

MAGNA ELECTRO CASTINGS LTD



Annual Report
2000 - 2001

MAGNA ELECTRO CASTINGS LTD

Board of Directors

Sri. L.G. Varadaraj (Chairman)
Sri. L.G. Ramamurthi (Vice Chairman)
Sri. V. Rajendran
Sri. J. Vijayakumar
Dr. Prem P Mohla
Sri. K. Gnanasekaran
Alternate : Dr. Prem P Mohla
Sri. N. Krishna Samaraj (Managing Director)

Auditors

M/s. S. Krishnamoorthy & Co
Chartered Accountants
Coimbatore 641 012

Bankers

Corporation Bank
Industrial Finance Branch
1604 Trichy Road
Coimbatore 641 018

Company Secretary

Sri. S.P. Murthy

Registrars & Share Transfer Agents

S.K.D.C. Consultants Limited
PB No.2979, No.11, S.N. Das Layout
Street No.1, Tatabad
Coimbatore 641 012

Listing with Stock Exchanges

Coimbatore Stock Exchange Ltd
Madras Stock Exchange Ltd
The Stock Exchange, Mumbai

MAGNA**Registered Office**

62 Balasundaram Road
 Coimbatore 641 018
 Phone : 91 422 210109
 Fax : 91 422 216209

Factory

SF No.34 and 35 Part
 Coimbatore Pollachi Main Road
 Mullipadi Village, Tamaraikulam Post
 Pollachi Taluk, Coimbatore District 642 109
 Phone : 91 4259 699316
 Fax : 91 4259 699451

Internet

e-mail : magna@md2.vsnl.net.in
 Website : www.magnacast.com

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NOTICE

NOTICE is hereby given that the eleventh Annual General Meeting of the members of Magna Electro Castings Limited will be held at 10.00 A.M. on Wednesday, the 19th, September, 2001, at Hotel Annalakshmi, 106 A, Race Course Road, Coimbatore 641 018, to transact the following business.

Ordinary Business

1. To receive, consider and adopt the audited Balance Sheet as at 31st March, 2001 and the Profit and Loss Account for the year ended on that date together with the Directors 'Report and Auditors' Report thereon.
2. To appoint a Director in place of Sri. L.G. Varadaraj who retires by rotation and is eligible for re-appointment.
3. To appoint a Director in place of Dr. Prem P. Mohla who retires by rotation and is eligible for re-appointment.
4. To appoint Auditors and fix their remuneration. The present Auditors M/s. S.Krishnamoorthy & Co., are eligible for re-appointment.

Special Business

5. Due notice under Section 257 of the Companies Act, 1956 having been received from a member in the prescribed manner for the appointment of Sri. K. Gnanasekaran as a Director of the Company, to consider and if thought fit, to pass the following resolution as an ordinary resolution.
RESOLVED that the Sri. K. Gnanasekaran be and is hereby appointed as a Director of the Company
6. To consider and if thought fit, to pass the following resolution as a special resolution with or without modification.

- A)** RESOLVED that approval of the company be and is hereby granted in terms of Sections 198 and 309 read with Schedule XIII to the Companies Act, 1956, and other applicable provisions of the Act, to enhance the Remuneration to the Managing Director as per the following terms and conditions during the remainder period of his term from 1.4.2001 to 16.1.2004.

I. Salary

Salary in the scale of Rs.45,000 - 15,000 - 75,000/- per month with authority to the Board of Directors to alter and vary the salary structure in each of the years depending on performance of the Company.

II. Commission on net profits

Commission not more than one per cent of Net Profits.

III. Perquisites

Perquisites in "A" below and in excess of exemption from the Income Tax in "B" will be restricted to an amount equivalent to the Annual Salary as in para I above or Rs.6,00,000 per annum whichever is less.

A) i) Housing

The expenditure on hiring unfurnished accommodation shall not exceed 60% of the salary over and above 10% payable by Managing Director. Where the Managing Director resides in his own house or where the company does not provide

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accommodation to the Managing Director, House rent allowance may be paid subject to the ceiling mentioned above.

The expenditure incurred by the company on Gas, Electricity, Water and Furnishings will be valued as per Income-tax Rules, 1962. This will, however, be subject to a ceiling of 10% of the salary.

ii) Medical Reimbursement

Expenses incurred for self and family subject to a ceiling of one month salary in a year or 3 months salary over a period of three years.

iii) Leave Travel Concession

For self and family once in a year in accordance with the rules of the company.

iv) Club Fees

Fees of Clubs subject to a maximum of two clubs. This will not include admission and life membership fees.

v) Personal Accident Insurance

Premium not exceeding Rs.10,000/ per annum.

B) i) Provident Fund

Contribution to Provident Fund not exceeding 12% of the salary.

ii) Contribution to Pension/Superannuation Fund

Such contribution together with contribution to Provident Fund shall not exceed 25% of the salary.

iii) Gratuity

Gratuity payable shall not exceed half months salary for each completed year of service.

C) Use of Company's Car and Telephone at residence

Provision of Car for use on company's business and telephone at residence will not be considered as perquisites. Personal long distance calls on telephone and use of car for private purposes shall be billed by the Company.

- B. Where in any financial year, during the currency or tenure of the Managing Director, the company has no profits or its profits are inadequate, the Managing Director shall be paid a minimum remuneration by way of salary and perquisites, as specified in (A) above.

Explanatory Statement Under Section 173 (2) of the Companies act, 1956

5. Sri. K. Gnanasekaran is presently an Alternate Director for Dr. Prem P Mohla. The Board of Directors are of the view that he be appointed as a Director in his own capacity and accordingly the proposal for such appointment is placed before the general body for its approval.

Sri. K. Gnanasekaran is a Chartered Accountant and a Financial Analyst. He is associated with various industries in Coimbatore in one capacity or other and the Board is of the view that his active participation would be useful to the company. The Board commends the resolution.

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Excepting Sri. K. Gnanasekaran, none of the other Directors may be deemed to be concerned or interested.

6. Sri. N. Krishna Samaraj was re-appointed as Managing Director from 17.1.1999 in terms of special resolution dated 2.9.1998. His term of five years expires on 16.1.2004. The remuneration then fixed was on the basis of the Company's performance and financial position in the initial stages of operations. Since then, the volume of business activities of the company has increased manifold including substantial export orders.

In the circumstances the Managing Director has to devote additional time and efforts to successfully handle the operations. In compensation of the onerous responsibilities discharged by the Managing Director, the Board of Directors have decided to refix the remuneration payable to him during the remaining period of his present tenure as stated in the resolution. The salary and other benefits proposed are also in line with the increase in remuneration prescribed under the amended Schedule XIII to the Companies Act, 1956.

The enhancement of remuneration requires the approval of the members at the General Meeting. Hence the resolution. Your Directors recommend the same.

Directors Sri. L.G. Ramamurthi, Sri. J. Vijayakumar besides Sri. N. Krishna Samaraj are interested in the resolution.

This may also be treated as sufficient compliance under Section 302 of the Companies Act, 1956 relating to disclosure to members of director's interest in contract appointing Managing Director.

Coimbatore
21st June 2001

By order of the Board
S.P. Murthy
Company Secretary

Notes

1. A member entitled to attend and vote is entitled to appoint one or more proxies to attend and to vote instead of himself and a proxy need not be a member of the Company. Proxy forms in order to be effective must reach the Company's registered office not less than 48 hours before the meeting.
2. Please bring a copy of your annual report to the meeting.
3. The Register of Members of the Company will remain closed for a period of 19 days from 01.09.2001 to 19.09.2001 (both days inclusive)
4. The Company has paid the annual listing fees for the period 2001-2002 to all the Stock Exchanges where the Companies shares are listed.
5. In terms of circular from The Stock Exchange, Mumbai dated 30th March, 2001, the companies shares have been dematerialised compulsory for trading with effect from 01.06.2001. The Company has also entered into tripartite agreements with M/s. Central Depository Services (India) Ltd, Mumbai and M/s. National Securities Depository Limited, Mumbai. The share-holders wishing to dematerialise the shares may do so accordingly.

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DIRECTORS REPORT

Dear Shareholders,

Your Directors present their eleventh Annual Report and Audited Accounts of the Company for the year ended 31st March 2001.

Financial Results

	Accounting year ended 31.3.2001	Accounting year ended 31.3.2000
		(Rs.in lakhs)
Total Revenue	1416.74	1272.76
Gross Profit / Loss	252.60	177.04
Interest	42.01	59.93
Depreciation	40.98	36.79
Net Profit/Loss before tax	169.61	80.32
Provision for tax	17.00	6.00
Proposed transfer to General Reserve	100.00	-
Proposed dividend	54.99	-
Provision for Corporate tax on Dividend	5.51	-
Prior Period items	0.67	(-) 0.19
Balance brought forward	50.39	(-) 23.74
Surplus carried over	41.83	50.39

Your Directors are pleased to recommend a maiden dividend of 12.%. The Corporate tax on dividend works out to Rs 5.51 lakhs.

During the year under review, the Company has increased its revenue by 11% to Rs.1416.74 lakhs. The Company increased its exports to Rs.846.35 lakhs as against Rs.562.76 lakhs during the previous year. Domestic sales was Rs.447.73 lakhs or 31.60% of the Total Revenue. Further, the Net profit before tax has increased by 111.17% to Rs.169.61 lakhs as against Rs.80.32 lakhs during the previous year.

Outlook During Current Year

In the year under review, the Company has successfully entered new markets in the United Kingdom and Japan. During the current year, additional growth is expected in these markets. The Company's main market in the United States of America, is showing signs of a considerable slow down in the current year. However, the company hopes to maintain its current level of business, by expanding its product and customer base.

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The Domestic market has been sluggish through the year under review and the current year also. The Company hopes to maintain its level of business during the current year consistent with the year under review.

The Company has established itself in the Steel Component business apart from iron castings. During the year under review the company has exported Rs.130.91 lakhs of steel components.

Projects Implemented

The Company has successfully commissioned its state of the art CAD/CAM Centre for producing tooling. This Centre has helped the Company to drastically cut down its Product Development time. It has helped the Company enter new markets and develop products in an accelerated manner. This Centre has become a key for the Company's growth and profitability.

Future Plans

During the current year the Company plans to make investments in the area of energy conservation, Raw material recycling and other Cost Reduction exercises. The proposed investment will be around Rs.100 lakhs and will be financed by means of internal accruals and a term loan.

Awards

The Company was a recipient of the following export awards during the year under review.

1. Trophy for highest exports in the group and highest growth in exports (Non-SSI) during 1998-99 from Engineering Export Promotion Council, Southern Region.
2. Ferro Links Award for the Best Exporter of Castings from Institute of Indian Foundrymen, Southern Region, Coimbatore Chapter.

Labour

The relationship between the management and the employees during the year under review has been cordial and peaceful.

Directors

Directors Sri. L.G. Varadaraj and Dr. Prem P Mohla retire by rotation at the ensuing Annual General Meeting and they are eligible for re-election.

The Directors of the Company have furnished necessary declarations required in terms of Section 274(1)(g) of the Companies Act, 1956 and the same has been taken on record.

Information Pursuant to Sec 217(1) (e) of the Companies Act, 1956

The information required under Sec.217(1)(e) of the Companies Act, 1956 is appended hereto in Annexure I and forms part of this Report.