

MAGNA

**INDUSTRIAL
CASTINGS
LIMITED**

**Annual Report
2003 - 2004**

Board of Directors

Sri.L.G.Varadarajulu (Chairman)
Sri.L.G.Ramamurthi (Vice Chairman)
Sri.V.Rajendran
Sri.J.Vijayakumar
Sri.K.Gnanasekaran
Smt.R.Nandini
Sri.N.Krishna Samaraj (Managing Director)

Auditors

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

Bankers

1. Corporation Bank
Industrial Finance Branch,
1604, Trichy Road,
Coimbatore 641 018.
2. Indian Bank
31, Variety Hall road,
Coimbatore 641 001.

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.
The Stock Exchange, Mumbai.

MAGNA**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,
Tamaraiikulam Post,
Pollachi taluk,
Coimbatore District 642 109.
Phone : 91 4259 259316
Fax : 91 4259 259451

Internet

E-mail : magna@md2.vsnl.net.in
magna@eth.net

Website : www.magnacast.com

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NOTICE

NOTICE is hereby given that the 14th Annual General Meeting of the members of Magna Electro Castings Limited will be held at 10.15 a.m. on Friday, 27th August, 2004, 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, 2004 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. L.G. Varadarajulu, 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, with or without modifications, as an Ordinary Resolution.

RESOLVED that Smt. R.Nandini be and is hereby appointed as a Director of the Company.

7. To consider and if thought fit, to pass the following resolution, with or without modifications, as a Special Resolution.

RESOLVED THAT the following clauses be inserted immediately after the existing sub-clause 5 in Clause IIIA of the Memorandum of Association of the Company:

6. To generate, purchase, sell, transmit, and distribute Electricity by erection/installation of wind, hydel, thermal, solar, atomic, energy generators or by any other power sources and to install/erect transmission equipments, feeder lines, sub-stations etc., for the purpose.

7. To carry on the business of cultivation, farming, agriculture, horticulture, plantation, pest control, dairy, poultry and to deal in the production of the above activities and to manufacture and deal with machinery tools, implements, apparatus, raw materials used for the above business and to cultivate, buy, sell and deal in raw or finished cotton, wool, jute, silk and other fibrous substances and prepare, spin, clear, press and pack the same and materials so manufactured and for the purpose, purchase, take on lease or exchange or otherwise acquire estates, farm and any land with right of way and other privileges, easements and concessions."

RESOLVED FURTHER THAT Board of Directors be and are hereby authorized to do or cause to be done all such acts, deeds and other things as may be required or considered necessary or incidental thereto for giving effect to the aforesaid Resolution.

MAGNA

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

Item No 6.

Smt. R. Nandini was appointed as an Additional Director of the Company by the Board of Directors at its meeting held on 27th October 2003. Smt. R.Nandini holds office upto the date of the ensuing Annual General Meeting. Due notice under Section 257 of the Companies Act, 1956 has been received from a member in the prescribed manner for the appointment of Smt.R.Nandini as a Director of the Company.

Smt. R.Nandini is an industrialist and is associated with various industries in Coimbatore. The Board is of the view that her induction on the Board of the Company would be beneficial to the Company. The Board therefore, commends the resolution for the approval of the members.

Excepting Smt. R. Nandini, none of the other Directors may be deemed to be concerned or interested in the above resolution.

ITEM NO 7.

The Board of Directors, after a comprehensive review, have decided to erect/install wind energy generators in a phased manner over the next few years, which will enable the Company to be self-sufficient in power, reducing the power costs substantially and also to undertake the business of agricultural farming and allied activities and put to profitable use the existing land /land to be acquired by the company.

Pursuant to the provisions of Section 192A of the Companies Act, 1956, the above resolution has to be approved by the members by means of postal ballot. Necessary steps are being taken by the Company to comply with the provisions of the Act.

No Director is interested in the above resolution, except to the extent of their respective shareholding.

Coimbatore
7th June 2004

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 13th August 2004 to 27th August 2004 (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 27th August 2004. 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 12th August 2004.
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 2004-2005 to all the Stock Exchanges where the Company's shares are listed.
6. 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. The amount lying in the unpaid dividend account of earlier years is furnished below:

Year	Amount (Rs.)
2000-2001	2,14,320.00
2001-2002	2,84,937.00
2002-2003	2,70,341.00

7. 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.
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.
9. Inspection of documents in respect of item no 7 can be done at the registered office of the Company during working hours of the Company.

MAGNA**DIRECTORS' REPORT**

Dear Shareholders,

Your Directors have pleasure in presenting the 14th Annual Report and Audited Accounts of the Company for the year ended 31st March 2004.

FINANCIAL RESULTS

	Accounting year ended 31.3.2004	Accounting year ended 31.3.2003
	(Rs. in lakhs)	(Rs. in lakhs)
Total Revenue	2298.41	1798.22
Gross Profit	428.02	401.16
Interest	32.09	29.84
Depreciation	59.41	51.52
Net Profit before tax	336.52	319.80
Provision for Income tax	53.65	49.48
Provision for Deferred tax	23.24	18.00
Proposed transfer to General Reserve	150.00	130.77
Proposed dividend	82.48	82.48
Provision for Corporate tax on Dividend	10.57	10.57
Prior Period items	0.00	0.16
Balance brought forward	102.67	74.33
Surplus carried over	119.25	102.67

DIVIDEND

Your Directors are pleased to recommend a dividend of 18% for the year. (Previous Year 18%). 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.2298.41 lakhs compared to Rs.1798.22 lakhs during the previous year, an increase of 27.82%. The Net Profit before tax has also increased to Rs.336.52 lakhs as against Rs.319.80 lakhs in the previous year, i.e. an increase of 5.23%. However the Net Profit before tax as a percentage of total revenue has decreased from 17.78% in the previous year to 14.64%, which is mainly because of the increase in input costs and the appreciation of the Rupee vis a vis the US Dollar. The exports on a FOB basis has increased by 8.62% from Rs.1061.80 lakhs in the previous year to Rs. 1153.34 lakhs in the current year.

The Company has taken steps to reduce the effect of the higher raw material costs by developing value added and highly engineered products to its U.S. based customers. Further steps are being taken to reduce the influence of the US Dollar versus Indian Rupee exchange rate, by increasing the sales to the buoyant domestic market and the European market.

OUTLOOK FOR CURRENT YEAR

The market for the company's products is on a growth path in the United States of America, India and Europe. There is also an encouraging trend in the price stability of raw materials.

The above coupled with the commissioning of the new molding line by the first half of fiscal year, will help the company to increase its revenues significantly during the coming year.

As stated in the previous report, there has been a drastic increase in the costs of all inputs including power, while at the same time it has not been possible to get a corresponding increase in the sales price from customers. Therefore there will be a pressure on the margins and the Company is taking necessary steps in this direction.

PROJECTS IMPLEMENTED

The Company has during the year under review commissioned the Gas project at a cost of Rs. 41.64 lakhs, as a result of which Company uses LPG for pre-heating ladle, heat treatment furnace, sand drying and duct heating, resulting in improved productivity and lowering of costs, apart from meeting the pollution norms.

FUTURE PLANS

During the current year, the Company will be installing the Fast Loop Molding line at a cost of Rs.317.25 lakhs, which will enable the Company to increase its molding capacity. The increased level of automation will help in improving the productivity. The process, apart from being environment friendly, will help in reclaiming the sand upto 85%, thereby resulting in lower costs. The project will be funded by means of a Term Loan from Bank to the extent of Rs.236 lakhs and the balance will be met from internal generations.

The Company will also be installing during the current year one No 750 kw Wind Energy Generator in Coimbatore District at a total cost of Rs.306 lakhs, which will enable the Company to reduce its power costs. The project will be funded by a term loan of Rs.230 lakhs from bank and the balance from internal generations.

QUALITY CERTIFICATION

During the year, the company has been certified to the latest quality management system standards under ISO-TS 16949:2000 from Det Norske Veritas, which is the global standard for leading companies in the world.

LABOUR

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

DIRECTORS

Smt. R.Nandini was co-opted as an additional Director by the Board of Directors at its meeting held on 27th October 2003. Smt. R.Nandini is a leading industrialist from Coimbatore, with rich experience in management and administration. Smt. R.Nandini holds office as Director till the date of the ensuing Annual General Meeting. Necessary notice has been received from members proposing her name for the Directorship of the Company.

Directors Sri. L.G.Varadarajulu and Sri J.Vijayakumar retire by rotation at the ensuing Annual General Meeting and they are eligible for re-election.

Sri. L.G.Varadarajulu, further has expressed his intention to relinquish the position as Chairman of the Board, as a matter of policy on having crossed the age of 75 years. The Directors wish to place on record their appreciation of the yeomen services rendered by Sri. L.G.Varadarajulu during his tenure as Chairman and Director of the Company since 20th August 1993 and for his guidance and counsel.

All 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.

MAGNA**AUDIT COMMITTEE**

Directors Sri. V.Rajendran, Sri J. Vijayakumar and Sri K.Gnanasekaran are members of the Audit Committee.

DELISTING OF SECURITIES

As approved by the members at the thirteenth Annual General Meeting of the Company, the shares of the Company have been delisted from the Madras Stock Exchange Ltd.

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 and Indian Bank, 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

Place : Coimbatore
7th June 2004

L.G.Varadarajulu
Chairman

ANNEXURE I 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, 1988.

Conservation of Energy:

The company has implemented the recommendations of M/s Tata Energy Research Institute, Bangalore. Energy savings has been achieved considerably. We are furnishing yearwise, electricity units consumed per metric tonne of manufacture of good castings as below.

YEAR	2001	2002	2003	2004
Number of units per tonne of Good castings	2166	1997	1979	1800

Further, the company is also using alternate fuel i.e. LPG for some of the manufacturing activities. 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 in- house 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 secure orders from new customers.

The company has also installed in house software for PLC (Programme Logic Controller) operations which enables us to control the sophisticated machineries.

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. 1260.72 lakhs |
| b) Outgo in Foreign currency | : Rs 324.72 lakhs |