



44th Annual Report & Accounts

Foseco India Limited

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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. BalakrishnanCompany Secretary &
Legal Services Manager**CONTENTS**

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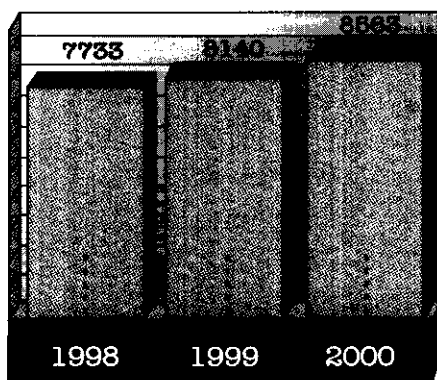
Registered OfficeGat No. 922 & 923,
Sanaswadi, Taluka Shirur,
Dist. Pune 412 208**Factories**Sanaswadi, Pune
Pondicherry**Regional Sales Offices**Sanaswadi, Pune
New Delhi
Calcutta
Chennai
Bangalore**Bankers**Standard Chartered
Grindlays Bank Ltd.
Syndicate Bank
The Hongkong & Shanghai
Banking Corporation Limited
Standard Chartered Bank**Auditors**Sharp & Tannan
Solicitors
Crawford Bayley & Co.
Sandersons & Morgans**Registrars and
Transfer Agents**MCS Limited
116/118, Akshay Complex,
Off Dhole Patil Road,
Near Ganesh Mandir, Pune 411 001

CHAIRMAN'S REVIEW

In my review one year ago I concluded by expressing the view that our businesses would receive some assistance from the market but that most progress would result from the efficiencies arising from the Project Navodaya business transformation programme. The year unfolded rather differently. Production in the major vehicle segments of passenger cars, medium and heavy commercial vehicles and tractors fell year on year, having a direct impact on the major customers of the Foundry division. In spite of this the division performed credibly, achieving a 4.4% top line growth in a period of reduced market activity.

The steel industry faced another challenging year with softening international demand pressurising steel prices and reducing liquidity. Receivables management was the priority and good progress made.

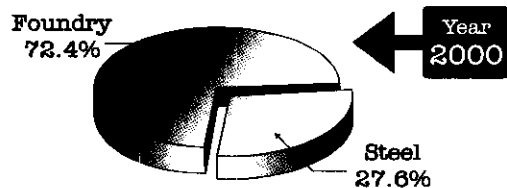
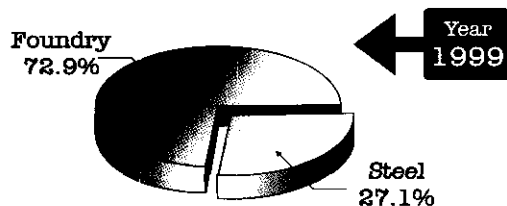
Sales Revenue (Rs. Lacs)



Total turnover increased 5.2% to Rs.8563 lacs with the business profile relatively unchanged.

Operating profit before interest, tax and exceptional costs related to Project Navodaya was Rs 756 lacs compared to Rs. 1107 lacs in

Business Profile



the previous year. Below operating profit, Project Navodaya expenses rose to Rs.1357 lacs from Rs.838 lacs in the previous year due to the costs incurred in the closure of the Foundry division's Chinchwad site. Interest charges related to this project increased to Rs. 383 lacs from 333 lacs.

The year saw the completion of the restructuring part of the business transformation programme with the closure of the Chinchwad site and restructuring of the Steel division sales and marketing organisation.

The need for tight receivables management increased and the Steel division made good progress albeit at the expense of sales growth.

Looking ahead our management teams are expecting markets to remain challenging, with liquidity under further pressure and the vehicle markets showing no signs of recovery. The focus will be on tight working capital management and cost efficiency.

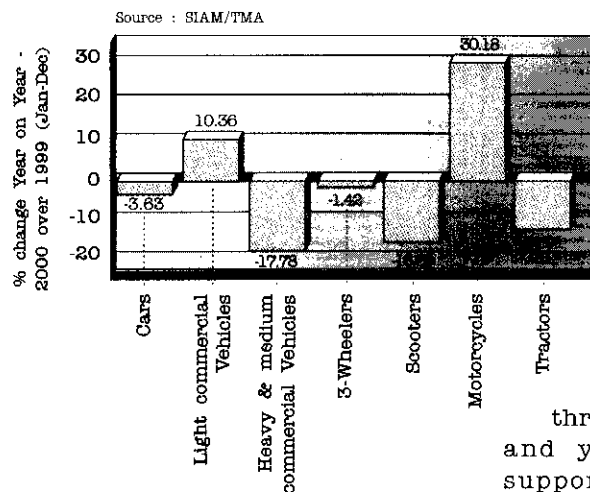
P. K. Choksey
Chairman

FOUNDRY DIVISION REVIEW

In overall terms the foundry consumable market contracted as a result of the falls in production of the passenger car, medium and heavy commercial vehicle and tractor segments - in total representing approximately 25% of the entire market.

The foundry industry continued to experience intense price down pressure from the powerful casting buyer groups, resulting in a heightened focus on efficiency and pressure on suppliers such as Foseco.

Vehicle Production



Encouragingly sales increased 4.4 % despite the declining market and tight receivables management at the expense of some sales growth.

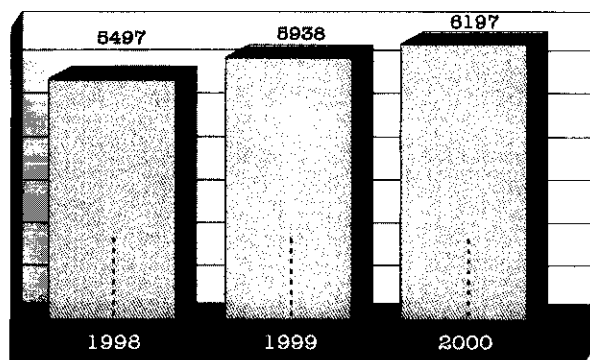
The core business strategy remains - to add value to our customers, focussing on products and services designed to improve our customers business performance

through productivity, quality and yield improvements. In support of this strategy the Foundry division will continue to ensure that it acts as a focal point by which Foseco's international best practice and expertise is brought to the Indian foundry industry.

The steel foundry industry benefited from the improvements in the international oil and petrochemical sectors whilst other major casting segments - textile machinery, ground engagement, power generation and railways - showed no real growth.

D. O. Hughes
Managing Director

Foundry Division Turnover (Rs. Lacs)



STEEL DIVISION REVIEW

The steel industry passed through yet another difficult year in 2000, although marginal improvements were noticed in certain sectors of the industry. Total steel production in 2000 stood at 24.5 million tonnes, 3% higher than the previous year, compared to targeted 5 % growth. This growth has come mainly from production in the newly commissioned slab casters at Jindal Vijaynagar, Tata Steel and Ispat Industries. However, during the last quarter of the year steel production stagnated due to falling prices in the international market and slowdown of US economy. The financial performance of major steel companies continued to be unsatisfactory in 2000, barring a few like TISCO, mainly due to poor demand and lower price realisations.

Quarterly sales of the division showed some improvement in 2000 compared to 1999 with the full year standing at Rs.2366 lacs as against 1999 sales of Rs.2202 lacs. Controlling sales to major payment defaulters continued in the year which resulted in the reduction of trade receivables at the expense of some sales growth.

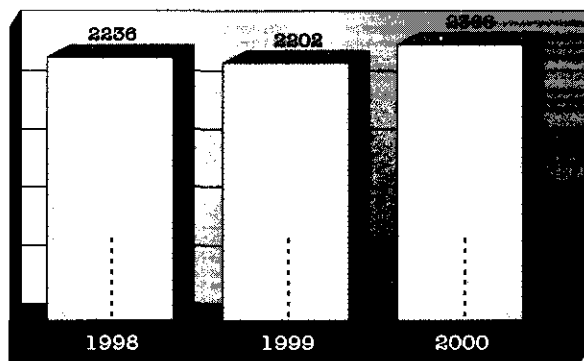
Market share remained constant at 18% with the product mix shifting towards products with greater technical sophistication and value to the customer. Growth in market share of AFAX granular mould fluxes continued and will be further supported by investment in an X-ray spectrometer late last year.

The proprietary TURBOSTOP tundish flow modification technology gained further recognition in the new slab casting plants.

The Union budget for the fiscal year 2001/02 offered some encouragement to the construction and automotive industry which may have a positive effect on steel consumption later in 2001. Liquidity is expected to tighten yet further and the strict control of working capital remains a high priority.

C. K. Srinivasan
Director - Steel

Steel Division Turnover (Rs. Lacs)



NOTICE TO THE SHAREHOLDERS

NOTICE IS HEREBY GIVEN that the Forty Fourth Annual General Meeting of FOSECO INDIA LIMITED will be held on Thursday 24th May 2001, 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, 2000 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 appoint a Director in place of Mr. F A A Jasdanwalla who retires by rotation and is eligible for reappointment.
3. 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 :

4. 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 27th April 2000 entered between the Company and Mr. David Owen Hughes the Managing Director on the revised terms in respect of perquisites which is RAISED FROM Rs. 8,00,000 to Rs. 12,00,000 effective from 1st January 2001."

Disclosure regarding re-appointment of Director

Mr. F A A Jasdanwalla, B.Sc (honours) of St. Xaviers College, Mumbai and M.A. (Met) (Cantab) Clare College of Cambridge University. He has been on the board of directors of Foseco India Limited since 1974. He is a Fellow member of the Institute of British Foundry men and also Fellow member of Institute of Indian Foundry men and Indian Institute of Metals. He is also a Trustee of Willingdon Sports Club which runs school for deaf children. He is also the Chairman and Trustee of Cambridge Society Mumbai Scholarship Fund.

He has a long experience in the metallurgical field. Mr. F A A Jasdanwalla presently hold directorships in the following listed companies.

1. Alfa Laval (India) Ltd.
2. Indian Organic Chemicals Ltd.
3. Binani Metals Ltd.
4. Josts Engineering Co. Ltd.
5. Yashmun Engineers Ltd.
6. Amzel Automotive Ltd.
7. Empire Industries Ltd.
8. George Fischer Disa Ltd.

NOTES :

1. 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.
2. 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.
3. 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.
4. 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

Place : Mumbai
Date : 16th March, 2001

R BALAKRISHNAN
COMPANY SECRETARY &
LEGAL SERVICES MANAGER

ANNEXURE TO THE NOTICE

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

In respect of Item No. 4 :

The Members are aware that the appointment of Mr. David Owen Hughes was approved by the members at the Annual General Meeting held on 27th April 2000 with effect from 1st November 1999 to 31st October 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 16th March 2001 have agreed, subject to the approval of the members to increase the perquisites payable to Mr. David Owen Hughes to Rs. 12,00,000 with other terms and conditions remaining the same.

AN ABSTRACT OF THE MODIFICATION TO THE AGREEMENT WITH MR. DAVID OWEN HUGHES, MANAGING DIRECTOR.

Perquisites

Perquisites will be allowed in addition to the salary. These will be restricted to Rs. 12,00,000 per annum

Other terms and conditions of the agreement remain the same.

The terms and conditions set out above may be treated as an abstract under section 302 of the Companies Act, 1956.

No Director of the Company excepting Mr. David Owen Hughes is concerned or interested in the Resolution No. 4.

By order of the Board of Directors

R BALAKRISHNAN

COMPANY SECRETARY &

LEGAL SERVICES MANAGER

Place : Mumbai

Date : 16th March, 2001

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REPORT OF THE DIRECTORS

The Directors hereby submit their forty fourth Annual Report together with the audited Statement of Accounts for the year ended 31st December, 2000.

The overall industrial environment was not supportive. The decline in production of almost all vehicle categories is well publicised and adversely affected both activity and liquidity levels at major

Foundry division customers. The Steel industry continued to wrestle with liquidity problems and your Company's Steel division performed well to reduce its level of trade receivable, although at the expense of top line growth.

The financial performance of the Company reflects a year in which the largest Project Navodaya charges were incurred, Rs 1445 lacs of costs in the year and Rs. 295 Lacs amortised from previous years, giving a total of Rs.1740 lacs.

Profit before tax, interest and

exceptional costs arising from the business transformation project was Rs. 756 lacs as compared to Rs.1107 lacs in the previous year.

The first quarter of 2001 has not seen any improvement in the vehicle markets and steel industry liquidity is likely to deteriorate further. The budget offered little tangible encouragement.

Your Board therefore expects 2001 to be a year where competitors seek to protect volumes in a stagnant market and careful management of trade receivable will be critical.

5. VOLUNTARY RETIREMENT SCHEMES

As part of the business transformation programme a number of Voluntary Retirement Schemes (VRS) were administered by the Company across a range of locations in both the Foundry

and Steel divisions, including the Chinchwad manufacturing site. During the current year 172 employees opted for voluntary retirement.

6. RESEARCH & DEVELOPMENT AND TECHNOLOGY ABSORPTION

The Company continues to place significant importance on research & development with a sum of Rs 141.44 lacs spent during the year as against Rs 126.21 lacs in the previous year. Technology transfer into the Company from its overseas affiliates is by three principal routes:

1. Licence agreements.
2. The information exchanged during periods of secondment when the Company's technical and marketing personnel spent extended periods working in the offices and laboratories of its overseas affiliates with the specific objective of facilitating best practice transfer.
3. The sending of key marketing and technical personnel on extensive periods of overseas training.

7. CONSERVATION OF ENERGY

Continued efforts were applied throughout the Company to effect improvements to production processes which would result in reduced energy consumption. In addition, the Company commenced work on its Environmental Management System with the objective of securing ISO 14001 accreditation.

8. IMPORTS / EXPORTS & FOREIGN EXCHANGE EARNINGS AND OUTGO

A. IMPORTS

Imports of raw material during the year amounted to Rs. 1053.13 lacs (previous year Rs. 756.28 lacs), Capital goods Rs. 47.76 lacs (previous year nil)

B. EXPORTS

Exports were mainly to the UAE, Bangladesh, Sri Lanka, Singapore, Malaysia and China. Exports during the year grew to Rs. 100.03 lacs from Rs. 71.96 lacs in the previous year.

2. FINANCIAL RESULTS

(Rupees in Lacs)

	31st Dec 00	31st Dec 99
The Loss Before Tax	(984.38)	(64.33)
From which is to be deducted :		
Excess Provision of Income Tax from Earlier Years written back	--	10.09
Provision for Taxation (Wealth Tax)	(1.07)	(1.28)
	<u>(985.45)</u>	<u>(55.52)</u>
Which the Directors recommend should be appropriated as follows :		
Proposed Dividend	--	(61.51)
Tax on Proposed Dividend	--	(9.13)
Amount Transferred from General Reserve	985.45	126.16
	<u><u>Nil</u></u>	<u><u>Nil</u></u>

3. DIVIDEND

Your Directors have not recommended dividend payment for the current year since the Company is not in a position to pay dividend since the required conditions under the Provisions of para 2 of "The Companies (Declaration of dividend out of Reserves) Rules, 1975" is not satisfied.

4. PERFORMANCE

Members are referred to the separate reviews for the Foundry and Steel divisions.

The structural part of the project Navodaya business transformation programme was completed with the final closure of the Foundry division Chinchwad manufacturing site, a VRS accepted by 107 employees and a restructuring of the Steel division, reducing divisional headcount from 108 to 43.

C. EXPORT PLANS

The Company supplies a number of products to its affiliates in China, S.E. Asia and the Middle-East.

D. EARNINGS AND OUTGO

Members are requested to refer to notes 3,4,5,6 and 8 of Schedule N forming part of the Profit & Loss Account for the year ended 31st December 2000.

9. FIXED DEPOSITS

Fixed deposits from the public and employees accepted by the Company stood at Rs. 1.76 lacs as on 31st December, 2000 and the entire amount represents unclaimed fixed deposits by twenty nine depositors.

10. INDUSTRIAL RELATIONS

Industrial relations at all sites during the year were generally satisfactory. The Board wishes to express its appreciation of the sincere and devoted efforts of the management and all levels of staff during the year.

11. STATUTORY DISCLOSURES

Information as per Section 217 (2-A) of the Companies Act, 1956 read with Companies (Particulars of Employees) Rules, 1975, and under Section 217(1)(e) of the said Act read with the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988 is given in the Annexure to this Report.

Particulars regarding technology absorption, conservation of energy and foreign exchange earnings and outgo required under section 217 (1) (e) of the Companies Act, 1956 and Companies (Disclosures of Particulars in the Report of Directors) Rules 1988 are annexed by way annexure A, B & C to the Director's report.

A Cash Flow statement for the year 2000 is attached to the Balance Sheet.

12. DIRECTORS

In accordance with the provisions of the Articles of Association of the Company and of the Companies Act, 1956, Mr. F A A Jasdanwalla, Director retires by rotation at the ensuing Annual General Meeting and being eligible, offer himself for reappointment.

13. AUDIT COMMITTEE

As required under section 292A of the Companies Act, 1956, an Audit Committee has been formed consisting of three non-whole time Directors, Mr. P.K.Choksey, Mr. D.P.Mehta and Mr. F.A.A.Jasdanwalla all of whom are Independent Directors.

Mr.P.K.Choksey, a Chartered Accountant, is the Chairman of the Committee.

The Committee is constituted with a clear mandate and defined scope to provide the Board of Directors with additional assurance as to the reliability of financial information and statutory financial statements and with particular emphasis on reviewing the adequacy of internal accounting and control systems.

14. DIRECTORS RESPONSIBILITY STATEMENT

While preparing the annual accounts, the Company has adhered to the following practice:

(i) the financial statements are prepared under the historical cost convention on an accrual and ongoing concern basis and are in compliance with the Accounting Standards referred to in Section 211 (3C) and other requirements of the Companies Act, 1956.

(ii) the Company has followed the Accounting Standards and has been applying them consistently and has made judgments and estimates that are reasonable, prudent and in the best

interest of the Company's business so as to give a true and fair view of the state of affairs of the Company as at 31st December 2000 and of the profit & loss account of the Company for the same period.

(iii) the directors have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provision of the Companies Act, 1956 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities.

15. AUDIT OBSERVATIONS

The observations of the Auditors as referred to in the Auditor's Report are suitably explained in the Notes to the Accounts. With regards to comment by the Auditors on the non-provision of Sales Tax demand of Rs. 62.91 lacs, the Directors wish to also state that a substantial part of this demand relates to the non-submission of Sales Tax forms. These forms are now being collected and the Company is confident that on appeal the demand will be vacated when the requisite forms are submitted.

16. AUDITORS

The Auditors, M/S Sharp & Tannan, Chartered Accountants, Mumbai, retire and are eligible for reappointment. A resolution is being submitted for their reappointment and for fixing their remuneration.

On behalf of
the Board of Directors

P. K. Choksey
Chairman

Place : Mumbai
Dated : 16th March, 2001

ANNEXURE TO THE REPORT OF THE DIRECTORS

ANNEXURE TO THE REPORT OF THE DIRECTORS IN TERMS OF COMPANIES (DISCLOSURE OF PARTICULARS IN THE REPORT OF BOARD OF DIRECTORS) RULES, 1988.

FORM - A

Form for disclosure of particulars with respect to conservation of energy.

Particulars	31st Dec. 2000	31st Dec. 1999
(A) Power and Fuel Consumption		
1. Electricity		
(a) Purchased :		
Units	18,92,568	17,39,282
Total Amount (Rs. Lacs)	68.97	78.54
Rate/Unit (Rs.)	4.14	4.52
(b) Own Generation :		
i) Through Diesel Generator		
Units	88,405	97,047
Units per litre of Diesel Oil	4.81	2.95
Cost/Unit Rs.	6.44	3.09
ii) Through Steam Turbine/ Generator Units		
Units per litre of Fuel)	
Oil/Gas)	NOT APPLICABLE
Cost/Unit)	
2. Coal		
Quantity (Tonnes))	
Total Cost)	NOT APPLICABLE
Average Rate)	
3. Furnace Oil		
Quantity (KL)	108.00	410.00
Total Amount (Rs Lacs)	17.69	37.95
Average Rate (Rs./KL)	16,379.63	9,256.62
4. Others/Internal Generation		
LPG		
Quantity (Kgs)	1,20,716	69,703
Total Cost (Rs. Lacs)	23.73	9.56
Rate/Unit (Rs./Kg)	19.66	13.72

(B) Consumption per unit of production

Standard

Products : Foundry Chemicals/Fluxes			
Electricity (Units/Tonne)	-	*	*
Furnace Oil (KL/Tonne)	-	*	*
Coal	-	-	-
Others	-	-	-

* In view of the heterogeneous product mix, the consumption per unit of production has not been indicated for the various products/units.