



## Foseco India Limited

AN ISO9001 and ISO14001 Accredited Company

Year

2006



**50th  
Annual  
Report  
&  
Accounts**

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

# Company Information

## Board of Directors

<b>R A Savoor</b>	Chairman
<b>D G Hussey</b>	Vice Chairman
<b>D O Hughes</b>	Managing Director
<b>D P Mehta</b>	Director
<b>P N Ghatalia</b>	Director

**R Balakrishnan** Company Secretary

## Shareholders / Investors Grievance Committee

**D P Mehta** Chairman

**R A Savoor**

**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.

## Nomination Committee

**R A Savoor** Chairman

**P N Ghatalia**

**D O Hughes**

**R Balakrishnan**

Secretary to the Committee

**Terms of Reference :** The purpose of the committee is to determine and propose for Board approval the criteria for selection of executive and non-executive directors. When the need arises to appoint a director, the committee will play a proactive role in identifying suitable candidates for presentation to the Board.

## Audit Committee

**P N Ghatalia**

Independent Director and Chairman

**R A Savoor**

Independent Director

**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.

## Remuneration Committee

**R A Savoor** Chairman

**P N Ghatalia**

**D P Mehta**

**D G Hussey**

**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.

**Solutions Partner to the  
Expert Foundryman**

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.



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### 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

**Intime Spectrum Registry Ltd.**  
Block 202, 2nd Floor,  
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 fiftieth annual general meeting of Foseco India Limited will be held on Tuesday 26 April 2007 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 2006 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 2006.
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.

### 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 03 to Tuesday 10 April 2007 (both days inclusive).
3. The dividend declared at the meeting will be payable on or after 02 May 2007 to those members whose names are on the register of members on 10 April 2007.
4. Members holding shares in physical form are requested to notify any change of address or bank mandates to the Registrar & Transfer Agent and / or the Company Secretary by 11 April 2007 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 1999 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 sign 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. P N Ghatalia, the director retiring by rotation :

Mr. P N Ghatalia, aged 65 years, is a Commerce Graduate from Bombay University, and a Chartered Accountant. He has been on the board of directors of Foseco 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.



Mr. P N Ghatalia is a director and committee member of the following companies :

<b>Company</b>	<b>Designation</b>
Gulf Oil Corporation Limited	Director and Chairman Audit Committee
Ashok Leyland Limited	Director and Chairman Audit Committee
Ennore Foundries Limited	Director and member of Audit Committee
Star Paper Mills Limited	Director
Schenetady Herdillia Limited	Director and member of Audit Committee
NRC Limited	Director and member of Audit Committee
Kamat Hotel (India) Limited	Director Chairman Audit Committee
Cinemax India Limited	Director and member of Audit Committee

None of the directors except Mr. P N Ghatalia is interested in the resolution.

**By Order of the Board of Directors**

**Place :** Pune  
**Date :** 27 January 2007

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

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

27 January 2007

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

We hereby certify that for the financial year 2006 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 2006 which are fraudulent, illegal or violate the Company's Code of Conduct & Ethics.
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 and the involvement therein, of management or an employee having a significant role in the Company's internal control system.

**D O Hughes**  
Managing Director

**R Umesh**  
Chief Financial Officer



# Report of the Directors

Your directors are pleased to present the company's 50th Annual Report and the audited accounts for the year ended 31 December 2006.

## 1. PERFORMANCE REVIEW

Following a record performance in 2005, the company achieved a new record in 2006 with gross turnover increasing 10.6% to Rs.146.5 crores. Profit before tax is Rs. 25.7 crores whilst net profit after tax is Rs. 16.3 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. 162.8 lacs has been credited to General Reserves.

Your directors have recommend a final dividend payment of 60% on equity capital for the year ended 31 December 2006, 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 10 April 2007 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 60% on the equity capital of the company in April, July and October 2006 respectively which has been paid to registered holders of equity shares. The total of the interim and proposed final dividends is 180%.

## 3. DISTRIBUTION OF AMOUNT FROM GENERAL RESERVE AND SECURITY PREMIUM ACCOUNT

Pursuant to obtaining the necessary approval from the Judicature of Bombay High Court, an amount of Rs. 11/- per share was distributed by the Company from its accumulated reserves and surplus including security premium account to the members whose names were appearing as on 16th June 2006.

## 4. 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. 35.4 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.

## 5. CONSERVATION OF ENERGY

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

## 6. 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.

## 7. IMPORTS / EXPORTS AND FOREIGN EXCHANGE EARNINGS AND OUTGO

### A. IMPORTS

Imports of raw materials during the year amounted to Rs.1655.67 lacs (previous year Rs. 1078.1 lacs) and capital goods of Rs.34.75 lacs (previous year Rs. 41.8 lacs).

### B. EXPORTS

Exports were mainly to the Middle-East, ASEAN and China. Exports during the year grew to Rs.552.8 lacs from Rs.517.7 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 13.4, 13.5, and 13.7 of Schedule 17 forming part of the Profit & Loss Account for the year ended 31 December 2006.

## 8. 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.

## 9. 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 2006 is attached to the balance sheet.

## 10. 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 2006 with the SEBI Guidelines on Corporate Governance.

## 11. 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.





## 12. 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 22 January 2007 is annexed to this report.

## 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 2006 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. P N Ghatalia retires by rotation at the forthcoming annual general meeting and being eligible, offers himself for re-appointment.

Mr. J M Weeks ceases to be the Alternate Director for Mr. D G Hussey with effect from 7th February 2006.

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, 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, cost accountants was appointed as cost auditors during the last year 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.

The Cost Auditors have issued certificate for the year 2005 and 2006 stating that the company is maintained the required cost accounting records as per the Cost Accounting Records (Chemical Industries) Rules 2004 and the company is in compliance.

#### 17. INTERNAL CONTROL SYSTEMS

The company's internal control systems are audited to ensure compliance 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 their report, read with the relevant notes to accounts in Schedule 17 are self-explanatory and do not require further explanation.

#### 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 : Pune  
Dated : 27 January 2007

R. A. Savor  
Chairman

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