

MAGNA

MAGNA
ELECTRO
CASTINGS
LIMITED

**Annual Report
2007 - 2008**

Board of Directors

Late L.G.Ramamurthi (Chairman-till 13.05.2008)
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 2240109

Fax : 91 422 2246209

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 / info@magnacast.com

Website : www.magnacast.com

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NOTICE

NOTICE is hereby given that the 18th Annual General Meeting of the Members of Magna Electro Castings Limited will be held at 10.00 a.m. on Thursday, 21st August 2008, 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, 2008 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.V.Rajendran, who retires by rotation and being eligible, offers himself for re-appointment.
4. To appoint a Director in place of Sri.K.Gnanasekaran, who retires by rotation and being eligible offers himself 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
30th May 2008

N.Krishna Samaraj
Managing Director

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 1st August 2008 to 21st August 2008 (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 21st August 2008. 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 31st July 2008.
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 2008-2009 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.

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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	1,92,720
2001-2002	2,59,521
2002-2003	2,19,971
2003-2004	2,05,895
2004-2005	2,34,680
2005-2006	2,96,231
2006-2007	2,92,920

8. The unclaimed dividend on Equity shares for the year ended 31st March 2001 will be transferred to the Investor Education and Protection Fund Account on or before 19th September 2008. Shareholders who have not encashed their dividend warrants for the year 2000-01 are requested to claim the dividend from the Company at the earliest, before the same is transferred to the said Account. Thereafter, no claim shall lie against the Company or the Central Government against such unclaimed dividend.
9. 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.
10. 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 18th Annual Report and Audited Accounts of the Company for the year ended 31st March 2008.

FINANCIAL RESULTS

For the year ended 31st March	2008	2007
	(Rs. in lakhs)	(Rs. in lakhs)
Total Revenue	5621.55	4798.06
Gross Profit	1190.95	1207.35
Interest	176.03	156.79
Depreciation	363.42	319.59
Net Profit before tax	651.50	730.97
Provision for Income tax	225.00	238.00
for Deferred tax	27.39	(88.01)
for Fringe Benefit Tax	4.00	3.95
Proposed transfer to General Reserve	250.00	300.00
Proposed dividend	96.23	137.47
Provision for Corporate tax on Dividend	16.35	23.36
Balance brought forward	262.60	146.40
Surplus carried over	295.13	262.60

DIVIDEND

Your Directors are pleased to recommend, subject to the approval of the shareholders, a dividend of 21 % for the year on the paid-up equity share capital of the Company as against 30 % dividend paid last year. This will absorb an amount of Rs 112.58 lakhs, inclusive of Corporate Distribution tax on dividends, resulting in a payout of 28.5% of the net profits after tax. (previous year 27.87%)

OPERATIONS

The total revenues of the Company increased by 17.16 % from Rs. 4798.06 lakhs to Rs.5621.55 lakhs. However, the Profit before taxes has declined by 10.87 % from Rs. 730.97 lakhs to Rs 651.50 lakhs.

The Company implemented the Phase I of the expansion project, thereby increasing the capacity from 600 MT to 900 MT per month. The Company had to stop production for four weeks during April/May 2007 to implement the project. This affected the operations in the first quarter of the financial year to a certain extent. Though the Phase I was ready for commissioning in June 2007, and trial runs were made, due to delay in getting additional power from the Tamil Nadu Electricity Board, the project was commissioned in September 2007.

As outlined in the previous year's report, the Company has achieved the targets set forth to overcome US Dollar depreciation:

- Cost reduction through operational efficiency
- Optimization of production streams
- Long Term Agreements with cost index
- Price Rationalization
- Utilization of additional capacity

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Prices of crucial raw materials like Steel Scrap, Pig Iron, Ferro Alloys and other consumables increased by 25% to 45% during the last quarter of the financial year under review. The frequent disruptions in power affected the production schedule, especially during the last quarter of the financial year. The Company had hedged a major portion of its foreign currency exposure during the financial year, thereby mitigating to a certain extent the appreciation of the Rupee vis-a vis the US Dollar.

The Wind Energy Division also witnessed a drop in revenue by about 14%. Apart from the fact that there was a decline in wind velocity for most part of the year, there was a break down in one of the Wind Energy Generators during the peak wind season, on account of which there was loss of generation of power for ten days.

The increase in Inventory and Sundry Debtors is on account of the increased business activity arising out of the enhanced capacity and also due to substantial increase in prices of raw materials. However all steps are being taken to ensure that they are within controllable limits.

Taking into account all the above factors, the performance of the Company during the year under review should be viewed as satisfactory.

OUTLOOK FOR CURRENT YEAR

The global outlook for the Foundry Industry looks promising over the next few years. There is a huge gap in the current capacity and in the anticipated capacity in the near and distant future, both in the domestic and export segments. With the advanced countries like USA, Japan, and Germany unlikely to add substantial capacities in the near future as they are moving away from the industry slowly, there is tremendous potential available in the global market, which has to be properly tapped.

The Company having made adequate investment in building additional capacities in the last couple of years is gearing up to meet the challenges thrown open. The Company has effected substantial product yield improvement. The Company has also rationalized its pricing policy for its exports contracts, which should result in a better price realization from the coming year onwards. Apart from this, the various measures taken by the Company like achieving cost reduction in operations, adding more value added products and diversifying into non-US Dollar markets will enable the Company to reap the benefits from the coming year onwards. The augmented capacity will also help the Company in planning its product mix effectively. However, the performance of the Company in the current year is subject to the raw material scenario, both in terms of availability and pricing and availability of uninterrupted power supply.

FUTURE PLANS

The Company plans to implement the Phase II of the expansion for increasing the capacity from 900 MT per month to 1500 MT per month in 2009-10. The Company is evaluating alternate technologies, which show more promise than the previous Furan based technology and this the Company plans to implement as stated above.

FINANCE

The Phase I of the expansion was implemented at a total cost of Rs.943 lakhs as against the projected Rs.712 lakhs, a cost over-run of Rs.231 lakhs which was met completely from out of the internal generations. The Company availed a Term Loan of Rs.322 lakhs for 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.966 lakhs, out of which Rs. 481 lakhs is for the foundry division and the balance Rs. 485 Lakhs is for the Wind Energy Division.

QUALITY CERTIFICATION AND AWARDS

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.

The Company won the Best Exporter Award for the year 2005-06 given by the Institute of Indian Foundrymen, Coimbatore Region.

LABOUR

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

DIRECTORS

Your Directors record with profound sorrow the demise of Sri.L.G.Ramamurthi, Chairman of the Board of Directors of the Company on May 13, 2008. He was one of the founding Directors of the Company and was instrumental in guiding the Company through his exemplary vision and astute leadership. The Directors place on record their appreciation of the yeomen services rendered by him during his tenure as Vice Chairman and later as Chairman of the Board.

Sri.V.Rajendran and Sri.K.Gnanasekaran, 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.

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- 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 employees of the Company at all levels.

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

On behalf of the Board of Directors

Place: Coimbatore
Date: 30th May 2008

J. Vijayakumar
Director
Chairman of the Meeting

ANNEXURE-I TO DIRECTORS' REPORT FOR THE YEAR 2007-2008

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. The details of electricity consumed per metric tonne of good castings produced is given below:

YEAR	2001	2002	2003	2004	2005	2006	2007	2008
Number of units per Tonne of good castings	2166	1997	1979	1800	1680	1680	1700	1750

The average units consumed has increased because of frequent power stoppages. The Company plans to bring down the average units consumed to 1600 units in the current financial year.

Power Consumption (no of units)	2007-08		2006-07	
Total Electricity(kwh)	112,64,382	100.00%	1,57,16,459	100.00%
Own Generation-Windmill	47,44,293	42.12%	55,55,926	35.35%
Purchased from TNEB	65,20,089	57.88%	1,01,60,533	64.65%

Technology absorption & Research & Development

As stated in the previous report, the Company has developed Composite castings. These products have been successfully introduced in the market. The feedback received from the customers is quite encouraging.

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. 3792.68 lakhs
- b) Outgo : Rs 333.52lakhs