



Molten Metal Solutions

Foseco India Limited
45th Annual Report & Accounts

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. Jasdaniwalla
Director

D. P. Mehta
Director

J. M. Weeks
Alternate Director

Company Secretary

R. Balakrishnan

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Registered Office

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

Factories

Sanaswadi, Pune
Pondicherry

Regional Sales Offices

- Sanaswadi, Pune
- New Delhi
- Kolkata
- Chennai
- Bangalore

Bankers

- Standard Chartered Bank
- Syndicate Bank
- The Hongkong & Shanghai Banking Corporation Limited

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

NOTICE TO THE SHAREHOLDERS

NOTICE IS HEREBY GIVEN that the forty fifth annual general meeting of Foseco India Limited will be held on Thursday 2nd May, 2002, at 1300 hrs (IST) at the registered office of Foseco India Limited, Gat Nos. 922/923, Sanaswadi, Taluka Shirur, Dist. Pune 412 208 to transact the following business :

ORDINARY BUSINESS :

1. To receive and adopt the audited balance sheet as at 31st December, 2001 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. D P Mehta 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.

Disclosure regarding reappointment of Director

Mr. D P Mehta, B A from Bombay University, LLB from Poona University and LL.M of Harvard University. He has been on the Board of Directors of Foseco India Limited since year 1976. He is a partner in Little & Co., a leading solicitor firm of Mumbai since 1962. He is a member of the Governing Council of the Indo - French Chamber of Commerce & Industry. He is the President of Cercle Litteraire and Bibliotheque Dinshaw Petit and Vice President of Alliance Francaise de Bombay. He is the Honorary Legal Advisor of the Bombay Society for the Prevention of Cruelty to Animals and the Bai Sakarbai Dinshaw Petit Hospital for Animals.

He has a long experience as solicitor and advocate. Mr. D P Mehta presently holds directorships in the following listed companies.

1. S Kumar's Nationwide Ltd.
2. Goa Carbon Ltd.
3. GKN Drive Shaft (India) 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. The Register of Members and Share Transfer Book will remain closed from Tuesday, the 16th April, 2002 to Thursday the 2nd May, 2002 (both days inclusive).
3. The dividend declared at the meeting will be made payable on or after 5th May, 2002 to those members whose names are on register of members on 2nd May, 2002.
4. Members are requested to notify any change of address to the company so as to reach on or before 15th April, 2002.
5. Please encash your dividend warrants immediately on receipt as dividend unclaimed for 7 years is 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. 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.
6. 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.
7. 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 : 21st February, 2002

R Balakrishnan
Company Secretary &
Legal Services Manager

Note :

To ensure that shareholder queries on the financial performance of the Company are answered in full, please forward any queries to the Company Secretary at the registered office address no later than one week before the meeting.

MANAGEMENT DISCUSSION & ANALYSIS

Business Review

Foseco is the leading supplier of metallurgical chemicals for the ferrous and non-ferrous foundry industry. The company adds value to its customers through the provision of products and expertise that improves the customer's manufactured quality and productivity. The process is usually one of partnership whereby personnel from both Foseco and the customer cooperate.

During 2001 the company's principal markets stagnated and in some areas actually shrank - the tractor and commercial vehicle segments for example. Despite that, it is pleasing to record a 1.3% increase in sales as market share gain and business development contributed sales growth in excess of the decline arising from reduced customer activity. As in recent years, growth has been tempered by the need to manage working capital as customer's liquidity was further strained by the weakness of the industrial sector.

In addition to this modest step forward in adverse conditions, the year's highlights included:

- the recertification of the quality system of the Feeding Systems manufacturing cell in Pondicherry, to the internationally recognised ISO 9002 standard.
- the progress made by the Sanaswadi, Pune manufacturing plant towards accreditation of its quality systems to QS9000. Accreditation was granted in January 2002.
- in line with the company's safety, health and environmental policy the Pondicherry site secured accreditation of its environmental management system to ISO 14001.

The tight expense management approach adopted by the company continued and resulted in maintaining fixed expenses at the same level despite inflationary pressure. The company has managed its treasury operations which has resulted in interest saving of Rs. 123.67 lacs when compared to the last year - a reduction of 23.95%. The amortisation of prior period charges for the project Navodaya business transformation programme continued and totalled Rs. 413.76 lacs in the year including Rs. 237.37 lacs of interest on the fixed term loan.

The net fixed asset base reduced by 11.37% to Rs. 2009.82 lacs following the disposal of residential property no longer required. Working capital reduced from Rs 4172.91 lacs to Rs. 3349.92 lacs as a result of improvements in the efficiency of inventory management. In consequence net cash flow in the year was Rs. 822.99 lacs and was consumed to reduce the fixed term loan from Rs. 1700 lacs to Rs. 700 lacs.

During the year it was recognised that Foseco would no longer be able to add value to its AFAX mould flux product line at the same rate as in the past. It was therefore decided to exit the business through divestment to Stollberg India Pvt. Ltd. Completion occurred in February 2002.

Risks & Concerns

The company's products are sold both directly and indirectly to the following domestic industrial segments;

- Passenger cars and S.U V's
- Commercial vehicles
- Agricultural machinery
- Construction and general purpose steel

- Textile machinery
- Steel, petrochemical and food industry, valves and pumps
- Two and three wheelers

Therefore the company is exposed to a range of industrial segments each with its own drivers for demand fluctuation. The outlook for the various segments of the Indian vehicle industry has been extensively reported in the press whilst the steel valve segment, being export oriented, is most exposed to global demand and currency movements.

Internal Control Systems & Their Adequacy

The Company has in place adequate internal control systems and procedures commensurate with the size and nature of its business. These procedures are designed to ensure the following:

- that all assets and resources are used efficiently and are adequately protected
- that all internal policies and statutory guidelines are complied with.
- the accuracy and timing of financial reports and management information.

The statutory auditors' have made reference in the Auditors' Report to the need to strengthen the internal audit function. This comment is made in specific reference to the frequency of internal audit at certain locations. The matter will be dealt with during 2002.

All internal audit reports and the progress in implementing any matters arising from them are reviewed by the Audit Committee of the Board.

Material Developments in Human Resources

Industrial relations at the company's manufacturing plants at Pondicherry and Sanaswadi, Pune were harmonious.

The achievements mentioned earlier in this report could only have been delivered through the dedication, skills, team effort and hard work of all employees

At year end the company had 190 employees.

CORPORATE GOVERNANCE REPORT

The Code of Corporate Governance prescribed by SEBI is required to be implemented by your Company in terms of the Listing Agreement with Stock Exchanges by 31st March, 2002. Your Company has already implemented most of the initiatives in compliance with clause 49 of the Listing Agreements. A detailed report is set out below.

MANDATORY REQUIREMENTS

1) FOSECO INDIA PHILOSOPHY ON CORPORATE GOVERNANCE

The Board of Directors and the management of Foseco India Limited commit themselves to:

- strive towards enhancement of shareholder value through
 - sound business decisions
 - prudent financial management, and
 - high standards of ethics throughout the organisation.
- ensure transparency and professionalism in all decisions and transactions of the Company.
- achieve excellence in corporate governance by
 - conforming to, and exceeding wherever possible, the prevalent mandatory guidelines on Corporate Governance.
 - regularly reviewing the Board processes and management systems for further improvement
- ensure a firm commitment to safety, health and environment management by making it an integral part of the Company's business strategy and to actively promote an awareness of safety, health and environment issues throughout the entire company and to our business partners.
- implement, maintain and continuously improve an environment management system in accordance with ISO:14001:1996

2) BOARD OF DIRECTORS

a. Composition : The Board of Directors of the Company as on December 31, 2001 consisted of

i. Non-executive Directors

- Promoter Group Companies Mr. D G Hussey
- Independent Mr. P K Choksey
Mr. F A A Jasdanwalla
Mr. D P Mehta

ii. Managing Director Mr. D O Hughes

iii. Whole time Director Mr. C K Srinivasan

iv. Alternate Director Mr. J M Weeks

b. Attendance at Board meetings during the year and last Annual General Meeting and details of memberships of Directors in other Boards and Board Committees

- Five meetings of the Board were held during the financial year - on 16/3/2001, 26/4/2001, 24/5/2001, 16/8/2001, 30/10/2001
- The last Annual General Meeting was held on 24/5/2001

Name of the Director	No. of Board meetings attended	Whether attended last A.G.M.	LISTED COMPANY MEMBERSHIPS AS ON 31/12/2001 IN	
			Other Boards (excludes Foseco India Ltd.) (Note 1)	Other Board Committees (excludes Foseco India Ltd.) (Note 2)
Mr. P K Choksey	5	YES	5	7*
Mr D G Hussey	1	YES	NONE	NONE
Mr. D O Hughes	5	YES	NONE	NONE
Mr. F A A Jasdanwalla	5	YES	9	2
Mr. D P Mehta	3	YES	3	1
Mr. C K Srinivasan	5	YES	NONE	NONE
Mr. J M Weeks	3	YES	NONE	NONE

* includes 3 as a Chairman

Note 1: Excludes Foreign Companies, Private Limited Companies and Alternate Directorships.

Note 2: Only Remuneration Committee, Audit Committee, Shareholders/Investors Grievance Committee are reckoned for this purpose.

Note 3: In addition, Mr. P K Choksey, Mr. F A A Jasdanwalla and Mr. D O Hughes attended a subcommittee of Directors meeting held on 30.11.01.

3) AUDIT COMMITTEE

a. Constitution

The Audit Committee of the Company was constituted in August 2001. The terms of reference covered all the aspects stipulated by the SEBI guidelines and the Audit Committee has been mandated with the same terms of reference as specified in Clause 49 of the Listing Agreements with Stock Exchanges. The current terms of reference also fully conform to the requirements of Section 292A of the Companies Act, 1956.

b. Composition

The composition of the Audit Committee is as follows :

Chairman - Mr. P K Choksey
Members - Mr. D P Mehta
Mr. F A A Jasdanwalla

c. Meetings and Attendance

The details of meetings held during the year, and the attendance thereat, are as follows:

Date of meetings - 16/8/2001, 30/10/2001

Attendance

Name of the Director	No. of meetings attended
Mr. P K Choksey	2
Mr. D P Mehta	2
Mr. F A A Jasdanwalla	2

■ Mr. R Balakrishnan, Company Secretary is the Secretary to the Committee.

■ Mr. D O Hughes, Managing Director, - and Mr. A Tyagi, Chief Financial Officer attended all the meetings of the Committee as invitees. Mr. R Balakrishnan represented the Internal Audit function.

The Statutory Auditors of the Company are invited to join Audit Committee meetings for discussions. The Audit Committee holds discussions with the Statutory Auditors on the audit of the half-yearly accounts, the yearly audit plan, matters relating to compliance of accounting standards, their observations arising from the annual audit of the Company's accounts and other related matters.

The Audit Committee during their two meetings reviewed with the management and the auditors (both external and internal) all issues which are required to be reviewed by the Audit Committee pursuant to the listing agreement with the stock exchanges as also the Companies Act, 1956. The Audit Committee has also reviewed the observations of the internal and statutory auditors in relation to all areas of operations of the corporation as also the internal control systems. In addition, the committee has been examining all areas associated with the taxation matters company wide (direct and indirect) and has reviewed the measures initiated by the Company for mitigating the risks. The Audit Committee has also reviewed the actions taken by the Company on various observations and queries of the auditors.

4) COMPENSATION COMMITTEE

- a. The Compensation Committee is mandated with the following terms of reference:

-Finalisation of the annual increments payable to the Managing /Whole time Director within the limits approved by the shareholders, the above determinations being based on the overall performance and financial results of the Company during the relevant financial year, and on the assessment of the personal contribution and achievements of the concerned directors.

- b. The Committee consists of Mr. P K Choksey (Chairman), and Mr. D O Hughes

- c. The Committee met once in February 2001 and all the members were present.

- d. The Remuneration Policy of the Company is :

i. For Managing /Whole time Directors

The total remuneration, subject to shareholders' approval, consists of

■ a fixed component - consisting of salary and perquisites; the perquisites and benefits are in line with the Company rules for senior managerial personnel.

■ a variable component - linked to performance of Company as well as of the individual Director - consisting of performance linked bonus, as may be determined by the Remuneration Committee, within the limits approved by the shareholders/subject to Schedule XIII of the Companies Act, 1956

ii. For Non-executive Directors

Sitting Fees as permitted under the Companies Act, 1956 (Rs. 2000/- per meeting of the Board / Subcommittee or any Statutory committee) plus reimbursement of actual travel and out-of-pocket expenses incurred for attending such meetings.

Commission payable to them not exceeding 1% of the net profits computed under section 198 (4) of the Companies Act, 1956 /approved by the shareholders. The commission is restricted to Rs 3.00 lacs per annum to all the directors put together, other than the Managing Director, the Whole-time Director, Special Directors and foreign Fosco nominated Directors.

Due to inadequacy of profits, no commissions is payable for the current year. There is at present no other component of remuneration to non-executive directors. (During the year 2001, Rs. 56,318/-, 56,317/- and 56,317/- payments were made to Mr. P K Choksey, Mr. D P Mehta and Mr. F A A Jasdhanwalla respectively as commission pertaining to the year 1999, since the above commissions payment was subject to Government's approval, which was received, during the year.)

e. The details of remuneration paid/payable to all the Directors for the year 2001 are:-

i. Non-executive Director(s) (Sitting fees only)

Name of the Directors	Sitting fees paid - Rupees
Mr. P K Choksey	16,000
Mr. F A A Jasdhanwalla	16,000
Mr. D P Mehta	10,000

Managing / Whole time Director - (No Sitting Fees)

Details	Managing Director Mr. D O Hughes* (Rupees)	Whole time Director Mr. C K Srinivasan (Rupees)
a. Salary	2,617,950	884,700
b. Performance linked bonus	—	211,170
c. Contribution to Provident, Superannuation and Gratuity Fund	—	4,77,545
d. Other Perquisites	1,654,612	550,762
Total	4,272,562	2,124,177

* subject to approval of the Central Government

Both Mr. D O Hughes and Mr. C K Srinivasan are under contract of employment with the Company. There are also contracts corresponding to their appointment as Managing Director and Whole time Director respectively, with mutually agreed period of notice for the Managing Director and 6 months notice period for the Whole Time Director from either side. There is no severance fees payable to either of them.

The Company currently does not have any stock option scheme.

5) SHAREHOLDERS/INVESTORS GRIEVANCE COMMITTEE

- a. The Shareholders/Investors Grievance Committee has been formed with effect from 21st February 2002 with Mr. F A A Jasdhanwalla as the Chairman and Mr. D P Mehta, Director and Mr. D O Hughes, Managing Director as the other members.

- b. Mr. R Balakrishnan, Company Secretary who is the compliance officer for secretarial compliance is nominated as Compliance Officer for this purpose also.

- c. The Committee would review the system of dealing with and responding to correspondence from the investors viz. - shareholders and fixed deposit holders. The details of complaint letters received from Stock Exchange, SEBI, Dept. of Company Affairs and responses thereto would be reviewed individually by this Committee.

- d. During the year, 3 complaint letters were received from investors through SEBI - the regulatory authorities - and were satisfactorily resolved. During the year, 72 complaint letters were received from investors and were dealt with satisfactorily

e. All pending complaints have been attended to / replied as on 31st December 2001.

f. The authority relating to share transfers has been delegated to the Share Transfer Committee which consists of the three Non-Whole-time Directors, Managing Director and the Whole Time Director. The Board had authorised the Share Transfer Agents M/s MCS Limited to approve all routine transfers and transmissions of shares. Presently, transfers, transmissions etc., are effected within 12 - 15 days (as against the stipulated norm of 15 days) .

g. As on December 31, 2001 there were no requests pending for transfer of shares. .

6) GENERAL BODY MEETINGS

a. Details of location and time of holding the last three AGMs

Year	Location	Date & Time
42nd AGM - 1999	Mahratta Chamber of Commerce and Industries, Tilak Road, Pune 411004	29th April 1999 15.00 Hrs.
43rd AGM - 2000	Same venue as above	27th April 2000 15.00 Hrs.
44th AGM - 2001	Same venue as above	24th May 2001 15.00 Hrs.

b. Some special resolutions were approved at the above meetings. There has been no use of Postal Ballot so far.

7) DISCLOSURES

There have been no materially significant related party transactions with the Company's Promoters, Directors, Management, Subsidiaries or relatives which may have potential conflict with the interests of the Company at large.

The Company has complied with the requirement of regulatory authorities on capital markets. There have been no instances of noncompliance by the Company on any matters related to the capital markets, nor have any penalty/strictures been imposed on the Company by the stock exchange or SEBI or any other statutory authority on such matters, for the last three years.

8) MEANS OF COMMUNICATION

a. The quarterly results are being published in the Indian Express, Financial Express in English and Loksatta in Marathi. The quarterly results are also displayed on the Company's notice boards in all locations.

b. A Management Discussion and Analysis report is enclosed separately as part of this Annual Report.

9) GENERAL SHAREHOLDER INFORMATION

a.	45th Annual General Meeting - Date and Time - Venue	May 2, 2002 - 13 Hrs. Foseco India Ltd. at its registered office at Sanaswadi, Pune
b.	Financial Calendar Annual General Meeting Unaudited results for the quarter ending March 31, 2002 Unaudited results for the quarter / Audited results for the half year ending June 30, 2002 Unaudited results for the quarter ending September 30, 2002 Audited results for the year ending December 31, 2002..	May 2, 2002 April 27, 2002 August 2002 October 2002 February 2003
c.	Book closure date	From April 16, 2002 to May 2, 2002
d.	Dividend payment date	From May, 5 2002 onwards.
e.	Listing of Equity Shares	Pune, Mumbai and Calcutta Stock Exchanges. Permitted trading at National Stock Exchanges
The Listing Fee has been paid up to date, to all the Stock Exchange		
f.	Stock Code a) Trading Symbol at b) Demat ISIN Numbers in NSDL & CDSL	Pune Stock Exchange — no trading Bombay Stock Exchange — Foseco Calcutta Stock Exchange — Foseco National Stock Exchange — Foseco INE519A01011

g. Stock Market Data

The high and low prices recorded on the Bombay Stock Exchange and the National Stock Exchange are as under:

Month	Foseco India Limited		The Stock Exchange, Mumbai		The National Stock Exchange	
	Share Price		Sensx		S&P CNX Nifty	
	High (Rs.)	Low (Rs.)	High	Low	High	Low
Jan 01	91	70.36	4,409.33	3,929.37	1,396.05	1,248.65
Feb. 01	83.75	68.6	4,462.11	4,020.68	1,422.95	1,281
Mar. 01	73	49	4,386.98	3,436.75	1,399.55	1,098.75
Apr. 01	60	47	3,676.82	3,096.51	1,171.85	1,000.1
May 01	71	46	3,759.96	3,420.14	1,207	1,096.25
Jun. 01	103	68.95	3,651.32	3,420.14	1,175.8	1,060.05
Jul. 01	96	86.05	3,513.79	3,287.94	1,127.15	1,046.9
Aug. 01	131.65	88.05	3,359.07	3,241.12	1,084	1,051.75
Sep. 01	170	118.1	3,267.93	2,594.87	1,059.9	849.95
Oct. 01	173	158.3	3,083.65	2,718.41	1,000.95	884.65
Nov. 01	175	145.1	3,377.81	3,003.95	1,097.6	973.55
Dec. 01	149.5	72.25	3,500.2	3,100.57	1,132.65	1,010.45

(Source:- Reuters)

h. Registrar and Transfer Agents

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

i. Share Transfer System

The power to approve the transfer of securities has been delegated by the Board to the Share Transfer Agents. Share transfer requests are processed within an average of 15 days from the date of receipt. Letters are sent to the shareholders after transfer of shares in their names giving an option for dematerialisation of the physical shares. Physical shares are dematerialised and electronic credit is given to those shareholders who opt for dematerialisation and in respect of other shareholders who have not opted for dematerialisation, share certificates are despatched by Registered Post.

j. (i) Distribution of Share holding as on December 31, 2001

No. of Shares	Shareholders		No. of Shares	
	Number	%	Number	%
Upto 5,000	6,699	98.95	752,837	11.78
5,001-10,000	49	0.72	38,537	0.6
10,001-20,000	12	0.18	17,581	0.28
20,001-30,000	5	0.07	13,449	0.21
30,001-40,000	3	0.04	11,500	0.18
40,001-50,000	---	---	---	---
50,001-100,000	1	0.01	5,500	0.09
100,001 and above	2	0.03	5,547,055	86.86
TOTAL	6,771	100	6,386,459	100

(ii) Pattern of Share holding as on December 31, 2001

Sr.No.	Category	No. of Holders	No. of Shares	%
1	Foreign Collaborators / Nominees	6	3,704,219	58
2	NRI	19	6,154	0.1
3	Financial Institutions	1	100	-
4	Bodies Corporate	131	1,887,024	29.55
5	Nationalised Banks	2	200	-
6	Mutual Funds	1	100	-
7	Indian Public **	6,611	788,662	12.35
	TOTAL	6,771	6,386,459	100

** includes MCS Escrow account - shares surrendered under open offer from Burmah Castrol Plc.

1. Dematerialisation of shares and liquidity

Shares of the Company can be held and traded in electronic form. SEBI has stipulated the shares of the Company for compulsory delivery in dematerialisation form only, by all investors from 28th August, 2000. 32% of the share holdings have already been dematerialised, out of the 42% shares held by Indian public at large. (58% of collaborators share holdings are in physical form)

Shares of the Company are actively traded in Mumbai and National Stock Exchanges, and hence have good liquidity.

k. Plant Locations

Pune	Pondicherry
Gat No. 922/923	Medium Scale
Sanaswadi	Industrial Area
Taluka Shirur	PIPDI Industrial
Dist Pune	Estate
412 208	Metaupalayam
	Pondicherry 605 009

1. Address for Correspondence

For all matters relating to Shares and Annual Reports
Company Secretary
Foseco India Limited
Gat No. 922/923
Sanaswadi
Taluka Shirur
Dist. Pune 412 208

Tel: 91(0)2137 52940/1
Fax: 91(0)2137 52970
e-mail:
r.balakrishnan@foseco.com

NON MANDATORY REQUIREMENTS**1. Non-executive Chairman**

The Company does not maintain the office of the Non executive Chairman and no expenses are being reimbursed in the performance of his duties on this matter.

2. Remuneration Committee

The Company has constituted a Compensation Committee; full details are furnished under Item 4 above.

3. Shareholder Rights

The quarterly results / half yearly results are not being sent to each personal address of shareholders as shareholders are intimated through the press of the quarterly performance and financial results of the Company.

The statement of quarterly results / half yearly results is being published in the Press. (in all editions of Indian Express / New Indian Express / Financial Express in English and in Loksatta in Marathi.)

4. Postal Ballot

The Company has had no occasion to use the postal ballot so far.

Report on corporate governance

This chapter of the annual report - together with the information given under "Management Discussion and Analysis" - constitutes a detailed compliance report on corporate governance during 2001.

Auditors' certificate on corporate governance

The Company has obtained a certificate from the auditors of the Company regarding compliance of conditions of corporate governance as stipulated in the Listing Agreement with stock exchanges. This is annexed to the Director's Report 2001. This certificate will also be sent to the stock exchanges along with the annual return to be filed by the Company.

REPORT OF THE DIRECTORS

The Directors hereby submit their forty fifth Annual Report together with the audited Statement of Accounts for the year ended 31st December, 2001.

2. FINANCIAL RESULTS

	Rupees lacs	
	2001	2000
The Loss Before Tax	(314.97)	(984.38)
To which is to be added		
Provision for Tax	(26.06)	(1.07)
	<u>(341.03)</u>	<u>(985.45)</u>
Amount Transferred from General Reserve	404.37	985.45
	<u>63.34</u>	<u>Nil</u>
Which the Directors recommend should be appropriated as follows:		
Proposed Dividend	57.48	----
Tax on Proposed Dividend	5.86	----
	<u><u>Nil</u></u>	<u><u>Nil</u></u>

3. DIVIDEND

Your Directors recommend payment of dividend at 9.0% on equity capital for the year ended 31st December 2001, which, if approved by the members at the forthcoming Annual General Meeting, will be paid out of the transfer from the general reserve.

4. PERFORMANCE

Despite the softening of the Company's key markets, particularly commercial vehicles and agricultural machinery, sales grew by 1.3% and market share by 3% age points. Further deterioration in customer liquidity constrained growth.

Members are referred to the separate review "Management Discussions and Analysis Report" annexed to this report

5. VOLUNTARY RETIREMENT SCHEMES

As part of the business transformation programme a number of voluntary retirement schemes were administered

in previous years by the Company across a range of locations in both the Foundry and Steel divisions. During the current year six employees opted for voluntary retirement and they have been relieved.

6. RESEARCH & DEVELOPMENT AND TECHNOLOGY ABSORPTION

The Company continues to place significant importance on research & development with a sum of Rs. 57 lacs spent during the year as against Rs 141 lacs in the previous year, which included Rs. 80 lacs capital expenditure. 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 spend 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.

8. SAFETY, HEALTH AND ENVIRONMENT

The Company's Safety, Health and Environment Policy ensures a firm commitment to safety, health and environmental management by making it an integral part of the Company's business strategy, in line with Rule 73-L (5)d of the Maharashtra Factories Rules 1963, made under the Maharashtra Factories Act, 1948. The policy requires the Company to maintain a safe and healthy working

environment and to work towards minimising the environmental impact of our process and practices including the control of dust, airborne emissions, process residues and the prevention of pollution.

The Company's Feeding Systems manufacturing cell in Pondicherry has had its environmental management system accredited to the international ISO 14001:1996 standard, whilst at Sanaswadi, the Coatings and Resin Cells have been awarded QS 9000 certification of their quality systems. There has been no accidents during the year under review in any of the locations.

9. IMPORTS / EXPORTS & FOREIGN EXCHANGE EARNINGS AND OUTGO

A. IMPORTS

Imports of raw material during the year amounted to Rs. 1590.62 lacs (previous year Rs. 1053.13 lacs), capital goods Rs. 5.96 lacs (previous year Rs. 47.76 lacs)

B. EXPORTS

Exports were mainly to the UAE, Saudi Arabia, Iran, Sri Lanka, Singapore, The People's Republic of China and Malaysia. Exports during the year grew to Rs. 128.26 lacs from Rs 100.03 lacs in the previous year.

C. EXPORT PLANS

The Company supplies a number of products to its affiliates in S. E. Asia, the Far-East 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 2001.

10. FIXED DEPOSITS

The unclaimed fixed deposits from the public and employees accepted by the Company stood at Rs. 1.13 lacs as on 31st December, 2001 and the entire amount including interest accrued of Rs. 3.70 lacs has been deposited to the credit of the Central Government as per the directives of the Companies (Acceptance of Deposits) second amendment rules 2001 on 31st December 2001.

11. INDUSTRIAL RELATIONS

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

12. 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 included as annexure A, B & C to the Director's report.

A Cash Flow statement for the year 2001 is attached to the Balance Sheet.

13. CORPORATE GOVERNANCE

Your Directors are pleased to report that your Company is fully compliant as on 31st December 2001 with the SEBI Guidelines on Corporate Governance, which have been incorporated in Clause 49 of the Listing Agreement with the Stock Exchanges.

A detailed discussion is included in the Corporate Governance Report

The Statutory Auditors of the Company have examined the Company's compliance, as above, and have certified the same, as required under the SEBI Guidelines. The certificate is reproduced separately to this Report.

Further, a separate Management Discussion and Analysis Report covering a wide range of issues relating to the Company's operations is annexed separately to this report

14. DIRECTORS' RESPONSIBILITY STATEMENT

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

(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 2001 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. DIRECTORS

In accordance with the provisions of the Articles of Association of the Company and of the Companies Act, 1956, Mr. D P Mehta, Director retires by rotation at the forthcoming Annual General Meeting and being eligible, offers himself for reappointment.

16. AUDIT OBSERVATIONS

The observation of the Auditors as referred to in the Auditors' Report are suitably explained in the Notes.

As a result of the observation of the Auditor in respect of the need to strengthen the internal audit system, the Company is taking appropriate action.

17. AUDITORS

The auditors, Sharp & Tannan 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: February 21, 2002

CERTIFICATE

To,
The Members of
Foseco India Limited

We have examined the compliance of conditions of Corporate Governance by Foseco India Limited, for the year ended on 31st December, 2001, as stipulated in Clause 49 of the Listing Agreement of the said Company with the Stock Exchanges.

The compliance of conditions of Corporate Governance is the responsibility of the management. Our examination has been limited to a review of the procedures and implementation thereof, adopted by the Company for ensuring the compliance of the conditions of the Corporate Governance. It is neither an audit nor an expression of opinion of the financial statements of the Company.

In our opinion and to the best of our information and according to the explanations given to us, and the representations made by the directors and the management, we certify that the Company has complied in all material respects with the conditions of Corporate Governance as stipulated in Clause 49 of the above mentioned Listing Agreement.

As required by the Guidance Note issued by the Institute of Chartered Accountants of India we have to state that while the Shareholders Investors Grievance Committee was constituted on 21st February, 2002, the Registrars of the Company have certified that as on 31st December, 2001, there were no investor grievances remaining unattended / pending for more than 30 days.

We further state that such compliance is neither an assurance as to the future viability of the Company nor the efficiency or effectiveness with which the management has conducted the affairs of the Company

SHARP & TANNAN
Chartered Accountants

By the hand of

F. M. KOBLA
Partner

Mumbai,
Date: 21st February, 2002

Foseco India Limited