



Foseco India Limited

A QS9000 and ISO14001 Accredited Company

Year
2005



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

49th Annual Report & Accounts

Company information

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

Audit Committee

Mr P N Ghatalia
Independent Director and Chairman
Mr R A Savoor
Independent Director
Mr D P Mehta
Independent Director

R Balakrishnan
Secretary to the Committee

Terms of Reference : The terms of reference fully conform to clause 49 of the Listing Agreement and Section 292A of the Companies Act, 1956.

Shareholders / Investors Grievance Committee

Mr D P Mehta Chairman
Mr P N Ghatalia
Mr R A Savoor
Mr D O Hughes

R Balakrishnan
Secretary to the Committee

Terms of Reference : The committee focuses primarily on strengthening investor relations and ensuring the rapid resolution of any shareholder or investor concern.

Compensation Committee

Mr R A Savoor Chairman
Mr P N Ghatalia
Mr D O Hughes

R Balakrishnan
Secretary to the Committee

Terms of Reference : The terms of reference of this committee is to review and recommend the remuneration and performance linked bonuses of executive directors and the payment of commission to non-executive directors.

Solution Partner to the Foundry Industry

*F*oseco's vision is to become the preferred partner to the foundry industry providing greatest value. Our business strategy is designed to achieve this based on world class proprietary technology, foundry process and product application expertise and excellence in customer service.



Registered Office

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

Factories

- Sanaswadi, Pune
 - Pondicherry
-

Bankers

- Standard Chartered 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

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NOTICE TO THE SHAREHOLDERS

NOTICE IS HEREBY GIVEN THAT the forty ninth annual general meeting of **FOSECO INDIA LIMITED** will be held on Tuesday 25 April 2006 at 1500 hours (IST) at the registered office of the company at Gat Nos. 922/923, Sanaswadi, Taluka Shirur, District Pune 412 208 to transact the following business :

ORDINARY BUSINESS :

1. To receive and adopt the audited balance sheet of 31 December 2005 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 ended 31 December 2005
3. To appoint a director in place of Mr. R A Savoro 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 resolution as an **ORDINARY RESOLUTION**

“RESOLVED THAT pursuant to Section 198, 269, 309 read with Schedule XIII and any other applicable provisions of the Companies Act, 1956, (including any amendment or modification thereof) the consent of the Company be and is hereby accorded to the reappointment and terms of remuneration (including the remuneration to be paid in the event of loss or inadequacy of profits during the currency of tenure) of Mr. David Hughes, Managing Director of the Company for a further period from 1st November 2005 to 31st October 2008, as set out in the draft Agreement placed before this meeting and initialed by the Chairman for the purpose of identification. ”

“RESOLVED FURTHER THAT the Board of Directors be and are hereby authorised to alter and vary the terms and conditions of the said appointment and/or Agreement in such manner as may be agreed to by the Directors and Mr. David Hughes.”

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 4 April 2006 to Tuesday 11 April 2006 (both days inclusive)
3. The dividend declared at the meeting will be made payable on or after 01 May 2006 to those members whose names are on the register of members on 11 April 2006.
4. Members holding shares in physical form are requested to notify any change of address, bank mandates, if any, to the Registrar & Transfer Agent and / or the Company Secretary by 12 April 2006 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 the Investors Education and Protection Fund (Awareness and Protection of Investors) Rules 2001, all unclaimed /unpaid dividend up to the financial year ended 31 March 1998 has been transferred to the Investor Education and Protection Fund set up by the central Government account and no claim can be admitted in respect of this Fund. Members are therefore requested to encash their dividend warrants immediately for 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.
6. As a measure of economy, copies of the annual report will not be distributed at the annual general meeting
7. Members are requested to affix their signature at the space provided on the attendance slip annexed to the proxy form and to hand over the slip at the entrance to the meeting.
8. To ensure that shareholders' queries are answered in full, please, forward any queries to the Company Secretary at the registered office no later than one week before the meeting.
9. Profile of Mr. R A Savoro, the director retiring by rotation:

Mr. R A Savoro joined the board of Foseco India Limited as an additional director on 24 July 2002 and was appointed as a director by members in their meeting held on 13 May 2003. Mr. R A Savoro holds a B.Sc. (Chemistry) from Ruia College and completed a 3 year course in Chemical Technology from the University Department of Chemical Technology at Mumbai. In July 1968, Mr. R A Savoro started his career with Castrol India Ltd. as a management trainee, and after undertaking a number of roles, retired on 24 April 2002 as Chief Executive Officer, a position he held for 12 years. Under his leadership, Castrol India Ltd. grew to become the number two lubricants company in India and the second largest Castrol company worldwide. Mr. R A Savoro holds 200 qualification shares jointly with Foseco Ltd. and 1000 shares in his personal capacity.

Mr. R A Savoro is a director and committee member in the following companies:

Company	Designation
EID Parry Ltd.	Director and member Audit Committee, Remuneration and Nomination Committee
Divgi Warner Private Ltd	Director
Apara Enterprise Solutions Private Ltd.	Director and member Audit Committee
Fidelity Fund Management Private Ltd.	Director
Automotive Stampings and Assemblies Ltd.	Director and member Audit Committee and Remuneration Committee

None of the directors except Mr. R A Savoro is interested in the resolution.

By Order of the Board of Directors

R Balakrishnan

Company Secretary &
Legal Services Manager

Place : Sanaswadi, Pune
Date : 7 February 2006



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

Item No. 5.

The Members will recall that at the meeting held on 13 May 2003, Mr. D O Hughes was re-appointed as Managing Director, for a period of three years with effect from 1 November 2002. The Board of Directors, in their meeting held on 19th October 2005, reappointed him as the Managing Director for a further period of three years with effect from 1st November 2005. The terms and conditions of the reappointment and remuneration are unchanged and are subject to the approval of the members in the Annual General Meeting. Section 309 of the Companies Act, 1956 also requires that the remuneration payable to the Managing Director shall be determined by a resolution passed by the Company in a General Meeting. The reappointment is made in accordance with the conditions specified in Part I and Part II of Schedule XIII of the Companies Act, 1956.

Mr. D.O.Hughes holds a B.A (Honours 2.1) in Natural Sciences and a diploma in Finance & Accounting from the UK Association of Chartered Certified Accountants. Mr. D. O. Hughes has been with the Foseco Group of companies since 1981. Between 1981 and 1983 David worked with Foseco International Ltd., UK in product development and then from 1983 to 1985 with Foseco Inc. USA as Product Specialist, between 1985 and 1988 with Foseco Singapore Pte. Ltd., as Technical Sales Manager, between 1988 and 1991 with Foseco Philippines Inc., as President of the company, between 1992 and 1995 with Foseco Asean, Thailand as Chief Executive, between 1995 and 1997 with Burmah Castrol Chemicals Ltd., UK as Chemicals Controller, between 1997 and 1998 with Foseco International Ltd., UK as a Project Manager working on acquisitions and between 1998 and 1999 with Burmah Castrol Chemicals Ltd., UK as Project Manager. David joined Foseco India Limited on 1st November 1999 as Managing Director. Mr. D O Hughes is a member of the Compensation and Shareholders / Investment Grievance Committees and the Subcommittee of directors for share transfers of Foseco India Limited.

Your Board of Directors, at its meeting on 19 October 2002, reappointed Mr. D O Hughes as a Managing Director subject to the approval of the members as per the terms of contract as under with effect from 1st November 2005 for a term of three years.

Your Board of Directors seeks the approval of the members for the reappointment and remuneration payable to him.

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

- i. **Salary** Rs. 31,50,000/- per annum subject to review by the Board of Directors but not exceeding Rs. 36,00,000/- per annum.
- ii. **Performance Linked Bonus** - Not exceeding 50 percent of the salary, payable annually as may be decided by the Board of Directors.
- iii. **Perquisites** - Perquisites will be allowed in addition to salary. These will be restricted to Rs 20,00,000/- per annum.

Part A

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

Explanation : - The expenditure incurred by the Company on gas, electricity, water and furnishings shall be valued, for the purpose of perquisite value, as per the Income Tax Rules, 1962.

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

Part B

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

- a. **Education Allowance** for two children not exceeding Rs 5,00,000/- per annum.
- b. **Annual Leave Travel** - Return passage to home country for self and family in accordance with the rules specified by the Company.

Part C

Provision of car for use on Company's business and telephone at residence will not be considered as perquisites.

OTHER TERMS

The aggregate of the total of salary, performance linked bonus and perquisites as stated in Part A shall be subject to the overall ceiling laid down in Sections 198 and 309 of the Companies Act, 1956.

Where in any financial year the Company's profits are inadequate, Mr. D. O. Hughes will receive the contracted remuneration subject to the approval of the Central Government, under the applicable provisions of the Companies Act, 1956.

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

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

None of the Directors except Mr. D. O. Hughes is concerned or interested in the Resolution

By Order of the Board of Directors

R Balakrishnan

Company Secretary

& Legal Services Manager

Place : Sanaswadi, Pune
Date : 7 February 2006

**The Board of Directors
Foseco India Limited
Sanaswadi, Pune**

7 February 2006

**CERTIFICATION BY
CHIEF EXECUTIVE OFFICER AND CHIEF FINANCIAL OFFICER**

We hereby certify that for the financial year 2005 annual accounts we have reviewed the financial statements and the cash flow statement and that to the best of our knowledge and belief:-

1. These statements do not contain any materially untrue statement or omit any material fact or contain statements that might be misleading;
2. These statements together present a true and fair view of the Company's affairs and are in compliance with existing accounting standards, applicable laws and regulations
3. There are, to the best of our knowledge and belief, no transactions entered into by the Company during the year 2005 which are fraudulent, illegal or violate the Company's code of conduct.
4. We accept responsibility for establishing and maintaining internal controls and that we have evaluated the effectiveness of the internal control systems of the Company and we have disclosed to the auditors and the Audit Committee those deficiencies, of which we are aware, in the design or operation of the internal control systems and that we have taken the required steps to rectify these deficiencies.
5. We further certify that:-
 - (a) there have been no significant changes in internal control during this year.
 - (b) there have been no significant changes in accounting policies during this year.
 - (c) there have been no instances of significant fraud, of which we have become aware, involving management or an employee having a significant role in the Company's internal control systems.

David Hughes
Managing Director

R Umesh
Chief Financial Officer



REPORT OF THE DIRECTORS

Your directors are pleased to present the company's 49th Annual Report and the audited accounts for the year ended 31 December 2005.

1. PERFORMANCE REVIEW

Following a record performance in 2004, the company achieved a new record in 2005 with gross turnover increasing 11.8% to Rs.132.5 crores. Profit before tax is Rs.21.4 crores whilst net profit after tax is Rs.13.8 crores.

Members are requested to refer to the Management Discussion and Analysis Report annexed to this report for a more detailed review of operating performance.

2. DIVIDEND & APPROPRIATIONS

An amount of Rs.138.06 lacs has been credited to General Reserves.

Your directors have recommend a final dividend payment of 55% on equity capital for the year ended 31 December 2005, which, if approved by the members at the forthcoming annual general meeting, will be paid out of the current year's profit to:

- those equity shareholders whose names appear in the register of members on 11 April 2006 and;
- to those whose names as beneficial owners are furnished by National Securities Depository Limited and Central Depository Services (India) Limited.

The directors have declared interim dividends of 20%, 40% and 55% on the equity capital of the company in April, July and October 2005 respectively which has been paid to registered holders of equity shares. The total of the interim and proposed final dividends is 170%.

3. RESEARCH & DEVELOPMENT AND TECHNOLOGY ABSORPTION

The company continues to place significant importance on research and development as the primary means of continuously advancing its product technology. A sum of Rs.58.2 lacs was spent during the year. Technology transfer into the company from its overseas affiliates is by three main routes:

1. The information exchanged during periods of secondment when the company's technical and marketing personnel spend extended periods working in the facilities of its overseas affiliates undergoing training in new technologies.
2. The company's marketing and technology personnel traveling overseas to meet Foseco colleagues and customers in order to identify and bring back best practices.
3. Visits to the company of technology experts from various parts of the Foseco group.

4. CONSERVATION OF ENERGY

Continued efforts were applied throughout the company to effect improvements to production processes resulting in reduced energy consumption.

5. SAFETY, HEALTH AND THE ENVIRONMENT

The company's safety, health and environmental 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, Rule made under the Maharashtra Factories Act, 1948.

The policy requires the company to maintain a safe and healthy working environment and to work towards minimizing the environmental impact of all process and practices including the control of dust, airborne emissions, process residues and the prevention of pollution. Both locations of the company - Sanaswadi, Pune and Pondicherry - are accredited to the international ISO14001 environmental management and QS9000 quality standards.

6. IMPORTS / EXPORTS AND FOREIGN EXCHANGE EARNINGS AND OUTGO

A. IMPORTS

Imports of raw materials during the year amounted to Rs.1078.1 lacs (previous year Rs. 981.2 lacs) and capital goods of Rs.0.42 lacs (previous year Rs. 47.2 lacs)

B. EXPORTS

Exports were mainly to the Middle-East, ASEAN and China. Exports during the year grew to Rs.517.7 lacs from Rs.375.7 lacs in the previous year.

C. EXPORT PLANS

The company intends to continue to increase its export sales to its affiliate companies.

D. EARNINGS AND OUTGO

Members are requested to refer to notes 13.3,13.4,13.5 and 13.7 of Schedule 17 forming part of the Profit & Loss Account for the year ended 31 December 2005.

7. EMPLOYEE RELATIONS

Employee relations throughout the company were harmonious. The board wishes to place on record its sincere appreciation of the devoted efforts of all employees in advancing the company's vision and strategy to deliver another record performance.

8. STATUTORY DISCLOSURES

Information as per Section 217 (2A) of the Companies Act, 1956 read with Companies (Particulars of Employees) Rules, 1975, and under Section 217(1)(e) of the 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.

Details 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 (Disclosure of Particulars in the Report of Board of Directors) Rules 1988 are included as annexures A, B and C to the Director's Report.

A Cash Flow statement for the year 2005 is attached to the balance sheet.

9. CORPORATE GOVERNANCE

Pursuant to Clause 49 of the Listing Agreement with stock exchanges, a separate section titled Report on Corporate Governance has been included in this annual report. Your directors are pleased to report that your company is fully compliant as on 31 December 2005 with the SEBI Guidelines on Corporate Governance.

10. SECRETARIAL COMPLIANCE CERTIFICATE

During the year the company appointed a practicing company secretary to conduct an audit of secretarial compliance under section 383A of the Companies Act 1956. Though not a mandatory requirement, in its pursuit of achieving the highest standards of corporate governance, the company believes such an audit to be of benefit.

The scope of the audit was to review compliance under the following :

1. Companies Act, 1956
2. Listing Agreement executed with the Stock Exchanges.
3. Corporate governance requirements of Clause 49 of the Listing Agreement

Your directors are pleased to inform you that the audit confirmed that the company is in full compliance with the Companies Act, 1956, Stock Exchange and SEBI regulations and the secretarial compliance certificate issued after the audit is annexed to this report.

11. COMPLIANCE CERTIFICATE - OTHER MATTERS

The board of directors also requested the practicing company secretary to conduct an audit of compliance with the legislation listed below as part of its drive towards the highest standards of corporate governance.

1. Disclosure requirements of the Listing Agreements with Stock Exchanges.
2. Dividend transfer / payments / remittance to nonresident shareholders with RBI permission
3. Transfer of unpaid dividend to the Investor Education and Protection Fund
4. SEBI (Prohibition of Insider Trading) Regulations, 1992
5. SEBI (Substantial Acquisition of Shares and Takeovers) Regulations, 1997
6. SEBI (RTI and STA) Regulations, 1993
7. Foreign Exchange Management Act, 1999
8. Disclosures under Section 299 and 274 (1)(g) by directors under the Companies Act, 1956
9. Issue of certificates of shares / transmission thereof as per requirements of the Companies Act, 1956
10. Necessary approvals of directors / shareholders and other authorities as per requirement of the Companies Act, 1956

Your directors are pleased to confirm that the company is in total compliance with the requirements under the above laws and the Compliance Report issued by the practicing company secretary dated 25 January 2006 is annexed to this report.

12. DELISTING FROM THE CALCUTTA STOCK EXCHANGE ASSOCIATION LTD.

Your company's equity shares have been voluntarily delisted from the Calcutta Stock Exchange Association Ltd. in terms of the SEBI (Delisting of Securities) Guidelines - 2003 consequent to the approval given by the members during the 47th annual general meeting and the shares of your company is currently being traded on the Calcutta Stock Exchange under the "Permitted Category". Your company's shares continue to be listed on the National Stock Exchange, Bombay Stock Exchange and the Pune Stock Exchange.



13. DIRECTORS' RESPONSIBILITY STATEMENT

Whilst preparing the annual accounts the company has adhered to the following practices:

- (i) the annual accounts are prepared under the historical cost convention and on an accrual 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 directors have selected such accounting policies and applied them consistently and 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 31 December 2005 and of the profit 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;
- (iv) the directors have prepared the annual accounts on a going concern basis.

14. DIRECTORS

In accordance with the provisions of the Articles of Association of the company and of the Companies Act, 1956, independent director Mr. R A Savoor retires by rotation at the forthcoming annual general meeting and being eligible, offers himself for re-appointment.

Information on the details of directors seeking appointment / re-appointment as required under Clause 49 of the Listing Agreement has been given under the Notice to Shareholders.

15. AUDITORS

The statutory auditor of the company, S.R. Batliboi & Associates, a firm of chartered accountants, holds office until the conclusion of the forthcoming annual general meeting and is eligible for re-appointment. The company has received notification from them to the effect that their appointment, if made, would be within the prescribed limits under Section 224 (1-B) of the Companies Act, 1956.

Accordingly a resolution is being submitted to the members for the re-appointment of S.R. Batliboi & Associates and to fix their remuneration for the current year.

16. COST AUDITORS

Dhananjay V Joshi & Associates, a firm of cost accountants, was appointed as cost auditors to conduct cost records audit of the accounts maintained by the company in respect of its resin products pursuant to the notification issued by the Central Government bringing the above products under the purview of Cost Accounting Records (Chemical Industries) Rules 2004.

17. INTERNAL CONTROL SYSTEMS

The company's internal control systems are audited by Natu & Pathak, a firm of chartered accountants. The internal auditors independently evaluate the adequacy of internal controls and review major transactions. The internal auditors report directly to the Audit Committee to ensure complete independence.

18. AUDITOR'S REPORT

The observations of the statutory auditors in its report, read with the relevant notes to accounts in Schedule 17, are self-explanatory.

19. ACKNOWLEDGMENT

Your directors would like to express their grateful appreciation for the support and cooperation of all Foseco's stakeholders. In particular, the directors wish to place on record their deep sense of appreciation for the commitment and enthusiasm of all employees and the support of the company's customers and suppliers.

On Behalf of the Board of Directors

Place : Sanaswadi, Pune
Dated : 7 February 2006

R. A. Savoor
Chairman

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	31 December 2005	31 December 2004
(A) Power and Fuel Consumption		
1. Electricity		
(a) Purchased :		
Units	2,005,892	1,715,957
Total Amount (Rs. lacs)	73.78	64.64
Rate/Unit (Rs.)	3.68	3.77
(b) Own Generation :		
i) Through Diesel Generator		
Units	127,927	55,000
Units per litre of Diesel Oil	3.65	2.88
Cost/Unit Rs.	8.99	4.37
ii) Through Steam Turbine/Generator		
Units))
Units per litre of Fuel Oil/Gas))
Cost/Unit))
	NOT APPLICABLE	NOT APPLICABLE
2. Coal		
Quantity (Tonnes)))
Total Cost))
Average Rate))
	NOT APPLICABLE	NOT APPLICABLE
3. Furnace Oil		
Quantity (KL)	42.00	48.00
Total Amount (Rs lacs)	11.25	8.48
Average Rate (Rs./KL)	26,785.71	22,854.17
4. Others/Internal Generation		
LPG		
Quantity (Kgs)	297,611	264,816
Total Cost (Rs. lacs)	89.10	65.52
Rate/Unit (Rs./Kg)	29.94	24.74

(B) Consumption per unit of Production

Given the company's wide product range, it is not possible to compute the consumption per unit of production.