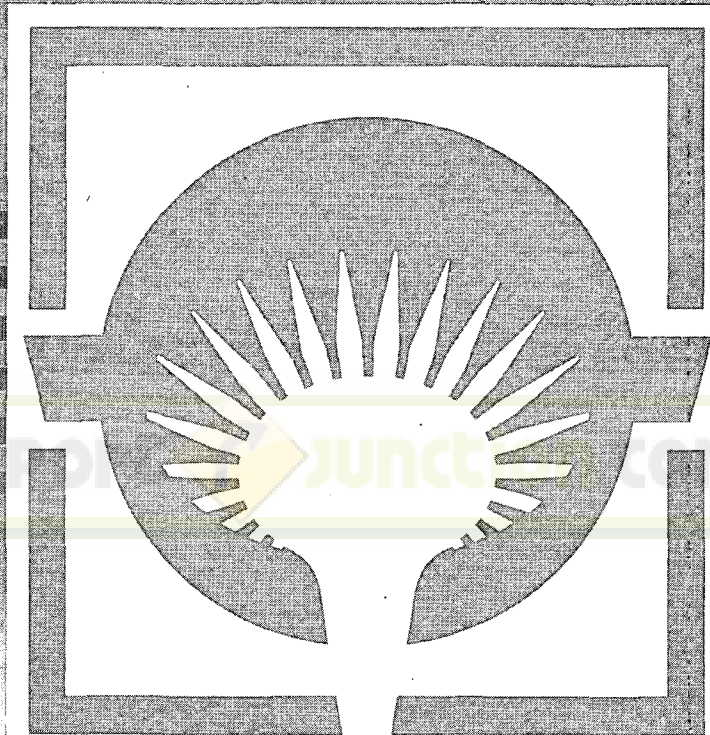


Year  
2008



# FOSECO

## Foseco India Limited

*An ISO9001, ISO14001 and OHSAS 18001 Accredited Company*

### 52nd Annual Report

**Solutions Partner to the  
Expert Foundryman**



# Company information

## Board of Directors

<b>R A Savoor</b>	Chairman
<b>S Mathur</b>	Managing Director
<b>D O Hughes</b>	Director
<b>Alan J Ridley</b>	Director
<b>D P Mehta</b>	Director
<b>P N Ghatalia</b>	Director
<b>R Umesh</b>	Compliance Officer

## Shareholders / Investors Grievance Committee

**D P Mehta** Chairman  
**R A Savoor**  
**S Mathur**  
**D O Hughes**  
**Alan J Ridley**  
**R Umesh**  
 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.

## Audit Committee

**P N Ghatalia**  
 Independent Director and Chairman  
**R A Savoor**  
 Independent Director  
**D P Mehta**  
 Independent Director  
**D O Hughes**  
 Director  
**Alan J Ridley**  
 Director  
**R Umesh**  
 Compliance Officer

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

## Nomination Committee

**R A Savoor** Chairman  
**P N Ghatalia**  
**D O Hughes**  
**Alan J Ridley**

**R Umesh**  
 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.

## Remuneration Committee

**R A Savoor** Chairman  
**P N Ghatalia**  
**D P Mehta**  
**S Mathur**  
**D O Hughes**  
**Alan J Ridley**  
**R Umesh**  
 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.



## Registered Office

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

## Factories

- Sanaswadi, Pune
- Puducherry

## Bankers

- Standard Chartered Bank
- ICICI Bank Ltd.
- IDBI Bank Ltd.
- HDFC Bank Ltd.

## Auditors

- B S R and Co.

## Solicitors

- Crawford Bayley & Co.
- Sandersons & Morgans

## Registrars and Transfer Agents :

**Link Intime India Private Ltd.**  
(formerly Intime Spectrum Registry Ltd.)  
Block 202, 2nd Floor,  
Akshay Complex,  
Off Dhole Patil Road,  
Near Ganesh Mandir,  
Pune 411 001

*This annual report is presented in a simpler format in view of current economic scenario. This is in line with our focus on lean management to maximise shareholder value.*

# Contents

Notice to the Shareholders	.....2
Certification by CEO & CFO	.....4
Report of the Directors	.....5
Management Discussion & Analysis	.....12
Corporate Governance Report	.....15
Nomination Committee Report	.....24
Remuneration Committee Report	.....24
Shareholders'/Investors' Grievance Committee Report	.....25
Audit Committee Report	.....26
Corporate Social Responsibility Policy	.....27
Code of Conduct and Ethics	.....28
Whistleblower Policy	.....30
Quality Policy	.....31
Safety, Health and Environment Policy	.....32
Strategic Risk Management Policy	.....33
Dissemination of Information to the Market	.....35
Compliance Certificate Under Companies Act, 1956	.....37
Compliance Report	.....43
Auditor's Report	.....45
Balance Sheet	.....48
Profit & Loss Account	.....49
Schedules to Financial Statements	.....50
Cash Flow Statement	.....72
Attendance Slip and Proxy Form	.....75
Financial Highlights	....inside back cover

## Notice to the Shareholders

**NOTICE IS HEREBY GIVEN THAT** the fifty second annual general meeting of Foseco India Limited will be held on 22nd April 2009 at 1200 HRS (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 31st December 2008 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 31st December 2008.
3. To appoint a director in place of Mr. R. A. Savor who retires by rotation and is eligible for re-appointment.
4. Mr. D. P. Mehta, a director of the company who retires by attaining the age of retirement as prescribed under the company's Corporate Governance Code and does not seek re-election.
5. To appoint B S R and Co, a statutory auditor 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:

6. To consider and if thought fit, with or without modification, the following as an **ORDINARY RESOLUTION**:

" **RESOLVED** that Mr. Alan J Ridley who was appointed as an additional director of the company pursuant to section 260 of the Companies Act, 1956 read with Article 137 of the articles of association of the company and who holds office as such up to the date of the forthcoming annual general meeting and in respect of whom the company has received a notice proposing his candidature for the office of director under section 257 of the Act, be and is hereby appointed as a director of the company, not liable to retire by rotation."

### 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 06 April to 15 April 2009 (both days inclusive).
3. The dividend declared at the meeting will be payable on or after 15 May 2009 to those members whose names are on the register of members on 15 April 2009.
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 Compliance Officer by 16 April 2009 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 Compliance Officer at the registered office no later than one week before the meeting.
9. Profile of Mr. R. A. Savor, the director retiring by rotation:

Mr. R. A. Savor 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. Savor holds a B.Sc. (Chemistry) from Ruia College and completed a 3 years course in Chemical Technology from the University Department of Chemical Technology at Mumbai. In July 1968, Mr. R. A. Savor 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 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. Savor holds 200 qualification shares jointly with Foseco Ltd. and 1000 shares in his personal capacity.

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

Company	Designation
EID Parry Ltd.	Director
Automotive stampings and Assemblies Ltd.	Director
Fidelity AMC Private Ltd.	Director
Divgi Warner Private Ltd.	Director
EID Parry Infrastructure Private Ltd.	Director

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

Place : Pune  
Date : 22 January 2009

By Order of the Board of Directors  
Sanjay Mathur  
Managing Director

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

##### Item no. 5.

Mr. Alan J Ridley was appointed as an Additional Director at the meeting of the Board of Directors held on 17 July 2008. By virtue of section 260 of the Companies Act, 1956 read with Article 137 of the Article of Association of the Company, he shall hold office only up to the forthcoming Annual General Meeting of the Company.

Mr. Alan J Ridley, aged 66 years, is a B.Tech, Metallurgy from Brunel University, England. He worked in various capacities like Vice President - Davy McKee during 1978 - 88, President - Flow Control and Automation Division with Vesuvius USA during 1988 - 96. Currently he is President - Vesuvius Asia Pacific, China responsible for all of Vesuvius group activities in Asia Pacific manufacturing and selling refractory products to the Iron & Steel industries throughout the region.

The Company has received a notice in writing from a member under section 257 of the Companies Act, 1956 proposing Mr. Alan J Ridley's candidature for the office of a director of the company. Appointment, if made, shall be under purview of Article 132 of the Article of Association of the Company and Mr. Alan J Ridley will act as Non-executive Nominee Director, not liable to retire by rotation. Your directors, therefore, recommend the resolution.

None of the directors, except Mr. Alan J Ridley, has an interest in the resolution.

Place : Pune  
Date : 22 January 2009

By Order of the Board of Directors  
Sanjay Mathur  
Managing Director

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

22 January 2009

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

We hereby certify that for the financial year 2008 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 2008 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 and the involvement therein, of management or an employee having a significant role in the Company's internal control system.

**S Mathur**  
Managing Director

**R Umesh**  
Chief Financial Officer



# Report of the Directors

Your directors are pleased to present the company's 52nd Annual Report and the audited accounts for the year ended 31 December 2008.

## 1. PERFORMANCE REVIEW

Following a record performance in 2007, the company maintained good sales and profitability despite the severe raw material inflation in first half and equally sharp economic downturn in the second half of 2008. A gross turnover of Rs. 166.82 crores was achieved with Profit before tax of Rs. 24.56 crores and net profit after tax of Rs. 15.63 crores.

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

## 2. DIVIDEND & APPROPRIATIONS

An amount of Rs 1.56 crores has been credited to General Reserves.

Your directors have recommend payment of a final dividend of 15% on equity capital for the year ended 31 December 2008, 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 16 April 2009, and
- 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 15%, 35% and 30% on the equity capital of the company in April, July and October 2008 respectively which has been paid to registered holders of equity shares. The total of the interim and proposed final dividends is 95%.

## 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. 44.05 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 Foundry Division 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 Foundry Division.

## 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 minimising 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 Puducherry, are accredited to the international ISO14001 environmental management, ISO9001 quality standards and OHSAS 18001.

## **6. IMPORTS / EXPORTS AND FOREIGN EXCHANGE EARNINGS AND OUTGO**

### **A. IMPORTS**

Imports of raw materials during the year amounted to Rs. 1,588.46 Lacs (previous year Rs. 1,811.52 Lacs) and capital goods of Rs. 14.65 Lacs (previous year Rs. 86.86 Lacs)

### **B. EXPORTS**

Exports were mainly to the Middle East, ASEAN and China. Exports during the year dropped to Rs. 469.95 Lacs from Rs. 527.14 Lacs in the previous year.

### **C. EXPORT PLANS**

The company continues to act as a regional manufacturing base for affiliate companies in Asia and the Middle East.

### **D. EARNINGS AND OUTGO**

Members are requested to refer to notes 12.3, 12.4, 12.5 and 12.7 of Schedule 19 forming part of the Profit & Loss Account for the year ended 31 December 2008.

## **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 a good performance.

## **8. 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, forms part of this report. However, as per provisions of Section 219(1)(b)(iv) of the Companies Act, 1956, the report and accounts are being sent to all shareholders of the company excluding the aforesaid information. Any shareholder interested in obtaining such particulars may write to the Compliance Officer at the Registered Office of the company.

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 2008 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 2008 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 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 non-resident 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 compliance with the requirements under the above laws and the Compliance Report issued by the practicing company secretary dated 12<sup>th</sup> January 2009 is annexed to this report.

## 12. 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 2008 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.

**13. 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.

Independent director Mr. D. P. Mehta will retire from the board on achieving 75 years as per company's corporate governance policy. Company is in the process of appointing new independent director in place of the retiring director.

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.

**14. AUDITORS**

The statutory auditor of the company, B S R and Co, 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 B S R and Co and to fix their remuneration for the current year.

**15. COST AUDITORS**

Dhananjay V Joshi & Associates, a firm of cost accountants was appointed as cost auditor for last year to audit the cost records 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 auditor has issued a certificate for the year 2008 stating that the company has maintained the required cost accounting records as per the Cost Accounting Records (Chemical Industries) Rules 2004 and the company is in compliance.

**16. INTERNAL CONTROL SYSTEMS**

The company's internal control systems are audited by Natu & Pathak Chartered Accountants. The internal auditor independently evaluates the adequacy of internal controls and reviews major transactions. The internal auditor reports directly to the Audit Committee to ensure complete independence.

**17. AUDITOR'S REPORT**

The observations of the statutory auditor in its report, read with the relevant notes to accounts in Schedule 17 are self-explanatory and do not require further explanation.

**18. 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 :** 22 January 2009

**R. A. Savoor**  
Chairman