

FOSECO INDIA LIMITED

55th Annual Report

Solutions partner to the
Expert Foundryman

ANNUAL REPORT 2011



Company information

Board of Directors

Chairman

Pradeep Mallick

Managing Director

Sanjay Mathur

Director

David Hughes

Francois Wanecq

Mukund M Chitale

Additional Director

Christopher Nail

Compliance Officer

R Umesh

Controller of Accounts and Company Secretary

Aditya Jakhotia

Audit Committee

Mukund M Chitale

Independent Director and Chairman

Pradeep Mallick

Independent Director

David Hughes

Director

R Umesh

Compliance Officer

Aditya Jakhotia

Controller of Accounts and Company Secretary

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

Pradeep Mallick

Chairman

Sanjay Mathur

David Hughes

Francois Wanecq

Mukund M Chitale

Christopher Nail

R Umesh

Compliance Officer

Aditya Jakhotia

Controller of Accounts and Company Secretary

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

Mukund M Chitale

Chairman

Pradeep Mallick

David Hughes

R Umesh

Compliance Officer

Aditya Jakhotia

Controller of Accounts and Company Secretary

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

Pradeep Mallick

Chairman

Mukund M Chitale

David Hughes

Francois Wanecq

Christopher Nail

R Umesh

Compliance Officer

Aditya Jakhotia

Controller of Accounts and Company Secretary

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 Nos. 922 & 923,
Sanaswadi, Taluka Shirur,
District Pune - 412 208

Factories

- Sanaswadi
- Puducherry

Auditors

- B S R and Co.

Bankers

- Standard Chartered Bank
- ICICI Bank Ltd.
- IDBI Bank Ltd.
- HDFC Bank Ltd.
- State Bank of India
- Indian Overseas Bank

Registrars and Transfer Agents

- **Link Intime India Private Limited**
Block 202, 2nd Floor, Akshay Complex,
Off Dhole Patil Road, Near Ganesh Mandir,
Pune - 411 001

Content

Notice to Shareholders	2
Certification by CEO & CFO	5
Report of the Directors	6
Management Discussion & Analysis	13
Corporate Governance Report	16
Nomination Committee Report	27
Remuneration Committee Report	27
Shareholders' and Investors' Grievance Committee Report	27
Audit Committee Report	28
Corporate Social Responsibility Policy	29
Code of Conduct and Ethics	31
Whistleblower Policy	33
Quality Policy	35
Health, Safety and Environment Policy	36
Strategic Risk Management Policy	37
Dissemination of Information to the Market Policy	39
Auditor's Report	43
Balance Sheet	46
Profit & Loss Account	47
Schedules to Financial Statements	48
Cash Flow Statement	70
Attendance Slip and Proxy Form	73
Financial Highlights	Inside back cover

Notice to the Shareholders

NOTICE IS HEREBY GIVEN THAT the FIFTY FIFTH Annual General Meeting of Foseco India Limited will be held on Wednesday, 25th April 2012 at 1000 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, consider and adopt the audited Balance Sheet as at 31st December 2011 and the Profit & Loss account for the year ended 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 on 31st December 2011.
3. To appoint Statutory Auditors and to fix their remuneration and in this connection to pass, with or without modification, the following resolution which will be passed as an Ordinary Resolution:
"RESOLVED that, pursuant to Section 224 of the Companies Act, 1956, B S R and Co., Chartered Accountants (ICAI firm registration no. 128510W), be and are hereby appointed as Auditors of the Company from the conclusion of this meeting until the conclusion of the next Annual General Meeting at the remuneration and terms determined by the Board of Directors of the Company."
4. To appoint a Director in place of Mr. Mukund M. Chitale, who retires by rotation and is eligible for re-appointment.

SPECIAL BUSINESS:

5. To consider and if thought fit, to pass the following Ordinary Resolution with or without modification:
"RESOLVED that, subject to the approval of the members, Mr. Pradeep Mallick, who was appointed as an Additional Director of the Company with effect from 21st October 2011 by the Board of Directors 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 up to the date of this Annual General Meeting and in respect of whom the Company has received a notice from a member proposing his candidature under section 257 of the Act, be and is hereby appointed as a Director of the Company, liable to retire by rotation."
6. To consider and if thought fit, to pass the following Ordinary Resolution with or without modification:
"RESOLVED that, subject to the approval of the members, Mr. Christopher Nail, who was appointed as an Additional Director of the Company with effect from

20th January 2012 by the Board of Directors pursuant to section 260 of the Companies Act 1956 read with Article 132A of the Articles of Association of the Company and who holds office up to the date of this Annual General Meeting and in respect of whom the Company has received a notice from a member proposing his candidature under section 257 of the Act, be and is hereby appointed as a Director of the Company, liable to retire by rotation."

7. To consider and if thought fit, to pass the following Ordinary Resolution with or without modification:

"RESOLVED that, pursuant to the provisions of Section 198, 269, 309 and 310 and other applicable provisions, if any, of the Companies Act, 1956, as amended or re-enacted from time to time, read in conjunction with Schedule XIII, that the maximum limit of remuneration package of Mr. Sanjay Mathur, (which includes basic salary, personal allowance and annual bonus) be increased to Rs. 20,000,000/- from the current maximum limit of Rs. 15,000,000/-.

"RESOLVED further that the Board of Directors be and are hereby authorised to approve the remuneration package of Mr. Sanjay Mathur, which includes basic salary, personal allowance and annual bonus, subject to a maximum limit of Rs. 20,000,000/-."

NOTES:

1. **PROXY:** A member entitled to attend and vote at the meeting is entitled to appoint one or more proxies to attend and vote on a poll instead of himself and such proxy need not be a member of the Company. Proxies, in order to be effective, must be received by the Company at the Registered Office not later than 48 hours before the start of the meeting. Members are requested to sign the attendance slip annexed to the proxy form and hand it over to the Company Secretary at the meeting.
2. **BOOK CLOSURE:** The register of members and share transfer books will remain closed from Friday, 23rd March 2012 to Friday, 6th April 2012 (both days inclusive).
3. **DIVIDEND:** If dividend on ordinary shares as recommended by the Board of Directors, is approved at the meeting, payment of such dividend will be made on Friday, 18th May 2012 to those members whose names appear on the register of members on Friday, 23rd March 2012.
4. **NOTIFICATION BY MEMBERS:** 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 Monday, 9th April 2012 or to their respective depository participants if the shares are held in electronic form.

5. **TRANSFER TO INVESTORS EDUCATION and PROTECTION FUND (IEPF):** 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 4th interim dividend of 2004 has been transferred to the Investors 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 years. Members are requested to write to the Company and/or Share Transfer Agents, if any dividend warrant is not encashed so that fresh / re-validated warrants could be issued by the Company.
6. **DEMATERIALIZATION OF SHARES:** Shares of the Company can be held and traded in electronic form. Securities and Exchange Board of India (SEBI) has stipulated compulsory delivery of the shares of the Company in dematerialised form only. In view of the numerous advantages offered by the depository system, members are requested to avail of the facility of dematerialisation of the Company's shares.
7. **ELECTRONIC CLEARING SERVICE (ECS):** SEBI, vide its circular no. DCC/FITTCIR-3/2001 dated 15th October 2001 had advised all companies to mandatorily use ECS facility, wherever available and in the absence of ECS facility, companies may use warrants for distributing dividends. SEBI vide its Circular No. D & CC/FITTCIR-04/2001 dated 13th November 2001 advised all companies to mandatorily print bank account details furnished by the depositories on the dividend warrants.
8. **ISIN No.:** ISIN No. allotted by Bombay Stock Exchange to the Company is INE519A0101. This is required for trading of Company shares in electronic form.
9. **ANNUAL REPORT DISTRIBUTION:** In line with the Green Initiative of the Ministry of Corporate Affairs, SEBI vide its circular CIR/CFD/DIL/7/2011 dated 5th October 2011 in amendment to Clause 42 of Equity Listing Agreement advised that hard copy of Full Annual reports containing Balance Sheet, Profit and Loss Account, Directors' Report, Auditors' Report etc. be sent to only those shareholders who have not registered their email addresses. Shareholders who have registered their email addresses be sent soft copies of full annual reports containing Balance Sheet, Profit and Loss Account and Directors Report etc. However, the shareholder continues to retain the right to request the Company for a hard copy of the annual report.

10. **Profile of Mr. Mukund M Chitale, Director, retiring by rotation:** Mr. Mukund M Chitale was appointed as an Additional Director at the meeting of the Board of Directors held on 27th October 2009. By virtue of Section 260 of the Companies Act 1956 read with Article 137 of the Articles of Association of the Company, he shall hold office only up to the date of this Annual General Meeting of the Company.

He is a practicing Chartered Accountant since 1973, as partner of Mukund M Chitale & Co. He was the President of the Institute of Chartered Accountants of India in the period 1997-98. He was also member of Company Law Advisory Committee of Central Government in 1992 and 1993. Currently, he holds the following positions in various organisations:

ASREC (India) Ltd.	Director
Essel Propack Ltd.	Director
ITZ Cash Card Ltd.	Director
Larsen & Toubro Ltd.	Director
L & T General Insurance Company Ltd.	Director
ONGC Petro Additions Ltd.	Director
ONGC Mangalore Petrochemicals Ltd.	Director
Ram Ratna Wires Ltd.	Director
Shriram Transport Finance Co. Ltd.	Director

None of the Directors, except Mr. Mukund M Chitale, is interested in this resolution.

11. **QUERIES TO COMPANY SECRETARY / REGISTRARS:**

To ensure that shareholders' queries are answered in full, please forward any queries on or before 13th April 2012, to the Company Secretary (Phone No. +91 2137 668126, Email ID - aditya.jakhotia@foseco.com) at the Company's registered office. Members can also contact Link Intime India Pvt. Ltd., Registrars & Transfer Agents of the Company at Block 202, 2nd Floor, Akshay Complex, Off Dhole Patil Road, Pune - 411 001 (Phone No. 020-2605 1629 / 2605 0084, Email: pune@linkintime.co.in)

By Order of the Board of Directors

Aditya Jakhotia

Place: Pune
Date: 20 January 2012

*Controller of Accounts and
Company Secretary*

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

Item No. 5.

Mr. Pradeep Mallick was appointed as Additional Non-Executive Independent Director at the meeting of the Board of Directors held on 21st October 2011. He is a graduate Electrical Engineer from IIT Madras and received a Diploma in Business Management from U.K. He is a 'Chartered Engineer', Fellow of the Institution of Engineering & Technology (FIET), London. During the period 1967 to 1988, he worked with Crompton Greaves, Tata Exports, EMC and Genelec in the field of Power Distribution & Transmission, primarily managing large turnkey projects in India, Gulf, West Asia and North Africa. In 1988, he helped to establish the Finnish Company Wartsila in India as a greenfield project and led the Company as its Managing Director for 15 years till 2003. Pradeep currently serves on the Boards of several companies as a Professional Independent Non-Executive Director. Pradeep is a Strategic Adviser cum Sounding Board to CEOs and an Executive Coach/Mentor to Corporate Executives, focusing on Leadership Development.

Currently he holds the following positions in various organisations:

Automotive Stampings & Assemblies Ltd	Chairman
Blue Star Ltd	Director
ELANTAS Beck India Ltd	Director
ESAB India Ltd	Director
Gravitational Network Advisors (P) Ltd	Director
IRIS Business Services Limited	Director
JRG Securities Ltd	Director
Mount Everest Mineral Water Ltd	Director
Pragati Leadership Institute Pvt Ltd	Director
Tube Investments of India Ltd	Director

None of the Directors, except Mr. Pradeep Mallick is interested in the resolution mentioned in item no.5.

Item No. 6.

Mr. Christopher Nail was appointed as Additional Non-Executive Foseco Retiring Director at the meeting of the Board of Directors of the Company held on 20th January 2012. He graduated in Chemistry from The University of Bath in 1975 with a BSc. degree. During the period 1975 to 1977, Christopher worked with Catalin Limited, a resin manufacturer based in London, as research chemist. In 1977 Christopher worked with Foseco International Limited in their

resin binder R & D department in Nechells, Birmingham. In 1980 Christopher was transferred to Foseco Pty. Limited, in Padstow, N.S.W., Australia as Product Manager, Binders and Coatings. In 1984 he was transferred to Foseco (FS) Limited at Tamworth, U.K. as Product Manager, Binders and Coatings. In 1988 Christopher returned to Australia and progressively rose from Product Manager to Chief Executive Officer in 1998.

In 2008, he relocated to Kobe, Japan to take over the position of President of Foseco Japan Limited, the position was soon to include Korea as Area Director North Asia. Christopher was the initial Chairman of BTSG, (Binder Technology Steering Group) and has chaired global task forces from time to time. He is a member of the Australian Foundry Institute and a past president of the Institute of Refractory Engineers, Australian Branch.

Currently Christopher is on the Boards of Foseco Japan Limited, Foseco Korea Limited, Foseco Pty Ltd (Australia) and Vesuvius New Zealand Limited.

None of the Directors, except Mr. Christopher Nail is interested in the resolution mentioned in item no.6.

Item No.7

At the 54th Annual General Meeting held on 21st April 2011, maximum limit of remuneration package which includes basic salary, personal allowance and annual bonus payable to Mr. Sanjay Mathur was fixed at Rs. 15,000,000/-. The Board of Directors in their meeting held on 20th January 2012 reviewed his performance and recommended that the maximum remuneration payable to Mr. Sanjay Mathur be increased to Rs. 20,000,000/-. In view of this amendment, the Board of Directors would require authorization to approve Mr. Sanjay Mathur's remuneration package subject to a maximum of Rs. 20,000,000/-.

None of the Directors, except Mr. Sanjay Mathur is interested in the resolution mentioned in item no.7.

By Order of the Board of Directors

Aditya Jakhotia

Place: Pune

Controller of Accounts and

Date: 20 January 2012

Company Secretary

The Board of Directors
Foseco India Limited
Sanaswadi, Pune

CERTIFICATION BY CHIEF EXECUTIVE OFFICER AND CHIEF FINANCIAL OFFICER

We hereby certify that for the financial year 2011 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 2011 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.

Sanjay Mathur
Managing Director

R Umesh
Chief Financial Officer

Place: Pune
Date: 20 January 2012

Report of the Directors

Your Directors are pleased to present the Company's 55th Annual Report and the audited accounts for the year ended 31 December 2011.

1. PERFORMANCE REVIEW

The buoyant growth in the Indian economy during 2010 continued for the first few months of the year under review. This growth was, however, dampened during the second half due to hyperinflation and high interest cost, weakening the economic sentiment and causing a drop in the index of Industrial Production (IIP). Weak global cues also appeared to slow down the pace of the Indian economy in the last few months of the year. The foundry industry segment in which your Company operates, correspondingly recorded growth in production levels in the first half, but faced challenges of higher input costs and liquidity, coupled with high cost of funds during the rest of the year.

Your Directors are pleased to report that notwithstanding these challenges, your Company recorded excellent results in 2011, far exceeding the economic and industrial rate of growth. It reported a record gross turnover of Rs. 252.53 crores, Profit Before Tax of Rs. 37.43 crores and Profit After Tax of Rs. 25.28 crores.

The Management Discussion and Analysis Report annexed provides a more detailed review of the operating performance.

2. DIVIDEND & APPROPRIATIONS

An amount of Rs 2.53 crores has been credited to General Reserves during the year.

Your Directors have recommended payment of a final dividend of 70% on equity capital for the year ended 31 December 2011, which, if approved by the members, will be paid to the:

- ▶ Equity shareholders whose names appear in the register of members on 23 March 2012 and
- ▶ Beneficial owners whose names are furnished by National Securities Depository Limited and Central Depository Services (India) Limited.

The Board had declared 20% first interim dividend in April 2011, 40% second interim dividend in July 2011 and 50% third interim dividend in October 2011 on the equity capital of the Company and this has been paid

to registered holders of equity shares. The total of the interim and proposed final dividends is 180% of equity capital.

3. RESEARCH & DEVELOPMENT AND TECHNOLOGY ABSORPTION

Your Company continues to place significant importance on Research and Development as the primary means of continuously advancing its product technology. A sum of Rs. 62.74 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 by 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. HEALTH, SAFETY AND THE ENVIRONMENT

The Company's Health, Safety and Environment policy ensures a firm commitment to health, safety 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.

6. IMPORTS / EXPORTS AND FOREIGN EXCHANGE EARNINGS AND OUTGO

A. IMPORTS

Imports of raw materials during the year amounted to Rs. 1,564.93 Lacs (previous year Rs. 1,919.37 Lacs) and capital goods of Rs. 113.31 Lacs (previous year Rs. 43.12 Lacs).

B. EXPORTS

Exports were mainly to Middle East, ASEAN and China. Exports during the year increased to Rs.869.65 Lacs from Rs. 576.75 Lacs in the previous year.

C. EARNINGS AND OUTGO

Details are provided in notes 12.3, 12.4, 12.5 and 12.7 of Schedule 19 forming part of the Profit & Loss Account for the year ended 31st December 2011.

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 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 Company Secretary 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 Annexure A, B and C to the Director's Report.

A Cash Flow Statement for the year 2011 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 31st December 2011 with the SEBI Guidelines on Corporate Governance.

10. SECRETARIAL COMPLIANCE

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 state that the audit confirmed that the Company is in compliance with the Companies Act, 1956, Stock Exchange and SEBI regulations.

11. COMPLIANCE - 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 16th January 2012.

12. DIRECTORS' RESPONSIBILITY STATEMENT

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

- a) 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;
- b) 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 2011 and of the profit of the Company for the same period;
- c) 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;
- d) the Directors have prepared the annual accounts on a going concern basis.

13. DIRECTORS

Independent Director Mr. Pradeep Mallick was appointed as additional Director on the Board with effect from 21st October 2011 and assumed office as member of Audit Committee, SIGC, Nomination & Remuneration Committee from 20th January 2012.

Mr. Christopher Nail, was appointed as additional Foseco Director on the Board with effect from 20th Jan 2012 and assumed office as member of SIGC and Remuneration Committee from 20th January 2012.

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

14. AUDITORS

The Statutory Auditors of the Company, B S R and Co, Chartered Accountants, hold office until the conclusion of the ensuing Annual General Meeting and are 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

Joshi Apte & Associates, Cost Accountants were appointed as Cost Auditors for the year under review 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 2011 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 19 are self explanatory and do not require further explanation.