

**MAGNA**

MAGNA  
ELECTRO  
CASTINGS  
LIMITED

**Annual Report  
2011 - 2012**



### **Board of Directors**

Sri. V. Rajendran  
Sri. J. Vijayakumar  
Sri. K. Gnanasekaran  
Smt. R. Nandini  
Dr. Jairam Varadaraj  
Sri. C.R. Swaminathan  
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. Windmill 1 at Andhiyur Village, Pollachi Taluk
2. Windmill 2 at Ganapathipalayam village, Pollachi Taluk
3. Windmill 3 at Kolumamkondan Village, Palani Taluk
4. Windmill 4 at Thotathurai, Palani Taluk

**Internet**

E-mail : [info@magnacast.com](mailto:info@magnacast.com)

Website : [www.magnacast.com](http://www.magnacast.com)

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## **NOTICE**

NOTICE is hereby given that the 22nd Annual General Meeting of the Members of Magna Electro Castings Limited will be held at 3.30.P.M. on Wednesday, 29th August 2012, 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, 2012 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 Dr.Jairam Varadaraj, who retires by rotation and being eligible, offers himself for re-appointment.
4. To appoint a Director in place of Sri.J.Vijayakumar, 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 the following resolution as an Ordinary Resolution:

Resolved that Sri.C.R.Swaminathan be and is hereby appointed as a Director of the Company.

By order of the Board

Coimbatore  
21st May 2012

**N.Krishna Samaraj**  
Managing Director

### **EXPLANATORY STATEMENT UNDER SECTION 173 (2) OF THE COMPANIES ACT:**

#### **ITEM NO :6**

Sri.C.R.Swaminathan was appointed as an Additional Director by the Board of Directors at its Meeting held on 25th January 2012. Sri.C.R.Swaminathan holds office upto the date of the ensuing Annual General Meeting. As required by Section 257 of the Companies Act, 1956, a nomination along with requisite deposit has been received from a member signifying his intention to propose the name of Sri.C.R.Swaminathan for appointment as a Director of the Company.

Sri.Swaminathan is an eminent Academician and an able Administrator. He had been associated with the PSG group of institutions as its Chief Executive Officer. He is actively associated with various industrial organisations, occupying several important positions. Sri.C.R.Swaminathan is well experienced in the Foundry Industry and is the Past President of the Institute of Indian Foundrymen. He is also the Past President of the Confederation of Indian Industry (Southern Region). Sri.C.R.Swaminathan has extensive

National and International relationships, both in the Industry and Government. He is on the Board of number of companies. The Board of Directors is of the view that his induction as a Director on the Board of the Company will be of immense benefit to the Company. The Board, therefore, commends the resolution as set out in the Notice for the approval of the Members. Sri.C.R.Swaminathan does not hold any shares of the Company.

None of the Directors except Sri.C.R.Swaminathan may be deemed to be concerned or interested in this resolution.

By order of the Board

Coimbatore  
21st May 2012

**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 17th August 2012 to 29th August 2012 (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 29th August 2012. 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 August 2012.
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 2012-2013 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.)
2004-2005	2,34,388
2005-2006	2,92,821
2006-2007	2,84,820
2007-2008	2,02,244
2008-2009	1,81,560
2009-2010	2,49,360
2010-2011	2,79,502

The unclaimed dividend on Equity shares upto the year ended 31st March 2004 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](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 22nd Annual Report and Audited Accounts of the Company for the year ended 31st March 2012.

**FINANCIAL RESULTS**

(Rs. in lakhs)

	31-03- 2012	31-03-2011
Total Revenue	<b>8558.96</b>	6275.54
Profit before Finance costs, Depreciation and Income Tax	<b>1402.70</b>	1212.72
Finance costs	<b>232.84</b>	174.33
Depreciation & Amortisation	<b>549.47</b>	479.02
Profit before tax	<b>620.39</b>	559.37
Provision for Income tax	<b>275.00</b>	112.00
for Deferred tax	<b>(80.62)</b>	97.68
for Prior Year Tax	<b>8.02</b>	9.92
MAT Credit Entitlement	-	(35.76)
Net Profit after tax	<b>417.99</b>	375.52
Proposed transfer to General Reserve	<b>200.00</b>	200.00
Proposed dividend	<b>91.64</b>	91.64
Provision for Corporate tax on Dividend	<b>14.87</b>	14.87
Balance brought forward	<b>258.04</b>	189.03
Surplus carried over	<b>369.52</b>	258.04

**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, (20%) on the paid-up Equity share capital. The dividend is being maintained at the same rate as in the previous two years in order to conserve funds for the proposed expansion/modernisation plans and additional working capital requirements. The dividend, if approved, will absorb an amount of Rs 106.51 lakhs, inclusive of Corporate tax on Distribution of dividends.

**OPERATIONS**

The total turnover for the year increased by 37% over the previous year. The demand for castings has increased consequent upon the improvement in market conditions, both in the international and domestic markets. The net turnover (exclusive of taxes and duties) has increased from Rs. 6077.79 lakhs to Rs. 8321.74 lakhs. The export turnover also showed a substantial improvement at Rs. 5059.55 lakhs during the current year, an increase of 60% over the previous year. This can be attributed to the all round improvement in global business economies across all industries.

The availability of power was a major issue during the financial year and the severe power cut imposed by the Tamil Nadu Electricity Board of more than 70% affected the operations of the Company during the last quarter of the financial year under review. In order to honour its commitments to the customers, the Company resorted to purchase of third party private power, use of extensive diesel based fuel and also had to bear substantial air freight during the last quarter. In spite of the severe controls in operations due to the power cut, the Company was able to break even during the last quarter of the year under review.

The Profit before tax at Rs. 620.39 lakhs shows an increase of 11 % over the previous year's profit of Rs.559.37 lakhs.



## **OUTLOOK FOR CURRENT YEAR**

The general industrial climate in both international and domestic markets looks very promising. Even though the rate of growth appears to be slow, the volumes are picking up and this augurs well for the industries. The demand for castings is also increasing across all industries. Hence we are confident of posting a decent growth rate in the current year 2012-13 and it is anticipated that the turnover will cross Rs.100 crore mark for the first time since the inception of the Company and commencement of commercial production in 1995, subject to improved power position in the State.

## **PROJECTS IMPLEMENTED :**

The Company installed/commissioned during the year the Automatic Grinding cell which was imported from Italy for fettling operations. This machine has been helpful in achieving a better quality finish for the castings, apart from reducing the lead time in the operations and inventory levels.

During the year under review, the Company also commissioned the additional factory building measuring about 30,000 Sq.Ft. which will accommodate the machining activities of the Company.

## **FUTURE EXPANSION PLANS:**

The Company had originally planned to expand the capacity from 900 MT per month to 1200 MT per month to be implemented with the financial year 2011-12. Due to the emerging power scenario during the second half of the FY 2012, the Company decided to push back this expansion to the first half of the FY 2013. This is in conjunction with the improving power scenario in Tamil Nadu. This expansion project will be implemented at a cost of Rs 5 crores as against Rs.3 crores planned earlier and which will be funded by a mix of debt and internal generations.

## **FINANCE**

The Company has been sanctioned by Indian Bank a Term Loan of Rs.425 lakhs to part finance its modernisation program for the current financial year and additional working capital of Rs.500 lakhs.

The Company's long term debt stands at Rs.1030 lakhs out of which Rs.519 lakhs pertains to the Wind Energy Division and the balance Rs. 511 lakhs pertains to the Foundry Division.

## **LABOUR**

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

## **DIRECTORS**

Dr.Jairam Varadaraj and Sri. J.Vijayakumar, Directors, retire by rotation at the ensuing Annual General Meeting and being eligible, offer themselves for re-election.

Sri. C.R.Swaminathan was co-opted as an Additional Director by the Board of Directors at its Meeting held on 25th January 2012. He holds office until the date of the ensuing Annual General Meeting. Nomination along with necessary deposit has been received from a shareholder proposing the name of Sri. C.R.Swaminathan for appointment as a Director of the Company.

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.

## COST AUDITOR:

The Company has appointed Sri.K.Suryanarayanan, Cost Accountant, as the Cost Auditor in terms of Section 233B(2) of the Companies Act, 1956 to audit the cost records and submit his compliance report for the year under review to the Central Government.