

ANNUAL REPORT 2005-2006



FOUNDRY FUEL PRODUCTS LIMITED



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BOARD OF DIRECTORS

D. K. Agarwalla

- Chairmain & Managing Director

Adarsh Agarwalla

N.K. Agarwalla

Brij Mohan Todi

S. K. Kedia

Promod Kr. Agarwalla

COMPLIANCE OFFICER

B. Sharma

AUDITORS

Ashok Kedia & Company

Chartered Accountants

4, Gangadhar Babu Lane

Kolkata - 700 012

BANKER

HDFC Bank

DEPOSITORY REGISTRAR

Niche Technologies Pvt. Ltd.

C-444, Bagree Market,

71, B.R.B. Basu Road

Kolkata - 700 001

REGD. OFFICE

8, Waterloo Street

Kolkata - 700 069

CORPORATE OFFICE & WORKS

G. T. Road, Govindpur

Dhanbad, Jharkhand



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NOTICE OF ANNUAL GENERAL MEETING

NOTICE is hereby given that the 42nd Annual General Meeting of the Members of Foundry Fuel Products Limited will be held at "MAHAJATI SADAN" (Annexee Building), 166, Chittaranjan Avenue, Kolkata-700 007 on Wednesday, the 27th September, 2006 at 10.00 A.M. to transact the following: -

AS ORDINARY BUSINESS

1. To receive, consider and adopt Audited Balance Sheet of the Company as at 31st March, 2006 and the Profit & Loss Account for the year ended on that date together with the Reports of the Directors' and Auditors' thereon.
2. To appoint a Director in place of Mr. Brij Mohan Todi, who retires by rotation and, being eligible offers himself for re-appointment.
3. To appoint a Director in place of Mr. Pramod Kumar Agarwalla, who retires by rotation and, being eligible offers himself for re-appointment.
4. To appoint Auditors and fix their remuneration.

AS SPECIAL BUSINESS

5. To consider and if thought fit, to pass, with or without modification the following resolution as an Ordinary Resolution:-

"RESOLVED that Mr. Nandan Kumar Agarwalla be and is hereby appointed a Director of the Company, liable to retire by rotation."

6. To consider and if thought fit, to pass, with or without modification the following resolution as an Ordinary Resolution:-

"RESOLVED that Mr. Adarsh Kumar Agarwalla be and is hereby appointed a Director of the Company, liable to retire by rotation."

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

"RESOLVED THAT the vacancies caused on the Board of Directors of the Company due to the vacation of office under Section 284(1) (g) of the Companies Act, 1956, by Mr. M.K. Agarwalla, Mr. Y.K. Agarwalla, Mr. Pradeep Kumar Kajaria & Mr. Sanjay Todi, Directors be not filled."

**By Order of the Board of Directors
For Foundry Fuel Products Ltd.**

8, Waterloo Street
Kolkata - 700 069
7th July, 2006

**(D.K. AGARWALLA)
CHAIRMAN & MANAGING DIRECTOR**

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Notes:

1. A member entitled to attend and vote at this Annual General Meeting may appoint a proxy to attend and vote on a poll on his/her behalf. A proxy need not be a member of the Company. Proxies, in order to be effective, must be received at the Registered Office of the Company not less than 48 hours before the meeting.
2. The Register of Members and Share Transfer Books of the Company will remain closed from 20th September, 2006 to 27th September, 2006, both days inclusive.
3. An Explanatory statement as required under Section 173 (2) of the Companies Act, 1956 is attached herewith.
4. Members desiring any information on the accounts are requested to write the Company at least one week before the meeting so as to enable the management to keep the information ready .

EXPLANATORY STATEMENT PURSUANT TO SECTION 173(2) OF THE COMPANIES ACT, 1956: -

Item Nos.5 & 6

The Board of Directors of the Company (the Board), has appointed, pursuant to the provisions of Section 260 of the Companies Act, 1956 (the Act) and Article 81 of the Articles of Association of the Company, Mr. Nandan Kumar Agarwalla & Mr. Adarsh Agarwalla as Additional Directors of the Company with effect from 29.05.2006. In terms of the provisions of Section 260 of the Act, the said Additional Directors would hold office upto the date of this Annual General Meeting.

The Company has received notices in writing from members alongwith deposit of Rs. 500/- each, proposing the candidature of Mr. Nandan Kumar Agarwalla & Mr. Adarsh Agarwalla for the office of Directors of the Company, under the provisions of Section 257 of the Act.

The Board of Directors of the Company considers that the re-appointment of Mr. Nandan Kumar Agarwalla & Mr. Adarsh Agarwalla will be beneficial to the Company, and if appointed shall be liable to retire by rotation.

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A brief resume of both Mr. Nandan Kumar Agarwalla & Mr. Adarsh Agarwalla, nature of their expertise in specific functional areas and names of companies in which they holds directorships and memberships/chairmanships of Board Committees, as stipulated under Clause 49 of Listing Agreement with the Stock Exchanges in India, are provided in Report on Corporate Governance forming part of the Annual Report.

The Board commends the resolution set out in Item nos. 5 & 6 of the Notice for your approval.

Mr. Nandan Kumar Agarwalla, Mr. Adarsh Agarwalla and Mr. Devendra Kumar Agarwalla may be deemed to be concerned or interested in the respective resolution concerning appointment and save that no Director of the Company is concerned or interested in the resolution.

Item No. 7

Mr. M.K. Agarwalla, Mr. Y.K. Agarwalla, Mr. Pradeep Kumar Kajaria & Mr. Sanjay Todi were ceased to be Directors under Section 284 (1) (g) of the Companies Act, 1956 (the Act) with effect from 10.06.2006, 10.06.2006, 21.06.2006 & 21.06.2006 respectively. Their offices of directorship were vacated under the said Section of the Act. The Board puts on record its deep appreciation of the valuable services rendered by Mr. M.K. Agarwalla, Mr. Y.K. Agarwalla, Mr. Pradeep Kumar Kajaria & Mr. Sanjay Todi during their tenure as Directors of the Company.

The Board is of the view that the vacancies caused on the Board of the Company due to the cessation of Mr. M.K. Agarwalla, Mr. Y.K. Agarwalla, Mr. Pradeep Kumar Kajaria & Mr. Sanjay Todi may not be filled at present.

The provisions of Companies Act, 1956 provides for a resolution to be passed by the shareholders in forthcoming Annual General Meeting if the vacancies to be caused by the cessation of Directors are not intended to be filled.

The Board commends the resolution set out in Item no. 7 of the Notice for your approval.

No Director of the Company is, in any way, concerned or interested in the resolution.

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DIRECTORS' REPORT

Your Directors have pleasure in presenting the Annual Report together with the Audited Accounts for the year ended 31st March, 2006.

FINANCIAL RESULTS

		<u>Rs.</u>
Profit before depreciation, interest & tax		9,299,521
Less: Interest	Rs. Nil	
Depreciation	Rs. 4,497,292	
		<u>4,497,292</u>
Profit before taxation		4,802,229
Less: Provision for Deferred		
Tax Assets (Liability)	5834052	
Fringe Benefit Tax	11150	
		<u>5,845,202</u>
Loss for the year		1,042,973
Add : Amount of loss brought forward from last year		<u>29,650,230</u>
Balance of Loss Carried Forward		<u>30,693,203</u>

PERFORMANCE & PROSPECTS

There was buoyancy in the hard coke industry. Although the market was not so good enough hence your Company could not do well due to working capital shortage. During the year under review, revenue from operations of your Company decreased by nearly 630 % to Rs. 1260 Lacs compared to the last year. The Company earned a profit of Rs.48 Lacs for the year, before providing for depreciation & tax. The accumulated losses of the Company increased to Rs.307 Lacs. Your Company is in a position of extreme working capital shortage for which the operation of the company was very low. Cut throat competition, sluggish demand and a growth trend in the economy have shown a mixed workings of the Company.

The situation for the current year is not encouraging till now. The Company has achieved the turn-around and become debt free within the financial year 2004-2005 by paying all dues to the IDBI and SBI in One Time Settlement and Compromise Settlement respectively. The Company's results in the coming years will be laudable.

**FOUNDRY FUEL PRODUCTS LIMITED ANNUAL REPORT 2005-2006****FOREIGN EXCHANGE EARNING AND OUTGO**

There was no foreign exchange earning and outgo during the year under review.

DIVIDEND

In view of the huge accumulated losses from the previous years, your Directors regret to recommend a dividend.

DIRECTORS

Mr. Nandan Kumar Agarwalla & Mr. Adarsh Agarwalla were inducted into the Board of the Company as Additional Directors with effect from 29.05.2006 and they will hold office till the date of the next Annual General Meeting. However, notice under Section 257 of the Companies Act, 1956 have been received from members proposing resolution for appointment of Mr. Nandan Kumar Agarwalla & Mr. Adarsh Agarwalla as Directors liable to retire by rotation.

Mr. B.M. Todi & Mr. Pramod Kumar Agarwalla, retire by rotation at the forthcoming Annual General Meeting and being eligible offer themselves for re-appointment.

Mr. M.K. Agarwalla, Mr. Y.K. Agarwalla, Mr. Pradeep Kumar Kajaria & Mr. Sanjay Todi were ceased to be Directors under Section 284 (1) (g) of the Companies Act, 1956 with effect from 10.06.2006, 10.06.2006, 21.06.2006 & 21.06.2006 respectively. Their offices of directorship were vacated under the said Section of the said Act. The Board puts on record its deep appreciation of the valuable services rendered by Mr. M.K. Agarwalla, Mr. Y.K. Agarwalla, Mr. Pradeep Kumar Kajaria & Mr. Sanjay Todi during their tenure as Directors of the Company.

AUDITORS

The Auditors Mr. Ashok Kedia & Co., Chartered Accountants, retire at the forthcoming Annual General Meeting and being eligible offer themselves for re-appointment.

AUDITORS' REPORT

Appropriate notes to the Accounts explain the observations in the Auditors' Report.

DIRECTORS' RESPONSIBILITY STATEMENT

Pursuant to Section 217 (2AA) of the Companies Act, 1956 your Directors confirm:-

- i) That in the preparation of the annual accounts, the applicable accounting standards issued by the Institute of Chartered Accountants of India had been followed;
- ii) That the Directors had selected such accounting policies and applied them consistently and made judgements and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company as on 31st March, 2006 and of the loss of the Company for the year ended on that date;



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iii) That the Directors had taken proper and sufficient care of the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities; and

iv) That the Directors had prepared the annual accounts on a going concern basis.

PROMOTERS

The Promoters of the Company infused fresh Unsecured Loans for part financing the rehabilitation scheme and follow up with State Government and various relevant State Government authorities for grant of relief and concessions. Your Promoters are ready to bring in additional interest – free unsecured loans to meet all the unprovided and contingent liabilities, if any, as and when crystallized

CORPORATE GOVERNANCE

Your Company has taken adequate steps to ensure compliance with the provisions of Corporate Governance as prescribed under the Listing Agreements with the stock Exchanges. A separate report on Corporate Governance along with the certificate of the Auditors, Messrs Ashok Kedia & Company, Chartered Accountants, confirming compliance with the conditions of Corporate Governance, as stipulated under Clause 49 of the Listing Agreements entered into with the Stock Exchanges is annexed.

DEREGISTRATION FROM AAIIR

Your Company had applied to the Appellate Authority for Industrial & Financial Reconstruction (AAIIR) for de-registration. Your Directors took all possible steps to ensure the viability of the Company.

CONSERVATION OF ENERGY AND TECHNOLOGY ABSORPTION

Your Company used D.G. Set as the only form of energy, the consumption of which is very minimal. No such technology absorbed by the Company during the period under review. There is no other information under the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988 to be furnished.

PARTICULARS OF EMPLOYEES

During the year under review none of the employees of the Company was paid remuneration over the limit prescribed in Section 217 (2A) of the Companies Act, 1956.

APPRECIATION

Your Directors wish to place on record their appreciation of the dedication and commitment of employees of the company.

Your Directors express their gratitude to the Central and State Governments, the Company's Bankers, Financial Institution, and the shareholders for their continued co-operation and guidance.

8, Waterloo Street
Kolkata - 700 069
7th July, 2006

For and on behalf of the Board
(D.K.AGARWALLA)
Chairman & Managing Director

**FOUNDRY FUEL PRODUCTS LIMITED ANNUAL REPORT 2005-2006****MANAGEMENT DISCUSSION AND ANALYSIS**

The Company's performance during the year ended 31st March, 2006 and the Management's views on future outlook are discussed below:

This report contains forward looking statements that address expectations or projections about the future including but not limited to statements about the Company's strategy for growth, expenditures and financial results which are based on assumptions and expectations of future events. The Company cannot guarantee that these assumptions and expectations are accurate or will be realized.

The Company's actual results, performance or achievements could thus differ materially from those projected in any such forward looking statements.

During the year under review the overall economy performed well and the GDP registered a growth rate of around 8 %. The index of industrial production increased by 7.8 % in the year compared to 8.3 % in the previous year. The global economy too maintained a healthy pace of growth during the year under review despite higher oil prices.

The year saw a mixed results in the Coke market and a slow growth in Indian economy. The Manufacturing & Services sectors recovered smartly from last year's recession. Industrial production grew compared to the previous year.

The Government of India through its earlier policies and regulations have discouraged setting up of indigenous Coke industries due to the reduction in the landed price of imported low ash coal and custom duty thereon which made Low Ash Metallurgical Coke (LAMC) from imported coal competitive to LAMC manufacturers by high ash coal available indigenously. Since the Coal India Limited is the sole supplier of indigenous Coal, the main raw material, any changes in Government policies affecting coal prices may have an impact in the workings of the Company. Due to cut throat competition and working capital shortage your Company could not do well during the year under review.

A number of large public sector unit in India are also importing coal as the quality of imported coal is better than indigenous. The quality of imported coal is better due to the reason that the coals produced by them are of good quality and not regulated by their Government. The demand for indigenous coal declined because of low grade coal supplied by the Government Undertaking - BCCL, who is the sole supplier of indigenous Coal and have the monopoly in regulating the price and allotment of coal.

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Your Company is not free while competing with the indigenous industries as well as with imported coal. Although the coke market is doing well but your Company's working are below expectation due to working capital shortage & carry forward losses of the previous years. In between these limiting factors your Company make losses.

Your Company's integrated plants are well in operation to manufacture LAMC with a Coal Washery. There is a large demand & supply gap for LAMC being consumed in steel, foundries & chemical industries. Your Company has further taken adequate steps in achieving high levels of production with quality improvements. Thus we see an opportunity for better than Industry realization by focusing on top quality production. Increasing imports of coal and better quality production are major threats that the Company will face. Your Company perceives that stiff competition and unclear Government policies as the major risk that confronts your Company and the coke Industry. Your Company also during the year perceives a tight cash flow and acute working capital shortages.

Your Company has adequate internal control systems, commensurate with its size of operations and nature of its business and works in a highly automated environment. The statutory auditors have certified in their audit report that the internal control procedure are adequate and commensurate with the size of the Company and nature of its business.

The Company has gained a profit of Rs.48 Lacs during the year before providing for depreciation & tax against the profit of Rs.638 Lacs earned during the previous year and accordingly the accumulated losses increased to Rs. 307 Crores. It appears that the tight financial conditions will continue during the year also. The extreme working capital shortage forced the company to run in a very low scale.

Your Company's constant endeavour has been to attract human potential by developing human values. Your Company has during the previous year continued to have good industrial relations with its workers and employees at all levels.

Statements in the Management Discussion and Analysis describing the Company's objectives, strengths, estimates, projections, expectations may be forward looking statements within the meaning of applicable laws and regulations. Actual results could differ materially from those expressed or implied. The economic conditions in which the Company operates, changes in Government regulations, other statutes and other incidental factors including the order to be passed by the AAIFR could make a difference to the Company's workings is regarded as important factors.