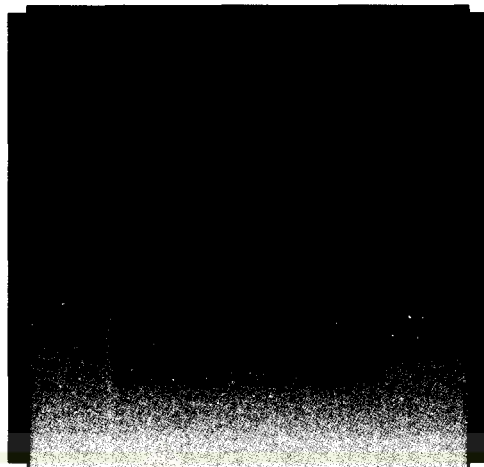


# MAGNA



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**Annual Report  
2002 - 2003**

**MAGNA ELECTRO CASTINGS LIMITED**

**Board of Directors**

Sri. L.G. Varadarajulu (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

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## Registered Office

43, (Old No.62) Balasundaram Road  
Coimbatore 641 018

Phone : 91 422 2210109

Fax : 91 422 2216209

## Factory

SF No.34 and 35 Part  
Coimbatore Pollachi main road  
Mullipadi village

Tamaraikulam Post

Pollachi Taluk

Coimbatore District 642 109

Phone : 91 4259 259316

Fax : 91 4259 259451

## Internet

e-mail : [magna@md2.vsnl.net.in](mailto:magna@md2.vsnl.net.in)

Website : [www.magnacast.com](http://www.magnacast.com)

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**MAGNA ELECTRO CASTINGS LIMITED****NOTICE**

NOTICE is hereby given that the thirteenth Annual General Meeting of the members of Magna Electro Castings Limited will be held at 10.15 A.M. on Friday, the 22nd, August, 2003, 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, 2003 and the Profit and Loss Account for the year ended on that date together with the Directors' Report and Auditors' Report thereon.
2. To declare a dividend.
3. To appoint a Director in place of Sri.V.Rajendran who retires by rotation and is eligible for re-appointment.
4. To appoint a Director in place of Sri.K.Gnanasekaran 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 with or without modifications as a Ordinary Resolution.

A.)RESOLVED that in terms of Section 198, 269, 309 and other applicable provisions of the Companies Act, 1956 read with Schedule XIII thereto, the Company approves appointment of Sri. N. Krishna Samaraj as Managing Director of the Company for a further period of 3 years with effect from 17<sup>th</sup> January 2004 and the payment of following remuneration.

- i. **Salary**  
Salary Rs.1,25,000 per month.
- ii. **Commission**  
Commission not more than 2 % of the Net Profits.
- iii. **Benefits:**
  - a) **Provident Fund**  
Contribution to Provident Fund not exceeding 12% of the salary.
  - b) **Contribution to Pension/Super annuation Fund**  
Such contribution together with contribution to Provident fund shall not exceed 27% of the salary
  - c) **Gratuity**  
Gratuity payable shall not exceed half months salary for each completed year of service.

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- d) **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 perquisite. 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 benefits not exceeding in the aggregate the amounts as specified in (A) above.
7. To consider and if thought fit, to pass the following resolution with or without modifications as a Special Resolution.  
**RESOLVED** that in terms of guidelines issued by SEBI from time to time and subject to the provisions of the Companies Act, 1956, (including any statutory modifications(s) or re-enactment thereof for the time being in force and as may be enacted hereinafter) and subject to such approvals, permissions and sanctions, as may be necessary and subject to the conditions and modifications as may be prescribed or imposed while granting such approvals, permissions and sanctions, which may be agreed to by the Board of Directors of the Company (hereinafter referred to as "the Board" which term shall be deemed to include any committee thereof for the time being exercising the powers conferred on the Board by this resolution), consent is hereby accorded to the Board to de-list the company's equity shares from 1) The Madras Stock Exchange Ltd, Chennai and 2) Coimbatore Stock Exchange Ltd, Coimbatore
- Explanatory Statement under Section 173 (2) of the Companies Act, 1956**
6. Sri. N. Krishna Samaraj was appointed as Managing Director from 17.1.1994. His term of five years expires on 16.1.2004. The Board of Directors have re-appointed him for a further period of three years with effect from 17.1.2004. The proposed remuneration has been approved by a resolution passed by the Remuneration Committee of the Board and within the ambit of the Schedule XIII as amended.  
The re-appointment and remuneration payable is subject to further approval of the members at the General Meeting. Hence the resolution. Your Directors recommend the same.  
Directors Sri.L.G.Ramamurthi and Sri. J.Vijayakumar besides Sri. N. Krishna Samaraj are interested in the resolution.
7. Presently, the company's equity shares are listed on the following Stock Exchanges in India.  
1. Coimbatore Stock Exchange Ltd, Coimbatore  
2. Madras Stock Exchange Ltd, Chennai,  
3. The Stock Exchange, Mumbai
- Of these, the Company proposes to de-list its equity shares from 1) Madras Stock Exchange Ltd, Chennai and 2) Coimbatore Stock Exchange Ltd, Coimbatore.
- The trading of equity shares of the company in dematerialized form has been made compulsory for all category of investors with effect from 01.06.2001 and the company has already tri-partite agreements with both the depositories viz., M/s Central Depository Services (India) Ltd and M/s National Security Depository Ltd.
- While, the networking facilities of the Coimbatore Stock Exchange Ltd and Mumbai Stock Exchange, Mumbai, the members of the company have access to on line dealing in the company's equity shares

**MAGNA ELECTRO CASTINGS LIMITED**

across the country. Trading volumes of Madras Stock Exchange Ltd, Chennai is very low. The proposed de-listing of the equity shares of the company on the above two stock exchanges will not therefore adversely affect any investor including the members located in the Region where the said Stock Exchanges are situated. The Company's equity shares will continue to be listed on the Stock Exchange, Mumbai.

Members approval by a special resolution is necessary for de-listing company's equity shares from 1) Coimbatore Stock Exchange Ltd, Coimbatore and 2) Madras Stock Exchange Ltd, Chennai. The proposed de-listing is in the interest of the company and also as per the recent guidelines of SEBI making it not mandatory for company's shares to be listed in respective regional stock exchanges. This is only an enabling resolution and the Board re-recommends the resolution for acceptance by members.

None of the directors are deemed to be concerned or interested in the resolution.

Coimbatore  
14th May 2003

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. The Register of Members of the Company will remain closed for a period of 15 days from 08.08.2003 to 22.08.2003 (both days inclusive).
3. Dividend when approved will be paid to such of the members whose names appear in the Register of Members of the Company as on 22<sup>nd</sup> August 2003. 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 7<sup>th</sup> August 2003.
4. 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).
5. The Company has paid the annual listing fees for the period 2003-2004 to all the Stock Exchanges where the Companies shares are listed.
6. 1.Unpaid dividend for the year ended 31<sup>st</sup> March 2001 outstanding in unpaid dividend account of ICICI Bank is Rs.2,05,910/- and unpaid dividend for the year ended 31<sup>st</sup> March 2002 outstanding is Rs.3,21,093/- as per confirmation of balance received.  
2. Those members who have not encashed/received dividend warrants of earlier years may return the time barred dividend warrants to the company or its Registrars and Share transfer Agents for issue of fresh Demand drafts.  
Pursuant to the provisions 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.
7. We invite all our members to visit our website at [www.magnacast.com](http://www.magnacast.com) for a virtual tour of our factory and a review of our products and services.
8. 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.

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## DIRECTORS REPORT

Dear Shareholders,

Your Directors have pleasure in presenting their thirteenth Annual Report and Audited Accounts of the Company for the year ended 31<sup>st</sup> March 2003.

### **FINANCIAL RESULTS**

	Accounting year ended 31.3.2003	Accounting year ended 31.3.2002
	(Rs.in lakhs)	(Rs.in lakhs)
Total Revenue	1798.22	1466.26
Gross Profit	401.16	317.04
Interest	29.84	39.86
Depreciation	51.52	46.93
Net Profit before tax	319.80	230.25
Provision for Income tax	49.48	10.85
Provision for Deferred tax	18.00	12.28
Proposed transfer to General Reserve	130.77	105.63
Proposed dividend	82.48	68.73
Provision for Corporate tax on Dividend	10.57	-
Prior Period items	0.16	0.25
Balance brought forward	74.33	41.83
Surplus carried over	102.67	74.33

### **DIVIDEND**

Your Directors are pleased to recommend a dividend of 18% for the year. (Previous Year 15%). Corporate tax on dividend at the applicable rate will be paid on declaration of dividend at the Annual General Meeting.

### **OPERATIONS**

During the year under review, the company increased its revenues to Rs.1798.22 lakhs compared with Rs.1466.26 lakhs during the previous year, an increase of 22%. Also the Net Profit before tax increased to Rs.319.80 lakhs versus Rs.230.25 lakhs for the previous year. An increase of 38%. Further the Net Profit before tax as a percentage of total revenue has gone upto 17.78% versus 15.70%. The exports on a FOB basis has also grown by 41% to Rs.1061.80 lakhs from Rs.749.86 lakhs the previous year.

**MAGNA ELECTRO CASTINGS LIMITED**

The company's main market in the USA was steady during the year and many new customers and products were added. The emphasis on productivity, cost controls, value addition, engineering and quality continues to be reflected in the financial picture of the company.

**OUTLOOK FOR CURRENT YEAR**

The company is seeing a steady growth in the US Market. The company has participated at the Hannover Fair in April 2003 and has received an encouraging response. The company foresees itself entering the European market this year. The domestic market is also showing signs of renewed growth. If this positive trend continues the company hopes to further increase its volume of business.

On the Raw material and other input front, there has been drastic increase in costs of all inputs including power. It is not possible to get a corresponding increase in the sales price from customers. Therefore, pressures on margins will be a factor this year.

**PROJECTS IMPLEMENTED**

The project for raw material recycling and production automation could not be completed in the last year. This was due to the decision to implement the latest technology and processes.

**FUTURE PLANS**

During the current year, the Company has invested in the dust extraction systems to enable the company to be compliant with European customer expectations to enter into European markets.

In addition, the company plans to make investments in the area of raw material recycling and production automation. The proposed investment is around Rs.200 lakhs and will be financed by means of Internal Accruals and Term Loans.

**CERTIFICATION**

The Company has been certified for manufacture of Pressure castings by RWTUV according to PED 97/23/EC and WO/AD 2000 MERKBLATT during the year under review implying the worthiness of the company's products for pressure test conditions as may be stipulated by customers.

**LABOUR**

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

**DIRECTORS**

Directors Sri.V.Rajendran and Sri K.Gnanasekaran 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.

**AUDIT COMMITTEE**

Directors Sri. V.Rajendran, Sri J. Vijayakumar and Sri K.Gnanasekaran have been elected as members of the Audit Committee.



# MAGNA

## 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 judgments 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.

Place : Coimbatore  
Date : 14.05.2003

On behalf of the Board of Directors  
**L.G.Varadarajulu**  
Chairman

**ANNEXURE 1 TO DIRECTORS' REPORT****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, 1998****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 seventy five percent of the proposals and is in the process of implementing the balance.

Further, the company is identifying alternate fuels LPG 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.

**Technology absorption & Research & Development**

**Research & Development(R&D)** - The company has established development of Compacted Graphite Iron castings. This new type of castings has established tremendous growth overseas and will provide the company a place for future growth.

**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.

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 click orders from new customers.

- 2) Benefits derived as a result of the above efforts - Not applicable

- 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. |

**Foreign Exchange earnings & outgo**

- |                                 |   |                   |
|---------------------------------|---|-------------------|
| a) Earnings in Foreign Exchange | : | Rs. 1130.71 lakhs |
| b) Outgo in Foreign currency    | : | Rs. 46.08 lakhs   |