

MAGNA



Annual Report

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MAGNA ELECTRO CASTINGS LTD

Board of Directors

Sri. L.G. Varadaraj (Chairman)
Sri. L.G. Ramamurthi (Vice Chairman)
Sri. V. Rajendran
Sri. J. Vijayakumar
Sri. K. Gnanasekaran
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 twelfth Annual General Meeting of the members of Magna Electro Castings Limited will be held at 10.00 A.M. on Wednesday, the 28th, August, 2002, 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, 2002 and the Profit and Loss Account for the year ended on that date together with the Director's Report and Auditor's Report thereon.
2. To declare a dividend.
3. To appoint a Director in place of Sri. L.G. Ramamurthi who retires by rotation and is eligible for re-appointment.
4. To appoint a Director in place of Sri. J. Vijayakumar who retires by rotation and is eligible for re-appointment.
5. To appoint Auditors and fix their remuneration. The present Auditors M/s. S.Krishnamoorthy & Co., are eligible for re-appointment.

Special Business

6. To consider and if thought fit, to pass the following resolution as a special resolution with or without modifications.

RESOLVED that pursuant to Section 31 and other applicable provisions of the Companies Act, 1956 (including any statutory modifications or reenactment thereof for the time being in force) the Articles of Association of the Company be and are hereby altered in the manner and to the extent as set out herein below.

The following article be inserted after the existing Article No 4B and be numbered as Article No 4C.

4C. Subject to the provisions of Section 77A of the Companies Act, 1956, the company shall have power to purchase its own shares or other specified securities to the extent permissible from time to time.

Explanatory Statement under Section 173 (2) of the Companies Act, 1956

Item No.6. The Articles of Association of the Company is proposed to be amended to authorise the company to buy back its own shares and securities in terms of Section 77A of the Act. Any amendment in the Articles of Association is subject to the consent of the members by means of special resolution. Hence the resolution.

None of the Directors of the company may be deemed to be concerned or interested in the resolution.

Coimbatore
24th June 2002

By order of the Board

S.P.Murthy
Company Secretary

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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.
 1. The Register of Members of the Company will remain closed for a period of 15 days from 14.8.2002 to 28.08.2002 (both days inclusive).
 2. Dividend when approved will be paid to such of the members whose names appear in the Register of Members of the Company as on 14th August 2002. In respect of shares held in dematerialized form, the dividend will be paid on the basis of beneficial ownership as per the details furnished by the Depositories for this purpose at the end of business hours on 13th August 2002.
 3. **From 15 G, if applicable, may be submitted in duplicate to the Company on or before 7th August, 2002. Forms received on or after 8th August, 2002 will not be considered.**

3.
 1. Members are requested to inform the Company their Permanent Account Number (PAN) to enable the Company to comply with the provisions for issuing Tax Deduction Certificates.
 2. Members holding shares in physical form are requested to notify any change in their address/mandate/bank details to the Company's Registrar and Share Transfer Agents. Members holding shares in electronic form are requested to notify any change in their address/mandate/bank details to their respective Depository Participant(s).

4. The Company has paid the annual listing fees for the period 2002-2003 to all the Stock Exchange where the Companies shares are listed.

5.
 1. Unpaid dividend for the year ended 31st March 2001 outstanding in unpaid dividend account with ICICI Bank is Rs. 4,87,215/- as per confirmation of balance received.
 2. Those members, respectively, who have not encashed/received dividend warrants may return the time barred dividend warrants for revalidation to the company or write to the company for issue of duplicate warrants.

Pursuant to the provision of Section 205A of the Companies Act, 1956, as amended, such dividend which remain unpaid/unclaimed for a period of seven years will be transferred to Investor Education and Protection Fund constituted by the Central Government under Section 205C of the Act.

6. We invite all our members to visit our website at www.magnacast.com for a virtual tour of our factory and a review of our products and services.

7. Members are requested to bring along with their Annual Report their Client ID and DP ID numbers for easy identification of attendance at the Annual General Meeting.

DIRECTORS REPORT

Dear Shareholders,

Your Directors present their twelfth Annual Report and Audited Accounts of the Company for the year ended 31st March 2002.

Financial Results

Particulars	Accounting year ended 31.3.2002	Accounting year ended 31.3.2001
	(Rs.in lakhs)	(Rs.in lakhs)
Total Revenue	1466.26	1416.74
Gross Profit	317.04	252.60
Interest	39.86	42.01
Depreciation	46.93	40.98
Net Profit before tax	230.25	169.61
Provision for Income tax	10.85	17.00
for Deferred tax	12.28	-
Proposed transfer to General Reserve	105.63	100.00
Proposed dividend	68.73	54.99
Provision for Corporate tax on Dividend	-	5.51
Prior Period items	0.25	0.67
Balance brought forward	41.83	50.39
Surplus carried over	74.34	41.83

Your Directors are pleased to recommend a dividend of 15.% (Previous Year 12%).

OPERATIONS

During the year under review, the company was able to substantially increase its net profit before tax to Rs.230.25 lakhs compared with Rs.169.61 lakhs during the previous year. This amounts to an increase of 35.72% in profitability. The increase in profitability was achieved; even with a negligible increase in the total revenue of the company. It was possible due to targeted marketing, higher value addition, improved productivity and better cost controls. The company's main market in the USA was in a state of recession during this period. These results were achieved due to the previous investments made by the company in enhancing its product development capabilities and investments for cost reduction.

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Outlook for Current Year

The company's main market in the US is showing signs of recovery this year. If this recovery persists, the company hopes to increase its volume of business and profitability during the current year.

The domestic market has seen some growth in the current year. However, the margins in the domestic market are under tremendous pressure and the company does not see any major improvement in the profitability in the domestic market during the current year.

Projects Implemented

The company has successfully implemented an Energy Conservation project in the year under review. The total investment plan for the purpose is Rs.110.00 lakhs which will be financed partly by a Term Loan from Corporation Bank and the balance from internal accruals. The company will be benefiting in the coming years due to this project.

Future Plans

During the current year, the Company plans to make investments in the area of raw material recycling and production automation. The proposed investment is around Rs.150.00 lakhs and will be financed by means of Internal Accruals and Term Loans. For the longer term, the company is exploring the opportunity of Captive Power Generation which will provide greater cost efficiency.

Awards & Certification

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

1. Trophy for highest exports in the group and highest growth in exports (Non-SSI) from the Engineering Export Promotion Council, Southern Region for the second year in succession.
2. The company has been conferred the status of "Export House" by Joint Director General of Foreign Trade as per Exim Policy 2002-2007.
3. The company has been re-certified for ISO 9001:2000 new quality standards from Det Norske Veritas.

Labour

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

Directors

Directors Sri.L.G.Ramamurthi and Sri J.Vijayakumar 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.

Information Pursuant to Sec.217(2A) of the Companies Act, 1956

None of the employees were in receipt of remuneration in excess of the limits prescribed in this regard.

Directors Responsibility Statement

In terms of Section 217(2AA) of the Companies Act, 1956, the directors state that

- i. In the preparation of the annual accounts, the applicable accounting standards have been followed.
- ii. The directors have selected such accounting policies and applied them consistently and made judgements and estimates that were reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the financial year and of the Profit of the Company for the year under review.
- iii. The directors have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of this Act 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.

Auditors

M/s S.Krishnamoorthy & Co, Chartered Accountants retire at the ensuing Annual General Meeting and are eligible for re-appointment. The certificate required under Section 224(1B) of the Companies Act, 1956 has been furnished by them.

Acknowledgement

The Directors wish to place on record their appreciation of the support and co-operation extended by the Company's Bankers M/s Corporation Bank, Coimbatore, the various Government Agencies and in particular the Tamil Nadu Electricity Board and the staff and employees of the Company.

We pray for the grace of the Almighty for further growth of the Company.

On behalf of the Board of Directors

Coimbatore
24.06.2002

L .G.Varadaraj
Chairman

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Annexure 1 to Directors' Report for the year 2001 - 2002

I. PARTICULARS PURSUANT TO SEC.217(1)(e) OF THE COMPANIES ACT, 1956 READ WITH COMPANIES (DISCLOSURE OF PARTICULARS IN THE REPORT OF THE BOARD OF DIRECTORS) RULES, 1988

A. Conservation of Energy:

The company is in the process of implementing the recommendations of M/s Tata Energy Research Institute, Bangalore. The company has completed more than fifty percent of the proposals and is in the process of implementing the balance.

Further, the company is identifying alternate fuels for some of the manufacturing activities. When the use of these alternative fuels commences, the company expects reduction in the cost of energy and also reduction in the total usage of energy, due to direct conversion.

The Company has also instituted a program for increasing the yield on its product lines, so that the requirement of energy comes down further.

B. Technology absorption & Research & Development

Research & Development(R&D) - The company has commercialized its production of Austempered Ductile Iron (ADI) castings. These products have been exported to the United States, with good acceptance by the customers.

Technology Absorption, Adaptation and innovation:

1. Efforts made towards technology absorption, adaptation and innovation:

The company has developed Inhouse and has successfully installed a sophisticated process control software program, which enables one to monitor all aspects of the process, production and quality.

2. Benefits derived as a result of the above efforts

The successful implementation of this project, is helping the company in increasing its quality levels and decreasing the rejection rates and has helped the company to clinch orders from new customers.

3. Information of Imported Technology (Imported during the last 5 years from the beginning of the Financial Year)

a) Technology Imported	None
b) Year of Import	N.A.
c) Technology absorption	N.A.

C. Foreign Exchange earnings & outgo

a) Earnings in Foreign Exchange	: Rs. 804.30 lakhs
b) Outgo in Foreign currency	: Rs. 72.50 lakhs

On behalf of the Board of Directors

Coimbatore
24.06.2002

L .G.Varadaraj
Chairman