements".

Whilst we believe that all our related party transactions have been conducted on an arms-length basis and contain commercial terms, there can be no assurance that we could not have achieved more favourable terms if such transactions had not been entered into with related parties. Further, the transactions we have entered into, or any future transactions with our related parties, have involved or may potentially involve conflicts of interest. It is likely that we will continue to enter into related party transactions in the future and we cannot assure you that such transactions, individually or in the aggregate, will not adversely affect our financial condition and results of operations.

15. ***Our operations and growth strategy requires significant capital expenditure and we may not be able to raise the required amount of capital in a timely manner and on favourable terms.***

Our Company's businesses and operations, such as the new coach facility situated at our Sodepur unit and the proposed integration of the business of Kalindee, involve significant capital expenditure which will require our

Company to commit significant amounts of capital for the relevant periods, which in turn requires funding through equity investment or borrowing.

Operational and execution delays can delay our Company's return on capital expenditure and increase the amount of, and length of time for which, funding is required. We cannot assure you that the cash generated from our Company's operations will be sufficient to cover our capital expenditure or that our Company will be able to source external funding in a timely manner and on commercially acceptable terms. Delays in meeting milestones under our Company's contracts will further increase our funding requirements.

If our Company is unable to generate or obtain sufficient funds from its operations to make capital expenditures, investments or acquisitions, or if restrictions in its financing agreements and other arrangements do not permit it to use available funds for such purposes, it may need to suspend or delay its growth strategy, including the integration of the business of Kalindee, or reduce the scale of its operations, any of which may adversely affect our Company's business, results of operations and financial condition.

***16. Our quarterly financial results are subject to certain variations and may not be fully comparable.***

Many of our customers in the private sector do not purchase wagons annually and place orders on an "as needed" basis. We may therefore see increased demand for wagons or a specific type of wagon during a particular quarter and a decrease in such demand in the following or subsequent quarters. As a result of these variations, the results of our operations between quarterly periods may not be fully comparable, and should not be relied upon as indicators of our future performance.

***17. The Promoters may take actions that are not in, or may conflict with, our interests or the interests of our shareholders.***

As of November 14, 2014, the Promoters held approximately 63.25% of the Equity Shares and, therefore, have the ability to exercise a controlling influence over our Company's business. Please note that the Promoters may take actions that are not in, or may conflict with, our interests or the interests of our shareholders, including matters relating to our management and policies, the election of our directors and senior management, the approval of lending and investment policies, revenue budgets, capital expenditure, dividend policy, strategic acquisitions and fund raising activities. The controlling influence of the Promoters may discourage third parties from seeking to effect a change of control of our Company, even if that would be in our Company's best interest.

***18. Our inability to meet our obligations, including financial and other covenants, under our debt financing arrangements may adversely affect our business, financial condition and results of operations.***

Our Company has entered into certain financing arrangements which contain certain restrictive covenants and events of default that limit its ability to undertake certain types of transactions, any of which may adversely affect our business and financial condition. Such covenants include restrictions on:

- creating a mortgage on our assets;
- altering our capital structure or issuing additional capital;
- formulating schemes for mergers and amalgamations;
- entering into new long-term contracts; and
- providing guarantees for the indebtedness of others.

These agreements also require our Company to maintain certain financial and gearing ratios. Our future borrowings may also contain similar restrictive provisions.

If we fail to meet our debt service obligations or covenants (or receive approvals from our lenders to undertake certain transactions) provided under the financing agreements, the relevant lenders may declare our Company to be in default under the terms of our financing agreements, accelerate the maturity of our obligations or realise the security made available to these lenders. We cannot assure you that, in the event of any such acceleration, we will have sufficient resources to repay the borrowings.

Furthermore, certain of our Company's financing arrangements may contain cross-default provisions which may automatically trigger defaults under other financing arrangements. We may be forced to sell some or all of our assets if we do not have sufficient cash or credit facilities to make repayments. Our failure to meet our obligations under our debt financing agreements may adversely affect our business, financial condition and results of operations.

***19. We may be adversely affected by labour unrest.***

All of our permanent employees, other than officers and managers, are members of labour unions and are covered by wage agreements with those labour unions which have different tenures at different locations. In general, we consider our labour relations with all of our employees to be cordial. However, we may in the future be subject to labour unrest which may delay or disrupt our operations in the affected regions, including the acquisition of materials and components, the manufacture, sales and distribution of products and the provision of services.

If work stoppages or lockouts at our units or at the facilities of our major vendors or customers occur or continue for a long period of time, our business, financial condition or results of operations may be adversely affected.

Furthermore, under the Contract Labour (Regulation and Abolition) Act, 1970, we may be required to absorb a portion of our contract labourers as permanent employees. If we are subject to an order from any regulatory body or court requiring us to absorb such contract labourers, our business, financial condition or results of operations may be adversely affected.

***20. We have not registered the "Texmaco" brand name and logo.***

The "Texmaco" brand name and logo have not been registered in India or any other country and we have recently applied for their registration with the Registrar of Trade Marks in Kolkata, India. Consequently, we do not currently have intellectual property protection for our brand name and logo.

We cannot assure you that we will be able to prevent infringement of our brand name and logo and it is possible that, even if we do detect infringement, a passing off action may not provide sufficient protection unless our brand name and logo are registered.

Any infringement or unauthorised use of our intellectual property may adversely affect our business or results of operations.

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

We are dependent on our directors and senior management for setting our strategic direction and managing our business, which are crucial to our success. Our continued success also depends upon our ability to attract and retain a large group of experienced professionals and staff. The loss of the services of our senior management or our inability to recruit, train or retain a sufficient number of experienced personnel may adversely affect our operations and profitability. Our ability to retain experienced staff members as well as senior management will, in part, depend on us having in place appropriate staff remuneration and incentive schemes. We cannot be sure that the remuneration and incentive schemes we have in place will be sufficient to retain the services of our senior management and skilled employees.

***22. We are involved in certain legal proceedings, which if determined against us, may adversely affect our business, financial condition or results of operations.***

There are certain legal proceedings against our Company which are pending at different levels of adjudication before various courts and tribunals. Such legal proceedings divert management time and attention and consume financial resources in their defence or prosecution. No assurance can be given as to whether the matters which are the subject of these legal proceedings will be settled in our favour or against us. If we are held liable under any of these legal proceedings, it may adversely affect our business, financial condition or results of operations.

In addition, one of our independent directors, Hemant Kanoria, is involved in proceedings before the Appellate Tribunal for Foreign Exchange, New Delhi, which relate to alleged irregularities in certain foreign exchange transactions.

For details of material legal proceedings involving our Company and our Directors, see "Legal Proceedings".

***23. The central or state governments in India may exercise rights of eminent domain in respect of the land on which our units are situated.***

The central or state governments in India may exercise their rights of eminent domain, or compulsory acquisition, in respect of our units. The Right to Fair Compensation and Transparency in Land Acquisition, Rehabilitation and Resettlement Act, 2013 permits the central and state governments to exercise rights of eminent domain or, compulsory acquisition. If such right is used in respect of the land on which any of our units is located, we may be required to relinquish the land along with the relevant unit. Whilst we may be compensated for such acquisition in accordance with the relevant legislation, the compensation may not reflect the market value of the properties being acquired. The likelihood of such actions may increase as the central and state governments seek to acquire or re-zone land for the development of infrastructure projects such as roads, airports, railways and any other public purpose. Any such action in respect of one or more of our existing, or future, units may adversely affect our business, financial condition or results of operations.

24. ***We may not be able to obtain or maintain adequate insurance, which may adversely affect our business, results of operations and financial condition.***

Our operations are subject to certain hazards and risks such as fire, mechanical failure of equipment at our units and natural disasters. In addition, many of these operating and other risks may cause personal injury and loss of life, severe damage to or destruction of our properties and the properties of others, cause environmental pollution and may result in suspension of operations and the imposition of civil or criminal penalties. If any or all of our units and facilities are damaged in whole or in part and our operations are interrupted for a sustained period, we cannot assure you that our insurance policies will be adequate to cover the losses that may be incurred as a result of such interruption or the costs of repairing or replacing the damaged units or facilities or any third party claims. If we suffer a large uninsured loss or any insured loss suffered by us significantly exceeds our insurance coverage, our business, results of operations and financial condition may be adversely affected.

In addition, our insurance coverage is generally subject to annual renewal. In the event premium levels increase, we may not be able to obtain the same levels of coverage in the future as we currently have or we may only be able to obtain such coverage at substantially higher cost than we are currently paying. If we are unable to pass these costs to our customers, the costs of higher insurance premiums may adversely affect our results of operations and financial condition. Alternatively, we may choose not to insure, which, in the event of any damage or destruction to our units or facilities or defects to our products, may adversely affect our business, results of operations and financial condition.

25. ***Our inability to obtain, renew or maintain the licences and approvals required to undertake our business may adversely affect our business, results of operations and financial condition.***

We require certain licences and approvals to undertake our business and operate our units, including certain approvals required by environmental regulatory authorities. We are required to renew certain of these licences and approvals on a regular basis and may be required to obtain new licences and approvals. For instance, certain of our approvals under the Air Act, the Water Act and the Hazardous Wastes Rules, have expired, and we have applied for, or are in the process of applying for, the renewal of these approvals. These are:

a) consents to operate under the Air Act and the Water Act, and authorisation under the Hazardous Wastes Rules, in respect of our Agarpara unit;

b) consent to operate under the Air Act and the Water Act, in respect of our Belgharia and Sodepur units; and

c) authorisation under the Hazardous Wastes Rules, in respect of our Panihati and Sodepur units.

Whilst we believe that we will be able to obtain such licences and approvals and have not experienced any difficulty in renewing and maintaining these licences and approvals in the past, we cannot assure you that the relevant authorities will issue any such licences or approvals in the time-frame anticipated by us, or at all. Our inability to renew, maintain or obtain the required licences and approvals in a timely manner, or at all, may interrupt our operations and may adversely affect our business, financial condition or results of operations.

We cannot assure you that there will be no change in the laws and regulations or their interpretation thereof, either by a court of law, regulatory authority or otherwise, which will require us to obtain additional approvals or consents. Whilst we believe that we will be able to obtain such approvals and consents, as and when required by such changes, we cannot assure you that the relevant authorities will issue any such approvals and consents in the time-frame anticipated by us, or at all. Our inability to obtain the required consents, approvals, authorisations, orders, registrations and clearances with any authority may adversely affect our business, financial condition or results of operations.

26. ***We are subject to environmental regulations and any changes in these regulations may expose us to costs arising from environmental compliance and may adversely affect our results of operations.***

We are subject to regulation by the state pollution control boards in India. These state pollution control boards may, from time to time, inspect our units for compliance with relevant environmental laws and regulations, including the Water Act, the Air Act and the Hazardous Wastes Rules. These and other laws and regulations impose controls on our discharge of air and water, on the storage, handling, discharge and disposal of chemicals, employee exposure to hazardous substances and other aspects of our operations.

Whilst we believe that we comply with safety, health and environmental laws and regulations, the discharge of hazardous substances or pollutants may cause us to be liable for payment of fines. In addition, we may be required to incur costs to remedy the damages caused as a result of such discharges. Whilst we believe that we are in compliance with all material environmental regulations, we cannot assure you that the relevant regulatory authorities will not require us to obtain additional approvals, or impose new, stricter regulations which would require additional expenditures on environmental protection.

Further, adoption of new health, safety and environmental laws and regulations, new interpretations of existing laws, increased governmental enforcement of environmental laws or other developments in the future may require us to incur additional capital expenditure or operating expenditure, curtail our production activities or take other action that may adversely affect our results of operations and financial condition. In particular, safety, health and environmental laws and regulations in India have become increasingly stringent and may become more stringent in the future. The costs of complying with these requirements may also increase significantly. The measures we implement to comply with these new laws and regulations may not be deemed sufficient by the governmental authorities and our compliance costs may significantly exceed our current 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 environment groups and other individuals, which may result in substantial fines and penalties against us as well as orders that may limit or harm our operations.

***27. Our Company's order book may be subject to unexpected delays, adjustments and cancellations and is therefore an uncertain indicator of future sales.***

Our Company defines its order book as the sales value of products or services for which customers have placed firm orders and which are pending execution. The successful execution of any such order (at the value reflected in our order book) is subject to a number of assumptions, risks, and estimates, and there can be no assurance that such orders will be executed or that all the revenues anticipated in our Company's order book will be realised, or will be realised in the timeframe expected or result in profits.

Contract delays or cancellations or adjustments to the scope of work may occur from time to time due to a customer's default, incidents of force majeure, legal impediments or our Company's default, all of which may adversely affect the actual revenue earned from contracts reflected in our order book.

Further, termination of contracts by our customers would lead to loss of expected revenues from such contracts. In the event of such termination, there can be no assurance that our Company will receive compensation to cover all its costs.

In addition, substantially all of our Company's contracts oblige it to pay liquidated damages to its customers for failure to perform its obligations under the contracts. Under these contracts, damages are typically payable for delays in performance or performance not meeting pre-set parameters, subject to an overall cap. To the extent that our Company is required to pay liquidated damages to its customers, this will reduce the revenue earned by our Company from contracts contained in our order book.

***28. Our contingent liabilities that have not been provided for may adversely affect our financial condition.***

For the financial year ended March 31, 2014, we had the following contingent liabilities (in accordance with AS 29), which were not provided for:

| **Particulars** | **Amount as at March 31, 2014 (₹ in lakhs)** |
|---|---|
| Guarantees given by banks in the normal course of business. | 24,956.30 |
| Letters of credit opened by banks in the normal course of business. | 6,475.81 |
| Bonds issued to the customs department. | 92.20 |
| Claims under dispute (excise duty, service tax and others). | 3,920.50 |
| Claims not acknowledged as debts (amount unascertainable). | - |
| Income tax assessment re-opened (amount unascertainable). | - |

***29. Our ability to pay dividends will depend upon future earnings, financial condition, cash flows, working capital requirements, capital expenditure and lender consents.***

The amount of our future dividend payments, if any, will depend upon our future earnings, financial condition, cash flows, working capital requirements and capital expenditure. In addition, any dividend payments we make are subject to the prior consent of our lenders pursuant to the terms of the agreements we have with them.

***30. The mutations in respect of the immovable properties, on which our facilities and offices are located, have not yet been carried out.***

Pursuant to the Scheme taking effect, the beneficial ownership of the immovable properties, on which our facilities and offices are located, was transferred to and vested with our Company. Whilst our Company has applied for the mutations (the process by which changes in beneficial ownership are formally recorded in land registries in India) in respect of these immovable properties, as of the date of this Preliminary Placement Document, these mutations have not been carried out and our Company's name has not yet been reflected in the local land registry's records as the owner of the immovable properties.

***31. We cannot guarantee the accuracy of statistical and other information with respect to India, the Indian economy, the Indian Railways or our business or the industries in which we operate, as contained in this Preliminary Placement Document.***

Some data relating to our business have been assessed and quantified internally by our Company as no other credible third party sources are available for such data. The assessment of the data is based on our understanding, experience and internal estimates of our business. Although we believe that the data can be considered to be reliable, their accuracy, completeness and underlying assumptions are not guaranteed and their dependability cannot be assured.

Statistical and other information in this Preliminary Placement Document relating to India, the Indian economy, the Indian Railways or the industries in which we operate have been derived from various government publications that we believe to be reliable. However, we cannot guarantee the quality or reliability of such source of materials. While our Directors have taken reasonable care in the reproduction of the information, the information has not been prepared or independently verified by us, the Sole Global Book Running Lead Manager or any of our or its respective affiliates or advisors 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 include the facts and statistics included in "Industry Overview". 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 countries 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**

***32. The Companies Act, 2013 has effected significant changes to the existing Indian company law framework, which may subject us to higher compliance requirements and increase our compliance costs.***

A majority of the provisions and rules under the Companies Act, 2013 have recently been notified and have come into effect from the date of their respective notification, resulting in the corresponding provisions of the Companies Act, 1956 ceasing to have effect. The Companies Act, 2013 has brought into effect significant changes to the Indian company law framework, such as in the provisions related to issue of capital (including provisions in relation to issue of securities on a private placement basis), disclosures in offer document, corporate governance norms, accounting policies and audit matters, related party transactions, introduction of a provision allowing the initiation of class action suits in India against companies by shareholders or depositors, a restriction on investment by an Indian company through more than two layers of subsidiary investment companies (subject to certain permitted exceptions), prohibitions on loans to directors and insider trading and restrictions on directors and key managerial personnel from engaging in forward dealing. Further, the Companies Act, 2013 imposes greater monetary and other liability on our Company and our Directors for any non-compliance. To ensure compliance with the requirements of the Companies Act, 2013, we may need to allocate additional resources, which may increase our regulatory compliance costs and divert management attention.

The Companies Act, 2013 introduced certain additional requirements which do not have corresponding equivalents under the Companies Act, 1956. Accordingly, we may face challenges in interpreting and complying with such provisions due to limited jurisprudence on them. In the event, our interpretation of such provisions of the Companies Act, 2013 differs from, or contradicts with, any judicial pronouncements or clarifications issued by the central government in the future, we may face regulatory actions or we may be required to undertake remedial steps. Additionally, some of the provisions of the Companies Act, 2013 overlap with other existing laws and regulations (such as the corporate governance norms and insider trading regulations issued by SEBI). Recently, SEBI issued revised corporate governance guidelines, effective from October 1,

2014. Pursuant to the revised guidelines, we will be required to, amongst other things ensure that there is at least one woman director on our Board at all times, establish a vigilance mechanism for directors and employees and reconstitute certain committees in accordance with the revised guidelines. We may face difficulties in complying with any such overlapping requirements. Further, we cannot currently determine the impact of provisions of the Companies Act, 2013. Any increase in our compliance requirements or in our compliance costs may adversely affect our business and results of operations.

***33. Our business and activities are regulated by the Competition Act and any adverse application or interpretation of the Competition Act may adversely affect our business, financial condition and results of operations.***

The Competition Act was enacted for the purpose of preventing practices that have or are likely to have an adverse effect on competition in India and has mandated the Competition Commission of India (the "CCI") to separate such practices. Under the Competition Act, any arrangement, understanding or action in concert, whether formal or informal, which causes or is likely to cause an appreciable adverse effect on competition is void and attracts substantial penalties.

Any agreement amongst competitors which directly or indirectly involves determination of purchase or sale prices, limits or controls production, supply markets, technical development, investment or provision of services, or shares the market by way of geographical area or number of customers in the relevant market is presumed to have an appreciable adverse effect on competition in the relevant market in India and shall be void. Further, the Competition Act prohibits abuse of dominant position by any enterprise.

On March 4, 2011, the central government notified and brought into force the combination regulation (merger control) provisions under the Competition Act with effect from June 1, 2011. The combination regulation provisions require that the acquisition of shares, voting rights, assets or control or mergers or amalgamations which cross the prescribed asset and turnover based thresholds shall be mandatorily notified to and pre-approved by the CCI. In addition, on May 11, 2011, the CCI issued the final Competition Commission of India (Procedure in regard to the transaction of business relating to combinations) Regulations, 2011 (which were further amended on March 28, 2014), which sets out the mechanism for implementation of the merger control regime in India.

The Competition Act aims to, amongst others, prohibit all agreements and transactions which may have an appreciable adverse effect on competition in India. Consequently, all agreements entered into by us could be within the purview of the Competition Act. Further, the CCI has extra-territorial powers and can investigate any agreements, abusive conduct or combination occurring outside India if such agreement, conduct or combination has an appreciable adverse effect on competition in India. However, we cannot predict the impact of the provisions of the Competition Act on the agreements entered into by us at this stage. We are not currently party to any outstanding proceedings, nor have we received notice in relation to non-compliance with the Competition Act or the agreements entered into by us. However, if we are affected, directly or indirectly, by the application or interpretation of any provision of the Competition Act, or any enforcement proceedings initiated by the CCI, or any adverse publicity that may be generated due to scrutiny or prosecution by the CCI or if any prohibition or substantial penalties are levied under the Competition Act, it would adversely affect our business, results of operations and prospects.

The applicability or interpretation of the Competition Act to any merger, amalgamation or acquisition proposed by us, or any enforcement proceedings initiated by the CCI, either suo moto or pursuant to any complaint, for alleged violation of any provisions of the Competition Act may adversely affect our business, financial condition and results of operations.

***34. Terrorist attacks, civil disturbances in India may adversely affect our business and the trading price of the Equity Shares may decrease.***

India has from time to time experienced instances of social, religious and civil unrest and terrorist attacks. Military activity or terrorist attacks in the future may influence the Indian economy by disrupting communications and making travel more difficult and such political tensions may create a greater perception that investments in Indian companies involve higher degrees of risk. Events of this nature in the future, as well as social and civil unrest within other countries in Asia, may influence the Indian economy and our business, future financial performance, cash flows and market price of the Equity Shares.

***35. Political instability or significant changes in the economic liberalisation and deregulation policies of the central government or in the government of the states where we operate may disrupt our business.***

The central government has traditionally exercised and continues to exercise a significant influence over many aspects of the Indian economy. Further, our business is also impacted by regulations and conditions in the various states in India where we operate. Our businesses, and the market price and liquidity of our securities, may be affected by changes in exchange rates and controls, interest rates, government policies, taxation, social and ethnic instability and other political and economic developments in or affecting India. In recent years, India has been following a course of economic liberalisation and our business could be significantly influenced by economic policies followed by the central government.

However, we cannot assure you that such policies will continue in the future. Government corruption, scandals and protests against certain economic reforms, which have occurred in the past, could slow the pace of liberalisation and deregulation. The rate of economic liberalisation could change, and specific laws and policies affecting foreign investment, currency exchange rates and other matters affecting investment in India could change as well. A significant change in India's economic liberalisation and deregulation policies, in particular those relating to the businesses in which we operate, could disrupt business and economic conditions in India generally and our businesses in particular.

***36. Investors may be subject to Indian taxes arising out of capital gains.***

Capital gains arising from the sale of equity shares in an Indian company are generally taxable in India. Any gain realised on the sale of listed equity shares on a stock exchange held for more than 12 months will not be subject to capital gains tax in India if STT has been paid on the transaction. STT will be levied on and collected by an Indian stock exchange on which the equity shares are sold. Any gain realised on the sale of equity shares held for more than 12 months by an Indian resident, which are sold other than on a recognised 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 realised on the sale of 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 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 equity shares. For details see "Statement of Tax Benefits".

***37. Any downgrading of our or India's sovereign debt rating by rating agencies could have a negative impact on our business and the trading price of the Equity Shares.***

Any adverse revisions to our or India's sovereign credit ratings for domestic and international debt by rating agencies may adversely affect our ability to raise additional financing and the interest rates and other commercial terms at which such additional financing is available. This may adersely affect our business and future financial performance and our ability to obtain financing to fund our growth, as well as on the trading price of the Equity Shares.

***38. Significant differences exist between Indian GAAP and other accounting principles, such as U.S. GAAP and IFRS, which investors may be more familiar with and may consider material to their assessment of our financial condition.***

Our Financial Statements are prepared and presented in conformity with Indian GAAP. 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 in certain significant respects from IFRS, U.S. GAAP and other accounting principles and auditing standards with which prospective investors may be familiar in other countries. If our Financial Statements were to be prepared in accordance with such other accounting principles, our results of operations, cash flows and financial position may be substantially different. Accordingly, the degree to which the financial information included in this Preliminary Placement Document will provide meaningful information is dependent on your familiarity with Indian GAAP and the Companies Act. Any reliance by persons not familiar with Indian GAAP or the financial disclosures present in this Preliminary Placement Document should be limited.

***39. Investors may not be able to enforce a judgment of a foreign court against our Company.***

Our Company is a limited liability company incorporated under the laws of India. All of our Company's Directors are residents of India and the assets of our Group are substantially located in India. As a result, it may not be possible for investors to effect service of process upon our Company or such persons in jurisdictions outside India, or to enforce against them judgments obtained in courts outside India. Moreover, it is unlikely that a court in India would award damages on the same basis as a foreign court if an action were brought in India or that an Indian court would enforce foreign judgments if it viewed the amount of damages as excessive or inconsistent with Indian public policy. For details, see "Enforcement of Civil Liabilities".

40. ***Public companies in India, including our Company, may be required to prepare financial statements under IFRS or a variation thereof, Indian Accounting Standards "IND AS". The transition to IND AS in India is still unclear and we may be adversely affected by this transition.***

Public companies in India, including our Company, may be required to prepare annual and interim financial statements under IFRS or IND AS or a variation thereof. The ICAI has released a near-final version of IND AS titled "First-time Adoption of Indian Accounting Standards" and the MCA, on February 25, 2011, has announced that IND AS would be implemented in a phased manner and the date of such implementation would be announced at a later date. As at the date of this Preliminary Placement Document, the MCA has not notified the date of implementation of IND AS. There is not yet a significant body of established practice for forming judgements regarding its implementation and application. Additionally, IND AS has fundamental differences compared with IFRS and therefore financial statements prepared under IND AS may be substantially different from financial statements prepared under IFRS. We cannot assure you that our financial condition, results of operations, cash flow or changes in shareholders' equity will not appear materially different under IND AS from that under Indian GAAP or IFRS. As we adopt IND AS reporting, we may encounter difficulties in the process of implementing and enhancing our management information systems. We cannot assure you that our adoption of IND AS will not adversely affect our reported results of operations or financial condition and any failure to successfully adopt IND AS in accordance with the prescribed timelines may materially and adversely affect our financial position and results of operations.

**Risks related to the Equity Shares**

41. ***The trading price of the Equity Shares may be subject to volatility and you may not be able to sell the Equity Shares at or above the Issue Price.***

The trading price of the Equity Shares may fluctuate after this Issue due to a variety of factors, including our results of operations and the performance of our business, competitive conditions, general economic, political and social factors, the performance of the Indian and global economy and significant developments in India's fiscal regime, volatility in the Indian and global securities market, performance of our competitors and the perception in the market about investments in the railway sector, changes in the estimates of our performance or recommendations by financial analysts and announcements by us or others regarding contracts, acquisitions, strategic partnerships, joint ventures, or capital commitments. In addition, if the stock markets in general experience a loss of investor confidence, the trading price of the Equity Shares could decline for reasons unrelated to our business, financial condition or operating results. The trading price of the Equity Shares might also decline in reaction to events that affect other companies in our industry even if these events do not directly affect us. Each of these factors, among others, could adversely affect the price of the Equity Shares.

42. ***There is no guarantee that the Equity Shares will be listed on the Stock Exchanges in a timely manner, or at all, and prospective investors will not be able to immediately sell their Equity Shares on the Stock Exchange.***

In accordance with Indian law and practice, final approval for listing and trading of the Equity Shares will not be applied for or granted until the Equity Shares have been issued and allotted. Such approval will require the submission of all other relevant documents authorising the issuance of the Equity Shares. Accordingly, there could be a failure or delay in listing the Equity Shares on the Stock Exchanges, which would adversely affect your ability to sell the Equity Shares.

43. ***Foreign investors are subject to foreign investment restrictions under Indian law that limit our ability to attract foreign investors, which may adversely affect the trading price of the 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 exceptions) if they comply with the requirements specified by the RBI. If the transfer of shares is not in compliance with such requirements or falls under any of the specified exceptions, then prior approval of the RBI or the FIPB will be required. In addition, 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 or tax clearance certificate from the income tax authority. Additionally, the Indian government may impose foreign exchange restrictions in certain emergency situations, including situations where there are sudden fluctuations in interest rates or exchange rates, where the Indian government experiences extreme difficulty in stabilising the balance of payments or where there are substantial disturbances in the financial and capital markets in India. These restrictions may require foreign investors to obtain the Indian government's approval before acquiring Indian securities or repatriating the interest or dividends from those securities or the proceeds from the sale of those securities. There can be no assurance that any approval required from the RBI or any other government agency can be obtained on any particular terms or at all.

***44. There are restrictions on daily movements in the trading price of the Equity Shares, which may adversely affect a shareholder's ability to sell the Equity Shares or the price at which Equity Shares can be sold at a particular point in time.***

The Equity Shares are subject to a daily circuit breaker imposed on listed companies by all stock exchanges in India, which does not allow transactions beyond certain volatility in the trading price of the Equity Shares. This circuit breaker operates independently of the index-based market-wide circuit breakers generally imposed by SEBI on the Stock Exchanges. The percentage limit on the Equity Shares' circuit breaker will be set by the stock exchanges based on historical volatility in the price and trading volume of the Equity Shares. The stock exchanges are not required to inform us of the percentage limit of the circuit breaker, and they may change the limit without our knowledge. This circuit breaker would effectively limit the upward and downward movements in the trading price of the Equity Shares. As a result of this circuit breaker, there can be no assurance regarding the ability of shareholders to sell the Equity Shares or the price at which shareholders may be able to sell their Equity Shares.

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

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

***46. Any future issuance of equity shares by our Company or sales of our equity shares by any of our Company's significant shareholders may adversely affect the trading price of our equity shares.***

Any future issuance of the Equity Shares, including pursuant to an employee stock option scheme, could dilute your shareholding. Any such future issuance of the Equity Shares or sales of the Equity Shares by any of our significant shareholders may also adversely affect the trading price of the Equity Shares, and could impact our ability to raise capital through an offering of our securities. We cannot assure you that we will not issue further Equity Shares or that the shareholders will not dispose of, pledge, or otherwise encumber their Equity Shares. In addition, any perception by investors that such issuances or sales might occur could also affect the trading price of the Equity Shares.

## MARKET PRICE INFORMATION

*Source: www.bseindia.com*, *www.nseindia.com*, the websites of the BSE and the NSE respectively.

Our Equity Shares are listed on the NSE, the BSE and the CSE since March 3, 2011, March 3, 2011 and January 10, 2011, respectively.

The tables below set forth, for the periods indicated, the high, low and average closing prices and the trading volumes on the BSE and the NSE for our Equity Shares. No transactions in Equity Shares of our Company have taken place on the CSE during the period mentioned below.

As of October 31, 2014, 18,20,26,590 Equity Shares have been issued and are fully paid up.

The face value of each Equity Share is ₹ 1.

A. The following tables set forth the reported high, low and average of the closing prices of our Equity Shares on the BSE and the NSE and number of Equity Shares traded on the days, such high and low prices were recorded for the year ended March 31, 2014, March 31, 2013 and March 31, 2012.

**BSE**

| Year ending | High (₹) | Date of High | No. of Equity Shares traded on date of high | Total Volume of Equity Shares traded on date of high (₹ in lakh) | Low (₹) | Date of Low | No. of Equity Shares traded on date of low | Total Volume of Equity Shares traded on date of low (₹ in lakh) | Average price for the year (₹)* |
|---|---|---|---|---|---|---|---|---|---|
| Fiscal 2014 | 50.30 | 16.04.2013 | 1,064 | 0.53 | 26.10 | 05.08.2013 | 4,218 | 1.13 | 38.47 |
| Fiscal 2013 | 72.35 | 09.01.2013 | 78,598 | 56.74 | 47.3 | 26.03.2013 | 3,252 | 1.53 | 58.37 |
| Fiscal 2012 | 93.55 | 06.07.2011 | 57,921 | 54.16 | 51.6 | 02.01.2012 | 14,082 | 7.32 | 74.28 |

** Average of the daily closing prices*

*Note: High and low prices are based on daily closing prices*

**NSE**

| Year ending | High (₹) | Date of High | No. of Equity Shares traded on date of high | Total Volume of Equity Shares traded on date of high (₹ in lakh) | Low (₹) | Date of Low | No. of Equity Shares traded on date of low | Total Volume of Equity Shares traded on date of low (₹ in lakh) | Average price for the year (₹)* |
|---|---|---|---|---|---|---|---|---|---|
| Fiscal 2014 | 50.20 | 16.04.2013 | 10,187 | 5.07 | 26.25 | 05.08.2013 | 16,076 | 4.31 | 38.53 |
| Fiscal 2013 | 72.35 | 09.01.2013 | 3,39,297 | 245.07 | 48.10 | 25.03.2013 | 44,696 | 21.76 | 58.49 |
| Fiscal 2012 | 93.70 | 20.07.2011 | 68,266 | 63.31 | 51.65 | 02.01.2012 | 14,600 | 7.67 | 74.67 |

** Average of the daily closing prices*

*Note: High and low prices are based on daily closing prices*

B. The following tables set forth the reported high and low closing prices of our Equity Shares recorded on the BSE and the NSE and the number of Equity Shares traded on the days such high and low prices were recorded and the volume of Equity Shares traded in each of the last six months.

**BSE**

| Month | High (₹) | Date of High | No. of Equity Shares traded on date of high | Equity Shares traded on date of high (₹ in lakh) | Low (₹) | Date of Low | No. of Equity Shares traded on date of low | Total Volume of Equity Shares traded on date of low (₹ in lakh) | Average price for the month (₹)* | Equity Shares traded in the month | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | | | | | | volume | (₹ in lakh) |
| October 2014 | 95.85 | 31.10.2014 | 3,74,450 | 352.78 | 83.40 | 16.10.2014 | 64,105 | 53.99 | 87.983 | 30,31,853 | 2,719.47 |
| September 2014 | 93.85 | 18.09.14 | 6,18,162 | 585.92 | 78.9 | 05.09.14 | 93,879 | 74.72 | 85.58 | 66,98,070 | 5,955.47 |
| August 2014 | 95.50 | 07.08.14 | 17,33,026 | 1,731.54 | 76.05 | 27.08.14 | 83,713 | 65.16 | 86.82 | 46,14,627 | 4,238.97 |
| July 2014 | 145.70 | 07.07.14 | 11,24,207 | 1,595.54 | 86.75 | 28.07.14 | 51,332 | 45.10 | 101.30 | 1,36,65,287 | 14,988.97 |
| June 2014 | 124.55 | 11.06.14 | 1,57,973 | 199.89 | 100.6 | 05.06.14 | 48,521 | 48.97 | 113.93 | 19,78,731 | 2,321.29 |
| May 2014 | 114.85 | 26.05.14 | 2,31,318 | 269.96 | 63.55 | 02.05.14 | 17,880 | 11.35 | 87.36 | 32,65,336 | 2,998.50 |

** Average of the daily closing prices*

*Note: High and low prices are based on daily closing prices*

**NSE**

| Month | High (₹) | Date of High | No. of Equity Shares traded on date of high | Equity Shares traded on date of high (₹ in lakh) | Low (₹) | Date of Low | No. of Equity Shares traded on date of low | Total Volume of Equity Shares traded on date of low (₹ in lakh) | Average price for the month (₹)* | Equity Shares traded in the month | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | | | | | | volume | (₹ in lakh) |
| October 2014 | 95.8 | 31.10.14 | 16,58,217 | 1,559.16 | 83.45 | 07.10.14 | 8,56,211 | 738.07 | 87.97 | 1,21,33,006 | 10,889.32 |
| September 2014 | 93.55 | 18.09.14 | 26,83,562 | 2,541.93 | 79.15 | 25.09.14 | 5,51,761 | 443.85 | 85.56 | 2,26,09,682 | 20,146.19 |
| August 2014 | 95.35 | 07.08.14 | 74,60,453 | 7,457.97 | 75.80 | 27.08.14 | 4,25,394 | 330.49 | 86.85 | 1,67,00,763 | 15,475.59 |
| July 2014 | 145.75 | 07.07.14 | 58,22,995 | 8,261.98 | 86.55 | 28.07.14 | 1,73,905 | 152.56 | 101.3682 | 5,56,32,433 | 63,453.44 |
| June 2014 | 124.55 | 11.06.14 | 10,46,908 | 1,321.06 | 101.05 | 05.06.14 | 3,83,344 | 387.64 | 114.08 | 1,29,19,436 | 15,042.3 |
| May 2014 | 114.75 | 26.05.14 | 12,45,000 | 1,445.96 | 63 | 02.05.14 | 34,354 | 21.8 | 87.58 | 1,00,52,528 | 10,036.98 |

** Average of the daily closing prices*

*Note: High and low prices are based on daily closing prices*

The closing prices of our Equity Shares on the BSE and the NSE were ₹ 91.65 and ₹ 91.95, respectively on July 22, 2014; the trading days immediately following the days on which the resolution of the Board to approve the Issue was passed.

# USE OF PROCEEDS

The gross proceeds from the Issue will be approximately ₹ [●] lakhs.

The net proceeds from the Issue, after deducting fees, commissions and expenses of the Issue, will be approximately ₹ [●] lakhs (the "**Net Proceeds**").

Subject to compliance with applicable laws and regulations, we intend to use the Net Proceeds of the Issue for strengthening our financial position and net worth by way of, amongst others, emerging business opportunities including through mergers, acquisition or investment opportunities, expansion purposes, capital expenditure, working capital, general corporate purposes and meeting exigencies or any other purposes as approved by our Board.

In accordance with the policies approved by the Board and as permissible under applicable laws and government policies, our management will have flexibility in deploying the Net Proceeds. Pending utilisation for the purposes described above, we intend to temporarily invest funds in creditworthy instruments, including money market Mutual Funds and deposits with banks and corporates. Such investments would be in accordance with the investment policies as approved by the Board from time to time and all applicable laws and regulations.

Neither our Promoters nor our Directors are making any contribution either as part of the Issue or separately in furtherance of the objects of the Issue.

## CAPITALISATION AND INDEBTEDNESS

The following table sets forth our capitalisation and indebtedness as per our Financial Statements as at March 31, 2014, September 30, 2014 and as adjusted for the Issue. This table should be read in conjunction with "Management's Discussion and Analysis of Financial Condition and Results of Operations" and other financial information contained in "Financial Statements".

*(in ₹ lakh)*

| | **As of March 31, 2014** | **As of September 30, 2014** | **As adjusted for the Issue**(1) |
|---|---|---|---|
| **Shareholders' funds** | | | |
| Share Capital | 1,820.27 | 1,820.27 | [●] |
| Reserve and surplus | 57,386.94 | 56,815.75 | [●] |
| Minority interest | - | - | [●] |
| **Total shareholders' funds (A)** | 59,207.21 | 58,636.02 | [●] |
| | | | |
| **Loan funds** | | | |
| Secured loans | 101,53.82 | 10,393.09 | [●] |
| Unsecured loans | 10.40 | 9.75 | [●] |
| **Total debt (B)** | 10,164.22 | 10,402.84 | [●] |
| **Total capitalisation (A+B)** | 69,371.43 | 69,038.86 | [●] |

*(1) Will be updated following closure of the Issue.*

## CAPITAL STRUCTURE

The Equity Share capital of our Company as at the date of this Preliminary Placement Document is set forth below:

*(In Lakh, except share data)*

| | | Aggregate value at face value |
|---|---|---|
| **A** | **AUTHORISED SHARE CAPITAL** | |
| | 20,00,00,000 Equity Shares at par value of ₹ 1 each | 2,000.000 |
| | | |
| **B** | **ISSUED, SUBSCRIBED AND PAID-UP CAPITAL BEFORE THE ISSUE** | |
| | 18,20,26,590 Equity Shares at par value of ₹ 1 each fully paid | 1,820.27 |
| | | |
| **C** | **PRESENT ISSUE IN TERMS OF THIS PLACEMENT DOCUMENT** | |
| | [●] Equity Shares | [●] |
| | | |
| **D** | **PAID-UP CAPITAL AFTER THE ISSUE** | |
| | [●] Equity Shares | [●] |
| | | |
| **E** | **SECURITIES PREMIUM ACCOUNT** | |
| | Before the Issue | 76.73 |
| | After the Issue | [●] |
| | | |

* *The Issue has been authorised by the Board of Directors on July 21, 2014 and the shareholders pursuant to their resolution dated September 4, 2014.*

### Equity Share Capital History of our Company

The history of the Equity Share capital of our Company is provided in the following table:

| Date of Allotment | No. of Equity Shares Allotted | Face Value per Equity Share | Issue price per Equity Share (Rs.) | Consideration |
|---|---|---|---|---|
| June 25, 1998 | 10,000* | 10 | 10 | Cash |
| February 20, 2010 | 5,45,00,000 | 1 | 1 | Cash |
| November 2, 2010 | 12,71,83,090 | 1 | 1 | Other than Cash |
| March 9, 2012 | 2,43,500 | 1 | 32.51 | Cash |

** One (1) Equity Shares of ₹10 each was split into 10 equity shares of ₹1 each, effective January 9, 2009.*

*Note: There were no allotments made in the last one year preceding the date of the Preliminary Placement Document for consideration other than cash.*

## DIVIDENDS

The declaration and payment of dividends will be recommended by our Board 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.

The dividends declared by our Company in respect of the financial years ended, March 31, 2014, March 31, 2013 and March 31, 2012 are as under:

*(In ₹ lakh, except percentages)*

| Particulars | Year ended March 31, 2014 | Year ended March 31, 2013 | Year ended March 31, 2012 |
|---|---|---|---|
| **Equity Dividend** | | | |
| Equity Share Capital | 1,820.27 | 1,820.27 | 1,820.27 |
| Rate of dividend (per cent) | 25 | 100 | 100 |
| Amount of dividend | 455.07 | 1,820.27 | 1,820.27 |
| Dividend Tax | 77.34 | 309.35 | 295.29 |

For a summary of certain Indian consequences of dividend distributions to shareholders, see "Statement of Tax Benefits".

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

*Prospective investors should read the following discussion and analysis of our financial condition and results of operations in conjunction with "Selected Financial Information" and our financial statements and related notes included elsewhere in this Preliminary Placement Document. Our audited financial statements for the financial years ended March 31, 2012, 2013 and 2014; and (ii) our unaudited interim financial statements as of and for the six month period ended September 30, 2014, have been prepared in accordance with Indian GAAP.*

*Unless otherwise indicated, references in this discussion and analysis of our results of operations or financial condition for a specified year are to our financial year ended March 31 of such year. Our financial results are measured in Rupees and are presented in "₹ lakhs" (₹1 lakh is equal to ₹100,000).*

**Overview**

We are one of the flagship company of the Adventz Group of companies that are engaged in the agri business, engineering, infrastructure, real estate, consumer durables and services sectors under the Chairmanship of Mr. Saroj Kumar Poddar. We are a diversified heavy engineering company. We are primarily engaged in the business of manufacturing railway freight cars, EMU coaches, locomotive components and assemblies, hydro-mechanical equipment, bridges, structural equipment and steel castings. Our Company was operational since April 1, 2010, post the demerger of the heavy engineering and steel foundry division of Texmaco Limited, which was founded in 1939 by Late Dr. K.K. Birla, son of Late G. D. Birla. Texmaco Limited was set up as a textile machinery manufacturing unit and subsequently diversified into other engineering fields including wagon manufacturing, hydro-mechanical equipment, steel castings, providing services to core sectors and process industries in India and abroad.

Our major operating divisions presently are the heavy engineering division comprising (i) manufacture and supply of wagons; (ii) hydro-mechanical equipment; and (iii) bridges and structural equipment and the steel foundry division. In addition, as a part of our heavy engineering division, we recently set up a production facility comprising of the traction and coaching division to manufacture EMU, DEMU, MEMU coaches, passenger coaches, locomotive shells, locomotive components and assemblies. Presently, we have five manufacturing facilities in Agarpara, Belgharia, Sodepur and Panihati located at the outskirts of Kolkata, West Bengal.

We are one of the largest suppliers of wagons in India, with the Indian Railways being our largest customer. We have also expanded our market overseas and exported wagons in the past to European, African and South East Asian countries in competition with global players. We have strong in-house capabilities for the design and manufacture of commodity specific special purpose wagons for core sectors such as cement, coal, alumina, steel, container freight cars, oil, chemicals, fertilisers, thermal power projects and the defence sector among others. We have been certified by the RDSO for manufacture of an annual production of 6,800 wagons, based on our past production. Our current production capacity is 10,000 wagons per annum. Over the years, we have also built strong capabilities in designing, marketing, manufacturing, erecting and commissioning of hydro-mechanical equipment and executed several hydro-mechanical projects both in India and overseas. In addition, we also manufacture steel super structure for railway bridges and flyovers.

We are also one of the largest suppliers of steel castings in India, with an annual production capacity of 30,000 metric tonnes of steel castings. Our steel foundry division located at Belgharia is engaged in manufacturing of railway castings such as bogies, couplers, draft gears and industrial castings such as shovels, shrouds for mining equipments, trackwork manganese castings and hub castings for hydro equipment. We supply steel castings to the Indian Railways and other wagon builders in India. We are also exporting steel castings to USA, Australia and South East Asia.

During fiscal 2014, our Company made a strategic investment in Kalindee Rail Nirman (Engineers) Limited ("**Kalindee**") engaged in the business of providing EPC services to railways and metros, especially in the field of signaling track, telecommunication and auto fare collection machines. We acquired shares in Kalindee through various modes, i.e., a preferential allotment, share purchase agreement with the erstwhile promoters of Kalindee and an acquisition of shares through an open offer to the public. Upon completion of balance transfer of shares through the share purchase agreement, our equity shareholding in Kalindee will go up to 49.07 per cent. In addition, our Board and the Board of Kalindee have recently approved a scheme of arrangement to merge our Company and Kalindee with an aim to create greater synergies between the business operations of both companies to enable our Company to emerge as a "total rail solutions provider". The proposed merger, subject to the approval of our shareholders, SEBI, Stock Exchanges, the Hon'ble High Courts of Delhi and

Calcutta, our lenders and other stakeholders, when complete, shall enable us to target value contracts for various solution requirements for the railway sector, exports and the private and public sector.

We have expanded our business by entering into strategic collaborations with renowned multi-national companies such as UGL Rail Services Limited, Australia, Touax Rail, France and Wabtec International Inc., U.S.A which have diverse experience in the rail industry. For instance, TexUGL, our joint venture company with UGL Rail Services Limited, Australia has set up a specialised fabrication facility for manufacture of high precession fabrications primarily catering to the export market. TexUGL has recently executed a prestigious order for supply of locomotive bogies to Kazakhastan Railways and is presently executing orders for manufacturing bogies for Queensland Railway and Mozambique Railway, besides various other fabricated items for locomotives and coaches. Further, our joint venture company TTRPL with Touax Rail (a French group) has been set up for leasing of wagons. In addition, we recently entered into a joint venture arrangement with Wabtec International Inc. which is a leading global provider of products for freight rail cars, passenger transit cars and locomotives, including brake equipment, electronics (including train control), doors, couplers, bogies, pantographs and engine rebuilds to develop, market and sell products for the railway industry. We intend to form a joint venture company along with Wabtec International Inc. in order to be able to provide the Indian Railways with the latest generation of safety and control equipment and systems. We believe that this cooperation will enable the joint venture to bring to the Indian Railways the latest generation of safety and control equipment and systems.

The order book of our Company, as on March 31, 2014 and September 30, 2014 stands at ₹ 50,544 lakhs and ₹ 118,411 lakhs, excluding the value of free supply items, respectively.

The table below sets forth the composition of our Company's total revenues and profit after tax, for fiscal 2014, fiscal 2013 and fiscal 2012.

*(In ₹ lakhs)*

| | Fiscal 2014 | Fiscal 2013 | Fiscal 2012 |
|---|---|---|---|
| Revenues | | | |
| - Heavy Engineering Division | 35,131.80 | 77,883.80 | 70,143.59 |
| - Steel Foundry | 9,441.86 | 5,057.43 | 6,599.77 |
| Total | 44,573.66 | 82,941.23 | 76,743.36 |
| Net Profit (Profit after Tax) | 1,697.22 | 9,426.91 | 9,305.72 |

**Principal factors affecting our performance**

Our business, results of operations and financial condition are affected by a number of factors, including:

***Volume of business from the Indian Railways***

For the last three fiscals, a significant portion of our total revenue was derived from wagon orders from the Indian Railways, which accounted for ₹ 33,234.69 lakhs (or 64%), ₹ 75,677.39 lakhs (or 73%) and ₹ 67,599.80 lakhs (or 72%) of our total revenue for the financial years ended March 31, 2014, March 31, 2013 and March 31, 2012, respectively and ₹ 11,297.30 lakhs (or 51%) of our total revenue for the six months period ended September 30, 2014. In addition, the sales of castings from our steel foundry division to our heavy engineering division accounted for ₹ 13,995.00 lakhs (or 27%), ₹ 21,815.47 lakhs (or 21%) and ₹ 20,938.23 lakhs (or 22%) of our total revenue for the financial years ended March 31, 2014, March 31, 2013 and March 31, 2012, respectively and ₹ 6,117.74 lakhs (or 28%) of our total revenue for the six months period ended September 30, 2014. In addition, approximately 18% of our Company’s order book as at September 30, 2014, consisted of orders from the Indian Railways. The decrease in revenue for the financial year ended March 31, 2014 is due to the Indian Railways not releasing any new orders for wagons during the financial year. New wagons orders by the Indian Railways were released in April 2014.

We believe, therefore, that the level of business received by the private sector from the Indian Railways and our ability to successfully compete for and obtain orders, will have a material impact on our business, results of operations and financial condition going forward.

***Increase in the share of railway freight traffic***

The share of the railways in India's freight traffic has declined during the last 30 years. The demand for our wagons is related to this share of the railways in India's freight traffic (including wagons owned by other government/ private operators), which further depends on a number of factors such as policy initiatives taken by the Indian Railways, the amount of investment in railway infrastructure, the performance of the core sector of the Indian economy, overall growth in India's GDP and the amount of investment in road transport infrastructure. We believe that an increase in the share of railway freight traffic will benefit our results of operations and financial condition.

***Macroeconomic factors in India***

The demand for wagons is directly related to the commodity demand in the coal, steel, cement, alumina, automobiles, perishable goods and certain commodity-specific industries, some of which form part of the core sector of the Indian economy. We believe that macroeconomic factors, including growth in the core sector of the Indian economy as well as government spending in railway infrastructure, will have a material impact on our business, results of operations and financial condition going forward.

***Cost of materials***

We are a resource-intensive manufacturing operation and consumption of materials constituted approximately 59.6%, 62% and 61%, respectively, of our total revenue for the financial years ended March 31, 2014, March 31, 2013 and March 31, 2012, respectively and 49% as of and for the six months period ended September 30, 2014. The principal materials required for our operations include steel plates and sheets, scrap and specialised components such as wheel sets. Note that certain materials such as steel plates, sheets and bearings as well as wheel sets are received by our Company as free supply items pursuant to wagon orders placed by the Indian Railways. Our ability to continue to purchase materials on commercially acceptable terms will have a material impact on our business, results of operations and financial condition going forward.

***Competition***

We operate in a competitive environment. In addition, our rolling stock division may face increased competition due to recent amendments to the FDI Policy, where the Government of India has liberalised foreign investment restrictions in certain parts of the railways sector. Our ability to successfully compete in the industries that we operate in, will have a material impact on our business, results of operations and financial condition going forward.

***Other factors***

In addition to the factors described above, the results of our hydro mechanical division are subject to certain risks associated with our operations at the project sites of our customers. These include natural disasters, such as earthquakes, local and seasonal weather conditions as well as uncertainties resulting from political instability or unrest.

**Basis of presentation**

The financial statements of our Company have been prepared and presented under the historical cost convention and on the accrual basis expect for certain fixed assets, which are revalued in accordance with Indian GAAP. The preparation of the financial statements in conformity with Indian GAAP requires our management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent liabilities on the date of the financial statements and reported amounts of revenues and expenses for the year. Actual results could differ from these estimates. Differences between the actual results and the estimates are recognised in the period in which the results are known/ materialised.

**Critical accounting policies**

***Fixed assets***

Fixed assets are carried at the cost of acquisition or construction less accumulated depreciation except certain revalued assets which are stated on the basis of their revalued costs less accumulated depreciation. Intangible assets are recorded at the consideration paid for acquisition less accumulated amortisation. The cost of fixed assets includes non-refundable taxes, duties, freight and other incidental expenses related to the acquisition and installation of the respective assets. Borrowing costs directly attributable to acquisition or construction of those fixed assets which necessarily take a substantial period of time to get ready for their intended use are capitalised.

Our Company assesses at each balance sheet date, whether there is any indication that an asset may have been impaired. If any such indication exists, our Company estimates the recoverable amount of the asset. If such recoverable amount of the asset or the recoverable amount of the cash generating unit to which the asset belongs is less than its carrying amount, the carrying amount is reduced to its recoverable amount. The reduction is treated as an impairment loss and is recognised in the statement of profit and loss. If at the balance sheet date, there is an indication that if a previously assessed impairment loss no longer exists, the recoverable amount is reassessed and the asset is reflected at the recoverable amount subject to a maximum of depreciated historical cost.

***Depreciation***

*Tangible fixed assets*

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 in accordance with the rates as given in Schedule XIV of the Companies Act, 1956. The depreciation on amount added on revaluation is being set off by transfer from revaluation reserve.

*Intangible fixed assets*

Intangible assets that are acquired by our Company are measured initially at cost. After initial recognition, intangible assets are carried at its cost less any accumulated amortisation and any accumulated impairment loss. Intangible assets are amortised on straight line basis over a period of six years.

***Investments***

Investments are either classified as current or non-current based on our management's intention at the time of purchase. Current investments are stated at the lower of cost and fair value.

Non-current 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. The reduction in the carrying amount is reversed when there is a rise in the value of the investment or if the reason for the reduction no longer exists.

***Revenue recognition***

Sales revenue is recognised on transfer of the significant risks and rewards of ownership of the goods to the buyer and stated at net of sales tax, service tax, VAT, trade discounts, rebates but include excise duty. Income from services is recognised as services are rendered based on the relevant 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 recognised 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. Capital gains on investments are accounted at the time of encashment.

***Employee benefits***

a) Our Company's contribution to provident fund, employees' state insurance scheme and superannuation fund are charged on accrual basis to the statement of profit and loss.

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

c) Our Company has an approved gratuity fund for its heavy engineering division and steel foundry division which has taken a group gratuity cash accumulation scheme policy with Life Insurance Corporation of India 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. Our Company accounts for gratuity liability equivalent to the premium amount payable to Life Insurance Corporation of India 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.

***Cenvat duty, customs duty and cenvat credit***

Cenvat credit availed on materials, stores and capital goods are reduced from the cost of the respective goods. Cenvat duty payable on finished goods lying in the factory is provided for and included in closing stock of inventory.

***Research and development***

Research and development expenditures of revenue nature are charged to the statement of profit and loss, while capital expenditure is added to the cost of fixed assets in the year in which it is incurred.

***Valuation of inventories***

Inventories are valued at the lower of cost and net realisable 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 a 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 the balance sheet date are translated at the exchange rate prevailing on that date. All exchange differences are recognised in the statement of profit and loss except in case of long term liabilities, where they relate to acquisition of fixed assets in which case they are adjusted to the carrying cost of such assets. Any premium or discount on a forward exchange contract is amortised as an expense or income over the life of the relevant contract.

***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.

***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, our Company has classified its operation into two business segments, namely, heavy engineering division and steel foundry division.

b) Revenue and expenses have been identified for the segments on the basis of their relationship to the operating activities of each segment. Revenue and expenses which are related to the enterprise as a whole and are not allocable to the 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 a reasonable basis.

***Taxation***

Current tax is 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 the 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. Deferred tax assets/ liabilities are reviewed as at each balance sheet date and written down or written up to reflect the amount that is reasonable/ virtually certain to be realised.

***Government grant***

Grants from the government are recognised when there is a reasonable assurance that the grant will be received and all attaching conditions will be complied with. Revenue grants/subsidies are recognised in the statement of profit and loss. Capital grants relating to specific fixed assets are reduced from the gross value of the respective fixed assets. Other capital grants are credited to reserves and surplus under the head “central/state capital subsidy” of our Company.

***Earning per share***

Earnings per share is calculated by dividing the net profit/ loss for the period attributable to equity shares holders by the weighted average number of equity shares outstanding during the period.

***Cash flow statement***

Cash flow is reported using the indirect method, whereby profit before tax is adjusted for the effects of transactions of a non-cash nature and any deferrals or accruals of past or future cash receipts or payments. The cash flow from regular revenue generating, financing and investing activities of our Company is segregated.

### Our results of operations

The following table sets out certain data from our statement of profit and loss, in absolute terms as well as a percentage of our total income for the reporting periods indicated.

| Particulars | For the year ended March 31 | | | | | | For the six months ended September 30, 2014 | |
|---|---|---|---|---|---|---|---|---|
| | 2012 | | 2013 | | 2014 | | | |
| | (₹ lakhs) | (% of total revenue at III) | (₹ lakhs) | (% of total revenue at III) | (₹ lakhs) | (% of total revenue at III) | (₹ lakhs) | (% of total revenue at III) |
| **I. Revenue from operations** | | | | | | | | |
| Sale of products | 93,796.84 | 118% | 1,03,596.50 | 120% | 51,517.43 | 110% | 21,834.67 | 124% |
| Less: inter segment revenue | (13,592.62) | 17% | (15,857.58) | 18% | (4,179.94) | 9% | (4,169.14) | 24% |
| Less: excise duty | (4,178.56) | 5% | (5,261.44) | 6% | (2,878.32) | 6% | (1,228.72) | 7% |
| | 76,025.66 | 96% | 82,477.48 | 96% | 44,459.17 | 95% | 16,436.81 | 93% |
| Other operating revenues | 717.70 | 1% | 463.75 | 1% | 114.49 | 0% | 358.10 | 2% |
| **Total** | 76,743.36 | 97% | 82,941.23 | 96% | 44,573.66 | 95% | 16,794.91 | 95% |
| **II. Other income** | 2,560.74 | 3% | 3,096.69 | 4% | 2,354.08 | 5% | 865.66 | 5% |
| **III. Total revenue (I + II)** | 79,304.10 | 100% | 86,037.92 | 100% | 46,927.74 | 100% | 17,660.57 | 100% |
| **IV. Expenses** | | | | | | | | |
| Cost of materials consumed | 48,321.56 | 61% | 53,075.81 | 62% | 27,486.19 | 59% | 8,571.85 | 49% |
| Changes in inventories of finished goods, work-in-progress and stock-in-trade | (1,518.00) | 2% | (2,010.49) | 2% | (433.90) | 1% | 1,691.60 | 10% |
| Employee benefits expense | 4,466.38 | 6% | 4,404.94 | 5% | 4,383.02 | 9% | 2,262.00 | 13% |
| Finance costs | 1,121.91 | 1% | 1,192.99 | 1% | 998.67 | 2% | 571.27 | 3% |
| Depreciation and amortisation expenses | 917.80 | 1% | 939.18 | 1% | 1,173.78 | 3% | 630.87 | 4% |
| Other expenses | 12,368.73 | 16% | 14,958.82 | 17% | 11,444.04 | 24% | 4,384.23 | 25% |
| **Total expenses** | 65678.38 | 83% | 72,561.25 | 84% | 45,051.80 | 96% | 18,111.84 | 103% |
| **V. Profit before tax (III-IV)** | 13,625.72 | 17% | 13,476.67 | 16% | 1,875.94 | 4% | (451.26) | 3% |
| **VI. Tax expense** | | | | | | | | |
| (a) Current tax | 3,940.00 | 5% | 4,012.00 | 5% | 355.00 | 0% | - | 0% |
| (b) MAT credit entitlement | - | | - | | (355.00) | 1% | - | 0% |
| (c) Income tax for earlier year | - | | - | | 4.15 | 0% | - | 0% |
| (d) Deferred tax | 380.00 | 0% | 37.76 | 0% | 174.57 | 0% | - | 0% |
| **VII. Profit for the** | 9,305.72 | 12% | 9,426.91 | 11% | 1,697.22 | 4% | (451.26) | 3% |

| Particulars | For the year ended March 31 | | | | | | For the six months ended September 30, 2014 | |
|---|---|---|---|---|---|---|---|---|
| | 2012 | | 2013 | | 2014 | | | |
| | (₹ lakhs) | (% of total revenue at III) | (₹ lakhs) | (% of total revenue at III) | (₹ lakhs) | (% of total revenue at III) | (₹ lakhs) | (% of total revenue at III) |
| **period from continuing operations (V-VI)** | | | | | | | | |

## Principal income statement items

***Revenue from operations***

Our revenue from operations is predominantly derived from the sale of our products (including our exports) and is adjusted to account for excise duty and certain inter-segment revenue. The following products were sold by our Company during the financial year ended March 31, 2014:

(i) wagons, which accounted for ₹ 33,234.69 lakhs or 64% of our total sales, and also included exports which accounted for ₹ 10,109.49 lakhs or 20% of our total sales;

(ii) hydro mechanical and structural, which accounted for ₹ 2,923.06 lakhs or 6% of our total sales; and

(iii) pressure vessels, heat exchangers, chemical machineries, power tillers and reapers and others, which accounted for ₹ 1,364.68 lakhs or 3% of our total sales;

under our heavy engineering division, and

(iv) steel castings, which accounted for ₹ 13,995.00 lakhs or 27% of our total sales, including exports which accounted for ₹ 2,141.96 lakhs or 4% of our total sales, under our steel foundry division.

***Other income***

Our Company's other income includes, amongst others, income from investments, rent received and miscellaneous receipts and income.

***Expenses***

Our expenses include material cost and consumption of components, employee benefits expenses, finance costs and depreciation and amortisation expenses. We also incur certain other expenses which include, amongst others, consumption of stores and spare parts, power and fuel, repairs and maintenance and site expenses. The largest component of our expenses is material cost and consumption of components and other store materials which accounted for ₹ 31,453.74 lakhs or 70% of our total expenses for the financial year ended March 31, 2014.

## Review of historical operating results

***Fiscal 2014 compared to fiscal 2013***

*Revenue from operations*

Our revenue from operations decreased by 46% from ₹ 82,941.23 lakhs in fiscal 2013 to ₹ 44,573.66 lakhs in fiscal 2014. This decrease is attributed to the following factors:

a) wagon orders not being released by the Indian Railways during the financial year, which was unprecedented, and resulted in lower capacity utilisation and unabsorbed fixed costs. As a consequence, our wagon sales reduced from ₹ 75,677.39 lakhs in fiscal 2013 to ₹ 33,234.69 lakhs in fiscal 2014. In addition, this also resulted in a reduction in the sales value relating to our steel foundry division from ₹ 21,815.47 lakhs in fiscal 2013 to ₹ 13,995.00 lakhs in fiscal 2014; and

b) setbacks faced in the execution of certain ongoing projects due to political agitation in Assam. This situation, however, improved in the three month period ended March 31, 2014, which resulted in increased movement of working capital and finished inventory. Our Company was also able to recover substantial amounts of long outstanding dues.

*Other income*

Our other income decreased by 24% from ₹ 3,096.69 lakhs in fiscal 2013 to ₹ 2,354.08 lakhs in fiscal 2014. This decrease is primarily due to a reduction in our dividend income from non-current investments and rent received.

*Cost of materials consumed*

Our cost of materials consumed decreased by 48% from ₹ 53,075.81 lakhs in fiscal 2013 to ₹ 27,486.19 lakhs in fiscal 2014. This decrease is attributed to the reduction in the number of wagon orders received by our Company during fiscal 2014, which resulted in a reduction in our wagon sales and supply of castings from our steel foundry division, and which consequently resulted in a reduction in, primarily, our consumption of components and our purchase of materials.

*Employee benefits expenses*

Our employee benefits expenses decreased by 0.5% from ₹ 4,404.94 lakhs in fiscal 2013 to ₹ 4,383.02 lakhs in fiscal 2014.

*Finance costs*

Our finance costs decreased by 16% from ₹ 1,192.99 lakhs in fiscal 2013 to ₹ 998.67 lakhs in fiscal 2014, primarily due to a decrease in our other borrowing costs.

*Depreciation and amortisation expenses*

Our expenses relating to depreciation and amortisation increased by 25% from ₹ 939.18 lakhs in fiscal 2013 to ₹ 1,173.78 lakhs in fiscal 2014, which is attributed to the depreciation expenses incurred on account of the capitalisation of a new coach manufacturing facility at our Sodepur unit, which was commissioned during fiscal 2014.

*Other expenses*

Our other expenses decreased by 24% from ₹ 14,958.82 lakhs in fiscal 2013 to ₹ 11,444.04 lakhs in fiscal 2014. This decrease is primarily due to a reduction in our consumption of stores and spare parts and in our power and fuel expenses.

*Profit before tax*

As a result of the foregoing, our profit before tax decreased by 86% from ₹ 13,476.67 lakhs in fiscal 2013 to ₹ 1,875.94 lakhs in fiscal 2014.

*Tax expenses*

Our tax expenses decreased by 96% from ₹ 4,049.76 lakhs in fiscal 2013 to ₹ 178.72 lakhs in fiscal 2014, primarily due to a significant reduction in our profit before tax in fiscal 2014.

*Profit from continuing operations*

As a result of the foregoing, our profit from continuing operations decreased by 82% from ₹ 9,426.91 lakhs in fiscal 2013 to ₹ 1,697.22 lakhs in fiscal 2014.

***Fiscal 2013 compared to fiscal 2012***

*Revenue from operations*

Our revenue from operations increased by 8.08% from ₹ 76,743.36 lakhs in fiscal 2012 to ₹ 82,941.23 lakhs in fiscal 2013. This increase is attributed primarily to increased wagon sales which were made pursuant to a significant number of wagon orders placed by the Indian Railways.

*Other income*

Our other income increased by 20.93% from ₹ 2,560.74 lakhs in fiscal 2012 to ₹ 3,096.69 lakhs in fiscal 2013, attributed primarily to an increase in the rent received by our Company during fiscal 2013.

*Cost of materials consumed*

Our cost of materials consumed increased by 9.84% from ₹ 48,321.56 lakhs in fiscal 2012 to ₹ 53,075.81 lakhs in fiscal 2013. This increase is attributed to an increase in the consumption of materials, consequent to the increase in our revenue from operations.

*Employee benefits expenses*

Our employee benefits expenses decreased by 1.38% from ₹ 4,466.38 lakhs in fiscal 2012 to ₹ 4,404.94 lakhs in fiscal 2013.

*Finance costs*

Our finance costs increased by 6.34% from ₹ 1,121.91 lakhs in fiscal 2012 to ₹ 1,192.99 lakhs in fiscal 2013, primarily due to an increase in our other borrowing costs.

*Depreciation and amortisation expenses*

Our expenses relating to depreciation and amortisation increased by 2.33% from ₹ 917.80 lakhs in fiscal 2012 to ₹ 939.18 lakhs in fiscal 2013.

*Other expenses*

Our other expenses increased by 20.94% from ₹ 12,368.73 lakhs in fiscal 2012 to ₹ 14,958.82 lakhs in fiscal 2013, primarily due to an increase in our consumption of stores and spare parts and in our power and fuel expenses.

*Profit before tax*

As a result of the foregoing, our profit before tax decreased by 1.09% from ₹ 13,625.72 lakhs in fiscal 2012 to ₹ 13,476.67 lakhs in fiscal 2013.

*Tax expenses*

Our tax expenses decreased by 6.26% from ₹ 4,320.00 lakhs in fiscal 2012 to ₹ 4,049.76 lakhs in fiscal 2013, primarily due to a significant reduction in our deferred tax expenses from ₹ 380.00 lakhs in fiscal 2012 to ₹ 37.76 lakhs in fiscal 2013.

*Profit from continuing operations*

As a result of the foregoing, our profit from continuing operations increased by 1.30% from ₹ 9,305.72 lakhs in fiscal 2012 to ₹ 9,426.91 lakhs in fiscal 2013.

**Liquidity and capital resources**

Our liquidity requirements relate to financing our working requirements for our operations and our capital expenditures. We have in the past relied principally on the cash flows from our customers, internal accruals as well as borrowings. In addition, we seek to maintain at least two months' operating expenses as cash and cash equivalents, and we have also obtained working capital facilities provided by various banks in India.

We have not, till date, experienced any loss or lack of access to our invested cash, cash equivalents and short term instruments.

***Cash flow data***

| Particulars | For the year ended March 31 | | |
|---|---|---|---|
| | 2012 | 2013 | 2014 |
| | | (₹ lakhs) | |
| Net cash from operating activities | 12,813.62 | 5,732.18 | 5,376.02 |
| Net cash used in investing activities | (7,063.02) | (2,911.25) | (3,749.83) |
| Net cash used in financing activities | (5,792.48) | (188.51) | (3,135.00) |
| Net increase/ (decrease) in cash and cash equivalents | (41.88) | 2,632.42 | (1,508.81) |
| Cash and cash equivalents as at April 1 | 275.11 | 220.95 | 2,853.37 |
| Cash and cash equivalents as at March 31 | 233.23 | 2,853.37 | 1,344.56 |

***Cash flow from operating activities***

For fiscal 2014, our net cash from operating activities amounted to ₹ 5,376.02 lakhs, primarily attributable to a net profit of ₹ 1,875.94 lakhs, adjustments for depreciation and interest paid amounting to ₹ 1,173.78 lakhs and ₹ 998.67 lakhs, respectively (partially offset by cash outflows of ₹ 992.66 lakhs and ₹ 330.17 lakhs on account of the sale of certain investments and interest received, respectively), changes to working capital comprising cash inflows of ₹ 3,650.01 lakhs and ₹ 4,398.10 lakhs on account of a decrease in inventories and trade and other receivables, respectively (partially offset by a cash outflow of ₹ 4,656.86 lakhs on account of a decrease in trade payables), and direct tax expenses of ₹ 859.06 lakhs.

For fiscal 2013, our net cash from operating activities amounted to ₹ 5,732.18 lakhs, primarily attributable to a net profit of ₹ 13,476.67 lakhs, adjustments for depreciation, interest paid and provisions for doubtful debts amounting to ₹ 939.18 lakhs, ₹ 1,192.99 lakhs and ₹ 600.00 lakhs, respectively (partially offset by cash outflows of ₹ 327.81 lakhs, ₹ 424.47 lakhs and ₹ 765.89 lakhs on account of interest received, income from investments and sale of certain investments, respectively), changes to working capital comprising cash inflows of ₹ 3,332.49 lakhs and ₹ 1,798.88 lakhs on account of a decrease in inventories and trade and other receivables, respectively (partially offset by a cash outflow of ₹ 10,459.17 lakhs on account of a decrease in trade payables), and direct tax expenses of ₹ 3,709.53 lakhs.

For fiscal 2012, our net cash from operating activities amounted to ₹ 12,813.62 lakhs, primarily attributable to a net profit of ₹ 13,625.72 lakhs, adjustments for depreciation and interest paid amounting to ₹ 917.80 lakhs and ₹ 1,121.91 lakhs, respectively (offset by cash outflows of ₹ 319.35 lakhs, ₹ 848.22 lakhs and ₹ 1,187.13 lakhs on account of interest received, income from investments and sale of certain investments, respectively), changes to working capital comprising a cash inflow of ₹ 14,309.08 lakhs on account of a increase in trade payables (partially offset by cash outflows of ₹ 6,423.33 lakhs and ₹ 3,745.16 lakhs on account of an increase in inventories and trade and other receivables, respectively) and direct tax expenses of ₹ 4,692.60 lakhs.

***Cash flow from investing activities***

For fiscal 2014, our net cash used in investing activities amounted to ₹ 3,749.83 lakhs, primarily attributable to the purchase of fixed assets amounting to ₹ 5,251.44 lakhs, and which was partially offset by cash inflows of ₹ 1,155.99 lakhs and ₹ 299.98 lakhs on account of sale of investments and interest received, respectively.

For fiscal 2013, our net cash used in investing activities amounted to ₹ 2,911.25 lakhs, primarily attributable to the purchase of fixed assets amounting to ₹ 3,788.91 lakhs, and which was partially offset by cash inflows of ₹ 152.99 lakhs, ₹ 285.70 lakhs and ₹ 424.47 lakhs on account of sale of investments, interest received and income from investments, respectively.

For fiscal 2012, our net cash used in investing activities amounted to ₹ 7,063.02 lakhs, primarily attributable to the purchase of fixed assets amounting to ₹ 4,359.94 lakhs and purchase of certain investments amounting to ₹ 3,891.27 lakhs, and which were partially offset by cash inflows of ₹ 270.61 lakhs and ₹ 848.22 lakhs on account of interest received and income from investments, respectively.

***Cash flow from financing activities***

For fiscal 2014, our net cash used in financing activities amounted to ₹ 3,135.00 lakhs, primarily attributable to payments of dividend and interest amounting to ₹ 2,120.93 lakhs and ₹ 1,000.88 lakhs, respectively.

For fiscal 2013, our net cash used in financing activities amounted to ₹ 188.51 lakhs, primarily attributable to payments of dividend and interest amounting to ₹ 2,109.71 lakhs and ₹ 1,192.73 lakhs, respectively, and which were partially offset by proceeds from short term borrowings amounting to ₹ 3,585.19 lakhs.

For fiscal 2012, our net cash used in financing activities amounted to ₹ 5,792.48 lakhs, primarily attributable to repayment of short term borrowings, payments of dividend and interest amounting to ₹ 4,297.82 lakhs, ₹ 2,107.12 lakhs and ₹ 1,121.91 lakhs, respectively, and which were partially offset by proceeds from long term borrowings amounting to ₹ 1,655.20 lakhs.

**Capital expenditure**

Our capital expenditure was ₹ 5,251.44 lakhs, ₹ 3,788.91 lakhs and ₹ 4,359.94 lakhs for fiscal 2014, fiscal 2013 and fiscal 2012, respectively, and which primarily comprised costs relating to, amongst others, factory shed, building and railway sidings, EMU coach facility, modernisation of steel foundry, shot blasting equipment, painting booth and pollution control equipment.

**Indebtedness**

The following table sets out the principal elements of our indebtedness:

| Particulars | For the year ended March 31 | | |
|---|---|---|---|
| | 2012 | 2013 | 2014 |
| | | (₹ lakhs) | |

| Particulars | For the year ended March 31<br>2012 | <br>2013 | <br>2014 |
|---|---|---|---|
| | | (₹ lakhs) | |
| **Long-term borrowings** | | | |
| Foreign currency term loan | 1,521.02 | 918.96 | 724.21 |
| Car loan | - | - | 38.63 |
| Fixed deposits from employees/ ex employees | 2.10 | 9.75 | 9.75 |
| **Short-term borrowings** | | | |
| Cash credit loans | 2,907.37 | 7,556.00 | 8,973.84 |
| Export packing credit loans | 2,483.14 | 1,419.70 | 103.80 |
| **Other long term liabilities** | | | |
| Security deposits | 633.65 | 574.54 | 574.54 |

Our interest coverage ratio for the last three financial years is set out below:

| Particulars | For the year ended March 31<br>2012 | <br>2013 | <br>2014 |
|---|---|---|---|
| | | (₹ lakhs, except interest coverage ratio) | |
| Earnings before interest and taxes (EBIT) (A) | 14,747.63 | 14,669.66 | 2,874.61 |
| Interest paid (B) | 1,121.91 | 1,192.99 | 998.67 |
| Interest coverage ratio (A/B) | 13.14 | 12.29 | 2.88 |

**Contractual commitments and contingent liabilities**

In addition to the payment obligations under our indebtedness set out above, we also have continuing obligations to make payments pursuant to certain contractual obligations. These contractual commitments comprise the estimated amount (net of advances) of contracts remaining to be executed and not provided for. Details of these contractual commitments for the relevant reporting periods are set out below:

| Particulars | For the year ended March 31<br>2012 | <br>2013 | <br>2014 |
|---|---|---|---|
| | | (₹ lakhs) | |
| Commitments | 801.34 | 3,672.44 | 804.87 |

The following table sets out our contingent liabilities for the relevant reporting periods and which are not provided for:

| Particulars | For the year ended March 31<br>2012 | <br>2013 | <br>2014 |
|---|---|---|---|
| | | (₹ lakhs) | |
| Guarantees given by banks in the normal course of business | 33,854.27 | 33,127.06 | 24,956.30 |
| Letters of credit opened by banks in the normal course of business | 9,962.66 | 5,808.28 | 6,475.81 |
| Bonds issued to custom department | 92.20 | 92.20 | 92.20 |
| Claims under dispute (excise duty, service tax and others) | 2,199.50 | 2,199.50 | 3,920.50 |
| Claims not acknowledged as debts (amount unascertainable) | - | - | - |
| Income tax assessment re- | - | - | - |

| Particulars | For the year ended March 31 | | |
|---|---|---|---|
| | 2012 | 2013 | 2014 |
| | | (₹ lakhs) | |
| opened (amount unascertainable) | | | |

**Quantitative and qualitative disclosure about market risk**

*Interest rate risk*

Our exposure to market risk for changes in interest rates related primarily to our secured floating rate debt obligations. As of March 31, 2014, all of our secured indebtedness (excluding the car loan obtained by our Company) carried interest at floating rates. Our secured loans (including current portion) as of September 30, 2014 amounted to ₹ 10,655.68 lakhs, all of which (excluding the car loan obtained by our Company) carried floating interest rates.

*Commodity price risk*

We are exposed to market risk with respect to the prices of materials and components used in our products including steel, wheel sets, bearings, bogies and couplers. The costs for these 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 exchange rate risk*

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

## INDUSTRY OVERVIEW

*The information in this section has not been independently verified by us, the Sole Global Book Running Lead Manager or any of our or its 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 domain.*

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

- Wagons.
- Hydro mechanical equipments.
- Steel castings.

**Overview**

Indian Railways, the premier transport organisation of the country is the largest rail network in Asia and the world's second largest under one management. Since its inception 161 years ago, the Indian Railways have contributed significantly to India's transport needs and economic growth. Railways, being the more energy efficient mode of transport, are ideally suited for movement of bulk commodities and for long distance travel. As compared to road transport, the railways have a number of intrinsic advantages. Railways are five to six times more energy efficient, four times more efficient in land use and significantly superior from the standpoints or environment impact and safety. Indian Railways, therefore, rightly occupy pride of place in the growth and development of the nation. Apart from normal trains connecting almost all part of the country, the Indian Railways also runs special luxury trains such as Palace on Wheels, Rajdhani Express, Shatabdi Express and Fairy Queen. (*Source: www.archive.india.gov.in; http://www.indianrailways.gov.in*)

Covering a total distance of 65,436 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 9,956 locomotives (43 steam, 5,345 diesel and 4,568 electric), 63,870 coaches and 244,731 wagons. In 2012-13, Indian Railways carried 1,014.15 million tonnes of freight traffic and 8,421 million passengers covering 7,172 stations. Indian Railways has also been part of one of the most successful turnaround stories. Indian Railways generated an excess (after transfer of dividend to general reserves) of ₹ 8,266.25 crores, as compared to ₹ 1,125.57 crores for 2011-12. (*Source: http://www.indianrailways.gov.in/railwayboard/uploads/directorate/stat_econ/IRSB_2012-13/PDF/Statistical_Summary/Summary%20Sheet_Eng.pdf; http://www.indianrailways.gov.in/railwayboard/uploads/directorate/stat_econ/IRSB_2012-13/PDF/Annual_Report_Accounts_Eng/4.pdf*)

***Challenges faced in the Eleventh Five Year Plan***

- To sustain and increase its market share in the face of increasing competition from other modes like roads and airlines.
- To improve profitability of the passenger business.
- Expansion of the network and terminals to keep pace with the growing demand of traffic
- Resource mobilisation and project implementation capabilities to handle the large shelf of sanctioned projects.
- Implementation of major projects like the Dedicated Freight Corridor project, new rolling stock manufacturing facilities and world-class stations.
- Innovative financing for socially desirable but economically unviable projects.
- Resource mobilisation and project implementation through PPP mode.
- Technology up-gradation.

(*Source: Working Group Report for XII Plan – Railway Sector*)

***Outlook for the Twelfth Five Year Plan***

From the national perspective, there is a high level of expectation from Indian Railways to not only provide adequate transportation capacity but also to meet the accelerating demands for high quality services imposed by the vibrant economy.

The key areas where Indian Railways need to focus are the creation of capacity, modernisation of network, improvement in asset utilisation and productivity, modernisation of rolling stock and maintenance practices and improving the quality of services. Capacity creation focus needs to be especially on creating new capacities on high density corridors and removing bottlenecks on existing network to support higher traffic volumes. Eastern and Western DFCs are major capacity enhancing investments for Indian Railways and would need to be completed in the Twelfth Plan. The DFCs are expected to be commissioned by March 2017. The advantage of the capacity generated by this major infrastructure project shall not be available during the Twelfth Plan.

Development of logistics parks would also need to be taken up on priority to create matching terminal and handling capacity and facilitate integration of rail with other modes. Enhancing project execution capabilities would be critical for speedy capacity creation and improving returns on investments.

Along with new capacity addition, improving productivity of existing network and assets would also be crucial to increase transportation output. A study of the Chinese and Russian railway systems which are comparable to the Indian Railways in terms of network size and characteristics and employee strength, reveals that network productivity of Chinese Railways is more than double of Indian Railways (Total Transportation Output (NTKM + PKM)/Route Km is 52 million in China vis a vis 23.5 million in India) and employee productivity is also nearly higher by 50% (Total Transportation Output (NTKM + PKM)/Route Km is 1.61 million in China vis a vis 1.10 million in India). The higher productivity on the Chinese system is mainly due to higher level of asset utilisation and modernisation. Indian Railways would need to increase asset utilisation by running heavier, longer and faster freight trains to achieve higher levels of productivity.

Enhancing profitability would be essential to generate sufficient internal surplus for funding the capacity augmentation and modernisation plans. Railway’s finances would need to be improved to be able to support the capacity augmentation and modernisation plans. A much higher Plan size of ₹ 7,19,671 Crore would call for a stronger business focus and achieving high revenue growth. Clear strategies would need to be formulated and executed to identify segments where it can play low cost strategy by playing on volumes, taking advantage of economies of scale and scope and segments where it can play differentiation strategy by providing high quality services and command premium prices. The market driven dynamic pricing initiative introduced in the Eleventh Plan needs to be carried forward and institutionalised and made broad based to cover wider customer base. Activity based costing would need to be introduced to facilitate managerial decision making for right pricing of services to different customer segments. Rationalisation of freight and passenger fares would be crucial to achieve financial viability. For further increasing revenues, Indian Railways would need to look beyond transportation and capture more value in the logistics value chain. Warehousing, multimodalism and growing containerisable cargo offer excellent opportunities for increasing the top line. Indian Railways would need to think of entering into businesses other than conventional and develop new required capabilities and form strategic alliances where required to increase its share in the logistics value chain.

The other important source of funding the capacity augmentation where Railways needs to focus is private investment. A beginning has been made in this direction by Indian Railways in the Eleventh Plan, however, there is big potential to achieve. PPP projects relating to rolling stock manufacturing units, modernisation of railway stations, multifunctional complexes, logistics parks, private freight terminal, freight train operators, liberalised wagon investment schemes and Dedicate Freight Corridors, which are in pipeline offer excellent opportunities for private investment. These need to be speedily executed in the Twelfth Plan. (*Source: Working Group Report for XII Plan – Railway Sector*)

<u>Thrust areas during the XII plan would be:</u>

i. Achieving growth on freight traffic by running of heavier (higher axle load), speedier (100 kmph) and longer freight trains to maximise utilisation of existing track capacity.
ii. Quantum jump in rolling stock acquisition to support high growth in traffic.
iii. Maximisation of revenue through tariff restructuring.
iv. Delivery of major capacity enhancement infrastructure projects including Eastern and Western DFCs.
v. Accelerated expansion of network.
vi. Enhancement of market share by 2% in freight.
vii. Modernisation of network and rolling stock.
viii. Improvement in safety and quality of service.
ix. Special focus on last mile rail linkages, port connectivity, development of logistics parks and provision of total logistics solution.
x. Identification of actionable projects for PPP implementation.

xi. Adoption of new technologies, energy efficiency and green energy initiatives.

(*Source: Working Group Report for XII Plan – Railway Sector*)

Additional development plans as laid out in the Twelfth Five year plan are:

***Road Safety: Level Crossings, Road Over/ Under Bridges, Limited Height Subways***

There are 14,896 unmanned and 17,839 manned level crossings on Indian Railways as on April 1, 2011. These level crossings contribute to 30% of fatalities in railway mishap and statistically contribute to about 40% of accidents on Indian Railways. Accordingly, Indian Railways Vision – 2020 and Railway Budget Speech documents envisage elimination of all unmanned level crossings by provision of subway, diverting road traffic from unmanned level crossinggates to existing ROB/RUB and manned gates by constructing diversion road, closure of very low TVU gates, manning of unmanned level crossing gates; up-gradation of infrastructure, provision of interlocking of gates, lifting barrier, etc, in the next five years. Indian Railways also envisage provision of ROB/RUB in lieu of manned level crossings with heavy traffic density (high train vehicle units i.e. above one lakh about 2,122 nos. and those level crossings located in station yard/limits about 842 nos.) In addition to ROB, provision of light FOB and subway have been planned in suburban/city area to facilitate passage of 2/3 wheelers, etc. Above works have been planned on Indian Railways to achieve zero accidents at level crossings, minimum detention to road and punctual train operation. Total fund required for road safety works (to be apportioned from central road fund, under the Central Road Fund Act, 2000 by the Planning Commission/ Ministry of Road Transport and Highway to Ministry of Railways) during the 12th Five Year Plan is ₹ 16,567 Cr.

In addition to this and outlay of ₹ 6,000 Crore would be required for construction of ROBs/RUBs on DFC route.

***Track Renewals***

- Renewals due in the beginning of plan – 3,500 Km.
- Renewals expected to become due during plan – 17,500 Km.
- Renewals for replacement of 52 kg rails with 60 kg rails on Group A routes during plan – 1,500 Km.
- Renewals planned during plan – 19,000 Km.

***New and Renewable Energy Projects***

- Wind mills.
- Grid connected solar panels at major stations.
- Provision of roof top solar panels on passenger coaches running in close circuits.
- Provision of solar panels, solar water heaters, solar pumps etc. in hospitals, running rooms, rest houses.
- LED based lighting and display systems.

***Setting up of Captive Power Plant for availing power supply on economical tariff***

- 2 x 660 MW thermal plant at Adra, West Bengal.
- 700 MW gas based plant at Thakurli, Maharashtra.

***Thrust areas in Signalling and Telecomm***

- Deploy proven and reliable onboard train protection system.
- Isolation of run through line and provision of complete track circuiting of station section.
- Provision of improved safety systems with audio-visual warnings to road users in advance of approaching trains.
- Computerised real time monitoring of assets and use of conditions based productive maintenance system.
- Increasing line capacity through use of suitable technology options viz. automatic block signalling, intermittent block signalling, automatic train control with cab signalling, integrating train controlling and signalling system.
- Switch over to systems and equipment of higher reliability and safety levels and built in design redundancy.

(*Source: Working Group Report for XII Plan – Railway Sector*)

**Freight Business**

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 a level of 1,014.15 million tonnes in 2012-13 from 836.61 million tonnes in 2008-09. (*Source: http://www.indianrailways.gov.in/railwayboard/uploads/directorate/stat_econ/IRSB_2012-13/PDF/Statistical_Summary/Summary%20Sheet_Eng.pdf*).

The Working Group Report for XII Plan – Railway Sector states that the Eleventh Five Year Plan (2007–2012) had envisaged that by the terminal year of the Eleventh Five Year Plan (2007–2012), the freight traffic of the Indian Railways would reach a target loading level of 1,100 million tonnes and 702 billion net tonne kms ("**NTKM**"). The actual achievement for loading is likely to be 970 million tonnes. The review of the eleventh plan performance is shown below:

| **Period** | **Loading (MT)** | **Growth (%)** | **NTKM (billion)** | **Growth (%)** |
|---|---|---|---|---|
| Original Target for Terminal Year 2011-12 | 1,100 | 8.6% | 702 | 7.8% (CAGR) |
| Mid Term Review Target for Terminal Year 2011-12 | 1,020 | 7% | 674 | 7% (CAGR) |
| Performance in 2007-08 | 794.21 | 8.98 | 511.8 | 7.7% (YoY) |
| Performance in 2008-09 | 833.31 | 4.92 | 538.23 | 5.16% (YoY) |
| Performance in 2009-10 | 887.99 | 6.56 | 584.76 | 8.65% (YoY) |
| Performance in 2010-11 | 921.5 | 3.77 | 605.99 | 3.63% (YoY) |
| Target for 2011-12* | 993 | 7.76 | 658.54 | 8.67% (YoY) |
| **CAGR for XI Plan Period** | | **5.75** | | **6.51** |

*Loading of 970 MT is expected in 2011-12

(*Source: Working Group Report for XII Plan – Railway Sector*)

**Passenger Business**

In 2012-13, the Indian Railways had 43,087 passenger coaches. For the year there were 8,421 million passengers originating and 1,098,103 million passenger kilometres. Average rate per passenger-kilometer was 28.5 paise. (*Source: http://www.indianrailways.gov.in/railwayboard/uploads/directorate/stat_econ/IRSB_2012-13/PDF/Statistical_Summary/Summary%20Sheet_Eng.pdf*)

The review of the eleventh plan performance for the passenger business is shown below:

| **Item** | **Xth Plan Actuals in terminal year 2006-07** | **XIth Plan targets for terminal year 2011-12** | **XIth Plan revised targets in mid- term review for terminal year 2011-12** | **2007-08** | **2008-09** | **2009-10** | **2010-11** | **2011-12 (Target)** |
|---|---|---|---|---|---|---|---|---|
| Originating Passengers (Millions) | 6219 | 8400 (CAGR =6.2%) | 8200 | 6524 | 6971 | 7384 | 7831 | 8272 |
| Passenger KM (Billions) | 695 | 924 (CAGR =5.9%) | 1100 | 770 | 857 | 924 | 1007 | 1085 |

(*Source: Working Group Report for XII Plan – Railway Sector*)

Development plans for the passenger segment as laid out in the Twelfth Five year plan include upgradation of speeds of passenger trains as follows:

- Running of 130/140 kmph trains in Delhi-Jaipur, Delhi-Chandigarh, Delhi-Agra, Howrah-Sitarampur and Howrah-Tata Nagar.
- Upgradation of Delhi-Mumbai and Delhi-Howrah routes to 160 kmph in XIIth Plan to be further upgraded to 200 kmph.

The Railway Budget

As per the railway budget 2014-15 presented in the Lok Sabha in July 2014, gross traffic receipts were ₹ 1,39,558 crore and total working expenses were ₹ 1,30,321 crore, which works out to an operating ratio of almost 94%. This surplus, apart from being meager, is continuously on decline due to non-revisionof fare. The surplus, after paying obligatory dividend and lease charges, was ₹ 11,754 crore in 2007-08 and is estimated to be ₹ 602 crore in the current financial year.

On the other hand, freight rates were revised periodically and kept high in order to compensate the losses sustained in the passenger sector resulting in freight traffic getting diverted consistently. Also the share of railways in freight traffic came down consistently in the last 30 years.

As corrective steps, fare revisions were announced. In addition, alternate means of resource mobilisation were announced:

- Leveraging railway PSU resources – propose to launch a scheme to bring in investible surplus funds of Railway PSUs in infrastructure projects of railways, which can generate attractive returns for PSUs.
- Private investment in rail Infrastructure through domestic investment and FDI.
- Public Private Partnership.

Some measures proposed for managing other aspects of railway planning and administration are:

- Near plan holiday approach.
- Prioritising and setting timelines for completion of theongoing projects.
- Devising a mechanism for raising funds for rail infrastructure.
- Decision support system for project implementation.
- Strategic partnerships and transparency in procurements.
- Adopting safety standards matching international practices and setting up of simulation center to study causes of accidents.
- Encouraging development of locomotives, coaches and wagon leasing market.

On August 27, 2014, the FDI regulations were changed to permit 100%* FDI in the following activities of the railway transport sector:

Construction, operation and maintenance of the following:

(i) Suburban projects through PPP.
(ii) High speed train projects.
(iii) Dedicated freight lines.
(iv) Rolling stock including train sets, and locomotives/ coaches manufacturing and maintenance facilities.
(v) Railway electrification.
(vi) Signaling systems.
(vii) Freight terminals.
(viii) Passenger terminals.
(ix) Infrastructure in industrial parking pertaining to railway line/ sidings including electrified railway lines and connectivity to main railway line.
(x) Mass rapid transport systems.

*Proposals involving FDI beyond 49% in sensitive areas from security point of view will be brought by the Ministry of Railways before the Cabinet Committee on Security (CSS) for consideration on a case to case basis.

**Wagons**

- 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 | fertiliser, cement foodgrains |
| Flat wagons | steel, container, timber |
| Tank wagons | oil, milk, acid, caustic soda |
| Tank wagon (pressurised) | 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 |

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

***Increased demand for wagons***

The Twelfth Five Year Plan (2013-2017) indicates that investments in wagons would be witnessing a substantial increase, as compared to investments made during the earlier plan periods. The plan indicates that investments will be prioritised in following important areas: Dedicated Fright Corridors, high capacity rolling stock, last mile rail linkages and port connectivities.

Following are the projections for the capacity increase as envisaged for the Twelfth Five Year Plan (2013-17):

Rolling Stock Requirement

| Type of Stock | Requirement* on additional account (2012-13 to 2016-17) | Requirement on replacement account ** (2012-13 to 2016-17) | Total requirement (2012-13 to 2016-17) | Anticipated acquisition 2012-2017 |
|---|---|---|---|---|
| Coaches (incl. EMUs, MEMUs and DEMUs) | 25,440 | 7,626 | 33,066 | 24,000 |
| Diesel Locos | 1,500 | 500 | 2,000 | 2,000 |
| Electric Locos | 1,800 | 210 | 2,010 | 2,010 |
| Wagons (in VUs) | 76,396 | 29,263 | 1,05,659 | 1,05,659 |

(*Source: Working Group Report for XII Plan – Railway Sector*)

Anticipated requirement year wise

| Type of Rolling Stock | Year | | | | | |
|---|---|---|---|---|---|---|
| | 2012-13 | 2013-14 | 2014-15 | 2015-16 | 2016-17 | Total |
| Coaches | 4,000 | 4,200 | 5,000 | 5,200 | 5,600 | 24,000 |
| Diesel Loco | 325 | 327 | 448 | 450 | 450 | 2,000 |
| Electric Loco | 350 | 351 | 404 | 455 | 450 | 2,010 |
| Wagons | 18,659 | 22,197 | 22,020 | 21,043 | 21,740 | 1,05,659 |

** Requirement of coaches is projected based on 10% annual growth.*

*Requirement of wagons is based on growth in freight traffic at 100 MT per annum and assuming a 2 % increase in utilisation during XIIth Plan*

*** Requirements on replacement account for all rolling stocks are based on actual over age arising and the trend of average condemnation.*

(*Source: Working Group Report for XII Plan – Railway Sector*)

***Factors contributing to the increased demand for wagons***

*(a)* Projections on economic growth and manufacturing output

The Planning Commission's approach paper to the Twelfth Plan lays down the objective for the Twelfth Plan as faster, more inclusive and sustainable growth. Target range of GDP growth of 9 to 9.5% has been proposed. Agriculture, industry, power and infrastructure would be the key drivers of growth in the Twelfth Plan. Agriculture growth is targeted at 4% against likely achievement of 3% in current plan. Industrial growth in Twelfth Plan period is targeted at 11 to 12% compared to 8% in the current plan. New power capacity addition in the Twelfth Plan is envisaged as 1,00,000 Mega Watt against likely achievement of 50,000 Mega Watt in the Eleventh Plan. Domestic coal availability would be a constraint and coal imports would increase to 250 MT. Unsettled global economy, volatile commodity prices, inflation and growing skill shortages are some of the key challenges in the short to medium run to sustain high growth whereas in the longer run, the environment and natural resources, particularly energy and water, pose serious challenges.

The above projected aspirations of high economic growth and sharp rise in manufacturing output would need to be enabled by commensurate and timely development of transport and logistics infrastructure in the country. The approach paper emphasises much faster expansion in transport infrastructure than we have seen in the past to support the high GDP growth. It also stresses on the shift from road to rail in freight from energy considerations. From the national perspective there is a high level of expectation from Indian Railways to not only provide adequate transportation capacity but also to meet the accelerating demands for high quality services imposed by the vibrant economy. (*Source: Working Group Report for XII Plan – Railway Sector*)

*(b) Dedicated Freight Corridor*

The Indian Railways' quadrilateral linking the four metropolitan cities of Delhi, Mumbai, Chennai and Howrah, commonly known as the Golden Quadrilateral; and its two diagonals (Delhi-Chennai and Mumbai-Howrah), adding up to a total route length of 10,122 Km carries more than 55% of revenue earning freight traffic of Indian Railways. The existing trunk routes of Howrah-Delhi on the Eastern Corridor and Mumbai-Delhi on the Western Corridor are highly saturated, line capacity utilisation varying between 115% to 150%. The surging power needs requiring heavy coal movement, booming infrastructure construction and growing international trade has led to the conception of the Dedicated Freight Corridors along the eastern and western routes.

In May 2005, the Committee on Infrastructure constituted a task force, chaired by Anwarul Huda (member, Planning Commission) to prepare a concept paper on Delhi-Mumbai (western) and Delhi-Howrah (eastern) dedicated freight corridor projects, and to suggest a new organisational structure for planning, financing, construction and operation of these corridors.In consonance with the recommendation of the task force of Committee on Infrastructure, a special purpose vehicle, named "Dedicated Freight Corridor Corporation of India Limited (DFCCIL)" was incorporated under the Companies Act in October 2006. (*Source: Dedicated Freight Corridor Website, http://dfccil.gov.in*)

<u>The Eastern Dedicated Freight Corridor</u>


The Eastern Dedicated Freight Corridor with a route length of 1,839 Km consists of two distinct segments: an electrified double-track segment of 1,392 Km between Dankuni in West Bengal and Khurja in Uttar Pradesh and an electrified single-track segment of 447 Km between Ludhiana (Dhandarikalan) - Khurja - Dadri in the states of Punjab and Uttar Pradesh. The following table depicts the distance traversed through each state.

| **Eastern DFC** | |
|---|---|
| **States** | **KMs** |
| Punjab | 88 |
| Haryana | 72 |
| Uttar Pradesh | 1,049 |
| Bihar | 93 |
| West Bengal/Jharkhand | 538 |
| **Total** | **1,839** |

The Eastern Dedicated Freight Corridor will traverse six states and is projected to cater to a number of traffic streams – coal for the power plants in the northern region of Uttar Pradesh, Delhi, Haryana, Punjab and parts of Rajasthan from the eastern coal fields, finished steel, food grains, cement, fertilisers, lime stone from Rajasthan to steel plants in the east and general goods. The total traffic in Uttar Pradesh's direction is projected to go up to 116 million tonnes in 2021-22. Similarly, in the down direction, the traffic level has been projected to increase to 28 million tons in 2021-22. As a result, the incremental traffic since 2005-2006, works out to a whopping 92 million tons. A significant part of this increase would get diverted to the Dedicated Freight Corridor.

The Eastern Dedicated Freight Corridor will be executed in a phased manner. The World Bank funding is being planned in three tranches APL1 for Khurja- Kanpur, APL2 for Kanpur-Mughalsarai and APL3 for Khurja-Ludhiana. The loan agreement for APL1 between World Bank and DFCCIL has been executed for USD 975 million. (*Source: Dedicated Freight Corridor Website, http://dfccil.gov.in*)

<u>Proposed Western Corridor</u>


The Western Corridor covers a distance of 1,483 Km of double line electric (2 X 25 KV) track from JNPT to Dadri via Vadodara-Ahmedabad-Palanpur-Phulera-Rewari. In addition, a single line connection of 32 Km long from proposed Pirthala Junction Station (near Asaoti on Delhi-Mathura line) to Tughlakabad is also proposed to be provided. Alignment has been generally kept parallel to existing lines except provision of detour at Diva, Surat, Ankleshwar, Bharuch, Vadodara, Anand, Ahmedabad, Palanpur, Phulera and Rewari.

| **Western DFC** | |
|---|---|
| Haryana | 192 |
| Rajasthan | 553 |
| Gujarat | 588 |
| Maharashtra | 150 |
| Total | 1,483 |

The traffic on the Western DFC mainly comprises ISO containers from JNPT and Mumbai Port in Maharashtra and ports of Pipavav, Mundra and Kandla in Gujarat destined for Inland Container Depots located in northern India, especially at Tughlakabad, Dadri and Dandharikalan. Besides containers, other commodities moving on the Western DFC are POL, fertilisers, food grains, salt, coal, iron and steel and cement. Further, owing to its faster growth as compared to other commodities, the share of container traffic is expected to progressively increase and reach a level of about 80% by 2021-22. The rail share of container traffic on this corridor is slated to increase from 0.69 million twenty-foot equivalent units ("**TEUs**") in 2005-06 to 6.2 million TEUs in 2021-22. The other commodities are projected to increase from 23 million tonnes in 2005-06 to 40 million tonnes in 2021-22.

It is proposed to set up logistics parks at Mumbai area, particularly in the vicinity of Kalyan-Ulhasnagar or Vashi-Belapur in Navi Mumbai, Vapi in southern Gujarat, Ahmedabad area in Gujarat, Gandhidham in the Kutch region of Gujarat, Jaipur area in Rajasthan, NCR of Delhi.These locations have been selected on the basis that these have a good concentration of diverse industries and constitute major production/consumption centres. These are also well connected by rail and road systems for convenient movement in different directions. These parks are proposed to be developed on Public Private Partnership mode by creating a sub-SPV for the same. DFCCIL proposes to provide rail connectivity to such parks and private players would be asked to develop and provide state of the art infrastructure as a common user facility. (*Source: Dedicated Freight Corridor Website, http://dfccil.gov.in*)

(c) *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 which came into effect on April 15, 2008, and later by the revised Liberalised Wagon Investment Scheme("**LWIS**") with effect from Jan 2, 2012. 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.

*(d) Wagon Leasing Scheme*

The railway budget for FY15 made a mention of developing the rolling stock leasing scheme (locomotives, coaches and wagon). While the Wagon Leasing Scheme ("**WLS**") by the Indian Railways has been there since 2008, it has failed to take off given the stringent conditions, clauses and general lack of interest.

However, rolling stock leasing could be a quick way to expand capacity without incurring associated capex.

*(e) Infrastructure push to aid enhance railway infrastructure*

The new government has reiterated its commitment to fast track infrastructure development particularly railway projects, as it serves as a key arterial cog for movement of passengers and freight. Towards this end, the government intends tointroduce FDI in rail infrastructure, pursue PPP and fast track projects such as dedicated freight corridors and the diamond quadrilateral (high speed rail network to connect India's four metros). We believe these measures will turbo charge an otherwise fragile railway investment regime.

*(f) Automobile Freight Train Operator Scheme*

In a significant policy initiative to increase the rail share of automobile traffic, the Ministry of Railways has formulated a policy on Automobile Freight Train Operator (AFTO) Scheme to attract private investment in high capacity auto carriers. This policy has become effective from 19th July, 2010. Under this policy, for the first time, private players permitted to use advantages of rail transport to market railway services to end users in the fast growing automobile sector.

This new policy would facilitate bulk movement of automobile traffic by rail from the production hubs to consumption centres for which a policy on development of automobile and ancillary hub at strategic locations for storage and secondary distribution by road has been issued by the Ministry of Railways. *(Source: Press Information Bureau Website, pib.nic.in)*

*(g) Special Freight Train Operator Scheme*

The Ministry of Railways has formulated policy on Special Freight Train Operator Scheme (SFTO) to provide an opportunity to private investors to use advantages of rail transport to market train services to end users. The objective of this scheme is to increase rail share in non-conventional traffic requiring special purpose wagons (SPWs) like bulk cement, bulk fertilisers, fly ash, selected chemical/petrochemical, bulk alumina, steel products requiring SPW, vegetable oil, molasses and caustic soda. This scheme has become effective from May 31, 2010. *(Source: Press Information Bureau Website, pib.nic.in*

**Hydro mechanical equipment**

The total power generation capacity in India stands at 2,54,049 MW. Thermal power contributes a major share (69.6 per cent) with 176,779 MW capacity, whereas share of hydro power is 16.1 per cent with 40,799 MW installed capacity. The residual 11.5 per cent energy is contributed by nuclear and renewable energy. (*Source: www.powermin.nic.in, updated as of 22.10.2014*)

Reassessment studies of hydro electric power potential in various river basins of the country were carried out by Central Electricity Authority during the period 1978-87. As per these studies, total hydro electric power potential in the country was assessed as 84,044 MW (at 60% load factor) from a total of 845 number of identified hydro electric schemes. The hydro potential of 84,044 MW at 60% load factor when fully developed would result in an installed capacity of about 150,000 MW on the basis of probable average load factor. The total energy potential is assessed as 600 billion units per year. (*Source: Review of Performance of Hydro Power Stations, 2013-14, Central Electricity Authority, Ministry of Power, Government of India*)

Region wise summary of the existing hydro electric stations in operation with installed capacity above 25 MW as on March 31, 2014 in the country vis-à-vis that on March 31, 2013 is given below:

| Region | **No of Stations as on** | | **No of Units as on** | | **Capacity (MW) as on** | |
|---|---|---|---|---|---|---|
| | **31.03.14** | **31.03.13** | **31.03.14** | **31.03.13** | **31.03.14** | **31.03.13** |
| Northern | 65 | 61 | 219 | 206 | 16,386.26 | 15,523.25 |
| Western | 28 | 28 | 101 | 101 | 7,392.00 | 7,392.00 |
| Southern | 68 | 67 | 243 | 240 | 11,432.45 | 11,387.45 |
| Eastern | 17 | 16 | 61 | 58 | 4,078.70 | 3,946.70 |
| N-Eastern | 10 | 10 | 29 | 29 | 1,242.00 | 1,242.00 |
| **All India** | 188 | 182 | 653 | 634 | **40,531.41** | **39,491.40** |

(*Source: Review of Performance of Hydro Power Stations, 2013-14, Central Electricity Authority, Ministry of Power, Government of India*)

For the Twelfth Five Year Plan, Central Electricity Authority 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*).

For the year 2014-15, the likely installed capacity as on March 31, 2015 is expected to be 41431.40MW and the projection for the Generation Programme for 2014-15 is 129097 MU. (*Source: Review of Performance of Hydro Power Stations, 2013-14, Central Electricity Authority, Ministry of Power, Government of India*)

**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 "Risk Factors"for an understanding of the risks associated with a purchase of our Equity Shares.*

### OVERVIEW

We are one of the flagship company of the Adventz Group of companies that are engaged in the agri business, engineering, infrastructure, real estate, consumer durables and services sectors under the Chairmanship of Mr. Saroj Kumar Poddar. We are a diversified heavy engineering company. We are primarily engaged in the business of manufacturing railway freight cars, EMU coaches, locomotive components and assemblies, hydro-mechanical equipment, bridges, structural equipment and steel castings. Our Company was operational since April 1, 2010, post the demerger of the heavy engineering and steel foundry division of Texmaco Limited, which was founded in 1939 by Late Dr. K.K. Birla, son of Late G. D. Birla. Texmaco Limited was set up as a textile machinery manufacturing unit and subsequently diversified into other engineering fields including wagon manufacturing, hydro-mechanical equipment, steel castings, providing services to core sectors and process industries in India and abroad.

Our major operating divisions presently are the heavy engineering division comprising (i) manufacture and supply of wagons; (ii) hydro-mechanical equipment; and (iii) bridges and structural equipment and the steel foundry division. In addition, as a part of our heavy engineering division, we recently set up a production facility comprising of the traction and coaching division to manufacture EMU, DEMU, MEMU coaches, passenger coaches, locomotive shells, locomotive components and assemblies. Presently, we have five manufacturing facilities in Agarpara, Belgharia, Sodepur and Panihati located at the outskirts of Kolkata, West Bengal.

We are one of the largest suppliers of wagons in India, with the Indian Railways being our largest customer. We have also expanded our market overseas and exported wagons in the past to European, African and South East Asian countries in competition with global players. We have strong in-house capabilities for the design and manufacture of commodity specific special purpose wagons for core sectors such as cement, coal, alumina, steel, container freight cars, oil, chemicals, fertilisers, thermal power projects and the defence sector among others. We have been certified by the RDSO for manufacture of an annual production of 6,800 wagons, based on our past production. Our current production capacity is 10,000 wagons per annum. Over the years, we have also built strong capabilities in designing, marketing, manufacturing, erecting and commissioning of hydro-mechanical equipment and executed several hydro-mechanical projects both in India and overseas. In addition, we also manufacture steel super structure for railway bridges and flyovers.

We are also one of the largest suppliers of steel castings in India, with an annual production capacity of 30,000 metric tonnes of steel castings. Our steel foundry division located at Belgharia is engaged in manufacturing of railway castings such as bogies, couplers, draft gears and industrial castings such as shovels, shrouds for mining equipments, trackwork manganese castings and hub castings for hydro equipment. We supply steel castings to the Indian Railways and other wagon builders in India. We are also exporting steel castings to USA, Australia and South East Asia.

During fiscal 2014, our Company made a strategic investment in Kalindee engaged in the business of providing EPC services to railways and metros, especially in the field of signaling track, telecommunication and auto fare collection machines. We acquired shares in Kalindee through various modes, i.e., a preferential allotment, share purchase agreement with the erstwhile promoters of Kalindee and an acquisition of shares through an open offer to the public. Upon completion of balance transfer of shares through the share purchase agreement, our equity shareholding in Kalindee will go up to 49.07 per cent. In addition, our Board and the Board of Kalindee have recently approved a scheme of arrangement to merge our Company and Kalindee with an aim to create greater synergies between the business operations of both companies to enable our Company to emerge as a "total rail solutions provider". The proposed merger, subject to the approval of our shareholders, SEBI, Stock Exchanges, the Hon'ble High Courts of Delhi and Calcutta, our lenders and other stakeholders, when complete, shall enable us to target value contracts for various solution requirements for the railway sector, exports and the private and public sector.

We have expanded our business by entering into strategic collaborations with renowned multi-national companies such as UGL Rail Services Limited, Australia, Touax Rail, France and Wabtec International Inc., U.S.A which have diverse experience in the rail industry. For instance, TexUGL, our joint venture company with UGL Rail Services Limited, Australia has set up a specialised fabrication facility for manufacture of high precession fabrications primarily catering to the export market. TexUGL has recently executed a prestigious order for supply of locomotive bogies to Kazakhastan Railways and is presently executing orders for manufacturing bogies for Queensland Railway and Mozambique Railway, besides various other fabricated items for locomotives and coaches. Further, our joint venture company TTRPL with Touax Rail (a French group) has been set up for leasing of wagons. In addition, we recently entered into a joint venture arrangement with Wabtec International Inc. which is a leading global provider of product for freight rail cars, passenger transit cars and locomotives, including brake equipment, electronics (including train control), doors, couplers, bogies, pantographs and engine rebuilds to develop, market and sell products for the railway industry. We intend to form a joint venture company along with Wabtec International Inc. in order to be able to provide the Indian Railways with the latest generation of safety and control equipment and systems. We believe that this cooperation will enable the joint venture to bring to the Indian Railways the latest generation of safety and control equipment and systems.

The order book of our Company, as on March 31, 2014 and September 30, 2014 stands at ₹ 50,544 lakhs and ₹ 1,18,411 lakhs, excluding the value of free supply items, respectively.

The table below sets forth the composition of our Company's total revenues and profit after tax, for fiscal 2014, fiscal 2013 and fiscal 2012.

*(In ₹Lakhs)*

| | Fiscal 2014 | Fiscal 2013 | Fiscal 2012 |
|---|---|---|---|
| Revenues | | | |
| - Heavy Engineering Division | 35,131.80 | 77,883.80 | 70,143.59 |
| - Steel Foundry | 9,441.86 | 5,057.43 | 6,599.77 |
| Total | 44,573.66 | 82,941.23 | 76,743.36 |
| Net Profit (Profit after Tax) | 1,697.22 | 9,426.91 | 9,305.72 |

## 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 60 years, through Texmaco Limited. The Ministry of Railways, Government of India has recognised us as one of the major suppliers of wagons to the Indian Railways. In fiscal 2012 and fiscal 2013, we have sold 20.20 per cent and 24.70 per cent of the total number of wagons, respectively. We have consistently been one of the largest suppliers of wagons to the Indian Railways. We have been certified by RDSO for manufacture of an annual production of 6,800 wagons, based on our past production. Our current production capacity is 10,000 wagons per annum.

Our Company was awarded orders for 2,400 wagons for fiscal 2014 from the Indian Railways, which was the largest order by the Indian Railways on any wagon manufacturer. In fiscal 2013, we were awarded orders for 3,915 wagons by the Indian Railways (for fiscal 2012), being the highest quantity ordered by the Indian Railways on any wagon builder. Despite the announcement of the highest ever investment target of ₹ 60,10,000 lakhs for the railway sector (including rolling stock) in the Railway Ministers Budget speech for Fiscal 2013, the Indian Railways did not float any tenders for wagons for fiscal 2013. The tender for wagon requirements for fiscal 2014 only opened in November 2013 and the orders were finally awarded in April 2014. Despite this delay, our Company managed its operations, by executing orders for 671 wagons, comprising of special purpose commodity specific wagons for other customers and exports, resulting in our continuing to be one of the leading suppliers of wagons to the non-railway sector.

In addition, we have consistently been occupying the position as one of the market leaders in the supply of certain commodity specific wagons including merry-go-round wagons, cement wagons, alumina wagons, caustic soda wagons, guard van wagons and container flat wagons.

***One of the major suppliers of steel castings to the Indian Railways***

Our steel foundry, with an annual production capacity of 30,000 metric tonnes of steel castings, 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, couplers and draft gears.

We believe that we are one of the leading suppliers of steel castings for the Indian Railways and other private wagon manufacturers with a market share of around 29.86 per cent, 24.38 per cent and 26.63 per cent in fiscal 2014, fiscal 2013 and fiscal 2012, respectively. Further, we have supplied around 24.85 per cent, 25.47 per cent and 24.87 per cent of the total number of bogies and around 37.61 per cent, 21.18 per cent and 32.64 per cent of the total number of couplers supplied for the Indian Railways and other private wagon manufacturers in fiscal 2014, fiscal 2013 and fiscal 2012, respectively.

***Expertise in hydro mechanical equipment and geographical locational advantage***

We believe that we are one of the leading manufacturers of hydro-mechanical equipment in India and our strength lies in offering a one point solution to our customers from designing to commissioning of hydro mechanical equipment and in providing after sales services. We manufacture a wide range of hydro-mechanical equipment such as radial and vertical gates, flap gates, hoists (of all types), gantry cranes, electric overhead travelling ("**EOT**") cranes, penstocks and specials, trash rack cleaning machines ("**TRCM**"), stop logs and other heavy steel structures including barrage equipment. We have also forayed into refurbishment/replacement work opportunities in existing hydro projects and barrage equipment after successful execution of rehabilitation work at Farakka Barrage and Rampur HEP of SJVN Limited. Our Company has also developed an economical design of lining application for dam radial weir channels.

Our expertise in design capabilities for high head radial gates was instrumental in securing a contract for design to commissioning of hydro-mechanical equipment for 2,000 MW hydro electric project for NHPC in Lower Subansiri, Arunachal Pradesh, which is the largest hydroelectric project in India. Our Company successfully designed, manufactured and supplied large radial gates for the 300 MW Chamera Stage II hydro electric project for NHPC in Himachal Pradesh. Our Company is currently executing a contract for design to commissioning of a 456 MW hydro-power project in Upper-Tamakoshi, Nepal and is supposed to be the largest project in Nepal, till date.

We believe that our geographical location enhances our prospects in the hydro mechanical equipment business. Our hydro mechanical equipment division is located in eastern India. Since a majority of the Indian hydro power projects 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.

***Strong Infrastructure Facilities***

We believe that we have state of the art infrastructure facilities in the country to manufacture our products. Our infrastructure facilities are spread over approximately 155 acres of land and includes approximately 2.20 million square feet of manufacturing facilities and 4 million square feet of open area for storage of raw material and finished goods with a large network of 20 railway track lines inside the factory compound.

Our manufacturing units are equipped with standard rooms with sophisticated measuring equipment 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, special purpose machine tools, battery of CNCair/plasma profile cutting machines, large sized robotic welding equipment,automated welding equipment, CNC plate bending machine with a capacity bending of 100 mm thick plates up to three metres in width, heavy duty press machines, horizontal and vertical turning machines, hydraulic load testing facilities, shot blasting, painting and baking facility and other sophisticated equipment. We also have significant storage facilities for raw materials used for manufacturing our wagons. We 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, draft gears and draw bars which are used in the manufacture of wagons by our wagon manufacturing unit as well as sold to other manufacturers in the wagon industry. Additionally, we are also manufacturing tight lock couplers for coaches, industrial castings, shovels, shrouds for mining equipment, trackwork manganese castings and hub castings for hydro equipment.

We have recently carried out a modernisation of our steel foundry to implement a second fully automated sand plant and high pressure moulding line supplied by Kunkel Wagner, Germany. With the recent modernisation, our steel foundry is now equipped to manufacture 30,000 metric tonnes of steel castings per annum.

We have also recently commissioned a state of the art coach manufacturing facility at Sodepur and diversified into manufacture of electric locomotive shells and sub-assemblies.

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 and hydro mechanical equipment sector.

***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 includes highly qualified with extensive experience in our Company's business with commercial, engineering and technical background. Our Chairman, Mr. S.K. Poddar was the president of Federation of Indian Chambers of Commerce and Industry, International Chamber of Commerce, India, Indian Council of Arbitration, All India Organisation of Employers, Council of Indian Employers and Indian Chamber of Commerce. Our Executive Vice Chairman, Mr. Ramesh Maheshwari commands more than five decades of experience in this sector and was the president of the Confederation of Indian Industry and the chairman of the Engineering Export Promotion Council of India. 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. Our Executive Director and CEO (Steel Foundry Division), Mr. D.H. Kela has more than 46 years of experience in the engineering and metallurgical industries and Mr. Sandeep Fuller, Executive Director and CEO of the Heavy Engineering Division, has 24 years of experience having worked with the Indian Railways for nearly 20 years in various capacities with core expertise in metro coaches, locomotives, traction operation and maintenance and 3 years with Larsen and Toubro. Our Board is also adequately supported by a team of professional managers with varied experience.

***Ability to create and maintain strategic alliances with leading engineering multinationals***

We have entered into strategic collaborations with global engineering companies for technology collaboration and skill enhancement. 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 to strengthen our market position.

We have along with UGL Rail Services Limited, Australia, which is a leading Australian provider of end-to-end outsourced engineering, asset management and maintenance services across rail, transport and technology systems, set up TexUGL as a joint venture. TexUGL is engaged in providing steel fabricated and assembled components for various industrial applications. TexUGL combines the strength and experience of two engineering power houses and offers clients the flexibility to fabricate a wide variety of innovative solutions across multiple sectors. TexUGL commenced commercial operations in April 2013 and has been accredited as a vendor from GE Transportation. TexUGL executed its first order of supply of bogies for Kazakhstan Railways and has received further orders for bogies and cabs.

We have also incorporated a joint venture company along with Touax Rail Limited (a French group), a leading company in the freight car leasing business in Europe, to enter into the business of operating lease solutions for freight cars. We expect our joint venture company, TTRPL to benefit from the opportunities presented by the opening up of Indian Railways to permit leasing companies to own and lease wagons to the industry and other end users on an operating lease basis.

Additionally, we entered into a Technical Co-operation Agreement with Kawasaki Heavy Industries Limited, Japan in January 2012 for technical support in manufacturing technology, processes and quality assurance for production of coaches at Sodepur.

## OUR STRATEGIES

We have the following strategies to develop our business and continue to grow further:

***Benefit from the combined synergies of the merger with Kalindee to become a total rail solution provider***

During fiscal 2014, our Company made a strategic investment in Kalindee engaged in the business of providing EPC services to railways and metros, especially in the field of signaling track, telecommunication and auto fare collection machines. We acquired shares in Kalindee through various modes, i.e., a preferential allotment, share purchase agreement with the erstwhile promoters of Kalindee and an acquisition of shares through an open offer to the public.

Upon completion of balance transfer of shares through the share purchase agreement, our equity shareholding in Kalindee will go up to 49.07 per cent. In addition, our Board and the Board of Kalindee have recently approved a scheme of arrangement to merge our Company and Kalindee with an aim to create greater synergies between the business operations of both companies to enable our Company to emerge as a "total rail solutions provider". The proposed merger, subject to the approval of our shareholders, SEBI, Stock Exchanges, the Hon'ble High Courts of Delhi and Calcutta, our lenders and other stakeholders, when complete, shall enable us to target value contracts for various solution requirements for the railway sector, exports and the private and public sector. We believe the merger with Kalindee shall enhance our Company's portfolio and the combined synergy shall provide us with a platform of offering the complete range of railway products and solutions (from concept to commissioning), starting from track laying, civil construction, structural fabrication, signaling (including route relay), telecommunication, auto fare collection and continuing to the end products (wagons, coaches and locomotive shells and assemblies). We intend to leverage from the business and expertise of Kalindee and believe that this merger, once complete, shall enable our company to emerge as a "total rail solutions provider".

***Diversify to rail safety systems***

We have entered into a joint venture agreement with Wabtec International Inc.(USA) which is a leading global supplier of freight rail cars, passenger transit cars and locomotives including brake equipment, electronics (including train control), doors, couplers, bogies, pantographs and engine rebuilds. We in association with Wabtec International Inc. intend to form a joint venture company to initially provide high technology freight products and services such as draft gear, bogie mounted braking and other state of the art railway products to the Indian rail network.

The Railway Budget announced by the Railway Ministry in July 2014 re-iterated the commitment of Indian Railways to enhance measures to improve safety and security on railways and have allocated a budget of ₹ 1,78,500 lakhs for road-over-bridges and road-under bridges and set forth a series of measures to enhance rail security including adoption of advanced technology for railway flaw detection, automatic door closing in mainline and sub-urban coaches. We believe diversification into the rail safety system will boost our technological skills and enhance our growth prospects.

***Focus on strengthening exports and targeting new markets***

We export wagons, hydro mechanical equipment and steel castings abroad. We have expanded our export business in the last fiscal and earned ₹ 12,945.42 lakhs, ₹ 9,406.25 lakhs and ₹ 1,995.57 lakhs from our export operations in fiscal 2014, fiscal 2013 and fiscal 2012 respectively, resulting in a significant increase in comparison to the previous years. We intend to continue to focus on international markets to sell our products. We intend to target new markets including South East Asia, Middle-East Asia, West Asia, Europe and USA for sale of our products. We intend to set up offices outside India, in the Middle East and South East Asia in order to focus and expand our export business.

The Association of American Railroads ("**AAR**") has also certified that our steel foundry has met the requirements of the AAR's quality assurance program as specified in M-1003 for manufacture of freight car side frames and bolsters and centre plates, which certification was valid until October 21, 2014. Such certification enables us to market certain certified steel casting products for wagons in the United States of America. Our Company has applied for renewal of the certification. Our steel foundry has received the conformity certificate for specified side frames and bolsters for wagons from the designated Certification Authority for Railway Transport, Ukraine on the basis of Certification Protocol from the Ukraine Scientific and Research Institution on wagon production, enabling us to export certain railway castings to these countries.

***Product diversification***

We are keen to expand our product portfolio in the traction and coach division to focus and target the passenger transportation industry. We intend to manufacture DEMU, MEMU and other passenger coaches over and above the EMU coaches in the coming years. Further, with the commissioning of our coach manufacturing facility at Sodepur, we intend to capitalise on our infrastructure and further augment our manufacturing capability and technology to manufacture high value added products such as metro coaches and locomotive components, assemblies and sub-assemblies for high horse power locomotives. In addition, we also intend to expand our product offerings in the bridges and structural division to heavy structural bridges, for which we have already secured export orders from Bangladesh and Sri Lanka.

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

- *Wagon Leasing Scheme*

While the Ministry of Railways formulated a wagon leasing scheme which came into effect from April 15, 2008, the concession agreement was finalised only in Fiscal 2013, 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 wagons are generally owed by the leasing companies and then leased to the operating companies and industries, we have formed a joint venture with the Touax Rail group (a French group) and incorporated a new company for leasing wagons to prospective customers to benefit from opportunities in wagon leasing business.

We believe that the growth in the Indian economy will lead to a growth in the demand for wagons from both the Indian Railways, freight operators 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 wagons*

We also intend to expand our business to enter into providing services for refurbishment of wagons. Further, once the Indian Railways open up rolling stock maintenance to the private sector, we intend to provide rolling stock maintenance services as well. With our experience and infrastructure, we believe we are in a position to enter into this business.

***Increasing focus on special design commodity specific wagons***

We believe that rail borne traffic of commodities is poised for a significant growth especially with the construction of the dedicated freight corridor along the Eastern and Western routes of India. The Dedicated Freight Corridor Corporation of India Limited has been incorporated to undertake planning and development, maintenance and operation of the dedicated freight corridors with a mission to enable Indian railways to regain its market share of freight transport by creating additional capacity and guaranteeing efficient, reliable, safe and cheaper options for mobility to its customers. The dedicated freight corridors are proposed to adopt state of the art technology to improve the existing carrying capacity and to enable it to withstand heavier loads of rolling stock at higher speeds. As a consequence, we expect a growing demand for commodity specific high payload freight wagons from private sector customers. We believe our Company is well equipped to meet this challenge. Further, we believe our Company will benefit greatly due to the expected rise in the demand for wagons with rail borne container operation.

Our Company is in the process of developing high axle load wagons up to 25 metric tonne for the proposed Dedicated Freight Corridor. The current maximum axle load on the Indian Railways track is 22.9 metric tonne and the DFC proposes to progressively move up to 32.5 metric tonne.With our state of art steel foundry, backed up by our infrastucture, we believe we are poised to develop this business opportunity for further growth.

***Entering into new segments through joint ventures/ acquisitions***

We intend to expand our businesses by entering into joint venture associations and also acquiring companies, both in India and overseas, that are involved in similar and allied lines of business. We would also actively pursue opportunities to backward integrate our manufacturing facilities by acquiring companies engaged in the manufacture of critical components.

## OUR PRODUCTS

### Heavy Engineering Division

Our heavy engineering division comprises of sub-divisions for rolling stock (wagons), coaches and electric locomotive components and assemblies, hydro-mechanical equipment and bridges and heavy structures.

*Rolling Stock (Wagons)*

We are presently one of the largest suppliers of wagons in India, with the Indian Railways as our largest customer. We also cater to other customers including container freight operators and industries involved in the production of commodities such as cement, alumina, coal, steel, oil, chemicals, food grains and fertilisers. We have also been successful in securing an order from the Ministry of Defence to supply wagons to carry defence equipment.

We manufacture a diverse product offering in wagons through our manufacturing facilities at Agarpara and Sodepur in West Bengal. Our product range in this segment includes conventional wagons, commodity specific wagons (including merry-go-round wagons with electro pneumatically door opening mechanism, food grain wagons, cement wagons, alumina wagons, caustic soda wagons, guard van wagons and container flat wagons), multi axled wagons for bulky/oversised consignments and wagons for exports. We have recently expanded our product mix to manufacture car carrying wagons and have secured an order for three rakes of car carrying wagons with APL-Vascor for transport of various models of passenger cars.

In addition, we are also in process of developing a special design of car carrying wagons based on European designs and double deck container rakes.

We have been certified by RDSO for manufacture of an annual production of 6,800 wagons, based on our past production. Our current production capacity is 10,000 wagons per annum.

*Coaches*

We have recently set up a production facility to manufacture EMU (electrical multiple units), DEMU (diesel electric multiple unit) and MEMU (mainline electric multiple units) coaches, passenger coaches, locomotive shell, locomotive assemblies and sub-assemblies. Our coach manufacturing facility is located at Sodepur, West Bengal, as a part of our traction and coaching division. We entered into a Technical Co-operation Agreement with Kawasaki Heavy Industries Limited, Japan in January 2012 for technical support in manufacturing technology, processes and quality assurance for production of coaches at Sodepur.

We have recently delivered to the Indian Railways the first rake of EMU coaches. We intend to manufacture DEMU, MEMU and other passenger coaches in the coming years.

*Locomotive Components/Locomotive Assemblies*

We have also recently diversified into manufacture of electric locomotive shells, assemblies and sub-assemblies from our Sodepur facilities and have secured orders from the Indian Railways for these products.

Our revenue (net of excise duty) from our heavy engineering division (on a standalone basis) was ₹ 36,056.75 lakhs in fiscal 2014, ₹ 79,123.44 lakhs in fiscal 2013 and ₹ 71,197.08 lakhs in fiscal 2012.

***Our Products***

The products manufactured by our heavy engineering division include the following:

| | Type | Description |
|---|---|---|
| **Wagons** | **BOXN-HL** | BOXN wagon with higher axle load with stainless steel construction |
| | **BCN wa** | Covered bogie wagons with higher axle load with stainless steel body |
| | **BOBRN- HS** | Rapid pneumatic bottom discharge hopper car, equipped with high speed bogies |
| | **MGR** | Rapid bottom discharge hopper car with electro pneumatically operated door and ride control bogies |
| | **BTAP** | Tank car for transportation of alumina in fluidised form |
| | **BCCW** | Covered hopper car for transport of bulk cement |
| | **BLC** | Container flat car |
| | **BTALN** | Liquid ammonia tank wagon |
| | **BTCS** | Caustic soda tank car |
| | **BVZI** | Guard brake van |

| | | |
|---|---|---|
| | **BCACBM** | Car carrying wagon |
| | **BWTB** | Military tank wagon |
| **MU** | **ACEMU** | Indian Railway AC electric multiple unit |
| | | |

***Our Customers***

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

| **Industry** | **Key Customers** |
|---|---|
| **A. Wagons** | |
| Railways | Indian Railways |
| Cement | ACC Limited |
| | Ultra Tech Cement Limited |
| | Bulk Cement Corporation (India) Limited |
| Alumina | Vedanta Aluminium Limited |
| | Hindalco Industries Limited |
| | National Aluminium Company Limited |
| | BALCO |
| Coal | NTPC Limited |
| **B. EMU Coaches** | |
| Railways | Indian Railways |
| **C. Loco Shells, Components and Assemblies** | |
| Railways | Indian Railways (Chittranjan Locomotive Works) |

***Competition***

We operate in a competitive environment. We face competition from companies such as Titagarh Wagons Limited, Hindustan Engineering Industries Limited, Modern Industries Limited, Besco Limited, Jessop & Company Limited, Jupiter Wagons Limited, Om Metals Infraprojects Limited, PES Engineers Private Limited, Bharat Wagon & Engineering Company Limited and the BBJ Construction Company Limited.

**Hydro-Mechanical Equipment**

We believe that we are one of the largest manufacturers of hydro-mechanical equipment in India. With the hydro-mechanical structures, designed and fabricated at our Company's manufacturing facilities at Panihati and Sodepur, 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 have successfully exported hydro-mechanical equipment to various hydro-electric projects in Africa, Nepal, Malaysia and Bhutan and are currently in the process of executing a 456 MW project in Upper Tamakoshi, Nepal, which is supposed to be the largest hydro electric project in Nepal, once complete. We supplied, installed and commissioned hydro-mechanical equipment to the 1,020 MW Tala hydro-electric project in Bhutan which was funded by the Government of India and is the largest hydro-electric project in Bhutan till date having a very high design head application. We have successfully supplied, installed and commissioned hydro-mechanical equipment for the 510 MW Teesta Stage V (Sikkim) and 132 MW Teesta Low Dam Stage III (West Bengal) hydro-electric projects for NHPC Limited. We also supplied our products to 300 MW Chamera Stage II (Himachal Pradesh) hydro electric project and 120 MW Sewa Stage II (Jammu & Kashmir) penstock and specials work.

Our equipment were also supplied, installed and commissioned in the 900 MW Purulia pumped storage project in Purulia (West Bengal), one of the largest pump storage projects in India for West Bengal State Electricity Board as sub-contractor to Mitsubishi Heavy Industries, Japan. We supplied and erected hydro-mechnical equipments for the 144 MW Kalingandaki A Project in Nepal as sub-contractor to DSD Noel, Germany.

We have also forayed into refurbishment/replacement work opportunities in existing hydro projects and barrage equipment after successful execution of rehabilitation work at Farakka Barrage and Rampur hydro-electrical project of SJVN Limited.

***Products***

We manufacture hydro-mechanical equipment such as radial and vertical gates, flap gates, hoists (of all types), gantry cranes, EOT cranes, penstocks and specials, TRCM, stop-logs and other heavy steel structures including barrage equipment.

***Customers***

We supply the products manufactured by us to public sector companies such as NHPC, NTPC, Tehri Power Corporation Limited, SJVN and others. We also supply our products to private sector companies such as Mitsubishi Heavy Industries Limited.

***Competition***

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

**Bridges and Structures**

We manufacture steel superstructure (steel girders) for large bridges for railways as well as roads from our manufacturing facility at Panihati and Sodepur.

Our Company has also established export credentials in the field of steel girder bridges and structures, through our successful execution of large contracts secured from various EPC contractors in India. We have recently forayed into the export market in this segment and have secured two orders in Bangladesh through IRCON International Limited and Fedder Lloyd Corporation Limited for supply of steel girders for railway bridges and one order in Sri Lanka for fabrication, supply and erection of steel girders for railway bridges through IRCON International Limited.

*Our Products*

We manufacture heavy steel structures including girders, hull blocks and other parts of bridges and flyovers for railways and road over bridges.

*Our Customers*

Our customers in the bridges and structural division are IRCON, Bangladesh Railways and Sri Lankan Railways.

*Competition*

Our primary competitors are Larsen & Toubro Limited, Bridge and Roof India Limited, Braithwaite and Company Limited and BBJ Construction Company Limited.

**Steel Foundry**

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

Our state of the art steel foundry consisting of two programmable logic controller (**"PLC")** automated high pressure moulding lines was designed, manufactured and erected by renowned foundry equipment specialists, Kunkel Wagner of Germany, on a turnkey basis. Our steel foundry has been accredited by the Indian Railways as a Class 'A' Foundry and a "Part I" manufacturer.

The AAR has certified that our steel foundry has met the requirements of the AAR quality assurance program as specified in M-1003 for manufacture of freight car side frames and bolsters and centre plates, which certification was valid until October 21, 2014. Such certification enables us to market certain certified steel casting products for wagons in the United States of America. Our Company has applied for renewal of the certification.

Our steel foundry has received the conformity certificate for specified side frames and bolsters for wagons from the designated Certification Authority for Railway Transport, Ukraine on the basis of Certification Protocol from the Ukraine Scientific and Research Institution on wagon production, enabling us to export certain railway castings to these countries.

Our steel foundry at Belgharia has been accredited by the Bureau Veritas Certification (India) Private Limited with the ISO 9001:2008 management system certification for manufacture and despatch of (a) carbon and alloy steel castings upto 8 tons in weight including cast manganese steel crossings and (b) fabricated components for railway sections and engineering applications including castings. We recently won the "Casting of the Year" award from the Institute of Indian Foundrymen for the best castings in steel category for the year 2012. Previosly, we had also won the Laksham Rao Kirloskar Award for the year 2009 for the Foundry of the Year by the Institute of Indian Foundrymen.

Our steel foundry division (on a standalone basis) recorded a revenue (net of excise) of ₹ 12,696.85 lakhs in fiscal 2014, ₹ 19,675.37 lakhs in fiscal 2013 and ₹ 19,138.90 lakhs in fiscal 2012.

*Our Products*

The products of the steel foundry include:

(a) Bogies (HS, HL, NLB, BLC and Amsted)

- side frames
- bolster
- pivot (top and bottom)
- side bearer (top and bottom)

(b) Couplers (TT and NTT)

- coupler body
- yoke
- tight lock couplers
- striker casting
- back stop
- knuckle
- lock
- yoke pin
- draft gear
- follower

(c) Export castings

- shrouds
- manganese crossing (track)
- 27.5T axle load bogie casting

(d) Others

- manganese crossing
- bracket casting
- hub casting
- flange
- lip casting

*Our Customers*

Our primary customer is the Indian Railways. Our other major customers are other wagon manufacturers in India. We also export our steel castings products overseas to Sandvik Shark Pte Limited, Australia, Progress Rail Services, United States of America and Dellner Couplers, Sweden.

*Exports*

We export wagons, hydro mechanical equipment and steel castings abroad. We have expanded our export business in the last fiscal and earned ₹ 12,945.42 lakhs, ₹ 9,406.25 lakhs and ₹ 1,995.57 lakhs from our export operations in fiscal 2014, fiscal 2013 and fiscal 2012 respectively, resulting in a significant increase in comparison to the previous years.

We intend to continue to focus on international markets to sell our products. We have stepped up our efforts to further strengthen and establish our presence in international markets and received orders from Bangladesh and certain African countries for supply of tank wagons in fiscal 2014. We have also secured prestigious orders for export of hydro-mechanical equipment. We have successfully exported hydro-mechanical equipment to various hydro-electric projects in Africa, Nepal, Malaysia and Bhutan and are currently in the process of executing a 456 MW project in Upper Tamakoshi, Nepal, which is proposed to be the largest hydro electric project in Nepal, once complete. We are also exporting steel castings to USA, Australia and South East Asia and intend to focus on these markets along with CIS countries. We have recently received approval for export of railway castings to CIS countries after undergoing stringent quality and simulation trials at their laboratories. We believe this will provide us with further opportunities to expand our markets in these countries.

**Process and Agro Equipment**

Our Company is also engaged in the manufacture of industrial boilers, sugar machineries, cryogenic and pressure vessels, clay filter, gas cooler, cold box, heat exchanger, and chemical plant equipment which are used in a wide range of process industries in the country, especially in the sugar industry. The process and agro equipment is manufactured at our Belgharia facilities. 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’.

**Manufacturing Facilities**

We have five manufacturing facilities in the outskirts of Kolkata, in Agarpara, Belgharia, Sodepur and Panihati, West Bengal at present. All five manufacturing facilities are located within a five Km radius. Our infrastructure facilities are spread over approximately 155 acres of land and include two million square feet of manufacturing facilities with a 10 Km long railway track for storing wagons. We have 20 railway lines inside our facility with a capacity of carrying six rakes at a time. Our manufacturing facilities are equipped with the latest production technologies and adhere to strict quality standards. We also have quality testing facilities in our premises located at Belgharia and Agarpara.

Details of our manufacturing facilities are set forth below:

- ***Agarpara***: Our Agarpara facility manufactures wagons for our heavy engineering division. The Agarpara facility together with the Belgharia facility is spread across 114.12 acres of land. Our Agarpara facility has been certified by the Bureau Veritas Certification (India) Private Limited with the ISO 9001: 2008 certification for (a) manufacture of open, covered, hopper and tank type wagons including special purpose wagons of stainless steel and mild steel suitable for metre, standard and broad gauge lines for Indian railways and export purposes; (b) design and fabrication of open, flat, tank and brake van type wagons of metre and broad gauge lines for overseas railways; and (c) manufacture of fabricated bogies for passenger coaches.

Our Agarpara facility has also been accredited by SGS United Kingdom Limited Systems and Certification with the ISO 14001:2004 management system certification for manufacture and despatch of freight cars of different types.

- ***Belgharia***: Our steel foundry division and agro machinery division is located at the Belgharia manufacturing facility and we manufacture railway castings, bogies, couplers, export castings (shrouds, managanese crossing/track, 27.5 T axle load bogie casting) and other steel products (manganese crossing, bracket casting, hub casting, flange and lip casting). The Belgharia facility together with the Agarpara facility is spread across 114.12 acres of land. Our Belgharia facility has been accredited by the Bureau Veritas Certification (India) Private Limited with the ISO 9001:2008 management system certification for manufacture and despatch of (a) carbon and alloy steel castings upto 8 tons in weight including cast manganese steel crossings and (b) fabricated components for railway sections and engineering applications including castings. Further, the AAR has certified that our steel foundry has met the requirements of the AAR's quality assurance program as specified in M-1003 for manufacture of freight car side frames and bolsters and centre plates, which certification was valid until October 21, 2014. Our Company has applied for renewal of the certification. We recently won the "Casting of the Year" award from the Institute of Indian Foundrymen for the best castings in steel category for the year 2012. Previosly, we had also won the Laksham Rao Kirloskar Award for the year 2009 for the Foundry of the Year by the Institute of Indian Foundrymen.

- ***Sodepur***: We manufacture wagons and hydro-mechanical equipment for our heavy engineering division from the Sodepur facility. In addition, we have recently commissioned a state of the art coaching making facility, which is a part of the traction and coaching division, at Sodepur to manufacture EMU, DEMU and MEMU coaches, passenger coaches, locomotive shells, locomotive components, assemblies and sub-assemblies. The Sodepur facility is spread across an area of 30.17 acres of land. Our Sodepur facility has been accredited by the Bureau Veritas Certification (India) Private Limited with the ISO 9001:2008 management system certification for the following products: (a) manufacture of open, covered, hopper and tank type wagons including special purpose wagons of stainless steel and mild steel suitable for metre, standard and broad gauge lines for Indian railways and export purposes; (b) fabrication of open, flat, tank and brake van type wagons of metre and broad gauge lines for overseas railways; (c) manufacture of fabricated bogies for passenger coaches; and (d) manufacture of hydro-mechanical equipment and fabricated structures and pressure vessels to various national/international standards.

  Our Sodepur facility has also been accredited by SGS United Kingdom Limited Systems and Certification with the ISO 14001:2004 management system certification for manufacture and despatch of the following heavy structure fabricated equipments: (a) freight cars of different types (b) bogies for passenger coaches (c) EMU and metro coaches (d) heavy structures- rail bridges, gantries (e) pressure vessels and hydro mechanial equipments.

- ***Panihati***: We manufacture hydro-mechanical equipment including radial/vertical gates, flap gates, hoists (of all types), gantry cranes, EOT cranes, pen stocks and specials, TRCM, stop logs and other heavy steel structures including barrage equipment from the Panihati facility. In addition, we also manufacture steel super structure for railway bridges, girders, hull blocks and other parts of bridges and flyovers for railways and road over bridges, as a part of the bridges and structural division from this facility. We have installed a trail assembly facility of bridge girders of up to 120 meters span to test the accuracy of the fabrication and a sophisticated covered grit blasting facilities for steel structurals to check the pollution levels. The Panihati facility is spread across 11.80 acres of land. Our Panihati facility has been accredited with the ISO 9001:2008 management system certification for manufacture of hydro-mechanical equipment and fabricated structures by the Bureau Veritas Certification (India) Private Limited. Our Panihati facility has also been accredited by SGS United Kingdom Limited Systems and Certification with the ISO 14001:2004 management system certification for manufacture and despatch of the following heavy structure fabricated equipments for heavy structures - rail bridges, gantries and pressure vessels and hydro mechanial equipments, amongst others.

**Raw Materials**

Raw materials used for our manufacturing activities include steel plates, sheets, tubes, pipes, rounds, bars, flats, mild, carbon, alloy steel and cast iron scrap, which are being sourced from Steel Authority of India Limited, Tata Steel Limited, Essar Steel Limited, Jindal Steel & Power Limited, Jindal Stainless Limited, JSW Steel Limited, Bhushan Steel Limited, Bhusan Power and Steel Limited and other entities.

**Research and Development**

Research and Development forms an integral part in our growth strategy. We have a dedicated team for carrying out in-house research and development activities. We have also started pooling management expertise from various divisions and organising more frequent and closer interaction amongst the senior professionals at the macro level to enhance our research and development initiatives. Our research and development team is geared to achieve a common objective of cost effectiveness, new product development and quality improvement to help export promotion and import substitution Some of the programmes undertaken by us during the year in relation to the steel foundry division are bogie castings for use in ultra-low temperature application, such as around -40rC. These castings successfully stood variable load Dynamic Fatigue Testing in a foreign land and have been approved for export. The Slackless Draw Bar has been developed as an import substitute component for use in container carrying cars and approved for use on the Indian Railways network. Further, we also developed high resistant wear components for mining application for exports. The research and development team is also working on a program to achieve higher grain size (5 to 7) in Hadfield castings to improve mechanical properties and secure a higher service life.

We have also designed and developed the double deck car carrying wagon and the double stack bogie container wagon. Our hydro-mechanical division has also developed an economical design of lining application for Dam Radial Gate Weir channels using high abrasion resistant materials with high surface hardness in substitution of abrasion resistant stainless steel. It is proposed that this would be used to carry heavy silt laden water for our foreign projects.

The Department of Scientific and Industrial Research, Ministry of Science and Technology, Government of India has accorded registration to our in house research and development units at Belgharia.

**Marketing**

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 among others. Most of the orders procured by our Company are through tenders floated by these entities.

*Employees*

As on March 31, 2014, we have a workforce of 1,534 persons. The Company aims to align human resources practices with business goals, motivate the team members for improved performance both in terms of quality and productivity and build a healthy competitive working environment. Development of employees' competency and their career planning continue to be HR's core policy and thrust area.

Various programs and workshops are conducted to bridge skill gaps and increase employee's motivation and participation level. These include personality grooming, improving communication skills, health and safety, housekeeping, energy management, productivity improvement, total quality management and 5S Kaizen initiatives. The Company imparts regular structured training and learning programs at the entry and other levels to its workforce.

Through a dedicated training and placement department we consistently train our workforce to enhance their knowledge and equip them with the latest technological and engineering skills. Trainees from various engineering institutions and trainees nominated by government agencies undergo training at our various manufacturing facilities.

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

| Name of operating union | Affiliated to |
|---|---|
| Texmaco WorkersWorkers | CITU |
| Texmaco Engineering Employees Union | INTUC |

| Name of operating union | Affiliated to |
|---|---|
| Texmaco Mazdoor Union | INTTUC |
| Texmaco Sramik Karmachari Union | Independent |

In addition to its workforce, our Company's third party contractors also employ contract labor for production and construction works.

*Insurance*

We maintain a range of insurance policies to cover our assets, including a standard fire and special perils policy for our manufacturing facilities situated at Agarpara, Belgharia, Sodepur, Panihati and the steel foundry division at Belgharia. The total sum insured in this regard is ₹ 38,465.97 lakhs.

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-mechanical projects. We have also maintained certain marine open cover policies (cargo).

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

*Property*

Our registered office is located at Belgharia, Kolkata 700 056 and our corporate office is located at Birla Building, Kolkata 700 001.

Our Company currently owns the following plots of land:

| S. No. | Location | Area (in acre) |
|---|---|---|
| | Belgharia and Agarpara | 114.1185 |
| | Panihati | 11.80 |
| | Sodepur | 30.175 |

In addition, our Company owns certain apartments in Kolkata and Hyderabad.

*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 types of bogies sold in India.

We have not registered our business logo either as a trademark or as a service mark. We have applied for registration of our logo and the word mark Texmaco to the Registrar of Trade Marks, Kolkata and are awaiting registration of such trademarks.

*Environmental Matters*

Our Company is committed to improve the environment and health and safety of its work environment by continuous training and coaching its employees, contractors and other stakeholders. We have undertaken various activities to promote green technology and reduce waste generation towards environmental protection. We have also installed pollution control measures at all our facilities to minimise the impact on environment.

*Corporate Social Responsibility*

Our Company’s corporate social responsibility activities reflect our philosophy of ‘inclusive growth’ to help build a better and more sustainable society by taking into account the societal needs of the community. We are conscious of our responsibilities as a corporate citizen with concern and understanding to integrate social, environmental, ethical human rights into our business operations. We have been engaged in a series of community welfare programmes, with focus in the areas of education and health care. We strive to make a continuous improvement in the quality of life of our workmen and employees and the people living near our manufacturing facilities.

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. We have promoted computer literacy through distribution of computers for the benefit of the family members of the employees. We have also contributed to the welfare of children by providing grants, special rewards and scholarships towards educational needs. We have also distributed two wheelers under a liberal scheme to our employees. Several initiatives have been taken to support women and make them independent through proper training and self employment in alliance with different NGO's. We have also provided job opportunities, training and special assistance for health and education to people residing in the neighbourhood of our manufacturing facilities. Texmaco Neighborhood Welfare Society Trust provides financial assistance to the poor and needy for their health, education and social needs.

**Related Party Transactions**

From time to time, we enter into transactions with affiliates or related parties, principally with our Promoter Group Companies and our joint venture companies. Our policy is that such transactions are made on an arm's length basis on no less favourable terms than if such transactions were carried out with unaffiliated third parties. Details of related party (as per AS 18) are set out in the section ***Financial Statements***".

**Legal Proceedings**

We are involved in various legal proceedings that are at different levels of adjudication before various courts and tribunals. These legal proceedings are primarily in the nature of civil proceedings, labour proceedings and taxation proceedings (excise and service tax). The results of these claims and legal proceedings cannot be predicted and these claims and legal proceedings, individually or in the aggregate, may have a material adverse effect on our business (both in the near and long term), liquidity, financial position, cash flows or results of operations. For further details of our material litigation, see "Legal Proceedings".

# REGULATIONS AND POLICIES IN INDIA

*The following is an overview of the important laws and regulations which are relevant to our business in India. The description of laws and regulations set out below is not exhaustive, and is only intended to provide general information, and is neither designed nor intended to be a substitute for professional legal advice. The statements below are based on the current provisions of Indian law, which are subject to change or modification by subsequent legislative, regulatory, administrative or judicial decisions.*

## (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.

Until 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 six 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, signaling 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 was required to 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. New wagon design policy was further amended in December 2009, in which the Design Proposer ("**DP**") is required to approach the executive director, mechanical engineering (freight) in the Railway Board to offer any new non-RDSO design wagon for Indian Railway network. In case the wagon is found acceptable during initial scrutiny by Railway Board, DP is advised to approach Wagon Directorate of RDSO, Lucknow, for further necessary action. The new wagon design shall be better than the existing designs and conform to certain conditions, including *inter alia* Track Loading Density and Pay to Tare ratio.

***Wagon Leasing Scheme***

The Ministry of Railways formulated a new wagon leasing scheme which came into effect from April 15, 2008 (and as amended by various circulars, including circular No. 2 of 2011 dated February 17, 2011), 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, container train operators, Special freight train operator, Automobile freight train operator and end users with prior approval of ministry of railways or through imports. For getting registered under the scheme, wagon leasing companies should have a minimum net worth of ₹10,00,000,000 and will have to deposit ₹ 5,00,00,000 as registration fee. Registration will be valid for 35 years from the date of registration and further extendable 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 had formulated a liberalised 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. Vide Freight marketing circular No. 11 of 2011 dated February 2, 2012, issued by the Ministry of Railways, the existing liberalised wagon investment scheme was reviewed. Now, under this scheme only high capacity wagons and special purpose wagons can be procured. Moreover only WLC and End users can procure wagons under this scheme. The procurement of wagons will be allowed only with prior administrative approval of Ministry of Railways. The MOR reserves the right to terminate the agreement with any investor procuring wagons under LWIS on payment of the residual value as assessed by IR. If the investor has availed of any concession, subsidy or any other financial benefit for procurement of wagons from any other ministry or from ministry of Railways under any other scheme he will not be eligible under this scheme.

***Automobile Freight Train Operator Scheme***

The Ministry of Railways had formulated Automobile Freight Train Operator Scheme, under which opportunity was provided to logistics service providers and road transporters to invest in wagons and use advantage of rail transport to tie up with end users and market train services. It is imperative that auto carriers of suitable design are inducted in Indian Railway to facilitate bulk transportation of automobiles. The companies eligible to avail this scheme should be (a) registered companies under The Companies Act 1956; or (b) a subsidiary of the registered company; or (c) a joint venture company or partnership; or (d) a public sector enterprise in the business of logistics. Further the company should have minimum one year experience in any of the following (a) transport and logistics (b) port and land terminal operations (c) warehousing (d) container train operations (e) manufacturers of automobiles (f) wagon leasing company. The company should have a net worth of minimum of ₹ 20,00,00,000 or an annual turnover of minimum 30,00,00,000 as on 31st March of the previous financial year. The concession agreement for operation of Automobile Freight Train will be valid for a period of 20 years from the date of commencement of commercial operation of train by Automobile Freight Train Operator, extendable till expiry of the codal life of wagons. Procurement of wagons for induction under this policy will be allowed only with prior administrative approval of MOR.

***Special Freight Train Operator Scheme***

The Ministry of Railways had formulated Special Freight Train Operator Scheme to increase share of railways in transportation of non conventional traffic in high capacity and special purpose wagons, increasing the commodity base of Indian Railways. It provides an opportunity to logistics service providers or manufacturers to invest in wagons and use advantages of rail transport to tie up with the end users and market the train services owned by them for rail transportation of selected commodity. Eligibility to avail this scheme is provided as follows: be (a) registered companies under The Companies Act 1956; or (b) a subsidiary company; or (c) a joint venture company or partnership; or (d) a public sector enterprise in the business of logistics. Further, the company is required to have a minimum one year experience in any of the following (a) transport and logistics (b) port and land terminal operations (c) warehousing (d) container train operations (e) manufacturers of automobiles (f) wagon leasing company. The company should have a net worth of minimum ₹ 50,00,00,000 or an annual turnover of minimum ₹ 75,00,00,000 as on 31st March of the last financial year. The concession agreement for operation of Special Freight Train will be valid for a period of 20 years from the date of commencement of commercial operation of train by Special Freight Train Operator, extendable till expiry of the codal life of wagons.

**(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 Exim Policy is updated every year on the 31st of March and the modifications, improvements and new schemes become 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.

The current EXIM policy covers the period 2014-2019 however the FTP 2009-14 is applicable till new FTP 2014-19 comes in to force. The EPCG scheme as contained in chapter five of the Exim Policy (2012-2013) EPCG scheme allows import of capital goods for preproduction, production and post production (including CKD/SKD) at zero Customs duty, subject to an export obligation equivalent to 6 times of duty saved on capital goods imported under EPCG scheme, to be fulfilled in 6 years reckoned from authorisation issue-date.

Concessional 3% duty EPCG scheme allows import of capital goods for pre-production, production and post production (including CKD/SK) subject to payment of 3% Basic Customs Duty (BCD). Export obligation (EO) shall be 8 times of duty saved amount (i.e. difference between duty payable and 3% BCD). The Export Obligation Period (EOP) shall be 8 years reckoned from authorisation issue-date.

**(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) 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. The person in charge is to affix meters of prescribed standards to measure and record the quantity of water consumed. Furthermore, a monthly return showing the amount of water consumed in the previous month must also be submitted.

***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 there with, 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. Penalties for violation of the EPA include fines up to ₹ 100,000 or imprisonment of up to five years, or both. The MoEF by a circular dated November 1, 2010, decided that proposals for obtaining environment clearance for projects that rely on the availability of coal as a raw material, including thermal power projects, will be considered only after the availability of firm coal linkage and the status of environment and forestry clearances of the source of the coal, i.e., the linked coal mine or block, are known. If a project is dependent on coal sourced from outside India, a copy of a signed memorandum of understanding between the foreign coal supplier and project proponent is required to be submitted to the MoEF prior to environment clearance being granted

*Environment Impact Assessment*

The MoEF looks into Environment Impact Assessment ("**EIA**"). The MoEF receives proposals for expansion, modernisation 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 EIA Notification issued under the EPA and the Environment (Protection) Rules, 1986 requires prior MoEF approval if any new project in certain specified areas is proposed to be undertaken. To obtain environmental clearance, a no-objection certificate must first be obtained from the applicable regulatory authority. This is granted after a notified public hearing, submission and approval of an environmental impact assessment report that sets out the operating parameters such as the permissible pollution load and any mitigating measures for the mine or production facility and an environmental management plan. For projects that require preparation of an EIA report, public consultation involving public hearing and written responses is conducted by the State PCB, prior to submission of a final EIA report. The environment clearance (for commencement of the project) is valid for up to 30 years for mining projects and five years for all other projects and activities. This period of validity may be extended by the concerned regulator for up to five years. The EIA Notification states that obtaining of prior environment clearance includes four stages, i.e., screening, scoping, public consultation and appraisal.

*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 providers that no person shall posses, 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 authorised for this purpose. The occupier is liable for damages caused to the environment resulting from the improper handling and disposal of hazardous waste and any fine that may be levied by the respective State Pollution Control Board.

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.

**(E) 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. There is a prohibition on employing children below the age of 14 years in a factory. If there is a contravention of any provisions of the Factories Act or rules framed there under the occupier and manager of the factory may be punished with imprisonment for a term up to two years or with a fine up to ₹ 100,000 or with both, and in case of contravention continuing after conviction, with a fine of up to ₹ 1,000 per day of contravention. In case of a contravention which results in death or serious bodily injury, the fine shall not be less than ₹ 25,000 in the case of an accident causing death, and ₹ 5,000 in the case of an accident causing serious bodily injury. In case of contravention after a prior conviction, the term of imprisonment increases up to three years and the fine is ₹ 3,00,000 and in case such contravention results in death or serious bodily injury the fine would be a minimum of ₹ 35,000 and ₹ 10,000, respectively.

***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. an employee shall be disqualified from receiving bonus under this Act, if he is dismissed from service for, fraud; or riotous or violent behaviour while on the premises of the establishment; or theft, misappropriation or sabotage of any property of the establishment. The minimum bonus to be paid is the higher of 8.33 per cent of the salary or wage or ₹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 ₹ 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 ₹ 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. The provisions of this act apply to every establishment which is a factory engaged in any industry specified in Schedule I and in which twenty or more persons are employed and to any other establishment employing twenty or more persons or class of such establishments which the Central Government may, by notification in the Official Gazette, specify. 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 ₹

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
- The Maternity Benefit Act, 1961
- Equal Remuneration Act, 1976

## BOARD OF DIRECTORS AND SENIOR MANAGERIAL PERSONNEL

### Board of Directors

The general supervision, direction and management of our operation and business is vested in our Board, which exercises its powers subject to our Memorandum and Articles of Association and the requirements of applicable Indian laws. Pursuant to the Companies Act, 2013 and our Articles of Association, the Directors may be appointed by the Board or by our shareholders in a general meeting. In accordance with the Articles of Association, our Company is required to have not less than three Directors and not more than twelve Directors. Currently, our Company has 10 Directors. The present composition of the Board and its proceedings are in accordance with the Companies Act and the Equity Listing Agreements.

Pursuant to the provisions of the Companies Act, at least two-thirds of the total numbers of Directors, excluding the Independent Directors, are liable to retire by rotation, with one-third of such number retiring at each annual general meeting. A retiring Director is eligible for re-election. Further, an Independent Director may be appointed for a maximum of two consecutive terms of up to five consecutive years each. Any re-appointment of Independent Directors shall, inter alia, be on the basis of the performance evaluation report and approved by the shareholders by way of special resolution.

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

| Name, Address, DIN, Term, Occupation and Nationality | Age (years) | Designation |
|---|---|---|
| Mr. Saroj Kumar Poddar<br>**Address:** Poddar Niket, 2 Gurusaday Road, Kolkata 700019<br>**DIN**: 00008654<br>**Term:** From September 25, 2010 to September 24, 2015.<br>**Occupation:** Industrialist<br>**Nationality:** Indian | 69 | Executive Chairman |
| Mr. Ramesh Maheshwari<br>**Address:** Trivoli Court, 1A, Ballygunge Circular Road, Kolkata-700019<br>**DIN**: 00170811<br>**Term:** From September 25, 2010 to September 24, 2016.<br>**Occupation:** Executive<br>**Nationality:** Indian | 81 | Executive Vice Chairman |
| Mr. Akshay Poddar<br>**Address:** Poddar Niket, 2 Gurusaday Road, Kolkata 700019<br>**DIN**: 00008686<br>**Term:** From September 2, 2011 (liable to retire by rotation on next AGM)<br>**Occupation:** Industrialist<br>**Nationality:** Indian | 38 | Non Executive and Non Independent Director |
| Mr. D.R. Kaarthikeyan<br>**Address:** 102, Ground Floor LGF, Anand Lok, New Delhi 110049 | 75 | Independent Director |

| | | |
|---|---|---|
| **DIN**: 00327907<br>**Term:** From September 2, 2011 to September 3, 2019.<br>**Occupation:** Retired Government Servant<br>**Nationality:** Indian | | |
| Mr. A.C. Chakrabortti<br>**Address:** 22/2A, Gora Chand Road, Kolkata, 700014<br>**DIN**: 00015622<br>**Term:** From September 25, 2010 to September 3, 2019.<br>**Occupation:** Chartered Accountant<br>**Nationality:** Indian | 84 | Independent Director |
| Mr. Sampath Dhasarathy<br>**Address:** ICF 611, Pilkington Road, Ayanavaram, Chennai, 600023<br>**DIN**: 01308724<br>**Term:** From September 25, 2010 (liable to retire by rotation on next AGM)<br>**Occupation:** Retired Government Servant<br>**Nationality:** Indian | 71 | Independent Director |
| Mr. Hemant kanoria<br>**Address:** Kanoria House, 3 Middle Road, Hastings, Kolkata-700022<br>**DIN**: 00193015<br>**Term:** From October 21, 2011 to September 3, 2019.<br>**Occupation:** Industrialist<br>**Nationality:** Indian | 52 | Independent Director |
| Mr. Sunil Mitra<br>**Address:** 241, Shantipally, Kolkata-700078<br>**DIN**: 00113473<br>**Term:** From November 5, 2012 to September 3, 2019.<br>**Occupation:** Retired Government Servant<br>**Nationality:** Indian | 63 | Independent Director |
| Mr. D.H Kela<br>**Address:** Pankaj Appt, 86, Ballygunge Place, Kolkata-700019<br>**DIN**: 01050842<br>**Term:** From September 25, 2010 to September 24, 2016<br>**Occupation:** Executive<br>**Nationality:** Indian | 73 | Executive Director |
| Mr. Sandeep Fuller | 48 | Executive Director |

**Address:** 7B "Dimple Court", 26 Shakespeare Sarani,
Kolkata – 700 017

**DIN**: 06754262

**Term:** From February 1, 2014 to January, 31, 2017.

**Occupation:** Executive

**Nationality:** Indian

**Relationship between Directors**

| Name of the 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.

**Brief Profiles**

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

Mr. Saroj Kumar Poddar, aged 69 years is chairman of the Company since September 25, 2010. Mr. Saroj Kumar Poddar is a gold medallist in B.Com (Hons) from Calcutta University. He is the chairman of Adventz Investments and Holdings Limited, Chambal Fertilisers and Chemicals Limited, Chambal Infrastructure Ventures Limited, Gulbarga Cement Limited, Paradeep Phosphates Limited, Simon India Limited, Texmaco Infrastructure and holdings limited, Zuari Cement Limited, Zuari fertilisers and Chemicals Limited, Zuari Agro Chemicals Limited, Zuari Global Limited, Adventz Finance Private Limited and Hettich India Private Limited. He is on the Advisory board of Indian Arm of Messers N M Rothschild & Sons (India) Private Limited. He has served as President of FICCI and International Chamber of Commerce in India. Appointed by the GOI on board of Trade and Indian Institute of Science, Bangalore. Served as a member of the board of Governors of Indian Institute of Technology, Kharagpur and on the local board of RBI for 10 years each.

Mr. Ramesh Maheshwari, aged 81 years is the executive vice chairman of the Company since September 25, 2010. Mr. Ramesh Maheshwari holds a M. Com and a LL.B degree. He has been associated with the Organisation for over 50 years and had served as the president of M/s. Texmaco Limited prior to the demerger of the heavy engineering and steel foundry divisions of M/s. Texmaco Limited to the Company.

Mr. D.R. Kaarthikeyan, aged 75 years has served at several positions in the Indian Police Service. Mr. D.R. Kaarthikeyan holds a B.Sc (Hons.) degree in Chemistry and Agriculture and a LL.B degree. Further, he was Director of the Central Bureau of Investigation of India and Director General in the National Human Rights Commission. He has also functioned as Director of Trade Promotion in Australia and as a Diplomat and Head of Chancery. He was the First Secretary, consular division of the embassy of India in Moscow. He was conferred with Padma Shri award in 2010. He was appointed as an independent director on the Board of Directors of the Company with effect from September 2, 2011.

Mr. S. Dhasarathy, aged 71 years has served as a member mechanical, Ministry of Railways, Government of India, an ex-office secretary to the Government of India. He is a qualified engineer, holding the degree of B.E (Hons) and M.I.E and also holds a masters degree in defence studies He has a vast experience in the field of Railways and Railways related industries. He was appointed as an independent director on the Board of Directors of the Company with effect from September 25, 2010.

Mr. Hemant Kanoria, aged 52 years is the chairman and managing director of Srei Infrastructure Finance Limited and has been engaged in the infrastructure sector for over twenty years. He holds a B.Com (Hons) degree. He was appointed as an independent director on the Board of Directors of the Company with effect from October 21, 2011.

Mr. A. C. Chakrabortti, aged 84 years 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. He was appointed as an as an independent director on the Board of Directors of the Company with effect from September 25, 2010.

Mr. Akshay Poddar, aged 38 years has been a director on the Board of Directors of the Company since September 2, 2011. He holds a degree in accounting and finance from the London School of Economics and Political Science, University of London. He is one of the managing director of Adventz Investment and

Holdings Limited and promoter director 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. Mr. Akshay Poddar is also a committee member of the Indian Chamber of Commerce.

Mr. Sunil Mitra, aged 63 years has served at several positions in the Indian Administrative Service and has public service career spanning more than 30 years. Mr. Sunil Mitra holds a B.Sc (Hons.) degree. Further, he was Secretary, Department of Revenue and Finance, Government of India. He was appointed as an independent director on the Board of Directors of the Company with effect from November 5, 2012.

Mr. D.H. Kela, aged 73 years has been a Director on the Board of Directors of the Company since September 25, 2010. Mr. D. H. Kela graduated in Metallurgical engineering in 1964 and has experience of more than 45 years in the Industry. Prior to joining the Company, Mr. Kela had also held senior positions in several engineering and metallurgical companies.

Mr. Sandeep Fuller, aged 48 years has been a Director on the Board of Directors of the Company since February 1, 2014. Mr. Sandeep Fuller holds a B.Tech degree in from the Indian Institute of Technology, Kanpur and Post Graduate Diploma in Management and has experience of more than 24 years in the industry. Prior to joining the Company, Mr. Fuller has also worked with Indian Railways in various capacities and thereafter with Larsen & Toubro. He has been a recipient of several distinguished awards for outstanding performance, notably the Railway Minister’s award for the year 2008-09 for Mumbai Railway operations (including suburban operations). Mr. Fuller is presently associated with Kalindee Rail Nirman (Engineers) Limited as its managing director.

**Borrowing Powers of our Directors**

Our Directors may raise monies (in foreign exchange or Indian Rupee) from time to time, together with monies already borrowed by our Company (apart from the temporary loans obtained from our Company’s bankers in the ordinary course of business) up to an amount not exceeding ₹ 58,300 lakhs, notwithstanding that such borrowings may exceed the aggregate of our paid up share capital plus free reserves.

**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 “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, 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 as of October 30, 2014.

**Shareholding of the Directors**

The following table sets forth the shareholding pattern of the Directors as on September 30, 2014:

| Name | Number of Equity Shares | Percentage |
|---|---|---|
| Mr. S.K.Poddar | 24,97,020 | 1.37 |
| Mr. AkshayPoddar | 14,820 | 0.01 |
| Mr. Ramesh Maheshwari | Nil | Nil |

| Name | Number of Equity Shares | Percentage |
| --- | --- | --- |
| Mr. D. H. Kela | 30,000 | 0.01 |
| Mr. D.R. Kaarthikeyan | Nil | Nil |
| Mr. S. Dhasarathy | Nil | Nil |
| Mr. Hemant kanoria | Nil | Nil |
| Mr. A. C. Chakrabortti | 1,800 | 0.001 |
| Mr. Sunil Mitra | Nil | Nil |
| Mr. Sandeep Fuller | Nil | Nil |

**Terms of appointment of Executive Directors**

***Chairman***

Pursuant to the shareholders' resolution in the annual general meeting of our Company held on September 1, 2011. Mr. S.K. Poddar was appointed as the Executive Chairman of our Company for a period of five years with effect from September 25, 2010 with a salary of ₹ 7,50,000 per month with effect from September 25, 2010 and ₹ 25,00,000 per month with effect from June 1, 2011 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 as per the rules of the Company.

***Whole Time Director***

Pursuant to the shareholders' resolution in the annual general meeting of our Company held on September 7, 2013. Mr. D.H. Kela was appointed as an Executive Director of our Company for a period of three years with effect from September 25, 2013 with a salary of ₹ 4,50,000 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** | • Free furnished accommodation or HRA upto 40 per cent of the salary.<br>• Expenditure incurred on gas, electricity, water and furnishing shall be valued as per Income Tax Rules, 1962. |
| **Medical Reimbursement** | Reimbursement of actual expenses incurred for self 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** | For self and his family once in a year, 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. No admission or life membership fee will be paid by the Company. |
| **Contribution to provident fund and superannuation fund** | In accordance with the rules of the Company |
| **Gratuity** | In accordance with the rules of the Company |

**Remuneration of our Directors**

***Executive Directors***

The following tables set forth the compensation paid by the Company to the executive Directors in fiscal 2014 and for the six months ended September 30, 2014:

| Name of Director | | Fiscal 2012 | | | Fiscal 2013 | | | Fiscal 2014 | Six months ended September 30, 2014 | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Salary (in ₹) | Monetary value of perquisites# (in ₹) | Total (in ₹) | Salary (in ₹) | Monetary value of perquisites# (in ₹) | Total (in ₹) | Salary (in ₹) | Monetary value of perquisites# (in ₹) | Total (in ₹) | Total (including salary and monetary value of perquisites) |
| S.K. Poddar | 2,65,00,000 | 38,56,650 | 3,03,56,650 | 3,00,00,000 | 69,81,858 | 36981858 | 3,00,00,000 | 66,35,017 | 3,66,35,017 | 1,95,00,000 |
| Ramesh Maheshwari | 63,00,000 | 48,90,375 | 1,11,90,375 | 81,00,000 | 41,54,831 | 12,2,54,831 | 81,00,000 | 41,80,401 | 1,22,80,401 | 52,65,000 |
| Sandeep Fuller | - | - | - | - | - | - | 17,93,548 | 24,46,488 | 42,40,036 | 26,15,000 |
| D.H. Kela | 36,00,000 | 22,91,338 | 58,91,338 | 48,75,000 | 22,58,002 | 71,33,002 | 54,00,000 | 25,24,955 | 79,24,955 | 37,26,000 |

# Perquisites and Allowances include House Rent Allowance, LTA, Medical Benefits, Contribution to P.F., Superannuation Fund, Ex-gratia etc.

### *Non-Executive Directors*

Non-executive Directors are eligible for sitting fee and a commission not exceeding 1% of the net profit of our Company for each year, with a ceiling of ₹ 2,00,000 per annum, whichever is lower and are paid a sitting fee of ₹ 20,000 each for attending a meeting of the Board of Directors and ₹ 10,000 each for attending a meeting of committees or sub-committees.

The following tables set forth all compensation paid by the Company to all the Directors for fiscal 2014, fiscal 2013, fiscal 2012 and the six months ended September 30, 2014:

| Name of the Director | Fiscal 2012 | | | Fiscal 2013 | | | Fiscal 2014 | | | Six months ended September 30, 2014 | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Sitting Fee (in ₹) | Commission (in ₹) | Total (in ₹) | Sitting Fee (in ₹) | Commission (in ₹) | Total (in ₹) | Sitting Fee (in ₹) | Commission (in ₹) | Total (in ₹) | Sitting Fee (in ₹) | Commission (in ₹) | Total (in ₹) |
| Mr. D.R. Kaarthikeyan | 20,000 | 1,15,847 | 1,35,847 | 1,00,000 | 2,00,000 | 3,00,000 | 1,30,000 | 2,00,000 | 3,30,000 | 1,20,000 | Nil | 1,20,000 |
| Mr. AkshayPoddar | 50,000 | 1,15,847 | 1,65,847 | 70,000 | 2,00,000 | 2,70,000 | 1,10,000 | 2,00,000 | 3,10,000 | 70,000 | Nil | 70,000 |
| Mr. S. Dhasarathy | 60,000 | 2,00,000 | 2,60,000 | 1,40,000 | 2,00,000 | 3,40,000 | 90,000 | 2,00,000 | 2,90,000 | 1,10,000 | Nil | 1,10,000 |
| Mr. Hemant kanoria | 20,000 | 89,071 | 1,09,071 | 40,000 | 2,00,000 | 2,40,000 | 20,000 | 2,00,000 | 2,20,000 | 20,000 | Nil | 20,000 |
| Mr. A. C. Chakrabortti | 1,30,000 | 2,00,000 | 3,30,000 | 1,40,000 | 2,00,000 | 3,40,000 | 1,90,000 | 2,00,000 | 3,90,000 | 1,70,000 | Nil | 1,70,000 |
| Mr. Sunil Mitra* | - | - | - | 40,000 | 80,548 | 1,20,548 | 1,20,000 | 2,00,000 | 3,20,000 | 80,000 | Nil | 80,000 |

*Appointed with effect from November 5, 2012

### Corporate Governance

Except as disclosed in the Preliminary Placement Document, our Company has been complying with the requirements of all applicable corporate governance norms, including the Equity Listing Agreements, the RBI the RBI regulations and the SEBI regulations, in respect of corporate governance including constitution of Board and committees thereof.

Our Board presently consists of 10 directors. In compliance with the requirements of the Equity Listing Agreements our Board consists of 5 Independent Directors.

As the Chairman of our Company is an executive director of the Company, atleast half of the Board is required to consist of Independent Directors in accordance with Clause 49 of the Equity Listing Agreements.

Corporate governance is administered through our Board of Directors and the committees of the Board, particularly, the audit committee, the nomination and remuneration committee and the stakeholder's relationship committee.

**Committee of the Board**

In terms of Clause 49 of the Equity Listing Agreement, RBI guidelines on corporate governance and Companies Act, 2013, our Company has constituted the following committees of Directors namely:

(i) Audit Committee;

(ii) Nomination and Remuneration Committee; and

(iii) Stakeholder's Relationship Committee

**Audit Committee**

The Audit Committee of the Board comprises of Mr. A.C. Chakrabortti, (chairman), Mr. Ramesh Maheshwari, Mr. Sampath Dhasarathy, Mr. D.R. Kaarthikeyan, all of whom (except Mr. Ramesh Maheshwari) are independent Directors. The terms of reference of the Audit Committee include the matters specified under Clause 49 of the Equity Listing Agreement as well as in provisions of the Companies Act. We have complied with the requirements of Clause 49 as regards the composition of the Audit Committee.

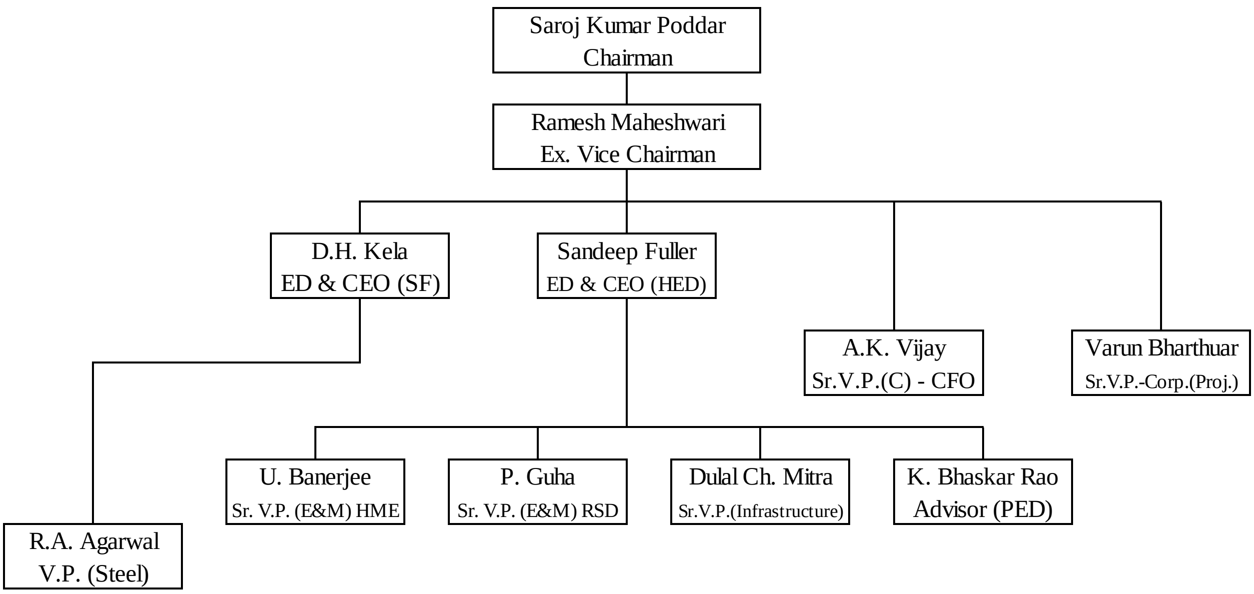
**Nomination and Remuneration Committee**

The Nomination and Remuneration Committee of the Board comprises Mr. Akshay Poddar, Mr. A.C. Chakrabortti, and Mr. Hemant Kanoria.

**Stakeholder's Relationship Committee**

The Stakeholder's Relationship Committee comprises of Mr. Akshay Poddar (chairman), Mr. Ramesh Maheshwari and Mr. D.H. Kela. The Stakeholder's Relationship Committee has been constituted in terms of the mandatory requirement of Clause 49 of the Equity Listing Agreement to look into the redressal of grievances of investors. The Stakeholder's Relationship Committee has to periodically review the status of complaints from shareholders' and address redressal, ensure the adequacies of the control systems for recording complaints and disposal thereof.

**Organisation Structure**




**Key Managerial Personnel**

| | |
|---|---|
| **Mr. A.K. Vijay** | Mr. Vijay holds a bachelors degree in commerce from CalcuttaUniversity and is a qualified chartered accountant and company secretary. He has more than 38 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 (C) and Chief Financial Officer in our Company. |
| **Mr. D.C Mitra** | Mr. Mitra holds a degree in civil engineering from Jadavpur University and fellow of Institute of Engineers (India) and Institute of Permanent Way Engineers. He has more than 37 years of experience in technical and administrative management related to construction projects, bridge track maintenance, operational logistics of train movements etc. He was the managing director of Rail Vikas Nigam Limited prior to his retirement and spearheaded many critical and illustrious projects of Indian Railways before joining our Company on April 16, 2014. He currently holds the position of Senior Vice President (Infrastructure) 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 more than 40 years of experience in engineering, marketing and project management. He has been associated with the KCP Limited, Chennai, Indian Space Research Organisition, Vikram Sarabhai Space Centre, Trivandrum, Kerala before joining our Company on October 5, 1976. He currently holds the position of Advisor (PED) in our Company. |
| **Mr. V. Bharthuar** | Mr. Bharthuar holds a Mechanical and Electrical Engineering from the Council of Engineering Institutions, London, and Institution of Engineers, India. He has more than 37 years of experience with Indian Railways in various capacities including Technical and Administrative Management related to operational logistics of train movements, maintenance of Coaches and Wagons and Manufacturing Units. During this period, he worked both as a leader and a player on cross-functional teams in the areas of Operations, Project Management, Macro-Engineering, Maintenance and Human Resource Optimisation and Welfare. Mr. Bhathuar as the General Manager of East Central Railway exercised financial control over pilot projects having an annual outlay of close to ₹ 4,500 crores and was the Executive Head of over 75000 employees before joining our Company on August 1, 2013. He currently holds the position of Senior Vice President-Corporate (Projects) in our Company. |
| **Mr. Pradip Guha** | Mr. Guha holds a bachelors degree in technology (mechanical) from Indian Institute of Technology, Kharagpur. He has more than 30 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 Senior Vice President (E&M) RSD 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 more than 30 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 Senior Vice President (E&M) HME in our Company. |
| **Mr. Ram Avtar Agarwal** | Mr. Agarwal holds a bachelors degree in mechanical engineering from RajasthanUniversity. He has more than 35 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. |

### Shareholding of Key Managerial Personnel

Our key managerial personnel hold following Equity Shares, as of September 30, 2014:

| Name | No. of Equity Shares | Percentage |
|---|---|---|
| Mr. A.K. Vijay | 32,530 | 0.02 |
| Mr. D.C Mitra | Nil | Nil |
| Mr. K. Bhaskara Rao | 20,000 | 0.01 |
| Mr. V. Bharthuar | Nil | Nil |
| Mr. Pradip Guha | 2,000 | 0.00 |
| Mr. Udayan Banerjee | 1,000 | 0.00 |
| Mr. Ram Avtar Agarwal | 9,000 | 0.00 |

**Interest of Key Managerial Personnel**

Except as stated in "Financial Statements – Related Party Transactions", and to the extent of remuneration or benefits to which they are entitled as per the terms of their appointment and reimbursement of expenses incurred by them in the ordinary course of business, our Company's key managerial personnel do not have any other interest in our Company.

**Texmaco Employees Stock Option Scheme 2014**

The shareholders of our Company at a meeting dated Setember 4, 2014, have passed a special resolution approving the 'Texmaco Employees Stock Option Scheme, 2014' ("**ESOP 2014**") 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. A total of not more than 18,20,265 options would be available for being granted and each such option when exercised would be converted into one fully paid up equity share of Re. 1 each. Currently no options have been granted to the eligible employees under ESOP 2014.

**Payment or benefit to Directors, Key Managerial Personnel and officers of our Company**

The perquisites and allowances that may be payable to the Directors are in accordance with the Companies Act, 2013. The perquisites and allowances that may be payable to the key managerial personnel of our Company are in accordance with our Company's human resources policies. Except as disclosed above, our Directors and key management personnel are not entitled to any other non-salary related amount or benefit.

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.

**Policy on disclosures and internal procedure for prevention of insider trading**

Regulation 12(1) of the SEBI (Prohibition of Insider Trading) Regulations, 1992, as amended, applies to our Company and its employees and requires our Company to implement a code of internal procedures and conduct for the prevention of insider training. Our Company has implemented a code of conduct for prevention of insider trading in accordance with the SEBI (Prohibition of Insider Trading) Regulations, 1992, as amended.

**Other Confirmations**

None of the Directors, Promoters or key managerial personnel of our Company has any financial or other material interest in the Issue and there is no effect of such interest in so far as it is different from the interests of other persons.

**Related Party Transactions**

For details in relation to the related party transactions entered by our Company during the last three financial years, as per the requirements under AS 18 issued by the ICAI, see "Financial Statements".

## ORGANISATIONAL STRUCTURE AND MAJOR SHAREHOLDERS

Our Company was originally incorporated on June 25, 1998 under the Companies Act, 1956 as 'Texmaco Machines Private Limited'. The name of our Company was changed to 'Texmaco Machines Limited' pursuant to a fresh certificate of incorporation consequent on change of name issued by the Registrar of Companies, West Bengal on March 3, 2010. Further, the name of our Company was subsequently changed to 'Texmaco Rail & Engineering Limited' pursuant to a fresh certificate of incorporation consequent on change of name issued by the Registrar of Companies, West Bengal on April 23, 2010.

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

### Restructuring

Pursuant to a scheme of arrangement (under sections 394 and 395 of the Companies Act, 1956, effective from April 1, 2010), our Company was incorporated and demerged from the Texmaco Limited. In accordance with the scheme of arrangement, the heavy engineering and steel foundry divisions of Texmaco Limited engaged in the business of designing and manufacturing wagons, coaches, locomotives, electrical multiple units, railway track materials, hydro-mechanical equipment structurals, process engineering equipment, agro-machinery equipment, steel castings, ingots and other products at its units in Belgharia, Agarpara, Panihati and Sodepur in the State of West Bengal were demerged to the Company.

The High Court of Calcutta in its order dated September 6, 2010 approved the demerger of the Company from Texmaco Limited effective from April 1, 2010. Further, as per the scheme sanctioned by the High Court of Calcutta, the Company was *inter alia* required to issue and allot to the shareholders of Texmaco Limited one equity share of Re.1/- each in Company, credited as fully paid up for every one equity share of Re.1/- each held by them in Texmaco Limited. Further, all the equity shares issued and allotted by the Company to the equity shareholders of Texmaco Limited under this scheme ranked *pari passu* in all respects with the existing equity shares of the Company.

### Shareholding Pattern

The shareholding pattern of the Company as on September 30, 2014 is as follows:

| Category code | Category of Shareholder | Number of Shareholders | Total number of shares | Number of shares held in dematerialised 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 |
| **(A)** | **Shareholding of Promoter and Promoter Group[2]** | | | | | | | |
| **1** | **Indian** | | | | | | | |
| (a) | Individuals/ Hindu Undivided Family | 7 | 3,62,290 | 36,22,900 | 1.99 | 1.99 | 0.00 | 0.00 |
| (b) | Central Government/ State Government(s) | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| (c) | Bodies Corporate | 15 | 11,15,04,110 | 11,15,04,110 | 61.26 | 61.26 | 7,38,800 | 0.66 |
| (d) | Financial Institutions/ Banks | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| (e) | Any Others(Persons | 0 | 0 | 0 | 0 | 0 | 0 | 0 |

| Category code | Category of Shareholder | Number of Shareholders | Total number of shares | Number of shares held in dematerialised 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 |
| | Acting in Concern) | | | | | | | |
| | **Sub Total(A)(1)** | 22 | 11,51,27,010 | 11,51,27,010 | 63.25 | 63.25 | 7,38,800 | 0.64 |
| **2** | **Foreign** | | | | | | | |
| (a) | Individuals (Non-Residents Individuals/ Foreign Individuals) | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| (b) | Bodies Corporate | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| (c) | Institutions | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| (d) | Any Others(trust) | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| | **Sub Total(A)(2)** | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| | **Total Shareholding of Promoter and Promoter Group (A)= (A)(1)+(A)(2)** | 22 | 11,51,27,010 | 11,51,27,010 | 63.25 | 63.25 | 7,38,800 | 0.64 |
| **(B)** | **Public shareholding** | | | | | | | |
| **1** | **Institutions** | | | | | | | |
| (a) | Mutual Funds/ UTI | 40 | 2,87,81,328 | 2,87,81,328 | 15.81 | 15.81 | 0 | 0 |
| (b) | Financial Institutions / Banks | 6 | 32,92,985 | 32,92,985 | 1.81 | 1.81 | 0 | 0 |
| (c) | Central Government/ State Government(s) | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| (d) | Venture Capital Funds | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| (e) | Insurance Companies | 1 | 10 | 0 | 0 | 0 | 0 | 0 |
| (f) | Foreign Institutional Investors | 14 | 72,74,482 | 72,74,482 | 4.00 | 4.00 | 0 | 0 |
| (g) | Foreign Venture Capital Investors | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| (h) | Any Other (specify) | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| | **Sub-Total (B)(1)** | 61 | 3,93,48,805 | 3,93,48,795 | 21.62 | 21.62 | 0 | 0 |
| **2** | **Non-institutions** | | | | | | | |
| (a) | Bodies Corporate | 896 | 99,69,226 | 96,47,336 | 5.48 | 5.48 | 0 | 0 |
| (b) | Individuals | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| (i) | Individual shareholders holding nominal share capital up to ₹ 1 lakh | 28,458 | 1,42,27,299 | 1,34,24,488 | 7.82 | 7.82 | 0 | 0 |

| Category code | Category of Shareholder | Number of Shareholders | Total number of shares | Number of shares held in dematerialised 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 |
| (ii) | Individual shareholders holding nominal share capital in excess of ₹ 1 lakh. | 4 | 10,61,764 | 10,61,764 | 0.58 | 0.58 | 0 | 0 |
| (c) | Others | | | | | | | |
| (i) | HUF | 630 | 9,57,077 | 9,57,077 | 0.53 | 0.53 | 0 | 0 |
| (ii) | Non-resident Indians | 486 | 8,35,644 | 8,20,804 | 0.46 | 0.46 | 0 | 0 |
| (iii) | Trusts | 1 | 5,000 | 5,000 | 0 | 0 | 0 | 0 |
| (iv) | Clearing Members | 222 | 3,32,715 | 3,32,715 | 0.18 | 0.18 | 0 | 0 |
| (v) | Enemy Individuals | 8 | 4,550 | 0 | 0 | 0 | 0 | 0 |
| (vi) | Employees | 11 | 1,57,500 | 76,000 | 0.09 | 0.09 | 0 | 0 |
| | **Sub-Total (B)(2)** | 30,716 | 2,75,50,775 | 2,63,25,184 | 15.14 | 15.14 | 0 | 0 |
| **(B)** | **Total Public Shareholding (B)= (B)(1)+(B)(2)** | 30,777 | 6,68,99,580 | 6,56,73,979 | 36.75 | 36.75 | 0 | 0 |
| | **TOTAL (A)+(B)** | 30,799 | 18,20,26,590 | 18,08,00,989 | 100.00 | 100.00 | 7,38,800 | 0.41 |
| **(C)** | Shares held by Custodians and against which Depository Receipts have been issued | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| | **GRAND TOTAL (A)+(B)+(C)** | 3,07,99 | 18,20,26,590 | 18,08,00,989 | 100.00 | 100.00 | 7,38,800 | 0.41 |

The shareholding of the category 'Promoters and Promoter Group', is set forth as of September 30, 2014:

| 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. | Saroj Kumar Poddar | 24,97,020 | 1.37 |
| 2. | Puja Poddar | 8,28,570 | 0.46 |
| 3. | Jyotsna Poddar | 2,21,790 | 0.12 |
| 4. | Kumari Anisha Agarwala | 32,140 | 0.02 |
| 5. | Akshay Poddar | 14,820 | 0.01 |
| 6. | Kumari Aashti Agarwala | 14,280 | 0.01 |
| 7. | Shradha Agarwala | 14,280 | 0.01 |
| **Others** | | | |
| 8. | Texmaco Infrastructure & Holdings Limited | 5,46,00,000 | 30.00 |

| 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} |
|---|---|---|---|
| 9. | Zuari Investments Limited | 2,89,63,900 | 15.91 |
| 10. | Adventz Finance Private Limited | 83,77,400 | 4.60 |
| 11. | Duke Commerce Limited | 75,14,000 | 4.13 |
| 12. | Zuari Global Limited | 40,35,000 | 2.22 |
| 13. | Adventz Securities Enterprises Limited | 38,09,140 | 2.09 |
| 14. | Adventz Investment Company Private Limited | 30,35,710 | 1.67 |
| 15. | New Eros Tradecom Limited | 7,38,800 | 0.41 |
| 16. | Premium Exchange And Finance Limited | 1,88,090 | 0.10 |
| 17. | Jeewan Jyoti Medical Society | 1,60,500 | 0.09 |
| 18. | Greenland Trading Private Limited | 35,000 | 0.02 |
| 19. | Indrakshi Company Private Limited | 30,000 | 0.02 |
| 20. | Master Exchange & Finance Limited | 15,760 | 0.01 |
| 21. | Eureka Traders Private Limited | 530 | 0.00 |
| 22. | Abhishek Holdings Private Limited | 280 | 0.00 |
| | **Total** | **11,51,27,010** | **63.25** |

Each person or entity known to the Company to beneficially own more than one per cent of its outstanding Equity Shares as of September 30, 2014 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. | Texmaco Infrastructure & Holdings Limited | 5,46,00,000 | 30.00 |
| 2. | Zuari Investments Limited | 2,89,63,900 | 15.91 |
| 3. | Adventz Finance Private Limited | 83,77,400 | 4.60 |
| 4. | Duke Commerce Limited | 75,14,000 | 4.13 |
| 5. | Zuari Global Limited | 40,35,000 | 2.22 |
| 6. | Adventz Securities Enterprises Limited | 38,09,140 | 2.09 |
| 7. | Adventz Investment Company Private Limited | 30,35,710 | 1.67 |
| 8. | Saroj Kumar Poddar | 24,97,020 | 1.37 |
| **OTHERS** | | | |
| 1. | ICICI Prudential Infrastructure Fund | 47,39,230 | 2.60 |
| 2. | Reliance Capital Trustee Company Limited A/C Reliance Growth Fund | 46,75,703 | 2.57 |
| 3. | ICICI Prudential Tax Plan | 44,36,170 | 2.44 |
| 4. | ICICI Prudential Dynamic Plan | 39,05,513 | 2.15 |
| 5. | Life Insurance Corporation Of India | 30,29,180 | 1.66 |

| 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} |
|---|---|---|---|
| 6. | ICICI Prudential Midcap Fund | 30,00,000 | 1.65 |
| 7. | Reliance Capital Trustee Co Limited - Reliance Diversified Power Sector Fund | 24,62,000 | 1.35 |
| 8. | National Westminster Bank Plc As Trustee Of The Jupiter India Fund | 20,31,103 | 1.12 |
| 9. | Nordea 1 Sicav - Indian Equity Fund | 19,51,993 | 1.07 |

**Joint Ventures/ Material Agreements**

*Joint Venture with UGL Rail Services Limited*

Our Company entered into a joint venture agreement with UGL Rail Services Limited ("**UGL Australia**") and TexUGL dated December 21, 2010 ("**Texmaco UGL JV Agreement**"). TexUGL has been incorporated under the laws of India. As per the terms of the Texmaco UGL JV Agreement, the parties agreed that TexUGL would manufacture fabricated locomotive bogie frames and platforms for export as well as for the domestic market and wagons and wagon components for the domestic Indian and export markets respectively. Under the Texmaco UGL JV Agreement, the Company is required to *inter alia* provide two earmarked bays situated at Belgharia on commercial lease to the TexUGL for its business operations, assist in sourcing any inputs and materials which our Company manufactures, provide advice and support to TexUGL on the location of the plant within India and procurement of suitable land for the plant. Further, UGL Australia is required to *inter alia* provide to the TexUGL, the methods of engineering and plant layout, the license to use the intellectual property owned by it and provide advice with regard to quality/ standards/ procedures/ safety/ systems.

*Joint Venture with Touax*

Company entered into a joint venture agreement with Touax Rail Limited ("**Touax Rail**") and Touax Texmaco Railcar Leasing Private Limited ("**Touax India**") dated May 16, 2012 ("**Texmaco Touax JV Agreement**"). Touax India has been incorporated under the laws of India. As per the terms of the Texmaco Touax JV Agreement, the parties agreed that Touax India has been incorporated to carry out the business of leasing of railcars and other ancillary business. Touax Rail is responsible to assist Touax India in the preparation of necessary documentation required to apply for licenses, approvals and authorizations, for acting as a wagon leasing company under the Wagon Leasing Scheme and being an experienced operating lessor of similar equipments in other countries, Touax Rail shall bring all its knowledge and experience to the Touax India including, on a best efforts basis including the training of the key employees.

*Joint Venture Agreement with Wabtec*

Our Company entered into a joint venture agreement with Wabtec International, Inc. ("**Wabtec International**") and Westinghouse Air Brake Technologies Corporation ("**Wabtec**") dated August 1, 2011 ("**Texmaco Wabtec JV Agreement**"). As per the terms of the Texmaco Wabtec JV Agreement, both parties have agreed to incorporate Wabtec Texmaco India Private Limited ("**WTIPL**"), for developing, marketing and selling products produced or licensed by Wabtec. Under the Texmaco Wabtec JV Agreement, Wabtec International shall hold 60**%** and our Company shall hold 40% of the issued and outstanding shares of WTIPL.

*MoU with Kawasaki Heavy Industries Limited*

Our Company has entered into a memorandum of understanding with Kawasaki Heavy Industries Limited, Japan (**KHIL**) dated October 14, 2014 (**"KHI MoU"**). KHIL is willing to associate with our Company for the indigenized manufacture of the body shells and bogie frames of the electric locomotive.

*Technical Cooperation Agreement with KHI*

Our Company has entered into a technical cooperation agreement with Kawasaki Heavy Industries Limited (**KHIL**) dated January 31, 2012 (**"KHI TCA"**). Under the agreement, KHIL agreed to extend relevant technical support to our Company for manufacture and quality assurance to be undertaken by our Company in connection with the coaching facilities proposed to be set up by our Company including technical support for: factory layout, facilities planning, drawings for jigs and tools, quality assurance programme and training of Company's engineers/ technicians.

***Strategic Investment in Kalindee Rail Nirman (Engineers) Limited***

During fiscal 2014, our Company made a strategic investment in Kalindee engaged in the business of providing engineering, procurement and construction services to railways, metros, especially in the field of signaling, track, telecommunication and auto fare collection machines.

We acquired shares in Kalindee through various modes, i.e., a preferential allotment, share purchase agreement with the erstwhile promoters of Kalindee and an acquisition of shares through an open offer to the public shareholders.

Our Company as a strategic investor subscribed to the preferential allotment made by Kalindee of 41,10,400 equity shares of face value ₹ 10 each comprising approximately 24.90% of its post preferential allotment equity share capital, at a price of ₹ 65 per equity share on July 13, 2013.

Further, our Company entered into a share purchase agreement dated July 20, 2013 with the (erstwhile) promoters of Kalindee for acquiring their entire stake of 19,37,960 equity shares of Kalindee i.e. approx. 11.74% of the enhanced paid up share capital of Kalindee for ₹ 12,59,67,400.

Having thus acquired the aforesaid 24.90%, and agreed to acquire 11.74% of the promoter's stake in Kalindee, making a total of 36.64%; the acquisition/ intent to acquire equity shares exceeded the trigger limit for an open offer under the Takeover Code.

Our Company accordingly made an open offer to the shareholders of Kalindee on July 20, 2013 for 49,52,280 equity shares, being 30% of the fully enhanced equity capital of Kalindee. The process of open offer was completed on December 3, 2013. The public shareholders of Kalindee tendered 12.42% of the equity shares in the open offer against 30% open offer proposed by the Company. Upon completion of balance transfer of shares through the share purchase agreement, our equity shareholding in Kalindee will go up to 49.07 per cent.

Further, our Board and the Board of Kalindee have recently approved a scheme of arrangement to merge our Company and Kalindee with an aim to create greater synergies between the business operations of both companies to enable our Company to emerge as a "total rail solutions provider". The proposed merger, subject to the approval of various parties including our shareholders, SEBI, Stock Exchanges and the Hon'ble High Courts of Delhi and Calcutta, our lenders and stakeholders, when complete shall enable us to target large value contracts for various rail solutions for the railway sector, exports and the private and public sector.

## ISSUE PROCEDURE

*The following is a summary intended to present a general outline of the procedure relating to the application, payment, Allocation and Allotment of the Equity Shares to be issued pursuant to the Issue. The procedure followed in the Issue may differ from the one mentioned below, and investors are presumed to have apprised themselves of the same from our Company or the Sole Global Book Running Lead Manager. Investors are advised to inform themselves of any restrictions or limitations that may be applicable to them. See "Selling Restrictions" and "Transfer Restrictions".*

**Qualified Institutions Placements**

The Issue is being made to QIBs in reliance upon Chapter VIII of the SEBI Regulations and Section 42 of the Companies Act, 2013, through the mechanism of a QIP. Under Chapter VIII of the SEBI Regulations and Section 42 of the Companies Act, 2013, a company may issue equity shares to QIBs provided that certain conditions are met by the company. Certain of these conditions are set out below:

- the shareholders of the issuer have passed a special resolution approving such QIP. Such special resolution must specify that the allotment of securities is proposed to be made pursuant to the QIP;
- the equity shares of the same class of such issuer, which are proposed to be allotted through the QIP, are listed on a recognised stock exchange in India having nation-wide trading terminals for a period of at least one year prior to the date of issuance of notice to its shareholders for convening the meeting to pass the above-mentioned special resolution;
- the aggregate of the proposed issue and all previous qualified institutions placements made by the issuer in the same financial year does not exceed five times the net worth (as defined in the SEBI Regulations) of the issuer as per the audited balance sheet of the previous financial year;
- the issuer shall be in compliance with the minimum public shareholding requirements set out in the SCRR;
- the issuer shall have completed allotments with respect to any offer or invitation made by the issuer or shall have withdrawn or abandoned that offer or invitation made by the issuer; and
- the issuer shall offer to each Allottee at least such number of the securities in the issue which would aggregate to ₹ 20,000 calculated at the face value of the securities.

At least 10% of the equity shares issued to QIBs must be allotted to Mutual Funds, provided that, if this portion or any part thereof to be allotted to Mutual Funds remains unsubscribed, it may be allotted to other QIBs.

Bidders are not allowed to withdraw their Bids after the Issue Closing Date.

Additionally, there is a minimum pricing requirement under the SEBI Regulations. The Floor Price shall not be less than the average of the weekly high and low of the closing prices of the Equity Shares quoted on the stock exchange during the two weeks preceding the Relevant Date. However, a discount of up to 5% of the Floor Price is permitted in accordance with the provisions of the SEBI Regulations.

The "Relevant Date" referred to above, for Allotment, will be the date of the meeting in which the Board or the committee of Directors duly authorised by the Board decides to open the Issue and "stock exchange" means any of the recognised stock exchanges in India on which the equity shares of the issuer of the same class are listed and on which the highest trading volume in such shares has been recorded during the two weeks immediately preceding the Relevant Date.

Our Company has applied for and received the in-principle approval of the Stock Exchanges under Clause 24 (a) of its Equity Listing Agreements for the listing of the Equity Shares on the Stock Exchanges. Our Company has also delivered a copy of this Preliminary Placement Document to the Stock Exchanges.

Our Company shall also make the requisite filings with the RoC and SEBI within the stipulated period as required under the Companies Act, 2013 and the Companies (Prospectus and Allotment of Securities) Rules, 2014.

The Issue has been authorised by (i) the Board pursuant to a resolutions passed on July 21, 2014, and (ii) the shareholders, pursuant to resolutions passed under Section 62(1)(c) of the Companies Act, 2013 on September 4, 2014.

The Equity Shares will be Allotted within 12 months from the date of the shareholders' resolution approving the QIP and within 60 days from the date of receipt of subscription money from the successful Bidders. For details of refund of application money, see “Issue Procedure – Pricing and Allocation – Designated Date and Allotment of Equity Shares”.

The Equity Shares issued pursuant to the QIP must be issued on the basis of this Preliminary Placement Document and the Placement Document shall contain all material information including the information specified in Schedule XVIII of the SEBI Regulations and the requirements prescribed under Form PAS-4. The Preliminary Placement Document and the Placement Document are private documents provided to only select investors through serially numbered copies and are required to be placed on the website of the concerned Stock Exchanges and of our Company with a disclaimer to the effect that it is in connection with an issue to QIBs and no offer is being made to the public or to any other category of investors.

The minimum number of allottees with respect to a QIP shall not be less than:

- two, where the issue size is less than or equal to ₹ 25,000 lakhs; and
- five, where the issue size is greater than ₹ 25,000 lakhs.

No single allottee shall be allotted more than 50% of the issue size.

QIBs that belong to the same group or that are under common control shall be deemed to be a single allottee. For details of what constitutes “same group” or “common control”, see “Issue Procedure – Application Process – Application Form”.

Securities allotted to a QIB pursuant to a QIP shall not be sold for a period of one year from the date of allotment except on the floor of a recognised stock exchange in India. Allotments made to FVCIs, VCFs and AIFs in the Issue are subject to the rules and regulations that are applicable to them, including in relation to lock-in requirements.

**The Equity Shares have not been and will not be registered under the Securities Act, and may not be offered or sold within the United States (as defined in Regulation S) except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act and applicable state securities laws. The Equity Shares are being offered and sold outside the United States in an offshore transaction in reliance on Regulation S.** For a description of certain restrictions on transfer of the Equity Shares, see “Transfer Restrictions”.

**The Equity Shares have not been and will not be registered, listed or otherwise qualified in any other jurisdiction outside India and may not be offered or sold, and Bids may not be made by persons in any such jurisdiction, except in compliance with the applicable laws of such jurisdiction.**

**Issue Procedure**

1. Our Company and the Sole Global Book Running Lead Manager shall circulate serially numbered copies of this Preliminary Placement Document and the serially numbered Application Form, either in electronic or physical form, to the QIBs and the Application Form will be specifically addressed to such QIBs. In terms of Section 42(7) of the Companies Act, 2013, our Company shall maintain complete records of the QIBs to whom the Preliminary Placement Document and the serially numbered Application Form have been dispatched. Our Company will make the requisite filings with the RoC and SEBI within the stipulated time period as required under the Companies Act, 2013.

2. The list of eligible QIBs to whom the Application Form is delivered shall be determined by the Sole Global Book Running Lead Manager at its sole discretion. **Unless a serially numbered Preliminary Placement Document along with the serially numbered Application Form is addressed to a particular QIB, no invitation to subscribe shall be deemed to have been made to such QIB.** 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 and any application that does not comply with this requirement shall be treated as invalid.

3. QIBs may submit an Application Form, including any revisions thereof, during the Bid/Issue Period to the Sole Global Book Running Lead Manager.

4. Bidders will be, amongst others, required to indicate the following in the Application Form:

   - name of the QIB to whom Equity Shares are to be Allotted;
   - number of Equity Shares Bid for;
   - price at which they are agreeable to subscribe for the Equity Shares, provided that QIBs may also indicate that they are agreeable to submit a Bid at “Cut-off Price”; which shall be any price as may

be determined by our Company in consultation with the Sole Global Book Running Lead Manager at or above the Floor Price or the Floor Price net of such discount as approved in accordance with SEBI Regulations;

- details of the depository account to which the Equity Shares should be credited; and
- a representation that it is (i) outside the United States, and (ii) it has agreed to certain other representations set forth in the Application Form.

***Note*: Each sub-account of an FII other than a sub-account which is a foreign corporate or a foreign individual will be considered as an individual QIB and separate Application Forms would be required from each such sub-account for submitting Bids.**

5. Once a duly completed Application Form is submitted by a QIB, such Application Form constitutes an irrevocable offer and cannot be withdrawn after the Bid/Issue Closing Date. The Bid/Issue Closing Date shall be notified to the Stock Exchanges and the QIBs shall be deemed to have been given notice of such date after receipt of the Application Form.

6. The Bids made by asset management companies or custodians of Mutual Funds shall specifically state the names of the concerned schemes for which the Bids are made. In case of a Mutual Fund, a separate Bid can be made in respect of each scheme of the Mutual Fund registered with SEBI. Upon receipt of the Application Form, after the Bid/Issue Closing Date, our Company shall determine the final terms, including the Issue Price of the Equity Shares to be issued pursuant to the Issue in consultation with the Sole Global Book Running Lead Manager. Upon determination of the final terms of the Equity Shares, the Sole Global Book Running Lead Manager will send the serially numbered CAN along with the Placement Document to the QIBs who have been Allocated the Equity Shares. The dispatch of a CAN shall be deemed a valid, binding and irrevocable contract for the QIB 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. **Please note that the Allocation will be at the absolute discretion of our Company and will be based on the recommendation of the Sole Global Book Running Lead Manager.**

7. Pursuant to receiving a CAN, each QIB shall be required to make payment of the entire application monies for the Equity Shares indicated in the CAN at the Issue Price, only through electronic transfer to our Company’s designated bank account by the Pay-In Date as specified in the CAN sent to the respective QIBs. No payment shall be made by QIBs in cash. Please note that any payment of application money for the Equity Shares shall be made from the bank accounts of the relevant QIBs applying for the Equity Shares. Monies payable on Equity Shares to be held by joint holders shall be paid from the bank account of the person whose name appears first in the application. Pending Allotment, all monies received for subscription of the Equity Shares shall be kept by our Company in a separate bank account with a scheduled bank and shall be utilised only for the purposes permitted under the Companies Act, 2013.

8. Upon receipt of the application monies from the QIBs, our Company shall Allot Equity Shares as per the details in the CANs sent to the QIBs.

9. After passing the resolution for Allotment and prior to crediting the Equity Shares into the depository participant accounts of the successful Bidders, our Company shall apply to the Stock Exchanges for listing approvals. Our Company will intimate to the Stock Exchanges the details of the Allotment and apply for approvals for listing of the Equity Shares on the Stock Exchanges prior to crediting the Equity Shares into the beneficiary account maintained with the Depository Participant by the QIBs.

10. After receipt of the listing approvals of the Stock Exchanges, our Company shall credit the Equity Shares Allotted pursuant to this Issue into the Depository Participant accounts of the respective Allottees.

11. Our Company will then apply for the final trading approvals from the Stock Exchanges.

12. The Equity Shares that would have been credited to the beneficiary account with the Depository Participant 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.

13. Upon receipt of intimation of final trading and listing approval from the Stock Exchanges, our Company shall inform the Allottees of the receipt of such approval. Our Company and the Sole Global

Book Running Lead Manager 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 their respective websites. QIBs are advised to apprise themselves of the status of the receipt of the permissions from the Stock Exchanges or our Company.

**Qualified Institutional Buyers**

Only QIBs as defined in Regulation 2(1)(zd) of the SEBI Regulations and not otherwise excluded pursuant to Regulation 86(1)(b) of the SEBI Regulations are eligible to invest. Currently, under Regulation 2(1)(zd) of the SEBI Regulations, a QIB means:

- alternate investment funds registered with SEBI;
- Eligible FPIs;
- foreign venture capital investors registered with SEBI;
- insurance companies registered with Insurance Regulatory and Development Authority;
- insurance funds set up and managed by army, navy or air force of the Union of India;
- insurance funds set up and managed by the Department of Posts, India;
- multilateral and bilateral development financial institutions;
- Mutual Funds;
- pension funds with minimum corpus of ₹ 2,500 lakhs;
- provident funds with minimum corpus of ₹ 2,500 lakhs;
- public financial institutions as defined in Section 4A of the Companies Act, 1956 (Section 2(72) of the Companies Act, 2013);
- scheduled commercial banks;
- state industrial development corporations;
- the National Investment Fund set up by resolution no. F. No. 2/3/2005-DDII dated November 23, 2005 of the Government published in the Gazette of India; and
- venture capital funds registered with SEBI.

In terms of the SEBI FPI Regulations, an FII who holds a valid certificate of registration from SEBI shall be deemed to be a registered FPI until the expiry of the block of three years for which fees have been paid as per the SEBI FII Regulations. An FII shall not be eligible to invest as an FII after registering as an FPI under the SEBI FPI Regulations.

In terms of the SEBI FPI Regulations, the issue of Equity Shares to a single FPI or an investor group (which means the same set of ultimate beneficial owner(s) investing through multiple entities) is not permitted to exceed 10% of our post-Issue Equity Share capital. Further, in terms of the FEMA Regulations, the total holding by each FPI shall be below 10% of the total paid-up Equity Share capital of our Company and the total holdings of all FPIs put together shall not exceed 24% of the paid-up Equity Share capital of our Company. The aggregate limit of 24% may be increased up to the sectoral cap by way of a resolution passed by our Board followed by a special resolution passed by the Shareholders of our Company and subject to prior intimation to RBI. In terms of the FEMA Regulations, for calculating the aggregate holding of FPIs in a company, holding of all registered FPIs as well as holding of FIIs (being deemed FPIs) shall be included. The existing individual and aggregate investment limits an FII or sub account in our Company is 10% and 24% of the total paid-up Equity Share capital of our Company, respectively. The existing investment limit for FIIs in our Company is 24% of the paid up capital of our Company.

Eligible FPIs are permitted to participate in the Issue subject to compliance with conditions and restrictions which may be specified by the Government from time to time.

**Eligible non-resident QIBs can participate in the Issue under Schedule 1 of the FEMA Regulations.**

**FIIs (other than a sub-account which is a foreign corporate or a foreign individual) and Eligible FPIs are permitted to participate through the portfolio investment scheme under Schedule 2 and Schedule 2A of FEMA Regulations respectively, in this Issue. FIIs and Eligible FPIs are permitted to participate in the**

**Issue subject to compliance with all applicable laws and such that the shareholding of the FPIs do not exceed specified limits as prescribed under applicable laws in this regard.**

Eligible FPIs are permitted to participate in the Issue subject to compliance with conditions and restrictions. An FII who holds a valid certificate of registration from SEBI shall be deemed to be an FPI until the expiry of the block of three years for which fees have been paid as per the SEBI FII Regulations. An FII or sub-account (other than a sub-account which is a foreign corporate or a foreign individual) may participate in the Issue, until the expiry of its registration as a FII or sub-account, or until it obtains a certificate of registration as FPI, whichever is earlier. If the registration of an FII or sub-account has expired or is about to expire, such FII or sub-account may, subject to payment of conversion fees under the SEBI FPI Regulations, participate in the Issue. An FII or sub-account shall not be eligible to invest as an FII after registering as an FPI under the SEBI FPI Regulations.

In terms of the FEMA Regulations, for calculating the aggregate holding of FPIs in a company, holding of all registered FPIs as well as holding of FIIs (being deemed FPIs) shall be included.

***Restriction on Allotment***

Under Regulation 86(1)(b) of the SEBI Regulations, no Allotment shall be made pursuant to the Issue, either directly or indirectly, to any QIB being, or any person related to, the Promoters. QIBs which have all or any of the following rights shall be deemed to be persons related to the Promoters:

- rights under a shareholders' agreement or voting agreement entered into with the Promoters or persons related to the Promoters;
- veto rights; or
- a right to appoint any nominee director on the Board.

Provided, however, that a QIB which does not hold any shares in our Company and which has acquired the aforesaid rights in the capacity of a lender shall not be deemed to be related to the Promoters.

**Our Company and the Sole Global Book Running Lead Manager are not liable for any amendment or modification or change to 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 Bids would not eventually result in triggering a tender offer under the Takeover Regulations.**

**At least 10% of the equity shares issued to QIBs must be allotted to Mutual Funds, provided that, if this portion or any part thereof to be allotted to Mutual Funds remains unsubscribed, it may be allotted to other QIBs.**

*Note: Affiliates or associates of the Sole Global Book Running Lead Manager who are QIBs may participate in the Issue in compliance with applicable laws.*

**Bid Process**

***Application Form***

QIBs shall only use the serially numbered Application Forms (which are addressed to them) supplied by our Company and the Sole Global Book Running Lead Manager in either electronic form or by physical delivery for the purpose of making a Bid (including revision of a Bid) in terms of this Preliminary Placement Document.

By making a Bid (including the revision thereof) for Equity Shares through Application Forms and pursuant to the terms of this Preliminary Placement Document, the QIB will be deemed to have made the following representations and warranties and the representations, warranties and agreements made under "Notice to Investors", "Representations by Investors", "Selling Restrictions" and "Transfer Restrictions":

1. the QIB confirms that it is a QIB in terms of Regulation 2(1)(zd) of the SEBI Regulations and is not excluded under Regulation 86 of the SEBI Regulations, has a valid and existing registration under the applicable laws in India (as applicable) 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 Promoters or Promoter Group or persons related to the Promoters;
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 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 acknowledges that it has no right to withdraw its Bid after the Bid/Issue 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 Bid and hold Equity Shares so Allotted. 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 its Bids would not eventually result in triggering a tender offer under the Takeover Regulations;

8. The QIB confirms that to the best of its knowledge and belief, the number of Equity Shares Allotted to it pursuant to the Issue, together with other Allottees that belong to the same group or are under common control, shall not exceed 50% of the Issue. For the purposes of this representation:

    a. The expression 'belong 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, 1956; and

    b. 'Control' shall have the same meaning as is assigned to it by Regulation 2(1)(e) of the Takeover Regulations;

9. The QIBs shall not undertake any trade in the Equity Shares credited to its beneficiary account maintained with the Depository Participant until such time that the final listing and trading approvals for the Equity Shares are issued by the Stock Exchanges.

10. The QIB confirms that it is outside the United States purchasing the Equity Shares in an offshore transaction (as defined in Regulation S under the Securities Act).

**QIBS MUST PROVIDE THEIR DEPOSITORY ACCOUNT DETAILS, PAN, 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. FOR THIS PURPOSE, ELIGIBLE SUB ACCOUNTS OF AN FII WOULD BE CONSIDERED AS AN INDEPENDENT QIB.**

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 a QIB shall be deemed a valid, binding and irrevocable offer for the QIB to pay the entire Issue Price for the Equity Shares (as indicated by the CAN) and becomes a binding contract on the QIB upon issuance of the CAN by our Company in favour of the QIB.

***Submission of Application Form***

All Application Forms must be duly completed with information including the number of Equity Shares applied for. All Application Forms duly completed along with payment and a copy of the PAN card or PAN allotment letter shall be submitted to the Sole Global Book Running Lead Manager either through electronic form or through physical delivery at the following address:

**ICICI Securities Limited**

ICICI Centre, H T Parekh Marg, Churchgate, Mumbai 400 020, India

Contact Person: Sumit Agarwal / Payal Kulkarni

Email: project.krishna@icicisecurities.com

Phone No.: +91 22 2288 2460

The Sole Global Book Running Lead Manager shall not be required to provide any written acknowledgement of the same.

***Permanent Account Number or PAN***

Each QIB should mention its PAN allotted under the IT Act in the Application Form. Applications without this information will be considered incomplete and are liable to be rejected. QIBs should not submit the GIR number instead of the PAN as the Application Form is liable to be rejected on this ground.

**Pricing and Allocation**

***Build up of the Book***

The QIBs shall submit their Bids (including the revision of bids) within the Bid/Issue Period to the Sole Global Book Running Lead Manager. Such Bids cannot be withdrawn after the Bid/Issue Closing Date. The book shall be maintained by the Sole Global Book Running Lead Manager.

***Price Discovery and Allocation***

Our Company, in consultation with the Sole Global Book Running Lead Manager, shall determine the Issue Price, which shall be at or above the Floor Price. However, our Company may offer a discount of not more than 5% on the Floor Price in terms of Regulation 85 of the SEBI Regulations.

After finalisation of the Issue Price, our Company shall update this Preliminary Placement Document with the Issue details and file the same with the Stock Exchanges as the Placement Document.

***Method of Allocation***

Our Company shall determine the Allocation in consultation with the Sole Global Book Running Lead Manager on a discretionary basis and in compliance with Chapter VIII of the SEBI Regulations.

Bids 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% of the Issue Size shall be undertaken subject to valid Bids being received at or above the Issue Price.

**THE DECISION OF OUR COMPANY IN CONSULTATION WITH THE SOLE GLOBAL BOOK RUNNING LEAD MANAGER IN RESPECT OF ALLOCATION SHALL BE FINAL AND BINDING ON ALL QIBS. QIBS MAY NOTE THAT ALLOCATION OF EQUITY SHARES IS AT THE SOLE AND ABSOLUTE DISCRETION OF OUR COMPANY AND QIBS MAY NOT RECEIVE ANY ALLOCATION EVEN IF THEY HAVE SUBMITTED VALID APPLICATION FORMS AT OR ABOVE THE ISSUE PRICE. NEITHER OUR COMPANY NOR THE SOLE GLOBAL BOOK RUNNING LEAD MANAGER IS OBLIGED TO ASSIGN ANY REASON FOR ANY NON-ALLOCATION.**

**CAN**

Based on the Application Forms received, our Company, in consultation with the Sole Global Book Running Lead Manager, in their sole and absolute discretion, shall decide the 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, a CAN will include details of the relevant Escrow Bank Account into which such payments would need to be made, address where the application money needs to be sent, Pay-In Date as well as the probable designated date, being the date of credit of the Equity Shares to the respective QIB's account.

The eligible QIBs would also be sent a serially numbered Placement Document either in electronic form or by physical delivery along with the serially numbered CAN.

The dispatch of the serially numbered Placement Document and the serially numbered CAN to the QIBs shall be deemed a valid, binding and irrevocable contract for the QIB to furnish all details that may be required by the Sole Global Book Running Lead Manager and to pay the entire Issue Price for all the Equity Shares Allocated to such QIB.

**QIBs are advised to instruct their Depository Participant to accept the Equity Shares that may be Allotted to them pursuant to the Issue.**

**Bank Account for Payment of Application Money**

Our Company has opened the "TEXMACO RAIL & ENGG LTD QIP ESC AC" with ICICI Bank Limited in terms of the arrangement among our Company, the Sole Global Book Running Lead Manager and ICICI Bank Limited as 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, and in accordance with, the respective CAN.

Payments are to be made only through electronic fund transfer.

**Note: Payments through cheques are liable to be rejected.**

If the payment is not made favouring the "TEXMACO RAIL & ENGG LTD QIP ESC AC" within the time stipulated in the CAN, the Application Form and the CAN of the QIB are liable to be cancelled.

Our Company undertakes to utilise the amount deposited in the Escrow Account only for the purposes of (i) adjustment against Allotment of Equity Shares in the Issue; or (ii) repayment of application money if our Company is not able to Allot Equity Shares in the Issue.

In case of cancellations or default by the QIBs, our Company and the Sole Global Book Running Lead Manager have the right to reallocate the Equity Shares at the Issue Price among existing or new QIBs at their sole and absolute discretion.

***Designated Date and Allotment of Equity Shares***

The Equity Shares will not be Allotted unless the QIBs pay the Issue Price to the "TEXMACO RAIL & ENGG LTD QIP ESC AC" as stated above.

Subject to the satisfaction of the terms and conditions of the Placement Agreement, our Company will ensure that the Allotment of the Equity Shares is completed by the Closing Date provided in the CAN for the eligible QIBs who have paid the aggregate subscription amounts as stipulated in the CAN.

The Equity Shares in the Issue will be issued and Allotment shall be made only in dematerialised form to the Allottees. Allottees will have the option to re-materialise the Equity Shares, if they so desire, as per the provisions of the Companies Act and the Depositories Act.

Our Company, at its sole discretion, reserve the right to cancel the Issue at any time up to Allotment without assigning any reason whatsoever.

Following the Allotment and credit of Equity Shares into the QIBs' Depository Participant accounts, our Company will apply for final trading and listing approvals from the Stock Exchanges.

In the case of QIBs who have been Allotted more than 5% of the Equity Shares in the Issue, our Company shall disclose the name and the number of the Equity Shares Allotted to such QIB to the Stock Exchanges and the Stock Exchanges will make the same available on their website.

The Escrow Bank shall release the monies lying to the credit of the Escrow Bank Account to our Company after Allotment of Equity Shares to QIBs.

In the event that our Company is unable to issue and Allot the Equity Shares offered in the Issue or on cancellation of the Issue, within 60 days from the date of receipt of application money, our Company shall repay the application money within 15 days from expiry of 60 days, failing which our Company shall repay that money with interest at the rate of 12% per annum from expiry of the sixtieth day. The application money to be refunded by our Company shall be refunded to the same bank account from which application money was remitted by the QIBs.

**Other Instructions**

***Right to Reject Applications***

Our Company, in consultation with the Sole Global Book Running Lead Manager, may reject Bids, in part or in full, without assigning any reason whatsoever. The decision of our Company and the Sole Global Book Running Lead Manager 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 dematerialised form (i.e., not in physical certificates but be fungible and be represented by the statement issued through the electronic mode).

A QIB applying for Equity Shares to be issued pursuant to the Issue must have at least one beneficiary account with a Depository Participant of either NSDL or CDSL prior to making the Bid. Allotment to a successful QIB will be credited in electronic form directly to the beneficiary account (with the Depository Participant) of the QIB.

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 NSDL and CDSL.

The trading of the Equity Shares to be issued pursuant to the Issue would be in dematerialised form only for all QIBs in the demat segment of the respective Stock Exchanges.

Our Company will not be responsible or liable for the delay in the credit of Equity Shares to be issued pursuant to the Issue due to errors in the Application Form or otherwise on part of the QIBs.

## PLACEMENT AND LOCK-UP

### Placement Agreement

The Sole Global Book Running Lead Manager has entered into a Placement Agreement with our Company, pursuant to which the Sole Global Book Running Lead Manager has agreed to manage the Issue and to act as placement agent in connection with the proposed Issue and procure subscription for the Equity Shares to be placed with the QIBs, pursuant to Chapter VIII of the SEBI Regulations and Section 42 of the Companies Act, 2013.

The Placement Agreement contains customary representations and warranties, as well as indemnities from our Company and is subject to termination in accordance with the terms contained therein.

Applications shall be made to list the Equity Shares issued pursuant to the Issue 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 such 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 and, no Equity Shares issued pursuant to the Issue 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.

In connection with the Issue, the Sole Global Book Running Lead Manager (or its respective affiliates) may, for their own accounts, subscribe to the Equity Shares or enter into asset swaps, credit derivatives or other derivative transactions relating to the Equity Shares to be issued pursuant to the Issue at the same time as the offer and sale of the Equity Shares, or in secondary market transactions. As a result of such transactions, the Sole Global Book Running Lead Manager may hold long or short positions in such Equity Shares. These transactions may comprise a substantial portion of the Issue and no specific disclosure will be made of such positions.

Affiliates of the Sole Global Book Running Lead Manager may purchase the Equity Shares and be Allotted Equity Shares for proprietary purposes and not with a view to distribute or in connection with the issuance of P-Notes. See "Representations by Investors – Offshore Derivative Instruments".

From time to time, the Sole Global Book Running Lead Manager and its affiliates may engage in transactions with and perform services of our Company in the ordinary course of business and have engaged, or may in the future engage, in commercial banking and investment banking transactions with our Company or its affiliates, for which they have received compensation and may in the future receive compensation.

### Lock-up

Our Company will not, without the consent of the Sole Global Book Running Lead Manager, during the period commencing from the date hereof and ending sixty (60) calendar days after the date of Allotment of Equity Shares in the Issue or failure of the Issue and the termination of the Placement Agreement, whichever is earlier, directly or indirectly: (i) issue, offer, lend, pledge, sell, contract to sell or issue, sell any option or contract to purchase, purchase any option or contract to sell or issue, grant any option, right or warrant to purchase, lend, or otherwise transfer or dispose of or create any encumbrances in relation to any Equity Shares or any securities convertible into or exercisable or exchangeable for Equity Shares; (ii) enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of Equity Shares or any other securities convertible into or exercisable as or exchangeable for Equity Shares; or (iii) publicly announce any intention to enter into any transaction described in (i) or (ii) above; whether any such transaction described in (i) or (ii) above is to be settled by delivery of Equity Shares or such other securities, in cash or otherwise. The foregoing restriction shall not apply to any issuance, sale, transfer or disposition of Equity Shares by the Company (a) pursuant to this Issue; (b) pursuant to an employee stock option scheme; (c) pursuant to the scheme of arrangement to merge our Company and Kalindee; and (d) to the extent such issuance, sale, transfer or disposition is required by any statutory or regulatory authorities or under Indian law.

In addition, our Promoters and members of our Promoter Group will not, without the consent of the Sole Global Book Running Lead Manager, during the period commencing from the date hereof and ending ninety (90) calendar days after the date of Allotment of Equity Shares in the Issue or failure of the Issue and the termination of the Placement Agreement, whichever is earlier, directly or indirectly: (i) issue, offer, lend, pledge, sell, contract to sell or issue, sell any option or contract to purchase, purchase any option or contract to sell or issue, grant any option, right or warrant to purchase, lend, or otherwise transfer or dispose of or create any encumbrances in relation to any Equity Shares or any securities convertible into or exercisable or exchangeable for Equity Shares; (ii) enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of Equity Shares or any other securities convertible into or exercisable as or exchangeable for Equity Shares; or (iii) publicly announce any intention to enter into any transaction described in (i) or (ii) above; whether any such transaction described in (i) or (ii) above is to be settled by delivery of Equity Shares or such other securities, in cash or otherwise.

## 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 that 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.*

### General

No action has been taken or will be taken that would permit an offering of the Equity Shares to occur in any jurisdiction, or the possession, circulation or distribution of this Preliminary Placement Document or any other material relating to the Company or the Equity Shares in any jurisdiction where action for such purpose is required, except India. Accordingly, the Equity Shares may not be offered or sold, directly or indirectly, and neither this Preliminary Placement Document nor any offering materials or advertisements in connection with the Equity Shares may be distributed or published in or from any country or jurisdiction except under circumstances that will result in compliance with any applicable rules and regulations of any such country or jurisdiction. The Issue will be made in compliance with the applicable SEBI Regulations. Each purchaser of the Equity Shares in the Issue will be required to make, or be deemed to have made, as applicable, the acknowledgments and agreements as described in "Transfer Restrictions".

### India

This Preliminary Placement Document may not be distributed, directly or indirectly, in India or to residents of India and any Equity Shares may not be offered or sold, directly or indirectly, in India to, or for the account or benefit of, any resident of India except as permitted by applicable Indian laws and regulations, under which an offer is strictly on a private and confidential basis and is limited to eligible QIBs. This Preliminary Placement Document is neither a public issue nor a prospectus under the Companies Act or an advertisement and should not be circulated to any person other than to whom the offer is made.

### European Economic Area

In relation to each Member State of the European Economic Area that has implemented the Prospectus Directive (each, a "**Relevant Member State**"), with effect from and including the date on which the Prospectus Directive is or was implemented in that Relevant Member State (the "**Relevant Implementation Date**"), the Equity Shares may not be offered or sold to the public in that Relevant Member State prior to the publication of a prospectus in relation to the Equity Shares which has been approved by the competent authority in that Relevant Member State or, where appropriate, approved in another Relevant Member State and notified to the competent authority in that Relevant Member State, all in accordance with the Prospectus Directive (defined below) and the 2010 Amending Directive (defined below), except that the Equity Shares, with effect from and including the Relevant Implementation Date, may be offered to the public in that Relevant Member State at any time:

(a) to persons or entities that are "qualified investors" as defined in the Prospectus Directive or, if that Relevant Member State has implemented the 2010 Amending Directive, as defined in the 2010 Amending Directive;

(b) to (i) fewer than 100 natural or legal persons (other than "qualified investors" as defined in the Prospectus Directive); or (ii) if that Relevant Member State has implemented the 2010 Amending Directive, fewer than 150 natural or legal persons (other than "qualified investors" as defined in the 2010 Amending Directive), in each case subject to obtaining the prior consent of the Sole Global Book Running Lead Manager ; and

(c) in any circumstances falling within Article 3(2) of the Prospectus Directive as amended (to the extent implemented in that Relevant Member State) by Article 1(3) of the 2010 Amending Directive, provided that no such offering of Equity Shares shall result in a requirement for the publication by our Company or the Sole Global Book Running Lead Manager of a prospectus pursuant to Article 3 of the Prospectus Directive as amended (to the extent implemented in that Relevant Member State) by Article 1(3) of the 2010 Amending Directive.

For the purposes of this provision, the expression an "offer of Equity Shares to the public" in relation to any Equity Shares in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the offer and the Equity Shares to be offered so as to enable an investor to decide to purchase or subscribe for the Equity Shares, as the same may be varied in that Member State by any measure implementing the Prospectus Directive in that Member State, the expression "Prospectus Directive" means Directive 2003/71/EC and includes any relevant implementing measure in each Relevant Member State and the expression “2010 Amending Directive” means Directive 2010/73/EU and includes any relevant implementing measure in each Member State.

Neither our Company nor the Sole Global Book Running Lead Manager has authorised, nor do they authorise, the making of any offer of Equity Shares through any financial intermediary on their behalf, other than offers made by our Company or the Sole Global Book Running Lead Manager.

**Hong Kong**

The Preliminary Placement Document has not been reviewed or approved by any regulatory authority in Hong Kong. In particular, this Preliminary Placement Document has not been, and will not be, registered as a “prospectus” in Hong Kong under the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Cap 32) (“**CO**”) nor has it been authorised by the Securities and Futures Commission (“**SFC**”) in Hong Kong pursuant to the Securities and Futures Ordinance (Cap 571) (“**SFO**”). Recipients are advised to exercise caution in relation to the Offer. If recipients are in any doubt about any of the contents of this Preliminary Placement Document, they should obtain independent professional advice.

The Preliminary Placement Document does not constitute an offer or invitation to the public in Hong Kong to acquire any Equity Shares nor an advertisement of the Equity Shares in Hong Kong. The Preliminary Placement Document must not be issued, circulated or distributed in Hong Kong other than:

- to “professional investors” within the meaning of the SFO and any rules made under that ordinance (“**Professional Investors**”); or
- in other circumstances which do not result in this Preliminary Placement Document being a prospectus as defined in the CO nor constitute an offer to the public which requires authorisation by the SFC under the SFO.

Unless permitted by the securities laws of Hong Kong, no person may issue or have in its possession for issue, whether in Hong Kong or elsewhere, any advertisement, invitation or document relating to the Equity Shares, which is directed at, or the content of which is likely to be accessed or read by, the public 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.

Any offer of the Equity Shares will be personal to the person to whom relevant offer documents are delivered, and a subscription for the Equity Shares will only be accepted from such person. No person who has received a copy of this Preliminary Placement Document may issue, circulate or distribute this Preliminary Placement Document in Hong Kong or make or give a copy of this Preliminary Placement Document to any other person. No person allotted Equity Shares may sell, or offer to sell, such Shares to the public in Hong Kong within six months following the date of issue of such Equity Shares.

**Singapore**

The Preliminary Placement Document has not been and will not be registered as a prospectus with the Monetary Authority of Singapore (“**MAS**”) under the Securities and Futures Act (Chapter 289) of Singapore (“**SFA**”). Accordingly, the Equity Shares may not be offered or sold, or made 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, in Singapore other than (i) to an “institutional investor” within the meaning of Section 274 of the SFA and in accordance with the conditions of an exemption invoked under Section 274, (ii) to a relevant person pursuant to Section 275(1), or any person pursuant to Section 275(1A), and in accordance with the conditions specified in Section 275, of the SFA, or (iii) other pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA.

Where the Equity Shares are subscribed or purchased under Section 275 of the SFA by a relevant person which is: (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, 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 six months after that corporation or that trust has acquired the Equity Shares pursuant to an offer made under Section 275 except: (1) to an institutional investor under Section 274 of the SFA or to a relevant person defined in Section 275(2) of the SFA, or to 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 or 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 a corporation, in accordance with the conditions specified in Section 275 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 Kingdom (in addition to the European Economic Area selling restrictions above)**

The Equity Shares offered in the Issue cannot be promoted in the United Kingdom to the general public. The contents of this Preliminary Placement Document have not been approved by an authorised person within the meaning of Financial Services and Markets Act 2000, as amended (the "**FSMA**"). The Sole Global Book Running Lead Manager (a) may only communicate or caused to be communicated and will only communicate or cause to be communicated an invitation or inducement to engage in investment activity (within the meaning of Section 21 of the FSMA), to persons who (i) are investment professionals falling within Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005, as amended (the "**Financial Promotion Order**"), or (ii) fall within any of the categories of persons described in article 49(2)(a) to (d) of the Financial Promotion Order or otherwise in circumstances in which section 21(1) of the FSMA does not apply to our Company; and (b) is requird to comply with all applicable provisions of the FSMA with respect to anything done by it in relation to the Equity Shares in, from or otherwise involving the United Kingdom. Any invitation or inducement to engage in investment activity (within the meaning of Section 21 of FSMA) in connection with, or relating to, the sale or purchase of any Equity Shares, may only be communicated or caused to be communicated in circumstances in which Section 21(1) of the FSMA does not apply. It is the responsibility of all persons under whose control or into whose possession this document comes to inform themselves about and to ensure observance of all applicable provisions of FSMA in respect of anything done in relation to an investment in Equity Shares in, from or otherwise involving, the United Kingdom.

**United States of America**

The Equity Shares offered in the Issue have not been and will not be registered under the U.S. Securities Act or any state securities laws in the United States and may not be offered or sold in the United States except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the U.S. Securities Act and in accordance with any applicable state securities laws. The Equity Shares are not being offered or sold in the United States in the Issue. The Equity Shares are being offered and sold in the Issue only outside the United States in accordance with Regulation S. To help ensure that the offer and sale of the Equity Shares in the Issue was made in compliance with Regulation S, each purchaser of Equity Shares in the Issue will be deemed to have made the representations, warranties, acknowledgements and undertakings set forth in "Transfer Restrictions".

## TRANSFER RESTRICTIONS

The Equity Shares Allotted in the Issue are not permitted to be sold for a period of one year from the date of Allotment, except on the Stock Exchanges. Due to the following restrictions, investors are advised to consult legal counsel prior to making any resale, pledge or transfer of the Equity Shares, except if the resale of the Equity Shares is by way of a regular sale on the Stock Exchanges.

**United States of America**

The Equity Shares offered in the Issue have not been and will not be registered under the U.S. Securities Act or any state securities laws in the United States and may not be offered or sold except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the U.S. Securities Act and in accordance with any applicable state securities laws.

Each purchaser of the Equity Shares, by accepting delivery of this Preliminary Placement Document, will be deemed to:

- Represent and warrant to our Company, the Sole Global Book Running Lead Manager and its affiliates that the offer and sale of the Equity Shares to it is in compliance with all applicable laws and regulations.
- Represent and warrant to our Company, the Sole Global Book Running Lead Manager and its affiliates that it was outside the United States (within the meaning of Regulation S) at the time the offer of the Equity Shares was made to it and it was outside the United States (within the meaning of Regulation S) when its buy order for the Equity Shares was originated.
- Represent and warrant to our Company, the Sole Global Book Running Lead Manager and its affiliates that it did not purchase the Equity Shares as a result of any directed selling efforts (as defined in Regulation S).
- Acknowledge that the Equity Shares have not been and will not be registered under the U.S. Securities Act or any state securities laws in the United States and warrant to our Company, the Sole Global Book Running Lead Manager and its respective affiliates that it will not offer, sell, pledge or otherwise transfer the Equity Shares except in an offshore transaction complying with Rule 903 or Rule 904 of Regulation S or pursuant to any other available exemption from registration under the U.S. Securities Act and in accordance with all applicable securities laws of the States of the United States and any other jurisdiction, including India.
- Represent and warrant to our Company, the Sole Global Book Running Lead Manager and its affiliates that if it acquired any of the Equity Shares as fiduciary or agent for one or more investor accounts, it has sole investment discretion with respect to each such account and that it has full power to make the foregoing acknowledgments, representations and agreements on behalf of each such account.
- Acknowledge that our Company, the Sole Global Book Running Lead Manager, its affiliates and others will rely upon the truth and accuracy of the foregoing acknowledgements, representations and warranties and warrant to our Company and the Sole Global Book Running Lead Manager that if any such acknowledgements, representations or warranties deemed to have been made by virtue of its purchase of the Equity Shares are no longer accurate, it will promptly notify our Company and the Sole Global Book Running Lead Manager.

Any resale or other transfer, or attempted resale or other transfer, of the Equity Shares made other than in compliance with the above-stated restrictions will not be recognised by our Company.

# THE SECURITIES MARKET OF INDIA

*The information in this section has been extracted from documents available on the website of SEBI and the Stock Exchanges and has not been prepared or independently verified by our Company or the Sole Global Book Running Lead Manager or any of its respective affiliates or advisors.*

**Indian Stock Exchanges**

India has a long history of organised securities trading. In 1875, the first stock exchange was established in Mumbai.

Indian stock exchanges are regulated primarily by SEBI, as well as by the Government acting through the Ministry of Finance, Capital Markets Division, under the Securities Contracts (Regulation) Act, 1956 (the "**SCRA**") and the Securities Contracts (Regulation) Rules, 1957 (the "**SCRR**"). On June 20, 2012, SEBI, in exercise of its powers under the SCRA and the Securities and Exchange Board of India Act, 1992, as amended from time to time (the "**SEBI Act**"), notified the Securities Contracts (Regulation) (Stock Exchanges and Clearing Corporations) Regulations, 2012 (the "**SCR (SECC) Rules**"), which regulate, amongst others, the recognition, ownership and internal governance of stock exchanges and clearing corporations in India together with providing for minimum capitalisation requirements for stock exchanges. The SCRA, the SCRR and the SCR (SECC) Rules along with various rules, bye-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 of the stock exchanges.

The SEBI Act empowers SEBI to regulate the Indian securities markets, including stock exchanges and intermediaries in the capital markets, promote and monitor self-regulatory organisations and prohibit fraudulent and unfair trade practices. Regulations, guidelines and rules concerning minimum disclosure requirements by public companies, investor protection, insider trading, substantial acquisitions of shares and takeover of companies, buy-backs of securities, employee stock option schemes, stockbrokers, merchant bankers, underwriters, Mutual Funds, FIIs, FPIs, credit rating agencies and other capital market participants have been notified by the relevant regulatory authority.

**Listing**

The listing of securities on a recognised Indian stock exchange is regulated by the applicable Indian laws including the Companies Act, the SCRA, the SCRR, the SEBI Act and various guidelines and regulations issued by the SEBI and the Equity Listing Agreements of the respective stock exchanges. The SCRA empowers the governing body of each recognised stock exchange to suspend trading of or withdraw admission to dealings in a listed security for breach of or non compliance with any conditions or breach of company's obligations under such Equity Listing Agreements or for any reason, subject to the issuer receiving prior written notice of the intent of the exchange and upon granting of a hearing in the matter. SEBI also has the power to amend such equity listing agreements and bye-laws of the stock exchanges in India, to overrule a stock exchange's governing body and withdraw recognition of a recognised stock exchange.

Pursuant to an amendment of the SCRR in June 2010, all listed companies (except public sector undertakings) are required to ensure a minimum public shareholding at 25%. Listed companies which had public shareholding below 25% prior to the amendment in June, 2010, were required to increase the public shareholding to the level of at least 25% within a period of three years from the date of commencement of the amendment. Further, where the public shareholding in a listed company falls below 25% at any time, such company is required to bring the public shareholding to 25% within a maximum period of 12 months from the date of such fall. Consequently, a listed company may be delisted from the stock exchanges for not complying with the above-mentioned requirement. Our Company is in compliance with this minimum public shareholding requirement

**Delisting**

SEBI has notified the Securities and Exchange Board of India (Delisting of Equity Shares) Regulations, 2009 in relation to the voluntary and compulsory delisting of equity shares from the stock exchanges. In addition, certain amendments to the SCRR have also been notified in relation to delisting.

**Index-Based Market-Wide Circuit Breaker System**

In order to restrict abnormal price volatility in any particular stock, 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%, 15% and 20%. These circuit breakers, when triggered, bring about a co-ordinated 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 the CNX NIFTY of the NSE, whichever is breached earlier.

In addition to the market-wide index-based circuit breakers, there are currently in place individual scrip-wise price bands of 20% movements either up or down. 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.

**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 under the SCRA.

**NSE**

The NSE was established by financial institutions and banks to provide nationwide online, satellite-linked, screen-based trading facilities with 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. 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. The securities in the NSE 50 Index are highly liquid.

**CSE**

Established in 1908, CSE is one of the oldest stock exchanges in India. In 1997, CSE replaced the old manual trading system with completely computerised on-line trading and reporting system known as C-STAR (CSE Screen Based Trading and Reporting).

**Internet-based Securities Trading and Services**

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 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 the NSE and the BSE occurs from Monday to Friday, between 9:15 a.m. and 3:30 p.m. IST (excluding the 15 minutes pre-open session from 9:00 a.m. to 9:15 a.m.). The BSE and the NSE are closed on public holidays. The recognised stock exchanges have been permitted to set their own trading hours (in the cash and derivatives segments) subject to the condition that (i) the trading hours are between 9.00 a.m. and 5.00 p.m.; and (ii) the stock exchange has in place a risk management system and infrastructure commensurate to the trading hours.

**Trading Procedure**

In order to facilitate smooth transactions, the BSE replaced its open outcry system with BSE On-line Trading 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.

The NSE has introduced a fully automated trading system called National Exchange for Automated Trading (or "**NEAT**"), which operates on strict time/price priority besides enabling efficient trade. NEAT has provided depth in the market by enabling large number of members all over India to trade simultaneously, narrowing the spreads.

**Takeover Regulations**

Disclosure and mandatory bid obligations for listed Indian companies under Indian law are governed by the Takeover Regulations, which provides specific regulations in relation to substantial acquisition of shares and takeover. Once the equity shares of a company are listed on a stock exchange in India, the provisions of the Takeover Regulations will apply to any acquisition of the company's shares/voting rights/control.

**Prohibition of Insider Trading Regulations**

The Insider Trading Regulations have been notified by SEBI to prohibit and penalise insider trading in India. An insider is, among other things, prohibited from dealing in the securities of a listed company when in possession of unpublished price sensitive information.

The Insider Trading Regulations also provide disclosure obligations for shareholders holding more than a pre-defined percentage, and directors and officers, with respect to their shareholding in the company, and the changes therein. The definition of "insider" includes any person who has received or has had access to unpublished price sensitive information in relation to securities of a company or any person reasonably expected to have access to unpublished price sensitive information in relation to securities of a company and who is or was connected with the company or is deemed to have been connected with the company.

**Depositories**

The Depositories Act provides a legal framework for the establishment of depositories to record ownership details and effect transfer in book-entry form. Further, SEBI framed regulations in relation to the registration 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.

## DESCRIPTION OF THE EQUITY SHARES

*The following is information relating to the Equity Shares including a brief summary of the Memorandum and Articles of Association, the Companies Act, 1956 and the notified sections of the Companies Act, 2013, which are in force and applicable to us. Prospective investors are urged to read the Memorandum and Articles of Association carefully, and consult with their advisers, as the Memorandum and Articles of Association and applicable Indian law, and not this summary, govern the rights attached to the Equity Shares.*

### General

The Company's authorised share capital is ₹ 20,00,00,000.

### 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 'F' of Schedule I of the Companies Act 2013 do not apply to the Company.

### Dividends

Under Indian law, a company pays dividends upon a recommendation by its board of directors and approval by a majority of the shareholders at the AGM of shareholders held each financial year. Under the Companies Act, 2013 unless the board of directors of a company recommends the payment of a dividend, the shareholders at a general meeting have no power to declare any dividend. Subject to certain conditions specified under Section 123 of the Companies Act, 2013 and the rules made thereunder no dividend can be declared or paid by a company for any financial year except (a) out of the profits of the company for that year, calculated in accordance with the provisions of the Companies Act, 2013; or (b) out of the profits of the company for any previous financial year(s) arrived at in accordance with the Companies Act, 2013 and remaining undistributed; or (c) out of both; or (d) out of money provided by the Central Government or a state Government for payment of dividend by the Company in pursuance of a guarantee given by that Government.

The Articles of Association provide that our Company, in its general meeting may declare dividends, but no dividend shall exceed the amount recommended by the Board. Further, our Board may from time to time pay to the members such interim dividend as may appear to them to be justified by the profits of the Company. All dividends shall be apportioned and paid proportionately to the amounts paid or credited as paid on the Shares during any portion or portions of the period in respect of which the dividend is paid but if any Share is issued on terms providing that it shall rank for dividends as from a particular date, such Share shall rank for dividend accordingly. The Board may deduct from any dividend payable to any member all sums of money, if any presently payable by him to the Company on account of calls or otherwise in relation to the shares in the Company.

### Capitalisation of reserves and Issue of Bonus Shares

In addition to permitting dividends to be paid out of current or retained earnings as described above, the Companies Act, 2013 permits the board of directors, if so approved by the shareholders in a general meeting, to capitalise its profits or reserves for the purpose of issuing fully paid-up bonus shares, which are similar to stock dividend. The Companies Act, 2013 permits the issue of fully paid up bonus shares from its free reserves, securities premium account or capital redemption reserve account, provided that bonus shares shall not be issued by capitalising reserves created by revaluation of assets. These bonus Equity Shares must be distributed to shareholders in proportion to the number of Equity Shares owned by them as recommended by the board of directors.

Any issue of bonus shares by a listed company would be subject to the SEBI Regulations. The SEBI Regulations prescribe that no company shall make a bonus issue of equity shares if it has outstanding fully or partly convertible debt instruments at the time of making the bonus issue, unless it has made reservation of the equity shares in the same class in favour of the holders of the outstanding convertible debt instruments in proportion to the convertible part thereof and the equity shares reserved for the holders of fully or partly convertible debt instruments shall be issued at the time of conversion of such convertible debt instruments on the same terms or same proportion on which the bonds were issued. Further, for issuance of such 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 declaration of bonus shares in lieu of a dividend cannot be made. The bonus issuance shall be made out of free reserves built out of genuine profits or share premium collected in cash only. The reserves created by revaluation of fixed assets cannot be capitalised. Further, a company should have sufficient reason to believe that it has not defaulted in respect of the payment of statutory dues of the employees, such as contributions to provident funds, gratuities and/or bonuses.

The Articles of Association of our Company provide that a general meeting may, upon the recommendation of the board resolve, to capitalise any part of the amount for the time being standing to the credit of any of the company's reserve accounts, or to the credit of the profit and loss account, or otherwise available for distribution; and that such sum be accordingly set free for distribution amongst the members who would have been entitled thereto, if distributed by way of dividend and in the same proportion. Further, the sum shall not to be paid in cash but shall be applied either in or towards:

(a) paying up any amount for the time being unpaid on any share held by the such member respectively;

(b) Paying up in full, unissued shares of the Company to be allotted and distributed, credited as fully paid up to and amongst such member in the proportions aforesaid; or

(c) Or partly in the way specified in sub clause (a) and partly in that specified in sub clause (b).

Further, a share premium account and capital redemption reserve fund may be applied only in the paying up of unissued shares to be issued to members of the company as fully paid bonus shares. The board shall give effect to the resolution passed by the company in pursuance of these articles.

**Alteration of Share Capital**

Subject to the provisions of the Companies Act, 2013 our Company may increase its share capital by issuing new shares on such terms and with such rights as it, by action of its shareholders in a general meeting may determine. According to Section 62(1)(a) of the Companies Act, 2013 such new shares shall be offered to existing shareholders in proportion to the paid up share capital on those shares at that date. The offer shall be made by notice specifying the number of shares offered and the date (being not less than 15 days and not exceeding 30 days from the date of the offer) within which the offer, if not accepted, will be deemed to have been declined. After such date or on receipt of earlier intimation from the persons to whom such notice is given that they decline to accept the shares offered, the Board may dispose of the shares offered in respect of which no acceptance has been received in a manner which shall not be disadvantageous to the shareholders of our Company. The offer is deemed to include a right exercisable by the person concerned to renounce the shares offered to him in favour of any other person. Private placement and public issues shall be undertaken pursuant to Chapter III of the Companies Act, 2013.

Under the provisions of Section 62(1)(c) of the Companies Act, 2013 and the Companies (Share Capital and Debentures) Rules, 2014, new shares may be offered to any persons whether or not those persons include existing shareholders or employees to whom shares are allotted under a scheme of employees stock options, either for cash or for consideration other than cash, if a special resolution to that effect is passed by our Company's shareholders in a general meeting. Our Company may, by a resolution passed in a general meeting, from time to time, increase the share capital by the creation of new Shares of such amount as may be deemed expedient; consolidate and divide all or any of its share capital into shares of larger amount than its existing shares, cancel any shares which, at the date of the passing have not been taken or agreed to be taken by any person; subdivide its shares, or any of them into shares of smaller amount than is fixed by the Memorandum of Association; or reduce its capital in accordance with the provisions of the Companies Act.

The powers conferred by the article may be exercised by an ordinary resolution, except in the case of reduction of share capital when the exercise of the power in that behalf shall be by a special resolution. Further, the Company is required to give a due notice to the registrar of companies of any such alteration in capital.

**General Meetings of Shareholders**

Every year our Company is required to hold an annual general meeting in addition to any other meetings. Further, our Board may, whenever it thinks fit, call an extraordinary general meeting and shall, on the requisition of a number of members who constitute not less than one-tenth of the paid-up capital of our Company, proceed to call an extraordinary general meeting. Not less than 21 days' clear notice in writing of the general meeting is to be given, but shorter notice may be given if consent in writing is accorded by all the members entitled to vote and in case of any other meetings, with the consent of members holding not less than 95 per cent. of such part of the paid-up Share capital of our Company which gives a right to vote at the meeting. An explanatory statement shall be annexed to every notice of a general meeting. The quorum requirements for a general meeting are as prescribed under Section 103 of the Companies Act 2013, and no business is to be transacted at the general meeting unless the requisite quorum is present at the commencement of the same. If the quorum is not present within half an hour of the time appointed for a meeting, the meeting, if convened upon such requisition as aforesaid, 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. The Articles of Association further provide that no business shall be transacted at any adjourned meeting other than the business left unfinished at the meeting from which the adjournment took place.

The chairman of our Board shall be entitled to take the chair at every general meeting or, if there is no such chairman, or if at any general meeting he is not present within fifteen minutes after the time appointed for holding such general meeting or is unwilling to act as chairman, the Directors present shall elect one of them to be the chairman of the meeting. If no Director is present or if all the Directors present decline to take the chair, then the members present shall choose one amongst themselves to be chairman of the general meeting. At any general meeting, unless a poll is demanded in conformity with Section 109 of the Companies Act 2013, a declaration by the chairman that a resolution has, on a show of hands been carried, or carried unanimously or by a particular majority or lost and an entry to that effect in the minute book, should be conclusive evidence of the fact without proof of number or proportion of votes recorded in favour of or against the resolution. If the requisite members quorum is not present in the meeting , then the meeting shall stand adjourned and no business shall be transacted at any adjourned meeting other than the business left unfurnished at the meeting from which the adjournment took place and when a meeting is adjourned for thirty days or more , notice of the adjourned meeting shall be given as in the case of an original meeting and it shall not be necessary to give any notice of an adjournment or of the business to be transacted at an adjourned meeting.

**Voting Rights**

Every member present in person shall have one vote on a show of hands, and on poll, the member present in person or by proxy shall have one vote for each Share of our Company held by him, subject to any rights or restrictions for the time being attached to any class or classes of Shares. The Articles of Association provide that votes may be given by proxies in a manner as authorised under the Articles of Association.

The instrument appointing a proxy is required to be lodged at the registered office at least 48 hours before the time of the meeting. A vote given in accordance with the terms of an instrument appointing a proxy shall be valid notwithstanding the previous 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 or insanity, revocation or transfer shall have been received at the office of our Company before the general meeting. Ordinary resolutions may be passed by simple majority of those present and voting and those voting electronically. Special resolutions require that the votes cast in favour of the resolution must be at least three times the votes cast against the resolution.

**Directors**

The Articles of Association provide that the number of Directors shall not be less than three and not be more than twelve. The Directors shall be appointed by our Company in the general meeting subject to the provisions of the Companies Act and the Articles of Association. The Directors, other than Independent Directors, to retire by rotation at every annual general meeting shall be those who have been longest in office since their last appointment but as between persons who became Directors on the same day those to retire shall in default of being subject to any agreement among themselves, be determined by lot.

The Directors have the power to appoint any other persons as an addition to our Board but any Director so appointed shall hold office only up to the date of the next following annual general meeting of our Company and the total number of Directors shall not at any time exceed the maximum strength prescribed under the Articles of Association. Our Board 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 meetings of our board are ordinarily held.

If it is provided by any agreement or other document in connection with any loan taken by the Company or shares taken by any person, that any such person shall have power to nominate a director then such a person can appoint a director. Then the director so appointed shall not be liable to retire by rotation nor hold any qualification shares. It is further provided by the Articles of Association, that if any money remains due by the company to the Industrial Development Bank of India (IDBI), Industrial Credit and Investment Corporation of India (ICICI), Industrial Finance Corporation of India Limited (IFCI) or Life Insurance Corporation (LIC) or Unit Trust of India (UTI) or General Insurance Corporation of India (GIC) or any Government body or Financial Institution or bank, they shall have and may exercise the rights and powers to appoint from time to time any person or persons to be director or directors of the Company. Any person or persons so appointed may at any time be removed from office by the said Corporation or Government Body who may from time of such removal or in case of death or resignation of the person or persons so appointed, appoint any other person or persons in his/their place. Such nominated directors shall not be required to hold any qualification shares nor will they be liable to retire by rotation, provided that at no time the directors not liable for retirement should not exceed 1/3 of the number of the company for the time being.

**Transfer of shares**

An application for registration of a transfer of the Shares in our Company may be made either by the transferor or the transferee. Where the application is made by the transferor and relates to partly paid Shares, the transfer shall not be registered unless our Company gives notice of the application to the transferee and the transferee makes no objection to the transfer within two weeks from the receipt of the notice. A notice to the transferee shall be deemed to have been duly given if it is dispatched by prepaid registered post to the transferee at the address given in the instrument of transfer and shall be deemed to have been duly delivered in the ordinary course of post.

Our Company is required to comply with the rules, regulations and requirements of the stock exchange or the rules made under the Companies Act, or the rules made under the Securities Contracts (Regulation) Act, 1956, as amended ("**SCRA**"), or any other law or rules applicable, relating to the transfer or transmission of Shares or debentures.

**Buy Back**

Our Company may buy back its own Shares or other specified securities subject to the provisions of the Companies Act and any related guidelines issued in connection therewith.

**Liquidation Rights**

The Articles of Association of or Company provide that, in the event of winding up, the liquidator may with the sanction of a special resolution of the Company and any other sanction required by the Companies Act, divide amongst members, in specie or kind, the whole or any part of the assets of the Company, whether they shall consist of the property of the same kind or not. It further provides that the liquidator may set such value as he deems fair upon any property to be divided and may determine the way in which the division shall be carried out as between the members or different classes of shares. The liquidator may with the sanction, vest the whole or any part of such assets in trustees upon such trusts for the benefit of the contributories as the liquidator, with the like sanction, shall think fit but so that no member shall be compelled to accept any shares or other securities where on there is any liability.

K. N. GUTGUTIA & CO.
CHARTERED ACCOUNTANTS
KOLKATA • NEW DELHI

PHONE : 2287-3735/56
FAX : 91-033-22873756
E-mail : kng_kol@vsnl.net
6C, MIDDLETON STREET
FLAT NO. 23 (2ND FLOOR)
KOLKATA-700071

## STATEMENT OF TAX BENEFITS

## STATEMENT OF POSSIBLE TAX BENEFITS AVAILABLE TO THE COMPANY) AND IT SHAREHOLDERS UNDER THE APPLICABLE LAWS IN INDIA

To

The Board of Directors
Texmaco Rail & Engineering Limited
Belgharia, Kolkata 700 056
India

Dear Sirs,

Sub: Statement of possible tax benefits available to Texmaco Rail & Engineering Limited (and it shareholders

We hereby confirm that the enclosed annexure, prepared by Texmaco Rail & Engineering Limited ('the Company') states the possible tax benefits available to the Company and the shareholders of the Company under the the current direct tax laws,namely, Income Tax Act, 1961 and the Wealth Tax Act, 1957 read with Finance Act, presently in force in India. Several of these benefits are dependent on the Company or its shareholders fulfilling the conditions prescribed under the relevant provisions of the tax laws. Hence, the ability of the Company or its shareholders to derive the tax benefits is dependent upon fulfilling such conditions, which based on the business imperatives, the Company or its shareholders may or may not choose to fulfill.

The benefits discussed in the enclosed Annexure are not exhaustive and the preparation of the contents stated is the responsibility of the Company's management. We are informed that this statement is only intended to provide general information to the investors and hence is neither designed nor intended to be a substitute for professional tax advice. In view of the individual nature of the tax consequences, the changing tax laws, each investor is advised to consult his or her own tax consultant with respect to the specific tax implications arising out of their participation in the issue.

Our confirmation is based on the information, explanations and representations obtained from the Company and on the basis of our understanding of the business activities and operations of the Company ().

We do not express an opinion or provide any assurance as to whether:

- the Company or its shareholders will continue to obtain these benefits in future;
- the conditions prescribed for availing the benefits, where applicable have been/would be met with; and
- The revenue authorities/courts will concur with the views expressed herein

For K.N.Gutgutia & Co.
Chartered Accountants
Firm registration number: 304153E

per [K C SHARMA]
Partner
Membership number: 50819

Place: Kolkata
Date: 12/11/2014

1

K. N. GUTGUTIA & CO.
CHARTERED ACCOUNTANTS
KOLKATA • NEW DELHI

PHONE : 2287-3735/56
FAX : 91-033-22873756
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6C, MIDDLETON STREET
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KOLKATA-700071

**ANNEXURE TO THE STATEMENT OF POSSIBLE TAX BENEFITS AVAILABLE TO THE COMPANY AND ITS SHAREHOLDERS UNDER THE APPLICABLE LAWS IN INDIA**

Outlined below are the possible benefits available to the Company and its shareholders under the current direct tax laws in India. Several of these benefits are dependent on the Company or its-shareholders fulfilling the conditions prescribed under the relevant tax laws. Hence, the ability of the Company or its shareholders to derive the tax benefits is dependent upon fulfilling such conditions, which based on business imperatives its faces in the future, it may not to choose to fulfil.

**A. BENEFITS TO THE COMPANY UNDER THE ACT:**

The Company will be entitled to deduction under the sections mentioned hereunder from its total income chargeable to Income Tax.

**I. <u>General Tax Benefits available to the Company</u>**

The following benefits are available to the Company) after fulfilling conditions as per the respective provisions of the relevant tax laws.

a. Business income

- The Company is entitled to claim depreciation on specified tangible and intangible assets owned by them and used for the purpose of their business as per provisions of Section 32 of the Act. Any relevant subsidiaries of the Company are further entitled to additional depreciation at the rate of 20 percent of the actual cost of new plant and machinery acquired on or after 31st day of March 2012. Business losses, if any, for an assessment year can be carried forward and set off against business profits for eight subsequent years in terms of the provisions of section 72 of the IT Act. Unabsorbed depreciation, if any, for an assessment year can be carried forward and set-off against any source of income in subsequent years as per provisions of Section 32 of the Act for an indefinite period.

- As per the provisions of Section 35D of the Act, any specified preliminary expenditure incurred by an Indian company before commencement of business or after commencement of business in connection with extension of an undertaking or setting up a new unit shall be allowed a deduction equivalent to one-fifth of such expenditure for each of the five successive previous years beginning with the previous year in which the business is commenced/ extended. However, any deduction in excess of 5% of cost of project/ capital employed would be ignored.

- As per the provisions of Section 35DD of the Act, any expenditure incurred by an Indian Company, wholly and exclusively for the purpose of amalgamation/ demerger of an undertaking shall be allowed as deduction to the extent of one-fifth of such expenditure for each of five successive previous years beginning with the previous year in which the amalgamation/ demerger takes place.

- As per the provisions of Section 72A of the Act, pursuant to business re-organisations (such as amalgamation, demerger, etc), the successor company shall be allowed to carry forward any accumulated tax losses/ unabsorbed depreciation of the predecessor company subject to fulfillment of prescribed conditions.

b. MAT credit

- As per section 115JAA(1A) of the IT Act, credit is allowed in respect of tax paid under section 115JB of the IT Act for any assessment year commencing on or after April-1, 2006.

- MAT credit eligible to be carried forward will be the difference between MAT paid and the tax computed as per the normal provisions of the IT Act for that assessment year. Such MAT credit is allowed to be carried forward for set off purposes for upto ten assessment years immediately succeeding the assessment year in which the MAT credit becomes allowable under section 115JAA(1A) of the IT Act.

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- MAT credit can be set off in a year when tax is payable under the normal provisions of the IT Act. MAT credit to be allowed shall be the difference between MAT payable and the tax computed as per the normal provisions of the IT Act for that assessment year.

c. Capital gains

(i) Computation of capital gains

- Capital assets are to be categorized into short-term capital assets and long-term capital assets based on the period of holding. All capital assets, being shares held in a company or any other security listed in a recognized stock exchange in India or unit of the Unit Trust of India or a unit of a mutual fund specified under section 10(23D) of the Act or a zero coupon bond, held by an assessee for more than twelve months are considered to be long-term capital assets, capital gains arising from the transfer of which are termed as long-term capital gains ("LTCG"). In respect of any other capital assets, the holding period should exceed thirty-six months to be considered as long-term capital assets.

  Short Term Capital Gains ("STCG") means capital gains arising from the transfer of capital asset being a share held in a company or any other security listed in a recognized stock exchange in India or unit of the Unit Trust of India or a unit of a mutual fund specified under clause (23D) of Section 10 or zero coupon bonds, held by an assessee for 12 months or less. In respect of any other capital assets, STCG means capital gains arising from the transfer of an asset, held by an assessee for 36 months or less.

- LTCG arising on transfer of equity shares of a company or units of an equity oriented fund as defined which has been set up under a scheme of a mutual fund specified under Section 10(23D) is exempt from tax as per provisions of Section 10(38) of the Act, provided the transaction is chargeable to securities transaction tax ("STT") and subject to conditions specified in that section. However, such income shall be taken into account in computing book profit under section 115JB of the IT Act

- As per provisions of Section 48 of the Act, LTCG arising on transfer of capital assets, other than bonds and debentures (excluding capital indexed bonds issued by the Government) and depreciable assets, is computed by deducting the indexed cost of acquisition and indexed cost of improvement from the full value of consideration.

- As per provisions of Section 112 of the Act, LTCG not exempt under Section 10(38) of the Act are subject to tax at the rate of 20% with indexation benefits. However, if such tax payable on transfer of listed securities or units or zero coupon bonds exceeds 10% of the LTCG (without indexation benefit), the excess tax shall be ignored for the purpose of computing the tax payable by the assessee. No deduction under Chapter VIA is allowed from such income.

- As per provisions of Section 111A of the Act, STCG arising on sale of equity shares or units of equity oriented mutual fund [as defined which has been set up under a scheme of a mutual fund specified under Section 10(23D)], are subject to tax at the rate of 15% provided the transaction is chargeable to STT. No deduction under Chapter VIA is allowed from such income.

- STCG arising on sale of equity shares or units of equity oriented mutual fund [as defined which has been set up under a scheme of a mutual fund specified under Section 10(23D)], where such transaction is not chargeable to STT is taxable at the rate of 30%.

- The tax rates mentioned above stands increased by surcharge, payable at the rate of 5% where the taxable income of a domestic company exceeds Rs. 10,000,000. Such surcharge rate would stand increased to 10% where the taxable income of the domestic company exceeds Rs. 100,000,000. Further, education cess and secondary and higher education cess on the tax on total income and surcharge at the rate of 2% and 1% respectively is payable by all categories of taxpayers.

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- As per Section 50 of the Act, where a capital asset is forming part of a block of assets in respect of which depreciation has been allowed under the Act, capital gains shall be computed in the following manner:
  - where full value of consideration on account of transfer of any asset forming part of block of asset, as reduced by expenditure incurred wholly or exclusively in connection with transfer, exceeds the written down value of block of assets and actual cost of assets acquired during the year, such excess shall be deemed to be short term capital gains and taxed accordingly.
  - where any block of assets ceases to exist, for the reason that all the assets in that block are transferred, the difference between the consideration arising on result of transfer and the written down value of block of assets and the actual cost of assets acquired during the year, shall be deemed to be short term capital gains/ (losses) and taxed accordingly.
- As per provisions of Section 70 read with Section 74 of the Act, short term capital loss arising during a year is allowed to be set-off against short term as well as long term capital gains. Balance loss, if any, shall be carried forward and set-off against any capital gains arising during subsequent 8 assessment years in terms of the provisions of section 74 of the IT Act .
- As per provisions of Section 70 read with Section 74 of the Act, long term capital loss arising during a year is allowed to be set-off only against long term capital gains. Balance loss, if any, shall be carried forward and set-off against long term capital gains arising during subsequent 8 assessment years in terms of the provisions of section 74 of the IT Act. Long term capital loss arising on sale of shares or units of equity oriented fund subject to STT may not be carried forward for set off

(ii) Exemption of capital gains from income- tax

- Under Section 54EC of the Act, capital gains arising from transfer of long term capital assets [other than those exempt under section 10(38)] shall be exempt from tax, subject to the conditions and to the extent specified therein, if the capital gains are invested within a period of six months from the date of transfer in the bonds redeemable after three years and issued by:
  - National Highway Authority of India ("NHAI") constituted under Section 3 of National Highway Authority of India Act, 1988; and
  - Rural Electrification Corporation Limited ("REC"), a company formed and registered under the Companies Act, 1956.
- Where a part of the capital gains is reinvested, the exemption is available on a proportionate basis. The maximum investment in the specified long term asset cannot exceed Rs. 5,000,000 per assessee during the financial year and in the subsequent financial year
- Where the new bonds are transferred or converted into money within three years from the date of their acquisition, the amount so exempt shall be taxable as capital gains in the year of transfer/ conversion.
- The characterization of the gain/ losses, arising from sale/ transfer of shares/ units as business income or capital gains would depend on the nature of holding and various other factors.

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d. Dividends

- As per provisions of Section 10(34) read with Section 115O of the Act, dividend (both interim and final), if any, received by the Company on its investments in shares of another domestic company is exempt from tax. The domestic company distributing dividends will be liable to pay dividend distribution tax at the rate of 15% (plus a surcharge of 10% on the dividend distribution tax and education cess and secondary and higher education cess of 2% and 1% respectively on the amount of dividend distribution tax and surcharge thereon) on the total amount distributed as dividend after grossing up.

- As per provisions of Section 14A of the Act, expenditure incurred to earn an exempt income is not allowed as deduction while determining taxable income. . The quantum of such expenditure liable for disallowance is to be computed in accordance with the provisions contained therein.

- Further, if the company being a holding company, has received any dividend from its subsidiary on which dividend distribution tax has been paid by such subsidiary, then for the same year, the company will not be required to pay dividend distribution tax to the extent the same has been paid by such subsidiary company.

- As per provisions of Section 10(35) of the Act, income received in respect of units of a mutual fund specified under Section 10(23D) of the Act (other than income arising from transfer of such units) is exempt from tax.

- Section 94(7) of the IT Act provides that losses arising from the sale/transfer of shares or units which are purchased within a period of three months prior to the record date and sold/transferred within three months (for shares) or nine months (for units) respectively after such record date, will be disallowed to the extent dividend income on such shares or units is tax exempt. As per section 94(8) of the IT Act, if an investor purchases units within three months prior to the record date for entitlement of bonus units, and is allotted bonus units on the basis of holding original units on the record date without any payment and such person sells / redeems the original units within nine months of the record date, then the loss arising from sale/ redemption of the original units will be ignored for the purpose of computing income chargeable to tax and the amount of loss ignored shall be regarded as the cost of acquisition of the bonus unit

- As per the provisions of Section 115BBD of the Act, dividend received by an Indian company from a specified foreign company (in which it has shareholding of 26% or more) would be taxable at the concessional rate of 15% on gross basis (excluding surcharge and education cess) upto 31 March 2014.

- For removing the cascading effect of dividend distribution tax, while computing the amount of dividend distribution tax payable by a domestic company, the dividend received from a foreign subsidiary on which income-tax has been paid by the domestic company under Section 115BBD of the Act shall be reduced.

e. Buy-back of shares

- As per section 10(34A) of the IT Act, any income arising to the company being a shareholder, on account of buy back of shares (not being listed on a recognized stock exchange) by a company, will be exempt from tax. This exemption is available to shareholders only in case where the company pays buy back tax under the provisions of section 115QA of the Act.

- Such income is also exempt from tax while computing book profit for the purpose of determination of MAT liability. However, in case of buy back of listed securities, it will be liable to capital gains tax. (to check)

f. Tax on distributed profits of domestic companies

- As per provisions of section 115-O of the IT Act, tax on distributed profits of domestic companies is chargeable at 15% (plus applicable surcharge, education cess and higher education

PHONE : 2287-3735/56
FAX : 91-033-22873756
E-mail : kng_kol@vsnl.net
6C, MIDDLETON STREET
FLAT NO. 23 (2ND FLOOR)
KOLKATA-700071

cess). As per sub-section (1A) to section 115-O, the domestic Company will be allowed to set-off the dividend received from its subsidiary company during the financial year against the dividend distributed by it, while computing the Dividend Distribution Tax (DDT) if:

a) the dividend is received from its domestic subsidiary and the subsidiary has paid the DDT payable on such dividend; or

b) the dividend is received from a foreign subsidiary, the Company has paid tax payable under section 115BBD.

- However, the same amount of dividend shall not be taken into account for reduction more than once.

g. Other Provisions

- As per provisions of Section 80G of the Act, the assessee is entitled to claim deduction of a specified amount in respect of eligible donations, subject to the fulfillment of the conditions specified in that section.

- As per provisions of Section 80GGB of the Act, the assesse is entitled to claim deduction amounting to 100% of any sum contributed to any political party or an electoral trust

**B. Benefits available to the Resident members/ shareholders of the Company under the Act**

a. Dividends exempt under section 10(34)

- As per provisions of Section 10(34) of the Act, dividend (both interim and final), if any, received by the resident members/ shareholders from a domestic company is exempt from tax. The domestic company will be liable to pay dividend distribution tax at the rate of 15% plus a surcharge of 10% on the dividend distribution tax and education cess and secondary & higher education cess of 2% and 1% respectively on the amount of dividend distribution tax and surcharge thereon on the total amount distributed as dividend.

- As per provisions of Section 14A of the Act, expenditure incurred to earn an exempt income is not allowed as deduction while determining taxable income. The quantum of such expenditure liable for disallowance is to be computed in accordance with the provisions contained therein.

- Section 94(7) of the IT Act provides that losses arising from the sale/transfer of shares or units which are purchased within a period of three months prior to the record date and sold/transferred within three months (for shares) or nine months (for units) respectively after such record date, will be disallowed to the extent dividend income on such shares or units is tax exempt. As per section 94(8) of the IT Act, if an investor purchases units within three months prior to the record date for entitlement of bonus units, and is allotted bonus units on the basis of holding original units on the record date without any payment and such person sells / redeems the original units within nine months of the record date, then the loss arising from sale/ redemption of the original units will be ignored for the purpose of computing income chargeable to tax and the amount of loss ignored shall be regarded as the cost of acquisition of the bonus unit

b. Capital gains

(i) Computation of capital gains

- Capital assets are to be categorized into short-term capital assets and long-term capital assets based on the period of holding. All capital assets, being shares held in a company or any other security listed in a recognized stock exchange in India or unit of the Unit Trust of India or a unit of a mutual fund specified under section 10(23D) of the Act or a zero coupon bond, held by an assessee for more than twelve months are considered to be long-term capital assets, capital gains arising from the transfer of which are termed as LTCG. In respect of any other capital assets, the holding period should exceed 36 months to be considered as long-term capital assets.

**K. N. GUTGUTIA & CO.**
CHARTERED ACCOUNTANTS
KOLKATA • NEW DELHI

PHONE : 2287-3735/56
FAX : 91-033-22873756
E-mail : kng_kol@vsnl.net
6C, MIDDLETON STREET
FLAT NO. 23 (2ND FLOOR)
KOLKATA-700071

STCG means capital gains arising from the transfer of capital asset being a share held in a company or any other security listed in a recognized stock exchange in India or unit of the Unit Trust of India or a unit of a mutual fund specified under clause (23D) of Section 10 or a zero coupon bonds, held by an assessee for 12 months or less. In respect of any other capital assets, STCG means capital gains arising from the transfer of an asset, held by an assessee for 36 months or less.

- LTCG arising on transfer of equity shares of a company or units of an equity oriented fund [as defined which has been set up under a scheme of a mutual fund specified under Section 10(23D)] is exempt from tax as per provisions of Section 10(38) of the Act, provided the transaction is chargeable to STT and subject to conditions specified in that section.

- As per provisions of Section 48 of the Act, LTCG arising on transfer of capital assets, other than bonds and debentures (excluding capital indexed bonds issued by the Government) and depreciable assets, is computed by deducting the indexed cost of acquisition and indexed cost of improvement from the full value of consideration.

- As per provisions of Section 112 of the Act, LTCG not exempt under Section 10(38) of the Act are subject to tax at the rate of 20% with indexation benefits. However, if such tax payable on transfer of listed securities or units or zero coupon bonds exceed 10% of the LTCG (without indexation benefit), the excess tax shall be ignored for the purpose of computing the tax payable by the assesse. No deduction under Chapter VIA is allowed from such income.

- As per provisions of Section 111A of the Act, STCG arising on sale of equity shares or units of equity oriented mutual fund [as defined which has been set up under a scheme of a mutual fund specified under Section 10(23D)], are subject to tax at the rate of 15% provided the transaction is chargeable to STT. No deduction under Chapter VIA is allowed from such income.

- STCG arising on sale of equity shares or units of equity oriented mutual fund [as defined which has been set up under a scheme of a mutual fund specified under Section 10(23D)], where such transaction is not chargeable to STT, is taxable at the rate of 30% in case of domestic company and firms and at normal slab rates in case of other assessees.

- As per the provisions of Section 10(34A) of the Act, any income arising to shareholders on account of buy-back of unlisted shares, shall be exempt in the hands of the shareholders. This exemption is available to shareholders only in case where the company pays buy back tax under the provisions of section 115QA of the Act.

- The tax rates mentioned above stands increased by surcharge, payable at the rate of 5% where the taxable income of a domestic company exceeds Rs. 10,000,000. Such surcharge rate would stand increased to 10% where the taxable income of the domestic company exceeds Rs. 100,000,000. Further, education cess and secondary and higher education cess on the tax on total income and surcharge at the rate of 2% and 1% respectively is payable by all categories of taxpayers.

- In the case of a taxpayer other than domestic companies, the tax rates mentioned above stands increased by a surcharge, payable at the rate of 10% where the taxable income of the taxpayer exceeds 10,000,000. Further, education cess and secondary and higher education cess on the total income at the rate of 2% and 1% respectively is payable.

- As per provisions of Section 70 read with Section 74 of the Act, short term capital loss arising during a year is allowed to be set-off against short term as well as long term capital gains. Balance loss, if any, shall be carried forward and set-off against any capital gains arising during subsequent 8 assessment years in terms of the provisions of section 74 of the IT Act.

- As per provisions of Section 70 read with Section 74 of the Act, long term capital loss arising during a year is allowed to be set-off only against long term capital gains. Balance loss, if any, shall be carried forward and set-off against long term capital gains arising during subsequent 8 assessment years in terms of the provisions of section 74 of the IT Act.

K. N. GUTGUTIA & CO. Chartered Accountants

**K. N. GUTGUTIA & CO.**
CHARTERED ACCOUNTANTS
KOLKATA • NEW DELHI

PHONE : 2287-3735/56
FAX : 91-033-22873756
E-mail : kng_kol@vsnl.net
6C, MIDDLETON STREET
FLAT NO. 23 (2ND FLOOR)
KOLKATA-700071

(ii) Exemption of capital gains from income - tax

- As per Section 54EC of the Act, capital gains arising from the transfer of a long term capital asset are exempt from capital gains tax if such capital gains are invested within a period of 6 months after the date of such transfer in specified bonds issued by NHAI and REC and subject to the conditions specified therein:

  - Where a part of the capital gains is reinvested, the exemption is available on a proportionate basis. The maximum investment in the specified long term asset cannot exceed Rs. 5,000,000 per assessee during any financial year

  - Where the new bonds are transferred or converted into money within three years from the date of their acquisition, the amount so exempted is taxable as capital gains in the year of transfer/conversion.

- As per provisions of Section 54F of the Act,where assesses are Individual and HUF, LTCG arising from transfer of shares is exempt from tax if the net consideration from such transfer is utilized within a period of one year before, or two years after the date of transfer, for purchase of a new residential house, or for construction of residential house within three years from the date of transfer and subject to conditions and to the extent specified therein.

**Securities Transaction Tax**

In terms of Section 36(xv) of the Act, the STT paid by the shareholder in respect of thetaxable securities transactions entered into in the course of his business of transactions/trading in shares would be eligible for deduction from the amount of income chargeable under the head Profit and gains of business or profession, provided the income arising out of such taxable securities transactions is included in computation of business profits. As such, no deduction will be allowed in computing the income chargeable to tax as capital gains of such amount paid on account of STT

c. Other Provisions

- As per provisions of Section 56(2)(vii) of the Act and subject to exception provided in second proviso therein, where an individual or HUF receives shares and securities without consideration or for a consideration which is less than the aggregate fair market value of the shares and securities by an amount exceeding fifty thousand rupees, the excess of fair market value of such shares and securities over the said consideration is chargeable to tax under the head 'income from other sources'. However, the said section is not applicable in case the shares and securities are received under instances specified under the proviso thereon.

- The characterization of the gain/ losses, arising from sale/ transfer of shares as business income or capital gains would depend on the nature of holding and various other factors.

**<u>C. Benefits available to the Non-resident shareholders of the Company under the Act</u>**

a. Dividends exempt under section 10(34)

- As per provisions of Section 10(34) of the Act, dividend (both interim and final), if any, received by non-resident shareholders from the domestic company is exempt from tax. The domestic company will be liable to pay dividend distribution tax at the rate of 15% plus a surcharge of 10% on the dividend distribution tax and education cess and secondary and higher education cess of 2% and 1% respectively on the amount of dividend distribution tax and surcharge thereon on the total amount distributed as dividend.

- Section 94(7) of the IT Act provides that losses arising from the sale/transfer of shares or units which are purchased within a period of three months prior to the record date and sold/transferred within three months (for shares) or nine months (for units) respectively after such record date, will be disallowed to the extent dividend income on such shares or units is

K. N. GUTGUTIA & CO.
CHARTERED ACCOUNTANTS
KOLKATA • NEW DELHI

PHONE : 2287-3735/56
FAX : 91-033-22873756
E-mail : kng_kol@vsnl.net
6C, MIDDLETON STREET
FLAT NO. 23 (2ND FLOOR)
KOLKATA-700071

tax exempt. As per section 94(8) of the IT Act, if an investor purchases units within three months prior to the record date for entitlement of bonus units, and is allotted bonus units on the basis of holding original units on the record date without any payment and such person sells / redeems the original units within nine months of the record date, then the loss arising from sale/ redemption of the original units will be ignored for the purpose of computing income chargeable to tax and the amount of loss ignored shall be regarded as the cost of acquisition of the bonus unit

➢

b. Capital gains

(i) Computation of capital gains

➢ Capital assets are to be categorized into short-term capital assets and long-term capital assets based on the period of holding. All capital assets, being shares held in a company or any other security listed in a recognized stock exchange in India or unit of the Unit Trust of India or a unit of a mutual fund specified under section 10(23D) of the Act or a zero coupon bond, held by an assessee for more than twelve months are considered to be long-term capital assets, capital gains arising from the transfer of which are termed as LTCG. In respect of any other capital assets, the holding period should exceed thirty-six months to be considered as long-term capital assets.

STCG means capital gains arising from the transfer of capital asset being a share held in a company or any other security listed in a recognized stock exchange in India or unit *of* the Unit Trust of India or a unit of a mutual fund specified under clause (23D) of Section 10 or a zero coupon bonds held by an assessee for 12 months or less. In respect of any other capital assets, STCG means capital gains arising from the transfer of an asset, held by an assessee for 36 months or less.

LTCG arising on transfer of equity shares of a company or units of an equity oriented fund [as defined which has been set up under a scheme of a mutual fund specified under Section 1 0(23D)] is exempt from tax as per provisions of Section 10(38) of the Act, provided the transaction is chargeable to STT and subject to conditions specified in that section.

➢ As per provisions of Section 112 of the Act, LTCG arising out of listed securities not exempt under Section 10(38) of the Act are subject to tax at the rate of 20% with indexation benefits. The indexation benefits are however not available in case the shares are acquired in foreign currency. In such a case, the capital gains shall be computed in the manner prescribed under the first proviso to Section 48. As per first proviso to Section 48 of the Act, where the shares have been purchased in foreign currency by a non-resident, the capital gains arising on transfer need to be computed by converting the Cost of acquisition, expenditure incurred in connection with such transfer and full value of the consideration received or accruing as a result of the transfer, into the same foreign currency in which the shares were originally purchased, the resultant gains thereafter need to be reconverted into Indian currency. The conversion needs to be at the prescribed rates prevailing on dates stipulated. If the tax payable on transfer of listed securities exceeds 10% of the LTCG, the excess tax shall be ignored for the purpose of computing tax payable by the assesse.

➢ Further, LTCG arising from transfer of unlisted securities (other than by way of offer for sale under an initial public offer) is chargeable to tax at 10% without indexation and foreign exchange fluctuation benefits. No deduction under Chapter VIA is allowed from such income.

➢ As per provisions of Section 111A of the Act, STCG arising on sale of equity shares or units of equity oriented mutual fund [as defined which has been set up under a scheme of a mutual fund specified under Section 10(23D)], are subject to tax at the rate of 15% provided the transaction is chargeable to STT. No deduction under Chapter VIA is allowed from such income.

➢ STCG arising on sale of equity shares or units of equity oriented mutual fund [as defined which has been set up under a scheme of a mutual fund specified under Section 10(23D)], where such transaction is not chargeable to STT is taxable at the normal rates of taxation as applicable to the taxpayer.



K. N. GUTGUTIA & CO. Chartered Accountants

K. N. GUTGUTIA & CO.
CHARTERED ACCOUNTANTS
KOLKATA • NEW DELHI

PHONE : 2287-3735/56
FAX : 91-033-22873756
E-mail : kng_kol@vsnl.net
6C, MIDDLETON STREET
FLAT NO. 23 (2ND FLOOR)
KOLKATA-700071

- As per the provisions of 10(34A), any income arising to shareholders on account of buy-back of shares as referred to in Section 77A of the Companies Act, 1956 shall be exempt in the hands of the shareholders. This exemption is available to shareholders only in case where the company pays buy back tax under the provisions of section 115QA of the Act.

- The tax rates mentioned above stands increased by surcharge, payable at the rate of 2% where the taxable income of a foreign company exceeds Rs. 10,000,000. Such surcharge rate would stand increased to 5% where the taxable income of the domestic company exceeds Rs. 100,000,000.

- Further, education cess and secondary and higher education cess on the tax on total income and surcharge at the rate of 2% and 1% respectively is payable by all categories of taxpayers.

- As per provisions of Section 70 read with Section 74 of the Act, short term capital loss arising during a year is allowed to be set-off against short term as well as long term capital gains. Balance loss, if any, shall be carried forward and set-off against any capital gains arising during subsequent eight assessment years in terms of the provisions of section 74 of the IT Act.

- As per provisions of Section 70 read with Section 74 of the Act, long term capital loss arising during a year is allowed to be set-off only against long term capital gains. Balance loss, if any, shall be carried forward and set-off against long term capital gains arising during subsequent eight assessment years in terms of the provisions of section 74 of the IT Act.

(ii) Exemption of capital gains from income-tax

- As per Section 54EC of the Act, capital gains arising from the transfer of a long term capital asset are exempt from capital gains tax if such capital gains are invested within a period of 6 months after the date of such transfer in specified bonds issued by NHAI and REC and subject to the conditions specified therein:

  - Where a part of the capital gains is reinvested, the exemption is available on a proportionate basis. The maximum investment in the specified long term asset cannot exceed Rs. 5,000,000 per assessee during any financial year.

  - Where the new bonds are transferred or converted into money within three years from the date of their acquisition, the amount so exempted is taxable as capital gains in the year of transfer conversion.

- As per provisions of Section 14A of the Act, expenditure incurred to earn an exempt income is not allowed as deduction while determining taxable income. The quantum of such expenditure liable for disallowance is to be computed in accordance with the provisions contained therein.

- The characterization of the gain/ losses, arising from sale / transfer of shares as business income or capital gains would depend on the nature of holding and various other factors.

- As per provisions of Section 54F of the Act,where assesees are Individual and HUF, LTCG arising from transfer of shares is exempt from tax if the net consideration from such transfer is utilized within a period of one year before, or two years after the date of transfer, for purchase of a new residential house, or for construction of residential house within three years from the date of transfer and subject to conditions and to the extent specified therein.

c. Other Provisions

- As per provisions of Section 56(2)(vii) of the Act and subject to exception provided in second proviso therein, where an individual or HUF receives shares and securities without consideration or for a consideration which is less than the aggregate fair market value of the shares and securities by an amount exceeding fifty thousand rupees, the excess of fair market value of such shares and securities over the said consideration is chargeable to tax under the head income from other sources'. However, the said section is not applicable in case the shares and securities are received under instances specified under the proviso thereon.



K. N. GUTGUTIA & CO. Chartered Accountants

K. N. GUTGUTIA & CO.
CHARTERED ACCOUNTANTS
KOLKATA • NEW DELHI

PHONE : 2287-3735/56
FAX : 91-033-22873756
E-mail : kng_kol@vsnl.net
5C, MIDDLETON STREET
FLAT NO. 23 (2ND FLOOR)
KOLKATA-700071

d. Tax Treaty benefits

- As per provisions of Section 90(2) of the Act, non-resident shareholders can opt to be taxed in India as per the provisions of the Act or the double taxation avoidance agreement entered into by the Government of India with the country of residence of the non-resident shareholder, whichever is more beneficial. It needs to be noted that a non-resident is required to hold a valid tax residency certificate containing the particulars prescribed under Notification No. 57 of 2013 dated 1 August 2013 issued by the Central Board of Direct Taxes in order to claim benefits under the applicable tax treaty.As per the Finance Act 2013, the said benefit is not available from the assessment year 2016-17

e. Taxation of Non-resident Indians

- Special provisions in case of Non-Resident Indian ("NRI") in respect of income/ LTCG from specified foreign exchange assets under Chapter XII-A of the Act are as follows:

  - NRI means a citizen of India or a person of Indian origin who is not a resident. A person is deemed to be of Indian origin if he, or either of his parents or any of his grandparents, were born in undivided India.

  - Specified foreign exchange assets include shares of an Indian company which are acquired/ purchased/ subscribed by NRI in convertible foreign exchange.

  - As per provisions of Section 115E of the Act, LTCG arising to a NRI from transfer of specified foreign exchange assets is taxable at the rate of 10%

  - As per provisions of Section 115E of the Act, income [other than dividend which is exempt under Section 10(34)] from investments and LTCG [other than gain exempt under Section 10(38)] from assets (other than specified foreign exchange assets) arising to a NRI is taxable at the rate of 20%. No deduction is allowed from such income in respect of any expenditure or allowance or deductions under Chapter VI-A of the Act.

  - As per the provisions of Section 115F of the Act. LTCG arising to a NRI on transfer of a foreign exchange asset is exempt from tax if the net consideration from such transfer is invested in the specified assets or savings certificates within six months from the date of such transfer, subject to the extent and conditions specified in that section. If part of such net consideration is invested within the prescribed period of six months in any specified asset the exemption will be allowed on a proportionate basis.

  - As per the provisions of Section 115G of the Act, where the total income of a NRI consists only of investment income and/or LTCG from such foreign exchange asset specified asset and tax thereon has been deducted at source in accordance with the Act, the NRI is not required to file a return of income.

  - As per provisions of Section 115H of the Act, where a person who is a NRI in any previous year, becomes assessable as a resident in India in respect of the total income of any subsequent year, he/ she may furnish a declaration in writing to the assessing officer, along with his / her return of income under Section 139 of the Act for the assessment year in which he/ she is first assessable as a resident, to the effect that the provisions of the Chapter XII-A shall continue to apply to him/ her in relation to investment income derived front the specified assets for that year and subsequent years until such assets are transferred or converted into money.

  - As per provisions of Section 115-I of the Act, a NRI can opt not to be governed by the provisions of Chapter XII-A for any assessment year by furnishing return of income for that assessment year under Section 139 of the Act, declaring therein that the provisions of the chapter shall not apply for that assessment year and accordingly his total income for that assessment year will be computed in accordance with the other provisions of the Act.



K. N. GUTGUTIA & CO. Chartered Accountants

**K. N. GUTGUTIA & CO.**
CHARTERED ACCOUNTANTS
KOLKATA • NEW DELHI

PHONE : 2287-3735/56
FAX : 91-033-22873756
E-mail : kng_kol@vsnl.net
6C, MIDDLETON STREET
FLAT NO. 23 (2ND FLOOR)
KOLKATA-700071

- As per the provisions of Section 10(34A) of the Act, any income arising to shareholders on account of buy-back of unlisted shares shall be exempt in the hands of the shareholders. This exemption is available to shareholders only in case where the company pays buy back tax under the provisions of section 115QA of the Act.

**D. Benefits available to Foreign Institutional Investors ("FIIs") under the Act**

a. Dividends exempt under section 10(34)

- As per provisions of Section 10(34) of the Act, dividend (both interim and final), if any, received by a shareholder front a domestic Company is exempt from tax. The domestic Company will be liable to pay dividend distribution tax at the rate of 15% plus a surcharge of 10% on the dividend distribution tax and education cess and secondary and higher education cess of 2% and 1% respectively on the amount of dividend distribution tax and surcharge thereon on the total amount distributed as dividend.

- Section 94(7) of the IT Act provides that losses arising from the sale/transfer of shares or units which are purchased within a period of three months prior to the record date and sold/transferred within three months (for shares) or nine months (for units) respectively after such record date, will be disallowed to the extent dividend income on such shares or units is tax exempt. As per section 94(8) of the IT Act, if an investor purchases units within three months prior to the record date for entitlement of bonus units, and is allotted bonus units on the basis of holding original units on the record date without any payment and such person sells / redeems the original units within nine months of the record date, then the loss arising from sale/ redemption of the original units will be ignored for the purpose of computing income chargeable to tax and the amount of loss ignored shall be regarded as the cost of acquisition of the bonus unit

b. Long-term capital gains exempt under section 10(38) of the Act

- LTCG arising on sale of equity shares of a company subjected to STT is exempt from tax as per provisions of Section 10(38) of the Act.

- It is pertinent to note that as per provisions of Section 14A of the Act, expenditure incurred to earn an exempt income is not allowed as deduction while determining taxable income. The quantum of such expenditure liable for disallowance is to be computed in accordance with the provisions contained therein.

c. Capital gains

- As per provisions of Section 115AD of the Act, income (other than income by way of dividends referred to Section 115O) received in respect of securities (other than units referred to in Section 115AB) is taxable at the rate of 20% (plus applicable surcharge and education cess and secondary & higher education cess). No deduction is allowed from such income in respect of any expenditure or allowance or deductions under Chapter VI-A of the Act.

- As per provisions of Section 115AD of the Act, capital gains arising from transfer of securities is taxable as follows:

| Nature of income | Rate of tax (%) (plus applicable surcharge, education cess and secondary higher education cess) |
|---|---|
| LTCG on sale of equity shares not subjected to STT (without cost indexation) | 10 |
| STCG on sale of equity shares subjected to STT | 15 |
| STCG on sale of equity shares not subjected to STT | 30 |



K. N. GUTGUTIA & CO. Chartered Accountants

K. N. GUTGUTIA & CO.
CHARTERED ACCOUNTANTS
KOLKATA • NEW DELHI

PHONE : 2287-3735/56
FAX : 91-033-22873756
E-mail : kng_kol@vsnl.net
6C, MIDDLETON STREET
FLAT NO. 23 (2ND FLOOR)
KOLKATA-700071

- As per provisions of 196D of the Act, taxes shall not be withheld from any income in the nature of capital gains arising to FIIs from transfer of securities specified in Section 115AD of the Act. Further, capital gains arising on transfer of other securities would be subject to withholding tax at the rate of 20%.

- Any interest income arising to FIIs in respect of investment in rupee denominated bonds of an Indian company or a Government security between 1 June 2013 and 1 June 2015 would be subject to tax at 5%.

- For corporate FIIs, the tax rates mentioned above stands increased by a surcharge, payable at the rate of 2% where the taxable income exceeds Rs. 10,000,000. Such surcharge would stand increased to 5% where the taxable income exceeds Rs. 100,000,000. Further, education cess and secondary and higher education cess on the tax on total income and surcharge at the rate of 2% and 1% respectively is payable.

- The benefit of exemption under Section 54EC of the Act mentioned above in case of the Company is also available to FIIs.

- As per the provisions of Section 10(34A) of the Act, any income arising to shareholders on account of buy-back of unlisted shares shall be exempt in the hands of the shareholders. This exemption is available to shareholders only in case where the company pays buy back tax under the provisions of section 115QA of the Act.

d. Securities Transaction Tax

- As per provisions of Section 36(1)(xv) of the Act, STT paid in respect of the taxable securities transactions entered into in the course of the business is allowed as a deduction if the income arising from such taxable securities transactions is included in the income computed under the head Profit and gains of business or profession'. Where such deduction is claimed, no further deduction in respect of the said amount is allowed while determining the income chargeable to tax as capital gains.

e. Tax Treaty benefits

- As per provisions of Section 90(2) of the Act, FIIs can opt to be taxed in India as per the provisions of the Act or the double taxation avoidance agreement entered into by the Government of India with the country of residence of the FII, whichever is more beneficial. It needs to be noted that a non-resident is required to hold a valid tax residency certificate containing the particulars prescribed under Notification No. 57 of 2013 dated 1 August 2013 issued by the Central Board of Direct Taxes in order to claim benefits under the applicable tax treaty. As per the Finance Act 2013, the said benefit is not available from the assessment year 2016-17

- The characterization of the gain/ losses, arising from sale transfer of shares as business income or capital gains would depend on the nature of holding and various other factors.

**E. Benefits available to Venture Capital Companies/ Funds under the Act**

In terms of section 10(23FB) of the Act, all Venture capital companies/funds registered with Securities and Exchange of India, subject to the conditions specified, are eligible for exemption from income tax on all their income, including profit on sale of shares of the Company.

**F. Benefits available to Mutual Funds**

As per the provisions of Section 10(23D) of the Act, any income of Mutual Funds registered under the Securities and Exchange Board of India Act, 1992 or Regulations made there under, Mutual Funds set up by public sector banks or public financial institutions or authorized by the Reserve Bank of India would be exempt from income tax. However, the Mutual Funds shall be liable to pay tax on distributed income to unit holders under Section 115R of the Act

**K. N. GUTGUTIA & CO.**
CHARTERED ACCOUNTANTS
KOLKATA • NEW DELHI

PHONE : 2287-3735/56
FAX : 91-033-22873756
E-mail : kng_kol@vsnl.net
6C, MIDDLETON STREET
FLAT NO. 23 (2ND FLOOR)
KOLKATA-700071

**G. Benefits available under the Wealth tax Act, 1957**

- Wealth tax is chargeable on prescribed assets beyond the limit of 30,00,000/-. As per provisions of Section 2(m) of the Wealth Tax Act, 1957, the Company is entitled to reduce debts owed in relation to the assets which are chargeable to wealth tax while determining the net taxable wealth.

- Shares in a company, held by a shareholder are not treated as an asset within the meaning of Section 2(ea) of the Wealth Tax Act. 1957 and hence, wealth tax is not applicable on shares held in a company.

**H. Gift Tax Act, 1958**

- Gift tax is not leviable in respect of any gifts made on or after October 1, 1998.

Notes:

1. All the above benefits are as per the current tax laws and will be available only to the sole first name holder where the shares are held by joint holders.

2. 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 scheme.

3. We have not commented on the taxation aspect under any law for the time being in force, as applicable, of any country other than India. Each investor is advised to consult its own tax consultant for taxation in any country other than India.

K. N. GUTGUTIA & CO.
Chartered Accountants

## LEGAL PROCEEDINGS

*Except as described below, our Company is not involved in any material legal proceedings, and no proceedings are threatened, which may have, or have had, during the 12 months preceding the date of this Preliminary Placement Document a material adverse effect on the business, properties, financial condition or operations of our Company.*

### I. Litigation against our Company

### A. Fatal Accidents Case

There are four fatal accident related cases that have been filed against us before the court of the Chief Judicial Magistrate, Barasat in relation to certain accidents that occured at our manufacturing facilities. Details of these cases are set forth below.

(a) The Inspector of Factories filed a case (No. C/585/2001) before the court of the Chief Judicial Magistrate ("**CJM**"), Barasat against the occupier of our factory, Mr. Avtar Krishna Nanda and the manager of our factory, Mr. P.K Chaterjee on May 7, 2001 under section 92 of the Factories Act, 1948 ("**Factories Act**") on grounds of violation of the provisions of the Factories Act in relation to the death of Mr. Ashok Kar, who was the helper of EOT crane on April 24, 2001. The matter is currently pending with the CJM, Barasat for further hearing.

(b) The Inspector of Factories filed a case (No. C/1292/2000) before the CJM, Barasat against the occupier of factory, Mr. Avtar Krishna Nanda and manager of the factory, Mr. P.K Chaterjee on November 10, 2000, under section 92 of the Factories Act on grounds of violation of the provisions of the Factories Act in relation to the death of Mr. Ashim Sarkar, a worker in the sand mill of our Company's manufacturing facility on August 18, 2000. The matter is currently pending with the CJM, Barasat for further hearing.

(c) The Inspector of Factories filed a case (No. C/898/06) before the CJM, Barasat against the occupier of factory, Mr. Avtar Krishna Nanda and the manager of the factory, Mr. Uma Shankar Singh on September 19, 2006, under section 92 of the Factories Act on grounds of violation of the provisions of the Factories Act in relation to the death of Mr. Tarak Das on July 3, 2006. The matter is currently pending with the CJM court, Barasat for further hearing.

(d) The Inspector of Factories filed a case (No. 62/2002) before the CJM, Barasat against the occupier of factory, Mr. Avtar Krishna Nanda and manager of factory, Mr. Anant Rup Mitra on January 11, 2002, under section 92 of the Factories Act on grounds of violation of the provisions of the Factories Act in relation to the death of Mr. Babulal Prasad, a worker at our Agarpara works facility on October 19, 2001. The matter is currently pending with the CJM court, Barasat for further hearing.

### B. Civil Suits

There are four civil cases that have been filed against our Company. The aggregate claim amount in these suits is ₹ 3,034.60 lakhs. The details of such civil suits are set forth below:

(a) Daulat Shetkari Sahakari Sakhar Karkhana Limited ("**Daulat Shetkari**") had instituted a civil suit against our Company (No. 16/1997) before the Court of the Civil Judge (Senior Division), Gandhiglaj, for recovery of money and damages amounting to ₹ 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 in till the prior suit instituted by the Company is finally disposed of by the High Court at Calcutta. The matter is currently pending before the Calcutta High Court and the next date of hearing is not fixed.

(b) Board of Trustees of the Port of Calcutta ("**BoT**") had filed a civil suit (T.S. No. 38/1992) before the court of the 6th Assistant District Judge, Alipore, *inter alia*, seeking recovery of an amount of ₹ 148.20

lakh as damages, interest and other claims and specific performance in relation to an agreement dated June 22, 1989 ("**agreement**") between the BoT and our Company. Pursuant to the agreement, our Company had contracted to supply a top lift truck to the Calcutta Port Trust. The BoT alleged 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 BoT. Our Company has refuted these allegations, denying any liability to pay the aforesaid amount and *inter alia* stated that the BoT had effectively repudiated the agreement through its negligent conduct during the pendency of the agreement. The matter is currently pending and next date of hearing is not fixed.

(c) Prakash Cotton Mills Private Ltd. ("**Prakash Mills**") had filed a civil suit (Suit No. 1586 of 1982) against our Company before the Bombay High Court for recovery of losses due to alleged non-supply of materials by our Company. The Bombay High Court passed an *ex parte* decree on December 21, 2002 allowing an amount of ₹ 490.50 lakh and interest to be recovered from our Company. 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 has currently been placed for hearing and final disposal.

(d) Our Company had issued a statutory notice on November 13, 2008 and filed a winding up petition (C.P. No. 2/2009) on January 12, 2009 before the Allahabad High Court for recovery of outstanding dues from M/s. Dwarikesh Sugar and Industries limited ("**Dwarikesh Industries**"). Separately, Dwarikesh Industries had instituted a suit against our Company on December 24, 2008 before the Civil Judge (Senior Division), Bijnor Court, on the grounds of alleged non-performance of contractual obligations by our Company in relation to three agreements all dated March 10, 2005 amounting to ₹ 1,610.63 lakh. Our Company challenged the same. The matter is currently pending in the Court of Civil Judge (Senior Division), Bijnor.

## C. Labour disputes

Our Company is involved in six labour disputes that are pending disposal at various forums. These labour disputes pertain to issues on termination of employment, regularisation of service, non-absorption in service and disputes on wages payable. Details of the material labour case are set forth below:

(a) The Badli workers of SW filed a case against our Company before the Labour Department, Government of West Bengal in relation to regularisation of their services. The case was referred by the Labour Department, Government of West Bengal, in May 1995 to the First Industrial Tribunal, Kolkata. The tribunal passed an award on January 27, 2010 holding that the workers are not entitled to any relief. On January 21, 2011 a writ petition was filed by the *badli workers* before the Calcutta High Court challenging the decision of the First Industrial Tribunal. The matter is currently pending before the Calcutta High Court and the next date of hearing is not yet fixed.

## D. Excise and Service Tax Matters

There are eleven excise duty related cases pending against our Company aggregating up to ₹ 2,620.88 lakh and three service tax related cases pending against our Company with a claim of ₹ 8.69 lakh.

Set forth below are summaries of the material excise duty cases:

(a) The Central Excise Authority issued a notice of demand to our Company for recovery of amount reimbursed on inputs used in exempted goods for the periods: (i) August 01, 2003 to February 28, 2006, (demand notice V(15)2-CE/COMMR/ADJN/Kol-III/2006/1688, dated February 26, 2007) for an amount of ₹ 3,13,12,040 (ii) October 1, 2003 to November 30, 2005 (demand Notice V(30)18/CE/AE/KOL-III/07/7865, dated July 16, 2008) for an amount ₹ 8,90,48,384; and (iii) December 01, 2003 to February 28, 2006 (demand Notice V(15)13-CE/ADJN/COMMR/KOL-III/2007/9052 dated August 29, 2007) for an amount 72,18,637. The matter is currently pending before CESTAT Kolkata for an approximate aggregate amount of ₹ 1,265.79 lakhs. Our Company has pre-deposited ₹ 10 lakhs and our current liability stands at ₹ 1,265.79 lakhs.

(b) The Central Excise Authority issued a notice of demand (No. V(15)55-CE/ADJN/COMMR/KOL-III/2010/2157) to our Company for interest on delayed payment of excise duty on account of price escalation claimed separately on a later date after the clearance of excisable goods from the Central Excise Authority for the period of October 2006 to February 2010 for an amount of ₹ 47,47,679. The CESTAT, Kolkata on May 25, 2011 granted a stay on the matter for pre deposit of ₹ 10 lakhs. The matter is currently pending with the CESTAT, Kolkata.

(c) The Central Excise Authority issued a notice of demand (No. V(30)04/TRC/KDH-II/2010/393) dated February 23, 2011 to our Company for interest on delayed payment of excise duty for the period October 1995 to February 2008 for an amount of ₹ 1,18,43,326. The matter was decided by the Calcutta High Court in favour of our Company on June 29, 2011. The Central Excise Department challenged this decision and filed an appeal before the Supreme Court of India. The matter is currently pending before the Supreme Court of India.

(d) The Central Excise Authority issued a notice of demand (No. Kol/Cus/Port/21/2014) dated March 25, 2014 to our Company regarding short levy of custom duty on import of goods for an amount of ₹ 386.63 lakh. The matter is currently pending before the CESTAT Kolkata.

## II. Litigation against our Directors

Except as disclosed below, there are no material litigations pending against any of the Directors of our Company, as on the date of this Placement Document.

*Show Cause Notice against Mr. Akshay Poddar*

Mr. Akshay Poddar has received a notice (no. ASK/RGA/30982/2014) dated October 31, 2014 from SEBI under 4 of the SEBI (Procedure for holding inquiry and imposing penalties by Adjudicating Officer) Rules, 1995 read with Section 15I of SEBI Act, 1992 in the matter of the complaint by R.G. Furtado. SEBI vide order dated June 9, 2014 appointed an adjudicating officer to inquire and adjudge under Section 15H of the SEBI Act for the alleged violation of provisions of Regulation 11(2) of the Takeover Code read with Regulation 35 of the Takeover Code by the promoter group of Gobind Sugar Mills Limited, including Mr. Akshay Poddar.

*Litigation against Mr. Hemant Kanoria*

Mr. Hemant Kanoria, also a director of India Power Corporation Limited (erstwhile DPSC Limited), a listed public company. SEBI, by its interim ex-parte order No. WTM/PS/OS/CFD/JUNE/2013 dated June 04, 2013 ("**Interim Order**") has, inter alia, prohibited the directors of India Power Corporation Limited till such time, India Power Corporation Limited complies with the MPSR, from (i) buying, selling or otherwise dealing in securities of India Power Corporation Limited, either directly or indirectly, in any manner whatsoever, except for the purpose of complying with MPSR, and (ii) holding any new position as director in any listed company. SEBI has further clarified that the Interim Order is without prejudice to its right to take any other action more fully mentioned in the said Order. The final order of SEBI in the matter is awaited. However, the shareholding pattern of India Power Corporation Limited as on December 31, 2013, March 31, 2014 and June 30, 2014 available on the website of the NSE and MCX Stock Exchange Limited (where shares of India Power Corporation Limited are listed) shows prima facie compliance by India Power Corporation Limited of the MPSR.

Hope Hall Co-operative Housing Society Limited had filed a writ petition (WP No. 1719 of 2013) before the Hon'ble High Court at Bombay praying for directions to be issued to Municipal Corporation of Greater Mumbai to take necessary action on alleged commercial use of premises of Avantika Building Plot no. 46, Dr. Gopal Rao Deshmukh Marg, Mumbai which has been occupied by SREI Infrastructure Finance Limited ("**SREI**"). The Hon'ble High Court at Bombay vide order dated August 8, 2013 had directed Municipal Corporation of Greater Mumbai to take necessary and appropriate action, in the absence of any stay. Thereafter, Birhanmumbai Municipal Corporation has lodged a FIR bearing no. 2 of 2013 against promoter of SREI, amongst others under section 53(7) of Maharashtra Regional and Town planning Act 1966 for preventing commercial use of the basement and for vacating the premises, which has been leased to First Fitness (India) Pvt. Ltd. at Avantika Building, being basement portion of 46, Dr. Gopal Rao Deshmukh Marg, (Pedder Road), Mumbai – 400026. Mr. Hemant Kanoria, promoter of SREI has filed quashing proceedings under Section 482 of CrPC at

Hon’ble High Court at Bombay being Criminal Writ Petition No. 288 (L) of 2014 which is likely to come up on January 15, 2015. Apart from the above litigation SIFL has filed a Short Causes Suit no. 558 of 2014, where SREI has approached the Hon’ble Bombay City Civil court at Bombay seeking relief from unauthorized use of pathway leading to the premises at Avantika Building, 46, Dr. Gopal Rao Deshmukh Marg, (Pedder Road), Mumbai by Hope Hall Co-operative Housing Society Limited. The matter is pending as on date.

The Enforcement Directorate, Kolkata had conducted proceedings vide show cause notice(s) dated April 12, 2001 bearing reference no. T-3/ FE /85 /CAL /2000 /DNP /1247 against SREI for certain alleged irregularities in foreign exchange transactions during the year 2000 and held SREI and its officials guilty of contravening the relevant provisions of FERA and imposed a personal penalty of ₹ 20,00,000 on SREI, ₹ 10,00,000 on Mr. Hemant Kanoria (being the chairman and managing director of SREI) and ₹ 5,00,000 each on two of its employees. SREI thereafter filed an appeal being Appeal no. 447,445 & 449 of 2004 before the Appellate Tribunal for Foreign Exchange at New Delhi. The Learned Tribunal has imposed the precondition of paying penalty as pre-deposit before deciding the appeal on merits vide order dated March 26, 2008. The Hon’ble High Court at Calcutta in Writ Petition no. 10091 of 2008 vide order dated June 23, 2008 has modified the order of the Learned Tribunal to the effect of reducing the pre-deposit to ₹ 10,00,000 which was to be furnished by way of a Bank Guarantee of equivalent amount, which was further confirmed by order dated May 06, 2009 of the Learned Tribunal. The matter was last listed before the Learned Tribunal on April 6, 2011, when the case was adjourned. The matter is pending as on date.

Based on an inspection of the books of accounts and other records of the SREI pursuant to Section 209A of the Companies Act, 1956, the Regional Director (Eastern Region) (RD), Ministry of Corporate Affairs, Government of India, Kolkata had sent a Preliminary Finding Report to SREI dated August 30, 2008 observing violation of various provisions of the Companies Act, 1956. SREI had thereafter submitted its explanations to the aforesaid observations. However, the Registrar of Companies, West Bengal issued a notice dated October 21, 2008 to launch prosecution proceedings against SREI and / or its directors and officers in default alleging violation of certain provisions of the Companies Act, 1956 such as Sections 125, 153, 205, 209, 211, 212, 217, 269 and 292 and also advised them to file application seeking to compound the alleged offences, if they desire to do so. The directors and company secretary of SREI thereafter filed a petition before the Hon’ble High Court at Calcutta seeking relief under Section 633 of the Companies Act 1956. An ad-interim order of injunction in C.A no. 654 of 2008 / C.P. No. 385 of 2008 restraining the Regional Director and the Registrar of Companies, West Bengal (jointly referred to as Respondents) from instituting or causing to be instituted any criminal proceeding against the directors and company secretary of SREI pursuant to notices dated August 30, 2008 and October 21, 2008 was passed by the Hon’ble High Court at Calcutta on November 28, 2008. The injunction is operative till further orders of the Hon’ble High Court at Calcutta.

### III. Litigation against our Promoters

There are no material litigations pending against any of the Promoters of our Company, as on the date of this Preliminary Placement Document.

### IV. Litigation by our Company

There are 27 cases filed by our Company and the approximate aggregate claim amount is ₹ 11,896.58 lakh. These litigations pertain to certain arbitration proceedings filed by our Company on various contractual issues in relation supply of our products and recovery of dues.

### V. Material Fraud Committed against our Company

There have been no material frauds committed against our Company in the last three years.

### VI. Details of default

As on the date of this Preliminary Placement Document, our Company has not defaulted in the repayment of statutory dues, payment of interest or principal in respect of any debentures issued or deposits accepted and payment of interest or principal on any loan from any bank or financial institution.

**VII. Details of inquiries, inspection or investigation under the Companies Act 2013 or any previous companies law**

There has been no inquiry, inspections or investigations initiated or conducted under the Companies Act, 2013 or any previous companies law in the last three years immediately preceding the date of this Preliminary Placement Document against our Company. Further, there have been no prosecutions filed, fines imposed or compounding of offences in the last three years immediately preceding the date of this Preliminary Placement Document involving our Company.

**VIII. Litigation or legal action against our Promoters taken by any Ministry, Department of Government or any statutory authority**

In the last three years, there has been no litigation or legal action against our Promoters taken by any ministry, department of the government of India or any statutory authority.

## INDEPENDENT ACCOUNTANT

Our audited financial statements as of and for the financial years ended March 31, 2014, 2013 and 2012, included in this Preliminary Placement Document, have been audited by K.N. Gutgutia & Co., Chartered Accountants. K.N. Gutgutia & Co., Chartered Accountants have reviewed and applied limited procedures in accordance with the guidelines issued by the ICAI with respect to our unaudited interim financial statements as of and for the six month period ended September 30, 2014. For further details, see "Financial Statements".

## GENERAL INFORMATION

1. The Company was originally incorporated on June 25, 1998 under the Companies Act, 1956 as 'Texmaco Machines Private Limited'. The name of our Company was changed to 'Texmaco Machines Limited' pursuant to a fresh certificate of incorporation consequent on change of name issued by the Registrar of Companies, West Bengal on March 3, 2010. Further, the name of our Company was subsequently changed to 'Texmaco Rail & Engineering Limited' pursuant to a fresh certificate of incorporation consequent on change of name issued by the Registrar of Companies, West Bengal on April 23, 2010. The registered office of the Company is located at Belgharia, Kolkata 700 056, India.

2. The authorised share capital of our Company as of September 30, 2014 is ₹ 2,000 lakhs, divided into 2000 lakh Equity Shares of ₹ 1 each. Our issued subscribed and paid up equity share capital as at September 30, 2014 is ₹ 1,820.27 Lakh divided into 18,20,26,590 Equity Shares of ₹ 1 each.

3. The Issue was authorised and approved by our Board of Directors on July 21, 2014, approved by the shareholders in their meeting on September 4, 2014.

4. Our Company has received in-principle approvals under Clause 24(a) of the Equity Listing Agreements to list the Equity Shares on the NSE, the BSE and the CSE on November 18, 2014, November 18, 2014 and November 18, 2014, respectively.

5. Copies of our Memorandum and Articles of Association will be available for inspection during usual business hours on any weekday between 10.00 a.m. to 1.00 p.m. (except public holidays) at our registered office.

6. Except as disclosed in this Preliminary Placement Document, our Company has obtained all consents, approvals and authorisations required in connection with this Issue.

7. Except as disclosed in this Preliminary Placement Document, there has been no material change in our financial condition since March 31, 2014, the date of the latest audited financial statements, prepared in accordance with Indian GAAP, included herein.

8. Except as disclosed in this Preliminary Placement Document, there are no material legal or arbitration proceedings against or affecting our Company or its assets or revenues, nor is our Company aware of any pending or threatened legal or arbitration proceedings, which are or might be material in the context of this Issue.

9. Our Company's auditors are M/s K.N. Gutgutia & Co, who have (i) audited the financial statements of the Company as of and for the period ended March 31, 2014, March 31, 2013 and March 31, 2012 and (ii) undertaken a limited review of the financial statements of the Company as of and for the six months ended September 30, 2014; and have agreed to the inclusion of their respective reports in this Preliminary Placement Document.

10. Our Company confirms that it is in compliance with the minimum public shareholding requirements as required under the required under the Equity Listing Agreements, SCRA and SCRR.

11. The Floor Price for the Issue is ₹ 106.80 calculated in accordance with Chapter VIII of the SEBIICDR Regulations, as certified by K.N. Gutgutia & Co., Chartered Accountants.

12. The Sole Global Book Running Lead Manager 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 Book Running Lead Manager and its affiliates have received customary fees and commissions.

## FINANCIAL STATEMENTS

| Financial Statements |
|---|
| Unaudited interim financial statements as of and for the six month period ended September 30, 2014 |
| Audited financial statements for the financial year ended March 31, 2014 |
| Audited financial statements for the financial year ended March 31, 2013 |
| Audited financial statements for the financial year ended March 31, 2012 |

**K. N. GUTGUTIA & CO.**
CHARTERED ACCOUNTANTS
KOLKATA • NEW DELHI

PHONE : 2287-3735/56
FAX : 91-033-22873756
E-mail : kng_kol@vsnl.net
6C, MIDDLETON STREET
FLAT NO. 23 (2ND FLOOR)
KOLKATA-700071

**LIMITED REVIEW REPORT OF**
**TEXMACO RAIL & ENGINEERING LIMITED**
**FOR THE QUARTER & HALF YEAR ENDED 30th SEPTEMBER, 2014**

We have reviewed the accompanying statement of un-audited financial results of Texmaco Rail & Engineering Limited, Belgharia, Kolkata - 700 056 for the quarter & half year ended 30th September, 2014 except for the disclosure regarding 'Public Shareholding' and 'Promoter and Promoter Group Shareholding' which have been traced from disclosures made by the management and have not been audited by us. This statement is the responsibility of the Company's management and has been approved by the Board of Directors at their meeting held on 27th October, 2014. 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) 2410, review of Interim Financial Information Performed by the Independent Auditor of the Entity issued by the Institute of Chartered Accountants of India. This standard requires that we plan and perform the review to obtain moderate assurance as 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 not 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 the terms of Clause 41 of the Listing Agreement including the manner in which is to be disclosed, or that it contains any material misstatement.

For K. N. GUTGUTIA & CO
CHARTERED ACCOUNTANTS
*Firm Regn. No. 304153E*

K. N. GUTGUTIA & CO. Chartered Accountants

Sharma
K. C. SHARMA
(PARTNER)
*Membership .No. 50819*

Place: 6C, Middleton Street,
Kolkata – 700 071
Dated: 27th October, 2014

adventz

## TEXMACO RAIL & ENGINEERING LIMITED

CIN : L29261WB1998PLC087404

*Unaudited Financial Results*

*For the quarter & half year ended 30th September, 2014*

*Rupees in Lakhs*

| PARTICULARS | 3 months ended (30/09/2014) | Preceding 3 months ended (30/06/2014) | Corrspg. 3 months ended in previous year (30/09/2013) | Half year ended | | Previous Year ended |
|---|---|---|---|---|---|---|
| | | | | Current Period ended 30/09/2014 | Previous Period ended 30/09/2013 | 31-Mar-2014 |
| **PART - I** | **Un-audited** | **Un-audited** | **Un-audited** | **Un-audited** | **Un-audited** | **Audited** |
| **1. GROSS SALES/ INCOME** | **15,828.40** | **6,006.27** | **14,887.80** | **21,834.67** | **31,432.68** | **51,517.43** |
| Less : Inter Segment Revenue | 2,691.51 | 1,477.63 | 1,809.33 | 4,169.14 | 3,151.42 | 4,179.94 |
| Less : Excise Duty | 861.33 | 367.39 | 851.92 | 1,228.72 | 1,695.67 | 2,878.32 |
| (a) NET SALES / INCOME FROM OPERATIONS | 12,275.56 | 4,161.25 | 12,226.55 | 16,436.81 | 26,585.59 | 44,459.17 |
| (b) OTHER OPERATING REVENUES | 305.46 | 52.64 | 45.09 | 358.10 | 67.79 | 179.55 |
| TOTAL INCOME FROM OPERATIONS (NET) | 12,581.02 | 4,213.89 | 12,271.64 | 16,794.91 | 26,653.38 | 44,638.72 |
| 2 EXPENSES | | | | | | |
| a) Cost of materials & Services consumed | 7,645.30 | 2,638.88 | 6,744.94 | 10,284.18 | 18,603.76 | 31,693.41 |
| b) Purchases of Stock-in-Trade | -- | -- | -- | -- | -- | -- |
| c) Changes in inventories of Finished goods, WIP and Stock-in-trade | 1,591.45 | 100.15 | 1,552.95 | 1,691.60 | 245.37 | (433.90) |
| d) Power & Fuel | 860.60 | 534.82 | 915.43 | 1,395.42 | 1,805.08 | 3,077.23 |
| e) Employees Benefit expenses | 1,153.86 | 1,108.14 | 1,135.46 | 2,262.00 | 2,195.95 | 4,383.02 |
| f) **Depreciation and amortisation expense** | **309.06** | 321.81 | 276.57 | **630.87** | 532.36 | **1,173.78** |
| g) Other Expenditure | 844.00 | 518.80 | 1,269.13 | 1,362.80 | 2,322.52 | 4,360.57 |
| TOTAL EXPENSES | 12,404.27 | 5,222.60 | 11,894.48 | 17,626.87 | 25,705.04 | 44,254.11 |
| **3 Profit/(loss() from Operations before Other Income & Finance cost (1 - 2)** | **176.75** | **(1,008.71)** | **377.16** | **(831.96)** | **948.34** | **384.61** |
| 4 OTHER INCOME | 409.42 | 456.24 | 511.57 | 865.66 | 1,496.58 | 2,289.02 |
| **5 Profit/(Loss) from Ordinary activities before Finance Cost (3+4)** | **586.17** | **(552.47)** | **888.73** | **33.70** | **2,444.92** | **2,673.63** |
| 6 FINANCE COSTS | 253.21 | 231.75 | 209.96 | 484.96 | 343.79 | 797.69 |
| **7 Profit/(Loss) from Ordinary activities before Tax (5 - 6)** | **332.96** | **(784.22)** | **678.77** | **(451.26)** | **2,101.13** | **1,875.94** |
| 8 TAX EXPENSE | | | | | | |
| a) Current Tax | -- | -- | 85.00 | -- | 370.00 | 355.00 |
| b) MAT Credit entittlement | -- | -- | -- | -- | -- | (355.00) |
| c) Deferred Tax | -- | -- | -- | -- | -- | 174.57 |
| d) Income Tax for earlier year | -- | -- | -- | -- | -- | **4.15** |
| **9 Net Profit/(Loss) from Ordinary Activities after Tax (7 - 8)** | **332.96** | **(784.22)** | **593.77** | **(451.26)** | **1,731.13** | **1,697.22** |
| 10 PAID-UP EQUITY CAPITAL (Face Value Re.1/- per Share) | 1,820.27 | 1,820.27 | 1,820.27 | 1,820.27 | 1,820.27 | 1,820.27 |
| 11 RESERVES (Excluding Revaluation Reserve as per Balance Sheet of Previous Accounting year) | | | | | | 56,300.04 |
| 12 EARNING PER SHARE (EPS) **(Re. 1/- each)** (not annualised) : | | | | | | |
| Basic | 0.18 | (0.43) | 0.33 | (0.25) | 0.95 | 0.93 |
| Diluted | 0.18 | (0.43) | 0.33 | (0.25) | 0.95 | 0.93 |
| **PART - II** | | | | | | |
| **A PARTICULARS OF SHAREHOLDING** | | | | | | |
| 1 PUBLIC SHAREHOLDING | | | | | | |
| - NUMBER OF SHARES | **66899580** | **66899580** | 66899580 | **66899580** | 66899580 | **66899580** |
| - PERCENTAGE OF SHAREHOLDING | 36.75 | **36.75** | **36.75** | 36.75 | **36.75** | **36.75** |
| **2 Promoters and Promoter Group Shareholding** | | | | | | |
| a) Pledged / Encumbered | | | | | | |
| - Number. of Shares | **738800** | **738800** | 738800 | **738800** | 738800 | **738800** |
| - Percentage of Shares (as a % of the total shareholding of promoter and promoter group) | **0.64** | 0.64 | **0.64** | **0.64** | **0.64** | 0.64 |
| - Percentage of Shares (as a % of the total share capital of the company) | **0.41** | **0.41** | **0.41** | **0.41** | **0.41** | **0.41** |
| b) Non-Encumbered | | | | | | |
| - Number. of Shares | **114388210** | **114388210** | 114388210 | **114388210** | 114388210 | **114388210** |
| - Percentage of Shares (as a % of the total shareholding of promoter and promoter group) | 99.36 | 99.36 | **99.36** | 99.36 | **99.36** | 99.36 |
| - Percentage of Shares (as a % of the total share capital of the company) | 62.84 | 62.84 | **62.84** | 62.84 | **62.84** | 62.84 |
| **B INVESTORS COMPLAINTS** | | | | | | |
| Pending at the beginning of the quarter | -- | | | | | |
| Received during the quarter | -- | | | | | |
| Disposed of during the quarter | -- | | | | | |
| Remaining unresolved at the end of the quarter | -- | | | | | |

An Industry for Industries

**TEXMACO RAIL & ENGINEERING LIMITED**

CIN : L29261WB1998PLC087404

*Unaudited Financial Results*

*For the quarter & haof year ended 30th September, 2014*

*Rupees in Lakhs*

| Segment Revenue, Results and Capital Employed | 3 months ended (30/09/2014) | Preceding 3 months ended (30/06/2014) | Corrspg. 3 months ended in previous year (30/09/2013) | Half year ended: Current Period ended 30/09/2014 | Half year ended: Previous Period ended 30/09/2013 | Previous Year ended 31-Mar-2014 |
|---|---|---|---|---|---|---|
| | Un-audited | Un-audited | Un-audited | Un-audited | Un-audited | Audited |
| **1. Segment Revenue** | | | | | | |
| *(Net of Excise Duty)* | | | | | | |
| a) Heavy Engg. Division | 11,535.20 | 3,906.75 | 9,821.62 | 15,441.95 | 21,483.89 | 36,075.73 |
| b) Steel Foundry | 3,737.33 | 1,784.77 | 4,259.35 | 5,522.10 | 8,320.91 | 12,742.93 |
| **Total** | **15,272.53** | **5,691.52** | **14,080.97** | **20,964.05** | **29,804.80** | **48,818.66** |
| Less : Inter Segment Revenue | 2,691.51 | 1,477.63 | 1,809.33 | 4,169.14 | 3,151.42 | 4,179.94 |
| **Net Sales/Income from operation** | **12,581.02** | **4,213.89** | **12,271.64** | **16,794.91** | **26,653.38** | **44,638.72** |
| **2. Segment Results** | | | | | | |
| **Profit before Interest & Tax** | | | | | | |
| a) Heavy Engg. Division | 426.77 | (574.38) | 135.16 | (147.61) | 737.44 | 474.36 |
| b) Steel Foundry | (214.20) | (404.14) | 170.39 | (618.34) | 264.23 | 11.96 |
| c) Others (Un-allocated) | 318.17 | 371.43 | 435.15 | 689.60 | 1,283.03 | 1,857.14 |
| **Total** | 530.74 | (607.09) | 740.70 | (76.35) | 2,284.70 | 2,343.46 |
| Less : Interest (Net) | 197.78 | 177.13 | 61.93 | 374.91 | 183.57 | 467.52 |
| **Total Profit before Tax** | **332.96** | **(784.22)** | **678.77** | **(451.26)** | **2,101.13** | **1,875.94** |
| **3. CAPITAL EMPLOYED** | | | | | | |
| **(Excluding CWIP)** | | | | | | |
| a) Heavy Engg. Division | 17,083.02 | 14,618.68 | 17,295.06 | 17,083.02 | 17,295.06 | 17,836.82 |
| b) Steel Foundry | 4,139.32 | 5,332.04 | 7,406.04 | 4,139.32 | 7,406.04 | 5,821.70 |
| c) Others (Un-allocated) | 32,604.01 | 33,973.07 | 30,415.68 | 32,604.01 | 30,415.68 | 31,712.70 |

*Rupees in Lakhs*

**STATEMENT OF ASSETS AND LIABILITIES, AS PER CLAUSE 41 OF LISTING AGREEMENT**

| | Statement of Assets and Liabilities | | As at 30/09/2014 | As at 31/03/2014 |
|---|---|---|---|---|
| A | **EQUITY AND LIABILITIES** | | | |
| 1 | Shareholders' Fund | | | |
| | (a) Share Capital | | 1,820.27 | 1,820.27 |
| | (b) Reserves & Surplus | | 56,815.74 | 57,386.94 |
| | | **Sub-total - Shareholders' funds** | **58,636.01** | **59,207.21** |
| 2 | Non-current Liabilities | | | |
| | (a) Long Term borrowings | | 1,643.21 | 772.59 |
| | (b) Deferred Tax Liabilities (Net) | | 420.94 | 420.94 |
| | (c) Other Long Term Liabilities | | 574.54 | 574.54 |
| | (d) Long Term Provisions | | 501.17 | 416.58 |
| | | **Sub-total - Non-current Liabilities** | **3,139.86** | **2,184.65** |
| 3 | Current Liabilities | | | |
| | (a) Short Term borrowings | | 8,759.64 | 9,077.64 |
| | (b) Trade payables | | 21,023.52 | 20,365.65 |
| | (c) Other Current Liabilities | | 9,620.23 | 10,221.88 |
| | (d) Short Term Provisions | | 215.91 | 703.59 |
| | | **Sub-total - Current Liabilities** | **39,619.30** | **40,368.76** |
| | | **TOTAL - EQUITY AND LIABILITIES** | **101,395.17** | **101,760.62** |
| B | **ASSETS** | | | |
| 1 | **Non-current Assets** | | | |
| | (a) Fixed Assets (Net) Including CWIP | | 20,640.21 | 20,798.61 |
| | (b) Non-current Investments | | 14,334.51 | 11,194.04 |
| | (c) Long Term Loans & Advances | | 1,383.99 | 1,287.72 |
| | | **Sub-total - Non-current Assets** | **36,358.71** | **33,280.37** |
| 2 | **Current Assets** | | | |
| | (a) Current Investments | | 18,269.50 | 20,518.66 |
| | (b) Inventories | | 21,113.54 | 21,015.06 |
| | (c) Trade receivables | | 17,224.29 | 19,150.85 |
| | (d) Cash and cash equivalents | | 438.86 | 1,372.02 |
| | (e) Short Term Loans and Advances | | 7,779.84 | 6,259.42 |
| | (f) Other Current Assets | | 210.43 | 164.24 |
| | | **Sub-total - Current Assets** | **65,036.46** | **68,480.25** |
| | | **TOTAL ASSETS** | **101,395.17** | **101,760.62** |
| | | | - | - |

Notes :

1. This statement has been reviewed and recommended by the Audit Committee and approved by the Board of Directors at their meetings held on 27th October, 2014.
2. The above results have been reviewed by the Statutory Auditors as required under Clause 41 of the listing agreement.
3. Total income for Q2 and H1 does not include the value of free materials of approx. Rs. 56 cr. (previous year Rs. 2 cr. and Rs.16 cr. respectively) provided to the Company by Indian Railways and other customers for some major contracts.
4. The Company, post receipt of orders for 2400 Nos. wagons from Indian Railways, has gradually picked up the pace of production in the 2nd quarter and the performance has shown considerable improvement over the previous quarter.
5. The Company has also secured an order for 974 Nos. of special type wagons for Rs. 387 crores from the Ministry of Defence (MOD)., the largest ever placed by MOD.
6. Kalindee Rail Nirman (Engrs.) Ltd. (Kalindee) has convened its AGM on 14-Nov-2014 to consider, amongst others the merger proposal of the Company with Texmaco Rail & Engineering Ltd. The proposed merger with Kalindee will enable the Company to offer a "Total Rail Solution"
7. During the quarter, the 1st EMU Rake comprising of 9 Coaches has successfully been completed and rolled out from its State-of-the-Art plant at Sodepur.
8. The Company has recently received orders for fabrication and erection of Rail Bridges in Bangladesh & Sri Lanka valued at Rs. 94 Cr.
9. Pursuant to the enactment of the Companies Act 2013, the Company has, effective 1st April, 2014, reviewed and revised the estimated useful life of its fixed assets, generally in accordance with the provisions of Schedule-II to the Act. The consequential impact on the depreciation charged and on the results for the quarter and half year is not material.
10. The figures for the previous periods have been rearranged / regrouped / recast / restated wherever necessary.

**Place : Kolkata**
**Dated : 27th October, 2014**

**D.H. Kela**
**Executive Director**

Registered Office :
Belgharia, Kolkata -700 056
Phone No. +91-33-25691500
Fax No. +91-33-25412448
Website : www.texmaco.in

**K. N. GUTGUTIA & CO.**
CHARTERED ACCOUNTANTS
KOLKATA • NEW DELHI

PHONE : 2287-3735/56
FAX : 91-033-22873756
E-mail : kng_kol@vsnl.net
6C, MIDDLETON STREET
FLAT NO. 23 (2ND FLOOR)
KOLKATA-700071

## INDEPENDENT AUDITORS' REPORT

## TO THE MEMBERS OF TEXMACO RAIL & ENGINEERING LIMITED

### Report on the Financial Statements

We have audited the accompanying financial statement of **TEXMACO RAIL & ENGINEERING LIMITED** ("the Company"), which comprises the Balance Sheet as at March 31, 2014, and the Statement of Profit and Loss and the Cash Flow Statement for the year then ended, and a summary of significant accounting policies and other explanatory information.

### Management's Responsibility for the Financial Statements

Management is responsible for the preparation of these financial statements that give a true and fair view of the financial position, financial performance and cash flows of the Company in accordance with the Accounting Standards notified under the Companies Act 1956 (the "Act") read with the general circular 15/2013 dated 13th September 2013 of the ministry of corporate affairs in respect of Section 133 of the Companies Act, 2013. This responsibility includes the design, implementation and maintenance of internal control relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

### Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with the Standards on Auditing issued by the Institute of Chartered Accountants of India. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entities internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of the accounting estimates made by Management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### Opinion

In our opinion and to the best of our information and according to the explanations given to us, the financial statements give the information required by the Companies Act, 1956 in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:-

GUTGUTIA & CO. Chartered Accountants

**K. N. GUTGUTIA & CO.**
CHARTERED ACCOUNTANTS
KOLKATA • NEW DELHI

PHONE : 2287-3735/56
FAX : 91-033-22873756
E-mail : kng_kol@vsnl.net
6C, MIDDLETON STREET
FLAT NO. 23 (2ND FLOOR)
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(a) in the case of the Balance Sheet of the State of Affairs of the Company as at 31st March, 2014;

(b) in the case of Statement of Profit and Loss, of the Profit for the year ended on that date ; and

(c) in the case of Cash Flow Statement, of the Cash Flows for the year ended on that date.

**Report on Other Legal and Regulatory Requirements**

1. As required by the Companies (Auditor's Report) Order, 2003 ("the Order") issued by the Central Government of India in terms of sub-section (4A) of section 227 of the Act, we give in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the Order.

2. As required by section 227(3) of the Act, we report that:

a) We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit;

b) In our opinion, proper books of account as required by law have been kept by the Company, so far as appears from our examination of those books;

c) The Balance Sheet, Statement of Profit & Loss, and Cash Flow Statement dealt with by this Report are in agreement with the books of account;

d) In our opinion, the Balance Sheet, Statement of Profit & Loss, and Cash Flow Statement comply with the Accounting Standards notified under the Companies Act 1956 (the "Act") read with the general circular 15/2013 dated 13th September 2013 of the ministry of Corporate Affairs in respect of Section 133 of the Companies Act, 2013

e) On the basis of the written representations received from the Directors as on 31st March, 2014, and taken on record by the Board of Directors, none of the Directors is disqualified as on 31st March, 2014 from being appointed as a Director in terms of Clause (g) of sub-section (1) of Section 274 of the Companies Act, 1956.

For K.N. GUTGUTIA & CO.
CHARTERED ACCOUNTANTS
Firm Registration No.304153E

P K GUTGUTIA
Partner
Membership No.6994

6C, Middleton Street,
Kolkata-700071
21st May, 2014

K. N. GUTGUTIA & CO. Chartered Accountants

**K. N. GUTGUTIA & CO.**
CHARTERED ACCOUNTANTS
KOLKATA • NEW DELHI

PHONE : 2287-3735/56
FAX : 91-033-22873756
E-mail : kng_kol@vsnl.net
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# Texmaco Rail & Engineering Limited

**Annexure to the Auditors' Report**
**(Referred to in Paragraph (1) of our Report on other legal & regulatory requirements of even date)**

i) (a) The Company has maintained proper records showing full particulars including quantitative details and situation of Fixed Assets.

(b) As explained to us, the Company has a system of verifying all its major fixed assets over a period of three years. The fixed assets so scheduled for verification during this year have been physically verified. The discrepancies noticed on such verification were not material and have been properly dealt with in the books of account.

(c) During the year the Company has not disposed off any substantial / major part of fixed assets which may affect the going concern.

ii) (a) As per the information furnished, the inventories have been physically verified during the year by the management. In our opinion, having regard to the nature and location of stock, the frequency of the physical verification is reasonable.

(b) In our opinion and according to the information and explanations given to us, procedures of physical verification of inventory followed by the management are reasonable and adequate in relation to the size of the Company and the nature of its business.

(c) The Company is maintaining proper records of inventory. In our opinion, discrepancies noticed on physical verification of stocks were not material in relation to the operations of the Company and the same have been properly dealt with in the books of account.

iii) (a) The Company has neither granted nor taken any loan secured/ unsecured from Companies covered in the register maintained under section 301 of the Companies' Act, 1956 (1 of 1956).

(b) As stated above sub-clause (b) to (g) of Clause (iii) of the Companies (Auditor's Report) order 2003 are not applicable.

iv) In our opinion and according to the information and explanations given to us, there are adequate internal control procedures commensurate with the size of the Company and the nature of its business with regard to purchase of inventory and fixed assets and for the sale of goods and services. During the course of our audit, we have not observed any continuing failure to correct major weakness in internal controls system.

v) Based on the audit procedures applied by us and according to the information and explanations provided by the management, we are of the opinion that, sub clause (a) & (b) of Clause (v) of the Companies (Auditor's Report) Order, 2003, is not applicable since no contracts or arrangements referred to in Section 301 of the Companies Act, 1956 have been entered into by the Company during the year.

K. N. GUTGUTIA & CO. Chartered Accountants

**K. N. GUTGUTIA & CO.**
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vi) In the case of Fixed Deposits received from its employees/ex-employees by the Company, the directives issued by the Reserve Bank of India and the provisions of section 58A & 58AA of the Companies Act, and the Companies (acceptance of deposit) rules 1975 have been complied with. No order has been passed by the Company Law Board.

vii) In our opinion, the Company has an internal audit system commensurate with its size and the nature of its business.

viii) We have broadly reviewed the books of account relating to materials, labour and other items of cost maintained by the company, pursuant to the rules made by the Central Government for maintenance of cost records under section 209(1)(d) of the Companies Act, 1956, and we are of the opinion that prima facie the prescribed accounts and records have been made and maintained. We have, however, not made a detailed examination of the records with a view to determining whether they are accurate or complete.

ix) (a) According to the information and explanations given to us and records examined by us, the Company is regular in depositing with appropriate authorities undisputed statutory dues including provident fund, investors education and protection fund, employees state insurance, income tax, sales tax, wealth tax, service tax, custom duty, excise duty, cess and other statutory dues wherever applicable. According to the information and explanations given to us, no undisputed arrears of statutory dues were outstanding as at 31st March 2014 for a period of more than six months from the date they became payable.

(b) According to the records of the Company, the dues of Sales Tax, Income Tax, Customs, Wealth Tax, Service Tax, Excise Duty, Cess, which have not been deposited on account of disputes and the forum where the dispute are pending, are as under:

| | Name of the statute | Nature of the dues | Amount Rs. Lakhs | Period to which the amount relates | Forum where dispute is pending. |
|---|---|---|---|---|---|
| 1. | The Central Excise Act 1944 & Service Tax under the Finance Act 1994 | Various issues of Central Excise and Service Tax | Central Excise Rs. 2485.56 | 1986-2012 | 1. Jurisdictional Commissioner of Central Excise<br>2. CESTAT<br>3. Commissioner (Appeal) |
| | | | Service Tax Rs. 8.69 | 2004-2010 | 4. Jurisdictional Commissioner of Service Tax |

x) There are no accumulated losses of the Company as on 31st March 2014. The Company has not incurred any cash losses during the financial year covered by our audit and the immediately preceding financial year.

xi) Based on our audit procedures and the information given by the management, we are of the opinion that the Company has not defaulted in repayment of dues to any financial institution, bank or debenture holders.

K. N. GUTGUTIA & CO. Chartered Accountants

K. N. GUTGUTIA & CO.
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xii) Based on our examination of the records and the information and explanations given to us, the Company has not granted any loans and / or advances on the basis of security by way of pledge of shares, debentures, and other securities.

xiii) Clause (xiii) of the Order is not applicable to the Company as the Company is not a Chit Fund company or nidhi / mutual benefit fund / society.

xiv) In our opinion, the Company is not dealing in or trading in shares, securities, debentures, and other investments. Accordingly, the provisions of clause 4 (xiv) of the Companies (Auditors' Report) Order, 2003 are not applicable to the Company.

xv) According to the information and explanations given to us, the Company has not given any guarantee for loans taken by others from a bank or financial institutions.

xvi) In our opinion and according to the information and explanations given to us, the term loans have been applied for the purposes for which they were obtained.

xvii) According to the information and explanations given to us and on an overall examination of the balance sheet of the Company, we report that no funds raised on short-term basis have been used for long-term investment.

xviii) The Company has not made any preferential allotment of shares during the year to parties and companies covered in the register maintained under section 301 of the Act.

xix) During the year covered by our audit report, the Company has not issued secured debentures.

xx) The Company has not raised any money by public issues during the year covered by our report.

xxi) Based upon the audit procedures performed for the purpose of reporting the true and fair view of the financial statements and as per the information and explanation given by the management, we report that no fraud on or by the Company has been noticed or reported during the course of our audit.

6C, Middleton Street,
Kolkata - 700 071.

**For K. N. Gutgutia & Co.**
**Chartered Accountants**
Firm Registration No 304153E

**P.K. Gutgutia**
**Partner**
**Membership No. 6994**

K. N. GUTGUTIA & CO. Chartered Accountants

**Date: 21st May, 2014**

**TEXMACO RAIL & ENGINEERING LIMITED**

**Balance Sheet as at 31st March, 2014**

*(Rs in Lakhs)*

| Particulars | Note No. | As at 31.03.2014 | As at 31.03.2013 |
|---|---|---|---|
| **I. Equity and Liabilities** | | | |
| **(1) Shareholders' funds** | | | |
| (a) Share Capital | 2.1 | 1,820.27 | 1,820.27 |
| (b) Reserves and Surplus | 2.2 | 57,386.94 | 56,270.79 |
| | | 59,207.21 | 58,091.06 |
| **(2) Non-Current Liabilities** | | | |
| (a)Long-Term Borrowings | 2.3 | 772.59 | 928.71 |
| (b) Deferred Tax Liabilities (Net) | 2.4 | 420.94 | 246.37 |
| (c) Other Long term Liabilities | 2.5 | 574.54 | 574.54 |
| (d) Long-Term Provisions | 2.6 | 416.58 | 410.99 |
| | | 2,184.65 | 2,160.61 |
| **(3) Current Liabilities** | | | |
| (a) Short-Term Borrowings | 2.7 | 9,077.64 | 8,975.70 |
| (b) Trade Payables | 2.8 | 20,365.65 | 23,947.39 |
| (c) Other Current Liabilities | 2.9 | 10,221.88 | 11,370.07 |
| (d) Short-Term Provisions | 2.10 | 703.59 | 2,193.81 |
| | | 40,368.76 | 46,486.97 |
| **Total** | | **1,01,760.62** | **1,06,738.64** |
| **II. ASSETS** | | | |
| **(1) Non-Current Assets** | | | |
| (a) Fixed assets | 2.11 | | |
| (i) Tangible Assets | | 15,915.52 | 11,216.80 |
| (i) Intangible Assets | | 93.76 | 68.63 |
| (iii) Capital Work-in-Progress | | 4,789.33 | 5,540.48 |
| | | 20,798.61 | 16825.91 |
| (b) Non-Current Investments | 2.12(A) | 11,194.04 | 6,631.26 |
| (c) Long-Term Loans and Advances | 2.13 | 1,287.72 | 1,295.09 |
| | | 33,280.37 | 24,752.26 |
| **(2) Current Assets** | | | |
| (a) Current Investments | 2.12(B) | 20,518.66 | 25,242.17 |
| (b) Inventories | 2.14 | 21,015.06 | 24,665.07 |
| (c) Trade Receivables | 2.15 | 19,150.85 | 22,431.16 |
| (d) Cash and Bank Balances | 2.16 | 1,372.02 | 2,871.70 |
| (e) Short-Term Loans and Advances | 2.17 | 6,259.42 | 6,642.23 |
| (f) Other Current Assets | 2.18 | 164.24 | 134.05 |
| | | 68,480.25 | 81,986.38 |
| | | - | - |
| **Total** | | **1,01,760.62** | **1,06,738.64** |
| Accounting Policies & Notes on Accounts | 1 & 2 | - | - |

Notes referred to above form an integral part of the Balance Sheet
In terms of our Report of even date attached herewith.
For K. N. Gutgutia & Co.
Chartered Accountants
Firm Registration No: 304153E

**P.K.Gutgutia**
Partner
Membership No.6994
6C, Middleton Street,
Kolkata- 700 071.
Dated: 21st May, 2014

**A.K. Vijay**
Secretary

S K Poddar
Ramesh Maheshwari
A. C. Chakrabortti
D. H. Kela
Directors

# TEXMACO RAIL & ENGINEERING LIMITED

## Statement of Profit and Loss for the Year Ended 31st March, 2014

*(Rs in Lakhs)*

| Particulars | Note No. | For the Year Ended 31.03.2014 | For the year ended 31.03.2013 |
|---|---|---|---|
| **I. Revenue from Operations** | 2.19 | | |
| Sale of Products | | 51,517.43 | 1,03,596.50 |
| Less: Inter Segment Revenue | | (4,179.94) | (15,857.58) |
| Less: Excise Duty | | (2,878.32) | (5,261.44) |
| | | 44,459.17 | 82,477.48 |
| Other Operating Revenues | | 114.49 | 463.75 |
| **Total** | | **44,573.66** | **82,941.23** |
| **II. Other Income** | 2.20 | 2,354.08 | 3,096.69 |
| **III. Total Revenue (I + II)** | | **46,927.74** | **86,037.92** |
| **IV. Expenses:** | | | |
| Cost of Materials Consumed | 2.21 | 27,486.19 | 53,075.81 |
| Changes in Inventories of Finished Goods Work-in-Progress and Stock-in-Trade | 2.22 | (433.90) | (2,010.49) |
| Employee Benefits Expense | 2.23 | 4,383.02 | 4,404.94 |
| Finance Costs | 2.24 | 998.67 | 1,192.99 |
| Depreciation and Amortization Expenses | 2.11 | 1,173.78 | 939.18 |
| Other Expenses | 2.25 | 11,444.04 | 14,958.82 |
| **Total Expenses** | | **45,051.80** | **72,561.25** |
| **V. Profit Before Tax (III-IV)** | | **1,875.94** | **13,476.67** |
| **VI. Tax Expense:** | | | |
| (a) Current Tax | | 355.00 | 4,012.00 |
| (b) MAT Credit Entitlement | | (355.00) | - |
| (c) Income Tax for earlier year | | 4.15 | - |
| (d) Deferred tax | | 174.57 | 37.76 |
| **VII. Profit for the period from Continuing Operations (V-VI)** | | **1,697.22** | **9,426.91** |
| **VIII. Earnings per Equity Share: (face value of Re.1/- each)** | | | |
| (1) Basic | | 0.93 | 5.18 |
| (2) Diluted | | 0.93 | 5.18 |
| Accounting Policies & Notes on Accounts | 1 & 2 | | |

Notes referred to above form an integral part of the Statement of Profit & Loss
In terms of our Report of even date attached herewith.
For **K. N. Gutgutia & Co.**
Chartered Accountants
Firm Registration No: 304153E

**P.K.Gutgutia**
Partner
Membership No.6994
6C, Middleton Street,
Kolkata- 700 071.
Dated: 21st May, 2014

**A.K. Vijay**
Secretary

S K Poddar
Ramesh Maheshwari
A. C. Chakrabortti
D. H. Kela
Directors

# Texmaco Rail & Engineering Limited

**Cash Flow Statement for the year ended 31st March, 2014**

| | **Particulars** | **Year Ended 31.03.2014** | **(Rs. In lakhs) Year Ended 31.03.2013** |
|---|---|---|---|
| A) | **Cash Flows From Operating Activities** | | |
| | Net Profit before Taxation & Exceptional Items | 1,875.94 | 13476.67 |
| | Adjustments for: | | |
| | Depreciation | 1,173.78 | 939.18 |
| | Interest Paid | 998.67 | 1,192.99 |
| | Provision for Doubtful Debt | - | 600.00 |
| | Bad Debt Written off | 127.30 | 106.14 |
| | Fixed Assets Written off | 36.13 | - |
| | Provision & Excess Liabilities Written Back | (7.96) | (15.82) |
| | Provision for Dimunition in Value of Investments | (2.60) | 4.15 |
| | Interest Received | (330.17) | (327.81) |
| | Income From Investments | (24.97) | (424.47) |
| | Profit on Sale Of Investments-Current(Net) | (992.66) | (765.89) |
| | Profit on Sale Of Fixed Assets(Net) | (9.63) | (15.63) |
| | | 967.89 | 1292.84 |
| | **Operating Profit before Working Capital Changes & Exceptional Items** | 2,843.83 | 14,769.51 |
| | (Increase)/Decrease in Inventories | 3,650.01 | 3,332.49 |
| | (Increase)/Decrease in Trade & Other Receivables | 4,398.10 | 1,798.88 |
| | Increase/(Decrease) in Trade Payables | (4,656.86) | (10459.17) |
| | Cash Generated from Operations | 6,235.08 | 9,441.71 |
| | Direct Taxes Paid | (859.06) | (3709.53) |
| | Cash Flow before Exceptional Items | 5,376.02 | 5,732.18 |
| | Exceptional Items | - | - |
| | Net Cash from Operating Activities | 5,376.02 | 5732.18 |
| B) | **Cash Flows From Investing Activities** | | |
| | Purchase of Fixed Assets | (5251.44) | (3788.91) |
| | Sale of Fixed Assets | 29.80 | 20.55 |
| | Purchase/Sale of Investments | 1,155.99 | 152.99 |
| | Bank Deposits(Includes deposit having maturity more than three months) | (9.13) | (6.05) |
| | Interest Received | 299.98 | 285.70 |
| | Income From Investments | 24.97 | 424.47 |
| | Net Cash used in Investing Activities | (3749.83) | (2911.25) |
| C) | **Cash Flows From Financing Activities** | | |
| | Receipt/(Payment) of Long Term Borrowings | (115.13) | (471.26) |
| | Receipt/(Payment) of Short Term Borrowings | 101.94 | 3,585.19 |
| | Dividend Paid | (2,120.93) | (2,109.71) |
| | Interest Paid | (1,000.88) | (1,192.73) |
| | **Net Cash used in Financing Activities** | (3,135.00) | (188.51) |
| | **Net Increase/(Decrease) in Cash and Cash Equivalents** | (1,508.81) | 2,632.42 |
| | Cash And Cash Equivalents at the beginning of the period | 2,853.37 | 220.95 |
| | Cash and Cash Equivalents at the end of the period | 1,344.56 | 2,853.37 |

**Note:**

**(1) Cash and cash equivalents**

| | | |
|---|---|---|
| Balances with banks | | |
| Current Accounts | 1,336.36 | 2,844.26 |
| Cash on hand | 8.20 | 9.11 |
| | 1,344.56 | 2,853.37 |

(2)The Above Cash and 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.

(3) Previous year's figures are regrouped/rearranged wherever necessary.

In terms of our Report of even date attached herewith.
For **K. N. Gutgutia & Co.**
Chartered Accountants
Firm Registration No: 304153E

**P.K.Gutgutia**
Partner
Membership No.6994
6C, Middleton Street,
Kolkata- 700 071.
Dated: 21st May, 2014

**A.K. Vijay**
Secretary

S K Poddar
Ramesh Maheshwari
A. C. Chakrabortti
D. H. Kela
} Directors

**Texmaco Rail & Engineering Limited**

## 1. ACCOUNTING POLICIES

### General

The Financial Statements of Texmaco Rail & Engineering Limited (TexRail or the Company) have been prepared and presented under the historical cost convention and on the accrual basis except for certain Fixed Assets, which are revalued in accordance with Generally Accepted Accounting Principles (GAAP) in India. GAAP comprises Accounting Standards notified by the Central Government of India under section 211(3C) of the Companies Act, 1956, other pronouncements of Institute of Chartered Accountants of India, the provisions of Companies act, 1956 and guidelines issued by Securities and Exchange Board of India. The Financial Statements are rounded off to the nearest Rupees lakhs.

### Fixed Assets

Fixed Assets are carried at the cost of acquisition or construction less accumulated depreciation except certain Revalued Assets which are stated on the basis of their revalued costs less accumulated depreciation. Intangible Assets are recorded at the consideration paid for acquisition less accumulated amortization. The cost of Fixed Assets includes non-refundable taxes, duties, freight and other incidental expenses related to the acquisition and installation of the respective Assets. Borrowing costs directly attributable to acquisition or construction of those fixed Assets which necessarily take a substantial period of time to get ready for their intended use are capitalized.

The Company assesses at each balance sheet date whether there is any indication that an Asset may have been impaired. If any such indication exists, the Company estimates the recoverable amount of the Asset. If such recoverable amount of the Asset or the recoverable amount of the cash generating unit to which the Asset belongs is less than its carrying amount, the carrying amount is reduced to its recoverable amount. The reduction is treated as an impairment loss and is recognized in the profit and loss account. If at the balance sheet date there is an indication that if a previously assessed impairment loss no longer exists, the recoverable amount is reassessed and the Asset is reflected at the recoverable amount subject to a maximum of depreciated historical cost.

### Depreciation

#### Tangible Fixed Assets

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 in accordance with the rates as given in schedule XIV of the Companies Act, 1956. The depreciation on amount added on revaluation is being set off by transfer from Revalution Reserve.

#### Intangible Fixed Assets

Intangible assets that are acquired by the company are measured initially at cost. After initial recognition, intangible assets are carried at its cost less any accumulated amortization and any accumulated impairment loss. Intangible assets are amortized on Straight Line Basis over a period of 6 years.

### Investments

Investments are either classified as current or non-current based on management's intention at the time of purchase. Current Investment are stated at lower of cost and fair value.

Non-current 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. The reduction in the carrying amount is reversed when there is a rise in the value of the investment or if the reason for the reduction is no longer exist

### Revenue Recognition

Sales revenue is recognized on transfer of the significant risks and rewards of ownership of the goods to the buyer and stated at net of Sales Tax, Service 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. Capital Gain on investments are accounted at the time of encashment.

**Employee Benefits**

(1) The company's contribution to provident fund, employees' state insurance scheme and super-annuation fund are charged on accrual basis to Statement of Profit & Loss

**(2) Leave :**

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

(3) **Gratuity:**

The Company has an approved Gratuity Fund for its Heavy Engineering Division and Steel Foundry Division 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.

**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.

**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 Statement of Profit & Loss except in case of long term liabilities, where they relate to acquisition of Fixed Assets in which case they are adjusted to the carrying cost of such assets. Premium or discount on forward exchange contract is amortised as expense or income over the life of the contract.

**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 preparation of the Financial Statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of Assets and Liabilities and disclosure of contingent Liabilities on the date of the Financial Statements and reported amounts of revenues and expenses for the year. Actual results could differ from these estimates. 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 two business segments namely Heavy Engineering Division and Steel Foundry Division

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 is 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. Deferred Tax assets/ liabilities are reviewed as at each balance sheet date and written down or written up to reflect the amount that is reasonable/ virtually certain to be realized.

**Government Grant**

Grants from the government are recognized when there is a reasonable assurance that the grant will be received and all attaching conditions will be complied with. Revenue grants/subsidies are recognized in the Statement of Profit & Loss. Capital grants relating to specific fixed assets are reduced from the gross value of the respective fixed assets. Other Capital Grants are credited to Reserve & Surplus under the head Central/State Capital Subsidy of the Company.

**Earning Per Share**

Earnings per share is calculated by dividing the net profit/ loss for the period attributable to equity shares holders by the weighted average number of equity shares outstanding during the period.

**Cash Flow Statement**

Cash Flow are reported using the indirect method, whereby profit before tax is adjusted for the effects of transactions of a non cash nature and any deferrals or accruals of past or future cash receipts or payments. The cash flow from regular revenue generating, financing and investing activities of the company are segregated.

| | As at 31.03.2014 | As at 31.03.2013 |
|---|---|---|
| | | *(Rs in Lakhs)* |

## 2 NOTES ON ACCOUNTS

### 2.1 SHARE CAPITAL

| | As at 31.03.2014 | As at 31.03.2013 |
|---|---|---|
| **Authorised Capital** | | |
| 20,00,00,000 Equity Shares at par value of Re. 1/- each | 2,000.00 | 2,000.00 |
| **Issued, Subscribed and Paid Up Capital** | | |
| 18,20,26,590(18,20,26,590) Equity Shares at par value of Re. 1/- each fully paid | 1,820.27 | 1,820.27 |

**Notes:**

**(i)** The Company has only one class of shares referred to as equity shares having a par value of Re.1/-.Each holder of equity shares is entitled to one vote per share.

**(ii)** In the event of liquidation of the Company, the holders of equity shares will be entitled to receive any of the remaining assets of the company, after distribution of all preferential amounts.However, no such preferential amounts exist currently. The distribution will be in proportion to the number of equity shares held by the shareholders.

**(iii)** Issued, Subscribed and Paid Up Capital includes 12,71,83,090 equity shares allotted on the basis of 1 equity shares in TexRail for Re. 1/- each credited as fully paid-up for every 1 equity shares held by each member of Texmaco Infrastructure & Holdings Limited (formerly Texmaco Limited) on record date without payment being received in cash.

**(iv) Reconciliation of number of Issued,Subscribed and Paid-up Capital**

| Particulars | 31.03.2014 | | 31.03.2013 | |
|---|---|---|---|---|
| | No. of Equity Share | Amount (Rs. In Lakhs) | No. of Equity Share | Amount (Rs. In Lakhs) |
| Number of Shares at the beginning of the year | 182026590 | 1,820.27 | 182026590 | 1,820.27 |
| Number of Shares at the end of the year | 182026590 | 1,820.27 | 182026590 | 1,820.27 |

**(v)** The dividend proposed by the Board of Directors is subject to the approval of shareholders in Annual General Meeting. The Company has proposed to pay Dividend amounting to Rs.532.41 lakhs (including Corporate Dividend Tax of Rs 77.34 lakhs).The rate of Proposed Dividend is Re. 0.25 per equity share. (Previous Year Rs.2,129.62 lakhs including Corporate Dividend Tax of Rs Rs 309.35 lakhs.)

**(vi) The Name of Shareholders Holding More than 5% of Equity Shares**

| Name of Shareholders | % of holding | No. of Equity Shares held |
|---|---|---|
| Texmaco Infrastructure & Holdings Limited | 30.00 | 54600000 |
| Zuari Investments Ltd | 15.91 | 28963900 |

(Rs in Lakhs)

| | | As at 31.03.2014 | As at 31.03.2013 |
|---|---|---|---|
| **2.2** | **RESERVES AND SURPLUS** | | |
| | Securities Premium Reserve | | |
| | Balance as per Last Account | 76.73 | 76.73 |
| | | 76.73 | 76.73 |
| | Revaluation Reserve | | |
| | Balance as per last Account | 1,135.56 | 1,204.52 |
| | Less: On Assets Sold/Discarded During the year | (4.45) | (14.36) |
| | | 1,131.11 | 1,190.16 |
| | Less: Transferred to Statement of Profit and Loss | (44.21) | (54.60) |
| | | 1,086.90 | 1,135.56 |
| | State Capital Investment Subsidy | | |
| | Balance as per Last Account | 15.00 | 15.00 |
| | General Reserve | | |
| | Balance as per Last Account | 44,331.98 | 38,531.98 |
| | Add: Transferred from Statement of Profit and Loss | 500.00 | 5,800.00 |
| | | 44,831.98 | 44,331.98 |
| | Surplus | | |
| | Balance as per last Account | 10,711.52 | 9,214.23 |
| | Add: Profit after Tax as per Statement of Profit and Loss | 1,697.22 | 9,426.91 |
| | | 12,408.74 | 18,641.14 |
| | Less: Appropriation | | |
| | Proposed Dividend | | |
| | On Equity Shares | 455.07 | 1,820.27 |
| | Tax on Dividend | 77.34 | 309.35 |
| | Transfer to General Reserve | 500.00 | 5,800.00 |
| | | 1,032.41 | 7,929.62 |
| | | 11,376.33 | 10,711.52 |
| | | - | - |
| | **Total (2.2)** | 57,386.94 | 56,270.79 |
| **2.3** | **LONG TERM BORROWINGS** | | |
| | **Secured** | | |
| | From Bank | | |
| | Foreign Currency Term Loan (FCTL) | 724.21 | 918.96 |
| | Car Loan | 38.63 | - |
| | **Unsecured** | | |
| | Deposits | | |
| | Fixed Deposit from Employees/Ex-employees | 9.75 | 9.75 |
| | **Total (2.3)** | 772.59 | 928.71 |

Note: Term Loan from Bank is secured against the Fixed Assets created from such loan. The FCTL loan is payable in balance 7 half yearly instalments payable in June and December each year. Car Loan is secured by hypothecation of Car.

**2.4 DEFERRED TAX LIABILITIES (NET)**

Note: Deferred Tax Assets/Liability is recognised as per AS 22 “Accounting for Taxes on Income" issued by the Companies (Accounting Standard) Rules, 2006 The Deferred Tax Assets & Liabilities comprises of Tax effect of following timing differences:

| | As at 31.03.2014 | As at 31.03.2013 |
|---|---|---|
| **Deferred Tax Assets** | | |
| Items u/s 43B and u/s 40(a)(i)(a) of I.T Act | (675.74) | (529.98) |
| **Deferred Tax Liabilities** | | |
| Depreciation | 1,096.68 | 776.35 |
| **Net Deferred Tax Liability/ (Assets) Total (2.4)** | 420.94 | 246.37 |

*(Rs in Lakhs)*

| | As at 31.03.2014 | As at 31.03.2013 |
|---|---|---|
| **2.5 OTHER LONG TERM LIABILITIES** | | |
| Security Deposits | 574.54 | 574.54 |
| **Total (2.5)** | 574.54 | 574.54 |
| | | |
| **2.6 LONG TERM PROVISIONS** | | |
| Provision for Employee Benefits | | |
| For Leave | 105.31 | 112.40 |
| Others | | |
| For Contingency | 1.00 | 1.00 |
| For Warranty and Others | 310.27 | 297.59 |
| **Total (2.6)** | 416.58 | 410.99 |

**Note**: The Company accounts for leave liability based on Actuary Valuation.

| | | |
|---|---|---|
| **2.7 SHORT TERM BORROWINGS** | | |
| **Secured** | | |
| **Loans Repayable on Demand** | | |
| **From Banks** | | |
| Cash Credit | 8,973.84 | 7,556.00 |
| Export Packing Credit | 103.80 | 1,419.70 |
| **Total (2.7)** | 9,077.64 | 8,975.70 |

**Notes:**

Cash Credit facilities is secured by hypothecation of 1st charge on stocks, book debts and other current assets and 2nd charge on Fixed Assets.

Cash Credit facilities is also cover by the 1st charge on immovable properties at Delhi to the extent of Rs. 5000.00 Lakhs and also corporate guarantee of Texmaco Infrastructure & Holdings Limited to the extent of value of immovable property at Delhi.

| | | |
|---|---|---|
| **2.8 TRADE PAYABLES** | | |
| MSME | 121.76 | 67.66 |
| Others | 20,243.89 | 23,879.73 |
| **Total (2.8)** | 20,365.65 | 23,947.39 |

**Notes**

Information in terms of Section 22 of the Micro, Small and Medium Enterprises Development Act, 2006 is as follows:

| Particulars | 2013-14 | 2012-13 |
|---|---|---|
| Disclosure required under the Micro, Small and Medium Enterprises Development Act, 2006 (the Act) are given as follows: | | |
| (a) Principal amount due | 121.76 | 67.66 |
| Interest due on the above. | - | - |
| (b) Interest paid during the period beyond the appointed day | - | - |
| (c) Amount of interest due and payable for the period of delay in making payment without adding the interest specified under the Act. | - | - |
| (d) Amount of interest accrued and remaining unpaid at the end of the period. | - | - |
| (e) Amount of further interest remaining due and payable even in the succeeding years, until such date when the interest dues as above are actually paid to the small enterprise for the purpose of disallowance as a deductible expenditure under section 23 of the Act. | - | - |
| The above information regarding micro enterprise and small enterprises has been determined on the basis of information available with the Company. This has been relied upon by the auditors. | - | - |

(Rs in Lakhs)

## 2.9 OTHER CURRENT LIABILITIES

| | As at 31.03.2014 | As at 31.03.2013 |
|---|---|---|
| Current Maturities of Long-Term Debt | | |
| Foreign Currency Term Loan | 289.68 | 262.53 |
| Fixed Deposit from Employees/Ex-employees | 0.65 | 10.47 |
| Car Loan | 23.66 | - |
| Interest Accrued but no Due on Borrowings | 6.00 | 8.21 |
| Unpaid Dividends | 20.15 | 11.46 |
| **Other Payable** | | |
| TDS and Other Taxes Payable | 1,310.58 | 1,462.25 |
| Liabilities for Expenses | 1,415.60 | 1,622.62 |
| Amount Due to Employee | 331.29 | 347.65 |
| PF, ESI Amount payable | 87.08 | 56.74 |
| Others Misc. Payable | 112.95 | 58.95 |
| Misc. Security Deposit | 436.21 | 577.54 |
| Advance from Customer (Deposit Against Order) | 6,188.03 | 6,951.65 |
| **Total (2.9)** | 10,221.88 | 11,370.07 |

**Notes:**

There is no amount due and outstanding to be credited to the Investor Education and Protection Fund against unpaid dividend as at 31.03.2014

## 2.10 SHORT-TERM PROVISIONS

| | As at 31.03.2014 | As at 31.03.2013 |
|---|---|---|
| Provision for Employee Benefits | | |
| For Leave | 47.03 | 64.19 |
| Provision for Expenses | 124.15 | - |
| Others | | |
| Proposed Dividend | 455.07 | 1,820.27 |
| Tax on Dividend | 77.34 | 309.35 |
| **Total (2.10)** | 703.59 | 2,193.81 |

## 2.13 LONG TERM LOANS AND ADVANCES

| | As at 31.03.2014 | As at 31.03.2013 |
|---|---|---|
| **Unsecured Considered Good** | | |
| Capital Advances | 234.30 | 1,218.58 |
| Security Deposits | 35.12 | 63.30 |
| **Other Loans and Advances** | | |
| Prepaid Expenses | 18.30 | 13.21 |
| Other Loans and Advances | 1,000.00 | - |
| **Total (2.13)** | 1,287.72 | 1,295.09 |

## 2.14 INVENTORIES

| | As at 31.03.2014 | As at 31.03.2013 |
|---|---|---|
| Raw materials & Components | 11,126.58 | 12,888.09 |
| Work-in-Progress | 7,986.63 | 8,075.75 |
| Finished Goods | 728.34 | 205.32 |
| Stores and Spares | 1,079.67 | 1,029.99 |
| Goods in Transit | 93.84 | 2,465.92 |
| **Total (2.14)** | 21,015.06 | 24,665.07 |

**Notes:**

1. Stock as per inventories taken,valued and certified by the managament.
2. Mode of valuation: Inventories are valued at the lower of cost or net realisable 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.

| | | As at 31.03.2014 | As at 31.03.2013 |
|---|---|---|---|
| | | | *(Rs in Lakhs)* |
| **2.15** | **TRADE RECEIVABLES** | | |
| | More than six months from the due date | | |
| | Unsecured, Considered Gooc | 10,050.96 | 8,063.36 |
| | Considered Doubtful | 600.00 | 600.00 |
| | | 10,650.96 | 8,663.36 |
| | Others-Unsecured ,Considered Gooc | 9,099.89 | 14,367.80 |
| | Less: Provision for Doubtful Debt | 600.00 | 600.00 |
| | **Total (2.15)** | 19,150.85 | 22,431.16 |

**Notes:**

1 In the opinion of the management trade receivables have a value on realisation in the ordinary course of business unless otherwise stated, at least to the amount at which they are stated.

2 Trade Receivables includes amount due from Texmaco UGL Rail Private Limited amounting to Rs 2786.87 lakhs (Previous Year Rs 2,153.94 lakhs) a Joint Venture.

3 Trade Receivables includes Retention Money Rs. 4640.81 lakhs (Previous Year Rs 4,044.58 lakhs)

| | | As at 31.03.2014 | As at 31.03.2013 |
|---|---|---|---|
| **2.16** | **CASH AND BANK BALANCES** | | |
| | **Cash and Cash Equivalents** | | |
| | Balances With Banks | | |
| | Current Accounts | 1,336.36 | 2,844.26 |
| | Cash on Hand | 8.20 | 9.11 |
| | | 1,344.56 | 2,853.37 |
| | **Other Bank Balances** | | |
| | Term Deposit of upto Twelve Months Maturity | 5.20 | 5.20 |
| | Term Deposit of more than Twelve Months Maturity(earmarked) | 2.11 | 1.67 |
| | Unpaid Dividend Account | 20.15 | 11.46 |
| | | 27.46 | 18.33 |
| | **Total (2.16)** | 1,372.02 | 2,871.70 |
| **2.17** | **SHORT TERM LOANS AND ADVANCES** | | |
| | **Unsecured Considered Good** | | |
| | Other loans and advances- | | |
| | Loan to Body Corporates | 275.00 | 275.00 |
| | Advance to Parties | 699.77 | 1,686.29 |
| | Advance to Employee | 41.40 | 53.51 |
| | Other Advances | 516.46 | 805.84 |
| | Prepaid Expenses | 61.02 | 47.31 |
| | Balances with Government Deptt | 3,474.12 | 3,437.54 |
| | Mat Credit Entitlement | 355.00 | - |
| | Income Tax(Net of Provision) | 836.65 | 336.74 |
| | **Total (2.17)** | 6,259.42 | 6,642.23 |
| **2.18** | **OTHER CURRENT ASSETS** | | |
| | Interest Accrued on Loans | 164.24 | 134.05 |
| | **Total (2.18)** | 164.24 | 134.05 |

## TEXMACO RAIL & ENGINEERING LIMITED
## Statement of Profit and Loss for the Year Ended 31st March, 2014

*(Rs in Lakhs)*

| | Particulars | For the Year Ended 31.03.2014 | For the Year Ended 31.03.2013 |
|---|---|---|---|
| **2.19** | **REVENUE FROM OPERATIONS** | | |
| | Sale of Products | 51,517.43 | 1,03,596.50 |
| | Less: Inter Segment Revenue | (4,179.94) | (15,857.58) |
| | Less: Excise Duty | (2,878.32) | (5,261.44) |
| | | **44,459.17** | **82,477.48** |
| | Other Operating Revenues | 114.49 | 463.75 |
| | **Total (2.19)** | **44,573.66** | **82,941.23** |
| **2.20** | **OTHER INCOME** | | |
| | Interest Income | | |
| | From Bank | 28.74 | 2.34 |
| | From Others | 301.43 | 325.47 |
| | Dividend - Income from Current Investments | 2.45 | 420.95 |
| | Dividend - Income from Non-Current Investments | 22.52 | 3.52 |
| | Net gain on Sale of Current Investments | 992.66 | 765.89 |
| | Miscellaneous Receipts and Income | 309.86 | 280.66 |
| | Export Incentive | 65.06 | 250.36 |
| | Sundry Credit Balance Adjusted | 56.86 | 0.05 |
| | Profit on Sale of Fixed Assets (Net) | 9.63 | 15.63 |
| | Rent Received | 550.02 | 1,014.50 |
| | Provision & Excess Liabilities Written Back | 7.96 | 15.82 |
| | Provision for Diminution of Current Investment Written Back | 2.60 | - |
| | Income Related to Previous Year | 4.29 | 1.50 |
| | **Total (2.20)** | **2,354.08** | **3,096.69** |
| **2.21** | **COST OF MATERIAL CONSUMED** | | |
| | Opening Stock of Raw Materials | 3,400.57 | 4,692.91 |
| | Add: Raw Materials Purchased and Departmental Transfers etc. | 9,033.96 | 14,997.37 |
| | | 12,434.53 | 19,690.28 |
| | Less:Returns,Sales and Departmental issues used in Works and In Block | 990.76 | 2,815.15 |
| | Less: Closing Stock of Raw Materials | 3,982.18 | 3,400.57 |
| | | 4,972.94 | 6,215.72 |
| | | 7,461.59 | 13,474.56 |
| | Consumption of Components<br>(Incl job processing and Contract Labour Charges Rs. 2,482.47 lakhs, previous year Rs. 4,314.91 lakhs) | 24,204.54 | 55,458.83 |
| | Less Inter Segment Revenue | (4,179.94) | (15,857.58) |
| | **Total (2.21)** | **27,486.19** | **53,075.81** |

| | | For the Year Ended 31.03.2014 | For the Year Ended 31.03.2013 |
|---|---|---|---|
| | | | *(Rs in Lakhs)* |
| **2.22** | **CHANGES IN INVENTORIES** | | |
| | Opening Sock | | |
| | 1 Finished Goods | 205.32 | 119.35 |
| | 2 Work-in-Progress | 8,075.75 | 6,151.23 |
| | | 8,281.07 | 6,270.58 |
| | Less: Closing Stock | | |
| | 1 Finished Goods | 728.34 | 205.32 |
| | 2 Work-in-Progress | 7,986.63 | 8,075.75 |
| | | 8,714.97 | 8,281.07 |
| | **Total (2.22)** | **(433.90)** | **(2,010.49)** |
| **2.23** | **EMPLOYEE BENEFITS EXPENSES** | | |
| | Salaries ,Wages and Bonus | 3,538.50 | 3,751.24 |
| | Contribution to Provident and Other Funds | | |
| | Provident Fund and Pension Fund | 344.34 | 360.87 |
| | Superannuation Fund | 36.64 | 12.27 |
| | Gratuity | 179.15 | 11.50 |
| | Provision for Leave Encashment | - | 28.76 |
| | VRS Expenses | 42.46 | - |
| | Staff Welfare Expenses | 241.93 | 240.30 |
| | **Total (2.23)** | **4,383.02** | **4,404.94** |
| **2.24** | **FINANCE COSTS** | | |
| | **Interest Expenses** | | |
| | Banks | 788.90 | 680.14 |
| | Fixed Deposit | 1.53 | 3.19 |
| | Others | 7.26 | 42.62 |
| | | **797.69** | 725.95 |
| | **Other Borrowing Costs** | 200.98 | 467.04 |
| | **Total (2.24)** | **998.67** | 1,192.99 |
| **2.11** | **DEPRECIATION AND AMORTISATION EXPENSES** | | |
| | For the Year | 1,217.99 | 993.78 |
| | Less: Recouped from the Revaluation Reserve | 44.21 | 54.60 |
| | **Total (2.11)** | **1,173.78** | 939.18 |

| | | | | | |
|---|---|---|---|---|---|
| | | | | | *(Rs in Lakhs)* |
| | | | **For the Year Ended 31.03.2014** | | **For the Year Ended 31.03.2013** |
| **2.25** | **OTHER EXPENSES** | | | | |
| | Consumption of Stores and Spare Parts | | 3,967.55 | | 5,730.44 |
| | Power and Fuel | | 3,077.23 | | 4,791.94 |
| | Rent | | 47.96 | | 31.00 |
| | Repairs to Buildings | | 415.26 | | 497.38 |
| | Repairs to Machinery | | 264.49 | | 239.78 |
| | Repairs to Others | | 178.08 | | 227.89 |
| | Insurance | | 16.14 | | 20.73 |
| | Rates and Taxes Excluding Taxes on Income | | 67.19 | | 61.56 |
| | Freight,Packing and Transport(Net) | | 465.98 | | 216.86 |
| | Erection Expenses | | 239.67 | | 265.50 |
| | Jigs & Fixtures, Drawings and Designs | | 223.69 | | 0.99 |
| | Royalty & Knowhow | | 30.91 | | 13.42 |
| | Research & Development | | 144.17 | | 180.39 |
| | Excise Duty Provided on Stock | | 1.13 | | 0.64 |
| | Selling Agents Commission | | 307.49 | | 180.69 |
| | Selling Expenses | | 322.56 | | 285.73 |
| | Director's Sitting Fees | | 6.60 | | 5.30 |
| | Director's Commission | | 12.00 | | 10.81 |
| | Payments to the Auditors *(incl Service Tax)* | | | | |
| | As Auditors | 7.30 | | 7.30 | |
| | For Tax Audit | 2.92 | | 2.92 | |
| | For Quarterly Review | 2.74 | | 2.74 | |
| | For Fees for Other Services (incl for issuing various certificates) | 2.85 | | 4.42 | |
| | As Cost Auditors | 1.40 | | - | |
| | For Reimbursement of Out of Pocket Expenses | 0.62 | 17.83 | 0.73 | 18.11 |
| | Donation | | 2.16 | | 2.79 |
| | Miscellaneous Expenses | | 1,171.32 | | 1,051.36 |
| | Sundry Debit Balance Adjusted | | 10.66 | | 9.18 |
| | Provision for Doubtful Debt | | - | | 600.00 |
| | Bad Debt Written Off | | 127.30 | | 106.14 |
| | Fixed Assets Written Off | | 36.13 | | - |
| | Provision for Dimiunition of Current Investment | | - | | 4.15 |
| | Expenses Related to Previous Year | | 1.61 | | 0.13 |
| | Net (gain)/Loss on Foreign Currency Transaction | | 288.93 | | 405.91 |
| | **Total (2.25)** | | **11,444.04** | | **14,958.82** |

Note: 2.11 FIXED ASSETS

TEXMACO RAIL & ENGINEERING LIMITED

(Rs in Lakhs)

| DESCRIPTION OF ASSETS | GROSS BLOCK | | | | DEPRECIATION | | | | NET BLOCK | |
|---|---|---|---|---|---|---|---|---|---|---|
| | AS ON 01/04/13 | ADDITIONS DURING THE YEAR | SALES/ ADJUSTMENTS | AS ON 31/03/2014 | AS ON 01/04/13 | DURING THE YEAR | SALES/ ADJUSTMENTS | AS ON 31/03/2014 | AS ON 31/03/2014 | AS ON 31/03/2013 |
| **TANGIBLE ASSETS** | | | | | | | | | | |
| LAND | 1,375.01 | - | - | 1,375.01 | - | - | - | - | 1,375.01 | 1,375.01 |
| BUILDINGS | 5,980.43 | 3,711.73 | - | 9,692.16 | 2,760.43 | 175.97 | - | 2,936.40 | 6,755.76 | 3,220.00 |
| ROADS | 136.28 | 20.57 | - | 156.85 | 44.26 | 1.65 | - | 45.91 | 110.94 | 92.02 |
| RAILWAY SIDINGS | 295.68 | 39.34 | - | 335.02 | 157.20 | 10.83 | - | 168.03 | 166.99 | 138.48 |
| PLANT & MACHINERY | 13,131.12 | 1,944.90 | 258.57 | 14,817.45 | 7,690.18 | 891.57 | 217.66 | 8,364.09 | 6,453.36 | 5,440.94 |
| ELECTRICAL MACHINERY | 932.03 | 26.27 | 18.82 | 939.48 | 444.19 | 33.96 | 17.74 | 460.41 | 479.07 | 487.84 |
| OFFICE EQUIPMENTS | 319.67 | 25.22 | - | 344.89 | 205.43 | 26.76 | - | 232.19 | 112.70 | 114.24 |
| FURNITURE & FITTINGS | 217.65 | 51.08 | 0.29 | 268.44 | 94.56 | 11.77 | 0.04 | 106.29 | 162.15 | 123.09 |
| VEHICLES | 436.13 | 133.49 | 50.05 | 519.57 | 210.95 | 40.62 | 31.54 | 220.03 | 299.54 | 225.18 |
| **TOTAL** | **22,824.00** | **5,952.60** | **327.73** | **28,448.87** | **11,607.20** | **1,193.13** | **266.98** | **12,533.35** | **15,915.52** | **11,216.80** |
| Capital Work in Progress (CWIP) | **5,540.48** | **3,939.29** | **4,690.44** | **4,789.33** | - | - | - | - | **4,789.33** | **5,540.48** |
| **INTANGIBLE ASSETS** | | | | | | | | | | |
| SOFTWARE | 146.82 | 49.99 | - | 196.81 | 78.19 | 24.86 | - | 103.05 | 93.76 | 68.63 |
| **TOTAL** | **146.82** | **49.99** | - | **196.81** | **78.19** | **24.86** | **-** | **103.05** | **93.76** | **68.63** |
| **GRAND TOTAL** | **28,511.30** | **9,941.88** | **5,018.17** | **33,435.01** | **11,685.39** | **1,217.99** | **266.98** | **12,636.40** | **20,798.61** | **16,825.91** |
| ***Previous Year*** | **24778.53** | **4855.62** | **1122.85** | **28511.30** | **10728.47** | **993.78** | **36.86** | **11685.39** | **16825.91** | |

**Texmaco Rail & Engineering Limited**
**Investment as on 31st March 2014**

| | As at 31.03.14 (Rs. in Lakhs) | As at 31.03.13 (Rs. in Lakhs) |
|---|---|---|
| **Note:(2.12)(A)** | | |
| **NON-CURRENT INVESTMENTS (AT COST)** | | |
| **OTHER THAN TRADE INVESTMENTS** | | |
| **Fully paid-up** | | |
| **Investments in Equity Instruments (Quoted)** | | |
| Texmaco Infrastructure & Holdings Limited<br>23,49,809 (2013: 23,49,809) Shares of Re 1 each | 732.63 | 732.63 |
| Chambal Fertilisers & Chemicals Limited<br>10,00,000 (2013: 10,00,000) Shares of Rs 10 each | 532.39 | 532.39 |
| **Investments in Equity Instruments of Associate Company (Quoted)** | | |
| Kalindee Rail Nirman (Engineers) Limited<br>65,49,792* (2013: Nil) Shares of Rs 10 each<br>**(4110400 shares being prefencial allotment are not transferable before 01.10.2014)* | 4,562.78 | - |
| **Investments in Equity Instruments of Joint Ventures (Unquoted)** | | |
| Texmaco UGL Rail Pvt. Limited<br>1,17,25,000 (2013: 1,17,25,000) Shares of Rs 10 each | 4,101.25 | 4,101.25 |
| Touax Texmaco Railcar Leasing Pvt Limited<br>1,26,49,999 (2013: 1,26,49,999) Shares of Rs 10 each | 1,264.99 | 1,264.99 |
| **Total Non Current Investment** | **11,194.04** | **6,631.26** |
| i) Aggregate amount of quoted investments | 5,827.80 | 1,265.02 |
| ii) Market Value of quoted investments | 4,859.13 | 1,124.22 |
| iii) Aggregate amount of unquoted investments | 5,366.24 | 5,366.24 |
| iv) Aggregate Provision for diminution in value of Investments | - | - |

**2.12(B)CURRENT INVESTMENTS (At Lower of Cost and Fair Value)**

| | | |
|---|---|---|
| **Fully paid-up** | | |
| **a) Investments in Equity Instruments (Quoted)** | | |
| Idea Cellular Limited<br>5,000 (2013: 5,000) Shares of Rs 10 each | 7.30 | 7.30 |
| Powergrid Corporation of India Limited<br>11,000 (2013: 11,000) Shares of Rs 10 each | 16.78 | 16.78 |
| Tata Teleservices (Maharashtra) Limited<br>22666* (2013: 20,000) Units of Rs 10 each<br>** Including 2666 nos of Bonus Shares received during the year)* | 9.79 | 9.79 |
| EIH Limited<br>10,000 (2013: 10,000) Shares of Rs 2 each | 17.29 | 17.29 |
| SREI Infrastructure Finance Limited<br>1,800 (2013: 1,800) Shares of Rs 10 each | 2.17 | 2.17 |
| Century Textiles Limited<br>500 (2013: 500) Shares of Rs 10 each | 4.35 | 4.35 |
| NHPC Limited<br>1,01,471 (2013: 1,01,471) Shares of Rs 10 each | 36.53 | 36.53 |
| **Sub-total** | **94.21** | **94.21** |
| Less: Provision for Diminution | (45.13) | (47.73) |
| **Sub-total-(a)** | **49.08** | **46.48** |

**Note:(2.12)(B)**

| | As at 31.03.14 (Rs. in Lakhs) | As at 31.03.13 (Rs. in Lakhs) |
|---|---|---|
| **b) Investments in Bonds (Unquoted)** | | |
| In NABARD<br>26,750 (2013: 26,750) Units of Rs 8500 each (FV Rs 20,000) | 2,498.45 | 2,498.45 |
| In 6.70% IRFC (Tax Free)<br>540 (2013: 540) Units of Rs 1,00,000 each | 540.00 | 540.00 |
| In 6.85% IIFCL<br>Nil (2013: 1,000) Units of Rs 1,00,000 each | - | 1,005.50 |
| In 8.10% IRFC (Tax Free)<br>21,751 (2013: 21,751) Units of Rs 1,000 each | 217.51 | 217.51 |
| In 8.30% GOI Bond<br>5,00,000 (2013: 5,00,000) Units of Rs 100 each | 462.50 | 462.50 |
| In 8.30% NHAI (Tax Free)<br>49,448 (2013: 49,448) Units of Rs 1,000 each | 494.48 | 494.48 |
| In 8.20% HUDCO (Tax Free)<br>50,000 (2013: 50,000) Units of Rs 1,000 each | 500.00 | 500.00 |
| **Sub-total-(b)** | **4,712.94** | **5,718.44** |
| **c) Investments in Mutual Funds (Unquoted)** | | |
| Axis Treasury Advantage Fund Direct Plan Growth<br>Nil (2013: 44,165) Units of Rs 1000 each | - | 574.81 |
| Baroda Pioneer FMP Series B PLAN B (378 Days) Growth Plan<br>59,02,134 (2013: 59,02,134) Units of Rs 10 each | 590.21 | 590.21 |
| Birla Sun Life Dynamic Bond Fund -Retail -Growth -Regular Plan<br>61,32,581 (2013: 61,32,581) Units of Rs 10 each | 1,216.67 | 1,216.67 |
| Birla Sun Life Income Plus Growth Regular Plan<br>21,15,639 (2013: 21,15,639) Units of Rs 10 each | 1,116.88 | 1,116.88 |
| Birla Sun Life Short Term Fund -Growth Direct Plan<br>Nil (2013: 24,80,968) Units of Rs 10 each | - | 1,075.51 |
| DSP Black Rock FMP Series 38 12.5M Growth<br>Nil (2013: 50,03,849) Units of Rs 10 each | - | 500.38 |
| DSP Black Rock FMP Series 144 Growth<br>13,54,396 (2013: Nil) Units of Rs 10 each | 135.44 | - |
| HDFC Income Fund - Growth<br>21,98,991 (2013: 21,98,991) Units of Rs 10 each | 575.97 | 575.97 |
| HDFC FMP 392D March 2012(2) Growth<br>Nil (2013: 1,68,00,000) Units of Rs 10 each | - | 1,680.00 |

**Note:(2.12)(B)**

| | As at 31.03.14 (Rs. in Lakhs) | As at 31.03.13 (Rs. in Lakhs) |
|---|---|---|
| HDFC FMP 370 Days Februay 2014 (1) Series 29 Regular Growth<br>1,06,87,319 (2013: Nil) Units of Rs 10 each | 1,068.73 | - |
| HDFC FMP 369 Days March 2014 (3) Series 29 Regular Growth<br>79,00,000 (2013: Nil) Units of Rs 10 each | 790.00 | - |
| IDFC Super Saver Income Fund - Investment Plan Growth Regular Plan<br>18,60,171 (2013: 18,60,171) Units of Rs 10 each | 506.60 | 506.60 |
| IDFC Super Saver Income Fund Institutional Plan Growth Regular<br>15,58,085 (2013: Nil) Units of Rs 10 each | 445.00 | - |
| JM Floater Short Term Fund -Direct - Growth Option<br>Nil (2013: 27,27,739) Units of Rs 10 each | - | 500.00 |
| JM Income Fund -Growth Option<br>14,39,912 (2013: Nil) Units of Rs 10 each | 503.47 | - |
| Kotak Bond Scheme Plan A - Growth<br>16,81,145 (2013: 16,81,145) Units of Rs 10 each | 551.97 | 551.97 |
| Kotak Floater Short Term Fund Daily Dividend<br>Nil (2013: 54,660) Units of Rs 1000 each | - | 552.83 |
| Kotak Income Opportunity Fund- Growth<br>44,10,972 (2013: Nil) Units of Rs 10 each | 553.62 | - |
| L& T FMP -VII (March-367 days B) Growth<br>Nil (2013: 50,00,000) Units of Rs 10 each | - | 500.00 |
| L&T Liquid Fund Direct Plan Growth<br>30,928 (2013: Nil) Units of Rs 1000 each | 543.52 | - |
| Reliance Income Fund- Growth Plan - Bonus Option<br>1,82,76,119 (2013: 1,82,76,119) Units of Rs 10 each | 2,030.11 | 2,030.11 |
| Reliance Fixed Horizon Fund-21 Series 18 Growth Plan<br>Nil (2013: 1,75,85,195) Units of Rs 10 each | - | 1,758.52 |
| Reliance Dynamic Bond Fund Direct Growth Plan<br>37,49,367 (2013: 37,49,367) Units of Rs 10 each | 588.65 | 588.65 |
| Religare Invesco Liquid Fund Direct Plan Growth<br>Nil (2013: 7,927) Units of Rs 1000 each | - | 127.50 |
| Reliance Regular Saving Fund Debt Plan- Growth Plan Growth Option<br>1,23,13,482 (2013: Nil) Units of Rs 10 each | 1,953.89 | - |
| SBI Magnum Income Fund Regular Plan - Growth<br>38,52,150 (2013: 38,52,150) Units of Rs 10 each | 1079.01 | 1,079.01 |
| SBI Ultra Short Term Debt Fund Direct Plan Growth<br>Nil (2013: 33,550) Units of Rs 1,000 each | - | 503.98 |
| SBI Debt Fund Series -A8 - 30 Days -Direct-Growth<br>5068980 (2013: Nil) Units of Rs 10 each | 506.90 | - |

**Note:(2.12)(B)**

| | As at 31.03.14 (Rs. in Lakhs) | As at 31.03.13 (Rs. in Lakhs) |
|---|---|---|
| TATA FMP Series 39 Scheme Growth<br>Nil (2013: 2,20,24,600) Units of Rs 10 each | - | 2,202.46 |
| Templeton India Ultra Short Bond Fund Super Institutional Plan - Growth<br>Nil (2013: 34,06,418) Units of Rs 10 each | - | 520.00 |
| Tempelton India Short Term Income Retail - Plan Growth<br>21,148 (2013: Nil) Units of Rs 1000 each | 500.00 | - |
| Tempelton India Income Opportunity Fund -Growth<br>37,59,709 (2013: Nil) Units of Rs 10 each | 500.00 | - |
| UTI Fixed Term Income Fund Series -XIV -VI - Direct (366 days) Plan Growth<br>Nil (2012: 72,51,855) Units of Rs 10 each | - | 725.19 |
| **Sub-total-(c)** | **15,756.64** | **19,477.25** |
| **TOTAL NON CURRENT INVESTMENTS** | **11,194.04** | **6,631.26** |
| **TOTAL CURRENT INVESTMENTS (a+b+c)** | **20,518.66** | **25,242.17** |
| Aggregate amount of Quoted Current Investments | 94.21 | 94.21 |
| Market Value of Quoted Investments | 49.08 | 46.48 |
| Aggregate amount of Unquoted Investments | 20,469.58 | 25,195.69 |
| Aggregate amount of Written Down on Current Investments | 45.13 | 47.73 |
| Aggregate NAV value of unquoted Mutual Funds & Bonds | 22,149.39 | 26,814.92 |

**Notes on Accounts**

| 2.26 | **COMMITMENTS AND CONTINGENT LIABILITIES** | | |
|---|---|---|---|
| | | **2013-14** | **2012-13** |
| **(a)** | **Commitments** | **(Rs. in Lakhs)** | **(Rs. in Lakhs)** |
| | Estimated amount of contracts remaining to be executed on Capital Account and not provided for (Net of advance) | 804.87 | 3,672.44 |

| | | **2013-14** | **2012-13** |
|---|---|---|---|
| | | **(Rs. in Lakhs)** | **(Rs. in Lakhs)** |
| **(b)** | **Contingent Liabilities (not provided for) in respect of :** | | |
| | (a) Guarantees given by Banks in the normal course of Business. | 24,956.30 | 33,127.06 |
| | (b) Letters of Credit opened by Banks in the normal course of Business. | 6,475.81 | 5,808.28 |
| | (c) Bonds issued to Custom Department | 92.20 | 92.20 |
| | (d )Claims under dispute (Excise Duty, Service Tax & others) | 3,920.50 | 2,199.50 |
| | (e) Claims not acknowledged as debts (Amount unascertainable) | - | - |
| | (f) Income Tax assessment re-opened (Amount unascertainable) | - | - |

**2.27. Movement of Provisions during the year as required under AS 29 prescribed by the Companies (Accounting Standard) Rules 2006.**

*(Rs. in Lakhs)*

| **Particulars** | **Opening Provision as on 1.4.2013** | **Utilized during the year** | **Reversed during the year** | **Provision during the year** | **Closing provision as on 31.03.2014** |
|---|---|---|---|---|---|
| (a) Site warranty period maintenance | 183.99 | ---- | ---- | ---- | 183.99 |
| (b) Others | 113.60 | 1.16 | ---- | 137.99 | 250.43 |
| **Total** | **297.59** | **1.16** | ---- | 137.99 | **434.42** |
| Previous Year | 314.06 | 34.04 | ---- | 17.57 | 297.59 |

In accordance with the requirement of AS 29 "Provisions, Contingent Liabilities and Contingent Assets" issued by the Companies (Accounting Standard) Rules 2006, the company has provided liability for other expenses amounting to Rs. 137.99 lakhs (Previous Year Rs 17.57 lacs).

Site warranty period maintenance: - The Company gives warranties and maintenance on certain products and services, undertaking to repair, replace and maintain the items for satisfactory working during the warranty period. Provision as at 31.03.2014 represents the amount of the expected cost of meeting such obligations of rectification/ replacement/ maintenance. The timing of the outflow is expected to be within a period of two years.

Provision for others: - It represents liabilities related to various site expenses including contractor service charges for sites, administrative charges etc, likely to materialize in the next financial year.

**2.28** 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 and the provisions for all known and determined liabilities is adequately provided.

**2.29** Balance of debtors and loans and advances are subject to confirmation from respective parties.

## 2.30 RELATED PARTY DISCLOSURE

### (a) Name of the related parties and relationship as per Accounting Standard 18

| | Relationship | Parties where control Exist | Parties where control Exist |
|---|---|---|---|
| | | **2013-14** | **2012-13** |
| A. | Key Management Personnel | Shri S. K. Poddar<br>Executive Chairman | Shri S. K. Poddar<br>Executive Chairman |
| | | Shri Ramesh Maheshwari<br>Executive Vice Chairman | Shri Ramesh Maheshwari<br>Executive Vice Chairman |
| | | Shri D. H. Kela<br>Executive Director & CEO (SF) | Shri D. H. Kela<br>Whole Time Director, President & CEO |
| | | Shri Sandeep Fuller,<br>Executive Director & CEO (HED) | -- |
| B. | Associate Company | Texmaco Infrastructure & Holdings Limited | Texmaco Infrastructure & Holdings Limited |
| | | Kalindee Rail Nirman (Engineers) Limited | -- |
| C. | Joint Venture | Texmaco UGL Rail Pvt. Limited | Texmaco UGL Rail Pvt. Limited |
| | | Touax Texmaco Railcar Leasing Pvt. Ltd. | Touax Texmaco Railcar Leasing Pvt. Ltd. |
| D. | Group Company where transaction exists. | Zuari Investments Ltd<br>Duke Commerce Ltd.<br>Adventz Securities Enterprises Ltd.<br>Zuari Global Ltd.<br>Adventz Investments and Holdings Ltd<br>New Eros Tradecom Ltd.<br>Master Exchange & Finance Ltd.<br>Adventz Investments Co. Pvt. Ltd.<br>Adventz Securities Trading Pvt. Ltd.<br>Adventz Finance Pvt. Ltd.<br>Eureka Traders Pvt. Ltd.<br>Abhishek Holdings Pvt. Ltd.<br>Greenland Trading Pvt. Ltd.<br>Indrakshi Trading Company Pvt. Ltd.<br>Zuari Management Services Ltd.<br>High Quality Steels Ltd.<br>Lionel India Limited<br>Macfarlane & Co. Limited | Zuari Investments Ltd<br>Duke Commerce Ltd.<br>Adventz Securities Enterprises Ltd.<br>Zuari Global Ltd.<br>Adventz Investments and Holdings Ltd<br>New Eros Tradecom Ltd.<br>Master Exchange & Finance Ltd.<br>Adventz Investments Co. Pvt. Ltd<br>Adventz Securities Trading Pvt. Ltd.<br>Adventz Finance Pvt. Ltd.<br>Eureka Traders Pvt. Ltd<br>Abhishek Holdings Pvt. Ltd.<br>Greenland Trading Pvt. Ltd<br>Indrakshi Trading Company Pvt. Ltd.<br>Zuari Management Services Ltd<br>High Quality Steels Ltd.<br>Lionel India Limited<br>Macfarlane & Co. Limited |

## (b) Related Party Transactions

*(Rs in Lakhs)*

| Transactions | Other Related Party | Joint venture | Key Management Personnel | Grand Total |
|---|---|---|---|---|
| **Remuneration Paid*** | | | | |
| - Shri S. K. Poddar | -- | -- | 366.35<br>(369.82) | 366.35<br>(369.82) |
| - Shri Ramesh Maheshwari | -- | -- | 122.80<br>(122.55) | 122.80<br>(122.55) |
| - Shri D. H. Kela | -- | -- | 79.25<br>(71.33) | 79.25<br>(71.33) |
| - Shri Sandeep Fuller | -- | -- | 42.40<br>(--) | 42.40<br>(--) |
| **Investment** | | | | |
| - Texmaco UGL Rail Pvt. Limited | -- | --<br>(500.15) | -- | --<br>(500.15) |
| - Touax Texmaco Railcar Leasing Pvt. Limited | -- | --<br>(1262.49) | -- | --<br>(1262.49) |
| - Texmaco Infrastructure & Holdings Limited | --<br>-- | --<br>-- | --<br>-- | --<br>-- |
| - Kalindee Rail Nirman (Engineers) Limited | 4562.78<br>(--) | --<br>-- | --<br>-- | 4562.78<br>(--) |
| **Dividend Paid** | | | | |
| - Abhishek Holdings Pvt. Ltd. | --<br>(--) | -- | -- | --<br>(--) |
| - Adventz Securities Enterprises Ltd. | 38.09<br>(38.09) | -- | -- | 38.09<br>(38.09) |
| - Adventz Investments and Holdings Ltd | 79.48<br>(79.48) | -- | -- | 79.48<br>(79.48) |
| - Adventz Investments Co. Pvt. Ltd. | 30.35<br>(30.35) | -- | -- | 30.35<br>(30.35) |
| - Adventz Securities Trading Pvt. Ltd. | 4.28<br>(4.28) | -- | -- | 4.28<br>(4.28) |
| - Adventz Finance Pvt. Ltd. | --<br>(--) | -- | -- | --<br>(--) |
| - Duke Commerce Ltd. | 75.14<br>(75.14) | -- | -- | 75.14<br>(75.14) |
| - Eureka Traders Pvt. Ltd. | --<br>(--) | -- | -- | --<br>(--) |
| - Greenland Trading Pvt. Ltd. | 0.35<br>(0.35) | -- | -- | 0.35<br>(0.35) |
| - Master Exchange & Finance Ltd. | 0.16<br>(0.16) | -- | -- | 0.16<br>(0.16) |
| - New Eros Tradecom Ltd. | 7.38<br>(7.38) | -- | -- | 7.38<br>(7.38) |
| - Indrakshi Trading Company Pvt. Ltd. | 0.30<br>(0.30) | -- | -- | 0.30<br>(0.30) |
| - Texmaco Infrastructure & Holdings Limited | 546.00<br>(546.00) | -- | -- | 546.00<br>(546.00) |
| - Zuari Investments Ltd. | 289.63<br>(289.63) | -- | -- | 289.63<br>(289.63) |
| - Zuari Global Ltd. | 40.35<br>(40.35) | -- | -- | 40.35<br>(40.35) |
| - Shri S. K. Poddar | -- | -- | 23.97<br>(23.97) | 23.97<br>(23.97) |
| - Shri Ramesh Maheshwari | -- | -- | 0.60<br>(0.60) | 0.60<br>(0.60) |
| - Shri D. H. Kela | -- | -- | 0.30<br>(0.30) | 0.30<br>(0.30) |
| **Dividend Received** | | | | |
| - Texmaco Infrastructure & Holdings Limited | 3.53<br>(3.53) | -- | -- | 3.53<br>(3.53) |
| **Others** | | | | |
| - Adventz Investments & Holdings Ltd. (Rent Paid) | 21.03<br>(15.76) | -- | -- | 21.03<br>(15.76) |
| - High Quality Steels Ltd. (Services Received) | 425.67<br>(524.83) | -- | -- | 425.67<br>(524.83) |
| - Lionel India Limited (Services Received) | 157.26<br>(101.38) | -- | -- | 157.26<br>(101.38) |
| -Texmaco Infrastructure & Holding Ltd.<br>(Rent Received) | 0.81<br>(0.81) | -- | -- | 0.81<br>(0.81) |
| -Texmaco UGL Rail Pvt. Limited (Services Provided) | -- | 2785.07<br>(2153.94) | -- | 2785.07<br>(2153.94) |
| -Texmaco UGL Rail Pvt. Limited (Purchase of Goods) | | 66.85<br>(--) | -- | 66.85<br>(--) |

| Transactions | Other Related Party | Joint venture | Key Management Personnel | Grand Total |
|---|---|---|---|---|
| -Texmaco UGL Rail Pvt. Limited (Sale of Goods) | -- | 28.03<br>(--) | -- | 28.03<br>(--) |
| - Zuari Investments Ltd. (Depository Services) | 0.02<br>(1.04) | -- | -- | 0.02<br>(1.04) |
| - Zuari Management Services Ltd. (Guest Welfare) | 0.13<br>(0.05) | -- | -- | 0.13<br>(0.05) |
| - Macfarlane & Co. Limited | --<br>(--) | -- | -- | --<br>(--) |

*Remuneration paid to the Whole Time Directors has exceeded the prescribed limit under Section 198 of the Companies Act1956, for which requisite application has been made by the company to the Central Government and the approval is awaited.

## 2.31 EMPLOYEE BENEFITS OBLIGATION :

The Company accounts for Gratuity & Leave Liability at actuarial valuation at the end of the year i.e. 31st March. Accordingly these Liabilities have been computed by the actuary as at 31st March, 2014.

**Employee Benefits**
**Defined benefits Plans – As per Actuarial valuation as on March 31, 2014**

*(Rs. In Lakhs)*

| | | Funded Gratuity 2013-14 | Funded Gratuity 2012-13 | Unfunded Leave 2013-14 | Unfunded Leave 2012-13 |
|---|---|---|---|---|---|
| I | **Change of Benefit Organisation** | | | | |
| | Liability at the beginning of the year | 1,891.56 | 1,734.42 | 176.59 | 155.80 |
| | Interest cost | 170.24 | 138.75 | 15.89 | 12.46 |
| | Current Service Cost | 95.13 | 98.82 | 1.26 | 3.90 |
| | Past Service Cost (Non Vested Funds) | ---- | ---- | ---- | ---- |
| | Past Service Cost (Vested Funds) | ---- | ---- | ---- | ---- |
| | Benefits Paid | (307.10) | (177.30) | (16.28) | (7.96) |
| | Actuarial (Gain)/Loss on obligation | (22.00) | 96.87 | (25.12) | 12.39 |
| | Curtailments and Settlements | ---- | ---- | ---- | ---- |
| | Plan Amendment | ---- | ---- | ---- | ---- |
| | Liability at the end of the year | 1,827.83 | 1,891.56 | 152.34 | 176.59 |
| II | **Fair Value of Plan Assets** | | | | |
| | Fair value of Plan Assets at the beginning of the year | 2,068.40 | 2,065.01 | ---- | ---- |
| | Expected Return on Plan Assets | 173.74 | 185.85 | ---- | ---- |
| | Contributions | 195.01 | 15.97 | 16.28 | 7.96 |
| | Benefit Paid | (307.10) | (177.30) | (16.28) | (7.96) |
| | Actuarial Gain/(Loss) on Plan Assets | (3.81) | (21.13) | ---- | ---- |
| | Fair Value of Plan Assets at the end of the year | 2,126.24 | 2,068.40 | ---- | ---- |
| | Total Actuarial (Gain)/Loss to be Recognised | (18.19) | 118.00 | ---- | ---- |
| III | **Actual Return on Plan Assets** | | | | |
| | Expected Return on Plan Assets | (173.74) | 185.85 | ---- | ---- |
| | Actuarial Gain/(Loss) on Plan Assets | (3.81) | 21.13 | ---- | ---- |
| | Actual Return on Plan Assets | (169.93) | (164.72) | ---- | ---- |
| IV | **Amount Recognised in the balance sheet** | | | | |
| | Liability at the end of the year | 1,827.83 | 1,891.56 | 152.34 | 176.59 |
| | Fair Value of Plan Assets at the end of the year | 2,126.24 | 2,068.40 | - | ---- |
| | Difference | (298.41) | (176.84) | 152.34 | 176.59 |
| | Unrecognised Past Service Cost | - | ---- | - | ---- |
| | Amount Recognised in the Balance Sheet | (298.41) | (176.84) | 152.34 | 176.59 |
| V | **Expenses Recognised in the Income Statement** | | | | |
| | Current Service Cost | 95.13 | 98.82 | 1.26 | 3.91 |
| | Interest Cost | 170.24 | 138.75 | 15.89 | 12.46 |
| | Expected Return on Plan Assets | (173.74) | (185.85) | - | ---- |
| | Net Actuarial (Gain)/Loss to be Recognised | (18.19) | 118.00 | (25.12) | 12.39 |
| | Past Service Cost/(Non Vested Benefit) Recognised | ---- | ---- | ---- | ---- |
| | Past Service Cost/(Vested Benefit) Recognised | ---- | ---- | ---- | ---- |
| | Effect of Curtailment or settlement | ---- | ---- | ---- | ---- |
| | Curtailments and Settlements | ---- | ---- | ---- | ---- |
| | Expenses Recognized in the Profit and Loss Account | 73.44 | 169.72 | (7.97) | 28.76 |
| VI | **Balance Sheet Reconciliation** | | | | |
| | Opening Net Liability | (176.84) | (330.59) | 176.59 | 155.80 |
| | Expense as above | 73.44 | 169.72 | (7.97) | 28.75 |
| | Employers Contribution | (195.01) | (15.97) | ---- | ---- |
| | Effect of Curtailment or settlement | ---- | ---- | ---- | ---- |
| | Benefits paid | ---- | ---- | (16.28) | (7.96) |

| | | Funded Gratuity 2013-14 | Funded Gratuity 2012-13 | Unfunded Leave 2013-14 | Unfunded Leave 2012-13 |
|---|---|---|---|---|---|
| | Amount Recognised in the Balance Sheet | (298.41) | (176.84) | 152.34 | 176.59 |
| **VII** | **Actuarial Assumption** | | | | |
| | Discount Rate Current | 9.00% | 8.50% | 9.00% | 8.50% |
| | Rate of Return on Plan Assets | 8.85% | 9.00% | ---- | ---- |
| | Salary Escalation Current | 5.00% | 5.00% | 5.00% | 5.00% |

**2.32 EARNING PER SHARE – THE NUMERATOR AND DENOMINATOR USED TO CALCULATE BASIC/ DILUTED EARNING PER SHARE**

| | | 2013-14 | 2012-13 |
|---|---|---|---|
| Net Profit for the period from ordinary activities attributable to equity shareholders (Excluding Preference Share Dividend) – used as numerator. | Rs in Lakhs | 1,697.22 | 9,426.91 |
| Weighted average number of Equity share outstanding used as denominator for Basic earning per share. | Number | 182026590 | 182026590 |
| (A) Basic Earning per share ( face value of Re 1/- each) | Rs. | 0.93 | 5.18 |
| (B) Diluted Earning per share ( face value of Re 1/- each) | Rs. | 0.93 | 5.18 |

**2.33 INTEREST IN JOINT VENTURE (JV)**

**Particulars of the Company's interest in Jointly Controlled Entity is as below:**

| | Percentage of ownership | Country of Incorporation |
|---|---|---|
| Texmaco UGL Rail Pvt. Limited | 50% | India |
| Touax Texmaco Railcar Leasing Pvt. Ltd | 50%* | India |

** Number of shares held by Texmaco Rail & Engineering Limited in Touax Texmaco Railcar Leasing Pvt. Ltd is 12649999 equity shares, whereas number of equity shares held by Touax Rail Limited is 12650001.*

**The company's share in assets, liabilities, income and expense in the above jointly controlled entities as at and for the year ended March 31, 2014 is as follows:**

*(Rs in lakhs)*

| Name of Joint Venture | Company's share in | | | | |
|---|---|---|---|---|---|
| | Assets | Liabilities | Income | Expenses | Profit/ (Loss) after Tax |
| Texmaco UGL Rail Pvt. Limited | 6,322.85<br>(6,615.05) | 3287.92<br>(2,660.87) | 766.83<br>(41.93) | 1673.23<br>(138.79) | (919.27)<br>(90.33) |
| Touax Texmaco Railcar Leasing Pvt. Ltd | 1339.40<br>(1,299.42) | 33.01<br>(3.09) | 73.01<br>(45.08) | 62.93<br>(13.75) | 10.06<br>(31.33) |

Note: (i) Figures in bracket are audited previous year figure. (ii) Figures for current year are un-audited

**2.34** Escalation, insurance claims and other claims have been accounted for on accrual basis based on latest data available with the Company and where the realization of the amount is reasonably certain.

**2.35 AMOUNT REMITTED DURING THE YEAR ON ACCOUNT OF DIVIDEND (AS CERTIFIED BY THE MANAGEMENT):**

| | 2013-14 | 2012-13 |
|---|---|---|
| Number of Non-resident Shareholders | 17 | 17 |
| Number of Equity Shares held | 14840 | 14840 |
| Dividend remitted (Rs. in Lakhs) | 0.15 | 0.15 |
| Year of Dividend paid | 2012-13 | 2011-12 |

**2.36 VALUE OF RAW MATERIALS AND STORES CONSUMED (INCLUDING COMPONENTS AND SPARE PARTS) SERVICES ETC.:**

| | 2013-14 (Rs. in Lakhs) | % | 2012-13 (Rs. in Lakhs) | % |
|---|---|---|---|---|
| Imported | 8,419.52 | 23.63 | 8,878.24 | 11.90 |
| Indigenous | 27,214.16 | 76.37 | 65,785.59 | 88.10 |
| **Total (2.36)** | **35,633.68** | **100.00** | **74,663.83** | **100.00** |

**2.37 VALUE OF IMPORTS ON C.I.F. BASIS:**

| | 2013-14 (Rs. in Lakhs) | 2012-13 (Rs. in Lakhs) |
|---|---|---|
| Raw Materials | 1,277.03 | - |
| Components, Spare Parts and Stores | 7,041.04 | 10,011.69 |
| Capital Goods | 65.08 | 362.91 |
| **Total (2.37)** | **8,383.15** | **10,374.60** |

**2.38 EXPENDITURE IN FOREIGN CURRENCY:**

| | 2013-14 (Rs. in Lakhs) | 2012-13 (Rs. in Lakhs) |
|---|---|---|
| R & D Expenses | 48.47 | 111.68 |
| Travelling and Others | 55.65 | 19.89 |
| Books & Periodicals | 0.05 | 0.10 |
| Fees & Subscription | 1.18 | 2.35 |
| General Charges (AAR Audit Fee) | 0.89 | - |
| Sales Commission | 239.61 | - |
| Design Drawing Charges | 221.18 | - |
| Sales Expenses | 92.16 | - |
| **Total (2.38)** | **659.19** | **134.02** |

**2.39 INCOME IN FOREIGN EXCHANGE:**

| | 2013-14 (Rs. in Lakhs) | 2012-13 (Rs. in Lakhs) |
|---|---|---|
| Export of Goods (F.O.B.) | 12,945.42 | 9,406.25 |

.

**2.40** Consumption of raw materials, components, stores and spares parts includes profit/loss on sale thereof and exchange difference arising on Foreign Currency transactions on account of imported Raw Materials/ Stores has been accounted under respective Revenue heads.

**2.41 ANALYSIS OF RAW MATERIALS CONSUMED:**

| Particulars | 2013-14 (Rs. in Lakhs) | 2012-13 (Rs. in Lakhs) |
|---|---|---|
| M.S. & C.I. Scrap | 2,369.30 | 5,432.40 |
| Pig Iron | 47.28 | 293.45 |
| Tundish | 30.74 | 242.46 |
| Plates & Sheets | 4,165.61 | 6,690.00 |
| Rounds, Bars and Flats | 116.03 | 185.90 |
| Structural | 732.63 | 630.35 |
| **Total (2.41)** | **7,461.59** | **13,474.56** |

**2.42 (Increase)/ Decrease in Inventory of Work in Progress**

| Particulars | 2013-14 (Rs. in Lakhs) | 2012-13 (Rs. in Lakhs) |
|---|---|---|
| **Work-in- Process** | | |
| - Heavy Engineering Division | 3,972.64 | 2,595.29 |
| - Steel Foundry Division | 4,013.99 | 5,480.46 |
| **Total (2.42)** | **7,986.63** | **8,075.75** |

**2.43** As a part of company's risk management policy, the financial risks mainly relating to changes in the exchange rates are hedged by using a combination of forward contracts, besides the natural hedges.

| | | 2013-14 (Rs. in Lakhs) | 2012-13 (Rs. in Lakhs) |
|---|---|---|---|
| (1) | The particulars of derivative contracts entered into for hedging purpose, outstanding as at 31st March are as under : | | |
| (a) | - Un-hedged foreign currency exposure as at 31st March – Payables. Euro: 5,12,223 & USD: 98,06,966 | 6,297.01 | 8,322.06 |
| (b) | - Un-hedged foreign currency exposure as at 31st March – Receivable. AUD: 3,57,017,USD: 13,81,011 & Euro: 10,07,363 | 1,857.26 | 3,893.42 |

## 2.44 DETAILS OF EXPENSES/(INCOME) RELATED TO PREVIOUS YEAR

| Particulars | 2013-14 (Rs. in Lakhs) | 2012-13 (Rs. in Lakhs) |
|---|---|---|
| **Expenses** | | |
| (i) Miscellaneous Expenses | 1.61 | 0.13 |
| (ii) Income Tax | 4.15 | - |
| | **5.76** | **0.13** |
| **Income** | | |
| (i) Sales | - | 1.50 |
| (ii) Interest | 4.29 | **-** |
| | **4.29** | **1.50** |

## 2.45 DETAILS OF INCOME/ EXPENSES DISCLOSED ON NET BASIS

| Sl No | Particulars | 2013-14 (Rs. in Lakhs) | 2012-13 (Rs. in Lakhs) |
|---|---|---|---|
| 1 | **Freight, Packing and Transport** | | |
| | Paid | 1,236.75 | 781.60 |
| | Received | 770.77 | 564.74 |
| | **Net** | **465.98** | **216.86** |
| 2 | **Profit on sale of Fixed Assets** | | |
| | Profit | 19.25 | 17.20 |
| | Loss | 9.62 | 1.57 |
| | **Net** | **9.63** | **15.63** |
| 3 | **Profit on sale of current investment** | | |
| | Mutual Funds & Others | | |
| | Profit | 998.16 | 766.62 |
| | Loss | 5.50 | 0.73 |
| | **Net** | **992.66** | **765.89** |

## 2.46 PARTICULARS IN RESPECT OF GOODS MANUFACTURED

(Rs. In Lakhs)

| Class of Goods | | Sales | Opening Stock | Closing Stock |
|---|---|---|---|---|
| Wagons | **2013-14** | **33234.69** | - | - |
| | 2012-13 | 75677.39 | - | - |
| Structurals | **2013-14** | **1719.30** | **165.95** | **672.73** |
| | 2012-13 | 4071.11 | 96.86 | 165.95 |
| Water Tube Boilers and Package Boilers | **2013-14** | - | - | - |
| | 2012-13 | - | 49.40 | - |
| | | - | - | - |
| | | - | - | - |
| Pressure Vessels,Heat Exchangers and | **2013-14** | **11.20** | - | - |
| Chemicals Machineries | 2012-13 | 53.62 | - | - |
| Site Fabrication and Erection | **2013-14** | **1203.76** | - | - |
| | 2012-13 | 353.29 | - | - |
| Steel Castings & Ingots | **2013-14** | **13995.00** | - | - |
| (Including Draft Gear 4000 Sets) | 2012-13 | 21815.47 | - | - |
| Power Tiller/Reaper | **2013-14** | **304.95** | **38.37** | **54.61** |
| | 2012-13 | 198.52 | 21.49 | 38.37 |
| Ring Frames,Doublers and Worsted Ring Frames | **2013-14** | - | **0.61** | **0.61** |
| | 2012-13 | - | 0.61 | 0.61 |
| Speed Frames | **2013-14** | - | **0.39** | **0.39** |
| | 2012-13 | - | 0.39 | 0.39 |
| Others | **2013-14** | **1048.53** | - | - |
| | 2012-13 | 1427.10 | - | - |
| **TOTAL** | **2013-14** | **51,517.43** | **205.32** | **728.34** |
| | 2012-13 | 1,03,596.50 | 168.75 | 205.32 |

## 2.47 INFORMATION ABOUT SEGMENT WORKING IS GIVEN BELOW

*(Rs in lakhs)*

(Rs. in Lakhs)

| | 2013-2014 | | | 2012-2013 | | |
|---|---|---|---|---|---|---|
| | Heavy Engg. Division | Steel Foundry | Total | Heavy Engg. Division | Steel Foundry | Total |
| | 1 | 2 | 3 (1+2) | 1 | 2 | 3 (1+2) |
| **Revenue (Net of Excise Duty and Cess)** | | | | | | |
| External Sales | 35,131.80 | 9,441.86 | 44,573.66 | 77,883.82 | 5,057.43 | 82,941.25 |
| Internal-Segment Sales | 924.95 | 3,254.99 | 4,179.94 | 1,239.64 | 14,617.94 | 15,857.58 |
| **Total Revenue** | **36,056.75** | **12,696.85** | **48,753.60** | **79,123.46** | **19,675.37** | **98,798.83** |
| **Result** | | | | | | |
| Segment Result | 2,331.50 | 11.96 | 2,343.46 | 11,924.23 | 1,950.58 | 13,874.81 |
| Unallocated Corporate Expenses | | | - | | | - |
| **Operating Profit/(Loss)** | | | **2,343.46** | | | **13,874.81** |
| Interest Expense | | | (797.69) | | | (725.95) |
| Interest Income | | | 330.17 | | | 327.81 |
| **Total Profit/(Loss) before Tax** | | | **1,875.94** | | | **13,476.67** |
| Provision for Current Tax | | | - | | | (4,012.00) |
| Provision for Deferred Tax | | | 174.57 | | | (37.76) |
| Income Tax For Earliear Years | | | 4.15 | | | - |
| **Profit/(Loss) from ordinary activities** | | | **1,697.22** | | | **9,426.91** |
| Extra ordinary items | | | - | | | - |
| **Net Profit/(Loss)** | | | **1,697.22** | | | **9,426.91** |
| **Other Information** | | | | | | |
| Segment assets | 53,817.52 | 11,441.06 | 65,258.58 | 55,217.48 | 14,155.12 | 69,372.60 |
| Unallocated Corporate assets | | | - | | | - |
| **Total assets** | | | **65,258.58** | | | **69,372.60** |
| Segment liabilities | 35,980.70 | 5,619.36 | 41,600.06 | 41,942.32 | 6,569.14 | 48,511.46 |
| Unallocated corporate liabilities | | | - | | | - |
| **Total Liabilities** | | | **41,600.06** | | | **48,511.46** |
| **Capital expenditure** | **4,013.42** | **1,238.02** | **5,251.44** | **2,655.88** | **1,133.03** | **3,788.91** |
| **Depreciation** | **616.03** | **557.75** | **1,173.78** | **413.62** | **525.56** | **939.18** |
| **Non-cash expenses other than depreciation** | | | **152.87** | | | **694.47** |

***Note : The Company operates predominantly within the geographical limits of India and accordingly secondary segments have not been considered.***

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**2.48** Previous year figure have been regrouped/ rearranged/ restated/ recast wherever necessary to confirm this year classification.

**2.49** Figures below Rs. 500/- have been omitted for rounding off and above Rs. 500/- have been rounded off to the next Rs.1000/-.

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In terms of our Report of even date attached herewith

For **K.N.Gutgutia & Co.**
Chartered Accountants
Firm Registration No.: 304153E

**P.K. Gutgutia**
Partner
Membership No. 6994
6C, Middleton Street,
Kolkata – 700 071
Dated: 21th May, 2014

**A. K. Vijay**
Secretary

**S.K. Poddar**
**Ramesh Maheshwari**
**A.C. Chakrabortti**
**D.H. Kela**
Directors

**K. N. GUTGUTIA & CO.**
CHARTERED ACCOUNTANTS
KOLKATA • NEW DELHI

PHONE : 2287-3735/56
FAX : 91-033-22873756
E-mail : kng_kol@vsnl.net
6C, MIDDLETON STREET
FLAT NO. 23 (2ND FLOOR)
KOLKATA-700071

# INDEPENDENT AUDITORS' REPORT

## TO THE MEMBERS OF TEXMACO RAIL & ENGINEERING LIMITED

### Report on the Financial Statements

We have audited the accompanying financial statement of TEXMACO RAIL & ENGINEERING LIMITED ("the Company"), which comprises the Balance Sheet as at March 31, 2013, and the Statement of Profit and Loss and the Cash Flow Statement for the year then ended, and a summary of significant accounting policies and other explanatory information.

### Management's Responsibility for the Financial Statements

Management is responsible for the preparation of these financial statements that give a true and fair view of the financial position, financial performance and cash flows of the Company in accordance with the Accounting Standards referred to in sub-section (3C) of section 211 of the Companies Act, 1956 ("the Act"). This responsibility includes the design, implementation and maintenance of internal control relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

### Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with the Standards on Auditing issued by the Institute of Chartered Accountants of India. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of the accounting estimates made by Management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

**K. N. GUTGUTIA & CO.**
CHARTERED ACCOUNTANTS
KOLKATA • NEW DELHI

PHONE : 2287-3735/56
FAX : 91-033-22873756
E-mail : kng_kol@vsnl.net
6C, MIDDLETON STREET
FLAT NO. 23 (2ND FLOOR)
KOLKATA-700071

**Opinion**

In our opinion and to the best of our information and according to the explanations given to us, the financial statements give the information required by the Companies Act, 1956 in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:-

a) *in the case of the Balance Sheet of the State of Affairs of the Company as at* 31st March, 2013;

b) in the case of Statement of Profit and Loss, of the Profit for the year ended on that date ; and

c) in the case of Cash Flow Statement, of the Cash Flows for the year ended on that date.

**Report on Other Legal and Regulatory Requirements**

1. As required by the Companies (Auditor's Report) Order, 2003 ("the Order") issued by the Central Government of India in terms of sub-section (4A) of section 227 of the Act, we give in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the Order.

2. As required by section 227(3) of the Act, we report that:

a) We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit;

b) In our opinion, proper books of account as required by law have been kept by the Company, so far as appears from our examination of those books;

c) The Balance Sheet, Statement of Profit & Loss, and Cash Flow Statement dealt with by this Report are in agreement with the books of account;

d) In our opinion, the Balance Sheet, Statement of Profit & Loss, and Cash Flow Statement comply with the Accounting Standards referred to in sub-section (3C) of Section 211 of the Companies Act, 1956.

e) On the basis of the written representations received from the Directors as on 31st March, 2013, and taken on record by the Board of Directors, none of the Directors is disqualified as on 31st March, 2013 from being appointed as a Director in terms of Clause (g) of sub-section (1) of Section 274 of the Companies Act, 1956.

For K.N. GUTGUTIA & CO.
Chartered Accountants
Firm Registration No.304153E

**P K GUTGUTIA**
Partner
Membership No.6994

6C, Middleton Street,
Kolkata-700071
30th May, 2013

**K. N. GUTGUTIA & CO.**
CHARTERED ACCOUNTANTS
KOLKATA • NEW DELHI

PHONE : 2287-3735/56
FAX : 91-033-22873756
E-mail : kng_kol@vsnl.net
6C, MIDDLETON STREET
FLAT NO. 23 (2ND FLOOR)
KOLKATA-700071

## Texmaco Rail & Engineering Limited

### Annexure to the Auditors' Report
**(Referred to in Paragraph (1) of our Report on other legal & regulatory requirements of even date)**

i) (a) The Company has maintained proper records showing full particulars including quantitative details and situation of Fixed Assets.

(b) As explained to us, the Company has a system of verifying all its major fixed assets over a period of three years. The fixed assets so scheduled for verification during this year have been physically verified. The discrepancies noticed on such verification were not material and have been properly dealt with in the books of account.

(c) During the year the Company has not disposed off any substantial / major part of fixed assets which may affect the going concern.

ii) (a) As per the information furnished, the inventories have been physically verified during the year by the management. In our opinion, having regard to the nature and location of stock, the frequency of the physical verification is reasonable.

(b) In our opinion and according to the information and explanations given to us, procedures of physical verification of inventory followed by the management are reasonable and adequate in relation to the size of the Company and the nature of its business.

(c) The Company is maintaining proper records of inventory. In our opinion, discrepancies noticed on physical verification of stocks were not material in relation to the operations of the Company and the same have been properly dealt with in the books of account.

iii) (a) The Company has neither granted nor taken any loan secured/ unsecured from Companies covered in the register maintained under section 301 of the Companies' Act, 1956 (1 of 1956).

(b) As stated above sub-clause (b) to (g) of Clause (iii) of the Companies (Auditor's Report) order 2003 are not applicable.

iv) In our opinion and according to the information and explanations given to us, there are adequate internal control procedures commensurate with the size of the Company and the nature of its business with regard to purchase of inventory and fixed assets and for the sale of goods and services. During the course of our audit, we have not observed any continuing failure to correct major weakness in internal controls system.

PHONE : 2287-3735/56
FAX : 91-033-22873756
E-mail : kng_kol@vsnl.net
6C, MIDDLETON STREET
FLAT NO. 23 (2ND FLOOR)
KOLKATA-700071

v) Based on the audit procedures applied by us and according to the information and explanations provided by the management, we are of the opinion that, sub clause (a) & (b) of Clause (v) of the Companies (Auditor's Report) Order, 2003, is not applicable since no contracts or arrangements referred to in Section 301 of the Companies Act, 1956 have been entered into by the Company during the year.

vi) In the case of Fixed Deposits received from its employees/ex-employees by the Company, the directives issued by the Reserve Bank of India and the provisions of section 58A & 58AA of the Companies Act, and the Companies (acceptance of deposit) rules 1975 have been complied with. No order has been passed by the Company Law Board.

vii) In our opinion, the Company has an internal audit system commensurate with its size and the nature of its business.

viii) We have broadly reviewed the books of account relating to materials, labour and other items of cost maintained by the company, pursuant to the rules made by the Central Government for maintenance of cost records under section 209(1)(d) of the Companies Act, 1956, and we are of the opinion that prima facie the prescribed accounts and records have been made and maintained. We have, however, not made a detailed examination of the records with a view to determining whether they are accurate or complete.

ix) (a) According to the information and explanations given to us and records examined by us, the Company is regular in depositing with appropriate authorities undisputed statutory dues including provident fund, investors education and protection fund, employees state insurance, income tax, sales tax, wealth tax, service tax, custom duty, excise duty, cess and other statutory dues wherever applicable. According to the information and explanations given to us, no undisputed arrears of statutory dues were outstanding as at 31st March 2013 for a period of more than six months from the date they became payable.

(b) According to the records of the Company, the dues of Sales Tax, Income Tax, Customs, Wealth Tax, Service Tax, Excise Duty, Cess, which have not been deposited on account of disputes and the forum where the dispute are pending, are as under:

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| | Name of the statute | Nature of the dues | Amount Rs. Lakhs | Period to which the amount relates | Forum where dispute is pending. |
|---|---|---|---|---|---|
| 1. | The Central Excise Act 1944 & Service Tax under the Finance Act 1994 | Various issues of Central Excise and Service Tax | Central Excise Rs. 2182.81<br>Service Tax Rs. 16.69 | 1986-2010<br><br>2004-2010 | 1.JurisdictionalCommissioner of Central Excise<br>2. CESTAT<br>3.Commissioner(Appeal)<br>4.JurisdictionalCommissioner of Service Tax |

x) There are no accumulated losses of the Company as on 31st March 2013. The Company has not incurred any cash losses during the financial year covered by our audit and the immediately preceding financial year.

xi) Based on our audit procedures and the information given by the management, we are of the opinion that the Company has not defaulted in repayment of dues to any financial institution, bank or debenture holders.

xii) Based on our examination of the records and the information and explanations given to us, the Company has not granted any loans and / or advances on the basis of security by way of pledge of shares, debentures, and other securities.

xiii) Clause (xiii) of the Order is not applicable to the Company as the Company is not a Chit Fund company or nidhi / mutual benefit fund / society.

xiv) In our opinion, the Company is not dealing in or trading in shares, securities, debentures, and other investments. Accordingly, the provisions of clause 4 (xiv) of the Companies (Auditors' Report) Order, 2003 are not applicable to the Company.

xv) According to the information and explanations given to us, the Company has not given any guarantee for loans taken by others from a bank or financial institutions.

xvi) In our opinion and according to the information and explanations given to us, the term loans have been applied for the purposes for which they were obtained.

xvii) According to the information and explanations given to us and on an overall examination of the balance sheet of the Company, we report that no funds raised on short-term basis have been used for long-term investment.

xviii) The Company has not made any preferential allotment of shares during the year to parties and companies covered in the register maintained under section 301 of the Act.

**K. N. GUTGUTIA & CO.**
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xix) During the year covered by our audit report, the Company has not issued secured debentures.

xx) The Company has not raised any money by public issues during the year covered by our report.

xxi) Based upon the audit procedures performed for the purpose of reporting the true and fair view of the financial statements and as per the information and explanation given by the management, we report that no fraud on or by the Company has been noticed or reported during the course of our audit.

6C, Middleton Street,
Kolkata - 700 071.

**For K. N. Gutgutia & Co.**
Chartered Accountants
Firm Registration No 304153E

**P.K. Gutgutia**
Partner
Membership No. 6994

Date: 30th May, 2013

**TEXMACO RAIL & ENGINEERING LIMITED**

**Balance Sheet as at 31st March, 2013**

| Particulars | Note No. | As at 31.03.2013 | *(Rs in Lakhs)* As at 31.03.2012 |
|---|---|---|---|
| **I. EQUITY AND LIABILITIES** | | | |
| **(1) Shareholders' funds** | | | |
| (a) Share capital | 2.1 | 1,820.27 | 1,820.27 |
| (b) Reserves and surplus | 2.2 | 56,270.79 | 49,042.46 |
| | | 58,091.06 | 50,862.73 |
| **(2) Non-current liabilities** | | | |
| (a)Long-term borrowings | 2.3 | 928.71 | 1,523.12 |
| (b) Deferred tax liabilities (Net) | 2.4 | 246.37 | 208.61 |
| (c) Other Long term liabilities | 2.5 | 574.54 | 633.65 |
| (d) Long-term provisions | 2.6 | 410.99 | 418.12 |
| | | 2,160.61 | 2,783.50 |
| **(3) Current liabilities** | | | |
| (a) Short-term borrowings | 2.7 | 8,975.70 | 5,390.51 |
| (b) Trade payables | 2.8 | 23,947.39 | 34,371.14 |
| (c) Other current liabilities | 2.9 | 11,370.07 | 11,237.26 |
| (d) Short-term provisions | 2.10 | 2,193.81 | 2,168.30 |
| | | 46,486.97 | 53,167.21 |
| **Total** | | **1,06,738.64** | **1,06,813.44** |
| **II. ASSETS** | | | |
| **(1) Non-current assets** | | | |
| (a) Fixed assets | 2.11 | | |
| (i) Tangible assets | | 11,285.43 | 10,331.38 |
| (ii) Capital work-in-progress | | 5,540.48 | 3,718.68 |
| | | 16,825.91 | 14050.06 |
| (b) Non-current investments | 2.12(a) | 6,631.26 | 4,336.23 |
| (c) Long-term loans and advances | 2.13 | 1,295.09 | 2,072.07 |
| | | 24,752.26 | 20,458.36 |
| **(2) Current assets** | | | |
| (a) Current investments | 2.12(b) | 25,242.17 | 26,928.45 |
| (b) Inventories | 2.14 | 24,665.07 | 27,997.56 |
| (c) Trade receivables | 2.15 | 22,431.16 | 21,739.64 |
| (d) Cash and bank balances | 2.16 | 2,871.70 | 233.23 |
| (e) Short-term loans and advances | 2.17 | 6,642.23 | 9,364.26 |
| (f) Other current assets | 2.18 | 134.05 | 91.94 |
| | | 81,986.38 | 86,355.08 |
| | | - | - |
| **Total** | | **1,06,738.64** | **1,06,813.44** |
| Accounting Policies & Notes on Accounts | 1 & 2 | | |

Notes referred to above form an integral part of the Balance Sheet
In terms of our Report of even date attached herewith.
For **K. N. Gutgutia & Co.**
Chartered Accountants
Firm Registration No: 304153E

**P.K.Gutgutia**
Partner
Membership No.6994
6C, Middleton Street,
Kolkata- 700 071.
Dated: 30th May, 2013

**A.K. Vijay**
Secretary

**S K Poddar**
**Ramesh Maheshwari**
**A. C. Chakrabortti**
**Sampath Dhasarathy**
**D. H. Kela**
**D. R. Kaarthikeyan**
**Sunil Mitra**
Directors

# TEXMACO RAIL & ENGINEERING LIMITED
## Statement of Profit and Loss for the Year Ended 31st March,2013

*(Rs in Lakhs)*

| Particulars | Note No. | For the Year ended 31.03.2013 | For the year ended 31.03.2012 |
|---|---|---|---|
| **I. Revenue from operations** | 2.19 | | |
| Sale of products | | 1,03,596.50 | 93,796.84 |
| Less: Inter Segment Revenue | | (15,857.58) | (13,592.62) |
| Less: Excise Duty | | (5,261.44) | (4,178.56) |
| | | 82,477.48 | 76,025.66 |
| Other operating revenues | | 463.75 | 717.70 |
| **Total** | | **82,941.23** | **76,743.36** |
| **II. Other income** | 2.20 | 3,096.69 | 2,560.74 |
| **III. Total Revenue (I + II)** | | **86,037.92** | **79,304.10** |
| **IV. Expenses:** | | | |
| Cost of materials consumed | 2.21 | 53,075.81 | 48,321.56 |
| Changes in inventories of finished goods, work-in-progress and Stock-in-Trade | 2.22 | (2,010.49) | (1,518.00) |
| Employee benefit expense | 2.23 | 4,404.94 | 4,466.38 |
| Finance costs | 2.24 | 1,192.99 | 1,121.91 |
| Depreciation and amortization expenses | 2.11 | 939.18 | 917.80 |
| Other expenses | 2.25 | 14,958.82 | 12,368.73 |
| **Total expenses** | | **72,561.25** | **65678.38** |
| **V. Profit before tax (III-IV)** | | **13,476.67** | **13,625.72** |
| **VI. Tax expense:** | | | |
| (1) Current tax | | 4,012.00 | 3,940.00 |
| (2) Deferred tax | | 37.76 | 380.00 |
| **VII. Profit for the period from continuing operations (V-VI)** | | **9,426.91** | **9,305.72** |
| **VIII. Earnings per equity share: (face value of Re.1/- each)** | | | |
| (1) Basic | | 5.18 | 5.11 |
| (2) Diluted | | 5.18 | 5.11 |
| Accounting Policies & Notes on Accounts | 1 & 2 | | |

Notes referred to above form an integral part of the Statement of Profit & Loss
In terms of our Report of even date attached herewith.
For **K. N. Gutgutia & Co.**
Chartered Accountants
Firm Registration No: 304153E

**P.K.Gutgutia**
Partner
Membership No.6994
6C, Middleton Street,
Kolkata- 700 071.
Dated: 30th May, 2013

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**D. H. Kela**
**D. R. Kaarthikeyan**
**Sunil Mitra**
Directors

## Texmaco Rail & Engineering Limited

**Cash Flow Statement for the year ended 31st March,2013**

| | Particulars | Year Ended 31.03.2013 | (Rs in lakhs) Year Ended 31.03.2012 |
|---|---|---|---|
| A) | **CASH FLOWS FROM OPERATING ACTIVITIES** | | |
| | Net Profit before Taxation & Exceptional Items | 13476.67 | 13625.72 |
| | Adjustments for: | | |
| | Depreciation | 939.18 | 917.80 |
| | Interest Paid | 1192.99 | 1121.91 |
| | Provision for Doubtful debt | 600.00 | - |
| | Bad Debt Written off | 106.14 | 147.69 |
| | Employee Compensation Expenses under ESOP | - | (35.61) |
| | Provision for Dimunition in value of Investments | 4.15 | (0.90) |
| | Interest Received | (327.81) | (319.35) |
| | Income From Investments | (424.47) | (848.22) |
| | Profit on Sale Of Investments-Current(Net) | (765.89) | (1187.13) |
| | Profit on Sale Of Fixed Assets(Net) | (15.63) | (56.28) |
| | | 1308.66 | (260.09) |
| | **Operating Profit before Working Capital Changes & Exceptional Items** | 14785.33 | 13365.63 |
| | (Increase)/Decrease in Inventories | 3332.49 | (6423.33) |
| | (Increase)/Decrease in Trade & Other Receivables | 1756.77 | (3745.16) |
| | Increase/(Decrease) in Trade Payables | (10474.73) | 14309.08 |
| | **Cash Generated from Operations** | 9399.86 | 17506.22 |
| | Direct Taxes Paid | (3709.53) | (4692.60) |
| | **Cash Flow before Exceptional Items** | 5690.33 | 12813.62 |
| | Exceptional Items | - | - |
| | **Net Cash from Operating Activities** | 5690.33 | 12813.62 |
| B) | **CASH FLOWS FROM INVESTING ACTIVITIES** | | |
| | Purchase of Fixed Assets | (3788.91) | (4359.94) |
| | Sale of Fixed Assets | 20.55 | 69.36 |
| | Purchase/Sale of Investments | 152.99 | (3891.27) |
| | Interest Received | 327.81 | 270.61 |
| | Income From Investments | 424.47 | 848.22 |
| | **Net Cash used in Investing Activities** | (2863.09) | (7063.02) |
| C) | **CASH FLOWS FROM FINANCING ACTIVITIES** | | |
| | Receipt/(Payment) of Long Term Borrowings | (471.26) | 1655.20 |
| | Receipt/(Payment) of Short Term Borrowings | 3585.19 | (4297.82) |
| | Proceeds from issue of ESOP | - | 79.17 |
| | Dividend Paid | (2109.71) | (2,107.12) |
| | Interest Paid | (1192.99) | (1121.91) |
| | **Net Cash used in Financing Activities** | (188.77) | (5792.48) |
| | **Net Increase/(Decrease) in Cash and Cash Equivalents** | 2638.47 | (41.88) |
| | Cash and Cash Equivalents at the beginning of the period | 233.23 | 275.11 |
| | Cash and Cash Equivalents at the end of the period | 2871.70 | 233.23 |

Note: (1) 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.

(2) Previous year's figures are regrouped/rearranged wherever necessary.

Notes referred to above form an integral part of Cash Flow Statement
In terms of our Report of even date attached herewith.
For **K. N. Gutgutia & Co.**
Chartered Accountants
Firm Registration No: 304153E

**P.K.Gutgutia**
Partner
Membership No.6994
6C, Middleton Street,
Kolkata- 700 071.
Dated: 30th May, 2013

**A.K. Vijay**
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**Sampath Dhasarathy**
**D. H. Kela**
**D. R. Kaarthikeyan**
**Sunil Mitra**
Directors

**Texmaco Rail & Engineering Limited**

## 1. ACCOUNTING POLICIES

### General

The Financial Statements of Texmaco Rail & Engineering Limited (TexRail or the Company) have been prepared and presented under the historical cost convention on the accrual basis except for certain Fixed Assets, which are revalued in accordance with Generally Accepted Accounting Principles (GAAP) in India. GAAP comprises Accounting Standards notified by the Central Government of India under section 211(3C) of the Companies Act, 1956, other pronouncements of Institute of Chartered Accountants of India, the provisions of Companies act, 1956 and guidelines issued by Securities and Exchange Board of India. The Financial Statements are rounded off to the nearest Rupees lakhs.

### Fixed Assets

Fixed Assets are carried at the cost of acquisition or construction less accumulated depreciation except certain Revalued Assets which are stated on the basis of their revalued costs less accumulated depreciation. Intangible Assets are recorded at the consideration paid for acquisition less accumulated amortization. The cost of Fixed Assets includes non-refundable taxes, duties, freight and other incidental expenses related to the acquisition and installation of the respective Assets. Borrowing costs directly attributable to acquisition or construction of those fixed Assets which necessarily take a substantial period of time to get ready for their intended use are capitalized.

The Company assesses at each balance sheet date whether there is any indication that an Asset may be impaired. If any such indication exists, the Company estimates the recoverable amount of the Asset. If such recoverable amount of the Asset or the recoverable amount of the cash generating unit to which the Asset belongs is less than its carrying amount, the carrying amount is reduced to its recoverable amount. The reduction is treated as an impairment loss and is recognized in the profit and loss account. If at the balance sheet date there is an indication that if a previously assessed impairment loss no longer exists, the recoverable amount is reassessed and the Asset is reflected at the recoverable amount subject to a maximum of depreciated historical cost.

### 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 in accordance with the rates as given in schedule XIV of the Companies Act, 1956. The depreciation on amount added on revaluation is being set off by transfer from Revalution Reserve.

### Investments

Investments are either classified as current or non-current based on management's intention at the time of purchase. Current Investment are stated at lower of cost and fair value.

Non-current 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. The reduction in the carrying amount is reversed when there is a rise in the value of the investment or if the reason for the reduction is no longer exist

### Recognition of Income and Expenditure

Sales revenue is recognized on transfer of the significant risks and rewards of ownership of the goods to the buyer and stated at net of Sales Tax, Service 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 Statement of Profit & Loss

(2) Leave :

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

(3) Gratuity:

The Company has an approved Gratuity Fund for its Heavy Engineering Division and Steel Foundry Division 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.

**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.

**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 except in case of long term liabilities, where they relate to acquisition of Fixed Assets in which case they are adjusted to the carrying cost of such assets. Premium or discount on forward exchange contract is amortised as expense or income over the life of the contract.

**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 preparation of the Financial Statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of Assets and Liabilities and disclosure of contingent Liabilities on the date of the Financial Statements and reported amounts of revenues and expenses for the year. Actual results could differ from these estimates. 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 two business segments namely Heavy Engineering Division and Steel Foundry Division

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 is 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.

**Employee Stock Option Scheme**

In respect of Stock options granted pursuant to the Company's Employees Stock Option Schemes 2007, the intrinsic value of the options (excess of Market Price of the share over the exercise price of the option) is treated as discount and accounted as deferred employee's compensation cost over the vesting period.

**Government Grant**

Grants from the government are recognized when there is a reasonable assurance that the grant will be received and all attaching conditions will be complied with. Revenue grants/subsidies are recognized in the Profit & Loss Account. Capital grants relating to specific fixed assets are reduced from the gross value of the respective fixed assets. Other Capital Grants are credited to Reserve & Surplus under the head Central/State Capital Subsidy of the Company.

| | As at 31.03.2013 | As at 31.03.2012 |
|---|---|---|
| | | *(Rs in Lacs)* |

**2 NOTES ON ACCOUNTS**

**2.1 SHARE CAPITAL**

| | As at 31.03.2013 | As at 31.03.2012 |
|---|---|---|
| **Authorised Capital** | | |
| 200000000 Equity shares at par value of Re. 1/- each | 2,000.00 | 2,000.00 |
| **Issued, Subscribed and Paid Up Capital** | | |
| 182026590(182026590) Equity shares at par value of Re. 1/- each fully paid | 1,820.27 | 1,820.27 |

**Notes:**

**1** The Company has only one class of shares referred to as equity shares having a par value of Re.1/-.Each holder of equity shares is entitled to one vote per share.

**2** In the event of liquidation of the Company, the holders of equity shares will be entitled to receive any of the remaining assets of the company, after distribution of all preferential amounts.However, no such preferential amounts exist currently.The distribution will be in proportion to the number of equity shares held by the shareholders.

**3** Issued, Subscribed and Paid Up Capital includes 127183090 equity shares allotted on the basis of 1 equity shares in TexRail for Re. 1/- each credited as fully paid-up for every 1 equity shares held by each member of Texmaco Infrastructure & Holdings Limited (formerly Texmaco Limited) on record date without payment being received in cash.

**4 Reconcliation of number of Issued,Subsribed and Paid-up Capital**

| Particulars | 31.03.2013 | | 31.03.2012 | |
|---|---|---|---|---|
| | **No. of Equity Share** | **Amount (Rs. in Lakhs)** | **No. of Equity Share** | **Amount (Rs. In Lakhs)** |
| Number of Shares at the beginning of the year | 182026590 | 1,820.27 | 181783090 | 1817.83 |
| Add: Allotment as per ESOP | - | - | 243500 | 2.44 |
| Number of Shares at the end of the year | 182026590 | 1,820.27 | 182026590 | 1820.27 |

**5** Issued,Subscribed and Paid-up Capital of the company is excluding 9960 No's (Previous Year 9960 No`s) of Equity Shares lying in abeyance -NSDL-Transit case.

**6** The dividend proposed by the Board of Directors is subject to the approval of shareholders in Annual General meeting. The Company has proposed to pay dividend amounting to Rs.2129.62 lakhs (including corporate dividend tax of Rs 309.35 lakhs).The rate of proposed dividend is Re.1/- per equity shares. (Previous Year Rs 2,115.56 lakhs including Corporate dividend tax of Rs 295.29 lakhs.)

**7 The name of Shareholders holding more than 5% of Equity shares**

| Name of Shareholders | % of holding | No. of Equity Shares held |
|---|---|---|
| **Texmaco Infrastructure & Holdings Limited (formerly Texmaco Limited)** | **30.00** | **54600000** |
| **Zuari Investments Ltd** | **15.91** | **28963900** |

| | As at 31.03.2013 | As at 31.03.2012 |
|---|---|---|
| **2.2 RESERVES AND SURPLUS** | | |
| Security Premium Reserve | | |
| Balance as per last Account | 76.73 | - |
| Add: On issue of ESOP | - | 76.73 |
| | 76.73 | 76.73 |
| Revaluation Reserve | | |
| Balance as per last Account | 1,204.52 | 1,242.01 |
| Less: On Assets sold/discarded during the year | (14.36) | (3.22) |
| | 1,190.16 | 1,238.79 |
| Less: Transferred to Statement of Profit and Loss | (54.60) | (34.27) |
| | 1,135.56 | 1,204.52 |
| Share Options Outstanding Account | | |
| Balance as per last Account | - | 35.61 |
| Less: Adjusted as per ESOP allotment | - | (35.61) |
| | - | - |
| State Capital Investment Subsidy | | |
| Balance as per last Account | 15.00 | 15.00 |
| General Reserve | | |
| Balance as per last Account | 38,531.98 | 33,531.98 |
| Add: Transferred from Statement of Profit and Loss | 5,800.00 | 5,000.00 |
| | 44,331.98 | 38,531.98 |
| Surplus | | |
| Balance as per last Account | 9,214.23 | 7,024.07 |
| Add: Profit after Tax as per Statement of Profit and Loss | 9,426.91 | 9,305.72 |
| | 18,641.14 | 16,329.79 |
| Less: Appropriation | | |
| Proposed Dividend | | |
| On Equity Shares | 1,820.27 | 1,820.27 |
| Tax on Dividend | 309.35 | 295.29 |
| Transfer to General Reserve | 5,800.00 | 5,000.00 |
| | 7,929.62 | 7,115.56 |
| | 10,711.52 | 9,214.23 |
| **Total (2.2)** | 56,270.79 | 49,042.46 |

**2.3 LONG TERM BORROWINGS**

| | | |
|---|---|---|
| **Secured** | | |
| Foreign Currency Term Loan (FCTL) | | |
| From Bank | 918.96 | 1,521.02 |
| **Unsecured** | | |
| Deposits | | |
| Fixed deposit from employees/ex-employees | 9.75 | 2.10 |
| **Total (2.3)** | 928.71 | 1,523.12 |

Note: Term Loan from Bank is secured against the Fixed Assets created from such loan. The loan is payable in 10 half yearly instalments payable on June and December each year.

**2.4 DEFERRED TAX LIABILITIES (NET)**

| | | |
|---|---|---|
| **Deferred Tax Assets** | | |
| Items u/s 43B and u/s 40(a)(i)(a) of I.T Act | (39.92) | (19.37) |
| **Deferred Tax Liabilities** | | |
| Depreciation | 286.29 | 227.98 |
| **Net Deferred Tax (Liability)/ Assets Total (2.4)** | 246.37 | 208.61 |

Note: Deferred Tax Assets/Liability is recognised as per AS 22 “Accounting for Taxes on Income" issued by the Companies (Accounting Standard) Rules, 2006. The Deferred Tax Assets & Liabilities comprises of Tax effect of above timing differences:

**2.5 OTHER LONG TERM LIABILITIES**

| | | |
|---|---|---|
| Security Deposits | 574.54 | 633.65 |
| **Total (2.5)** | 574.54 | 633.65 |

| | | As at 31.03.2013 | As at 31.03.2012 |
|---|---|---|---|
| **2.6** | **LONG TERM PROVISIONS** | | |
| | Provision for employee benefits | | |
| | For Leave | 112.40 | 103.06 |
| | Others | | |
| | For Contingency | 1.00 | 1.00 |
| | For Warranty and others | 297.59 | 314.06 |
| | **Total (2.6)** | 410.99 | 418.12 |
| **2.7** | **SHORT TERM BORROWINGS** | | |
| | **Secured** | | |
| | **Loans repayable on demand** | | |
| | **From banks** | | |
| | Cash Credit | 7,556.00 | 2,907.37 |
| | Export Packing Credit | 1,419.70 | 2,483.14 |
| | **Total (2.7)** | 8,975.70 | 5,390.51 |

**Notes:**

**1** Cash Credit facilities is secured by hypothecation of 1st charge on stocks, book debts and other current assets and 2nd charge on Fixed Assets.

**2** Cash Credit facilities is also cover by the 1st charge on immovable properties at Delhi to the extent of Rs. 5000.00 Lakhs and also corparate guarantee of Texmaco Infrastructure & Holdings Limited (formerly Texmaco Limited) to the extent of value of immovable property at Delhi.

| | | As at 31.03.2013 | As at 31.03.2012 |
|---|---|---|---|
| **2.8** | **TRADE PAYABLES** | | |
| | MSME | 67.66 | 107.71 |
| | Others | 23,879.73 | 34,263.43 |
| | **Total (2.8)** | 23,947.39 | 34,371.14 |

**Notes**

Information in terms of Section 22 of the Micro, Small and Medium Enterprises Development Act, 2006 is as follows:

| Particulars | 2012-13 | 2011-12 |
|---|---|---|
| Disclosure required under the Micro, Small and Medium Enterprises Development Act, 2006 (the Act) are given as follows: | | |
| (a) Principal amount due | 67.66 | 107.71 |
| Interest due on the above. | - | - |
| (b) Interest paid during the period beyond the appointed day | - | - |
| (c) Amount of interest due and payable for the period of delay in making payment without adding the interest specified under the Act. | - | - |
| (d) Amount of interest accrued and remaining unpaid at the end of the period. | - | - |
| (e) Amount of further interest remaining due and payable even in the succeeding years, until such date when the interest dues as above are actually paid to the small enterprise for the purpose of disallowance as a deductible expenditure under section 23 of the Act. | - | - |
| The above information regarding micro enterprise and small enterprises has been determined on the basis of information available with the Company. This has been relied upon by the auditors. | - | - |

| | | As at 31.03.2013 | As at 31.03.2012 |
|---|---|---|---|
| **2.9** | **OTHER CURRENT LIABILITIES** | | |
| | Current maturities of long-term debt | | |
| | Foreign Currency Term Loan (FCTL) | 262.53 | 139.38 |
| | Fixed deposit from employees/ex-employees | 10.47 | 24.37 |
| | Interest accrued but no due on borrowings | 8.21 | 7.95 |
| | Unpaid dividends | 11.46 | 5.61 |
| | **Other payable** | | |
| | TDS and other taxes payable | 1,462.25 | 1,429.86 |
| | Liabilities for Expenses | 1,622.62 | 1,104.80 |
| | Amount Due to Employee | 347.65 | 321.64 |
| | PF, ESI amount payble | 56.74 | 62.72 |
| | Others Misc. Payable | 58.95 | 455.66 |
| | Misc. Security Deposit | 577.54 | 402.71 |
| | Advance from Customer (Deposit against order) | 6,951.65 | 7,282.56 |
| | **Total (2.9)** | 11,370.07 | 11,237.26 |

**Notes:**

There is no amount due and outstanding to be credited to the Investor Education and Protection Fund against unpaid dividends as at 31.03.2013.

| | | | |
|---|---|---|---|
| **2.10** | **SHORT-TERM PROVISIONS** | | |
| | Provision for employee benefits | | |
| | For Leave | 64.19 | 52.74 |
| | For Gratuity | - | - |
| | Others | | |
| | Proposed Dividend | 1,820.27 | 1,820.27 |
| | Tax on Dividend | 309.35 | 295.29 |
| | **Total (2.10)** | 2,193.81 | 2,168.30 |
| **2.13** | **LONG TERM LOANS AND ADVANCES** | | |
| | **Unsecured Considered Good** | | |
| | Capital Advances | 1,218.58 | 1,970.24 |
| | Security Deposits | 63.30 | 69.36 |
| | **Other loans and advances** | | |
| | Prepaid Expenses | 13.21 | 32.47 |
| | **Total (2.13)** | 1,295.09 | 2,072.07 |
| **2.14** | **INVENTORIES** | | |
| | Raw materials & Components | 12,888.09 | 18,259.54 |
| | Work-in-progress | 8,075.75 | 6,151.23 |
| | Finished Goods | 205.32 | 119.35 |
| | Stores and spares | 1,029.99 | 702.49 |
| | Goods in Transit-Components | 2,465.92 | 2,764.95 |
| | **Total (2.14)** | 24,665.07 | 27,997.56 |

**Notes:**

1. Stock as per inventories taken,valued and certified by the managament.
2. Raw materials includes stock at site Rs. Nil (Previous Year Rs 78.22 lakhs)
3. **Mode of valuation**

   Inventories are valued at the lower of cost or net realisable 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.

| | | | |
|---|---|---|---|
| **2.15** | **TRADE RECEIVABLES** | | |
| | More than six months from the due date | | |
| | Unsecured, considered good | 8,063.36 | 5,915.72 |
| | Considered Doubtful | 600.00 | - |
| | | 8,663.36 | 5,915.72 |
| | Others-Unsecured ,considered good | 14,367.80 | 15,823.92 |
| | Less: Provision for doubtful debt | 600.00 | - |
| | **Total (2.15)** | 22,431.16 | 21,739.64 |

**Notes:**

1. In the opinion of the management trade receivables have a value on realisation in the ordinary course of business unless otherwise stated, at least to the amount at which they are stated.
2. Trade Receivables includes amount due from Texmaco UGL Rail Private Limited, a Joint Venture amounting to Rs 2,153.94 lakhs (Previous Year Rs Nil lakhs).
3. Trade Receivables includes Retention Money Rs. 4,044.58 lakhs (Previous Year Rs 3,636.52 lakhs)

| | | As at 31.03.2013 | As at 31.03.2012 |
|---|---|---|---|
| **2.16** | **CASH AND BANK BALANCES** | | |
| | **Cash and cash equivalents** | | |
| | Balances with banks | | |
| | Current Accounts | 2,844.26 | 160.91 |
| | Cash on hand | 9.11 | 60.04 |
| | | 2,853.37 | 220.95 |
| | **Other bank balances** | | |
| | Term Deposit of upto twelve months maturity | 5.20 | 5.00 |
| | Term Deposit of more than twelve months maturity(earmarked) | 1.67 | 1.67 |
| | Unpaid Dividend Account | 11.46 | 5.61 |
| | | 18.33 | 12.28 |
| | **Total (2.16)** | 2,871.70 | 233.23 |
| **2.17** | **SHORT TERM LOANS AND ADVANCES** | | |
| | **Unsecured Considered Good** | | |
| | Other loans and advances- | | |
| | Loan to Body Corporates | 275.00 | 300.00 |
| | Advance to Parties | 1,686.29 | 3,150.68 |
| | Advance to Employee | 53.51 | 73.09 |
| | Other Advances | 805.84 | 1,708.18 |
| | Prepaid Expenses | 47.31 | 0.24 |
| | Balances with Governmnet Deptt | 3,437.54 | 3,492.86 |
| | Advance Payment of FBT(Net of Provision) | - | 0.66 |
| | Income Tax(Net of Advance Tax) | 336.74 | 638.55 |
| | **Total (2.17)** | 6,642.23 | 9,364.26 |
| **2.18** | **OTHER CURRENT ASSETS** | | |
| | Interest accrued on Loans | 134.05 | 91.94 |
| | **Total (2.18)** | 134.05 | 91.94 |

## TEXMACO RAIL & ENGINEERING LIMITED
## Statement of Profit and Loss for the Year ended 31st March,2013

*(Rs in Lakhs)*

| Particulars | For the Year Ended 31.03.2013 | For the year ended 31.03.2012 |
|---|---|---|
| 2.19 **REVENUE FROM OPERATIONS** | | |
| Sale of products | 1,03,596.50 | 93,796.84 |
| Less: Inter Segment Revenue | (15,857.58) | (13,592.62) |
| Less: Excise Duty | (5,261.44) | (4,178.56) |
| | **82,477.48** | **76,025.66** |
| Other operating revenues | 463.75 | 717.70 |
| **Total (2.19)** | **82,941.23** | **76,743.36** |
| 2.20 **OTHER INCOME** | | |
| Interest Income | | |
| From Bank | 2.34 | 3.05 |
| From Others | 325.47 | 316.30 |
| Dividend - Income from Current Investments | 420.95 | 848.02 |
| Dividend - Income from Non-Current Investments | 3.52 | 0.20 |
| Net gain on Sale of Current Investments | 765.89 | 1,187.13 |
| Miscellaneous Receipts and Income | 280.66 | 11.84 |
| Export Incentive | 250.36 | 67.35 |
| Sundry Credit Balance Adjusted | 0.05 | 0.79 |
| Profit on sale of Fixed Assets (Net) | 15.63 | 56.28 |
| Rent Received | 1,014.50 | 68.78 |
| Provision & Excess Liabilities Written Back | 15.82 | 0.10 |
| Provision for Diminution of Current Investment Written Back | - | 0.90 |
| Income related to previous year | 1.50 | - |
| **Total (2.20)** | **3,096.69** | **2,560.74** |
| **2.21 COST OF MATERIAL CONSUMED** | | |
| Opening Stock of Raw Materials | 4,692.91 | 2,577.58 |
| Add: Raw materials Purchased and Departmental Transfers etc. | 14,997.37 | 11,503.28 |
| | 19,690.28 | 14,080.86 |
| Less:Returns,Sales and Departmental issues used in Works and In Block | 2,815.15 | 966.22 |
| Less: Closing Stock of Raw Materials | 3,400.57 | 4,692.91 |
| | 6,215.72 | 5,659.13 |
| | 13,474.56 | 8,421.73 |
| Consumption of Components (Incl job processing and contract labour charges Rs. 4314.91 lakhs, previous year Rs. 3681.12 lakhs) | 55,458.83 | 53,492.45 |
| Less Inter Segment Sale | (15,857.58) | (13,592.62) |
| **Total (2.21)** | **53,075.81** | **48,321.56** |
| **2.22 CHANGES IN INVENTORIES** | | |
| Opening Sock | | |
| 1 Finished Goods | 119.35 | 160.86 |
| 2 Work-in-progress | 6,151.23 | 4,591.72 |
| | 6,270.58 | 4,752.58 |
| Less: Closing Stock | | |
| 1 Finished Goods | 205.32 | 119.35 |
| 2 Work-in-progress | 8,075.75 | 6,151.23 |
| | 8,281.07 | 6,270.58 |
| **Total (2.22)** | **(2,010.49)** | **(1,518.00)** |

(Rs in Lakhs)

| | | For the Year Ended 31.03.2013 | | For the year ended 31.03.2012 |
|---|---|---|---|---|
| **2.23 EMPLOYEE BENEFITS EXPENSE** | | | | |
| Salaries ,Wages and Bonus | | 3,751.24 | | 3,552.37 |
| Contribution to provident and other funds | | | | |
| Provident Fund and Pension Fund | | 360.87 | | 359.37 |
| Superannuation Fund | | 12.27 | | 31.18 |
| Gratuity | | 11.50 | | 328.60 |
| Provision for Leave Encashment | | 28.76 | | - |
| Expenses on ESOP | | - | | (35.61) |
| Staff Welfare Expenses | | 240.30 | | 230.47 |
| **Total (2.23)** | | **4,404.94** | | **4,466.38** |
| | | | | |
| **2.24 FINANCE COSTS** | | | | |
| **Interest Expenses** | | | | |
| Banks | | 680.14 | | 773.24 |
| Fixed Deposit | | 3.19 | | 3.58 |
| Others | | 42.62 | | 49.51 |
| | | **725.95** | | 826.33 |
| **Other Borrowing Costs** | | 467.04 | | 295.58 |
| **Total (2.24)** | | 1,192.99 | | 1,121.91 |
| | | | | |
| **2.11 DEPRECIATION AND AMORTIZATION EXPENSES** | | | | |
| For the Year | | 993.78 | | 952.07 |
| Less: Recouped from the revaluation reserve | | 54.60 | | 34.27 |
| **Total (2.11)** | | **939.18** | | 917.80 |
| | | | | |
| **2.25 OTHER EXPENSES** | | | | |
| Consumption of stores and spares part | | 5,730.44 | | 4,928.43 |
| Power and Fuel | | 4,791.94 | | 3,458.70 |
| Rent | | 31.00 | | 31.46 |
| Repairs to buildings | | 497.38 | | 475.39 |
| Repairs to machinery | | 239.78 | | 489.32 |
| Repairs to others | | 227.89 | | 216.46 |
| Insurance | | 20.73 | | 44.98 |
| Rates and Taxes excluding taxes on Income | | 61.56 | | 52.25 |
| Freight,Packing and Transport(Net) | | 216.86 | | (180.30) |
| Erection Expenses | | 265.50 | | 438.48 |
| Jigs & Fixtures,Drawings and Designs | | 0.99 | | 112.17 |
| Royalty & Knowhow | | 13.42 | | 12.22 |
| Research & Development | | 180.39 | | 270.07 |
| Excise Duty Provided on Stock | | 0.64 | | 2.19 |
| Selling Agents Commission | | 180.69 | | 49.00 |
| Selling Expenses | | 285.73 | | 190.08 |
| Director's Sitting Fees | | 5.30 | | 3.70 |
| Director's Commission | | 10.81 | | 9.27 |
| Payments to the Auditor | | | | |
| As Auditor | 7.30 | | 6.18 | |
| For Tax Audit | 2.92 | | 2.43 | |
| For Quarterly Review | 2.74 | | 2.27 | |
| For Fees for Other Services (incl for issuing various certificates) | 4.42 | | 1.15 | |
| For Reimbursement of out of poket expenses | 0.73 | 18.11 | 0.33 | 12.36 |
| Donation | | 2.79 | | 8.43 |
| Miscellaneous Expenses | | 1,051.36 | | 1,191.12 |
| Sundry Debit Balance Adjusted | | 9.18 | | 0.46 |
| Provision for doubtful debt | | 600.00 | | - |
| Bad Debt written off | | 106.14 | | 147.69 |
| Provision for Diminution of Current Investment | | 4.15 | | - |
| Expenses related to previous year | | 0.13 | | 0.54 |
| Net gain or loss on foreign currency transaction | | 405.91 | | 404.26 |
| **Total (2.25)** | | **14,958.82** | | **12,368.73** |

**Note 2.11**
**FIXED ASSETS**

*( Rs. In Lakhs )*

| DESCRIPTION OF ASSETS | GROSS BLOCK AS ON 01/04/2012 | GROSS BLOCK ADDITIONS DURING THE YEAR | GROSS BLOCK SALES/ ADJUSTMENTS | GROSS BLOCK AS ON 31/03/2013 | DEPRECIATION AS ON 01/04/2012 | DEPRECIATION DURING THE YEAR | DEPRECIATION SALES/ ADJUSTMENTS | DEPRECIATION AS ON 31/03/2013 | NET BLOCK AS ON 31/03/2013 | NET BLOCK AS ON 31/03/2012 |
|---|---|---|---|---|---|---|---|---|---|---|
| **TANGIBLE ASSETS** | | | | | | | | | | |
| *Land* | 1,375.01 | -- | -- | 1,375.01 | -- | -- | -- | -- | 1,375.01 | 1,375.01 |
| *Buildings* | 5,271.32 | 709.11 | -- | 5,980.43 | 2,656.27 | 104.16 | -- | 2,760.43 | 3,220.00 | 2,615.05 |
| *Roads* | 114.10 | 22.18 | -- | 136.28 | 42.85 | 1.41 | -- | 44.26 | 92.02 | 71.25 |
| *Railway Sidings* | 283.40 | 12.28 | -- | 295.68 | 147.32 | 9.88 | -- | 157.20 | 138.48 | 136.08 |
| *Plant & Machinery* | 12,132.98 | 1,029.11 | 30.97 | 13,131.12 | 6,942.88 | 776.73 | 29.43 | 7,690.18 | 5,440.94 | 5,190.10 |
| *Electrical Machinery* | 844.66 | 87.73 | 0.36 | 932.03 | 414.33 | 30.20 | 0.34 | 444.19 | 487.84 | 430.33 |
| *Office Equipments* | 435.95 | 30.64 | 0.10 | 466.49 | 252.40 | 31.32 | 0.10 | 283.62 | 182.87 | 183.55 |
| *Furniture & Fittings* | 186.43 | 31.22 | -- | 217.65 | 86.26 | 8.30 | -- | 94.56 | 123.09 | 100.17 |
| *Vehicles* | 416.00 | 44.84 | 24.71 | 436.13 | 186.16 | 31.78 | 6.99 | 210.95 | 225.18 | 229.84 |
| ***TOTAL*** | **21,059.85** | **1,967.11** | **56.14** | **22,970.82** | **10,728.47** | **993.78** | **36.86** | **11,685.39** | **11,285.43** | **10,331.38** |
| *CAPITAL WORK - IN - PROGRESS* | 3,718.68 | 2,888.51 | 1,066.71 | 5,540.48 | -- | -- | -- | -- | 5,540.48 | 3,718.68 |
| ***GRAND TOTAL*** | **24,778.53** | **4,855.62** | **1,122.85** | **28,511.30** | **10,728.47** | **993.78** | **36.86** | **11,685.39** | **16,825.91** | **14,050.06** |
| *PREVIOUS YEAR* | 20,581.58 | 4,359.94 | 162.99 | 24,778.53 | 9923.07 | 952.07 | 146.67 | 10,728.47 | 14,050.06 | |

**Texmaco Rail & Engineering Limited**
**Investment as on 31st March 2013**

| **Note:(2.12)(a)** | **As at 31.03.13 (Rs. in Lakhs)** | **As at 31.03.12 (Rs. in Lakhs)** |
|---|---|---|
| **NON-CURRENT INVSETMENTS (AT COST)** | | |
| **OTHER THAN TRADE INVESTMENTS (Quoted)** | | |
| **Fully paid-up** | | |
| **Investments in Equity Instruments** | | |
| Texmaco Infrastructure & Holdings Ltd.<br>23,49,809 (2012: 23,49,809) Units of Re 1 each | 732.63 | 732.63 |
| Chambal Fertilisers & Chemicals Ltd.<br>10,00,000 (2012: Nil) Units of Rs 10 each | 532.39 | - |
| **Investments in Equity Instruments of Joint Ventures (Unquoted)** | | |
| Texmaco UGL Rail Pvt. Ltd.<br>1,17,25,000, (2012: 1,02,96,000) Units of Rs 10 each | 4101.25 | 3601.10 |
| Touax Texmaco Railcar Leasing Pvt Limited<br>1,26,49,999 (2012: 25,000) Units of Rs 10 each | 1264.99 | 2.50 |
| **TOTAL NON CURRENT INVESTMENTS** | **6631.26** | **4336.23** |
| i) Aggregate amount of quoted investments | 1265.02 | 732.63 |
| ii) Market Value of quoted investments | 1124.22 | 633.27 |
| iii) Aggregate amount of unquoted investments | 5366.24 | 3603.60 |
| iv) Aggregate Provision for diminution in value of Investments | - | - |

| **Note:(2.12)(b)** | | |
|---|---|---|
| **CURRENT INVESTMENTS (At Lower of Cost and Fair Value)** | | |
| **Fully paid-up** | | |
| **a) Investments in Equity Instruments (Quoted)** | | |
| Idea Cellular Limited<br>5,000 (2012: 5,000) Units of Rs 10 each | 7.30 | 7.30 |
| Powergrid Corporation of India Limited<br>11,000 (2012: 11,000) Units of Rs 10 each | 16.78 | 16.78 |
| Tata Teleservices (Maharashtra) Limited<br>20,000 (2012: 20,000) Units of Rs 10 each | 9.79 | 9.79 |
| East India Hotels Limited<br>10,000 (2012: 10,000) Units of Rs 2 each | 17.29 | 17.29 |
| SREI Infrastructure Finance Limited<br>1,800 (2012: 1,800) Units of Rs 10 each | 2.17 | 2.17 |
| Century Textiles Limited<br>500 (2012: 500) Units of Rs 10 each | 4.35 | 4.35 |
| NHPC Limited<br>1,01,471 (2012: 1,01,471) Units of Rs 10 each | 36.53 | 36.53 |
| **Sub-total** | **94.21** | **94.21** |
| Less: Provision for Diminution | (47.73) | (43.58) |
| **Sub-total-(a)** | **46.48** | **50.63** |

**Note:(2.12)(b)**

| | As at 31.03.13 (Rs. in Lakhs) | As at 31.03.12 (Rs. in Lakhs) |
|---|---|---|
| **b) Investments in Bonds (Unquoted)** | | |
| In NABARD<br>26,750 (2012: 26,750) Units of Rs 8500 each (FV Rs 20,000) | 2498.45 | 2498.45 |
| In 6.70% IRFC Bond<br>540 (2012: 540) Units of Rs 1,00,000 each | 540.00 | 540.00 |
| In 6.85% IIFCL<br>1,000 (2012: 1,000) Units of Rs 1,00,000 each | 1005.50 | 1005.50 |
| In 8.10% IRFC<br>21,751 (2012: 21,751) Units of Rs 1,000 each | 217.51 | 217.51 |
| In 8.30% GOI Bond<br>5,00,000 (2012: 5,00,000) Units of Rs 100 each | 462.50 | 462.50 |
| In 8.30% NHAI<br>49,448 (2012: 49,448) Units of Rs 1,000 each | 494.48 | 494.48 |
| In 8.20% HUDCO<br>50,000 (2012: 50,000) Units of Rs 1,000 each | 500.00 | 500.00 |
| **Sub-total-(b)** | **5718.44** | **5,718.44** |
| **c) Investments in Mutual Funds (Unquoted)** | | |
| Axis Treasury Advantage Fund - Weekly Dividend<br>Nil (2012: 53,711) Units of Rs 1000 each | - | 537.38 |
| Axis Treasury Advantage Fund Direct Plan Growth<br>44,165 (2012: Nil) Units of Rs 1000 each | 574.81 | - |
| Baroda Pioneer Treasury Advantage Fund Daily Dividend<br>Nil (2012: 55,102) Units of Rs 1,000 each | - | 551.52 |
| Baroda Pioneer FMP Series B PLAN B (378 Days) Growth Plan<br>59,02,134 (2012: Nil) Units of Rs 10 each | 590.21 | - |
| Birla Sun Life Dynamic Bond fund -Retail -Growth -Regular Plan<br>61,32,581 (2012: Nil) Units of Rs 10 each | 1216.67 | - |
| Birla Sun Life Income Plus Growth Regular Plan<br>21,15,639 (2012: Nil) Units of Rs 10 each | 1116.88 | - |
| Birla Sun Short Term Fund -Growth Direct Plan<br>24,80,968 (2012: Nil) Units of Rs 10 each | 1075.51 | - |
| Birla Sun Life Fixed Term Plan Series E Growth<br>Nil (2012: 1,01,55,004) Units of Rs 10 each | - | 1015.50 |
| BSL Fixed Term Plan Series EW Growth 1 year<br>Nil (2012: 97,19,023) Units of Rs 10 each | - | 971.90 |
| BSL Fixed Term Plan Series<br>Nil (2012: 1,10,17,100) Units of Rs 10 each | - | 1101.71 |
| DSP Black Rock FMP Series 38 12.5M Growth<br>50,03,849 (2012: 50,03,849) Units of Rs 10 each | 500.38 | 500.38 |
| HDFC Income Fund - Growth<br>21,98,991 (2012: Nil) Units of Rs 10 each | 575.97 | - |
| HDFC FMP 92D Feb 2012(2) Div. Series XIX<br>Nil (2012: 56,15,436) Units of Rs 10 each | - | 561.54 |
| HDFC FMP 392D March 2012(2) Growth<br>1,68,00,000 (2012: 1,68,00,000) Units of Rs 10 each | 1680.00 | 1680.00 |
| ICICI Prudential FMP Series 63 -1 year Plan B Com<br>Nil (2012: 1,67,88,072) Units of Rs 10 each | - | 1678.81 |

**Note:(2.12)(b)**

| | As at 31.03.13 (Rs. in Lakhs) | As at 31.03.12 (Rs. in Lakhs) |
|---|---|---|
| IDFC Cash Fund - Super Institutional<br>Nil (2012: 55,270) Units of Rs 1,000 each | - | 552.83 |
| IDFC Super Saver Income Fund - Investment Growth Option<br>18,60,171 (2012: Nil) Units of Rs 10 each | 506.60 | - |
| JM Floater Short Term Fund -Direct - Growth Option<br>27,27,739 (2012: Nil) Units of Rs 10 each | 500.00 | - |
| Kotak Bond Scheme Plan A - Growth<br>16,81,145 (2012: Nil) Units of Rs 10 each | 551.97 | - |
| Kotak FMP Series 66 -370 days<br>Nil (2012: 50,00,000) Units of Rs 10 each | - | 500.00 |
| Kotak FMP Series 83 Growth<br>Nil (2012: 50,06,147) Units of Rs 10 each | - | 500.61 |
| Kotak Floater Short Term Fund Daily Dividend<br>54,660 (2012: Nil) Units of Rs 1,000 each | 552.83 | - |
| L& T FMP -VII (March-367 days B) Growth<br>50,00,000 (2012: Nil) Units of Rs 10 each | 500.00 | - |
| Reliance Income Fund- Growth Plan - Bonus Option<br>1,82,76,119 (2012: Nil) Units of Rs 10 each | 2030.11 | - |
| Reliance Fixed Horizon Fund- Series 3<br>Nil (2012: 1,09,23,004) Units of Rs 10 each | - | 1092.30 |
| Reliance Fixed Horizon Fund-21 Series 18 Growth Plan<br>1,75,85,195 (2012: Nil) Units of Rs 10 each | 1758.52 | - |
| Reliance Fixed Horizon Fund-19 Series II<br>Nil (2012: 1,75,85,195) Units of Rs 10 each | - | 1758.52 |
| Reliance Dynamic Bond Fund Growth Plan<br>Nil (2012: 37,54,458) Units of Rs 10 each | - | 500.00 |
| Reliance Dynamic Bond Fund Direct Growth Plan<br>37,49,367 (2012: Nil) Units of Rs 10 each | 588.65 | - |
| Religare Liquid Fund Direct Growth Plan<br>7,927 (2012: Nil) Units of Rs 1000 each | 127.50 | - |
| SBI SDFS - 370 -12 Growth<br>Nil (2012: 50,01,051) Units of Rs 10 each | - | 500.11 |
| SBI Magnum Income Fund Regular Plan - Growth<br>38,52,150 (2012: Nil) Units of Rs 10 each | 1079.01 | - |
| SBI SHF Ultrashort Term Fund<br>Nil (2012: 9,885) Units of Rs 10 each | - | 98.91 |
| SBI SDFS - 90 days -57 Dividend Payout<br>Nil (2012: 7,85,000) Units of Rs 10 each | - | 785.00 |
| SBI Debt Fund Series - 180 days 22 Div<br>Nil (2012: 1,00,00,000) Units of Rs 10 each | - | 1,000.00 |
| SBI Ultra Short Term Debt Fund Direct Plan Growth<br>33,550 (2012: Nil) Units of Rs 1,000 each | 503.98 | - |
| TATA FMP Series<br>Nil (2012: 2,20,24,600) Units of Rs 10 each | - | 2202.46 |
| TATA FMP Series 39 Scheme Growth<br>2,20,24,600 (2012: Nil) Units of Rs 10 each | 2202.46 | - |

**Note:(2.12)(b)**

| | As at 31.03.13 (Rs. in Lakhs) | As at 31.03.12 (Rs. in Lakhs) |
|---|---|---|
| Templeton India Ultra Short Bond Fund -Growth<br>34,06,418 (2012: Nil) Units of Rs 10 each | 520.00 | - |
| UTI Fixed Term Income Fund Series -XIV -VI - Direct Growth Plan<br>72,51,855 (2012: Nil) Units of Rs 10 each | 725.19 | - |
| UTI Money Market Fund Institutional Daily Div. Reinv.<br>Nil (2012: 1,91,146) Units of Rs 1,000 each | - | 1917.92 |
| UTI Fixed Maturity Plan Quarterly Series QF MP 2/12<br>Nil (2012: 52,03,349) Units of Rs 10 each | - | 520.33 |
| UTI liquid Cash Plan Daily Div OP.Reinv<br>Nil (2012: 61,960) Units of Rs 1,000 each | - | 631.65 |
| **Sub-total-(c)** | **19,477.25** | **21,159.38** |
| **TOTAL CURRENT INVESTMENTS (a+b+c)** | **25,242.17** | **26,928.45** |
| Aggregate amount of Quoted Current Investments | 94.21 | 94.21 |
| Market Value of Quoted Investments | 46.48 | 50.63 |
| Aggregate amount of Unquoted Investments | 25,195.69 | 26,877.82 |
| Aggregate amount of written down on Current investments | 47.73 | 43.58 |
| Aggregate NAV value of unquoted Mutual Funds | 20,308.02 | 21,408.51 |

**Notes on Accounts**

| 2.26 | **COMMITMENTS AND CONTINGENT LIABILITIES** | | |
|---|---|---|---|
| | | **2012-13** | **2011-12** |
| **(a)** | **Commitments** | **(Rs. in Lakhs)** | **(Rs. in Lakhs)** |
| | Estimated amount of contracts remaining to be executed on Capital Account and not provided for (Net of advance) | 3,672.44 | 801.34 |

| | | **2012-13** | **2011-12** |
|---|---|---|---|
| | | **(Rs. in Lakhs)** | **(Rs. in Lakhs)** |
| **(b)** | **Contingent Liabilities (not provided for) in respect of :** | | |
| | (a) Guarantees given by Banks in the normal course of Business. | 33,127.06 | 33,854.27 |
| | (b) Letters of Credit opened by Banks in the normal course of Business. | 5,808.28 | 9,962.66 |
| | (c) Bonds issued to Custom Department | 92.20 | 92.20 |
| | (d )Claims under dispute (Excise Duty, Service Tax & others) | 2199.50 | 2,199.50 |
| | (e) Claims not acknowledged as debts (Amount unascertainable) | - | - |
| | (f) Income Tax assessment re-opened (Amount unascertainable) | - | - |

**2.27. Movement of Provisions during the year as required under AS 29 prescribed by the Companies (Accounting Standard) Rules 2006.**

*(Rs. in Lakhs)*

| **Particulars** | **Opening Provision as on 1.4.2012** | **Utilized during the year** | **Reversed during the year** | **Provision during the year** | **Closing provision as on 31.03.2013** |
|---|---|---|---|---|---|
| (a) Site warranty period maintenance | 183.99 | ---- | ---- | ---- | 183.99 |
| (b) Others | 130.07 | 34.04 | ---- | 17.57 | 113.60 |
| **Total** | **314.06** | **34.04** | ---- | **17.57** | **297.59** |
| Previous Year | 367.40 | 53.34 | ---- | ---- | 314.06 |

In accordance with the requirement of AS 29 "Provisions, Contingent Liabilities and Contingent Assets" issued by the Companies (Accounting Standard) Rules 2006, the company has provided liability for other expenses amounting to Rs. 17.57 lakhs (Previous Year Nil).

Site warranty period maintenance: - The Company gives warranties and maintenance on certain products and services, undertaking to repair, replace and maintain the items for satisfactory working during the warranty period. Provision as at 31.03.2013 represents the amount of the expected cost of meeting such obligations of rectification/ replacement/ maintenance. The timing of the outflow is expected to be within a period of two years.

Provision for others: - It represents liabilities related to various site expenses including contractor service charges for sites, administrative charges etc, likely to materialise in the next financial year.

**2.28** 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 and the provisions for all known and determined liabilities is adequately provided.

**2.29** Balance of debtors and loans and advances are subject to confirmation from respective parties.

## 2.30 RELATED PARTY DISCLOSURE

### (a) Name of the related parties and relationship as per Accounting Standard 18

| | Relationship | Parties where control Exist 2012-13 | Parties where control Exist 2011-12 |
|---|---|---|---|
| A. | Key Management Personnel | Shri S. K. Poddar<br>Executive Chairman | Shri S. K. Poddar<br>Executive Chairman |
| | | Shri Ramesh Maheshwari<br>Executive Vice Chairman | Shri Ramesh Maheshwari<br>Executive Vice Chairman |
| | | Shri D. H. Kela<br>Whole Time Director, President & CEO | Shri D. H. Kela<br>Whole Time Director, President & CEO |
| B. | Associate Company | Texmaco Infrastructure & Holdings Limited | Texmaco Infrastructure & Holdings Limited |
| C. | Joint Venture | Texmaco UGL Rail Pvt. Limited | Texmaco UGL Rail Pvt. Limited |
| | | Touax Texmaco Railcar Leasing Pvt. Ltd. | Touax Texmaco Railcar Leasing Pvt. Ltd. |
| D. | Group Company where transaction exists. | Zuari Investments Ltd<br>Duke Commerce Ltd.<br>Adventz Securities Enterprises Ltd.<br>Zuari Global Ltd.<br>Adventz Investments and Holdings Ltd<br>New Eros Tradecom Ltd.<br>Master Exchange & Finance Ltd.<br>Adventz Investments Co. Pvt. Ltd.<br>Adventz Securities Trading Pvt. Ltd.<br>Adventz Finance Pvt. Ltd..<br>Eureka Traders Pvt. Ltd.<br>Abhishek Holdings Pvt. Ltd.<br>Greenland Trading Pvt. Ltd.<br>Indrakshi Trading Company Pvt. Ltd.<br>Zuari Management Services Ltd.<br>High Quality Steels Ltd.<br>Lionel India Limited<br>Macfarlane & Co. Limited | Zuari Investments Ltd<br>Duke Commerce Ltd.<br>Adventz Securities Enterprises Ltd.<br>Zuari Global Ltd.<br>Adventz Investments and Holdings Ltd<br>New Eros Tradecom Ltd.<br>Master Exchange & Finance Ltd.<br>Adventz Investments Co. Pvt. Ltd<br>Adventz Securities Trading Pvt. Ltd.<br>Adventz Finance Pvt. Ltd.<br>Eureka Traders Pvt. Ltd<br>Abhishek Holdings Pvt. Ltd.<br>Greenland Trading Pvt. Ltd<br>Indrakshi Trading Company Pvt. Ltd.<br>Zuari Management Services Ltd<br>High Quality Steels Ltd.<br>Lionel India Limited<br>Macfarlane & Co. Limited |

### (b) Related Party Transactions

*(Rs in Lakhs)*

| Transactions | Other Related Party | Joint venture | Key Management Personnel | Grand Total |
|---|---|---|---|---|
| **Remuneration Paid** | | | | |
| - Shri S. K. Poddar | --<br>(--) | --<br>(--) | 369.82<br>(303.56) | 369.82<br>(303.56) |
| - Shri Ramesh Maheshwari | --<br>(--) | --<br>(--) | 122.55<br>(111.90) | 122.55<br>(111.90) |
| - Shri D. H. Kela | --<br>(--) | --<br>(--) | 71.33<br>(58.91) | 71.33<br>(58.91) |
| **Investment** | | | | |
| - Texmaco UGL Rail Pvt. Limited | --<br>(--) | 500.15<br>(3600.10) | --<br>(--) | 500.15<br>(3600.10) |
| - Touax Texmaco Railcar Leasing Pvt. Limited | --<br>(--) | 1,262.49<br>(2.50) | --<br>(--) | 1,262.49<br>(2.50) |
| - Texmaco Infrastructure & Holdings Limited | --<br>(732.63) | --<br>(--) | --<br>(--) | --<br>(732.63) |
| **Dividend Paid** | | | | |
| - Abhishek Holdings Pvt. Ltd. | --<br>(--) | --<br>(--) | --<br>(--) | --<br>(--) |
| - Adventz Securities Enterprises Ltd. | 38.09<br>(38.09) | --<br>(--) | --<br>(--) | 38.09<br>(38.09) |
| - Adventz Investments and Holdings Ltd | 79.48<br>(79.48) | --<br>(--) | --<br>(--) | 79.48<br>(79.48) |
| - Adventz Investments Co. Pvt. Ltd. | 30.35<br>(30.35) | --<br>(--) | --<br>(--) | 30.35<br>(30.35) |
| - Adventz Securities Trading Pvt. Ltd. | 4.28<br>(4.28) | --<br>(--) | --<br>(--) | 4.28<br>(4.28) |
| - Adventz Finance Pvt. Ltd. | --<br>(--) | --<br>(--) | --<br>(--) | --<br>(--) |
| - Duke Commerce Ltd. | 75.14<br>(75.14) | --<br>(--) | --<br>(--) | 75.14<br>(75.14) |
| - Eureka Traders Pvt. Ltd. | --<br>(--) | --<br>(--) | --<br>(--) | --<br>(--) |

| Transactions | Other Related Party | Joint venture | Key Management Personnel | Grand Total |
|---|---|---|---|---|
| - Greenland Trading Pvt. Ltd. | 0.35<br>(0.35) | --<br>(--) | --<br>(--) | 0.35<br>(0.35) |
| - Master Exchange & Finance Ltd. | 0.16<br>(0.16) | --<br>(--) | --<br>(--) | 0.16<br>(0.16) |
| - New Eros Tradecom Ltd. | 7.38<br>(7.38) | --<br>(--) | --<br>(--) | 7.38<br>(7.38) |
| - Indrakshi Trading Company Pvt. Ltd. | 0.30<br>(0.30) | --<br>(--) | --<br>(--) | 0.30<br>(0.30) |
| - Texmaco Infrastructure & Holdings Limited | 546.00<br>(546.00) | --<br>(--) | --<br>(--) | 546.00<br>(546.00) |
| - Zuari Investments Ltd. | 289.63<br>(289.63) | --<br>(--) | --<br>(--) | 289.63<br>(289.63) |
| - Zuari Global Ltd. | 40.35<br>(40.35) | --<br>(--) | --<br>(--) | 40.35<br>(40.35) |
| - Shri S. K. Poddar | -- | --<br>(--) | 23.97<br>(23.97) | 23.97<br>(23.97) |
| - Shri Ramesh Maheshwari | -- | --<br>(--) | 0.60<br>(--) | 0.60<br>(--) |
| - Shri D. H. Kela | -- | --<br>(--) | 0.30<br>(--) | 0.30<br>(--) |
| **Dividend Received** | | | | |
| - Texmaco Infrastructure & Holdings Limited | 3.53<br>(0.20) | --<br>(--) | --<br>(--) | 3.53<br>(0.20) |
| **Others** | | | | |
| - Adventz Investments & Holdings Ltd. (Rent Paid) | 15.76<br>(15.87) | --<br>(--) | --<br>(--) | 15.76<br>(15.87) |
| - High Quality Steels Ltd. (Services Received) | 524.83<br>(387.74) | --<br>(--) | --<br>(--) | 524.83<br>(387.74) |
| - Lionel India Limited (Services Received) | 101.38<br>(89.49) | --<br>(--) | --<br>(--) | 101.38<br>(89.49) |
| - Texmaco UGL Rail Pvt. Limited (Services Provided) | --<br>(--) | 2153.94<br>(--) | --<br>(--) | 2153.94<br>(--) |
| - Zuari Investments Ltd. (Depository Services) | 1.04<br>(1.03) | --<br>(--) | --<br>(--) | 1.04<br>(1.03) |
| - Zuari Management Services Ltd. (Guest Welfare) | 0.05<br>(--) | --<br>(--) | --<br>(--) | 0.05<br>(--) |
| - Macfarlane & Co. Limited | --<br>(--) | --<br>(--) | --<br>(--) | --<br>(--) |

## 2.31 EMPLOYEE BENEFITS OBLIGATION :

The Company accounts for Gratuity & Leave Liability at actuarial valuation at the end of the year i.e. 31st March. Accordingly these Liabilities have been computed by the actuary as at 31st March, 2013.

**Employee Benefits**

**Defined benefits Plans – As per Actuarial valuation as on March 31, 2013**

*(Rs. In Lakhs)*

| | | Funded Gratuity 2012-13 | Funded Gratuity 2011-12 | Unfunded Leave 2012-13 | Unfunded Leave 2011-12 |
|---|---|---|---|---|---|
| I | **Change of Benefit Organisation** | | | | |
| | Liability at the beginning of the year | 1,734.42 | 1,751.61 | 155.80 | 153.72 |
| | Interest cost | 138.75 | 148.88 | 12.46 | 2.93 |
| | Current Service Cost | 98.82 | 89.99 | 3.90 | 13.07 |
| | Past Service Cost (Non Vested Funds) | ---- | ---- | ---- | ---- |
| | Past Service Cost (Vested Funds) | ---- | ---- | ---- | ---- |
| | Benefits Paid | (177.30) | (180.52) | (7.96) | (9.06) |
| | Actuarial (Gain)/Loss on obligation | 96.87 | (75.54) | 12.39 | (4.86) |
| | Curtailments and Settlements | ---- | ---- | ---- | ---- |
| | Plan Amendment | ---- | ---- | ---- | ---- |
| | Liability at the end of the year | 1,891.56 | 1,734.42 | 176.59 | 155.80 |
| II | **Fair Value of Plan Assets** | | | | |
| | Fair value of Plan Assets at the beginning of the year | 2,065.01 | 1,803.48 | ---- | ---- |
| | Expected Return on Plan Assets | 185.85 | 153.30 | ---- | ---- |
| | Contributions | 15.97 | 276.72 | 7.96 | 9.06 |
| | Benefit Paid | (177.30) | (180.52) | (7.96) | (9.06) |
| | Actuarial Gain/(Loss) on Plan Assets | (21.13) | 12.03 | ---- | ---- |
| | Fair Value of Plan Assets at the end of the year | 2,068.40 | 2,065.01 | ---- | ---- |
| | Total Actuarial (Gain)/Loss to be Recognised | 118.00 | (87.57) | ---- | ---- |
| III | **Actual Return on Plan Assets** | | | | |
| | Expected Return on Plan Assets | 185.85 | 153.30 | ---- | ---- |
| | Actuarial Gain/(Loss) on Plan Assets | 21.13 | 12.03 | ---- | ---- |
| | Actual Return on Plan Assets | 164.72 | 165.33 | ---- | ---- |

| | | Funded Gratuity 2012-13 | Funded Gratuity 2011-12 | Unfunded Leave 2012-13 | Unfunded Leave 2011-12 |
|---|---|---|---|---|---|
| **IV** | **Amount Recognised in the balance sheet** | | | | |
| | Liability at the end of the year | 1,891.56 | 1,734.42 | 176.59 | 155.80 |
| | Fair Value of Plan Assets at the end of the year | 2,068.40 | 2,065.01 | ---- | ---- |
| | Difference | (176.84) | (330.59) | 176.59 | 155.80 |
| | Unrecognised Past Service Cost | ---- | ---- | ---- | ---- |
| | Amount Recognised in the Balance Sheet | (176.84) | (330.59) | 176.59 | 155.80 |
| **V** | **Expenses Recognised in the Income Statement** | | | | |
| | Current Service Cost | 98.82 | 89.99 | 3.91 | 2.93 |
| | Interest Cost | 138.75 | 148.88 | 12.46 | 13.07 |
| | Expected Return on Plan Assets | (185.85) | (153.30) | ---- | ---- |
| | Net Actuarial (Gain)/Loss to be Recognised | 118.00 | (87.57) | 12.39 | (4.86) |
| | Past Service Cost/(Non Vested Benefit) Recognised | ---- | ---- | ---- | ---- |
| | Past Service Cost/(Vested Benefit) Recognised | ---- | ---- | ---- | ---- |
| | Effect of Curtailment or settlement | ---- | ---- | ---- | ---- |
| | Curtailments and Settlements | ---- | ---- | ---- | ---- |
| | Expenses Recognized in the Profit and Loss Account | 169.73 | (2.00) | 28.76 | 11.14 |
| **VI** | **Balance Sheet Reconciliation** | | | | |
| | Opening Net Liability | (330.59) | (51.87) | 155.79 | 153.72 |
| | Expense as above | 169.72 | (2.00) | 28.75 | 11.14 |
| | Employers Contribution | (15.97) | (276.72) | ---- | ---- |
| | Effect of Curtailment or settlement | ---- | ---- | ---- | ---- |
| | Benefits paid | ---- | ---- | (7.96) | (9.06) |
| | Amount Recognised in the Balance Sheet | (176.84) | (330.59) | 176.59 | 155.80 |
| **VII** | **Actuarial Assumption** | | | | |
| | Discount Rate Current | 8.50% | 8.25% | 8.50% | 8.25% |
| | Rate of Return on Plan Assets | 9.00% | 8.50% | ---- | ---- |
| | Salary Escalation Current | 5.00% | 5.00% | 5.00% | 5.00% |

**2.32 EARNING PER SHARE – THE NUMBERATOR AND DENOMINATOR USED TO CALCULATE BASIC/ DILUTED EARNING PER SHARE**

| | | 2012-13 | 2011-12 |
|---|---|---|---|
| Net Profit for the period from ordinary activities attributable to equity shareholders (Excluding Preference Share Dividend) – used as numerator. | Rs in Lakhs | 9,426.91 | 9,305.72 |
| Weighted average number of Equity share outstanding used as denominator for Basic earning per share. | Number | 182026590 | 182026590 |
| (A) Basic Earning per share ( face value of Re 1/- each) | Rs. | 5.18 | 5.11 |
| (B) Diluted Earning per share ( face value of Re 1/- each) | Rs. | 5.18 | 5.11 |

**2.33 INTEREST IN JOINT VENTURE (JV)**

**Particulars of the Company's interest in Jointly Controlled Entity is as below:**

| | Percentage of ownership | Country of Incorporation |
|---|---|---|
| Texmaco UGL Rail Pvt. Limited | 50% | India |
| Touax Texmaco Railcar Leasing Pvt. Ltd | 50%* | India |

** Number of shares held by Texmaco Rail & Engineering Limited in Touax Texmaco Railcar Leasing Pvt. Ltd is 12649999 equity shares, whereas number of equity shares held by Touax Rail Limited is 12650001.*

**The company's share in assets, liabilities, income and expense in the above jointly controlled entities as at and for the year ended March 31, 2013 is as follows:**

*(Rs in lakhs)*

| Name of Joint Venture | Company's share in | | | | |
|---|---|---|---|---|---|
| | Assets | Liabilities | Income | Expenses | Profit/ (Loss) after Tax |
| Texmaco UGL Rail Pvt. Limited (Un-audited) | 6,628.78<br>(1,581.94) | 2,681.91<br>(460.51) | 41.64<br>(6.75) | 139.30<br>(8.54) | (97.66)<br>(3.45) |
| Touax Texmaco Railcar Leasing Pvt. Ltd (Un-audited) | 1,303.98<br>(---) | 3.09<br>(---) | 45.70<br>(---) | 9.81<br>(---) | 35.89<br>(---) |

Note: Figures in bracket is for previous year

**2.34** Sales include inter departmental transfers Rs.15,857.58 lakhs. (Previous Year Rs 13,592.62 lakhs)

**2.35** Escalation, insurance claims and other claims have been accounted for on accrual basis based on latest data available with the Company and where the realization of the amount is reasonably certain.

**2.36 AMOUNT REMITTED DURING THE YEAR ON ACCOUNT OF DIVIDEND (AS CERTIFIED BY THE MANAGEMENT):**

| | 2012-13 | 2011-12 |
|---|---|---|
| Number of Non-resident Shareholders | 17 | 17 |
| Number of Equity Shares held | 14840 | 14840 |
| Dividend remitted (Rs. in Lakhs) | 0.15 | 0.15 |
| Year of Dividend paid | 2011-12 | 2010-11 |

**2.37 VALUE OF RAW MATERIALS AND STORES CONSUMED (INCLUDING COMPONENTS AND SPARE PARTS) SERVICES ETC.:**

| | 2012-13 (Rs. in Lakhs) | % | 2011-12 (Rs. in Lakhs) | % |
|---|---|---|---|---|
| Imported | 8,878.24 | 11.90 | 9,715.72 | 14.53 |
| Indigenous | 65,785.59 | 88.10 | 57,126.89 | 85.47 |
| **Total (2.37)** | **74,663.83** | **100.00** | **66,842.61** | **100.00** |

**2.38 VALUE OF IMPORTS ON C.I.F. BASIS:**

| | 2012-13 (Rs. in Lakhs) | 2011-12 (Rs. in Lakhs) |
|---|---|---|
| Raw Materials | - | 37.94 |
| Components, Spare Parts and Stores | 10,011.69 | 11,015.15 |
| Capital Goods | 362.91 | 207.42 |
| **Total (2.38)** | **10,374.60** | **11,260.51** |

**2.39 EXPENDITURE IN FOREIGN CURRENCY:**

| | 2012-13 (Rs. in Lakhs) | 2011-12 (Rs. In Lakhs) |
|---|---|---|
| Salary | - | 94.37 |
| R & D Expenses | 111.68 | 110.94 |
| Travelling and Others | 19.89 | 52.00 |
| Books & Periodicals | 0.10 | 1.67 |
| Fees & Subscription | 2.35 | - |
| General Charges (AAR Audit Fee) | - | 2.39 |
| **Total (2.39)** | **134.02** | **261.37** |

**2.40 INCOME IN FOREIGN EXCHANGE:**

| | 2012-13 (Rs. in Lakhs) | 2011-12 (Rs. In Lakhs) |
|---|---|---|
| Export of Goods (F.O.B.) | 9,406.25 | 1,995.77 |

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**2.41** Consumption of raw materials, components, stores and spares parts includes profit/loss on sale thereof and exchange difference arising on Foreign Currency transactions on account of imported Raw Materials/ Stores has been accounted under respective Revenue heads.

**2.42 ANALYSIS OF RAW MATERIALS CONSUMED:**

| **Particulars** | 2012-13 (Rs. in Lakhs) | 2011-12 (Rs. In Lakhs) |
|---|---|---|
| M.S. & C.I. Scrap | 5,432.40 | 5,024.71 |
| Pig Iron | 293.45 | 291.25 |
| Tundish | 242.46 | -- |
| Plates & Sheets | 6,690.00 | 2,193.08 |
| Rounds, Bars and Flats | 185.90 | 194.76 |
| Structural | 630.35 | 717.93 |
| **Total (2.42)** | **13,474.56** | **8,421.73** |

## 2.43 PARTICULARS IN RESPECT OF GOODS MANUFACTURED

(Rs. In Lakhs)

| Class of Goods | | Sales | Opening Stock | Closing Stock |
|---|---|---|---|---|
| Wagons | **2012-13** | **75677.39** | - | - |
| | 2011-12 | 67599.80 | - | - |
| Structurals | **2012-13** | **4071.11** | **96.86** | **165.95** |
| | 2011-12 | 1853.80 | 34.37 | 96.86 |
| Water Tube Boilers and Package Boilers | **2012-13** | - | - | - |
| | 2011-12 | - | 49.40 | - |
| Sugar Mill Machinery | **2012-13** | - | - | - |
| (Complete Plant 1200 Tons Crushing Capacity) | 2011-12 | - | - | - |
| Pressure Vessels,Heat Exchangers and | **2012-13** | **53.62** | - | - |
| Chemicals Machineries | 2011-12 | 246.55 | - | - |
| Site Fabrication and Erection | **2012-13** | **353.29** | - | - |
| | 2011-12 | 1537.15 | - | - |
| Steel Castings & Ingots | **2012-13** | **21815.47** | - | - |
| (Including Draft Gear 4000 Sets) | 2011-12 | 20938.23 | - | - |
| Power Tiller/Reaper | **2012-13** | **198.52** | **21.49** | **38.37** |
| | 2011-12 | 648.29 | 76.09 | 21.49 |
| Ring Frames,Doublers and Worsted Ring Frames | **2012-13** | - | **0.61** | **0.61** |
| | 2011-12 | - | 0.61 | 0.61 |
| Speed Frames | **2012-13** | - | **0.39** | **0.39** |
| | 2011-12 | - | 0.39 | 0.39 |
| Others | **2012-13** | **1427.10** | - | - |
| | 2011-12 | 973.02 | - | - |
| **Total (2.43)** | **2012-13** | **1,03,596.50** | **119.35** | **205.32** |
| | 2011-12 | 93,796.84 | 160.86 | 119.35 |

## 2.44 INFORMATION ABOUT SEGMENT WORKING IS GIVEN BELOW

(Rs. in Lakhs)

| | Heavy Engg. Division | Steel Foundry | Total | Heavy Engg. Division | Steel Foundry | Total |
|---|---|---|---|---|---|---|
| | 1 | 2 | 3 (1+2) | 1 | 2 | 3 (1+2) |
| **Revenue (Net of Excise Duty and Cess)** | | | | | | |
| External Sales | 77,883.80 | 5,057.43 | 82,941.23 | 70,143.59 | 6,599.77 | 76,743.36 |
| Internal-Segment Sales | 1,239.64 | 14,617.94 | 15,857.58 | 1,053.49 | 12,539.13 | 13,592.62 |
| **Total Revenue** | **79,123.46** | **19,675.37** | **98,798.81** | **71,197.08** | **19,138.90** | **90,335.98** |
| **Result** | | | | | | |
| Segment Result | 11,924.23 | 1,950.58 | 13,874.81 | 12,169.06 | 1,963.63 | 14,132.69 |
| Unallocated Corporate Expenses | | | - | | | - |
| **Operating Profit/(Loss)** | | | **13,874.81** | | | **14,132.69** |
| Interest Expense | | | (725.95) | | | (826.33) |
| Interest Income | | | 327.81 | | | 319.36 |
| **Total Profit/(Loss) before Tax** | | | **13,476.67** | | | **13,625.72** |
| Provision for Current Tax | | | (4,012.00)) | | | (3,940.00) |
| Provision for Deferred Tax | | | (37.76) | | | (380.00) |
| **Profit/(Loss) from ordinary activities** | | | **9,426.91** | | | **9,305.72** |
| Extra ordinary items | | | - | | | - |
| **Net Profit/(Loss)** | | | **9,426.91** | | | **9,305.72** |
| **Other Information** | | | | | | |
| Segment assets | 55,217.48 | 14,155.12 | 69,372.60 | 61,365.43 | 14,118.55 | 75,483.98 |
| Unallocated Corporate assets | | | - | | | - |
| **Total assets** | | | **69,372.60** | | | **75,483.98** |
| Segment liabilities | 41,942.32 | 6,569.14 | 48,511.46 | 43,656.16 | 9,684.29 | 53,340.45 |
| Unallocated corporate liabilities | | | - | | | - |
| **Total Liabilities** | | | **48,511.46** | | | **53,340.45** |
| **Capital expenditure** | **3,722.59** | **1,133.03** | **4,855.62** | **1,734.79** | **2,625.15** | **4,359.94** |
| **Depreciation** | **413.62** | **525.56** | **939.18** | **364.46** | **553.34** | **917.80** |
| **Non-cash expenses other than depreciation** | | | **710.29** | | | **147.69** |

***Note : The Company operates predominantly within the geographical limits of India and accordingly secondary segments have not been considered.***

## 2.45 DETAILS OF INCOME/ EXPENSES DISCLOSED ON NET BASIS

| Sl No | Particulars | 2012-13 (Rs. in Lakhs) | 2011-12 (Rs. In Lakhs) |
|---|---|---|---|
| 1 | **Freight, Packing and Transport** | | |
| | Paid | 781.60 | 365.47 |
| | Received | 564.74 | 545.77 |
| | **Net** | **216.86** | **(180.30)** |
| 2 | **Profit on sale of Fixed Assets** | | |
| | Profit | 17.20 | 59.02 |
| | Loss | 1.57 | (2.74) |
| | **Net** | **15.63** | **56.28** |
| 3 | **Profit on sale of current investment** | | |
| | (i) Shares | | |
| | Profit | - | 3.74 |
| | **Net** | **-** | **3.74** |
| | (ii) Mutual Funds & Others | | |
| | Profit | 766.62 | 1,183.39 |
| | Loss | 0.73 | **-** |
| | **Net** | 765.89 | 1,183.39 |
| | **Total (i+ii)** | **765.89** | **1,187.13** |

## 2.46 DETAILS OF EXPENSES/(INCOME) RELATED TO PREVIOUS YEAR

| Particulars | 2012-13 (Rs. in Lakhs) | 2011-12 (Rs. in Lakhs) |
|---|---|---|
| **Expenses** | | |
| (i) Miscellaneous Expenses | 0.13 | 0.44 |
| (ii) Income Tax | - | 0.10 |
| | **0.13** | **0.54** |
| **Income** | | |
| (i) Sales | 1.50 | - |
| | **1.50** | **-** |

**2.47** As a part of company's risk management policy, the financial risks mainly relating to changes in the exchange rates are hedged by using a combination of forward contracts, besides the natural hedges.

| | | 2012-13 (Rs. in Lakhs) | 2011-12 (Rs. in Lakhs) |
|---|---|---|---|
| (a) | The particulars of derivative contracts entered into for hedging purpose, outstanding as at 31st March are as under : | | |
| | For hedging foreign currency<br>Forward Contracts : - Payable | - | 3,251.08 |
| (b) | - Un-hedged foreign currency exposure as at 31st March – Payables. Euro: 11,91,034 & USD: 138,06,590 | 8,322.06 | 4,583.72 |
| (c) | - Un-hedged foreign currency exposure as at 31st March – Receivable. AUD: 6,51,664 & USD: 64,94,348 | 3,893.42 | 128.22 |

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**2.48** Figures below Rs. 500/- have been omitted for rounding off and above Rs. 500/- have been rounded off to the next Rs.1000/-.

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In terms of our Report of even date attached herewith

For **K.N.Gutgutia & Co.**
Chartered Accountants
Firm Registration No. : 304153E

**P.K. Gutgutia**
Partner
Membership No. 6994
6C, Middleton Street,
Kolkata – 700 071
Dated: 30th May, 2013

**A. K. Vijay**
Secretary

**S.K. Poddar**
**Ramesh Maheshwari**
**A.C. Chakrabortti**
**Sampath Dhasarathy**
**D.H. Kela**
**D. R. Kaarthikeyan**
**Sunil Mitra**

Directors

**K. N. GUTGUTIA & CO.**
CHARTERED ACCOUNTANTS
KOLKATA • NEW DELHI

PHONE : 2287-3735/56
FAX : 91-033-22873756
E-mail : kng_kol@vsnl.net
6C, MIDDLETON STREET
FLAT NO. 23 (2ND FLOOR)
KOLKATA-700071

## Auditors' Report
## To The Members of Texmaco Rail & Engineering Limited

We have audited the attached Balance Sheet of **TEXMACO RAIL & ENGINEERING LIMITED** as at 31st March, 2012, the Statement of Profit and Loss for the year ended on that date and the Cash flow Statement for the year ended on that date both annexed thereto. These financial Statements are the responsibility of the Company's Management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with 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 amount and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the Management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

1. As required by the Companies (Auditor's Report) Order, 2003 (as amended) issued by the Central Government of India in terms of section 227 (4A) of the Companies Act, 1956 and on the basis of such checks as considered appropriate and according to the information and explanation given to us during the course of our audit we enclose in the Annexure hereto a statement on the matters specified in paragraphs 4 and 5 of the said Order.

2. Further to our comments as stated above, we report that:

   (i) We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purpose of our audit.

   (ii) In our opinion, proper books of accounts as required by law have been kept by the Company, so far as appears from our examination of those books and proper returns adequate for the purpose of our audit have been received from branches / site offices not visited by us.

   (iii) The Balance Sheet and the Statement of Profit and Loss dealt with by this report are in agreement with the books of account.

   (iv) In our opinion, the Balance Sheet, the Statement of Profit and Loss and Cash flow Statement dealt with by this report comply with the accounting standards referred to in Sub-section (3C) of Section 211 of the Companies Act, 1956.

   (v) On the basis of the written representation received from the Directors as on 31st March, 2012 and taken on record by the Board of Directors, we report that none of the directors is disqualified as on 31st March, 2012 from being appointed as a Director in terms of clause (g) of sub-section (1) of Section 274 of the Companies Act, 1956.

   (vi) In our opinion and to the best of our information and according to the explanations given to us, the said Accounts together with the Accounting Policies and Notes annexed thereto give the information required by the Companies Act, 1956, in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:

K. N. GUTGUTIA & CO. Chartered Accountants

**K. N. GUTGUTIA & CO.**
CHARTERED ACCOUNTANTS
KOLKATA • NEW DELHI

PHONE : 2287-3735/56
FAX : 91-033-22873756
E-mail : kng_kol@vsnl.net
6C, MIDDLETON STREET
FLAT NO. 23 (2ND FLOOR)
KOLKATA-700071

(a) in the case of the Balance Sheet, of the state of affairs of the Company as at 31st March, 2012;

(b) in the case of the Statement of Profit and Loss, Profit for the year ended on that date, and

(c) in the case of the Cash flow Statement, of the Cash flows for the year ended on that date.

6C, Middleton Street,
Kolkata - 700 071.

**For K. N. Gutgutia & Co.**
**Chartered Accountants**
Firm Registration No 304153E

**P.K. Gutgutia**
**Partner**
**Membership No. 6994**

**Date: 25th May, 2012**

K. N. GUTGUTIA & CO. Chartered Accountants

**K. N. GUTGUTIA & CO.**
CHARTERED ACCOUNTANTS
KOLKATA • NEW DELHI

PHONE : 2287-3735/56
FAX : 91-033-22873756
E-mail : kng_kol@vsnl.net
6C, MIDDLETON STREET
FLAT NO. 23 (2ND FLOOR)
KOLKATA-700071

**Texmaco Rail & Engineering Limited**

**Annexure to the Auditors' Report**
**(Referred to in Paragraph (1) of our Report of even date)**

i) (a) The Company has maintained proper records showing full particulars including quantitative details and situation of Fixed Assets.

(b) As explained to us, the Company has a system of verifying all its major fixed assets over a period of three years. The fixed assets so scheduled for verification during this year have been physically verified. The discrepancies noticed on such verification were not material and have been properly dealt with in the books of account.

(c) During the year the Company has not disposed off any substantial / major part of fixed assets which may affect the going concern.

ii) (a) As per the information furnished, the inventories have been physically verified during the year by the management. In our opinion, having regard to the nature and location of stock, the frequency of the physical verification is reasonable.

(b) In our opinion and according to the information and explanations given to us, procedures of physical verification of inventory followed by the management are reasonable and adequate in relation to the size of the Company and the nature of its business.

(c) The Company is maintaining proper records of inventory. In our opinion, discrepancies noticed on physical verification of stocks were not material in relation to the operations of the Company and the same have been properly dealt with in the books of account.

iii) (a) The Company has neither granted nor taken any loan secured/ unsecured from Companies covered in the register maintained under section 301 of the Companies' Act, 1956 (1 of 1956).

(b) As stated above sub-clause (b) to (g) of Clause (iii) of the Companies (Auditor's Report) order 2003 are not applicable.

iv) In our opinion and according to the information and explanations given to us, there are adequate internal control procedures commensurate with the size of the Company and the nature of its business with regard to purchase of inventory and fixed assets and for the sale of goods and services. During the course of our audit, we have not observed any continuing failure to correct major weakness in internal controls system.

v) Based on the audit procedures applied by us and according to the information and explanations provided by the management, we are of the opinion that, sub clause (a) & (b) of Clause (v) of the Companies (Auditor's Report) Order, 2003, is not applicable since no contracts or arrangements referred to in Section 301 of the Companies Act, 1956 have been entered into by the Company during the year.

vi) In the case of Fixed Deposits received from its employees/ex-employees by the Company, the directives issued by the Reserve Bank of India and the provisions of section 58A & 58AA of the Companies Act, and the Companies (acceptance of deposit) rules 1975 have been complied with. No order has been passed by the Company Law Board.

K.N. GUTGUTIA & CO. Chartered Accountants

**K. N. GUTGUTIA & CO.**
CHARTERED ACCOUNTANTS
KOLKATA • NEW DELHI

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vii) In our opinion, the Company has an internal audit system commensurate with its size and the nature of its business.

viii) We have broadly reviewed the books of account relating to materials, labour and other items of cost maintained by the company, pursuant to the rules made by the Central Government for maintenance of cost records under section 209(1)(d) of the Companies Act, 1956, and we are of the opinion that prima facie the prescribed accounts and records have been made and maintained. We have, however, not made a detailed examination of the records with a view to determining whether they are accurate or complete.

ix) (a) According to the information and explanations given to us and records examined by us, the Company is regular in depositing with appropriate authorities undisputed statutory dues including provident fund, investors education and protection fund, employees state insurance, income tax, sales tax, wealth tax, service tax, custom duty, excise duty, cess and other statutory dues wherever applicable. According to the information and explanations given to us, no undisputed arrears of statutory dues were outstanding as at 31st March 2012 for a period of more than six months from the date they became payable.

(b) According to the records of the Company, the dues of Sales Tax, Income Tax, Customs, Wealth Tax, Service Tax, Excise Duty, Cess, which have not been deposited on account of disputes and the forum where the dispute are pending, are as under:

| | Name of the statute | Nature of the dues | Amount Rs. Lakhs | Period to which the amount relates | Forum where dispute is pending. |
|---|---|---|---|---|---|
| 1. | The Central Excise Act 1944 & Service Tax under the Finance Act 1994 | Various issues of Central Excise and Service Tax | Central Excise (Rs. 2182.81)<br><br>Service Tax ( Rs. 16.69) | 1986-2010<br><br>2004-2010 | 1. Jurisdictional Commissioner of Central Excise<br>2. CESTAT<br>3. Commissioner (Appeal)<br>4. Jurisdictional Commissioner of Service Tax |

x) There are no accumulated losses of the Company as on 31st March 2012. The Company has not incurred any cash losses during the financial year covered by our audit and the immediately preceding financial year.

xi) Based on our audit procedures and the information given by the management, we are of the opinion that the Company has not defaulted in repayment of dues to any financial institution, bank or debenture holders.

xii) Based on our examination of the records and the information and explanations given to us, the Company has not granted any loans and / or advances on the basis of security by way of pledge of shares, debentures, and other securities.

K.N. GUTGUTIA & CO. Chartered Accountants

**K. N. GUTGUTIA & CO.**
CHARTERED ACCOUNTANTS
KOLKATA • NEW DELHI

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xiii) Clause (xiii) of the Order is not applicable to the Company as the Company is not a Chit Fund company or nidhi / mutual benefit fund / society.

xiv) In our opinion, the Company is not dealing in or trading in shares, securities, debentures, and other investments. Accordingly, the provisions of clause 4 (xiv) of the Companies (Auditors' Report) Order, 2003 are not applicable to the Company.

xv) According to the information and explanations given to us, the Company has not given any guarantee for loans taken by others from a bank or financial institutions.

xvi) In our opinion and according to the information and explanations given to us, the term loans have been applied for the purposes for which they were obtained.

xvii) According to the information and explanations given to us and on an overall examination of the balance sheet of the Company, we report that no funds raised on short-term basis have been used for long-term investment.

xviii) The Company has not made any preferential allotment of shares during the year to parties and companies covered in the register maintained under section 301 of the Act.

xix) During the year covered by our audit report, the Company has not issued secured debentures.

xx) The Company has not raised any money by public issues during the year covered by our report.

xxi) Based upon the audit procedures performed for the purpose of reporting the true and fair view of the financial statements and as per the information and explanation given by the management, we report that no fraud on or by the Company has been noticed or reported during the course of our audit.

6C, Middleton Street,
Kolkata - 700 071.

**For K. N. Gutgutia & Co.**
**Chartered Accountants**
Firm Registration No 304153E

**P.K. Gutgutia**
**Partner**
**Membership No. 6994**

**Date: 23rd May, 2012**

K. N. GUTGUTIA & CO.
Chartered Accountants

# TEXMACO RAIL & ENGINEERING LIMITED
## Balance Sheet as at 31.03.2012

| Particulars | Note No. | As at 31.03.2012 | As at 31.03.2011 |
|---|---|---|---|
| | | | *(Rs in Lakhs)* |
| **I. EQUITY AND LIABILITIES** | | | |
| **(1) Shareholders' funds** | | | |
| (a) Share capital | 2.1 | 1,820.27 | 1,817.83 |
| (b) Reserves and surplus | 2.2 | 49,042.46 | 41,848.67 |
| | | 50,862.73 | 43,666.50 |
| **(2) Non-current liabilities** | | | |
| (a)Long-term borrowings | 2.3 | 1,523.12 | 24.53 |
| (b) Deferred tax liabilities (Net) | 2.4 | 208.61 | (171.39) |
| (c) Other Long term liabilities | 2.5 | 633.65 | 605.53 |
| (d) Long-term provisions | 2.6 | 418.12 | 472.91 |
| | | 2,783.50 | 931.58 |
| **(3) Current liabilities** | | | |
| (a) Short-term borrowings | 2.7 | 5,390.51 | 9,688.33 |
| (b) Trade payables | 2.8 | 34,371.14 | 22,582.89 |
| (c) Other current liabilities | 2.9 | 11,237.26 | 8,582.96 |
| (d) Short-term provisions | 2.10 | 2,168.30 | 2,224.11 |
| | | 53,167.21 | 43,078.29 |
| **TOTAL** | | **1,06,813.44** | **87,676.37** |
| **II. ASSETS** | | | |
| **(1) Non-current assets** | | | |
| (a) Fixed assets | 2.11 | | |
| (i) Tangible assets | | 10,331.38 | 10,475.96 |
| (ii) Capital work-in-progress | | 3,718.68 | 182.55 |
| | | 14,050.06 | 10,658.51 |
| (b) Non-current investments | 2.12(a) | 4,336.23 | 1.00 |
| (c) Long-term loans and advances | 2.13 | 2,072.07 | 375.85 |
| | | 20,458.36 | 11,035.36 |
| **(2) Current assets** | | | |
| (a) Current investments | 2.12(b) | 26,928.45 | 26,184.39 |
| (b) Inventories | 2.14 | 27,997.56 | 21,574.22 |
| (c) Trade receivables | 2.15 | 21,739.64 | 21,977.16 |
| (d) Cash and bank balances | 2.16 | 233.23 | 275.11 |
| (e) Short-term loans and advances | 2.17 | 9,364.26 | 6,586.93 |
| (f) Other current assets | 2.18 | 91.94 | 43.20 |
| | | 86,355.08 | 76,641.01 |
| **TOTAL** | | **1,06,813.44** | **87,676.37** |
| **Accounting Policies & Notes on Accounts** | **1 & 2** | - | - |

Notes referred to above form an integral part of the Balance Sheet
In terms of our Report of even date attached herewith.
For K. N. Gutgutia & Co.
Chartered Accountants
Firm Registration No: 304153E

P.K.Gutgutia
Partner
Membership No.6994
6C, Middleton Street,
Kolkata- 700 071.
Dated: 25th May, 2012

A.K. Vijay
Secretary

S K Poddar
Ramesh Maheshwari
A. C. Chakrabortti
S. Dhasarathy
D. H. Kela
Akshay Poddar
D. R. Kaarthikeyan
Hemant Kanoria

Directors

# TEXMACO RAIL & ENGINEERING LIMITED
## Statement of Profit & Loss for the year ended 31st March 2012

*(Rs in Lakhs)*

| Particulars | Note No. | For the year ended 31.03.2012 | For the year ended 31.03.2011 |
|---|---|---|---|
| **I. Revenue from operations** | 2.19 | | |
| Sale of products | | 93,796.84 | 1,11,073.16 |
| Less: Inter Segment Revenue | | (13,592.62) | (13,959.54) |
| Less: Excise Duty | | (4,178.56) | (3,935.71) |
| | | 76,025.66 | 93,177.91 |
| Other operating revenues | 2.19 | 717.70 | 677.16 |
| **Total** | | **76,743.36** | **93,855.07** |
| **II. Other income** | 2.20 | 2,560.74 | 1,866.49 |
| **III. Total Revenue (I + II)** | | **79,304.10** | **95,721.56** |
| **IV. Expenses:** | | | |
| Cost of materials consumed | 2.21 | 48,321.56 | 60,292.14 |
| Changes in inventories of finished goods, Work In Progress and Stock in Trade | 2.22 | (1,518.00) | (2,456.13) |
| Employee benefits expense | 2.23 | 4,466.38 | 3,967.31 |
| Finance costs | 2.24 | 1,121.91 | 735.07 |
| Depreciation and amortization expenses | 2.11 | 917.80 | 858.50 |
| Other expenses | 2.25 | 12,368.73 | 14,758.46 |
| **Total expenses** | | **65,678.38** | **78,155.35** |
| **V. Profit before exceptional and extraordinary items and tax(III-IV)** | | **13,625.72** | **17,566.21** |
| **VI Tax expense:** | | | |
| (1) Current tax | | 3,940.00 | 5,590.00 |
| (2) Deferred tax | | 380.00 | (171.39) |
| **VII. Profit for the period from continuing operations (V-VI)** | | **9,305.72** | **12,147.60** |
| **VIII. Earnings per equity share:** | | | |
| (1) Basic | | 5.11 | 6.68 |
| (2) Diluted | | 5.11 | 6.67 |
| **Accounting Policies & Notes on Accounts** | 1 & 2 | | |

Notes referred to above form an integral part of the Statement of Profit & Loss
In terms of our Report of even date attached herewith.
For K. N. Gutgutia & Co.
Chartered Accountants
Firm Registration No: 304153E

P.K.Gutgutia
Partner
Membership No.6994
6C, Middleton Street,
Kolkata- 700 071.
Dated: 25th May, 2012

A.K. Vijay
Secretary

S K Poddar
Ramesh Maheshwari
A. C. Chakrabortti
S. Dhasarathy
D. H. Kela
Akshay Poddar
D. R. Kaarthikeyan
Hemant Kanoria
Directors

## Texmaco Rail & Engineering Limited
## Cash Flow Statement for Year ended 31.03.2012

(Rs. In lakhs)

| | | Year Ended 31.03.2012 | Year Ended 31.03.2011 |
|---|---|---|---|
| A) | **Cash Flows From Operating Activities** | | |
| | Net Profit before Taxation & Exceptional Items | **13625.72** | **17566.21** |
| | Adjustments for: | | |
| | Depreciation | 917.80 | 858.50 |
| | Interest Paid | 1121.91 | 735.07 |
| | Employee Compensation Expenses under ESOP | (35.61) | 35.61 |
| | Provision for Diminution in value of Investments | (0.90) | 11.65 |
| | Interest Received | (319.35) | (587.24) |
| | Income From Investments | (848.22) | (852.79) |
| | Profit on Sale Of Investments-Current(Net) | (1187.13) | (158.80) |
| | Profit on Sale Of Fixed Assets(Net) | (56.28) | (178.54) |
| | | (407.78) | (370.16) |
| | **Operating Profit before Working Capital Changes & Exceptional Items** | **13217.94** | **17196.05** |
| | (Increase)/Decrease in Inventories | (6423.33) | (4307.82) |
| | (Increase)/Decrease in Trade & Other Receivables | (3,597.47) | (2829.23) |
| | Increase/(Decrease) in Trade Payables | 14309.07 | 5787.22 |
| | **Cash Generated from Operations** | **17506.21** | **15846.22** |
| | Direct Taxes Paid | (4692.60) | (6169.98) |
| | **Cash Flow before Exceptional Items** | **12813.61** | **9676.24** |
| | Exceptional Items | - | - |
| | Net Cash from Operating Activities | **12813.61** | **9676.24** |
| B) | **Cash Flows From Investing Activities** | | |
| | Purchase of Fixed Assets | (4359.94) | (1063.02) |
| | Sale of Fixed Assets | 69.36 | 212.04 |
| | Purchase/Sale of Investments | (3891.27) | (8483.16) |
| | Interest Received | 270.61 | 691.50 |
| | Income From Investments | 848.22 | 852.79 |
| | **Net Cash used in Investing Activities** | **(7063.02)** | **(7789.85)** |
| C) | **Cash Flows From Financing Activities** | | |
| | Receipt/(Payment) of Long Term Borrowings | 1655.20 | 1405.72 |
| | Receipt/(Payment) of Short Term Borrowings | (4297.82) | (3176.48) |
| | Proceeds from issue of ESOP | 79.17 | - |
| | Dividend Paid | (2107.12) | - |
| | Interest Paid | (1121.91) | (735.07) |
| | Net Cash used in Financing Activities | **(5792.48)** | **(2272.21)** |
| | Net Decrease in Cash and Cash Equivalents | (41.89) | (385.82) |
| | Cash and Cash Equivalents at the beginning of the period | 275.11 | 660.93 |
| | Cash and Cash Equivalents at the end of the period | 233.22 | 275.11 |

Note: (1) The above Cash Flow Statement has been prepared under the "Indirect Method" as set out ir the Accounting Standard-3 on Cash Flow Statement issued by the Institute of Chartered Accountants of Indiε

(2) Previous year's figures are regrouped/rearranged wherever necessary.

Notes referred to above form an integral part of the Cash Flow Statement
In terms of our Report of even date attached herewith.
For K. N. Gutgutia & Co.
Chartered Accountants
Firm Registration No: 304153E

S K Poddar
Ramesh Maheshwari
A. C. Chakrabortti
S. Dhasarathy
D. H. Kela
Akshay Poddar
D. R. Kaarthikeyan
Hemant Kanoria
Directors

P.K.Gutgutia
Partner
Membership No.6994
6C, Middleton Street,
Kolkata- 700 071.
Dated: 25th May, 2012

A.K. Vijay
Secretary

**Texmaco Rail & Engineering Limited**

## 1. Accounting Policies

### General

The Financial Statements of Texmaco Rail & Engineering Limited (TexRail or the Company) have been prepared and presented under the historical cost convention on the accrual basis except for certain Fixed Assets, which are revalued in accordance with Generally Accepted Accounting Principles (GAAP) in India. GAAP comprises Accounting Standards notified by the Central Government of India under section 211(3C) of the Companies Act, 1956, other pronouncements of Institute of Chartered Accountants of India, the provisions of Companies act, 1956 and guidelines issued by Securities and Exchange Board of India. The Financial Statements are rounded off to the nearest Rupees lakhs.

### Fixed Assets

Fixed Assets are carried at the cost of acquisition or construction less accumulated depreciation except certain Revalued Assets which are stated on the basis of their revalued costs less accumulated depreciation. Intangible Assets are recorded at the consideration paid for acquisition less accumulated amortization. The cost of Fixed Assets includes non-refundable taxes, duties, freight and other incidental expenses related to the acquisition and installation of the respective Assets. Borrowing costs directly attributable to acquisition or construction of those fixed Assets which necessarily take a substantial period of time to get ready for their intended use are capitalized.

The Company assesses at each balance sheet date whether there is any indication that an Asset may be impaired. If any such indication exists, the Company estimates the recoverable amount of the Asset. If such recoverable amount of the Asset or the recoverable amount of the cash generating unit to which the Asset belongs is less than its carrying amount, the carrying amount is reduced to its recoverable amount. The reduction is treated as an impairment loss and is recognized in the profit and loss account. If at the balance sheet date there is an indication that if a previously assessed impairment loss no longer exists, the recoverable amount is reassessed and the Asset is reflected at the recoverable amount subject to a maximum of depreciated historical cost

### 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 in accordance with the rates as given in schedule XIV of the Companies Act, 1956. The depreciation on amount added on revaluation is being set off by transfer from Revalution Reserve.

### Investments

Investments are either classified as current or long term based on management's intention at the time of purchase. 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. The reduction in the carrying amount is reversed when there is a rise in the value of the investment or if the reason for the reduction is no longer exist

**Recognition of Income and Expenditure**

Sales revenue is recognized on transfer of the significant risks and rewards of ownership of the goods to the buyer and stated at net of Sales Tax, Service 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 Statement of Profit & Loss

(2) Leave :

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

(3) Gratuity:

The Company has an approved Gratuity Fund for its Heavy Engineering Division and Steel Foundry Division 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.

**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.

**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 except in case of long term liabilities, where they relate to acquisition of Fixed Assets in which case they are adjusted to the carrying cost of such assets. Premium or discount on forward exchange contract is amortised as expense or income over the life of the contract.

**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 preparation of the Financial Statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of Assets and Liabilities and disclosure of contingent Liabilities on the date of the Financial Statements and reported amounts of revenues and expenses for the year. Actual results could differ from these estimates. 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 two business segments namely Heavy Engineering Division and Steel Foundry Division

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 is 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.

## Employee Stock Option Scheme

In respect of Stock options granted pursuant to the Company's Employees Stock Option Schemes 2007, the intrinsic value of the options (excess of Market Price of the share over the exercise price of the option) is treated as discount and accounted as deferred employee's compensation cost over the vesting period.

## Government Grant

Grants from the government are recognized when there is a reasonable assurance that the grant will be received and all attaching conditions will be complied with. Revenue grants/subsidies are recognized in the Profit & Loss Account. Capital grants relating to specific fixed assets are reduced from the gross value of the respective fixed assets. Other Capital Grants are credited to Reserve & Surplus under the head Central/State Capital Subsidy of the Company.

2 **Notes on Accounts**

| | As at 31.03.2012 | As at 31.03.2011 |
|---|---|---|
| | | *(Rs in Lakhs)* |
| **2.1 Share Capital** | | |
| **Authorised Capital** | | |
| 20,00,00,000 Equity shares at par value of Re. 1/- each | 2,000.00 | 2,000.00 |
| **Issued, Subscribed and Paid Up Capital** | | |
| 18,20,26,590(18,17,83,090) Equity shares at par value of Re. 1/- each fully paid | 1,820.27 | 1,817.83 |

**Notes:**

**1** The Company has only one class of shares referred to as equity shares having a par value of Re 1/-.Each holder of equity shares is entitled to one vote per share.

**2** In the event of liquidation of the Company, the holders of equity shares will be entitled to receive any of the remaining assets of the company, after distribution of all preferential amounts.However, no such preferential amounts exist currently.The distribution will be in proportion to the number of equity shares held by the shareholders.

**3** Issued, Subscribed and Paid Up Capital includes 12,71,83,090 equity shares allotted on the basis of 1 equity shares in Texrail for Re. 1/- each credited as fully paid-up for every 1 equity shares held by each member of Texmaco Infrastructure & Holdings Limited (formerly Texmaco Limited) on record date, without payment being received in cash.

**4** Reconcliation of number of Issued,Subsribed and Paid-up Capital

| Particulars | 31.03.2012 No. of Equity Share | 31.03.2012 Amount (Rs. In Lakhs) | 31.03.2011 No. of Equity Share | 31.03.2011 Amount (Rs. In Lakhs) |
|---|---|---|---|---|
| Number of Shares at the beginning of the year | 181783090 | 1817.83 | 54600000 | 546.00 |
| Add: Equity shares issued to Texmaco Infrastructure & Holdings Limited (formerly Texmaco Limited) pursuant to Scheme of arrangement | - | - | 127183090 | 1271.83 |
| Add: Allotment as per ESOP | 243500 | 2.44 | - | - |
| Number of Shares at the end of the year | 182026590 | 1820.27 | 181783090 | 1817.83 |

During the year 365000 equity shares were granted to employees of the company under ESOP at a Grant Price of Rs 32.51 (including Rs 31.51 as preminum per shares). Out of this 243500 equity shares were exercised by the employees of the company and balance of 121500 equity shares were lapsed.

**5** Issued,Subscribed and Paid-up Capital of the company is excluding 9960 No's of Equity Shares lying in abeyance -NSDL-Transit case.

**6** The dividend proposed by the Board of Directors is subject to the approval of shareholders in Annual General meeting. The Company has proposed to pay dividend amounting to Rs 2115.56 lakhs (including corporate dividend tax of Rs 295.29 lakhs).The rate of proposed dividend is Re.1/- per equity shares (Previous Year, Rs 2112.73 lakhs including corporate dividend tax of Rs 294.90 lakhs)

**7 The name of Shareholders holding more than 5% of Equity shares**

| Name of Shareholders | % of holding | No. of Equity Shares held |
|---|---|---|
| **Texmaco Infratructure & Holdings Limited (formerly Texmaco Limited)** | **30.00** | **54600000** |
| **Zuari Investments Ltd** | **15.91** | **28963900** |

| **2.2 Reserves and Surplus** | 31.03.2012 | 31.03.2011 |
|---|---|---|
| Security Premium Reserve | | |
| Balance as per last Account | - | - |
| Add: On issue of ESOP | 76.73 | - |
| Add:Transfer as per scheme of arrangment- Equity QIP Premium | - | 16,523.33 |
| Less: Transfer to General Reserve | - | (16,523.33) |
| | 76.73 | - |
| Revaluation Reserve | | |
| Balance as per last Account | 1,242.01 | - |
| Add:Transfer as per scheme of arrangment | - | 1,306.56 |
| Less: On Assets sold/discarded during the year | (3.22) | (20.23) |
| | 1,238.79 | 1,286.33 |
| Less: Transferred to Statement of Profit and Loss | (34.27) | (44.32) |
| | 1,204.52 | 1,242.01 |
| Share Options Outstanding Account | | |
| Balance as per last Account | 35.61 | 35.61 |
| Less: Adjusted as per ESOP allotment | (35.61) | - |
| | - | 35.61 |

| | As at 31.03.2012 | As at 31.03.2011 |
|---|---|---|
| State Capital Investment Subsidy | | |
| Balance as per last Account | 15.00 | - |
| Add:As per scheme of arrangement | - | 15.00 |
| | 15.00 | 15.00 |
| General Reserve | | |
| Balance as per last Account | 33,531.98 | - |
| Add:Transfer from Equity QIP Security Premium | - | 16,523.33 |
| Add: Adjustment as per scheme of arrangment | - | 15,280.48 |
| Less:Transfer to Equity Share Capital | - | (1,271.83) |
| | 33,531.98 | 30,531.98 |
| Add: Transferred from Statement of Profit and Loss | 5,000.00 | 3,000.00 |
| | 38,531.98 | 33,531.98 |
| **Surplus** | | |
| Balance as per last Account | 7,024.07 | (10.80) |
| Add: Profit after Tax as per Statement of Profit and Loss | 9,305.72 | 12,147.60 |
| | 16,329.79 | 12,136.80 |
| Less: Appropriation | | |
| Proposed Dividend | | |
| On Equity Shares | 1,820.27 | 1,817.83 |
| Tax on Dividend | 295.29 | 294.90 |
| Transfer to General Reserve | 5,000.00 | 3,000.00 |
| | 7,115.56 | 5,112.73 |
| | 9,214.23 | 7,024.07 |
| **TOTAL (2.2)** | 49,042.46 | 41,848.67 |

**2.3 Long Term Borrowings**

| | | |
|---|---|---|
| **Secured** | | |
| Term Loan-FCTL | | |
| From Bank | 1,521.02 | - |
| **Unsecured** | | |
| -**Deposits** | | |
| - Fixed deposit from employees/ex-employees | 2.10 | 24.53 |
| | - | - |
| **TOTAL (2.3)** | 1,523.12 | 24.53 |

Note: Term Loan from Bank is secured against the Fixed Asset created from such loan. The Loan is payable in 10 half-yearly instalments payable on June and December each year.

| | | |
|---|---|---|
| **2.4 Deferred tax Liabilities (Net)** | 208.61 | (171.39) |

Note: Deferred Tax Assets/Liability is recognised as per AS 22 "Accounting for Taxes on Income" issued by the Companies (Accounting Standard) Rules, 2006. The Deferred Tax Assets & Liabilities comprises of Tax effect of following timing differences:

| Particulars | 2011-12 (Rs. in Lakhs) | 2010-11 (Rs. in Lakhs) |
|---|---|---|
| **Deferred Tax Assets** | | |
| Items u/s 43B and u/s 40(a)(i)(a) of I.T Act | 19.37 | 179.10 |
| **Deferred Tax Liabilities** | | |
| Depreciation | (227.98) | (7.71) |
| Net Deferred Tax **(Liability)**/ **Assets** | **(208.61)** | **171.39** |

**2.5 Other Long term liabilities**

| | | |
|---|---|---|
| Others | | |
| -Security Deposits | 633.65 | 605.53 |
| **TOTAL (2.5)** | 633.65 | 605.53 |

**2.6 Long-term provisions**

| | | |
|---|---|---|
| Provision for employee benefits | | |
| -For Leave | 103.06 | 104.51 |
| Others | | |
| -For Contingency | 1.00 | 1.00 |
| -For Warranty and others | 314.06 | 367.40 |
| **TOTAL (2.6)** | 418.12 | 472.91 |

| | | As at 31.03.2012 | As at 31.03.2011 |
|---|---|---|---|
| **2.7** | **Short-term borrowings** | | |
| | **Secured** | | |
| | **Loans repayable on demand** | | |
| | **-From Banks** | | |
| | - Cash Credit | 2,907.37 | 7,065.36 |
| | - Export Packing Credit | 2,483.14 | 101.90 |
| | - Short Term Loan | - | 2,000.00 |
| | | 5,390.51 | 9,167.26 |
| | **Unsecured** | | |
| | **Loans and advances from Related parties** | | |
| | **- From Associates** | | |
| | -From Body Corporates (Texmaco Infrastructure & Holdings Limited) | - | 521.07 |
| | **TOTAL (2.7)** | 5,390.51 | 9,688.33 |

**Notes:**

Cash Credit facilities is secured by hypothecation of 1st charge on stocks, book debts and other current assets and 2nd charge on Fixed Assets.

Cash Credit facilities is also cover by the 1st charge on immovable properties at Delhi to the extent of Rs. 5000.00 Lakhs and also corparate guarantee of Texmaco Infrastructure & Holdings Limited (formerly Texmaco Limited) to the extent of value of immovable property at Delhi.

| | | As at 31.03.2012 | As at 31.03.2011 |
|---|---|---|---|
| **2.8** | **Trade payables** | | |
| | MSME | 107.71 | 247.49 |
| | Others | 34,263.43 | 22,335.40 |
| | **TOTAL(2.8)** | 34,371.14 | 22,582.89 |

Notes

Information in terms of Section 22 of the Micro, Small and Medium Enterprises Development Act, 2006 is as follows:

| Particulars | 2011-12 (Rs. in Lakhs) | 2010-11 (Rs. in Lakhs) |
|---|---|---|
| Disclosure required under the Micro, Small and Medium Enterprises Development Act, 2006 (the Act) are given as follows: | | |
| (a) Principal amount due | 107.71 | 247.49 |
| Interest due on the above. | - | - |
| (b) Interest paid during the period beyond the appointed day | - | - |
| (c) Amount of interest due and payable for the period of delay in making payment without adding the interest specified under the Act. | - | - |
| (d) Amount of interest accrued and remaining unpaid at the end of the period | - | - |
| (e) Amount of further interest remaining due and payable even in the succeeding years, until such date when the interest dues as above are actually paid to the small enterprise for the purpose of disallowance as a deductible expenditure under section 23 of the Act. | - | - |
| The above information regarding micro enterprise and small enterprises has been determined on the basis of information available with the Company. This has been relied upon by the auditors. | | |

| | | As at 31.03.2012 | As at 31.03.2011 |
|---|---|---|---|
| **2.9** | **Other current liabilities** | | |
| | Current maturities of long-term debt | | |
| | - Foreign Currency Term Loan (FCTL) | 139.38 | - |
| | - Fixed deposit from employees/ex-employees | 24.37 | 7.15 |
| | Interest accrued but not due on borrowings | 7.95 | 5.21 |
| | Unpaid dividends | 5.61 | - |
| | **Other payable** | | |
| | TDS and other taxes payable | 1,429.86 | 1,275.53 |
| | Liabilities for Expenses | 1,104.80 | 635.15 |
| | Amount Due to Employee | 321.64 | 380.41 |
| | PF, ESI amount payble | 62.72 | 54.42 |
| | Others Misc. Payable | 455.66 | 606.78 |
| | Misc. Security Deposit | 402.71 | 386.11 |
| | Advance from Customer (Deposit against order) | 7,282.56 | 5,232.20 |
| | **TOTAL(2.9)** | 11,237.26 | 8,582.96 |

Note: There is no amount due and outstanding to be credited to the Investor Education and Protection Fund

| | | As at 31.03.2012 | As at 31.03.2011 |
|---|---|---|---|
| **2.10** | **Short-term provisions** | | |
| | Provision for employee benefits | | |
| | -For Leave | 52.74 | 49.21 |
| | -For Gratuity | - | (51.87) |
| | Others | | |
| | - Proposed Dividend | 1,820.27 | 1,817.82 |
| | -Tax on Dividend | 295.29 | 294.90 |
| | -Income Tax(Net of Advance Tax) | - | 114.05 |
| | **TOTAL(2.10)** | 2,168.30 | 2,224.11 |
| **2.13** | **Long term loans and advances** | | |
| | **Unsecured Considered Good** | | |
| | Capital Advances | 1,970.24 | 276.35 |
| | Security Deposits | 69.36 | 92.44 |
| | Prepaid Expenses | 32.47 | 7.06 |
| | **TOTAL(2.13)** | 2,072.07 | 375.85 |
| **2.14** | **Inventories** | | |
| | Raw materials | 4,692.91 | 2,577.58 |
| | Work-in-progress | 6,151.23 | 4,591.72 |
| | Finished Goods | 119.35 | 160.86 |
| | Stores and spares | 14,269.12 | 12,488.97 |
| | Goods in Transit-Components | 2,764.95 | 1,755.09 |
| | **TOTAL(2.14)** | 27,997.56 | 21,574.22 |

**Notes:**

1. Stock as per inventories taken,valued and certified by the managament.
2. Raw materials includes stock at site Rs. 78.22 lakhs. (Previous Year Rs 222.87 lakhs)
3. **Mode of valuation**

   Inventories are valued at the lower of cost or net realisable 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.

| | | As at 31.03.2012 | As at 31.03.2011 |
|---|---|---|---|
| **2.15** | **Trade Receivables** | | |
| | Unsecured, considered good | | |
| | More than six months from the due date | 5,915.72 | 9,782.78 |
| | Others | 15,823.92 | 12,194.38 |
| | **TOTAL(2.15)** | 21,739.64 | 21,977.16 |

**Notes:**

In the opinion of the management trade receivables have a value on realisation in the ordinary course of business unless otherwise stated, at least to the amount at which they are stated.

Trade Receivables includes Retention Money Rs. 3636.52 lakhs (Previous Year Rs 2171.91 lakhs)

| | | As at 31.03.2012 | As at 31.03.2011 |
|---|---|---|---|
| **2.16** | **Cash and bank balances** | | |
| | **Cash and cash equivalents** | | |
| | Balances with banks | | |
| | Current Accounts | 160.91 | 222.52 |
| | Cash on hand | 60.04 | 45.93 |
| | | 220.95 | 268.45 |
| | **Other bank balances** | | |
| | Term Deposit of upto twelve months maturity | 5.00 | 5.00 |
| | Term Deposit of more than twelve months maturity(earmarked) | 1.67 | 1.66 |
| | Unpaid Dividend Account | 5.61 | - |
| | | 12.28 | 6.66 |
| | **TOTAL(2.16)** | 233.23 | 275.11 |

| | As at 31.03.2012 | As at 31.03.2011 |
|---|---|---|
| **2.17 Short term loans and advances** | | |
| **Unsecured Considered Good** | | |
| **Loans and Advances to related parties** | | |
| - Body Corporates (Texmaco Infrastructure & Holdings Limited) | - | 784.18 |
| Other loans and advances- | | |
| Loan to Body Corporates | 300.00 | 300.00 |
| Advance to Parties | 3,150.68 | 521.35 |
| Advance to Employee | 73.09 | 46.32 |
| Other Advances | 1,708.18 | 934.08 |
| Prepaid Expenses | 0.24 | 31.97 |
| Balances with Governmnet Deptt | 3,492.86 | 2,393.37 |
| Advance Payment of FBT(Net of Provision) | 0.66 | 0.66 |
| Income Tax(Net of Advance Tax) | 638.55 | - |
| Share Application Money | - | 1,575.00 |
| **TOTAL(2.17)** | 9,364.26 | 6,586.93 |

| | | |
|---|---|---|
| **2.18 Other Current assets** | | |
| Interest accrued on Loans | 91.94 | 43.20 |
| **TOTAL(2.18)** | 91.94 | 43.20 |

# Texmaco Rail & Engineering Limited
## Statement of Profit and Loss for the year ended 31.03.2012

*(Rs in Lakhs)*

| Particulars | For the year ended 31.03.2012 | For the year ended 31.03.2011 |
|---|---|---|
| **2.19 Revenue From Operations** | | |
| - | | |
| Sale of products | 93,796.84 | 1,11,073.16 |
| Less: Inter Segment Revenue | (13,592.62) | (13,959.54) |
| Less: Excise Duty | (4,178.56) | (3,935.71) |
| | **76,025.66** | **93,177.91** |
| Other operating revenues | 717.70 | 677.16 |
| **TOTAL (2.19)** | **76,743.36** | **93,855.07** |
| **2.20 Other Income** | | |
| Interest Income | | |
| From Bank | 3.05 | 45.48 |
| From Others | 316.30 | 541.76 |
| Dividend - Income from Current Investments | 848.02 | 852.79 |
| Dividend - Income from Non-Current Investments | 0.20 | - |
| Net gain on Sale of Non-Current Investments | 1,187.13 | 158.80 |
| Miscellaneous Receipts and Income | 11.84 | 13.03 |
| Export Incentive | 67.35 | - |
| Sundry Credit Balance Adjusted | 0.79 | 0.27 |
| Profit on sale of Fixed Assets (Net) | 56.28 | 178.54 |
| Rent Received | 68.78 | 68.30 |
| Provision & Excess Liabilities Written Back | 0.10 | 0.81 |
| Provision for Diminution of Current Investment Written Back | 0.90 | - |
| Income related to previous year | - | 6.71 |
| **TOTAL(2.20)** | **2,560.74** | **1,866.49** |
| **2.21 Cost of Material Consumed** | | |
| Opening Stock of Raw Materials | 2,577.58 | 2,858.20 |
| Add: Raw materials Purchased and Departmental Transfers etc. | 11,503.28 | 11,632.27 |
| | 14,080.86 | 14,490.47 |
| Less:Returns,Sales and Departmental issues used in Works and In Block | 966.22 | 310.90 |
| Less: Closing Stock of Raw Materials | 4,692.91 | 2,577.58 |
| | 5,659.13 | 2,888.48 |
| | 8,421.73 | 11,601.99 |
| **Consumption of Components** | 53,492.45 | 62,649.69 |
| (Incl Job processing and contract labour charges Rs. 3681.12 lakhs, previous year Rs. 3132.45 lakhs) | | |
| **Less Inter Segment Sale** | (13,592.62) | (13,959.54) |
| **TOTAL(2.21)** | **48,321.56** | **60,292.14** |
| **2.22 Changes in Inventories** | | |
| Opening Stock | | |
| 1 Finished Goods | 160.86 | 99.93 |
| 2 Work-in-progress | 4,591.72 | 2,196.52 |
| | 4,752.58 | 2,296.45 |
| Less: Closing Stock | | |
| 1 Finished Goods | 119.35 | 160.86 |
| 2 Work-in-progress | 6,151.23 | 4,591.72 |
| | 6,270.58 | 4,752.58 |
| **TOTAL (2.22)** | **(1,518.00)** | **(2,456.13)** |

(Rs in Lakhs)

| | | For the year ended 31.03.2012 | | For the year ended 31.03.2011 |
|---|---|---|---|---|
| **2.23 Employee Benefits Expense** | | | | |
| Salaries ,Wages and Bonus | | 3,552.37 | | 3,115.62 |
| Contribution to provident and other funds | | | | |
| Provident Fund and Pension Fund | | 359.37 | | 278.07 |
| Superannuation Fund | | 31.18 | | 27.39 |
| Gratuity | | 328.60 | | 242.03 |
| Provision for Leave Encashment | | - | | 48.13 |
| Expenses on ESOP | | (35.61) | | 35.61 |
| Staff Welfare Expenses | | 230.47 | | 220.46 |
| **TOTAL (2.23)** | | **4,466.38** | | **3,967.31** |
| **2.24 Finance Costs** | | | | |
| Interest Expenses | | | | |
| Banks | | 773.24 | | 426.53 |
| Fixed Deposit | | 3.58 | | 2.23 |
| Others | | 49.51 | | 72.69 |
| | | 826.33 | | 501.45 |
| **Other Borrowing Costs** | | 295.58 | | 233.62 |
| **TOTAL(2.24)** | | 1,121.91 | | 735.07 |
| **2.11 Depreciation and amortization expenses** | | | | |
| For the Year | | 952.07 | | 902.82 |
| Less: Recouped from the revaluation reserve | | 34.27 | | 44.32 |
| **TOTAL(2.11)** | | 917.80 | | 858.50 |
| **2.25 Other Expenses** | | | | |
| Consumption of stores and spares part | | 4,928.43 | | 7,582.26 |
| Power and Fuel | | 3,458.70 | | 3,193.36 |
| Rent | | 31.46 | | 32.46 |
| Repairs to buildings | | 475.39 | | 540.89 |
| Repairs to machinery | | 489.32 | | 610.50 |
| Repairs to others | | 216.46 | | 116.62 |
| Insurance | | 44.98 | | 16.34 |
| Rates and Taxes excluding taxes on Income | | 52.25 | | 50.04 |
| Freight, Packing and Transport (Net) | | (180.30) | | (206.84) |
| Erection Expenses | | 2.00 | | 447.73 |
| Jigs & Fixtures, Drawings and Designs | | 112.17 | | 109.15 |
| Royalty & Knowhow | | 12.22 | | 64.48 |
| Research & Development | | 270.07 | | 235.70 |
| Excise Duty Provided on Stock | | 2.19 | | 3.54 |
| Selling Agents Commission | | 49.00 | | 9.14 |
| Selling Expenses | | 190.08 | | 150.24 |
| Director's Sitting Fees | | 3.70 | | 2.20 |
| Director's Commission | | 9.27 | | 2.06 |
| **Payments to the Auditor** | | | | |
| As Auditors | 6.18 | | 6.07 | |
| For Tax Audit | 2.43 | | 1.72 | |
| For Quarterly Review | 2.27 | | 2.59 | |
| For Fees for Other Services (incl.for issuing various certificates) | 1.15 | | 3.48 | |
| For Reimbursement of out of pocket expenses | 0.33 | 12.36 | 0.45 | 14.31 |
| Donation | | 8.43 | | 15.94 |
| Miscellaneous Expenses | | 1,191.12 | | 1,031.64 |
| Sundry Debit Balance Adjusted | | 0.46 | | 5.06 |
| Bad Debt written off | | 147.69 | | 744.35 |
| Provision for Diminution of Current Investment | | - | | 11.65 |
| Expenses related to previous year | | 0.54 | | 0.11 |
| Net gain or loss on foreign currency transaction and translation (other than considered as finance cost) | | 404.26 | | (24.47) |
| **TOTAL(2.25)** | | **12,368.73** | | **14,758.46** |

**Note 2.11**
**FIXED ASSETS**

***(REVALUED COST BASIS)*** ***( Rs. In Lakhs )***

| DESCRIPTION OF ASSETS | GROSS BLOCK | | | | DEPRECIATION | | | | NET BLOCK | NET BLOCK |
|---|---|---|---|---|---|---|---|---|---|---|
| | AS ON 01/04/2011 | ADDITIONS DURING THE YEAR | SALES/ ADJUSTMENTS | AS ON 31/03/2012 | AS ON 01/04/2011 | DURING THE YEAR | SALES/ ADJUSTMENTS | AS ON 31/03/2012 | AS ON 31/03/2012 | AS ON 31/03/2011 |
| **TANGIBLE ASSETS** | | | | | | | | | | |
| *LAND* | 1375.01 | -- | -- | 1375.01 | -- | -- | | -- | 1375.01 | 1375.01 |
| *BUILDINGS* | 5245.65 | 25.67 | -- | 5271.32 | 2558.26 | 98.01 | | 2656.27 | 2615.05 | 2687.39 |
| *ROADS* | 105.17 | 8.93 | -- | 114.10 | 41.73 | 1.12 | | 42.85 | 71.25 | 63.44 |
| *RAILWAY SIDINGS* | 279.23 | 4.17 | -- | 283.40 | 137.84 | 9.48 | | 147.32 | 136.08 | 141.39 |
| *PLANT & MACHINERY* | 11506.05 | 708.34 | 81.41 | 12132.98 | 6278.66 | 741.55 | 77.33 | 6942.88 | 5190.10 | 5227.39 |
| *ELECTRICAL MACHINERY* | 848.10 | 5.30 | 8.74 | 844.66 | 390.47 | 31.27 | 7.41 | 414.33 | 430.33 | 457.63 |
| *OFFICE EQUIPMENTS* | 475.59 | 13.89 | 53.53 | 435.95 | 271.63 | 31.26 | 50.49 | 252.40 | 183.55 | 203.96 |
| *FURNITURE & FITTINGS* | 168.19 | 18.36 | 0.12 | 186.43 | 78.46 | 7.91 | 0.11 | 86.26 | 100.17 | 89.73 |
| *VEHICLES* | 396.04 | 39.15 | 19.19 | 416.00 | 166.02 | 31.47 | 11.33 | 186.16 | 229.84 | 230.02 |
| *TOTAL* | 20399.03 | 823.81 | 162.99 | 21059.85 | 9923.07 | 952.07 | 146.67 | 10728.47 | 10331.38 | 10475.96 |
| *CAPITAL WORK - IN - PROGRESS* | 182.55 | 3536.13 | -- | 3718.68 | | | | | 3718.68 | 182.55 |
| *GRAND TOTAL* | 20581.58 | 4359.94 | 162.99 | 24778.53 | 9923.07 | 952.07 | 146.67 | 10728.47 | 14050.06 | 10658.51 |
| *PREVIOUS YEAR* | 20580.61 | 1179.11 | 1178.14 | 20581.58 | 10028.57 | 902.82 | 1008.32 | 9923.07 | 10658.51 | - |

**Texmaco Rail & Engineering Limited**
**Investments as on 31st March 2012**

**Note:(2.12)(a)**

**NON-CURRENT INVSETMENTS (AT COST)**

**OTHER THAN TRADE INVESTMENTS**
**Fully paid-up**
**-Investments in Equity Instruments (QUOTED)**

| Quantity | F.V. | | 2011-12 (Rs. in Lakhs) | 2010-11 (Rs. in Lakhs) |
|---|---|---|---|---|
| 2349809 (-) | 1 | Texmaco Infrastructure & Holdings Limited | 732.63 | - |
| | | **-Investments in Equity Instruments of Joint Ventures (UNQUOTED)** | | |
| 10296000 (10000) | 10 | Texmaco United Group Rail Pvt. Limited | 3601.10 | 1.00 |
| 25000 (-) | 10 | Touax Texmaco Railcar Leasing Pvt Limited | 2.50 | - |
| | | **Total 2.12(a)** | **4336.23** | **1.00** |
| | | i) Aggregate amount of quoted investments | 732.63 | - |
| | | ii) Market Value of quoted investments | 633.27 | - |
| | | iii) Aggregate amount of unquoted investments | 3603.60 | 1.00 |
| | | iv) Aggregate Provision for dimunition in value of Investments | - | - |

**Note:(2.12)(b)**
**CURRENT INVESTMENTS (At Lower of Cost and Fair Value)**
**Fully paid-up**
**a) Investments in Equity Instruments (Quoted)**

| Quantity | F.V. | | 2011-12 | 2010-11 |
|---|---|---|---|---|
| 5000 (5000) | 10 | Idea Cellular Limited | 7.30 | 7.30 |
| 11000 (11000) | 10 | Powergrid Corporation of India Limited | 16.78 | 16.78 |
| 20000 (20000) | 10 | Tata Teleservices (Maharashtra) Limited | 9.79 | 9.79 |
| 10000 (10000) | 2 | East India Hotels Limited | 17.29 | 17.29 |
| 1800 (1800) | 10 | SREI Infrastructure Finance Limited | 2.17 | 2.17 |
| 500 (500) | 10 | Century Textiles Limited | 4.35 | 4.35 |
| - (50000) | 10 | SPIC | - | 12.42 |
| 101471 (101471) | 10 | NHPC Ltd. | 36.53 | 36.53 |
| | | **Sub-total** | 94.21 | 106.63 |
| | | Less: Provision for Diminution | (43.58) | (44.49) |
| | | **Sub-total-(a)** | **50.63** | **62.14** |

**b) Investments in Bonds (Unquoted)**

| Units | F.V. | | | |
|---|---|---|---|---|
| 26750<br>(26750) | 8500 | In NABARD | 2498.45 | 2,498.45 |
| 540<br>(540) | 100000 | In IRFC Bond | 540.00 | 540.00 |
| 1000<br>(1000) | 100000 | In IIFCL | 1005.50 | 1,005.50 |
| 21751<br>(-) | 1000 | In 8.10% IRFC | 217.51 | - |
| 500000<br>(-) | 100 | In 8.30% GOI Bond | 462.50 | - |
| 49448<br>(-) | 1000 | In 8.30% NHAI | 494.48 | - |
| 50000<br>(-) | 1000 | In 8.20% HUDCO | 500.00 | - |
| | | **Sub-total-(b)** | **5,718.44** | **4,043.95** |

**c) Investments in Mutual Funds (Unquoted)**

| Units | F.V. | | | |
|---|---|---|---|---|
| 10923003.69<br>(10002270.25) | 10 | Reliance Fixed Horizon Fund Series 3 | 1092.30 | 1,000.23 |
| 17585195.14<br>(5002149.31) | 10 | Reliance Fixed Horizon Fund-19 Series II | 1758.52 | 500.22 |
| -<br>(11000984.53) | 10 | Reliance Fixed Horizon Fund-19 Series II | - | 1,100.10 |
| -<br>(5000000.00) | 10 | Baroda Pioneer FMP 380 days Series I | - | 500.00 |
| 5001051.00<br>(5001051.00) | 10 | SBI SDFS-370-12 Growth | 500.11 | 500.11 |
| -<br>(20000000.00) | 10 | TEMF Series 31 Scheme B Growth | - | 2,000.00 |
| -<br>(24956409.36) | 10 | Birla Sun Life Short Term Opportunities Fund | - | 2,500.76 |
| -<br>(10000000.00) | 10 | Birla Sun Life Qtly interval - Series 4 | - | 1,000.00 |
| -<br>(5006147.00) | 10 | Kotak FMP Series - 40 Dividend | - | 500.61 |
| -<br>(15285544.16) | 10 | Fidelity Fixed Maturity Plan-E Series V | - | 1,528.55 |
| -<br>(15270768.53) | 10 | ICICI Prudential FMP Series 56-1 year Plan A com | - | 1,527.08 |
| -<br>(5731623.48) | 10 | UTI Fixed Term Income Fund Series IX-I 367 Days | - | 573.16 |
| -<br>(17403547.60) | 10 | UTI Fixed Term Income Fund Series IX-I 367 Days | - | 1,740.35 |
| -<br>(5012597.00) | 10 | IDFC FMP-Yearly Series 42- Growth | - | 501.26 |
| -<br>(10218500.00) | 10 | SBI SDFS-90 Days -41 Growth | - | 1,021.85 |
| -<br>(5000400.03) | 10 | Kotak Quarterly Interval Plan Series 6 DD | - | 500.00 |
| -<br>(10350582.11) | 10 | Fidelity Fixed Maturity Plan-B Series 5 (91 Days) | - | 1,035.06 |
| -<br>(5491816.79) | 10 | L & T FMP-III (March-90 D B) Growth | - | 549.18 |
| 5003849.32<br>(5000000.00) | 10 | DSP Black Rock FMP-3 Month Series 31 | 500.38 | 500.00 |
| -<br>(8176086.62) | 10 | Kotak Liquid (Inst.Prem DDR) | - | 999.78 |
| -<br>(5000000.00) | 10 | IDBI Ultra Short Term Fund | - | 500.00 |
| -<br>(5000000.00) | 10 | Franklin India Short Term Bond Fund | - | 500.00 |
| 53710.60<br>(49929.37) | 1000 | Axis Treasury Advantage Fund | 537.38 | 500.00 |
| 9884.74<br>(4997001.80) | 10 | SBI SHF Ultra Short Term Fund | 98.91 | 500.00 |
| 0.58<br>(0.58) | 10 | SBI Premier Liquid Fund-Super IP-DDR | - | - |

| | | | | |
|---|---|---|---|---|
| 3754458<br>(-) | 10 | Reliance Dynamic Bond Fund | 500.00 | - |
| 785000<br>(-) | 10 | SBI SDFS-90 Days- 57 Dividend Payout | 785.00 | - |
| 5203349<br>(-) | 10 | UTI Fixed Maturity Plan-Quarterly Series QF of MP 2/12 | 520.33 | - |
| 5615436<br>(-) | 10 | HDFC FMP 92D February 2012(2) Div. Series XIX | 561.54 | - |
| 10155004<br>(-) | 10 | Birla SunLife Fixed Term Plan Series E Growth | 1015.50 | - |
| 16800000<br>(-) | 10 | HDFC FMP 392D March 2012(2) Div. Series XXI | 1680.00 | - |
| 22024600<br>(-) | 10 | TATA FMP Series | 2202.46 | - |
| 16788072<br>(-) | 10 | ICICI Prudential FMP Series 63 -1 year Plan B Com | 1678.81 | - |
| 9719023<br>(-) | 10 | BSL Fixed Term Plan Series EW Growth 1 year | 971.90 | - |
| 10000000<br>(-) | 10 | SBI Debt Fund Series - 180 days -22 Div. | 1000.00 | - |
| 5000000<br>(-) | 10 | Kotak FMP Series 66-370 Days | 500.00 | - |
| 61960<br>(-) | 1000 | UTI Liquid Cash Plan Daily Div. Op. Reinv. | 631.65 | - |
| 5006147<br>(-) | 10 | Kotak FMP Series 83 Growth | 500.61 | - |
| 191145<br>(-) | 1000 | UTI Money Market Fund Institutional Daily Div. Reinv. | 1917.92 | - |
| 55102<br>(-) | 1000 | Baroda Pioneer Treasury Advantage Fund Daily Div. | 551.52 | - |
| 11017100<br>(-) | 10 | BSL Fixed Term Plan Series | 1101.71 | - |
| 55270<br>(-) | 1000 | IDFC Cash Fund -Super Institutional | 552.83 | - |
| | | **Sub-total-(c)** | **21,159.38** | **22,078.30** |
| | | **TOTAL (a+b+c)** | **26,928.45** | **26184.39** |

**Notes:(2.12)**

| | | |
|---|---|---|
| Aggregate amount of Quoted Current Investments | 94.21 | 106.63 |
| Market Value of Quoted Investments | 50.63 | 62.14 |
| Aggregate amount of Unquoted Investments | 26877.82 | 26,123.25 |
| Aggregate amount of written down on Current investments | 43.58 | 44.49 |

**Notes on Accounts**

| 2.26 | Commitments and Contingent Liabilities | | |
|---|---|---|---|
| | | **2011-12** | **2010-11** |
| **(a)** | **Commitments** | **(Rs. in Lakhs)** | **(Rs. In Lakhs)** |
| | Estimated amount of contracts remaining to be executed on Capital Account and not provided for (Net of advance) | 801.34 | 2,120.12 |

| | | 2011-12 | 2010-11 |
|---|---|---|---|
| | | **(Rs. in Lakhs)** | **(Rs. In Lakhs)** |
| **(b)** | **Contingent Liabilities (not provided for) in respect of :** | | |
| | (a) Guarantees given by Banks | 33,854.27 | 38,933.43 |
| | (b) Letters of Credit opened by Banks | 9,962.66 | 13,584.09 |
| | (c) Bonds issued to Custom Department | 92.20 | - |
| | (d )Claims under dispute (Excise Duty, Service Tax & others) | 2,199.50 | 4,323.41 |
| | (e) Claims not acknowledged as debts (Amount unascertainable) | - | - |
| | (f) Income Tax assessment re-opened (Amount unascertainable) | - | - |

**2.27. Movement of Provisions during the year as required under AS 29 prescribed by the Companies (Accounting Standard) Rules 2006.**

(Rs. in Lakhs)

| Particulars | Opening Provision as on 1-4-2011 | Utilized during the year | Reversed during the year | Provision during the year | Closing provision as on 31- 03-2012 |
|---|---|---|---|---|---|
| (a) Site warranty period maintenance | 183.99 | ---- | ---- | ---- | 183.99 |
| (b) Others | 183.41 | 53.34 | ---- | ---- | 130.07 |
| **Total** | **367.40** | **53.34** | ---- | ---- | **314.06** |
| **Previous Year** | **333.10** | **26.61** | ---- | **60.91** | **367.40** |

In accordance with the requirement of AS 29 "Provisions, Contingent Liabilities and Contingent Assets" issued by the Companies (Accounting Standard) Rules 2006, the company has provided liability for warranty and other expenses amounting to Rs. Nil Lakhs (Previous Year 60.91 lakhs).

Site warranty period maintenance: - The Company gives warranties and maintenance on certain products and services, undertaking to repair, replace and maintain the items for satisfactory working during the warranty period. Provision as at 31.03.2012 represents the amount of the expected cost of meeting such obligations of rectification/ replacement/ maintenance. The timing of the outflow is expected to be within a period of two years.

Provision for others: - It represents liabilities related to various site expenses including contractor service charges for sites, administrative charges etc, likely to materialise in the next financial year.

**2.28** 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 and the provisions for all known and determined liabilities is adequately provided.

**2.29** Balance of debtors and loans and advances are subject to confirmation from respective parties.

## 2.30 Related Party Disclosure

### (a) Name of the related parties and relationship:

| | Relationship | Parties where control Exist | Parties where control Exist |
|---|---|---|---|
| | | **2011-12** | **2010-11** |
| A. | Key Management Personnel | Shri S. K. Poddar<br>Executive Chairman | Shri S. K. Poddar<br>Executive Chairman |
| | | Shri Ramesh Maheshwari<br>Executive Vice Chairman | Shri Ramesh Maheshwari<br>Executive Vice Chairman |
| | | Shri D. H. Kela<br>Whole Time Director, President & CEO | Shri D. H. Kela<br>Whole Time Director, President & CEO |
| B. | Other Related Parties | Texmaco Infrastructure & Holdings Limited (formerly known as Texmaco Limited) | Texmaco Infrastructure & Holdings Limited (formerly known as Texmaco Limited) |
| C. | Joint Venture | Texmaco UGL Rail Pvt. Limited | Texmaco UGL Rail Pvt. Limited |
| | | Touax Texmaco Railcar Leasing Pvt. Ltd. | ------ |

### (b) Related Party Transactions

*(Rs in Lakhs)*

| Transactions | Other Related Party | Joint venture | Key Management Personnel | Grand Total |
|---|---|---|---|---|
| **Remuneration paid** | | | | |
| - Shri S. K. Poddar | -- | -- | 303.57 | 303.57 |
| - Shri Ramesh Maheshwari | -- | -- | 111.75 | 111.75 |
| - Shri D. H. Kela | -- | -- | 61.91 | 61.91 |
| **Investment** | | | | |
| Texmaco UGL Rail Pvt. Limited | -- | 3600.10 | -- | 3600.10 |
| Touax Texmaco Railcar Leasing Pvt. Limited | -- | 2.50 | -- | 2.50 |
| Texmaco Infrastructure & Holdings Limited (formerly known as Texmaco Limited) | 732.63 | -- | -- | 732.63 |
| **Dividend paid** | | | | |
| Texmaco Infrastructure & Holdings Limited (formerly known as Texmaco Limited) | 546.00 | -- | -- | 546.00 |

**2.31 Employee Benefits Obligation :**

The Company accounts for Gratuity & Leave Liability at actuarial valuation at the end of the year i.e. 31st March. Accordingly these Liabilities have been computed by the actuary as at 31st March, 2012.

**Employee Benefits**

**Defined benefits Plans – As per Actuarial valuation as on March 31, 2012**

*(Rs. In Lakhs)*

| | | **Funded Gratuity 2011-12** | **Funded Gratuity 2010-11** | **Unfunded Leave 2011-12** | **Unfunded Leave 2010-11** |
|---|---|---|---|---|---|
| I | **Change of Benefit Organisation** | | | | |
| | Liability at the beginning of the year | 1751.61 | ---- | 153.72 | ---- |
| | Transfer from Texmaco Infrastructure & Holdings Limited | ---- | 1,537.60 | ---- | 114.03 |
| | Interest cost | 148.88 | 144.50 | 2.93 | 12.68 |
| | Current Service Cost | 89.99 | 83.28 | 13.07 | 28.35 |
| | Past Service Cost (Non Vested Funds) | ---- | ---- | ---- | ---- |
| | Past Service Cost (Vested Funds) | ---- | ---- | ---- | ---- |
| | Benefits Paid | (180.52) | (168.67) | (9.06) | (8.43) |
| | Actuarial (Gain)/Loss on obligation | (75.54) | 154.90 | (4.86) | 7.09 |
| | Curtailments and Settlements | ---- | ---- | ---- | ---- |
| | Plan Amendment | ---- | ---- | ---- | ---- |
| | Liability at the end of the year | 1734.42 | 1,751.61 | 155.80 | 153.72 |
| II | **Fair Value of Plan Assets** | | | ---- | ---- |
| | Fair value of Plan Assets at the beginning of the year | 1803.48 | ---- | ---- | ---- |
| | Transfer from Texmaco Infrastructure & Holdings Limited | ---- | 1,497.84 | ---- | ---- |
| | Expected Return on Plan Assets | 153.30 | 140.65 | ---- | ---- |
| | Contributions | 276.72 | 333.66 | 9.06 | 8.43 |
| | Benefit Paid | (180.52) | (168.67) | (9.06) | (8.43) |
| | Actuarial Gain/ (Loss) on Plan Assets | 12.03 | ---- | ---- | ---- |
| | Fair Value of Plan Assets at the end of the year | 2065.01 | 1803.48 | ---- | ---- |
| | Total Actuarial (Gain)/Loss to be Recognised | (87.57) | ---- | ---- | ---- |
| III | **Actual Return on Plan Assets** | | | | |
| | Expected Return on Plan Assets | 153.30 | 140.65 | ---- | ---- |
| | Actuarial (Gain)/Loss on Plan Assets | 12.03 | ---- | ---- | ---- |
| | Actual Return on Plan Assets | 165.33 | 140.65 | ---- | ---- |
| IV | **Amount Recognised in the balance sheet** | | | | |
| | Liability at the end of the year | | 1751.61 | 155.80 | 153.72 |
| | Fair Value of Plan Assets at the end of the year | 1734.42 | (1,803.48) | ---- | ---- |
| | Difference | 2065.01 | (51.87) | 155.80 | 153.72 |
| | Unrecognised Past Service Cost | (330.59) | ---- | ---- | ---- |
| | Amount Recognised in the Balance Sheet | ---- | (51.87) | 155.80 | 153.72 |
| V | **Expenses Recognised in the Income Statement** | (330.59) | | | |
| | Current Service Cost | 89.99 | 83.28 | 13.07 | 28.35 |
| | Interest Cost | 148.88 | 144.50 | 2.93 | 12.68 |
| | Expected Return on Plan Assets | (153.30) | (140.65) | ---- | ---- |

| | | Funded Gratuity 2011-12 | Funded Gratuity 2010-11 | Unfunded Leave 2011-12 | Unfunded Leave 2010-11 |
|---|---|---|---|---|---|
| | Net Actuarial (Gain)/Loss to be Recognised | (87.57) | 154.90 | (4.86) | 7.09 |
| | Past Service Cost/(Non Vested Benefit) Recognised | ---- | ---- | ---- | ---- |
| | Past Service Cost/(Vested Benefit) Recognised | ---- | ---- | ---- | ---- |
| | Effect of Curtailment or settlement | ---- | ---- | ---- | ---- |
| | Curtailments and Settle';ments | ---- | ---- | ---- | ---- |
| | Expenses Recognized in the Profit and Loss Account | (2.00) | 242.03 | 11.14 | 48.12 |
| VI | **Balance Sheet Reconciliation** | | | | |
| | Opening Net Liability | (51.87) | ---- | 153.72 | ---- |
| | Transfer from Texmaco Infrastructure & Holdings Limited | ---- | 39.76 | ---- | (114.03) |
| | Expense as above | (2.00) | 242.03 | 11.14 | (48.12) |
| | Employers Contribution | (276.72) | (333.66) | ---- | ---- |
| | Effect of Curtailment or settlement | ---- | ---- | ---- | ---- |
| | Benefits paid | ---- | ---- | 9.06 | 8.43 |
| | Amount Recognised in the Balance Sheet | (330.59) | (51.87) | 155.80 | 153.72 |
| VII | **Actuarial Assumption** | | | | |
| | Discount Rate Current | 8.25% | 8.25% | 8.25% | 8.25% |
| | Rate of Return on Plan Assets | 8.50% | 8.50% | ---- | ---- |
| | Salary Escalation Current | 5.00% | 5.00% | 5.00% | 5.00% |

### 2.32 Earning Per Share – The numerator and denominator used to calculate Basic/ Diluted Earning per Share

| | | 2011-12 | 2010-11 |
|---|---|---|---|
| Net Profit for the period from ordinary activities attributable to equity shareholders (Excluding Preference Share Dividend) – used as numerator | Rs in Lakhs | 9305.72 | 12147.60 |
| Weighted average number of Equity share outstanding used as denominator for Basic earning per share | Number | 182026590 | 181783090 |
| (A) Basic Earning per share ( face value of Re 1/- each) | Rs. | 5.11 | 6.68 |
| (B) Diluted Earning per share ( face value of Re 1/- each) | Rs. | 5.11 | 6.67 |

### 2.33 Interest in Joint Venture (JV)

Particulars of the Company's interest in Jointly Controlled Entity is as below:

| | Percentage of ownership | Country of Incorporation |
|---|---|---|
| Texmaco UGL Rail Private Limited | 50% | India |
| Touax Texmaco Railcar Leasing Pvt. Ltd | 50% | India |

The company's share in assets, liabilities, income and expense in the above jointly controlled entities as at and for the year ended March 31, 2011 is as follows:

*(Rs in lakhs)*

| Name of Joint Venture | Company's share in | | | | |
|---|---|---|---|---|---|
| | Assets | Liabilities | Income | Expenses | Profit/ (Loss) after Tax |
| Texmaco UGL Rail Pvt. Limited | 1581.94 | 460.51 | 6.75 | 8.54 | (3.45) |
| Touax Texmaco Railcar Leasing Pvt. Ltd | - | - | - | - | - |

Company's share in the Capital Expenditure Commitments and contingent liability of the Joint Venture – Rs Nil. The audited accounts of JV Companies for the year ended 31st March 2012 was not available on the date of signing of Balance Sheet.

The company in Joint Venture with UGL Rail Services Limited, Australia is setting up a State-of -Art manufacturing facility christened, Texmaco UGL Rail Pvt. Limited, a 50:50 JV between the company and UGL Rail Services Limited, Australia, for manufacturing of Bogie Frames, Loco Cabs, Platforms Segment and Wagon Components etc. within its premises at Belgharia. The company during the year has supported the JV with activities, the cost of which has not been recognized in the books of accounts during the year pending finalization of the quantum of the said mobilization activities along with the lease rental for the space provided for the manufacturing facility and the same shall be provided as and when it is formally determined.

**2.34** Sales include inter departmental transfers Rs. 13,592.62 lakhs. (Previous Year Rs 13,959.54 lakhs)

**2.35** Escalation, insurance claims and other claims have been accounted for on accrual basis based on latest data available with the Company and where the realization of the amount is reasonably certain.

### 2.36 Amount Remitted during the year on account of Dividend (As certified by the Management)

| | 2011-12 | 2010-11 |
|---|---|---|
| Number of Non-resident Shareholders | 17 | -- |
| Number of Equity Shares held | 14840 | -- |
| Dividend remitted (Rs. in Lakhs) | 0.13 | -- |
| Year of Dividend paid | 2010-11 | -- |

### 2.37 Value of raw materials and stores consumed (including components and spare parts) services etc.:

| | 2011-12 (Rs. in Lakhs) | % | 2010-11 (Rs. in Lakhs) | % |
|---|---|---|---|---|
| Imported | 9,715.72 | 21.25 | 12,610.99 | 15.41 |
| Indigenous | 43,534.27 | 78.75 | 69,222.95 | 84.59 |
| | **53,249.99** | **100.00** | **81,833.94** | **100.00** |

### 2.38 Value of imports on C.I.F. Basis:

| | 2011-12 (Rs. in Lakhs) | 2010-11 (Rs. in Lakhs) |
|---|---|---|
| Raw Materials | 37.94 | 150.13 |
| Components, Spare Parts and Stores | 11,015.15 | 12,251.84 |
| Capital Goods | 207.42 | - |
| | **11,260.51** | **12,401.97** |

### 2.39 Expenditure in Foreign Currency:

| | 2011-12 (Rs. in Lakhs) | 2010-11 (Rs. In Lakhs) |
|---|---|---|
| Salary | 94.37 | 85.19 |
| R & D Expenses | 110.94 | 151.20 |
| Traveling and Others | 52.00 | 25.21 |
| Books & Periodicals | 1.67 | 0.04 |
| General Charges (AAR Audit Fee) | 2.39 | 5.50 |
| **Total** | **261.37** | **267.14** |

### 2.40 Income in Foreign Exchange:

| | 2011-12 (Rs. in Lakhs) | 2010-11 (Rs. In Lakhs) |
|---|---|---|
| Export of Goods (F.O.B.) | 1,995.77 | 728.85 |

### 2.41 Miscellaneous expenses include:

| | 2011-12 (Rs. in Lakhs) | 2010-11 (Rs. In Lakhs) |
|---|---|---|
| Bank charges including Guarantee Commission | 294.81 | 362.80 |
| Travelling Expense paid to Directors for attending Board Meetings | 3.91 | 3.84 |

.

**2.42** Consumption of raw materials, components, stores and spares parts includes profit/loss on sale thereof and exchange difference arising on Foreign Currency transactions on account of imported Raw Materials/ Stores has been accounted under respective Revenue heads.

### 2.43 Analysis of raw materials consumed:

| Particulars | 2011-12 (Rs. in Lakhs) | 2010-11 (Rs. In Lakhs) |
|---|---|---|
| M.S. & C.I. Scrap | 5,024.71 | 4,636.81 |
| Pig Iron | 291.25 | 238.30 |
| Plates & Sheets | 2,193.08 | 5,922.08 |
| Rounds, Bars and Flats | 194.76 | 229.64 |
| Structural | 717.93 | 575.16 |
| | **8421.73** | **11,601.99** |

(Rs. In Lakhs)

**2.44. Information about Segment Working is given below:**

| | 2011-2012 | | | 2010-2011 | | |
|---|---|---|---|---|---|---|
| | **Heavy Engg. Division** | **Steel Foundry** | **Total** | **Heavy Engg. Division** | **Steel Foundry** | **Total** |
| | **1** | **2** | **3 (1+2)** | **1** | **2** | **3 (1+2)** |
| **Revenue (Net of Excise Duty and Cess)** | | | | | | |
| External Sales | 70,143.59 | 6,599.77 | 76,743.36 | 90,449.63 | 3,405.44 | 93,855.07 |
| Internal-Segment Sales | 1,053.49 | 12,539.13 | 13,592.62 | 768.56 | 13,190.98 | 13,959.54 |
| **Total Revenue** | **71,197.08** | **19,138.90** | **90,335.98** | **91,218.19** | **16,596.42** | **1,07,814.61** |
| **Result** | | | | | | |
| Segment Result | 12,169.06 | 1,963.63 | 14,132.69 | 15,524.99 | 1,955.42 | 17,480.41 |
| Unallocated Corporate Expenses | | | | | | - |
| **Operating Profit/(Loss)** | | | **14,132.69** | | | **17,480.41** |
| Interest Expense | | | (826.33) | | | (501.45) |
| Interest Income | | | 319.36 | | | 587.25 |
| **Total Profit/(Loss) before Tax** | | | **13,625.72** | | | **17,566.21** |
| Provision for Current Tax | | | (3,940.00) | | | (5,590.00) |
| Provision for Deferred Tax | | | (380.00) | | | 171.39 |
| **Profit/(Loss) from ordinary activities** | | | **9,305.72** | | | **12,147.60** |
| Extra ordinary items | | | - | | | - |
| **Net Profit/(Loss)** | | | **9,305.72** | | | **12,147.60** |
| **Other Information** | | | | | | |
| Segment assets | 61,365.43 | 14,118.55 | 75,483.98 | 50,290.03 | 11,018.39 | 61,308.42 |
| Unallocated Corporate assets | | | - | | | - |
| **Total assets** | | | **75,483.98** | | | **61,308.42** |
| Segment liabilities | 43,656.16 | 9,684.29 | 53,340.45 | 38,065.22 | 4,003.31 | 42,068.53 |

| | | | | | | |
|---|---|---|---|---|---|---|
| Unallocated corporate liabilities | | | - | | | - |
| **Total Liabilities** | | | **53,340.45** | | | **42,068.53** |
| **Capital expenditure** | **1,734.79** | **2,625.15** | **4,359.94** | **987.96** | **191.15** | **1,179.11** |
| **Depreciation** | **364.46** | **553.34** | **917.80** | **322.16** | **536.34** | **858.50** |
| **Non-cash expenses other than depreciation** | | | - | | | **11.65** |

***Note : The Company operates predominantly within the geographical limits of India and accordingly secondary segments have not been considered.***

**2.45 Particulars in respect of Goods Manufactured**

**(Rs. In Lakhs)**

| **Class of Goods** | | **Sales** | **Opening Stock** | **Closing Stock** |
|---|---|---|---|---|
| Wagons | **2011-12** | **67599.80** | - | - |
| | 2010-11 | 87131.79 | - | - |
| Structurals | **2011-12** | **1853.80** | **34.37** | **96.86** |
| | 2010-11 | 1994.55 | - | 34.37 |
| Water Tube Boilers and Package Boilers | **2011-12** | - | **49.40** | - |
| | 2010-11 | 16.99 | 58.83 | 49.40 |
| Sugar Mill Machinery (Complete Plant 1200 Tons Crusing Capacity) | **2011-12** | **-** | **-** | **-** |
| | 2010-11 | 2.21 | - | - |
| Pressure Vessels,Heat Exchangers and Chemicals Machineries | **2011-12** | **246.55** | **-** | **-** |
| | 2010-11 | 241.95 | - | - |
| Site Fabrication and Erection | **2011-12** | **1537.15** | **-** | **-** |
| | 2010-11 | 2014.55 | - | - |
| Steel Castings & Ingots (Including Draft Gear 4000 Sets) | **2011-12** | **20938.23** | **-** | **-** |
| | 2010-11 | 18223.04 | - | - |
| Power Tiller/Reaper | **2011-12** | **648.29** | **76.09** | **21.49** |
| | 2010-11 | 610.72 | 40.11 | 76.09 |
| Ring Frames,Doublers and Worsted Ring Frames | **2011-12** | **-** | **0.61** | **0.61** |
| | 2010-11 | **-** | 0.61 | 0.61 |

| | | | | |
|---|---|---|---|---|
| Speed Frames | **2011-12** | **-** | **0.39** | **0.39** |
| | 2010-11 | - | 0.39 | 0.39 |
| Others | **2011-12** | **973.02** | **-** | **-** |
| | 2010-11 | 837.36 | - | - |
| **TOTAL** | **2011-12** | **93796.84** | **160.86** | **119.35** |
| | 2010-11 | 111073.16 | 99.94 | 160.86 |

### 2.46 Details of Income/ Expenses disclosed on Net basis

| Sl No | Particulars | 2011-12 (Rs. in Lakhs) | 2010-11 (Rs. In Lakhs) |
|---|---|---|---|
| **1** | **Freight, Packing and Transport** | | |
| | Paid | 365.47 | 308.88 |
| | Received | 545.77 | 515.72 |
| | **Net** | **(180.30)** | **(206.84)** |
| **2** | **Profit on sale of Fixed Assets** | | |
| | Profit | 59.02 | 188.96 |
| | Loss | (2.74) | (10.42) |
| | **Net** | **56.28** | **178.54** |
| **3** | **Profit on sale of current investment** | | |
| | (i) Shares | | |
| | Profit | 3.74 | 10.34 |
| | Loss | - | - |
| | **Net** | **3.74** | **10.34** |
| | (ii) Mutual Funds & Others | | |
| | Profit | 1183.39 | 148.46 |
| | Loss | **-** | **-** |
| | **Net** | 1183.39 | 148.46 |
| | **Total (i+ii)** | **1187.13** | **158.80** |

### 2.47 Details of Expenses/(Income) related to previous year

| Particulars | 2011-12 (Rs. in Lakhs) | 2010-11 (Rs. In Lakhs) |
|---|---|---|
| Expenses | | |
| (i) Miscellaneous Expenses | 0.44 | 0.11 |
| (ii) Income Tax | 0.10 | - |
| | **0.54** | **0.11** |
| Income | | |
| (i) Excise Claim | - | 6.71 |
| | **-** | **6.71** |

**2.48** As a part of company's risk management policy, the financial risks mainly relating to changes in the exchange rates are hedged by using a combination of forward contracts, besides the natural hedges.

| | | **2011-12 (Rs. in Lakhs)** | **2010-11 (Rs. In Lakhs)** |
|---|---|---|---|
| (a) | The particulars of derivative contracts entered into for hedging purpose, outstanding as at 31st March are as under : | | |
| | For hedging foreign currency<br>Forward Contracts : - Payable | 3251.08 | - |
| (b) | - Un – hedged foreign currency exposure as at 31st March are as under – Payables | 4583.72 | 4387.23 |

**2.49** The revised Schedule VI has become effective from 1st April, 2011 for the preparation of financial statements. This has significantly impacted the disclosure and presentation made in the financial statements. Previous year's figures have been regrouped / reclassified wherever necessary to correspond with the current year's classification / disclosure.

**2.50** Figures below Rs. 500/- have been omitted for rounding off and above Rs. 500/- have been rounded off to the next Rs. 1000/-.

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In terms of our Report of even date attached herewith

For **K.N.Gutgutia & Co.**
Chartered Accountants
Firm Registration No:304153E

**P.K. Gutgutia**
Partner
Membership No. **6994**
6C, Middleton Street,
Kolkata – 700 071
Dated: 25th May, 2012

A. K. Vijay
Secretary

S.K. Poddar
Ramesh Maheshwari
A.C. Chakrabortti
S. Dhasarathy
D.H. Kela
Akshay Poddar
D. R. Kaarthikeyan
Hemant Kanoria

Directors

## DECLARATION

Our Company certifies that all relevant provisions of Chapter VIII read with Schedule XVIII of the Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2009, as amended, have been complied with. Further, all the relevant provisions of the Securities and Exchange Board of India Act, 1992, as amended (including all rules, regulations and guidelines issued thereunder), have been complied with. Our Company further certifies that all the statements in this Preliminary Placement Document are true and correct.

**SIGNED BY THE COMMITTEE OF DIRECTORS:**

| | |
|---|---|
| Mr. A.C Chakrabortti | Mr. Ramesh Maheshwari |
| Mr. D.H Kela | Mr. Sandeep Fuller |

| **SIGNED BY THE CHIEF FINANCIAL OFFICER** |
|---|
| Mr. A.K Vijay |

Date: November 18, 2014

Place: Kolkata

## DECLARATION

We, the Directors of the Company certify that:

(i) the Company has complied with the provisions of the Companies Act, 2013 and the rules made thereunder;

(ii) the compliance with the Companies Act, 2013 and the rules does not imply that payment of dividend or interest or repayment of debentures, if applicable, is guaranteed by the Central Government; and

(iii) the monies received under the offer shall be used only for the purposes and objects indicated in the Preliminary Placement Document (which includes disclosures prescribed under Form PAS-4).

**Signed by:**

_________________________ _________________________

*D. H. Kela, Director* *Sandeep Fuller, Director*

I am authorised by the Committee of Directors, a committee of the Board of Directors of the Company, by resolution dated November 18, 2014 to sign this form and declare that all the requirements of Companies Act, 2013 and the rules made thereunder in respect of the subject matter of this form and matters incidental thereto have been complied with. Whatever is stated in this form and in the attachments thereto is true, correct and complete and no information material to the subject matter of this form has been suppressed or concealed and is as per the original records maintained by the promoters subscribing to the Memorandum of Association and the Articles of Association.

It is further declared and verified that all the required attachments have been completely, correctly and legibly attached to this form.

*Signed:*

_____________________

A. K. Vijay, Chief Financial Officer

*Date:* November 18, 2014

*Place:* New Delhi

**TEXMACO RAIL & ENGINEERING LIMITED**

**Registered Office**: Belgharia, Kolkata, India 700 056

**Corporate Office**: Birla Building, 9/1, R.N. Mukherjee Road, Kolkata, India 700 001

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**Website:** www.texmaco.in

**Contact Person:** Mr. A.K. Vijay, Chief Financial Officer

**Address of Compliance Officer**: Texmaco Rail & Engineering Limited, Belgharia, Kolkata, India 700 056

**E-mail:** ak.vijay@texmaco.in

**Phone:** +91 33 2569 1502; **Fax**: +91 33 2541 2448

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**SOLE GLOBAL BOOK RUNNING LEAD MANAGER**

**ICICI Securities Limited**

ICICI Centre, H.T. Parekh Marg, Churchgate

Mumbai 400 020, India

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**DOMESTIC LEGAL ADVISOR TO THE ISSUE**

**Amarchand & Mangaldas & Suresh A. Shroff & Co.**

AmarchandTowers

216, Okhla Industrial Estate, Phase III

New Delhi 110 020, India

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**INTERNATIONAL LEGAL COUNSEL WITH RESPECT TO SELLING AND TRANSFER RESTRICTIONS**

**Duane Morris & Selvam LLP**

**16 Collyer Quay, Floor 17**

**Singapore 049318**

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**AUDITORS TO THE COMPANY**

**K.N. Gutgutia & Company**

6C, Middleton Street

Kolkata 700001, India