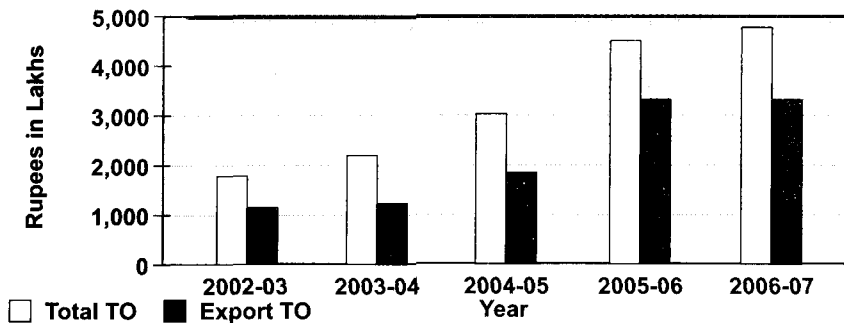
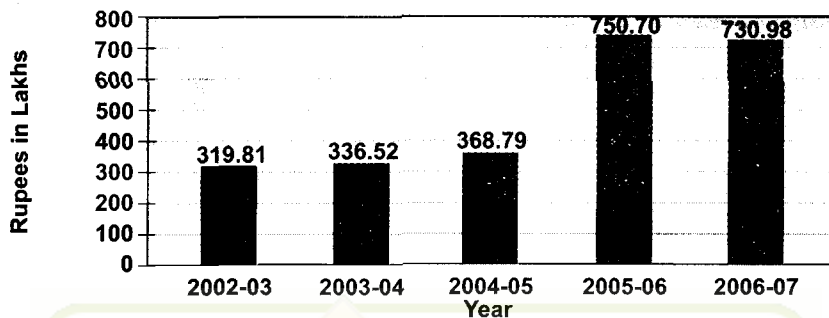
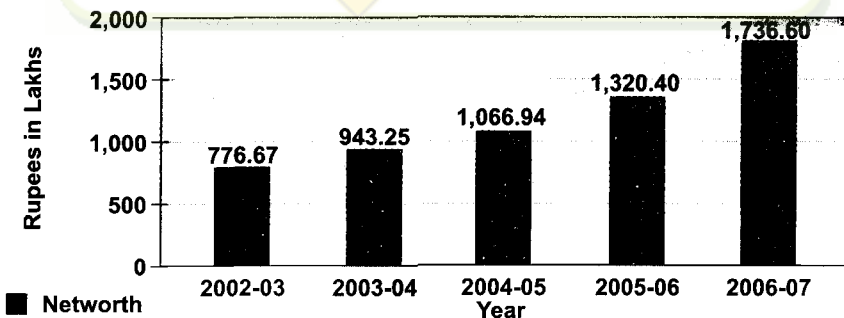
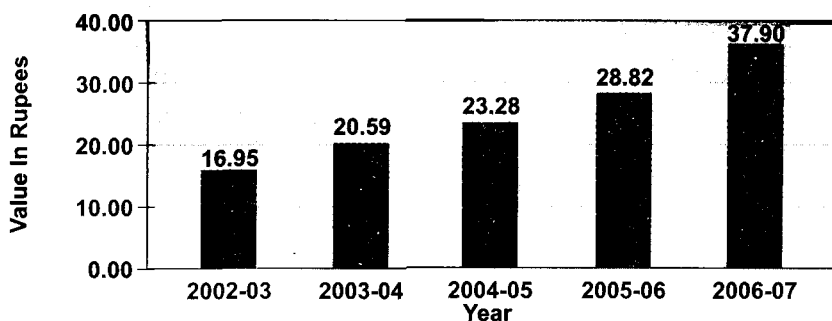


MAGNA

The logo for Magna Electro Castings Limited is a square with a black border. Inside the square, the words "MAGNA", "ELECTRO", "CASTINGS", and "LIMITED" are stacked vertically in a serif font. The background of the square is a light gray with a fine, dark grid pattern.

MAGNA
ELECTRO
CASTINGS
LIMITED

Annual Report 2006 - 2007

TURNOVER**PROFIT BEFORE TAX****STATEMENT OF NETWORTH****BOOK VALUE**

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.

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

- a) Andhiyur Village, Pollachi Taluk
- b) Ganapathipalayam Village, Pollachi Taluk

Internet

E-mail : magnacast@vsnl.com

Website : www.magnacast.com

Content	Page No.
Notice	3
Directors' Report	5
Report on Corporate Governance	10
Auditors' Report	17
Balance Sheet	20
Profit and Loss Account	21
Schedules	22
Notes on Accounts	26
Cash Flow Statement	32
Balance Sheet Abstract	33

NOTICE

NOTICE is hereby given that the 17th Annual General Meeting of the Members of Magna Electro Castings Limited will be held at 10.00 a.m. on Monday, 30th July, 2007, 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, 2007 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.J.Vijayakumar, who retires by rotation and is eligible for re-appointment.
4. To appoint a Director in place of Dr.Jairam Varadaraj, 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.

By order of the Board

Coimbatore
31st May 2007

R.Ravi
Company Secretary

NOTES

1. **A MEMBER ENTITLED TO ATTEND AND VOTE IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF AND PROXY NEED NOT BE A MEMBER OF THE COMPANY.** THE PROXIES TO BE EFFECTIVE, SHOULD BE DEPOSITED AT THE REGISTERED OFFICE OF THE COMPANY NOT LATER THAN 48 HOURS BEFORE THE SCHEDULED COMMENCEMENT OF THE MEETING.
2. The Register of Members of the Company will remain closed during the period from Tuesday, 17th July 2007 to Monday, 30th July 2007 (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 30th July 2007. 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 16th July 2007.
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 2007-2008 to the Stock Exchange, Mumbai while in respect of Coimbatore Stock Exchange, fees has not been paid, since the demand notice has not been received as yet.

MAGNA

6. Those members who have not encashed 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	1,56,771.00
2001-2002	2,66,762.00
2002-2003	2,30,231.00
2003-2004	2,16,875.00
2004-2005	2,49,707.60
2005-2006	3,21,031.00

8. 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.
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 17th Annual Report and Audited Accounts of the Company for the year ended 31st March 2007.

FINANCIAL RESULTS

For the year ended 31st March	2007	2006
	(Rs. in lakhs)	(Rs. in lakhs)
Total Revenue	4798.06	4606.39
Gross Profit	1207.35	1163.73
Interest	156.79	145.61
Depreciation	319.59	267.42
Net Profit before tax	730.97	750.70
Provision for Income tax	238.00	63.25
for Deferred tax	(88.01)	263.51
for Fringe Benefit Tax	3.95	5.25
Proposed transfer to General Reserve	300.00	200.00
Proposed dividend	137.47	142.04
Provision for Corporate tax on Dividend	23.36	19.92
Balance brought forward	146.40	92.93
Surplus carried over	262.60	146.40

DIVIDEND

Your Directors are pleased to recommend, subject to the approval of the shareholders, a dividend of 30 % for the year on the paid-up equity share capital of the Company as against 21% dividend and 10% Special dividend paid last year. This will absorb an amount of Rs 160.83 lakhs, inclusive of Corporate Distribution tax, which has been increased from 12% to 15% in the recent Budget .

OPERATIONS

The total revenue of the Company has increased though marginally from Rs. 4606.39 lakhs to Rs.4798.06 lakhs during the period under review. However, exports on FOB basis has decreased by 2.06% from Rs. 3242.32 lakhs to Rs.3175.39 lakhs Profit before taxes has also declined marginally from Rs. 750.70 lakhs to Rs 730.97 lakhs. The main reasons for the marginal increase in total revenue and the decline in profitability can be attributed to the steep increase in the cost of main raw materials like scrap and pig iron, increase in cost of other inputs, the rapid appreciation in the value of the Indian Rupee vis-à-vis the US Dollar and increase in financing costs. Moreover, the plant was under maintenance shut-down for about fourteen days due to a break down in the electrical transformer. The results could have been better but for these reasons which affected both the turnover and the profitability .

PROJECTS IMPLEMENTED

The Phase I of the expansion project, which was taken up during the financial year, has been completed as on the date of this report. The construction of buildings for the Phase I program has been completed and the required plant and machinery has been commissioned. The capacity as on the date of this report now stands increased at 900 MT per month as against 600 MT previously.

MAGNA

The enhanced capacity will be put into operation, once the statutory clearance from the Tamil Nadu Pollution Control Board is received. Further the enhanced power requirement of 750 KVA is also expected from the Tamil Nadu Electricity Board. Both of these are expected by the end of June 2007.

The total cost of the Phase I Expansion Project was Rs.814 lakhs, which was funded by a Term Loan of Rs.250 lakhs from Corporation Bank, seller's credit of Rs.120 lakhs and the balance Rs.444 lakhs from internal accruals.

OUTLOOK FOR CURRENT YEAR

The markets served by the Company continue to be buoyant. The Company's products are in continued demand and the Company continues to win new business from existing customers as well as bringing in new customers. The Company is an export oriented Company, deriving a major share of its business in US Dollars. The recent sharp devaluation of the US Dollar, will affect the Company's profitability in the near term.

The Company has a plan in place to overcome this situation and to dilute the Exchange rate risk in the following manner:

1. Achieve further Cost Reductions in operations.
2. More Value Added Products.
3. Diversify Markets to Non US Dollar Countries.
4. Bid for New US Dollar Business at current exchange rates.
5. Obtain Price Increases from existing customers.
6. Utilize the additional capacity coming on stream.

Your Directors believe that the current financial year 2007-08 will be year of consolidation and the current years operation will see a growth in all spheres of operations.

FUTURE PLANS

Steps are being taken to implement the Phase II of the project for increasing the capacity from the existing level of 900 MT per month to 1500 MT per month. Your Directors are in the process of identifying and evaluating the various proposals on hand to increase the capacity and are confident that the increased capacity will be in place by 2008-09. This will enable the Company to focus on bigger size castings requirements of non- automotive customers, using Furan technology.

FINANCE

The Company has availed a Term Loan of Rs.210 lakhs for the Phase 1 of the expansion project out of the Rs.400 lakhs sanctioned by Corporation Bank. The total long term debt of the Company now stands at Rs.1145 lakhs, out of which Rs 460 lakhs is for the foundry division and the balance Rs. 685 Lakhs is for the Wind Energy Division.

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 and also Pressure Equipment Directive (PED) certification, which is mandatory for selling the castings in the European Union.

LABOUR

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

DIRECTORS

Sri. J.Vijayakumar and Dr.Jairam Varadaraj, Directors, 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 have 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 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.

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.

CEO/CFO CERTIFICATION

As required under Clause 49 of the Listing Agreement with the Stock Exchanges, the Managing Director and the Head of Finance function have furnished necessary certificate to the Board on the financial statements presented.

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 Tamilnadu 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: 31st May 2007

L.G.Ramamurthi
Chairman

MAGNA**ANNEXURE-I TO DIRECTORS' REPORT FOR THE YEAR 2006-2007**

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 continues to focus its attention on conserving energy. Various measures have been taken to conserve energy. During the year under review, your Company installed Vacuum Circuit Breaker as a protective measure against erratic power surge. The details of electricity consumed per metric tonne of good castings produced is given below:

YEAR	2001	2002	2003	2004	2005	2006	2007
Number of units per Tonne of good castings	2166	1997	1979	1800	1680	1680	1700

Power Consumption;**2006-07****2005-06**

Total Electricity(kwh)	1,01,60,533	100.00%	1,04,91,991	100.00 %
Own Generation-Windmill	55,55,926	54.68%	31,71,168	30.22%
Purchased from TNEB	46,04,607	45.32%	73,20,823	69.78%

Technology absorption & Research & Development

Your Directors are pleased to state that the Company has developed Composite Castings Ductile Iron Valve Body with Stainless Steel Insert Rings, instead of 100% Stainless Steel Valve Body. Commercial production of these products have been commenced and this has resulted in cost savings to customers in the range of 20 to 25%. Your Company has also planned to develop during the current financial year some more products using similar technology

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. 3257.08 lakhs
b) Outgo	:	Rs 312.91lakhs