

MAGNA

The logo for Magna Electro Castings Limited is a black square with a thin white border. Inside the square, the words "MAGNA", "ELECTRO", "CASTINGS", and "LIMITED" are stacked vertically in a white, serif, all-caps font. The square is centered on the page, with a faint, light green watermark "reportjunction.com" visible behind it.

MAGNA
ELECTRO
CASTINGS
LIMITED

Annual Report 2008 - 2009

Board of Directors

(late)Sri.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.

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,
Tamarakulam Post,
Pollachi Taluk,
Coimbatore District 642 109.
Phone : 91 4259 259316
Fax : 91 4259 259451

B. WIND ENERGY DIVISION

1. Wind mill 1 at Andhiyur Village, Pollachi Taluk
2. Wind mill 2 at 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 19th Annual General Meeting of the Members of Magna Electro Castings Limited will be held at 3.30.P.M. on Wednesday, 19th August 2009, at Ardra Conference Center, North Huzur 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, 2009 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 Smt.R.Nandini., who retires by rotation and being eligible, offers herself for re-appointment.
4. To appoint a Director in place of Dr.Jairam Varadaraj, 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.

SPECIAL BUSINESS:

6. To consider and if thought fit, to pass with or without modification(s), the following Resolution as a Special Resolution:
 - A) RESOLVED that in accordance with the provisions of Sections -198,269,309 and other applicable provisions of the Companies Act, 1956 read with Schedule XIII thereto; as amended and subject to such other approvals as may be necessary, consent of the Company be and is hereby accorded to the payment of the following remuneration to Sri. N.Krishna Samaraj , Managing Director of the Company for the remainder period of his present term of office with effect from 1st April 2009 to 16th January 2012 :
 1. Salary
Rs.1,75,000 per month
 2. Benefits : As detailed below:
 - a) Provident Fund :
Contribution to Provident Fund not exceeding 12% of salary
 - b) Contribution to Pension /Super annuation Fund:
Such contribution together with contribution to Provident Fund shall not exceed 27% of the salary.

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c) Gratuity:

Gratuity payable shall not exceed half a month salary for each completed year of Service.

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 perquisites. Personal long distance calls on telephone and use of car for personal use shall be billed by the Company.

3. Commission : Commission not exceeding 3 % of the Net Profits.

- B) Resolved Further, 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 as specified in items (1) and (2) in Para A above.

Resolved Further that the Board be and is hereby authorized to take all such steps as may be necessary, proper or expedient to give effect to this Resolution.

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

Item no 6 :

At the 16th Annual General Meeting held on 31st July 2006, Sri. N.Krishna Samaraj was re-appointed as Managing Director of the Company for a further term of five years effective from 17.01.2007 and the remuneration payable to him was approved for a period of three years with effect from 1st August 2006, within the limits provided in Part II of Schedule XIII to the Companies Act, 1956.

The Company has witnessed a phenomenal growth under the stewardship of Sri.N.Krishna Samaraj over the past few years. The Company has also implemented the Phase I of the expansion increasing the capacity from 600 MT to 900 MT per month and the second phase would be undertaken in the near future. Despite the severe global recession and economic slow down, the Company has been able to post decent growth rates even during the current year, after considering the exceptional item of forex loss, as explained in the Directors' Report. It is anticipated that the Company will be able to improve its profitability in the financial year 2009-10 due to improved productivity as a result of increase in efficiencies and better financial and production planning.

The Board of Directors, after taking into account the current situation and based on the proposal of the Remuneration Committee, recommend the remuneration payable to Sri. N.Krishna Samaraj for the remaining period of his present term of office, i.e. from 1st April 2009 to 16th January 2012, as set out in Item no.6 of the Notice for the approval of the Members. Considering the difficult working conditions prevalent now, the remuneration payable has been fixed at the existing salary of Rs.1,75,000 per month and other benefits for the period 1st April 2009 till the remainder period of his current tenure of office.

The remuneration proposed to be paid to him, as set out in the Notice, which has been determined by the Remuneration Committee, is within the limits specified in Part II of Schedule XIII to the Companies Act, 1956.

The remuneration payable to Sri. N.Krishna Samaraj as Managing Director is subject to the approval of the members at the ensuing Annual General Meeting. Hence the resolution. Your Directors commend the resolution for your approval.

This may also be treated as an abstract under Section 302 of the Companies Act, 1956.

Directors Sri.N.Krishna Samaraj, and Sri. J.Vijayakumar, who is related to Sri.N.Krishna Samaraj, may be deemed to be interested or concerned in the resolution.

Statement of disclosures pursuant to Section II (1)(B) of Part II of Schedule XIII to the Companies Act, 1956 in relation to Item no. 6 above:

1. General Information:

1. Nature of Industry : The Company is engaged in the manufacture and sale of SG iron and Gray iron castings. The Company has two divisions, namely the Foundry division and Wind Energy Generation division.
2. Date of commencement of commercial production : 30.01.1995
3. In case of new companies expected date of commencement of activities as per project approved by financial institutions appearing in the prospectus : Not applicable
4. Financial performance: (Rs in lacs)

Details	2009	2008	2007	2006	2005
Total income	6405.29	5621.55	4798.06	4606.39	3105.80
Net Profit before tax	367.66	651.50	730.97	750.70	368.81
Dividend paid/recommended	80.41	112.58	160.83	161.97	109.72
Rate of dividend in %	15	21	30	31	21

5. Export Performance:

The Company has not incurred any expenditure in foreign exchange on account of collaboration during the last five years as the Company has not entered into any foreign collaboration agreement.

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Details of export performance for the last five years are given below :

(Rs. in lacs)

Year	2009	2008	2007	2006	2005
Export Earnings	4089.29	3792.68	3257.07	3263.78	1808.28

6. Foreign investments or collaborators : Nil

II Information about the appointee:

1. Background details : Sri.N.Krishna Samaraj, aged 54, the main promoter of this Company. is an Engineering Graduate with a Masters in Business Administration from the University of Michigan, USA. He has over 12 years working experience in the USA and Europe. He is a Director on the board of several Companies. He has been the Managing Director since inception of the Company.

2. Past remuneration: (Amount in Rs)

Particulars	31.03.2009	31.03.2008	31.03.2007
Annual Remuneration	21,80,810	34,51,158	38,56,863

3. Recognition of awards : Nil
4. Job profile and suitability : Sri.N.Krishna Samaraj is in charge of the day to day operations of the Company and is assisted by a team of qualified and experienced professionals. With the educational qualifications he possesses and the vast experience in the field, and with his administrative capabilities, Sri.Krishna Samaraj is best suited for the position.
5. Remuneration proposed : As set out in Item no . 6 of the Notice
6. Comparative remuneration profile with respect to industry, size of the Company, profile of the position : The proposed remuneration to Sri.N.Krishna Samaraj is comparable to industry standards
7. Pecuniary relationship directly or indirectly with the Company, or relationship with the managerial personnel, if any : Nil

III. Other information:

- | | |
|----------------------------------------------------------------------|-------------------------------------------------------------------------------|
| 1. Reason for loss / inadequate profits | Not applicable |
| 2. Steps taken or proposed to be taken for improvement | Upgradation of technology, improving R&D activities, expansion of capacities. |
| 3. Expected increase in productivity and profits in measurable terms | Both productivity and profits are expected to increase by 10%. |

IV. Disclosures:

- | | |
|------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 1. Shareholders of the Company shall be informed of the remuneration package of the managerial Person | Information is furnished in the Notice to the shareholders and also an abstract of terms of remuneration is being sent as per Section 302 of the Companies Act, 1956 |
| 2. The following disclosures shall be mentioned in the Board of Directors' report under the heading Corporate Governance, if any, attached to the Annual Report. | |
| i) All elements of remuneration package such as salary, benefits, bonus, stock options, pension, etc. of all the Directors | Except Mr.N.Krishna Samaraj, Managing Director, no other Director is paid any remuneration . They are paid only sitting fees for attending meetings of the Board / Committees. |
| ii) Details of fixed components and performance linked incentives along with performance criteria | Fixed salary of Rs. 1,75,000 per month; there is no performance linked incentive. |
| iii) Service Contracts, notice period, severance fees | Not applicable |
| iv) Stock option details, if any, and whether the same has been issued at a discount as well as the period over which accrued and over which exercisable | Not applicable |

By order of the Board

Coimbatore
29th May 2009**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 2009 to 19th August 2009 (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 19th August 2009. 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 2009.
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 2009-2010 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.
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.)
2001-2002	2,59,221
2002-2003	2,19,611
2003-2004	2,05,535
2004-2005	2,34,275
2005-2006	2,95,301
2006-2007	2,92,020
2007-2008	2,22,299

The unclaimed dividend on Equity shares for the year ended 31st March 2001 has been transferred to the Investor Education and Protection Fund Account during August 2008.

Shareholders who have not encashed their dividend warrants for the year 2001-02 are requested to claim the dividend from the Company at the earliest, since the amount lying to the credit of the account will be transferred before August 2009 to the Investor Education and Protection Fund Account. Thereafter, no claim shall lie against the Company or the Central Government against such unclaimed dividend for the year 2001-02.

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 19th Annual Report and Audited Accounts of the Company for the year ended 31st March 2009.

FINANCIAL RESULTS

For the year ended 31st March	2009	2008
	(Rs. in lakhs)	(Rs. in lakhs)
Total Revenue	6405.29	5621.55
Gross Profit before interest, depreciation, tax and loss on Foreign currency fluctuation	1324.15	1190.95
Interest	200.59	176.03
Depreciation	390.69	363.42
Profit from Operations	732.87	651.50
Loss on Forex rate fluctuation	365.21	-
Profit before tax	367.66	651.50
Provision for Income tax	175.00	225.00
for Deferred tax	33.56	27.39
for Fringe Benefit Tax	4.00	4.00
Net Profit after tax	155.10	395.11
Proposed transfer to General Reserve	150.00	250.00
Proposed dividend	68.73	96.23
Provision for Corporate tax on Dividend	11.68	16.35
Balance brought forward	295.13	262.60
Surplus carried over	185.26	295.13

DIVIDEND

Your Directors are pleased to recommend, subject to the approval of the shareholders, a dividend at the rate of Rs.1.50 per share, i.e. at 15 % for the year on the paid-up equity share capital of the Company as against 21 % dividend paid last year. This will absorb an amount of Rs 80.41 lakhs, inclusive of Corporate Distribution tax on dividends.

OPERATIONS

The total revenues of the Company increased by 13.94% to Rs.6405.29 lakhs from Rs. 5621.55 lakhs in the previous year. Profit from Operations for the current year increased by 12% to Rs.732.87 lakhs from Rs.651.50 lakhs in the previous year. However, the Profit after exceptional items has declined by 43.57 % to Rs 367.66 lakhs from Rs. 651.50 lakhs. The Operations were also affected due to various adverse situations prevailing during the year under review.

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. The frequent disruptions in power affected the production schedule, especially during the end of the financial year.

The rapid depreciation of the Indian Rupee against the US Dollar, particularly in the second half of the financial year, adversely impacted the profitability as the Company had hedged a portion of its foreign currency receivables based on the situation existing initially as well as the expert opinion received in this regard. Further this unexpected change in the foreign currency rates has increased the Company's liability in respect of the foreign currency loans/borrowings for acquisition of assets.