

# **MAGNA**

**MAGNA  
ELECTRO  
CASTINGS  
LIMITED**

**Annual Report  
2004 - 2005**

### **Board of Directors**

Sri.L.G.Ramamurthi (Chairman)  
Sri.V.Rajendran  
Sri.J.Vijayakumar  
Sri.K.Gnanasekaran  
Smt.R.Nandini  
Dr. Jairam Varadaraj  
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. R. Ravi

### **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****A. FOUNDRY DIVISION**

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

**B. WIND ENERGY DIVISION**

Andhiyur Village, Pollachi Taluk

**Internet**

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

Website : www.magnacast.com

<b>Contents</b>	<b>Page No.</b>
<b>Notice</b>	<b>3</b>
<b>Directors' Report</b>	<b>5</b>
<b>Report on Corporate Governance</b>	<b>11</b>
<b>Auditors' Report</b>	<b>17</b>
<b>Balance Sheet</b>	<b>20</b>
<b>Profit and Loss Account</b>	<b>21</b>
<b>Schedules</b>	<b>22</b>
<b>Notes on Accounts</b>	<b>26</b>
<b>Cash Flow Statement</b>	<b>32</b>
<b>Balance Sheet Abstract</b>	<b>33</b>

**NOTICE**

NOTICE is hereby given that the 15th Annual General Meeting of the members of Magna Electro Castings Limited will be held at 10.00 a.m. on Monday, 29<sup>th</sup> August, 2005, at Hotel Residency, Avanashi 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, 2005 and the Profit and Loss Account for the year ended on that date together with the Directors' Report and the Auditors' 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.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 with or without modification(s), the following Resolution as an Ordinary Resolution:

RESOLVED THAT Dr.Jairam Varadaraj be and is hereby appointed as a Director of the Company.

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

Dr.Jairam Varadaraj was appointed as an Additional Director of the Company by the Board of Directors at its Meeting held on October 28,2004. Dr.Jairam Varadaraj 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 for the appointment of Dr. Jairam Varadaraj as a Director of the Company.

Dr. Jairam Varadaraj is an industrialist and is associated with various industries. He is the Managing Director of Elgi Equipments Limited. He is a Commerce graduate and did his MBA(Marketing) from George Washington University,USA and his PhD in International Business from the University of Michigan,USA. Dr.Jairam Varadaraj has vast experience in management and finance areas. The Board is of the view that his induction on the Board of the Company will be beneficial to the Company. The Board therefore, commends the resolution for the approval of the members.

None of the other Directors of the Company, excepting Dr. Jairam Varadaraj, may be deemed to be interested/concerned in the above resolution.

By order of the Board

Coimbatore  
17<sup>th</sup> June 2005

**R.Ravi**  
Company Secretary

**MAGNA****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 from 17<sup>th</sup> August 2005 to 29<sup>th</sup> August 2005 (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 29<sup>th</sup> August 2005. 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 29<sup>th</sup> August 2005.
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 2005-2006 to the Stock Exchanges where the Company's shares are presently 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.
7. 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	2,04,600.00
2001-2002	2,73,812.00
2002-2003	2,47,871.00
2003-2004	2,49,995.00

8. 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.
9. 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 have pleasure in presenting the 15<sup>th</sup> Annual Report and Audited Accounts of the Company for the year ended 31<sup>st</sup> March 2005.

**FINANCIAL RESULTS**

	Accounting year ended 31.3.2005	Accounting year ended 31.3.2004
	(Rs. in lakhs)	(Rs. in lakhs)
Total Revenue	3125.61	2298.41
Gross Profit	550.37	435.76
Interest	80.79	39.83
Depreciation	100.76	59.41
Net Profit before tax	368.82	336.52
Provision for Income tax	29.00	53.65
Provision for Deferred tax	105.68	23.24
Proposed transfer to General Reserve	150.73	150.00
Proposed dividend	96.23	82.48
Provision for Corporate tax on Dividend	13.50	10.57
Balance brought forward	119.25	102.67
Surplus carried over	92.93	119.25

**DIVIDEND**

Your Directors are pleased to recommend payment of dividend at 21 % on the paid-up equity share capital for the year ended 31<sup>st</sup> March 2005. This will absorb an amount of Rs. 109.73 lakhs, inclusive of Corporate tax on dividend payment.

**OPERATIONS**

Your Company has registered a substantial growth of 36% in total revenues during the year under review over the previous financial year. In absolute terms, the total income during the year ended 31<sup>st</sup> March 2005 was Rs.3125.61 lakhs as against Rs.2298.41 lakhs in the previous year. Profit before tax has increased from Rs.336.52 lakhs in the previous year to Rs.368.82 lakhs, an increase of 9.60%. Your Directors wish to draw your attention to the fact that the depreciation charge has increased from Rs.59.41 lakhs to Rs.100.76 lakhs, while the provision for deferred tax liability has increased sharply from Rs.23.25 lakhs to Rs.105.68 lakhs. The sharp increase in the prices of critical raw materials, reduction in export incentives and the continued strengthening of the Rupee vis-vis the US Dollar during the year under review resulted in reduced net profit margins, which dropped considerably from 14.64% in the previous year to 11.80% in the current year. Necessary steps are being taken to offset this by taking up value addition work like Machining, Surface Treatment, etc so that the contribution per product is maintained or increased. Exports on a FOB basis during the year increased by 51.42 %, from Rs.1153.34 lakhs to Rs.1746.43 lakhs.

# MAGNA

---

## PROJECTS IMPLEMENTED

The Company commissioned during the year under review the Furan Fast Loop Line and the Sand Mixer plants at a total cost of Rs.377 lakhs.

Your Directors wish to state that though the turnover has increased on account of the implementation of the Furan plant, the increase in profitability has not been commensurate because of the trial runs conducted and consequently higher production costs. However your Directors are confident that the full benefits will be realized from the coming financial year onwards, with production having been stabilized and the process optimized.

The Furan project apart from being environment- friendly, ensures high quality castings and greater reclamation of sand than in the conventional technology. Your Directors are of the opinion that this far-sighted planning will enable the Company to meet the rigors of the future pollution control norms. It may be noted that the pollution norms are becoming stricter by the day and foundries following old technology will find it very difficult to meet such norms. Your Company is well positioned in this respect.

Power cost is the second highest cost in a foundry. As a strategic investment and with a view to reducing the power cost, your Company has installed one 750 kw Wind Electric Generator at a cost of Rs.306 lakhs at Andhiyur Village in Pollachi Taluk. This project is also environment friendly as there is no pollution from the generation of power and also helps the Company in meeting the Clean Environment Norms, thus making it a Green Foundry. The power generated from the wind electric generator will meet about two months power requirements of the Company at the current production rate.

## OUTLOOK FOR CURRENT YEAR

The demand for the Company's products is increasing. Your Company has been able to maintain a high degree of consistency in quality and other parameters, as a result of which there has been a good demand for the products in the export market. The Company has been able to secure a niche export market for achieving better profitability. The domestic market for castings being very vibrant and the export market looking very promising, your Directors are confident of achieving a substantial growth in turnover and profits in the coming year.

The investment in plant and machinery made by the Company in the previous years have started yielding benefits. Keeping all this in mind, your Directors have planned for taking up for manufacture more value added castings from the coming financial year onwards, which will increase the profitability of the Company.

## FUTURE PLANS

Your Directors in order to obtain the maximum benefit from the Plant and Machinery installed during the last two years, have decided to limit the investment in Plant and Machinery and concentrate on getting the maximum productivity and profitability from out of the previous investments made. Therefore, your Directors have planned to install an additional Wind Electric Generator of 1650 kw capacity by the first half of the current financial year. This new Wind Electric Generator along with the 750 kw Wind Electric generator installed in the previous year will meet about 70% of the Company's total power requirements as of today. Apart from being non-polluting and a cost effective source of power, this will enable the Company in stabilizing its power cost over the next twenty years. . The Company has also got an opportunity to benefit as a result of carbon trading, pursuant to the Kyoto Protocol treaty that seeks to reduce the levels of emissions in the world, which is the primary cause for global warming and climatic changes and this is a trading mechanism that allows developed countries to meet their emission reduction obligations by trading with developing countries like ours. Your Company is taking necessary steps in this connection.

## **FINANCE**

Your Company has availed Term Loans to the extent of Rs.370 lakhs during the financial year under review towards part financing the cost of Wind Electric Generators and the Furan Fast Loop Line. Your Company has also been sanctioned an additional Term Loan of Rs 768 lakhs for meeting part of the project cost of Rs.960 lakhs for installation of Wind Electric Generators. It may be noted that out of the total long term debts of Rs.1266.60 lakhs, Rs.268.60 lakhs relates to the Company's production activities and the balance Rs.998 lakhs is for long term Infrastructure Projects, i.e. Wind Electric Generators.

Your Directors wish to state that the dues from customers outstanding for more than six months which have been held up pending completion of procedural requirements and therefore are realizable and necessary steps are being taken in this connection.

## **QUALITY CERTIFICATION**

As stated in the previous report, your Company's products are certified to conform to the latest ISO 9001:2000 and ISO/TS 16949:2002 norms.

## **LABOUR**

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

## **DIRECTORS**

Dr.Jairam Varadaraj was co-opted as an Additional Director by the Board of Directors at its meeting held on 28<sup>th</sup> October 2004..

Sri.L.G.Ramamurthi, Chairman and Sri.K.Gnanasekaran, Director, retire by rotation at the ensuing Annual General Meeting and being eligible, offer themselves 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.

## **CORPORATE GOVERNANCE**

As required under Clause 49 of the Listing Agreement with the Stock Exchanges, the report on Management Discussion and Analysis, Corporate Governance as well as Auditor's Certificate regarding compliance of conditions of Corporate Governance forms a part of this Annual Report.

## **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.



# MAGNA

---

## 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  
Date: 17.06.2005

**L.G.Ramamurthi**  
Chairman

**ANNEXURE-I TO DIRECTORS' REPORT FOR THE YEAR 2004-2005**

**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:**

Your Company has been constantly reviewing its energy costs from time to time. Various measures have been taken to conserve energy. The details of electricity consumed per metric tonne of good castings produced is given below:

YEAR	2001	2002	2003	2004	2005
Number of units per Tonne of good castings	2166	1997	1979	1800	1680

**Technology absorption & Research & Development**

**Research & Development(R&D)** - The Company's new Furan Fast Loop Line technology for manufacture of castings, implemented during the year, has reduced sand waste generation by 75%. This will enable the Company to reduce production costs, waste generation and above all, help to conserve natural resources.

**Technology Absorption, Adaptation and Innovation:**

- 1) Efforts made towards technology absorption, adaptation and innovation : Nil
- 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 : Rs.1808.28 lakhs
- b) Outgo : Rs 227.33 lakhs