

MAGNA

MAGNA
ELECTRO
CASTINGS
LIMITED

**Annual Report
2009 - 2010**

Board of Directors

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,
Registration No. 001496S
Coimbatore 641 006.

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
Kanapathy Towers, III Floor,
1391/A-1, Sathy Road, Ganapathy,
Coimbatore - 641 006.

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,
Tamaraikulam 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
3. Wind mill 3 at Kolumamkondan Village,
Palani 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 20th Annual General Meeting of the Members of Magna Electro Castings Limited will be held at 3.30.P.M. on Wednesday, 22nd September 2010, 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, 2010 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 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
27th May 2010

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 September 2010 to 22nd September 2010 (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 22nd September 2010. 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 August 2010.
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 2010-2011 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.)
2002-2003	2,18,351
2003-2004	2,04,095
2004-2005	2,32,805
2005-2006	2,94,991
2006-2007	2,91,120
2007-2008	2,04,134
2008-2009	1,86,195

The unclaimed dividend on Equity shares for the year ended 31st March 2001 and 31st March 2002 have been transferred to the Investor Education and Protection Fund Account

Shareholders who have still not encashed their dividend warrants are requested to claim the dividend from the Company at the earliest,

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

DIRECTORS' REPORT

Dear Shareholders,

Your Directors have pleasure in presenting the 20th Annual Report and Audited Accounts of the Company for the year ended 31st March 2010.

FINANCIAL RESULTS

For the year ended 31st March	2010	2009
	(Rs. in lakhs)	(Rs. in lakhs)
Total Revenue	4076.38	6405.29
Gross Profit before interest, depreciation, tax and loss on Foreign currency fluctuations	1032.02	1324.15
Interest	134.00	200.59
Depreciation	413.67	390.69
Profit from Operations	484.35	732.87
Profit/(Loss) on Forex rate fluctuation	70.10	(365.21)
Profit before tax	554.45	367.66
Provision for Income tax	205.00	175.00
for Deferred tax	19.94	33.56
for Fringe Benefit Tax	0.00	4.00
Net Profit after tax	329.50	155.10
Proposed transfer to General Reserve	200.00	150.00
Proposed dividend	91.64	68.73
Provision for Corporate tax on Dividend	15.22	11.68
Prior Year Taxation & Expenses	18.88	34.55
Balance brought forward	185.27	295.13
Surplus carried over	189.03	185.27

DIVIDEND

Your Directors are pleased to recommend, subject to the approval of the shareholders, a dividend at the rate of Rs 2.00 per share, i.e. at 20 % for the year on the paid-up equity share capital of the Company as against Rs.1.50 per share (15 %) dividend paid last year. This will absorb an amount of Rs 106.86 lakhs, inclusive of Corporate Distribution tax on dividends.

OPERATIONS

The global recession had an impact on the turnover of the Company, with sales declining by 37% as exports to USA and Europe were affected considerably. However with suitable steps taken to tap the domestic market and implementation of various cost reduction and control measures, the Company was able to realize better margins. This is evident from the fact that the Profit before tax has increased by 50% to Rs.554.45 lakhs during the current financial year from Rs. 367.67 lakhs in the previous year.

Prices of crucial raw materials like Steel Scrap, Pig Iron, Ferro Alloys and other consumables were stable for most part of the financial year but increased sharply by 20% during the last quarter of the financial year. The frequent disruptions in power affected the production schedule during the financial year. Non-availability of labour was another major issue during the year.

The performance of the Company when viewed against the above background, is satisfactory, given the recessionary market conditions.

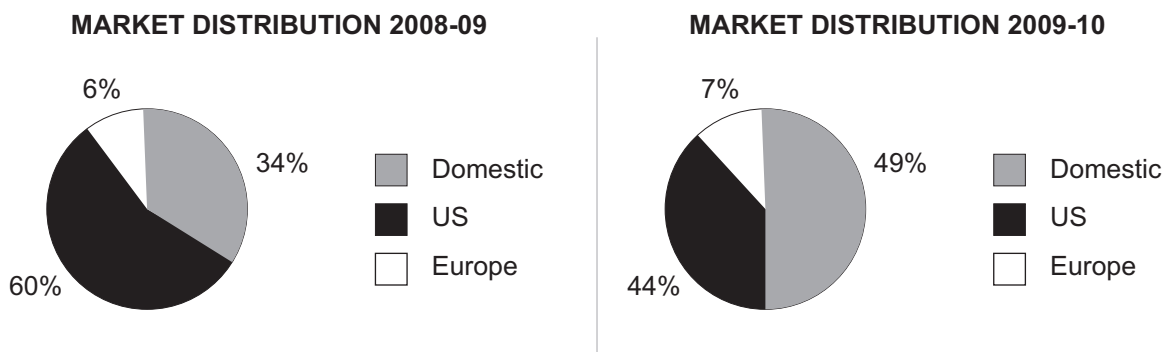
OUTLOOK FOR CURRENT YEAR

The outlook for the current year appears to be positive as the global economy is just recovering after going through a severe recessionary phase over the past year or so. It is heartening to note that the consumer confidence and market sentiments have improved in the US. In the European market, the Company has successfully gained customers and is in the process of developing products, which will provide a substantial percentage of revenue in the coming years.

The Company has also increased its business of value added castings in the domestic market and expects in the following years an increase in the percentage of domestic value added revenue.

The Company is confident that by the above actions, the Company is diversifying its markets so that its dependence on any one geographical market is reduced.

The following chart shows the market diversification achieved by the Company:



PROJECTS IMPLEMENTED AND FUTURE PLANS :

During the year the Company commissioned the third Wind Energy Generator of capacity 800 kw, thus taking the overall installed capacity to 3.2 MW. With this installation, the Company will be in a position to meet about 65% of its requirement at the current operating capacity. The Directors are also examining the possibility of installing another generator during the current fiscal 2010-11 so that the entire power requirement at the current capacity levels is met from the wind energy generation itself. This will to an extent insulate the Company's production from the prevailing power situation.

FINANCE

The Company is repaying the Term loan instalments to the Banks and the Interest -free Sales Tax Deferral loan to the Commercial Tax Department, Govt. of Tamil Nadu as per schedule.

The Company has been sanctioned a fresh Term Loan of Rs.300 lakhs by Corporation Bank for meeting its regular capex programme and another Rs.320 lakhs by Indian Bank for funding the Wind Energy project.

The Company has availed a total of Rs.470 lakhs out of the sanctioned amount.

The Company's long term debt for the Wind energy Division is Rs.437 lakhs and the balance Rs.343 lakhs pertains to the Foundry Division.

NEW PRODUCT LINES:

The Company has successfully developed the special Silicon Molybdenum Alloy Castings. These castings are used in high temperature applications in the Automotive and Power industries. The Company is one of the very few in India with this capability. The market for this segment is expected to grow substantially with the new environmental regulations for the automotive and Power industries coming into place.

LABOUR

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

DIRECTORS

The Directors record with profound sorrow the demise of Sri. L.G. Varadarajulu, Past Chairman of the Board of Directors of the Company on May 19, 2010. As one of the Founder - Directors and the First Chariman of the Company, late Sri. L.G. Varadarajulu was instrumental in guiding the Company during the formative years of the Company. The Directors place on record the yeomen services rendered by late Sri. L.G. Varadarajulu during his tenure as Chairman and Director of the Company.

Sri.J.Vijayakumar 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.
- 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 : 27th May 2010

N. KRISHNA SAMARAJ
Managing Director

ANNEXURE-I TO DIRECTORS' REPORT FOR THE YEAR 2009-2010

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:

Conservation of energy continues to be the focus of the Company. A new energy efficient furnace is under commissioning and on installation will enable the Company to conserve electricity. The details of electricity consumed per metric tonne of good castings produced over a ten year period is given below:

Year	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
Number of units per Tonne of good castings	2166	1997	1979	1800	1680	1680	1700	1750	1630	1650

Power Consumption (no of units)**2009-10****2008-09**

Total Electricity	70,20,888	100%	91,34,168	100%
Own Generation-Windmill	60,54,748	86%	52,02,916	57%
Purchased from TNEB	9,66,140	14%	39,31,252	43%

Technology absorption & Research & Development

The Company has developed High Silicon-Molybdenum Ductile castings for elevated Temperature applications like Turbo chargers, Exhaust Manifolds, etc,. This offers the end user a combination of benefits like low cost, good high temperature strength, superior resistance to oxidation and good performance.