



Global Strength

43rd Annual Report
& Accounts

Foseco India Limited

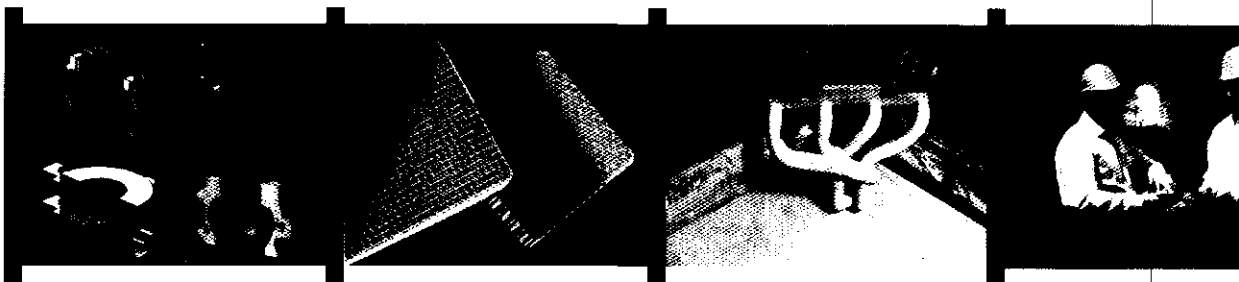
 A BURMAH CASTROL COMPANY

Jan-Dec
1999

A customer is the most important visitor on our premises. He is not dependent on us. We are dependent on him. He is not an interruption in our work, he is the purpose of it. He is not an outsider in our business, he is part of it. We are not doing him a favour by serving, he is doing us a favour by giving us an opportunity to do so.

- Mahatma Gandhi

Report  junction.com



Foseco's new corporate office & manufacturing site at Sanaswadi, Pune



Report Local Presence

At Foseco, we work in partnership with our customers to develop products, services and applications that meet their specific needs, in their particular environment.

Success comes only as a result of collaboration. Of striving to do things better. Of winning customer's trust and confidence. Of becoming a seamless part of their team.

Board of Directors**P. K. Choksey**

Chairman

D. G. Hussey

Vice Chairman

D. O. Hughes

Managing Director

C. K. Srinivasan

Director-Steel

F. A. A. Jasdanwalla

Director

D. P. Mehta

Director

J. M. Weeks

Alternate Director

R. Balakrishnan

Company Secretary &

Legal Services Manager

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Registered Office

Gat No. 922 & 923,
Sanaswadi, Taluka Shirur,
Dist. Pune 412 208

Factories

Chinchwad, Pune
Sanaswadi, Pune
Pondicherry

Regional Sales Offices

Sanaswadi, Pune
New Delhi
Calcutta
Chennai
Bangalore

Bankers

ANZ Grindlays Bank Ltd.
Syndicate Bank
The Hongkong & Shanghai
Banking Corporation Limited
Standard Chartered Bank

Auditors

Sharp & Tannan
Solicitors
Crawford Bayley & Co

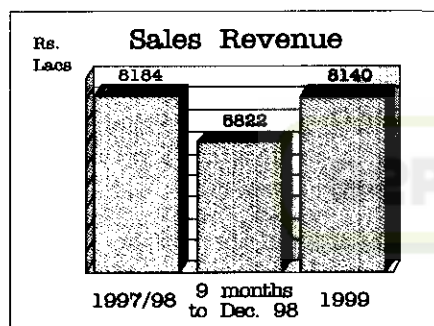
**Registrars and
Transfer Agents**

MCS Limited
116/118, Akshay Complex,
Off Dhole Patil Road,
Near Ganesh Mandir, Pune 411 001

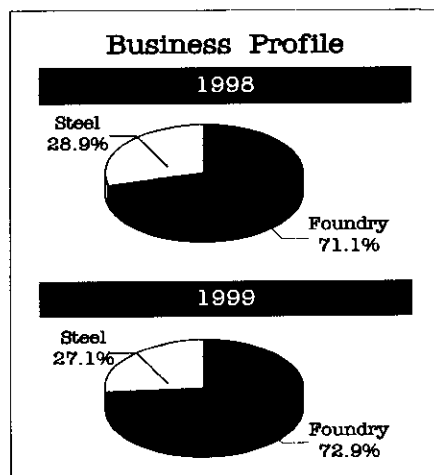
CHAIRMAN'S REVIEW

I concluded my review one year ago by noting, with some words of caution, that the vehicle markets appeared to be showing signs of encouragement. It turns out that the real growth has been in the passenger car and medium/heavy commercial vehicle markets and as the inventory in the supply chain moved forward the beneficial impact was felt by the domestic iron foundry industry in the latter part of the year. In other industry segments served by our Company's customers demand was flat and the export markets remained highly competitive in the face of excess capacity in those regional economies having suffered currency devaluation during the Asian crises.

Total turnover increased 5.3 % to Rs. 8140 L, over the equivalent period last year.

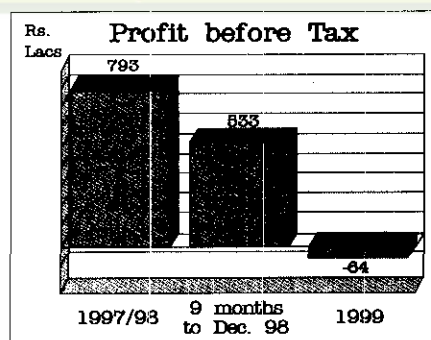


The mix of the business moved marginally towards the Foundry division - for the purpose of reporting, the minor Aluminium division (0.9% of turnover in 1998) has been merged into Foundry.



Gross profit margins in both divisions were maintained, despite the increasing competitive forces from both ends of the foundry industry supply chain. However, with the completion and commissioning of the new Sanaswadi Foundry division manufacturing site and corporate office, depreciation charges rose leading to an operating profit before interest, tax and exceptional costs relating to Project Navodaya, the business transformation programme, of Rs. 1107 L compared to Rs. 1030 L for the nine months ended December 1998. It will be recalled that the 1998 result was boosted by a Rs. 418 L credit following an adjustment to the depreciation policy and excess provision of earlier years written back.

Long term financing charges increased to Rs. 333 L from Rs. 106 L in the previous nine month period whilst Project Navodaya expenditure rose to Rs. 838 L versus Rs. 391 L. As a result the Company recorded a marginal pre-tax loss of Rs. 64 L compared to a profit of Rs. 533 L for the nine months to end 1998.



Project Navodaya progressed on schedule and on budget. The Sanaswadi site was commissioned successfully and the Mumbai head office relocated. The Steel division site in Jammu was closed and manufacturing and trading operations on Foundry division's site at Chinchwad ceased late-December. The company went live on its country-wide J. D. Edwards transactional processing system and all systems smoothly rolled over into the new millennium.

The focus on working capital, particularly trade debtors, continued with both divisions consciously deciding to forego some sales opportunities where customer liquidity was particularly tight. The Steel division has made especially pleasing progress in this area.

The year ahead will be one focussed on ensuring that the new processes, introduced during the earlier phase of Project Navodaya, operate smoothly and start to deliver projected benefits to customer service and operating efficiency. Work to build the new organisation, commenced during the latter part of 1999, will be completed in the first half of the year.

The keen focus on working capital management will remain a priority for both divisions.

Prospects in the industry segments served by the Company's customers are mixed. Demand for flat steel profiles is growing marginally whilst the passenger vehicle market is showing signs of a sustained recovery.

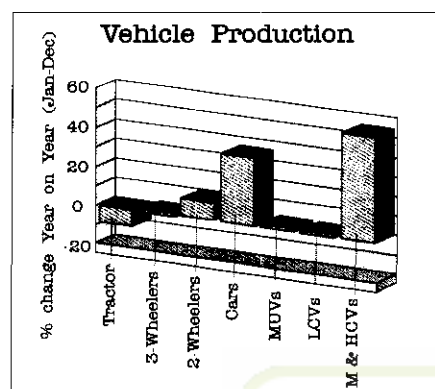
Conversely the commercial casting markets are flat and the oil and chemical industry upturn attracting foundry competition from a number of economies with favourable export drivers.

In conclusion, therefore, although I expect our business to receive some assistance from the market, most progress in the coming year will derive from the more effective and efficient organisation that the Navodaya business transformation programme will provide.

P. K. Choksey
Chairman

FOUNDRY DIVISION REVIEW

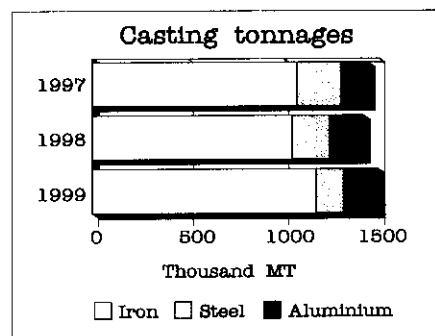
Those industry segments served by the Company's Foundry division exhibited mixed performance during the year. Most notable was the improvement in the passenger car and medium/heavy commercial vehicle markets and towards year-end the growth was finally being felt by the foundry sector - at the very beginning of the vehicle supply chain. The tractor segment remained sluggish despite attempts by the industry to encourage growth.



Source : SIAM/TMA

Approximately 60% of the divisions sales are to the vehicle market.

Despite the positive trend in the oil price during the second half of the year the country's steel casting industry will only start to feel the benefit during 2000 as component supplies downstream reduce. Other segments of importance to the division; foundries serving the textile machinery, valve and pump, ground engagement, power

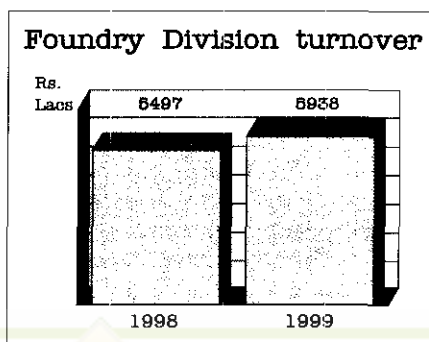


(Internal estimate)

generation and railway segments experienced no increase in demand.

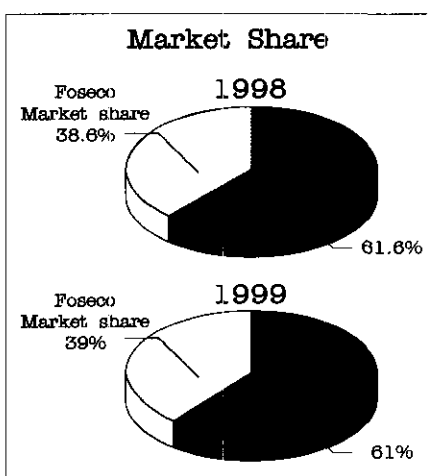
Cast tonnage of iron increased on the previous year, steel declined once more whilst aluminium increased once more as components migrate from iron to aluminium.

The pressure from casting buyers at one end of the foundry industry supply chain, and from hardening commodity raw material prices at the other, further intensified pressure on prices and margins.



Overall sales turnover was 8 % up on the equivalent period last year at Rs. 5938 L, the growth being restrained by the liquidity difficulties in the industry.

Overall market share of 39 % for the year compared favourably to 38.6 % the year before.



Market development activities remain the core of the business strategy, focussing on products and services designed to increase foundry profitability through productivity, quality and yield improvements. Customer partnership programmes were introduced at selected customers with the target of combining the expertise and resources of both organisations in pursuit of these objectives.

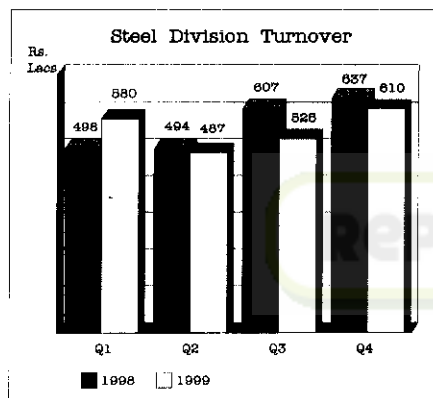
With the year 2000 underway the improved fortunes of the passenger car market are being sustained and an increase in foundry activity is evident. The strengthening of the oil price has lead to an increase in steel foundry output but competition from SE Asia and China is intense. The Indian foundry industry's international competitiveness will be tempered by the relatively high cost of power and current interest rates providing little encouragement to invest in productivity improvement measures.

In support of the strategy to help its customers raise profitability through productivity and quality improvement, the division will continue its market development activities, acting as focal point by which Foseco's international best practice and expertise is brought to the local foundry industry.

D. O. Hughes
Managing Director

STEEL DIVISION REVIEW

Industrial growth during the year rose by 6.2% compared to 3.7% in the previous year. The steel industry registered a growth of 4% during 1999, mainly due to an increase in production during the second half of the year. Although the financial performance of major steel companies continued to be unsatisfactory, mainly due to low price realisations, domestic steel consumption has registered an impressive growth of around 27% during the last quarter of 1999. An increase in flat product domestic prices by about 4% towards the end of the year, along with increasing exports is expected to alleviate some of the financial difficulties.



The Steel division sales for the year were Rs. 2202 L, 1.5% below the previous year. Due to the severe liquidity problems facing the steel industry, the number of customers with whom it is prudent to transact business has reduced and conscious decisions have been made to restrict supplies to certain customers.

Although market share for the year remained at 18%, the same level as last year, the division's drive to be more market oriented resulted in further evolution of the product mix. The new generation continuous casting mould flux, AFAX GR, manufactured in our Pondicherry facility, is being increasingly accepted by quality conscious slab casters to meet challenging productivity

requirements and market penetration in this segment increased three-fold during the year. Foseco is the only manufacturer of granular mould fluxes in India, thereby helping Indian steel makers reduce costs and inventory whilst benefitting from a product of international standard.

The new Tundish Flow Modelling laboratory was established at Pondicherry during the year. The



Water Modelling Setup

purpose is to use water-modelling to simulate the flow of liquid steel in a tundish, thereby optimising the design of tundish refractory systems.

The business strategy remains one of focussing on strategic customers, who derive value from products & services of international quality.

C. K. Srinivasan
Director - Steel

NOTICE TO THE SHAREHOLDERS

NOTICE IS HEREBY GIVEN that the Forty Third Annual General Meeting of FOSECO INDIA LIMITED will be held on Thursday 27th April 2000, at 1500 hrs (IST) at Pudumjee Hall, Mahratta Chamber of Commerce & Industries, Tilak Road, Pune 411 002 to transact the following business :

ORDINARY BUSINESS :

1. To receive and adopt the audited Balance Sheet as at 31st December, 1999 and the Profit & Loss Account for the year ended as on that date, together with the Reports of the Directors and the Auditors thereon.
2. To declare a Dividend.
3. To appoint a Director in place of Mr. P. K. Choksey who retires by rotation and is eligible for reappointment.
4. To appoint Auditors to hold office for the period from the conclusion of this Meeting until the conclusion of the next Annual General Meeting of the Company and to fix their remuneration.

SPECIAL BUSINESS :

5. To consider and if thought fit, to pass, with or without modifications, the following Ordinary Resolution:

"RESOLVED that this meeting hereby approves the reappointment of Mr. J. M. Weeks as Managing Director of the Company, from 18th July 1999 to 31st October 1999 and to the payment of remuneration as set out in the Explanatory Statement attached to the Notice convening this General Meeting."

6. To consider and if thought fit, to pass, with or without modifications, the following Ordinary Resolution:

"RESOLVED that this meeting hereby approves the appointment of Mr D. O. Hughes as Managing Director of the Company, subject to the Central Government approval and other applicable provisions, if any, of the Companies Act, 1956, from 1st November 1999 for a period of three years and to the payment of remuneration as set out in the Explanatory Statement attached to the Notice convening this General Meeting".

7. To consider and if thought fit, to pass, with or without modifications, the following Ordinary Resolution:

"RESOLVED that the consent of the Company be and hereby accorded to the modification of the Agreement dated 11th February 1999 entered between the Company and Mr. C. K. Srinivasan, the Whole time Director on the revised terms in respect of Minimum Remuneration, which is retained at the current level of his remuneration in place of the limits specified in part II of Schedule XIII to the Companies Act, 1956."

NOTES :

1. The relative Explanatory Statement pursuant to Section 173 of the Companies Act, 1956 in respect of Items Nos. 5, 6 and 7 above are annexed hereto.
2. A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT ONE OR MORE PROXIES TO ATTEND AND VOTE INSTEAD OF HIMSELF AND SUCH PROXY NEED NOT BE A MEMBER OF THE COMPANY.
3. The Register of Members and Share Transfer Books will remain closed from Thursday, the 6th April, 2000 to Thursday the 27th April 2000 (both days inclusive).
4. The dividend declared at the Meeting will be made payable on or after 2nd May 2000 to those Members whose names are on the Register of Members on 27th April 2000.
5. Members are requested to notify change of address, if any, to the Company so as to reach on or before 12th April, 2000.
6. Please encash your dividend warrants immediately on their receipt by you as dividend unclaimed for 7 years are required to be transferred to General Revenue Account of the Central Government under the provisions of the Companies Act, 1956 and the amount thereof will have to be claimed from the Registrar of Companies, Maharashtra.
 - a. Accordingly, all unclaimed dividends to the Financial Year ended 31st March, 1995 have been transferred to the General Revenue Account of the Central Government. Members who have not encashed the dividend warrants upto the said period are requested to claim the amount from the Registrar of Companies, Maharashtra.
7. As a measure of economy, copies of the Annual Report will not be distributed at the Annual General Meeting. Members are therefore requested to bring their copies of the Annual Report to the Meeting.
8. Members are requested to affix their signature at the space provided on the attendance slip annexed to the proxy form and hand over the slip at the entrance to the place of the Meeting.

By order of the Board of Directors

R BALAKRISHNAN
COMPANY SECRETARY &
LEGAL SERVICES MANAGER

Sanasawadi, Pune
25th February, 2000

ANNEXURE TO THE NOTICE

Explanatory Statement pursuant to Section 173 of the Companies Act, 1956.

In respect of Item No. 5 :

The Members will recall that at its meeting held on 18th July 1996, Mr. J. M. Weeks was appointed as Managing Director, for a period of three years with effect from 18th July 1996. The appointment of Mr. J. M. Weeks is lapsed by efflux of time after expiry of three years period. The Board of Directors at its meeting held on 16th July 1999 reappointed him as Managing Director for a further period of three years. The terms and conditions of the reappointment and remuneration shall be subject to approval by a resolution of members in the Annual General Meeting. Section 309 of the Companies Act, 1956 also requires that the remuneration payable to the Managing Director shall be determined by a resolution passed by the Company in a General Meeting. The reappointment is made in accordance with the conditions specified in Part I and Part II of Schedule XIII of the Companies Act, 1956.

Your Board of Directors, in the meeting of the Board held on 16th July, 1999 have reappointed Mr. J. M. Weeks as a Managing Director subject to the approval of the members as per the Terms of Contract as under with effect from 18th July, 1999 for a term of three years from the date of his reappointment.

However, Mr. J. M. Weeks has resigned from the office of the Managing Director from the closing hours of 31st October, 1999. Mr. David Owen Hughes has been appointed as Managing Director in his place for which a separate resolution with Explanatory Statement is appearing in this Notice.

Accordingly the Board seeks the approval from the shareholders for the appointment of Mr. J. M. Weeks for the period 18th July 1999 to 31st October 1999.

PROPOSED TERMS & CONDITIONS FOR MR. J. M. WEEKS REAPPOINTED AS THE MANAGING DIRECTOR

- a. **Salary** - Rs 2,07,000/- per month subject to review by the Board of Directors but not exceeding Rs 2,50,000/- per month.
- b. **Performance Linked Bonus** - Not exceeding 50 percent of the salary, payable annually as may be decided by the Board of Directors.
- c. **Perquisites** - Perquisites will be allowed in addition to salary. These will be restricted to Rs 8,00,000/- per annum.

Part A

- i. **Housing** : - Rent free furnished accommodation shall be provided by the Company.

Explanation : - The expenditure incurred by the Company on gas, electricity, water and furnishings shall be valued as per the Income-tax Rules, 1962.

- ii. **Medical Reimbursement** :- Expenditure incurred for self and family subject to ceiling of one month's salary in a year or three months' salary over a period of three years.
- iii. **Club Fees** : - Fees of Clubs subject to a maximum of two clubs. This will not include admission and life membership fees.

Part B

In addition to the perquisites specified in PART A above Mr. J. M. Weeks shall be eligible for the following perquisites which shall not be included in the computation of the ceiling of remuneration.

- i. Education allowance for one child not exceeding Rs 5000/- per month.
- ii. Holiday passage for children studying and staying abroad and Return passage once a year from abroad to India by Economy Class.
- iii. Annual Leave Travel - Return passage to Home country for self and family in accordance with the Rules specified by the Company.

Part C

Provision of car for use on Company's business and Telephone at Residence will not be considered as Perquisites. However, Personal long distance calls on Telephone and use of car for private purpose shall be billed by the Company.

The aggregate of the Total of Salary, Performance Linked Bonus and Perquisites as stated in Part A shall be subject to the overall ceiling laid down in Sections 198 and 309 of the Companies Act, 1956.

Where in any financial year during the currency of tenure of Mr. J. M. Weeks as the Managing Director, the Company has no profits or its profits are inadequate, Mr. J. M. Weeks to be entitled, subject to the approval of the Central Government, to the remuneration as per the terms of this agreement notwithstanding that the same be in excess of maximum remuneration permitted to be paid to him under the applicable provisions of the Companies Act, 1956 for the time being and from time to time in force.

No Directors of the Company excepting Mr. J. M. Weeks is concerned or interested in the Resolution No. 5.

The Resolution set out in Item No. 5 and the Explanatory Statement thereof may be treated as Memorandum of Understanding under Section 302 of the Companies Act, 1956.

A Draft of the Terms & Conditions referred to in Item No.5 will be available for inspection by the members of the Company at the Registered Office on any working day of the Company prior to the date of meeting between 10.00 am and 12.00 noon and at the meeting.

In respect of Item No. 6 :

Mr. J. M. Weeks, the erstwhile Managing Director, has resigned with effect from 31st October, 1999 (after closing hours) and the Board of Directors in their meeting held on 29th October, 1999 have accepted his resignation. It is, therefore, proposed to appoint Mr. D. O. Hughes as the Managing Director of the Company effective from 1st November 1999. His appointment is subject to the shareholders' approval in the Annual General Meeting and also subject to the Central Government's approval and other necessary approvals.

Your Board of Directors, in the meeting of the Board held on 29th October, 1999 have agreed subject to the approval of the members and also subject to the approval of the Central Government and other necessary approvals, for the remuneration payable to Mr. D. O. Hughes as under with effect from 1st November, 1999 for the term of three years from the date of his appointment.

PROPOSED TERMS & CONDITIONS FOR MR. D. O. HUGHES APPOINTED AS THE MANAGING DIRECTOR

- a. **Salary** - Rs 2,00,000/- per month subject to review by the Board of Directors but not exceeding Rs 3,00,000/- per month.
- b. **Performance Linked Bonus** - Not exceeding 50 percent of the salary, payable annually as may be decided by the Board of Directors.
- c. **Perquisites** - Perquisites will be allowed in addition to salary. These will be restricted to Rs 8,00,000/- per annum.

Part A

- i. **Housing** : - Rent free furnished accommodation shall be provided by the Company.

Explanation : - The expenditure incurred by the Company on gas, electricity, water and furnishings shall be valued as per the Income-tax Rules, 1962.

- ii. **Medical Reimbursement** :- Expenditure incurred for self and family subject to ceiling of one months salary in a year or three months salary over a period of three years.

- iii. **Club Fees** : - Fees of Clubs subject to a maximum of one club. This will not include admission and life membership fees.

Part B

In addition to the perquisites specified in PART A above Mr. D. O. Hughes shall be eligible for the following perquisites which shall not be included in the computation of the ceiling of remuneration.

- i. Education allowance for two children not exceeding Rs 5,00,000/- per annum.

- ii. Annual Leave Travel - Return passage to home country for self and family in accordance with the rules specified by the Company.

Part C

Provision of car for use on Company's business and Telephone at Residence will not be considered as Perquisites. Personal long distance calls on Telephone and use of car for private purpose shall be billed by the Company.

The aggregate of the total of Salary, Performance Linked Bonus & Perquisites as stated in Part A shall be subject to the overall ceiling laid down in Sections 198 & 309 of the Companies Act, 1956.

Where in any financial year during the currency of tenure of Mr. D. O. Hughes as the Managing Director, the Company has no profits or its profits are inadequate, Mr. D. O. Hughes to be entitled, subject to the approval of the Central Government, to the remuneration as per the terms of this agreement notwithstanding that the same be in excess of maximum remuneration permitted to be paid to him under the applicable provisions of the Companies Act, 1956 for the time being and from time to time in force.

No Directors of the Company excepting Mr. D. O. Hughes is concerned or interested in the Resolution No.6.

The Resolution set out in Item No. 6 and the Explanatory Statement thereof may be treated as Memorandum of Understanding under Section 302 of the Companies Act, 1956.

A Draft of the Terms & Conditions referred to in Item No. 6 will be available for inspection by the members of the Company at the Registered Office on any working day of the Company prior to the date of meeting between 10.00 am and 12.00 noon and at the meeting.

In respect of Item No. 7 :

The Members are aware that the reappointment of Mr. C. K. Srinivasan was approved by the members at the Extra Ordinary General Meeting held on 10th February 1999 with effect from 22nd January 1999 to 30th November 2002 upon the terms and conditions set out in the Resolution passed at that meeting.

Your Board of Directors, in the meeting of the Board held on 25th February 2000 have agreed, subject to the approval of the members and also subject to the approval of the Central Government and other necessary approvals, for the minimum remuneration payable to Mr. C. K. Srinivasan at the current level of his remuneration in place of the minimum remuneration as per Part II Schedule XIII of the Companies Act, 1956 in case of inadequacy of profits during the tenure of his reappointment.

AN ABSTRACT OF THE MODIFICATION TO THE AGREEMENT WITH MR. C. K. SRINIVASAN, WHOLE TIME DIRECTOR.

The existing Minimum remuneration clause is substituted as under:

Where in any financial year during the currency of tenure of Mr. C. K. Srinivasan as the Director - Steel, the Company has no profits or its profits are inadequate, Mr. C. K. Srinivasan be entitled, subject to the approval of the Central Government, to the remuneration as per the terms of this agreement notwithstanding that the same be in excess of maximum remuneration permitted to be paid to him under the applicable provisions of the Companies Act, 1956 for the time being and from time to time in force.

Other terms and conditions of the agreement remain the same.

No Directors of the Company excepting Mr. C. K. Srinivasan is concerned or interested in the Resolution No.7

The Resolution set out in Item No. 7 and the Explanatory Statement thereof may be treated as Memorandum of Understanding under Section 302 of the Companies Act, 1956.

By order of the Board of Directors

R BALAKRISHNAN
COMPANY SECRETARY &
LEGAL SERVICES MANAGER

Sanaswadi, Pune
25th February, 2000

P. 8.

Shareholders are requested to lodge their share transfer documents and address correspondences to our Registrars and Transfer Agents at the following address at Pune :

MCS Limited

116/118, Akshay Complex, Off Dhole Patil Road,
Near Ganesh Mandir, Pune 411 001
Telefax : (O) 020 6129597 (R) 020 6694619