

MAGNA

MAGNA
ELECTRO
CASTINGS
LIMITED

**Annual Report
2012 - 2013**

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

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, Pushpathur,
Palani Taluk
4. Windmill 4 at Thotathurai, Palani Taluk

Internet

E-mail : info@magnacast.com

Website : www.magnacast.com

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NOTICE

NOTICE is hereby given that the 23rd Annual General Meeting of the Members of Magna Electro Castings Limited will be held at 3.30.P.M. on Wednesday, 25th September 2013, 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, 2013 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 2013

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 September 2013 to 25th September 2013 (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 25th September 2013. 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 September 2013.
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 2013-2014 to the Stock Exchange, Mumbai, while the Coimbatore Stock Exchange, on which the shares of the Company has been listed, has ceased to be Recognized Stock Exchange, as per orders of the SEBI.
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.)
2005-2006	2,92,201
2006-2007	2,84,820
2007-2008	2,02,244
2008-2009	1,81,110
2009-2010	2,43,760
2010-2011	2,67,002
2011-2012	2,93,090

The unclaimed dividend on Equity shares upto the year ended 31st March 2005 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 easy identification of attendance at the Annual General Meeting.
10. The Ministry of Corporate Affairs has taken a Green Initiative in Corporate Governance by allowing paperless compliance by the companies. Accordingly your Company proposes to send notices / documents including Annual Reports electronically henceforth. Shareholders holding shares in Demat form and who have not yet registered their e-mail address are requested to register with their respective Depository Participant (DP) immediately. Shareholders holding shares in physical form are requested to register their email address with our Registrars & Share Transfer Agents, SKDC Consultants Ltd., Kanapathy Towers, 3rd Floor. 139/1A, Sathy Road, Ganapathy, Coimbatore - 641 006; email id : green@skdc-consultants.com.

DIRECTORS' REPORT

Dear Shareholders,

Your Directors have pleasure in presenting the 23rd Annual Report and Audited Accounts of the Company for the year ended 31st March 2013.

FINANCIAL RESULTS

(Rs. in lakhs)

	31-03-2013	31-03-2012
Total Revenue	8763.32	8558.96
Gross Profit before Interest, Depreciation and Income Tax	1457.49	1402.70
Interest	237.39	232.84
Depreciation	616.30	549.47
Profit before tax	603.80	620.39
Provision for Income tax	125.00	275.00
for Deferred tax	(46.16)	(80.62)
for Prior Year Tax	--	8.02
Net Profit after tax adjustments	524.96	417.99
Proposed transfer to General Reserve	200.00	200.00
Proposed dividend	82.48	91.64
Provision for Corporate tax on Dividend	14.01	14.87
Balance brought forward	369.52	258.04
Surplus carried over	597.99	369.52

DIVIDEND

Your Directors are pleased to recommend, subject to the approval of the shareholders, a dividend at the rate of Rs 1.80 per share, i.e. at the rate of 18 % for the year on the paid-up equity share capital of the Company . The dividend is being reduced from 20% (Rs. 2/- per share) paid last year in view of the prevailing subdued market conditions and the consequent drop in profits and also in order to conserve funds to meet the increased working capital requirements. The dividend, if approved, will absorb an amount of Rs.96.49 lakhs, inclusive of Corporate tax on Distribution of dividends.

OPERATIONS

The net turnover (exclusive of taxes and duties) increased from Rs.8321.74 lakhs to Rs.8524.33 lakhs, an increase of 2.44 %. The export turnover increased from Rs.5059.55 lakhs to Rs.5226.47 lakhs, an increase of 3.3%. The domestic turnover increased from Rs.3587.46 lakhs to Rs.3678.87 lakhs, an increase of 2.5%.

The availability of power was a major issue during this financial year also and the severe power cut imposed by the Tamil Nadu Generating and Distribution Co. Ltd (TANGEDCO) affected the operations of the Company during the financial year under review. The Company had to resort to usage of high cost power through Diesel Generators, especially during the last quarter of the financial year, in order to meet the requirements of the customers.

The Profit before tax at Rs.603.80 lakhs shows a decrease of 2.70 % over the previous year's profit of Rs.620.39 lakhs, mainly because of increase in material cost, power cost and other overheads. The decrease in volume of sales during the last quarter of the financial year also forced the Company to manage its cash flows better through quicker realization of receivables, decrease in inventory levels and current liabilities and optimum utilization of its cash credit facilities.

OUTLOOK FOR CURRENT YEAR

The general recessionary trend, both in the international as well as the domestic markets, had a severe impact on the operations of the Company, especially during the last quarter of the financial year. The rate of growth appears to be slow, both in the developed and developing economies. Consequently the demand for castings has come down across all industries. However we are confident that the markets will improve by the third quarter of the financial year and that there will be no adverse impact on the turnover and profitability during this financial year.

PROJECTS IMPLEMENTED :

The Company commissioned the new Hunter Molding machine during the last quarter of the financial year. The machine is a new generation series machine with the latest advancements in Match Plate Molding technology. This machine will enable in the production of high quality molds more efficiently, with closer tolerances. With a high productivity ratio, this machine will enable the Company to offer its customers better quality castings.

During the year under review, the Company augmented its Diesel Power Generating capacity, with the installation of two 1500 KVA generators. Capable of parallel operation through an automatically computer controlled synchronized panel, the sets can provide 3000 KVA power. The total Diesel Power generating capacity now stands at 4400 KVA, which will enable the Company to become self sufficient in power. Consequently the Company will be in a position to become a reliable supplier of castings, meeting the delivery schedules of the customers without fail.

The Company is also modernizing its existing Sand Plant and the work is under progress . The work is expected to be completed by the first quarter of the current financial year 2013-14.

The Company has also acquired 1.5 acres of land, adjacent to its existing facility. This will enable the Company to expand its operations at a later date.

FUTURE EXPANSION PLANS

The investment made during the year under review in the new molding machine and sand plant is for technology upgradation and capacity enhancement to 1200MT per month. Consequent upon the upgradation of the furnaces at an approximate cost of Rs.200 lakhs, the Company's installed capacity will go up from the existing 900 MT per month to 1200 MT per month. The installation of the new furnaces will be taken up at an appropriate time.

QUALITY RECOGNITIONS

The products of the Company have been approved by Germanischer Lloyd ,one of the leading auditors for marine certification in the World, for use in marine applications.

Similarly the Company's facilities have been approved by Performance Review Institute, USA, one of the leading Third Party Auditors, as Accredited Manufacturer of Ductile and Gray Iron Castings, certification of which is mandatory for supply of castings for applications in locomotives, railway engines, etc in the USA.

The above recognitions will enable the Company to procure more export orders in future.

FINANCE

The Company has been sanctioned by Indian Bank a Term Loan of Rs.320 lakhs to part finance the capital expenditure program for purchase and installation of Diesel Generators during the current financial year.

The Company's long term debt stands at Rs. 1260 lakhs out of which Rs.370 lakhs pertains to the Wind Energy Division and the balance Rs.890 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

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.
- 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 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 AUDITORS:

The Company has appointed M/s. SBK Associates, Cost Accountants, as Cost Auditors in terms of Section 233B(2) of the Companies Act, 1956 to audit the cost records and submit their compliance report for the year 2012-13. The Cost Audit Report for the year 2011-12, which had to be filed before 31st January 2013 was filed on 29th January 2013.

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 Tamil Nadu 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, 2013

V. Rajendran
Director

N.Krishna Samaraj
Managing Director