



**Foseco India Limited**

**47th Annual Report & Accounts ■ Year 2003**



***Solutions Partner to the  
Expert Foundryman***

## Board of Directors

### **R. A. Savoor**

Chairman

### **D. G. Hussey**

Vice Chairman

### **D. O. Hughes**

Managing Director

### **D. P. Mehta**

Director

### **P. N. Ghatalia**

Director

### **J. M. Weeks**

Alternate Director

### **R. Balakrishnan**

Company Secretary

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### **Registered Office**

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

### **Factories**

Sanaswadi, Pune  
Pondicherry

### **Bankers**

- Standard Chartered Bank
- Syndicate Bank
- ICICI Bank Ltd
- IDBI Bank Ltd

### **Auditors**

S R BATLIBOI &  
ASSOCIATES

### **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 seventh annual general meeting of FOSECO INDIA LIMITED will be held on Thursday 24 June 2004 at 1200 hours (IST) at the registered office of the company at Gat Nos. 922/923, Sanaswadi, Taluka Shirur, District Pune to transact the following business.:

### ORDINARY BUSINESS :

1. To receive and adopt the audited balance sheet of 31 December 2003 and the profit & loss account for the year ending on that date together with the reports of the directors and the auditors thereon.
2. To declare a final dividend on 63,86,459 equity shares for the year ending 31 December 2003.
3. To appoint a director in place of Mr. P N Ghatalia 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 modification, the following as a SPECIAL RESOLUTION:

“RESOLVED that pursuant to section 309(4) and 309(7) of the Companies Act, 1956 read with Article 141 of the Articles of Association of the company, the directors (other than the managing director, the whole-time directors, special directors and foreign Foseco-nominated directors) be paid with effect from 1 January 2004 in respect of each financial year of the Company (as defined under Section 2(17) of the Companies Act, 1956 for five financial years, a commission (to be divided among them in such manner as the board of directors may from time to time determine and in default of such determination, equally) of such amount as may be determined by the board of directors but not exceeding an amount equal to 1% of the net profits of the company computed in the manner prescribed in Section 198(1) of the Companies Act, 1956.”

6. To consider and if thought fit, to pass, with or without modification, the following as a SPECIAL RESOLUTION:

“RESOLVED THAT pursuant to Section 31 and other applicable provisions, if any, of the Companies Act, 1956, the existing Article 31 of the Articles of Association of the company be substituted by the following Article 31;

#### Article 31

‘Notwithstanding anything contained in these Articles, the company shall have the power, subject to and in accordance with all applicable provisions of the Act including any statutory modification(s) or re-enactment thereof for the time being in force, to purchase or buy-back any of its own shares or other securities whether or not they are redeemable and may pay for such purchase or buy-back out of such sources as may be permissible under the law.’

7. To consider and if thought fit, to pass, with or without modification, the following as a SPECIAL RESOLUTION:

“RESOLVED THAT subject to the provisions of the Securities Exchange Board of India (Delisting of Securities) Guidelines, 2003, Securities Contracts (Regulation) Act, 1956, Listing Agreement and all other applicable laws, rules, regulations and guidelines (including any statutory modification(s) or re-enactment thereof for the time being in force) and subject to such other approvals, permissions etc. as may be necessary from time to time which may be agreed to, by the board of directors including any committee thereof for the time being exercising the powers conferred on the board by this resolution, the consent of the company be and is hereby accorded to delist the equity shares of the company voluntarily from the Calcutta Stock Exchange Association Limited;

RESOLVED FURTHER THAT the board of directors and the Company Secretary be and are hereby authorised to make application to the said stock exchange and to take all such steps as may be necessary for giving effect to this resolution.”

### 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 books will remain closed from Tuesday 8 June 2004 to Thursday 24 June 2004 (both days inclusive)
3. The dividend declared at the meeting will be made payable on or after 29 June 2004 to those members whose names are on the register of members on 24 June 2004.
4. Members who are holding shares in physical form are requested to notify change of address, bank mandates, if any, to the Registrar & Transfer Agent and / or the Company Secretary so as to reach on or before 9 June 2004 or to their respective depository participants if the shares are held in electronic form.
5. Pursuant to Section 205A of the Companies Act, 1956 read with Investors Education and Protection Fund (Awareness and Protection of Investors) Rules 2001, all unclaimed /unpaid dividend up to the financial year ended 31 March 1996 has been transferred to the Investor Education and Protection Fund set up by the Central Government.

6. Members may note that by virtue of Section 205A and 205C of the Companies Act, 1956, the amount of dividend for subsequent years and remaining unpaid / unclaimed for the period of seven years from the date of its transfer to the Unpaid Dividend Account of the Company shall be required to be transferred to the Investor Education and Protection Fund set up in this behalf and no payments shall be made in respect of any such claims out of this fund. Accordingly, all unclaimed / unpaid dividend for the financial year ended 31 March 1996 has been transferred to the Investor Education and Protection Fund account and no claim could be made in respect of claims by members out of this Fund. Members are, therefore, requested to encash their dividend warrants immediately for the subsequent financial years. Members are requested to write to the company and / or Share Transfer Agents, if any dividend warrant is due and pending to be paid so that fresh / revalidated warrants could be issued by the company.
7. As a measure of economy, copies of the annual report will not be distributed at the annual general meeting. Members are 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 meeting.
9. To ensure that shareholders' queries are answered in full, please forward any queries you would like to be answered, to the Company Secretary at the registered office no later than one week before the meeting.

By Order of the Board of Directors

**R Balakrishnan**  
Company Secretary &  
Legal Services Manager

Place : Pune  
Date : 13 May 2004

### **EXPLANATORY STATEMENTS AS REQUIRED BY SECTION 173 OF THE COMPANIES ACT, 1956**

#### **Item No. 3.**

##### **Disclosure Regarding The Re-appointment of a Director**

Mr. P N Ghatalia, aged 62 years, is a Commerce Graduate from Bombay University, and a Chartered Accountant. He has been on the board of directors of Fosco India Limited since 2003. In 1967 he joined Price Waterhouse, a firm of Chartered Accountants. During 1976 he worked in the London office of the firm and in 1978 was admitted as partner.

He has been a member of the Advisory Board of Societe Generale, a French bank on the recommendation of the Reserve Bank of India and is presently a member of the following organizations:

Accounting Standards Committee of the Securities and Exchange Board of India (SEBI),  
Bombay Chamber of Commerce & Industry,  
Indian Merchant's Chamber,  
Indo-American Chamber of Commerce,  
Indo-German Chamber of Commerce,  
Indo-Italian Chamber of Commerce  
Indo-Swiss Business Committee

Mr. Ghatalia holds directorships in the following companies:

1. NRC Ltd.
2. Gulf Oil Corporation Ltd.
3. Star Paper Mills Ltd.
4. Schenectady Herdillia Ltd.

None of the directors, except Mr. P N Ghatalia, has an interest in this resolution.

#### **Item No. 5.**

Members may recall that at the 42nd Annual General Meeting of the company held on 29 April 1999, consent was given to the company to pay commission not exceeding one percent of the net profits computed in the manner laid down in Sections 349 and 350 of the Companies Act, 1956 to the directors of the company other than the managing director, whole-time director and special directors and foreign Fosco-nominated directors for the period of 5 years from 1 January 1999 to 31 December 2003.

Having regard to their contribution and the expertise and knowledge they bring to the company, it is recommended that this payment of commission be extended for a period of five years from 1 January 2004.

As per the provisions of Section 309(4)(b) read with Section 309(7), a special resolution is required for authorising such payment.

No director other than the Indian non-whole-time directors is in any way concerned or interested in the said resolution.

#### Item No. 6.

The existing Article 31 of the company does not provide for buy-back of securities as the same was adopted in line with the erstwhile Companies Act, 1956.

The Companies (Amendment) Act 1999, inserted Sections 77A & 77B to the Companies Act, 1956 permits the company to purchase or buy-back its own shares or other specified securities with effect from 31 October 1998.

To incorporate the above amendment introduced by the Companies (Amendment) Act, 1999, the board of directors recommends that the existing Article 31 be modified.

As per Section 31(1) of the Companies Act, 1956, a company may, by special resolution, alter its articles by passing a special resolution. Hence, this resolution has been proposed as a special resolution.

None of the directors of the company is concerned or interested in this resolution.

#### Item No. 7.

Presently, the equity shares of the company are listed on 'The Stock Exchange, Mumbai' (B.S.E.), 'National Stock Exchange of India Limited' (N.S.E.), 'Pune Stock Exchange Limited' and 'Calcutta Stock Exchange Association Limited' (hereinafter, referred to as 'Calcutta Stock Exchange') and substantial trading is carried on through B.S.E. and N.S.E. whereas, on Calcutta Stock Exchange, the scrip has become inactive and no trading is carried on.

No particular benefit is available to the shareholders of the company by continuing the listing of the shares on Calcutta Stock Exchange. Moreover, it does not justify the payment of listing fees and costs associated with the periodical compliance with the Listing Agreement.

Members may, please, note that the sophisticated nationwide, on-line trading infrastructure of B.S.E. and N.S.E. will not jeopardise the interest of shareholders of the Eastern region. Hence, the board of directors of your company, after taking into consideration the interest of shareholders of the Eastern region are proposing the voluntary delisting of its equity shares from the Calcutta Stock Exchange.

As per the Securities Exchange Board of India (Delisting of Securities) Guidelines, 2003, it is necessary to seek the prior approval of the shareholders of the company in the general meeting in case of voluntary delisting of securities. Hence, it is proposed to give authority to the board of directors of the company and the Company Secretary to delist the equity shares of the company from Calcutta Stock Exchange.

None of the directors is concerned or interested in the resolution.

By Order of the Board of Directors

**R Balakrishnan**

Company Secretary &  
Legal Services Manager

Place : Pune  
Date : 13 May 2004



## MANAGEMENT DISCUSSION & ANALYSIS

### Business Review

Foseco is the leading global and Indian supplier of metallurgical chemicals for the ferrous and non-ferrous foundry industry. The company adds value to its customers through a process of partnership whereby personnel from both Foseco and the customer collaborate to improve the customer's product quality and process efficiency.

The year saw a recovery in the passenger car and commercial vehicle segments with production growth recorded by all major manufacturers. The moving annual total of tractor output ceased its decline during the third quarter of the calendar year but output has since remained flat with only a modest reduction in tractor inventory over the period.

The combination of a slightly supportive market environment and further share gain resulted in a sales growth of 10%. The financial performance of the majority of the foundry industry continues to be pressured by the purchasing power of the casting buyers and sharp increases in key raw materials. As a result customer liquidity remained tight and Foseco's management of receivables continued to be a high priority.

In addition to the sales growth, the year's highlights included;

- further improvements in supply chain efficiency and inventory management
- the continued development of a quality culture through the introduction of Kaizen techniques
- the significant contribution made by all employees to eliminate non-value adding expenditure and to improve process efficiency.

The external working capital (trade debtors plus inventory less trade creditors) sales ratio increased from 24.2% at the start of the year to 25.9% at the close. The improvement in trade debtors was negated by reductions in trade creditors as shortened payment terms were negotiated in exchange for discounts. The fixed asset base remained constant as depreciation matched capital investment.

Net operating cash flow in the year, before dividend was a positive Rs.1311.83L.

### 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 including tractors
- Construction equipment
- Railway wagon manufacture
- Textile machinery
- Petrochemical, oil refinery 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 of demand.. 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. Activity in the railway wagon segment is most influenced by Government budgeting.

### 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.
- strict compliance with all internal policies and statutory guidelines.
- the accuracy and timing of financial reports and management information.

The company outsources the internal audit process to a firm of professional accountants with no relationship to the statutory auditors. 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, commitment, skills, team effort and hard work of all employees.

At year end the company had 149 employees.

# CORPORATE GOVERNANCE REPORT

Foseco strives to adopt the highest standards of excellence in corporate governance, reflected in the following key areas of the company's approach to business and its stakeholders:

## Nature and Role of the Board of Directors

The company's board comprises individuals with considerable experience and expertise across a range of disciplines including general management, business strategy, finance and accounting and law. All board members have a depth of international experience.

## Company Vision

The company's vision is to become:

The preferred partner to the foundry industry providing the greatest value

A highly respected industry leader with which all stakeholders are proud to be associated

## Business Strategy

The company's business strategy is to improve its customer's business performance:

By being the partner providing the greatest value. Achieved through a solutions partnering approach delivering improved foundry processes and casting quality. Based upon world class proprietary technology, foundry process and product application expertise and excellence in customer service.

## Company Values

All employees are committed to living the company's values:

- Customer Always First
- High Performance
- Employee Focus
- Responsiveness
- Teamworking
- Empowerment
- Lead by Example
- Deliver the Promise
- Continuous Improvement
- Safety, Health and the Environment

## Integrity of Financial Reporting

The company ensures that adequate controls are in place to provide accurate and timely financial statements. The internal audit function is outsourced to an external firm of qualified accountants supervised by the Audit Committee of the board.

## Disclosure of Information to Investors

Foseco ensures the timely disclosure of all material information in compliance with applicable laws.

## Insider Dealing Policy

The company's shares are listed on the Pune, Bombay, Kolkata and National Stock Exchanges in accordance with the relevant listing agreements. The company has a clearly communicated Insider Dealing policy aligned with the amended Securities and Exchange Board of India (Prevention of Insider Trading) Regulations 1992.

## Investor Services

All aspects of investor services are monitored and measures for improvements in the service levels reviewed regularly.

## Performance Management

Foseco places considerable importance on the management of performance, the purpose being to support all employees to perform to peak potential. The process includes the regular and transparent review of the performance of

all employees against agreed objectives. Employee remuneration is strongly linked to individual and company performance.

## A) COMPOSITION AND CATEGORY OF DIRECTORS

### a. Composition

The board comprises 5 members, 1 executive director and 4 non-executive directors, of which 3 are independent. The whole-time director and one non-executive director are nominated by Foseco Ltd. UK as provided in the articles of association of the company. The chairman of the board is a non-executive independent director.

Since the date of the last director's report, Mr. P K Choksey and Mr F A A Jasdanwalla, both directors of the company, retired on 13 May 2003 pursuant to the company's retirement policy, after attaining the age of 75.

### Composition of the Board of Directors (as on the last date of financial year)

Category	No. of Directors	Percentage of Total Number of Directors
Promoter		
- Executive director	1	20%
- Non-executive director	1	20%
Sub total	2	40%
Non-executive/ Independent directors	3	60%
Alternate directors	1	
Total	5	100%

## DISCLOSURE OF INFORMATION ABOUT DIRECTORS

### (i) Mr R A Savor

Mr. R.A.Savor joined the board of Foseco India Ltd., as additional director on 24 July 2002 and he was appointed as a director by the members at its meeting held on 13th May 2003. Born in Madras in April 1944, Ram Savor did his schooling in Bombay and he graduated from Ruia College with a B.Sc. in Chemistry, followed by a 3 year course in Chemical Technology from UDCT (University Department of Chemical Technology) at Bombay. Mr. R. A. Savor worked with Castrol India in various capacities in the company, starting as a management trainee in July 1968 and working his way up to CEO. Mr R. A. Savor retired on 1 May 2002 after working with Castrol India Ltd. for 34 years, 12 of these as Chief Executive and Managing Director. Under his leadership Castrol India Ltd. grew from being a minor oil company to becoming the number two lubricant company in India and the second largest Castrol company worldwide Mr Ram Savor is the Chairman of the Company and he is a non-executive and independent director.

### (ii) Mr D G Hussey

Mr. David Hussey, B.Sc Civil Engineering from City University London, commenced employment with the Foseco Group on 1st September 1992 when he was appointed Director of Industry for Burmah Oil (Deutschland) GmbH. In June 1998 he was appointed CEO of Foseco International Limited and is Chairman of the Foseco Foundry Executive Committee. Mr. D G Hussey also represents the Foseco Group as a member of the boards of both Foseco Ltd. and Foseco (UK) Ltd. In addition he is a director of Foseco Holding Ltd. and

21 other Foseco operating subsidiaries around the world.

He is currently the Vice Chairman of the Company and he is a non-executive director and also represents Foseco Ltd., UK as a nominee director.

**(iii) Mr. D O Hughes**

D O Hughes was appointed as managing director, for a period of three years with effect from 1 November 1999 and he was re-appointed by the members for a further period of three years with effect from 1 November 2002. Mr. D O Hughes holds an MA (Natural Sciences) from Cambridge University, UK and a Certified Diploma in Accounting & Finance from the UK Association of Chartered Certified Accountants. Mr. Hughes has been with the Foseco group since 1981. Between 1981 & 1983 he worked with Foseco International Ltd., UK in product development, from 1983 to 1985 with Foseco Inc. USA as Product Manager, between 1985 & 1988 with Foseco Singapore Pte. Ltd., as Technical Sales Manager, between 1988 & 1991 with Foseco Philippines Inc., as President of the company, between 1992 & 1995 with Foseco Asean, Thailand as Chief Executive, between 1995 & 1997 with Burmah Castrol Chemicals Ltd., UK as Chemicals Controller, between 1997 & 1999 with Foseco International Ltd., UK and Burmah Castrol Chemicals Ltd., UK working on acquisitions and disposals. From 1 November 1999 onwards, he is working with Foseco India Ltd. as Managing Director. Mr. Hughes is a member of the compensation committee, the shareholders / investors grievance committee and a member of the subcommittee of directors for share transfers of Foseco India Limited.

He is a whole time director and represents Foseco Ltd., UK as a nominee director.

**(iv) Mr D P Mehta**

Mr. D P Mehta, B A from Bombay University, LLB from Poona University and LLM of Harvard University. He has been on the board of directors of Foseco India Limited since 1976. He is a partner in Little & Co., a leading solicitor firm of Mumbai since 1962. He is a member of Governing Council of the Indo - French Chamber of Commerce & Industry. He is a President of Cercle Litteraire and Bibliotheque Dinshaw Petit & Honorary Treasurer of Alliance Francaise de Bombay. He is a Honorary Legal Advisor of 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

- (i) Tata BP Solar India Ltd.,
- (ii) Kirloskar Copeland Ltd.
- (iii) GCL International Ltd.
- (iv) Goa Carbon Ltd. and
- (v) GKN Driveshafts (India) Ltd.

**(v) Mr P N Ghatalia**

Mr. P. N. Ghatalia was appointed as an additional director at the meeting of the board of directors held on 13 February 2003 and appointed as director by the members at its meeting held on 13th May 2003. Mr. P. N. Ghatalia, aged 62 years, is a Commerce Graduate from Mumbai University and a Chartered Accountant. In 1967 he joined Price Waterhouse, a firm of Chartered Accountants. During 1976 he worked in the London office of the firm and in 1978 was admitted as a Partner. He has been a member of the Advisory Board of Societe Generale, a French Bank on recommendation by the Reserve Bank of India and he holds membership

in (i) Accounting Standards Committee of the Securities and Exchange Board of India (SEBI), (ii) Indian Merchant's Chamber.

**DISCLOSURE OF INFORMATION ABOUT BOARD MEETING**

**a. Board Meetings**

1. Number of board meeting held : - Six
2. Date of which board meetings were held during the year 2003 : 12 February, 29 April, 13 May, 4 August, 22 October and 11 November.

**b. Board Meeting and AGM Attendance Summary (for financial year 2003)**

Name of Director	Number of meeting held during his tenure	Number of meetings attended % of total meetings attended	Whether attended last AGM
Mr. R.A.Savoor	66	100	Yes
Mr. D G Hussey or his alternate Mr J M Weeks	65	83.3	Yes
Mr. D O Hughes	66	100	Yes
Mr. D P Mehta	65	83.3	Yes
Mr P N Ghatalia	66	100	Yes

**c. Other Responsibilities of Directors**

Name of the director	Indian listed company memberships as on 31 December 2003	
	Boards (excluding Foseco India Ltd.)	Board committees (excluding Foseco India Ltd.)
Mr. R.A.Savoor	5	5
Mr. D G Hussey	None	None
Mr. D O Hughes	None	None
Mr. D P Mehta	4	2
Mr P N Ghatalia	4	5

**PECUNIARY RELATIONSHIP OR TRANSACTIONS OF NON EXECUTIVE DIRECTORS**

None of the non-executive directors have any pecuniary relationship or transactions with the company pursuant to the provisions of Clause 49. VII (D) of Listing Agreement and none of them obtained any pecuniary benefit from the company during the financial year 2003.

**DISCLOSURE OF DIRECTORS INTEREST IN TRANSACTIONS WITH THE COMPANY**

None of the directors have any transactions with the company - however, transactions have taken place with some of the companies in which the directors hold directorship and the transactions have taken place at the prevailing market value as normal commercial transactions. Such details have been disclosed to the board as required under section 301 of the Companies Act, 1956 and they have been entered in the register of contracts from time to time and placed before the board and approved.

**B) AUDIT COMMITTEE**

**a. Constitution**

The audit committee of the company was constituted in August 2001 and has been mandated the same terms of reference as specified in Clause 49 II of the Listing Agreements with stock exchanges as well as those stipulated by the SEBI guidelines. The current terms of reference also fully conform to the requirements of Section 292A of the Companies Act, 1956 and the listing agreement of stock exchanges with whom the company signed the listing agreement.



**b. Composition**

The audit committee comprises 3 independent directors - Mr. P N Ghatalia, Mr. D P Mehta and Mr. R A Savoor. The chief financial officer, the internal auditor (the position held by the company secretary), the managing director and the statutory auditors are the permanent invitees to the committee. The company secretary acts as the secretary to the committee. The Internal audit function of the company is outsourced to a chartered accountant's firm and the partner of the firm, carrying out the internal audit is also an invitee to the audit committee meetings.

The chairman of the committee Mr. P N Ghatalia has a sound financial knowledge being a chartered accountant.

**Composition, meeting & attendance details of Director**  
(for the financial year 2003)

Name of the committee members	Category of directors	Other invitees	Meeting details			Whether attended last annual general meeting
			Held during the tenure of director	Attended	% of total	
Mr R A Savoor	NED	Managing Director	4	4	100	Yes
Mr D P Mehta	NED	Regional Director and Chief Financial officer of the Company and Auditor, Internal	4	4	100	Yes
Mr P N Ghatalia	NED	Statutory invitees	3	3	100	Yes

Overall attendance 100%

The audit committee during its four meetings reviews with 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 and the Companies Act, 1956. In addition, the committee examines all taxation matters including related legal cases and the company's risk management strategy.

**c) COMPENSATION COMMITTEE****a. Terms of Reference**

The compensation committee recommends remuneration and promotions of the executive directors to the board for consideration within the limits approved by the shareholders. Such recommendations are based on the overall performance and financial results of the company during the financial year and on the assessment of the personal contribution and achievements of the concerned directors.

**b. Composition**

The committee comprises 3 directors out of which two are independent directors i.e. Mr. R A Savoor as Chairman and Mr P N Ghatalia and 1 executive director, Mr. D O Hughes, the managing director who is also the nominee director of Fosco Ltd. UK.

**Composition, meeting & attendance details of Directors**  
(for the financial year 2003)

Name of the committee member	Category of director	Meeting details		
		Held during the tenure of director	Attended	% of total
*Mr P K Choksey	NED	1	1	100
Mr D O Hughes	NED	1	1	100
Mr P N Ghatalia	NED	nil	-	-
Mr R A Savoor	NED	nil	-	-
Mr. D G Hussey/ his alternate	NED	nil	-	-

Overall attendance 100%

Note:- 1. Chairman of the Compensation Committee is presently Mr R A Savoor.

2. \* Retired during the year.

3. Secretary of the Committee is Mr. R Balakrishnan - Company Secretary.

4. The Chairman of Compensation Committee was present during the last AGM.

**c. Remuneration Policy****i. For whole time directors.**

The total remuneration, subject to shareholders' approval, comprises:

■ fixed component consisting of salary and perquisites in accordance with the company's rules.

■ performance bonus linked to the performance of the company and that of the individual director subject to the limits approved by the shareholders and defined by Schedule XIII of the Companies Act, 1956.

**WHOLE TIME DIRECTORS REMUNERATION**  
**FOR THE FINANCIAL YEAR**

During the year 2003, the Company had only one Whole time director who has been holding office of the Managing Director - the remuneration details are as under:-

**Remuneration details of the Managing Director**

Details	Managing director Mr. D O Hughes (Rupees)
a. Salary	26,45,400
b. Performance linked bonus	13,22,700
c. Other Perquisites - Part A Housing Accommodation/ Medical reimbursement/ Furniture/Gas & Electricity/ Club fees	16,00,455
d. Other Perquisites - Part B Education allowance for children/ Annual Leave Travel	6,59,736
e. Other perquisites - Car/Driver	1,48,244
<b>Total</b>	<b>63,76,535</b>

Note:-

The agreement with Mr. D O Hughes, Managing Director is for a period of three years starting from 1 November 2002 to 31 October 2005. Each party to the agreement is able to terminate the agreement by serving a defined period of notice. There are no severance fees payable.

**ii. For non-executive directors**

Non-executive directors are paid sitting fees for attending board and committee meetings plus reimbursement of actual travel and out-of-pocket expenses incurred for attending such meetings.

Commission payable to non-executive directors does not exceed 1% of the net profits computed under Section 198 (4) of the Companies Act, 1956.

These comprise the only remuneration paid to non-executive directors.

**NON EXECUTIVE DIRECTORS REMUNERATION**  
**FOR THE FINANCIAL YEAR**

**Non-executive directors**

Name of the directors	Sitting fees paid ( Rupees)	Commission payable (Rs.)
*Mr P K Choksey	28,000	3,00,000
*Mr. F A A Jasdanwalla	34,000	1,00,000
Mr. D P Mehta	57,000	5,27,000
Mr. R A Savoor	65,000	5,27,000
Mr P N Ghatalia	54,000	4,65,000

\* Directors retired during the year

**D) SHAREHOLDERS/INVESTORS GRIEVANCE COMMITTEE****Constitution**

As required under Clause 49VIC of the Listing Agreement entered into between the company and the stock exchange, Pune, Mumbai and Kolkata the Shareholders/Investors Grievance Committee has been formed with effect from 21 February 2002.

**Composition**

The committee is chaired by Mr. D P Mehta with Mr. D O Hughes, Mr. R A Savoor and Mr P N Ghatalia as members.

**Meeting and Attendance**

Four meetings were held during the year and the attendance of each member is given below:

**Composition, meeting & attendance details of Directors**  
(for the financial year 2003)

Name of the committee member	Category of director	Held during the tenure of director	Meeting details	
			Attended	% of total
Mr D P Mehta	NED	4	4	100
Mr R A Savoor	NED	4	4	100
Mr D O Hughes	MD	4	4	100
Mr P N Ghatalia	NED	3	3	100

Overall attendance 100%

- The company secretary who is the compliance officer for secretarial compliance is nominated as compliance officer
- The committee reviews the system of dealing with and responding to correspondence from shareholders. Details of complaint letters received from stock exchanges, SEBI, and the Department of Company Affairs and responses thereto are reviewed by the committee.

**ANALYSIS OF SHAREHOLDERS' / INVESTORS' COMPLAINTS RECEIVED AND REDRESSED DURING THE FINANCIAL YEAR**

Nature of complaint / query	Opening balance	Complaints received during the year	Received from				Closing balance
			MSC Ltd. at company	S.E.B.I.	Department of Company Affairs	Stock Exchanges	
Non receipt of share certificate	NIL	8	6	2	NIL	NIL	NIL
Non receipt of dividend warrant	NIL	34	31	2	1	NIL	NIL
Non furnishing of information	NIL	2	NIL	2	NIL	NIL	NIL

Notes:-

- The company would like to report there has been no complaints pending for resolution at the end of the financial year.
- All enquiries received during the year have been attended to before 31 December 2003.

**DISCLOSURE ABOUT DELEGATED AUTHORITY CONSTITUTED FOR ATTENDING SHARE TRANSFER WORK**

Description of delegated authority	Full Address of delegated authority	Telephone numbers	Fax numbers	E-mail ID	Average interval at which meeting held
MCS Limited	116/118, Akshay Complex, Off Dhole Patil Road, Near Ganesh Mandir, Pune 411 001.	+91 (20) 4017205	+91 (20) 26129597 Tele-fax	mcs@vsnl.net	Each fortnight

**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 dispatched by registered post.

Notes:-

- The authority relating to share transfers has been delegated to the share transfer committee comprising the four non-whole time directors and the managing director.
- The board had authorised the share transfer agents MCS Limited to approve all routine transfers and transmissions of shares.
- Presently, transfers and transmissions are effected within 12 - 15 days.
- As on December 31, 2003 there were no requests pending for transfer of shares.

**GENERAL BODY MEETINGS**

Details regarding venue, date and time of the last three AGMS

Financial year	Details of location	Date and time when held	No of shareholders who attended the AGM	% of shareholders who attended the AGM	Summary of resolutions passed and type
Year 2003	Foseco India Ltd., Gat Nos. 922/923 Sanaswadi, Pune	13.5.2003 14.00 Hrs.	21	0.3% Proxy present for 66% shares	0 - 4 S - 4
Year 2002	At the same venue as stated above	2.5.2002 15.00 Hrs	18	0.3% Proxy present for 58% shares	0 - 4
Year 2001	Maharatta Chamber of Commerce and Industries, Pune	24.5.2001 15.00 Hrs	25	0.4% Proxy present for 58% shares	0 - 4

Notes: "O" denotes ordinary resolutions  
"S" denotes special resolutions

**DETAILS OF SPECIAL RESOLUTIONS PASSED BY POSTAL BALLOT DURING THE PREVIOUS FINANCIAL YEAR**

During the financial year under review, no postal ballot was conducted by the company.

**DIRECTORS SEEKING RE-APPOINTMENT**

The required information regarding the details of directors who are seeking appointment or reappointment is set out in the explanatory statement as required under Section 173 of the Companies Act, 1956 annexed to the notice to shareholders.

**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 advanced a secured loan of Rs.500 lacs to one of its associate group companies in India, Chem-Trend Chemicals Company Private Limited. The loan is secured