

MAGNA

MAGNA
ELECTRO
CASTINGS
LIMITED

**Annual Report
2015 - 2016**

Board of Directors	Sri.V.Rajendran (upto 31.12.2015) (DIN:00002212) Sri.J.Vijayakumar (DIN:00002530) Sri.K.Gnanasekaran (DIN:00133645) Smt.R.Nandini (DIN:00002223) Dr.Jairam Varadaraj (DIN:00058056) Sri.C.R.Swaminathan (DIN:00002169) Sri.N.Krishna Samaraj (DIN:00048547) (Managing Director)
Chief Financial Officer	Sri.R.Ravi
Company Secretary	Smt.Sangeetha.C
Auditors	
Statutory Auditors	M/s S.Krishnamoorthy & Co Firm Reg.No. 001496S Chartered Accountants Coimbatore
Internal Auditors	M/s. Srikishen & Co. Firm Reg.No. 004009S Chartered Accountants Coimbatore
Secretarial Auditors	M/s.MDS & Associates Company Secretaries Coimbatore
Cost Auditors	SBK & Associates Firm Reg.No. 000342 Cost Accountants Chennai
Bankers	1. Corporation Bank, Industrial Finance Branch 1604 Trichy road Coimbatore 641 018 2. Indian Bank, 31, Variety Hall road Coimbatore 641 001
Registrars & Share Transfer Agents	S.K.D.C.Consultants Limited Kanapathy Towers, III Floor, 1391/A-1, Sathy Road,Ganapathy, Coimbatore-641006
Listing with Stock Exchanges	BSE Ltd., Mumbai
Corporate Identification No.	L31103TZ1990PLC002836

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

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

Contents	Page No.
Notice	3
Directors' Report	15
Report on Corporate Governance	44
Auditors' Report	58
Balance Sheet	64
Profit and Loss Statement	65
Cash Flow Statement	66
Significant Accounting Policies	67
Notes to the Financial Statement	69

NOTICE

NOTICE is hereby given that the 26th Annual General Meeting of the Members of Magna Electro Castings Limited will be held at 10.30.A.M. on Thursday, 15th September 2016, at Ardra Conference Center, North Huzur Road, Coimbatore - 641018, to transact the following businesses.

ORDINARY BUSINESS:

1. To receive, consider and adopt the audited Balance Sheet as at 31st March, 2016, the Statement of Profit and Loss and the Cash Flow Statement for the year ended on that date together with the Directors' Report and the Auditors' Report thereon.
2. To declare a dividend for the year ended 31st March 2016
3. To appoint a Director in place of Sri.J.Vijayakumar (DIN 00002530), who retires by rotation and being eligible, offers himself for reappointment
4. To consider the re-appointment of M/s S. Krishnamoorthy & Co., Chartered Accountants (Firm Registration No.001496S) as Auditors of the Company and in this connection, to approve with or without modification(s), the following resolution as an Ordinary Resolution:

RESOLVED THAT pursuant to Sections 139, 142 and other applicable provisions, if any, of the Companies Act, 2013 read with Companies (Audit and Auditors) Rules, 2014 (including any statutory modification(s) or re-enactment(s) thereof for the time being in force). M/s. S. Krishnamoorthy & Co, Chartered Accountants (Firm Registration No.001496S), be and are hereby appointed as the Joint Statutory Auditors of the Company for the financial year 2016-17, to hold office from the conclusion of this Annual General Meeting till the conclusion of the next Annual General Meeting of the Company on such remuneration as shall be fixed by the Board of Directors of the Company and shall be jointly and severally responsible with M/s. Srikishen & Co., Chartered Accountants (Firm Registration No.004009S) the other Statutory Auditors.

RESOLVED FURTHER THAT the Board of Directors be and are hereby authorized to settle any question, difficulty or doubt, that may arise in giving effect to this resolution and to do all such acts, deeds and things as may be necessary, expedient and desirable for the purpose of giving effect to this resolution.

5. To consider the appointment of M/s Srikishen & Co., Chartered Accountants (Firm Registration No.004009S) as Auditors of the Company and in this connection, to approve, with or without modification(s), the following resolution as an Ordinary Resolution:

RESOLVED THAT pursuant to Sections 139, 142 and other applicable provisions, if any, of the Companies Act, 2013 read with Companies (Audit and Auditors) Rules, 2014 (including any statutory modification(s) or re-enactment(s) thereof for the time being in force), M/s. Srikishen & Co, Chartered Accountants (Firm Registration No.004009S), be and are hereby appointed as Statutory Auditors of the Company for a term of five years, to hold office from the conclusion of this Annual General Meeting till the Conclusion of the 31st Annual General Meeting of the Company, subject to approval by the shareholders at every Annual General Meeting after this Annual General Meeting, on such remuneration as shall be fixed by the Board of Directors of the Company and shall be jointly and severally responsible with M/s. S. Krishnamoorthy & Co., Chartered Accountants (Firm Registration No.001496S) for the financial year 2016-17.

RESOLVED FURTHER THAT the Board of Directors be and are hereby authorized to settle any question, difficulty or doubt, that may arise in giving effect to this resolution and to do all such acts, deeds and things as may be necessary, expedient and desirable for the purpose of giving effect to this resolution.

SPECIAL BUSINESS:

6. To consider, and if thought fit, to pass with or without modification(s) the following resolution as an Ordinary Resolution:

RESOLVED THAT pursuant to the provisions of Section 148(3) and other applicable provisions of the Companies Act, 2013 read with The Companies (Audit and Auditors) Rules, 2014, the remuneration payable to M/s. SBK & Associates (Firm Registration No: 000342), Cost Auditors, Chennai to audit the cost records of the Company for the year 2016-17 amounting to Rs.1,00,000 (Rupees One lakh only) along with the payment of applicable service tax and reimbursement of out-of pocket expenses incurred by them during the course of the audit, be and is hereby ratified and approved.

7. To consider and if thought fit, to pass with or without modification(s) the following resolution as a Special Resolution:

RESOLVED THAT in accordance with the provisions of Sections 197, 198, 203 and other applicable provisions of the Companies Act, 2013 read with Schedule V thereto and subject to such other approvals as may be necessary, the consent of the Company be and is hereby accorded to the re-appointment of Sri.N.Krishna Samaraj (DIN 00048547) as the Managing Director of the Company for a further period of five (5) years from 17/01/2017 to 16/01/2022 and the remuneration for a period of three years (3) from 17/01/2017 to 16/01/2020 be paid to Sri. N. Krishna Samaraj on the following terms and conditions:

- i. Salary:Rs.5,00,000 per month
- ii. Contribution to Provident fund, Super annuation fund or annuity fund, to the extent these either singly or put together are not taxable under the Income Tax Act, 1961.
- iii. Gratuity payable at the rate not exceeding half months salary for each completed year of service
- iv. Encashment of leave at the end of tenure
- v. Car with driver, telephone at residence, club fees and medical reimbursement
- vi. Commission on Net profits: 1% in addition to salary and perquisites and the amount determined shall be subject to the limits laid down under Section 197 and 198 of the Companies Act, 2013.

RESOLVED FURTHER THAT in the event of absence of profits or inadequacy of profits in any year, the Managing Director shall be paid the following remuneration not exceeding the limits specified in Section II of Part II of Schedule V of the Companies Act, 2013 or such other limits as may be notified by the Government from time to time as minimum remuneration:

- a) Salary : Rs.5,00,000 per month
- b) Contribution to Provident fund, Super annuation fund or annuity fund to the extent these either singly or put together are not taxable under the Income Tax Act, 1961.
- c) Gratuity payable at the rate not exceeding half months salary for each completed year of Service

RESOLVED FURTHER that the Board of Directors of the Company be and is hereby authorized to take all such steps as may be necessary, proper or expedient to give effect to this Resolution.

STATEMENT UNDER SECTION 102 OF THE COMPANIES ACT, 2013**ITEM NO: 6**

The Ministry of Corporate Affairs, vide notification dated 31st December 2014, amended the Companies (Cost Records and Audit) Rules, 2014 making it mandatory for companies manufacturing products falling under specified Central Excise Tariff headings to get their cost records audited by Cost Accountants. The products manufactured by the Company, viz., Iron Castings, fall under the specified central excise tariff heading and hence the applicability of the said notification is applicable.

The Board of Directors of the Company based on the recommendations of the Audit Committee of the Company, appointed M/s. SBK & Associates, Cost Accountants, Chennai, to conduct the audit of the cost records of the Company for the financial year 2016-17 and fixed the remuneration payable to them.

In accordance with the provisions of Section 148 of the Companies Act, 2013 read with Companies (Audit and Auditors) Rules, 2014, the remuneration payable to the Cost Auditors of the Company shall be recommended by the Audit Committee and approved by the Board of Directors and has to be ratified by the Members at the Annual General Meeting of the Company. Accordingly, the consent of the members is being sought for the ratification of the remuneration to be paid to the Cost Auditors of the Company for the financial year 2016-17.

The Board recommends the resolution set out in Item No. 6 of the Notice for the approval of the members of the Company.

None of the Directors, Key Managerial Personnel and their relatives are concerned or interested in the resolution as set out under Item no. 6

ITEM NO: 7

Sri. N.Krishna Samaraj was reappointed as Managing Director of the Company for a period of five years from 17th January 2012 at the 21st Annual General Meeting held on 24th August 2011. The remuneration payable to him was approved by the members at the above Meeting for a period of three years from 17th January 2012 till 16th January 2015 and by the members at the 24th Annual General Meeting held on 25th September 2014 for a further period from 17th January 2015 till the remaining period of his present term, ie. upto 16th January 2017.

The appointment and remuneration proposed to be paid to Sri. N.Krishna Samaraj has been approved by the Nomination and Remuneration Committee of the Board, as set out in the Notice, and the same is within the limits specified in Part II of Schedule V to the Companies Act, 2013.

The Board of Directors, after taking into consideration the substantial and significant contribution made by Sri. N. Krishna Samaraj, Managing Director for the rapid growth of the Company and also taking into account the future plans of the Company have accepted the proposal of the Nomination and Remuneration Committee and the Audit Committee, subject to the approval of the members by means of a Special Resolution at the ensuing Annual General Meeting.

The Board of Directors recommend the resolution set out at Item no. 7 of the Notice for your approval.

Sri.N.Krishna Samaraj, Director, may be deemed to be concerned or interested in this resolution. Copies of the Memorandum setting out the terms and conditions are available for inspection by any member of the Company at the registered office of the Company.

Statement of disclosures pursuant to Section II (A) of Part II of Schedule V to the Companies Act, 2013 in relation to Item no. 7 above:**I. General Information:**

1. Nature of Industry : The Company is engaged in the manufacture and sales of SG Ductile iron and Grey iron castings. The Company has two divisions, namely, 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 lakhs)

Details	2016	2015	2014	2013	2012
Total income	9433.61	10188.98	7605.18	8763.32	8558.96
Net Profit before tax	909.72	836.96	571.06	603.80	620.39
Dividend paid	91.64	82.48	73.31	82.48	91.64
Rate of dividend in %	20	18	16	18	20

5. Foreign Investments or collaborations:

The Company has not incurred any expenditure in foreign exchange on account of foreign investments or collaborations during the last five years as the Company has neither made any foreign investments nor entered into any foreign collaboration agreement.

6. Export Performance:

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

(Rs in lakhs)

Year	2016	2015	2014	2013	2012
Export Earnings	5596.01	6453.21	4461.05	5226.47	5059.55

II Information about the appointee:

1. Background details : Sri. N. Krishna Samaraj, aged 61, 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 has been the Managing Director since inception of the Company. He is also the President of the Institute of Indian Foundry men for the year 2015-16.

2. Past remuneration

(Rs in lakhs)

Particulars	31.03.2016	31.03.2015	31.03.2014
Salary	42.00	41.71	31.24
Perquisites	0.19	0.19	0.19
Commission	6.06	1.59	--
Sitting Fee	0.58	0.38	--
Annual Remuneration	48.83	43.87	31.43

3. Recognition of awards : Nil
4. Job profile & 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 . 7 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,
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
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 the 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 : Salary of Rs.5,00,000 per month;1% commission on Net Profits; 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

NOTES

1. A MEMBER ENTITLED TO ATTEND AND VOTE IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF AND THE 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.

A person can act as a proxy on behalf of members not exceeding fifty and holding in the aggregate not more than 10% of the total share capital of the Company carrying voting rights. A member holding more than 10% of the total share capital of the Company carrying voting rights may appoint a single person as proxy and such person shall not act as a proxy for any other member of the Company.
2. Corporate members intending to send their authorized representatives to attend the Meeting are requested to send to the Company a certified copy of the Board Resolution authorizing their representative to attend and vote on their behalf at the Meeting.
3. Members / Proxies should bring the attendance slips duly filled and signed for attending the meeting.
4. Details under Regulation 36 of SEBI (Listing Obligations and Disclosure Requirements) Regulations 2015 and Secretarial Standards issued by ICSI in respect of the Director seeking re-appointment at the Annual General Meeting is furnished and forms a part of the notice.
5. The Register of Members of the Company will remain closed during the period from 9th September 2016 to 15th September 2016 (both days inclusive).