

MAGNA

MAGNA
ELECTRO
CASTINGS
LIMITED

**Annual Report
2007 - 2008**

Board of Directors

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

B. WIND ENERGY DIVISION

a) Andhiyur Village, Pollachi Taluk.

b) 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 18th Annual General Meeting of the Members of Magna Electro Castings Limited will be held at 10.00 a.m. on Thursday, 21st August 2008, at Hotel Residency, Avanashi 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, 2008 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 2008

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 2008 to 21st August 2008 (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 21st August 2008. 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 2008.
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 2008-2009 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.)
2000-2001	1,92,720
2001-2002	2,59,521
2002-2003	2,19,971
2003-2004	2,05,895
2004-2005	2,34,680
2005-2006	2,96,231
2006-2007	2,92,920

8. The unclaimed dividend on Equity shares for the year ended 31st March 2001 will be transferred to the Investor Education and Protection Fund Account on or before 19th September 2008. Shareholders who have not encashed their dividend warrants for the year 2000-01 are requested to claim the dividend from the Company at the earliest, before the same is transferred to the said Account. Thereafter, no claim shall lie against the Company or the Central Government against such unclaimed dividend.
9. 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.
10. 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 18th Annual Report and Audited Accounts of the Company for the year ended 31st March 2008.

FINANCIAL RESULTS

For the year ended 31st March	2008	2007
	(Rs. in lakhs)	(Rs. in lakhs)
Total Revenue	5621.55	4798.06
Gross Profit	1190.95	1207.35
Interest	176.03	156.79
Depreciation	363.42	319.59
Net Profit before tax	651.50	730.97
Provision for Income tax	225.00	238.00
for Deferred tax	27.39	(88.01)
for Fringe Benefit Tax	4.00	3.95
Proposed transfer to General Reserve	250.00	300.00
Proposed dividend	96.23	137.47
Provision for Corporate tax on Dividend	16.35	23.36
Balance brought forward	262.60	146.40
Surplus carried over	295.13	262.60

DIVIDEND

Your Directors are pleased to recommend, subject to the approval of the shareholders, a dividend of 21 % for the year on the paid-up equity share capital of the Company as against 30 % dividend paid last year. This will absorb an amount of Rs 112.58 lakhs, inclusive of Corporate Distribution tax on dividends, resulting in a payout of 28.5% of the net profits after tax. (previous year 27.87%)

OPERATIONS

The total revenues of the Company increased by 17.16 % from Rs. 4798.06 lakhs to Rs.5621.55 lakhs. However, the Profit before taxes has declined by 10.87 % from Rs. 730.97 lakhs to Rs 651.50 lakhs.

The Company implemented the Phase I of the expansion project, thereby increasing the capacity from 600 MT to 900 MT per month. The Company had to stop production for four weeks during April/May 2007 to implement the project. This affected the operations in the first quarter of the financial year to a certain extent. Though the Phase I was ready for commissioning in June 2007, and trial runs were made, due to delay in getting additional power from the Tamil Nadu Electricity Board, the project was commissioned in September 2007.

As outlined in the previous year's report, the Company has achieved the targets set forth to overcome US Dollar depreciation:

- Cost reduction through operational efficiency
- Optimization of production streams
- Long Term Agreements with cost index
- Price Rationalization
- Utilization of additional capacity

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 under review. The frequent disruptions in power affected the production schedule, especially during the last quarter of the financial year. The Company had hedged a major portion of its foreign currency exposure during the financial year, thereby mitigating to a certain extent the appreciation of the Rupee vis-a vis the US Dollar.

The Wind Energy Division also witnessed a drop in revenue by about 14%. Apart from the fact that there was a decline in wind velocity for most part of the year, there was a break down in one of the Wind Energy Generators during the peak wind season, on account of which there was loss of generation of power for ten days.

The increase in Inventory and Sundry Debtors is on account of the increased business activity arising out of the enhanced capacity and also due to substantial increase in prices of raw materials. However all steps are being taken to ensure that they are within controllable limits.

Taking into account all the above factors, the performance of the Company during the year under review should be viewed as satisfactory.

OUTLOOK FOR CURRENT YEAR

The global outlook for the Foundry Industry looks promising over the next few years. There is a huge gap in the current capacity and in the anticipated capacity in the near and distant future, both in the domestic and export segments. With the advanced countries like USA, Japan, and Germany unlikely to add substantial capacities in the near future as they are moving away from the industry slowly, there is tremendous potential available in the global market, which has to be properly tapped.

The Company having made adequate investment in building additional capacities in the last couple of years is gearing up to meet the challenges thrown open. The Company has effected substantial product yield improvement. The Company has also rationalized its pricing policy for its exports contracts, which should result in a better price realization from the coming year onwards. Apart from this, the various measures taken by the Company like achieving cost reduction in operations, adding more value added products and diversifying into non-US Dollar markets will enable the Company to reap the benefits from the coming year onwards. The augmented capacity will also help the Company in planning its product mix effectively. However, the performance of the Company in the current year is subject to the raw material scenario, both in terms of availability and pricing and availability of uninterrupted power supply.

FUTURE PLANS

The Company plans to implement the Phase II of the expansion for increasing the capacity from 900 MT per month to 1500 MT per month in 2009-10. The Company is evaluating alternate technologies, which show more promise than the previous Furan based technology and this the Company plans to implement as stated above.

FINANCE

The Phase I of the expansion was implemented at a total cost of Rs.943 lakhs as against the projected Rs.712 lakhs, a cost over-run of Rs.231 lakhs which was met completely from out of the internal generations. The Company availed a Term Loan of Rs.322 lakhs for the expansion project out of the Rs.400 lakhs sanctioned by Corporation Bank.

The total long term debt of the Company now stands at Rs.966 lakhs, out of which Rs. 481 lakhs is for the foundry division and the balance Rs. 485 Lakhs is for the Wind Energy Division.

QUALITY CERTIFICATION AND AWARDS

As stated in the previous report, your Company's products are certified to conform to the latest ISO 9001:2000 and ISO/TS 16949:2002 norms and also Pressure Equipment Directive (PED) certification, which is mandatory for selling the castings in the European Union.

The Company won the Best Exporter Award for the year 2005-06 given by the Institute of Indian Foundrymen, Coimbatore Region.

LABOUR

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

DIRECTORS

Your Directors record with profound sorrow the demise of Sri.L.G.Ramamurthi, Chairman of the Board of Directors of the Company on May 13, 2008. He was one of the founding Directors of the Company and was instrumental in guiding the Company through his exemplary vision and astute leadership. The Directors place on record their appreciation of the yeomen services rendered by him during his tenure as Vice Chairman and later as Chairman of the Board.

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 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: 30th May 2008

J. Vijayakumar
Director
Chairman of the Meeting

ANNEXURE-I TO DIRECTORS' REPORT FOR THE YEAR 2007-2008

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:

Your Company continues to focus its attention on conserving energy. The details of electricity consumed per metric tonne of good castings produced is given below:

YEAR	2001	2002	2003	2004	2005	2006	2007	2008
Number of units per Tonne of good castings	2166	1997	1979	1800	1680	1680	1700	1750

The average units consumed has increased because of frequent power stoppages. The Company plans to bring down the average units consumed to 1600 units in the current financial year.

Power Consumption (no of units)	2007-08		2006-07	
Total Electricity(kwh)	112,64,382	100.00%	1,57,16,459	100.00%
Own Generation-Windmill	47,44,293	42.12%	55,55,926	35.35%
Purchased from TNEB	65,20,089	57.88%	1,01,60,533	64.65%

Technology absorption & Research & Development

As stated in the previous report, the Company has developed Composite castings. These products have been successfully introduced in the market. The feedback received from the customers is quite encouraging.

Technology Absorption, Adaptation and Innovation:

- 1) Efforts made towards technology absorption, adaptation and innovation: Nil
- 2) Benefits derived as a result of the above efforts : Not Applicable
- 3) Information of Imported Technology (imported during the last 5 years from the beginning of the Financial Year)
 - a) Technology Imported : None
 - b) Year of Import : N.A.
 - c) Technology absorption : N.A.

Foreign Exchange earnings & outgo

- a) Earnings : Rs. 3792.68 lakhs
- b) Outgo : Rs 333.52lakhs

ANNEXURE 2 TO DIRECTORS' REPORT**5 Year Highlights**

(Rs. in lakhs)

Operating Results	2004	2005	2006	2007	2008
Sales and Other Income	2298.41	3125.62	4606.39	4798.06	5621.55
Operating Profit	435.77	550.34	1163.73	1207.35	1190.95
Interest	39.84	80.79	145.61	156.78	176.03
Gross Profit	395.93	469.55	1018.12	1050.57	1014.92
Depreciation	59.41	100.76	267.42	319.59	363.42
Taxes - Current	53.65	29.00	63.25	238.00	225.00
- Deferred	23.25	105.68	263.51	(88.01)	27.39
- Fringe Benefit Tax	--	--	5.25	3.95	4.00
Net Profit	259.62	234.14	418.69	577.04	395.11
Dividend (including dividend tax)	93.05	109.73	161.96	160.83	112.58
Retained Profit	166.57	124.41	256.73	416.21	282.53
Performance Parameters					
Net Fixed Assets	1271.37	1821.37	2652.98	3065.08	3075.39
Share Capital	458.22	458.22	458.22	458.22	458.22
Reserves	485.03	608.72	862.22	1278.38	1560.91
Net Worth	943.25	1066.94	1320.40	1736.60	1997.69
Return on Net Worth %	28.00	22.00	32.00	33.00	20.00
Borrowings	485.11	707.93	1265.93	1298.43	1167.04
Debt Equity Ratio	0.51	0.66	0.95	0.75	0.58
Dividend (%)	18	21	31	30	21
Earnings per share (Rs.)	5.67	5.11	9.14	12.59	8.62

ANNEXURE 3 TO DIRECTORS' REPORT**REPORT ON CORPORATE GOVERNANCE****a. A brief statement on Company's philosophy on code of governance**

The objective of the Company is to enhance shareholder value, which is sought to be achieved through good Corporate Governance. Magna also strives to maintain absolute transparency in all its dealings with the various stakeholders, and as a responsible corporate citizen, share the benefits with all its stakeholders and the society at large.

Board of Directors

The composition of the Board of Directors of the Company is as under:

Sl.No.	Name	Director/ Chairman	Promoter/ Executive/ Non Executive/ Independent/ Non-Independent	No. of other companies in which he/she is a Director	Committee in which he/she is a member/ Chairman in other companies
1	Late L.G.Ramamurthi	Chairman (till 13-05-2008)	Non-Executive/ Non-Independent	9	1/Nil
2	Sri.J.Vijayakumar	Director	Non-Executive/ Non Independent	4	2/Nil
3	Sri.N. Krishna Samaraj	Managing Director	Promoter & Executive/ Non Independent	7	2/Nil
4	Sri. V.Rajendran	Director	Non executive/ Independent	3	Nil
5	Sri. K.Gnanasekaran	Director	Non Executive/ Independent	5	1/Nil
6	Smt.R.Nandini	Director	Non Executive/ Independent	4	1/Nil
7	Dr.Jalram Varadaraj	Director	Non Executive/ Independent	10	5/1

b. Number of Board meetings held and attended by the Directors:

Four Meetings of the Board of directors were held during the year ended 31st March 2008 on (i) May 31, 2007; (ii) July 30, 2007; (iii) October 30, 2007; (iv) January 25, 2008. Attendance recorded of each of the Directors at the Board Meetings during the year ended 31st March 2008 as also of the Annual General Meeting is as follows:

Name of the Director	No of Board Meetings attended	Attendance at the last AGM
Late L.G.Ramamurthi	3	No
Sri. V.Rajendran	2	Yes
Sri. N.Krishna Samaraj	4	Yes
Sri. J.Vijayakumar	4	No
Sri. K.Gnanasekaran	3	Yes
Smt. R.Nandini	4	Yes
Dr. Jairam Varadaraj	3	Yes

Brief Note on Directors seeking appointment / reappointment at the ensuing AGM

Sri.V.Rajendran, aged 61, is an engineering graduate with more than 30 years of experience in the foundry industry. Sri.V.Rajendran is well-versed in all aspects of the foundry industry. He is the Managing Partner of V.R.Foundries, Coimbatore, one of the leading foundries in the region.

Sri.K.Gnanasekaran, aged 54, is a Chartered Accountant and a Financial Analyst. He is associated with various industries as a financial consultant.

c. Audit Committee

The Audit Committee consists of four Directors and is chaired by Sri. V.Rajendran. The Audit committee meetings were held on (i) May 31, 2007; (ii) July 28, 2007; (iii) October 30, 2007; (iv) January 25, 2008.

The Company Secretary acts as the Secretary to the Audit Committee.

The terms of reference of the Audit Committee covers the various matters specified in Clause 49 of the Listing Agreement.

Composition, name of members, meetings and attendance during the year:

Name of the member	No of meetings held	Attendance
Sri. V.Rajendran (Chairman)	4	2
Sri.J.Vijayakumar	4	4
Sri.K.Gnanasekaran	4	3
Smt.R.Nandini	4	4

d. Shareholders Grievance Committee:

The Shareholders Grievance Committee comprises of three directors. The Committee is chaired by Mr.J.Vijayakumar. Mr. R.Ravi, Company Secretary is the Compliance Officer. The Committee meetings were held on (i) May 31, 2007; (ii) July 28, 2007; (iii) October 30, 2007; (iv) January 25, 2008.

Composition, name of members, meetings and attendance during the year:

Name of the member	No of meetings held	Attendance
Sri.J.Vijayakumar	4	4
Sri.V.Rajendran	4	2
Sri.N.Krishna Samaraj	4	4
Sri.R.Ravi	4	4

e. Remuneration Committee

The Remuneration Committee comprises of Mr.V.Rajendran and Mr.K.Gnanasekaran as its members. The Company pays remuneration to Managing Director by way of salary, perquisites and commission as approved by the members of the Company. The Non-executive Directors are not paid any remuneration except by way of sitting fees. The Remuneration Committee did not meet during the period under review.

Non-Executive Directors were paid sitting fees for attending Board Meetings/Committee Meetings.

f. Disclosure

- a. Disclosures on materially significant related party transactions i.e. transactions of the Company of material nature, with its promoters, the directors or the management, their subsidiaries or relatives etc, that may have potential conflict with the interest of the Company at large.

None of the transactions with any of the related parties were in conflict with the interest of the Company.

- b. Details of non-compliance by the company, penalties, strictures imposed on the Company by Stock exchange or SEBI or any statutory authority, on any matter related to capital market during the last three years : None.

g. General Body Meetings

Location and time, where the last three AGM's held.

Year	Location	Date	Time
2005	Hotel Residency, Avanashi Road, Coimbatore	29.8.2005	10.00 A.M.
2006	Hotel Residency, Avanashi Road, Coimbatore	31.7.2006	10.00 A.M.
2007	Hotel Residency, Avanashi Road, Coimbatore	30.7.2007	10.00 A.M.

h. Details of Special Resolution passed in the last three AGM's

Year	Special Resolutions
2005	Nil
2006	Appointment and payment of remuneration to the Managing Director
2007	Nil

i. Means of Communication

The Company is regularly publishing quarterly unaudited and audited financial results and notice advertisements in The Business Line and Malaimalar (vernacular language). The Company is posting the quarterly results and other statutory information in the Company's website www.magnacast.com.

j. General shareholder information

i. AGM date, time and venue	21st August 2008 at 10.00 A.M. Hotel Residency, Avanashi Road, Coimbatore 641 018
ii. Financial calendar	1st April to 31st March
iii. Book Closure date	1st August 2008 to 21st August 2008 (Both days inclusive)
iv. Dividend payment date	On or after 21st August 2008 within 30 days from the date of AGM
v. Listing on Stock Exchanges	Coimbatore and Mumbai

vi. Stock Code Coimbatore Stock Exchange Stock Exchange, Mumbai	21/ 065 517449
vii. Registrars and Share Transfer Agents for both Dematerialised and physical shares	M/s SKDC Consultants Limited Post Box No: 2979 No.7, Seth Narayandas Layout, Street No.1, Tatabad P.O. Coimbatore 641 012
viii.Share Transfer system	Share transfers are registered and returned within a period of 30 days from the date of receipt; if the documents are clear in all respects, by the Share Transfer Committee which meets every week.

ix. The Stock market during the year at the Stock Exchange, Mumbai is furnished below. (in rupees)

Month	High	Low
Apr 2007	125.00	94.10
May 2007	115.00	89.05
Jun 2007	132.40	96.55
Jul 2007	117.10	96.00
Aug 2007	104.90	80.10
Sep 2007	102.50	80.10
Oct 2007	97.90	74.10
Nov 2007	92.00	74.25
Dec 2007	107.50	85.75
Jan 2008	114.80	80.00
Feb 2008	89.00	72.80
Mar 2008	87.00	60.00

x. Shareholding pattern as on 31st March, 2008

Category	No of shares held	% of share holding
Indian Promoters	13,40,705	29.26
Mutual Funds and UTI	70,600	1.54
Private Corporate bodies	3,67,539	8.02
Indian Public	22,44,995	49.00
NRIs/ OCBs	4,66,531	10.18
Directors & Relatives	91,830	2.00
Other Directors	-	-
Grand Total	45,82,200	100.00

xi. Distribution of shareholding as on 31st March, 2008

Share holding (Range)	No. of Holders	% of Holders	No. of Shares	% of Shares
Upto 500	3651	84.42	5,42,441	11.84
500- 1000	183	4.23	1,51,173	3.30
1001- 2000	161	3.72	2,45,220	5.35
2001- 3000	180	4.16	4,52,808	9.88
3001- 4000	16	0.37	57,272	1.25
4001- 5000	29	0.67	1,37,665	3.00
5001-10000	34	0.79	2,46,829	5.39
10001 and above	71	1.64	27,48,792	59.99
TOTAL	4325	100.00	45,82,200	100.00

xii. Dematerialisation of shareholding and liquidity	Number of shares dematerialized Percentage : 52.70%
xiii. Outstanding GDR/ADR/Warrants or any convertible instruments, conversion date and impact on equity	Not Applicable
xiv. Plant location	SF No.34 and 35 Part Coimbatore Pollachi Main Road, Mullipadi Village, Tamaraikulam Post, Pollachi Taluk, Coimbatore District, Pin: 642 109
xv. Address for Correspondence and Registered office	43 (Old No.62), Balasundaram Road Coimbatore 641 018, Tamil Nadu

k) Code of Conduct:

As provided under clause 49 of the Listing Agreement with the Stock Exchanges, the Board of Directors of the Company have laid down the Code of Conduct for the Directors and the senior management personnel. A declaration has been received from the Managing Director to the effect that the Directors and senior management personnel have confirmed compliance with the said Code of Conduct.

By order of the Board

Coimbatore
30th May 2008

Chairman

Compliance certificate from the Auditors of the Company

To
The Members of M/s. Magna Electro Castings Limited

We have examined the compliance of conditions of Corporate Governance by Magna Electro Castings Limited for the year ended 31.3.2008, as stipulated in clause 49 of the listing agreement of the said company, with the stock exchanges.

The compliance of conditions of Corporate Governance is the responsibility of the management. Our examination has been limited to a review of the procedures and implementations thereof, adopted by the Company for ensuring compliance with the conditions of the Corporate Governance. It is neither an audit nor an expression of opinion on the financial statements of the Company.

In our opinion and to the best of our information and according to the explanations given to us, and the representations made by the Directors and the Management, we certify that the company has complied with the conditions of Corporate Governance as stipulated in clause 49 of the above mentioned listing Agreement.

As required by the guidance note issued by the Institute of Chartered Accountants of India, we have to state that based on the representation given by the Registrars of **the Company** to the Investors' Grievance Committee as on March 31, 2008, there were no investors' grievance matters against the Company remaining pending for more than 30 days.

We further state that, such compliances is neither an assurance as to the future viability of the Company, nor the efficiency or effectiveness, with which, the management has conducted the affairs of the Company.

For **S. Krishnamoorthy & Co.**
Chartered Accountants
K.N. Sreedharan
Partner, Auditor
Membership No. 12026

Place: Coimbatore
Date : 30.05.2008

MANAGEMENT DISCUSSION AND ANALYSIS**Overview:**

Magna is engaged in the manufacture and sale of ductile iron and grey iron castings. Magna has also installed Wind Energy Generators for generation of eco-friendly power and plans to become self-sufficient in clean energy.

Magna aims to provide its customers products and services consistently conforming to clearly established customer requirements at the right time and at the right cost.

The financial statements have been prepared in compliance with the requirements of the Companies Act, 1956 and the Generally Accepted Accounting Principles. There are no material deviations from the prescribed accounting standards.

Industry structure and developments

The Indian foundry industry is the 5th largest in the world. The Indian foundry industry produces about 6.5 million tons per year of castings. The other engineering industries in general and the automobile industry in particular depends heavily on the foundry industry and therefore the performance of this industry has a direct bearing on the other manufacturing sectors.

Opportunities and Threats

The global demand for metal castings is growing rapidly and this is further expected to multiply in the next few years. Most of the developed countries are outsourcing their requirements in a big way from the emerging markets like China, India, Brazil and Mexico. With a strong engineering base and availability of talented human resources, it should be possible to seize the business opportunity. Magna specializes in low to medium volume products and has carved a niche market in this segment. With the state of the art manufacturing facilities and available capacity, the Company is better equipped to tap the potential market opportunities.

The high cost of inputs like steel scrap, pig iron and power act as a deterrent to the fast track growth. The high logistics cost and duty structure make the input costs expensive and consequently makes the final product uncompetitive.

Environment, Safety and Energy Conservation Policy:

Your Company continues to pay due attention to protect environment. Adequate safety measures are taken by imparting training and creating awareness amongst the employees.

Risks and concerns

Risk is an integral part of business process. Your Company is aware of the risks associated with the business process and suitable risk mitigation measures are being taken from time to time.

Internal control systems and their adequacy

The Company has an adequate system of internal controls to ensure proper recording of financial transactions, operating functions and compliance with rules and regulations. The Company periodically reviews the adequacy of the internal control systems.

Personnel

Your Company continues to focus its attention in attracting and retaining the best human resources talent. Various methods are being adopted like imparting training to all employees, motivational techniques and creating ideal working atmosphere so that there is total employee involvement. The Company aims to provide 10 man days of training per employee per year from the earlier target of 7 days.

Cautionary statement

The views expressed herein may be forward looking within the legal frame-work, but the actual results may differ from what has been expressed due to various factors. The information given herein is based on information available with the Company and its judgement. This judgement depends upon the Company's perception. Any investment by shareholders/investors should therefore be based on their individual analysis.

AUDITORS' REPORT

To

The Members of MAGNA ELECTRO CASTINGS LIMITED,

1. We have audited the attached Balance Sheet of M/s MAGNA ELECTRO CASTINGS LIMITED as at March 31st, 2008, and the Profit & Loss Account and the cash flow statement for the year ended as on that date annexed thereto. These financial statements are the responsibility of the management of the company. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We conducted our audit in accordance with Auditing Standards generally accepted in India. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes, examining on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the Accounting principles used and significant estimates made by Management, as well as evaluating the overall presentation of the financial statements. We believe that our audit provides a reasonable basis for our opinion.
3. As required by the Companies' (Auditor's Report) Order, 2003, as amended, issued by the Government of India in terms of Sub-section (4A) of Section 227 of the Companies Act, 1956, we enclose in the Annexure a statement on the matters specified in paragraph 4 of the said order.
4. Further to our comments in the Annexure referred to above, we report that:
 - a) We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purpose of our audit.
 - b) In our opinion, proper books of account as required by law have been kept by the Company so far as appears from our examination of those books.
 - c) The Balance Sheet, Profit & Loss Account and cash flow statement referred to in this report are in agreement with the books of account.
 - d) In our opinion, the Balance Sheet and Profit and Loss Account and cash flow statement dealt with by this report comply with the Accounting Standards referred to in Sub Section (3C) of Section 211 of the Companies Act, 1956.
 - e) On the basis of written representations received from the directors individually as on March 31, 2008 and taken on record by the Board of Directors, we report that none of the directors of the company are disqualified from being appointed as director in terms of Section 274(1)(g) of the Companies Act 1956.
 - f) In our opinion and to the best of our information, and according to the explanations given to us, the said accounts give the information required by the Companies Act, 1956 in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India;
 - i) In the case of Balance Sheet, of the state of affairs of the Company as at March 31, 2008;
 - ii) In the case of the Profit & Loss Account, of the Profit of the Company for the year ended on that date; and
 - iii) In the case of the cash flow statement, of the cash flows for the year ended on that date.

For **S.Krishnamoorthy & Co.**
Chartered Accountants
K.N. SREEDHARAN
Partner, Auditor
Membership No.12026

Place: Coimbatore
Date: 30.05.2008

ANNEXURE TO THE AUDITORS' REPORT

(Referred to in paragraph 3 of our report of even date)

- i. (a) The Company has maintained proper records showing full particulars including quantitative details and situation of fixed assets.
- (b) Fixed assets have been physically verified by the management at periodic intervals. Verification of its Fixed Assets is in our opinion, reasonable having regard to the size of the company and nature of its assets. No material discrepancies have been noticed on such verification.
- (c) There is no disposal of substantial part of fixed assets during the year.
- ii. (a) Physical verification of inventory has been conducted at reasonable intervals by the management. In respect of inventory lying with the third parties, these have been confirmed by them. In our opinion the frequency of verification is reasonable.
- (b) The procedure of physical verification of the inventories followed by the Management are reasonable and adequate in relation to the size of the Company and nature of its business.
- (c) The company has maintained proper records of inventories and no material discrepancies were noticed on physical verification of inventories as compared to book records.
- iii. During the year the company has neither granted loans to nor taken any loans from companies, firms or other parties covered in the Register maintained under sec.301 of the Companies Act.
- iv. There is an adequate internal control system commensurate with the size of the company and the nature of its business for the purchase of inventory, fixed assets and for the sale of goods and services. During the course of our audit, no major weakness has been noticed in the internal control system.
- v. (a) To the best of our knowledge and belief, and according to the information and explanations given to us, we are of the opinion that the transaction that need to be entered in the register in pursuance of section 301 of the Companies Act, 1956, have been so entered.
- (b) The transactions have been made at prices which are reasonable having regard to the prevailing market prices at the relevant time.
- vi. The company has not accepted any deposit from the public during the year.
- vii. The company has an adequate Internal Audit system commensurate with the size and nature of its business.
- viii. We have been informed by the management, that no cost records have been prescribed under section 209(1)(d) of the Companies Act 1956, in respect of products manufactured by the company.
- ix. (a) The company is regular in depositing with appropriate authorities undisputed statutory dues including Provident fund, Investor Education and Protection Fund, Employees state insurance, Income tax, Sales tax, Wealth tax, Service Tax, Custom duty, Excise duty, Cess and other statutory dues. According to the Information and explanations given to us, no undisputed arrears of statutory dues were outstanding as at 31st March 2008, for a period of more than six months from the date they become payable.
- (b) According to the records of the company, there are no statutory dues which have not been deposited on account of any dispute.

- x. There are no accumulated losses at the end of the financial year 31st March 2008. The company has not incurred any cash losses during the financial year covered by our audit and the immediately preceding financial year.
- xi. In our opinion and according to the information and explanations given to us the company has not defaulted in repayment of its dues to financial institution or bank.
- xii. During the year, the company has not granted any loans and advances on the basis of security or by way of pledge of shares, debentures or other securities.
- xiii. The provisions of Special Statutes applicable to Chit Fund, Nidhi or Mutual Benefit Fund/ Societies are not applicable to the company.
- xiv. The company is not dealing or trading in shares, securities, debentures or other investments.
- xv. The company has not given any guarantee for loans taken by others from banks and financial institutions.
- xvi. The term loan obtained by the company have been applied for the purpose for which they were raised.
- xvii. According to the information and explanations given to us and on an overall examination of the Source and Application of the funds of the company, we report that funds raised on short-term basis have not been used for long-term investments by the company.
- xviii. The company has not made any preferential allotment of shares to parties and companies covered in the register maintained under section 301 of the Companies Act, 1956.
- xix. In our opinion and according to the information and explanations given to us the company has not issued any secured debentures during the period covered by our report.
- xx. The company has not raised any funds through public issue during the year.
- xxi. To the best of knowledge and belief and according to the information and explanations given to us no frauds on or by the company has been noticed or reported during the year.

For **S.Krishnamoorthy & Co.**
Chartered Accountants

K.N.Sreedharan
Partner, Auditor
Membership No.12026

Place: Coimbatore
Date: 30.05.2008

BALANCE SHEET AS AT 31st MARCH 2008

Particulars	Schedule No.	As at March 31, 2008 Rs.	As at March 31, 2007 Rs.
SOURCES OF FUNDS:			
Share Capital	1	4,58,22,000	4,58,22,000
Reserves & Surplus	2	15,60,90,971	12,78,38,451
		20,19,12,971	17,36,60,451
Loan Funds:			
Secured Loans	3	10,96,72,476	11,44,57,801
Unsecured Loans	3	1,30,85,889	1,53,85,054
		12,27,58,365	12,98,42,855
Deferred Tax	4	4,98,51,155	4,71,12,079
TOTAL		37,45,22,491	35,06,15,385
APPLICATION OF FUNDS:			
Fixed Assets:	5		
Gross Block		44,37,95,443	35,03,96,539
Less : Depreciation		13,62,56,126	10,34,83,439
Add : Capital Work in Progress		0	5,95,95,287
Net Block		30,75,39,317	30,65,08,387
Current Assets, Loans & Advances			
Inventories	6	5,56,68,685	2,92,80,946
Sundry Debtors	7	7,68,19,178	5,43,02,867
Cash & Bank Balances	8	99,45,023	2,14,53,843
Loans & Advances	9	6,17,15,483	5,15,32,107
(A)		20,41,48,369	15,65,69,763
Less:			
Current Liabilities & Provisions			
Current Liabilities	10	10,28,83,947	7,20,79,930
Provisions	10	3,42,81,248	4,03,82,835
(B)		13,71,65,195	11,24,62,765
Net Current Assets	(A-B)	6,69,83,174	4,41,06,998
TOTAL		37,45,22,491	35,06,15,385

Schedule 1 to 10 and notes on accounts form part of this Balance Sheet

As per our report annexed
for **S.Krishnamoorthy & Co.**
Chartered Accountants

J. Vijayakumar
Director

K.N.Sreedharan
Membership No. : 12026
Partner
Auditor

R. Ravi
Company Secretary

N.Krishna Samaraj
Managing Director

Coimbatore
30th May 2008

PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED 31st MARCH 2008

Particulars	Schedule No.	As at March 31,2008 Rs.	As at March 31,2007 Rs.
INCOME			
Gross Sales		56,54,77,060	48,91,44,316
Less:Excise Duty Paid		2,19,17,495	2,05,51,017
Less:Educational Cess		6,57,954	4,34,698
Net Sales		54,29,01,611	46,81,58,601
Export Incentive		1,45,16,633	60,11,276
Other Income	11	47,36,732	56,36,084
		1,92,53,365	116,47,360
		56,21,54,976	47,98,05,961
EXPENDITURE			
Goods Consumption	12	22,77,24,517	18,57,07,915
Manufacturing Expns	13	16,06,89,572	11,90,61,479
Int & Finance Charges	14	1,76,03,063	1,56,78,607
Other Expenses	15	5,46,45,784	5,43,02,081
Depreciation	5	3,63,42,460	3,19,59,122
		49,70,05,396	40,67,09,204
Profit before Tax		6,51,49,580	7,30,96,757
Provision for Income Tax		2,25,00,000	2,38,00,000
Provision for Fringe Benefit Tax		4,00,000	3,94,828
Provision for Deferred Tax Liability / (Asset)		27,39,076	(88,01,255)
Profit after Tax		3,95,10,504	5,77,03,184
Balance Brought forward		2,62,60,451	1,46,40,102
		6,57,70,955	7,23,43,286
Appropriations			
Proposed Dividend		96,22,620	1,37,46,600
Corporate Tax on Dividend		16,35,364	23,36,235
Transfer to General Reserve		2,50,00,000	3,00,00,000
Surplus Carried Over		2,95,12,971	2,62,60,451
Earning per share of Rs. 10/- each as per Notes on Accounts No. 19		8.62	12.59

Schedule 11 to 15 and notes on accounts form part of this Profit & Loss Account

As per our report annexed
for **S.Krishnamoorthy & Co.**
Chartered Accountants

J. Vijayakumar
Director

K.N.Sreedharan
Membership No. : 12026
Partner
Auditor

R. Ravi
Company Secretary

N.Krishna Samaraj
Managing Director

Coimbatore
30th May 2008

Schedules

Particulars	As at 31st March, 2008 Rs.	As at 31st March, 2007 Rs.
1. Share Capital		
Authorised Share Capital 50,00,000 Equity shares of Rs.10/- Each	<u>5,00,00,000</u>	<u>5,00,00,000</u>
Issued,Subscribed & Paid up: 45,82,200 Equity Shares of Rs.10/- Each	<u>4,58,22,000</u>	<u>4,58,22,000</u>
2. Reserves & Surplus		
i) Capital Reserve Subsidy from Government of Tamilnadu	15,78,000	15,78,000
ii) General Reserve Balance brought forward	10,00,00,000	7,00,00,000
Add : Transfer from Profit & Loss A/c	<u>2,50,00,000</u>	<u>3,00,00,000</u>
iii) Surplus Balance in Profit & Loss A/c	<u>2,95,12,971</u>	<u>2,62,60,451</u>
	<u>15,60,90,971</u>	<u>12,78,38,451</u>
3. Secured Loans		
Loans & Advances from Banks		
Term Loan from Corporation Bank	7,01,78,170	8,01,22,550
Letter of Credit - Corporation Bank	1,75,15,567	1,04,38,242
Cash Credit A/c - Corporation Bank	59,32,171	0
Term Loan from Indian Bank	1,57,05,583	2,29,70,583
Interest Accrued on Term Loan (Secured by equitable mortgage of land and buildings and hypothecation of plant and machinery and other assets)	3,40,985	9,26,426
	<u>10,96,72,476</u>	<u>11,44,57,801</u>
Unsecured Loans		
Other Loans :		
Hire Purchase instalments Payable	1,22,293	1,15,653
Interest free Sales Tax loan	<u>1,29,63,596</u>	<u>1,52,59,401</u>
	<u>1,30,85,889</u>	<u>1,53,75,054</u>
4. Deferred Tax		
Balance brought forward	4,71,12,079	5,59,13,334
Transfer from Profit & Loss Account	27,39,076	0
(Deferred Tax Asset)-Transfer to Profit & Loss Account	0	(88,01,255)
	<u>4,98,51,155</u>	<u>4,71,12,079</u>

5. Fixed Assets

Particulars	Gross Block				Depreciation				Net Block	
	As on 1.4.2007	Additions During the year	Sales during the year	Total	As on 1.4.2007	For the Year	Withdrawn	As on 31.03.2008	As on 31.03.2008	As on 31.03.2007
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Land	26,54,866	0	0	26,54,866	0	0	0	0	26,54,866	26,54,866
Buildings	5,22,39,684	4,52,21,791	0	9,74,61,475	1,10,70,141	19,09,877	0	1,29,80,018	8,44,81,457	4,11,69,543
Plant & Machinery	27,18,46,887	4,41,75,381	56,76,337	31,03,45,931	8,21,35,483	3,10,49,881	32,05,584	10,99,79,780	20,03,66,151	18,97,11,404
Electrical Installation	51,72,513	63,78,782	0	1,15,51,295	29,07,573	10,48,324	0	39,55,897	75,95,398	22,64,940
Borewell Equipment	34,532	0	0	34,532	13,450	1,153	0	14,603	19,929	21,082
Office Equipments	20,34,238	2,35,863	0	22,70,101	7,98,919	1,00,361	0	8,99,280	13,70,821	12,35,319
Furniture	28,96,751	22,48,773	0	51,45,524	9,88,763	2,68,256	0	12,57,019	38,88,505	19,07,988
Vehicles	43,75,017	3,48,867	2,53,136	44,70,748	18,33,769	4,36,218	3,64,189	19,05,798	25,64,950	25,41,248
Computers	91,42,051	7,18,920	0	98,60,971	37,35,341	15,28,390	0	52,63,731	45,97,240	54,06,710
Total	35,03,96,539	9,93,28,377	59,29,473	44,37,95,443	10,34,83,439	3,63,42,460	35,69,773	13,62,56,126	30,75,39,317	24,69,13,100
Capital Work in Progress									--	5,95,95,287
Figures for Previous year	33,73,01,493	1,38,54,822	7,59,776	35,03,96,539	7,20,03,449	3,19,59,122	4,79,132	10,34,83,439	30,75,39,317	30,65,08,387

MAGNA

Schedules Contd.

Particulars	As at 31st March, 2008 Rs.	As at 31st March, 2007 Rs.
6. Inventories (As Certified by Managing Director and valued)		
Raw Materials at Cost	225,15,104	87,11,592
Stores & Spares at Cost	79,12,944	84,25,339
WIP at Estimated Cost	1,86,18,061	2,24,932
Finished Goods at Cost/Net Realisable value whichever is lower	66,22,576	1,19,19,083
	5,56,68,685	2,92,80,946
7. Sundry Debtors Unsecured and Considered Good		
Outstanding for more than Six Months	1,10,70,169	65,89,999
Other Debts	6,57,49,009	4,77,12,868
	7,68,19,178	5,43,02,867
8. Cash & Bank Balances		
Cash balance on Hand	2,438	3,648
Bank Balances		
a) With Scheduled Banks		
in Current Accounts	36,51,333	21,37,362
in Term Deposit Accounts	44,55,779	1,72,01,274
In Unpaid Dividend A/c	17,01,938	14,41,378
b) With Others		
Citibank in Current A/c	1,33,535	6,70,181
	99,45,023	2,14,53,843
9. Loans & Advances Unsecured and Considered Good		
Advances recoverable in cash or in kind or for value to be received	1,75,10,863	126,48,745
Advance payment of tax	1,75,31,282	202,26,387
Balance with Central Excise	1,75,94,536	98,74,684
Earnest & Security Deposits	90,78,802	87,82,291
	6,17,15,483	5,15,32,107
10. Current Liabilities		
a) Sundry Creditors		
Dues to Micro, Small and Medium Enterprises	61,61,052	54,97,948
Dues to Others	9,37,43,449	6,24,91,719
b) Investor Education and Protection Fund Shall be credited by the following amounts namely (a) Unpaid Dividend A/c	17,01,938	14,41,378
c) Other Liabilities		
Liability for Taxes	6,62,453	4,70,890
Liability for Other Finance	3,86,014	3,47,436
Advance from Customers	2,29,041	18,30,559
	10,28,83,947	7,20,79,930
Provision(s)		
i) For Income Tax	2,25,64,556	238,00,000
ii) For Fringe Benefit Tax	4,58,708	5,00,000
iii) For Dividend	96,22,620	1,37,46,600
iv) For Corporate Tax on Dividend	16,35,364	23,36,235
	3,42,81,248	4,03,82,835

Schedules Contd.

Particulars	As at 31st March, 2008 Rs.	As at 31st March, 2007 Rs.
11. Other Income		
Interest on Bank Deposits	2,45,049	8,61,541
Interest on Security Deposit	4,85,867	3,25,000
Sale of Waste & Scrap	2,66,421	35,978
Technical Development Charges	1,00,000	1,30,000
Sale of Resin etc	0	89,052
Others	7,00,605	2,14,431
Foreign Exchange Fluctuation	27,42,060	40,66,134
Agricultural Income	0	3,000
Profit on Sale of Fixed Assets	1,96,730	0
	47,36,732	57,25,136
12. Goods Consumption		
I. Raw Materials Consumed:		
Opening Stock	87,11,592	75,81,449
Add: Purchases	<u>22,25,30,902</u>	<u>15,68,74,193</u>
	23,12,42,494	16,44,55,642
Less: Closing Stock of Raw Materials	<u>2,25,15,104</u>	<u>87,11,592</u>
Closing Stock of Finished Goods:		
(Increase) / Decrease in Work-in-progress	(1,83,93,129)	4,93,854
(Increase) / Decrease in Finished Goods	<u>52,96,507</u>	<u>73,29,149</u>
	(1,30,96,622)	78,23,003
II. Stores & Spares Consumed	<u>3,20,93,749</u>	<u>2,21,40,862</u>
	22,77,24,517	18,57,07,915
13. Manufacturing Expenses:		
Power & Fuel*	3,72,77,197	2,58,05,613
Salaries, Wages & Bonus	2,89,20,799	2,02,36,252
Labour Charges	1,15,31,973	94,91,739
Contribution to PF	15,33,585	11,26,672
Processing Charges	7,56,84,084	5,72,18,535
Welfare Expenses	57,41,934	51,82,668
* Refer Note No. 21 in the Notes on Accounts	16,06,89,572	11,90,61,479
14. Interest & Finance Charges		
Interest on Fixed Loans	94,08,260	93,10,128
Interest on Others	49,64,830	40,32,338
Bank Charges	<u>32,29,973</u>	<u>23,36,141</u>
	1,76,03,063	1,56,78,607
15. Other Expenses:		
Rent	3,00,000	3,00,000
Insurance	22,02,672	21,80,820
Licence, Fees & Taxes	5,40,883	11,58,035
Repairs to Buildings	25,62,939	28,78,595
Repairs to Plant & Machinery	2,05,61,004	1,73,28,672
Auditors Remuneration	1,51,686	148,799
Sitting Fees-Directors	71,000	78,000
Managerial remuneration	34,51,158	38,56,863
Miscellaneous Expenses	74,68,714	86,69,956
Selling Expenses	1,62,48,298	1,62,54,853
Charity & Donation	7,36,000	13,30,000
Loss on Sale of Fixed Asset	3,51,430	1,05,644
Bad Debts Written Off	0	11,844
	5,46,45,784	5,43,02,081

NOTES ON ACCOUNTS**1. SIGNIFICANT ACCOUNTING POLICIES:****i) Method of Accounting:**

The accounts of the company are prepared under the historical cost convention and on mercantile basis as a going concern in accordance with the applicable accounting standards referred to in Section 211 (3C) of the Companies Act, 1956.

ii) Revenue Recognition:

Sales are accounted net of Sales Tax. Other receipts are accounted on accrual basis. Material consumption is net of Cenvat. Excise duty in respect of goods manufactured other than what is in stock at the close of the year is accounted at the time of removal of goods from the factory for sale.

iii) Accounting for Fixed Assets:

- a. Fixed Assets are stated at cost net of Cenvat including all direct and indirect expenses and allocable borrowing costs relating thereto.
- b. Depreciation has been provided under Straight Line Method at the rates prescribed in Schedule XIV to the Companies Act, 1956 prorated to the number of days used during the year in accordance with the provisions of Section 205 (2)(b) of Act. In respect of assets costing less than Rs.5,000/- hundred percent depreciation is provided.

iv) Valuable of Inventories:

Inventories have been valued at lower of cost and net realisable value.

- a) Raw Material and Components are valued using Weighted Average cost.
- b) Cost of finished goods are determined as cost of raw material and other manufacturing cost on historical basis inclusive of excise duty wherever applicable.
- c) In respect of semi-finished goods cost is taken as cost of the materials and other cost of manufacture upto the various stages of completion.
- d) Stores and spares are valued at cost on First In First Out basis.

v) Foreign currency transactions:

Foreign currency transactions are recorded at the rate of exchange prevailing on the date of respective transactions. Resultant gain or loss at the time of realization is recognized separately. The carrying value of foreign currency assets and liabilities are restated at the year end rates.

vi) Impairment of Assets :

Impairment in the value of fixed assets is recognized to the extent that the recoverable amount of an asset is less than its carrying value and will be charged to Profit & Loss account as prescribed by ICAI in AS 28.

- vii) a) The Company has set up an Employees Group Gratuity Trust Fund under Group Gratuity (Cash Accumulation) Scheme of Life Insurance Corporation of India. Provision has been made for Gratuity upto 31.03.2008 based on actuarial valuation received from LIC of India.
- b) The Company provides benefits in the form of leave encashment and medical reimbursement. Provision has been made in its entirety as on 31.03.2008.

viii) Taxation:

Provision for taxation is made in terms of the Income tax Act, 1961 in respect of Income liable to tax at either special or normal rates.

In accordance with the Accounting Standard 22, the deferred tax for the timing differences between the book profits and taxable income for the year is accounted for, using the tax rates substantively enacted as of the balance sheet date.

- ix) The value of Power Generated by Wind Energy Generators and exported to the Grid is treated as reduction in the power charges to the extent it is adjusted in the bills by the TNEB and the excess, if any as sale of electricity.

2. STATUTORY AND OTHER INFORMATION:		2007-2008		2006-2007
	MT	Rs.	MT	Rs.
1. Raw Materials Consumed:				
Steel scrap	5,378.33	10,82,58,517	4,055.68	6,92,79,807
Ferro silicon magnesium	157.18	97,85,709	129.09	74,01,937
Pigiron	1,655.63	3,53,67,924	1,480.21	2,61,79,542
Others	-	5,53,15,240	-	5,28,82,764
		<u>20,87,27,390</u>		<u>15,57,44,050</u>
The figures given above are in respect of goods consumed, the value of which is 10% or more of the total value of goods consumed.				
2. Value and Percentage of consumption:				
a. Raw materials				
Imported		3,06,97,317 (14.71%)		69,71,907 (04.48%)
Indigenous		17,80,30,073 (85.29%)		14,87,72,143 (95.52%)
b. Stores consumables				
Imported		22,86,139 (7.12%)		41,20,334 (18.61%)
Indigenous		2,98,07,610 (92.88%)		1,80,20,528 (81.39%)
c. Machinery spares imported and consumed has been charged to Repairs to Machinery account.				
3. Value of Imports calculated on C.I.F.basis				
Plant & Machinery		2,09,180		1,89,37,224
Machinery spares		22,86,139		41,20,334
Raw materials		3,06,97,317		69,71,907
4. Capacity and Production:				
Castings in MT				
Licensed Capacity		31200.000		7200.000
Installed Capacity		10800.000		7200.000
Production		6403.859		5698.548
Opening Stock		202.501		357.685
Closing Stock		412.414		202.501
Turnover		6193.946		5446.797
Wind Electric Generator				
No. of Units Generated		47,44,293		55,55,926

5. Interest payments includes interest on Term loan from Bank Rs.94,08,260/- (Previous year Rs. 93,10,128/-)
6. i) Bills Discounted and outstanding as on 31.03.2008 amounts to Rs.7,44,10,125/- (Previous year Rs.8,69,42,052/-)
- ii) Estimated amount of contracts to be executed on account of capital expenditure is Rs.87,90,743/-
7. Amount of Excise duty included in the value of Closing stock of Finished goods **Rs. 4,69,001/-** Rs.3,10,480/-
8. a. Miscellaneous expenses include
Travelling expenses Rs.10,17,380/- (Travelling expenses by Directors Rs.1,92,909/-)
(Previous Year Rs.28,36,909/- which includes Travelling Expenses of Directors Rs.16,77,678/-)
- b. Selling expenses include
1) Carriage outwards Rs.68,83,430/- (Previous year Rs.77,56,768/-)
2) Packing and forwarding Rs.82,79,072/- (Previous year Rs.76,38,437/-)
3) Commission and brokerage Rs.10,85,796/- (Previous year Rs.8,59,648/-)
- c. Audit Fees includes payment towards
i) Audit Fees Rs.1,51,686/- (Previous year Rs.1,23,596/-)
ii) Taxation matters Rs.Nil (Previous year Rs.25,203/-)
9. The details of remuneration to Managing Director:
- | | | |
|--------------------------------|------------------|------------------|
| Salary | 21,00,000 | 19,00,000 |
| Other allowances | 19,200 | 19,200 |
| Contribution to Provident Fund | 2,52,000 | 2,28,000 |
| Commission | 10,79,958 | 17,09,663 |
| Total | 34,51,158 | 38,56,863 |
- Computation of Net Profit u/s 349 of the Companies Act, 1956.
- | | | |
|---|---------------------|--------------------|
| Net Profit as per Profit & Loss Account | 6,51,49,580 | 7,30,96,757 |
| Add: Depreciation | 3,63,42,460 | 3,19,59,122 |
| Managerial remuneration | 34,51,158 | 38,56,863 |
| Directors sitting fees | 71,000 | 78,000 |
| Loss on sale of assets | 3,51,430 | 1,05,644 |
| | 10,53,65,628 | 10,90,96,386 |
| Less: Depreciation as per Sec.350 | 3,63,42,460 | 3,19,59,122 |
| Prior year Expenditure | 0 | 0 |
| Net Profit as per Sec.349 | 6,90,23,168 | 7,71,37,264 |
| Commission on Net Profit @ 3% (restricted to) | 10,79,958 | 17,09,663 |
10. Names of Micro and Small Enterprises to whom amount payable and which is outstanding for more than 45 days as at the close of the year are M/s Usha Engineering Works, Deepee Kaniska Metallurgy Pvt Ltd., R.P.Steels.

This information is required to be disclosed under the Micro, Small and Medium Enterprises Development Act, 2006 has been determined to the extent such parties have been identified on the basis of information available with the company.

11. Earnings in Foreign exchange
 FOB Value of Exports Rs. 37,63,05,104 31,75,38,971
 Sale of patterns Rs. 29,63,293 81,68,591
12. Expenditure in Foreign currency
 Travelling Expenses Rs. 70,625 11,60,360
 Subscription Rs. 90,176 1,02,106
13. Details of dividend remitted during the year in foreign currency.
 a. Amount in Rupees Rs. 13,59,000 14,04,300
 b. No. of Non-residents 14 14
 c. No. of equity shares held by above 4,53,000 4,53,000
14. Tax deducted at source on interest receipts Rs. 1,61,903 1,72,230
 on others Rs. 2,551 2,23,012
15. The Company has carried out an exercise to ascertain the impairment, if any, in the carrying values of its fixed assets. This has not revealed any impairment during the year.
16. Deferred tax:

Deferred Tax Workings

Particulars	Op.Balance	Provided	Reversed	Cl.Balance
	during the year			
Deferred Tax Liability-Depn.	4,72,31,880	33,33,527	0	5,05,65,407
Deferred Tax Asset-Bonus	(1,19,801)	(7,14,252)	1,19,801	(7,14,252)
Total	4,71,12,079	26,19,275	1,19,801	4,98,51,155

17. Segment information:

PRIMARY - BUSINESS SEGMENT	2007-08			2006-07		
Particulars	Foundry Division Rs.	Wind Energy Division Rs.	Total Rs.	Foundry Division Rs.	Wind Energy Division Rs.	Total Rs.
Segment Results						
1. REVENUE						
Sales	54,29,01,611		54,29,01,611	46,81,58,601	0	46,81,58,601
Wind Energy Generation		1,66,05,026	1,66,05,026		1,94,45,740	1,94,45,740
Other Income	1,92,53,365	0	1,92,53,365	1,16,47,360	0	1,16,47,360
Total Revenue	56,21,54,976	1,66,05,026	57,87,60,002	47,98,05,961	1,94,45,740	49,92,51,701
Less : Inter Segment Revenue			1,66,05,026			1,94,45,740
Net Revenue from operations			56,21,54,976			47,98,05,961
2. EXPENDITURE						
Interest	1,13,67,873	62,35,190	1,76,03,063	85,84,646	70,93,961	1,56,78,607
Depreciation	2,31,47,242	1,31,95,218	3,63,42,460	1,87,63,904	1,31,95,218	3,19,59,122
Other Expenses	45,71,54,271	25,10,628	45,96,64,899	35,77,01,013	13,70,462	35,90,71,475
Total Expenditure	49,16,69,386	2,19,41,036	51,36,10,422	38,50,49,563	2,16,59,641	40,67,09,204

PRIMARY - BUSINESS SEGMENT	2007-08			2006-07		
Particulars	Foundry Division Rs.	Wind Energy Division Rs.	Total Rs.	Foundry Division Rs.	Wind Energy Division Rs.	Total Rs.
Profit before Tax			6,51,49,580			7,30,96,757
Less :						
Income Tax (Current)			2,25,00,000			2,38,00,000
Deferred Tax			27,39,076			(88,01,255)
Fringe Benefit Tax			4,00,000			3,94,828
Net Profit after Tax			<u>3,95,10,504</u>			<u>5,77,03,184</u>
3. SEGMENT ASSETS	42,21,40,646	8,95,47,040	51,16,87,686	36,03,39,913	10,27,38,237	46,30,78,150
Segment Liabilities	12,29,85,048	10,26,57,265	22,56,42,313	9,14,06,312	11,05,16,473	20,19,22,785
Unallocable Liabilities			8,62,76,781			8,74,94,914
4. TOTAL LIABILITIES			31,19,19,073			28,94,17,699
5. CAPITAL EXPENDITURE	9,93,28,377		9,93,28,377	1,38,54,822	--	1,38,54,822

SECONDARY-GEOGRAPHICAL SEGMENT

Geographical segment has been identified as secondary segment based on segment revenue.

Domestic Sales	16,36,33,214	14,24,51,040
Export Sales to USA	34,79,45,470	31,15,86,218
Export Sales to Europe	3,13,22,927	1,41,21,343
Total	<u>54,29,01,611</u>	<u>46,81,58,601</u>

Note : All the Fixed assets are located in India and are as detailed in Schedule 5.

18. Related party disclosures:

A. Names of the related parties and Descriptions of relationship

- | | |
|--|--|
| 1. Key management personnel | Mr.N. Krishna Samaraj, Managing Director |
| 2. Relatives of Key Management personnel | Mrs.N.Muthulakshmi - Mother |
| 3. Other related parties | 1. Samrajyaa and company
2. Elgi Electric and Industries Ltd
3. Elgi Equipments Ltd. |

B. Transactions with related parties:

Particulars	Key Management Personnel	Relatives of key Management Personnel	Other Related parties	Total
	Rs.	Rs.	Rs.	Rs.

(Figures inside brackets represent figures of last year)

Managerial remuneration	34,51,158 (38,56,863)	-	-	34,51,158 (38,56,863)
Purchase of goods			13,38,523 (11,90,835)	13,38,523 (11,90,835)
Machining charges paid			3,14,54,307 (2,68,61,125)	3,14,54,307 (2,68,61,125)
Rent paid and amenities		3,00,000 (3,00,000)		3,00,000 (3,00,000)
Rent received			1,14,000 (1,14,000)	1,14,000 (1,14,000)
Outstandings				
Payables	1,19,411	21,137	1,38,91,845	1,40,32,393
Receivables			33,643	33,643

19. Earnings per share

(a) Net profit after tax	Rs.	3,95,10,504	5,77,03,184
(b) Weighted average no. equity shares of Rs.10 each outstanding during the year		45,82,200	45,82,200
(c) Basic or diluted earnings per share (a/b)	Rs.	8.62	12.59

20. Borrowing Cost :

The Amount of Borrowing cost capitalized during the period is Rs. 2,24,322/- (Previous Year Rs. 2,93,752/-.)

21. The Power Generated by the Wind Energy Generators during the year and fed into the TNEB Grid are as detailed below.

	2007-08	2006-07
No. of Units Generated	47,44,293	55,55,926
Value in Rs.	1,66,05,026	1,94,45,740

22. Letter of Credit includes Liability on account of Capital Expenditure amounting to Rs.93,81,926/- and on account of Raw materials and Components amounting to Rs.81,33,641/-

23. The Company has not entered into any foreign exchange derivative transactions during the year.

24. Employee Benefits :

1. Company's Contribution to provident Fund : Rs. 15,33,585

2. Defined Benefit Plans : Gratuity

a. Liability recognised in the balance sheet

Present Value of obligations	
as at 01.04.2007	28,27,568
Interest cost	2,12,068
Current service cost	4,83,166
Benefit paid	82,208
Actuarial (gain) / loss on obligations	2,06,338
Present value of obligations	
As at 31.03.2008	36,46,932

b. Fair value of plan assets

As at 01.04.2007	21,13,070
Expected return on plan assets	1,87,152
Contributions	nil
Benefits paid	82,208
Actuarial gain (loss) on plan assets	nil
Fair value of plan assets	22,18,014
Funded Status	(14,28,918)
Net Asset / (Liability) recognized	
in balance sheet	14,28,918

c. Actuarial gain / loss recognised 31.03.2008

Actuarial gain (loss) - obligations	(2,06,338)
Actuarial gain (loss) - plan assets	nil
Total (gain) / loss for the year	2,06,338
Actuarial (gain) / loss recognised	2,06,338

d. Expenses during the year

Current service cost	4,83,166
Interest cost	2,12,068
Expected return on plan assets	1,87,152
Net actuarial (gain) / loss	2,06,338
Total	7,14,420

e. Principal actuarial assumptions

Discounting rate	8%
Salary escalation	7%

The above figures are based on valuation done by the Life Insurance Corporation of India.

This being the first year in which the Company has adopted the revised Accounting Standard 15 on Employee benefits, the comparative figures have not been given.

25. Figures for the previous year have been reclassified / regrouped wherever necessary.

As per our report annexed
for **S.Krishnamoorthy & Co.**
Chartered Accountants

K.N.Sreedharan
Membership No. : 12026
Partner
Auditor,
Coimbatore
30th May 2008

R. Ravi
Company Secretary

J. Vijayakumar
Director

N.Krishna Samaraj
Managing Director

CASH FLOW STATEMENT

	2007-08 Rs.	2006-07 Rs.
A: Cash flow from operating activities:		
Net Profit before tax and extra ordinary items	6,51,49,580	8,65,56,711
Adjustments for:		
Depreciation	3,63,42,460	3,19,59,122
Interest received	(7,30,916)	(11,86,541)
Interest paid	1,43,73,090	-
Loss on Sale of Fixed Asset	3,51,430	-
Profit on Sale of Fixed Asset	(1,96,730)	-
Operating profit before working capital changes	5,01,39,334	3,07,72,581
Adjustments for:		
Trade & Other receivables	11,52,88,914	11,73,29,292
Inventories	(3,53,94,793)	(64,11,012)
Trade payables	(2,63,87,739)	24,02,777
	3,08,04,018	55,18,209
	3,09,78,514	15,09,974
Cash generated from operations	8,43,10,400	11,88,39,266
Direct taxes paid	(2,14,81,631)	(1,98,41,106)
Cash flow before extra ordinary items	6,28,28,769	9,89,98,160
Extra ordinary items	0	0
Net cash from operating activities (A)	6,28,28,769	9,89,98,160
B: Cash flow from investing activities:		
Purchase of fixed assets	(3,97,33,090)	(7,34,50,110)
Sale of fixed assets	22,05,000	1,75,000
Interest received	7,30,916	11,86,541
Net cash used in investing activities (B)	(3,67,97,174)	(7,20,88,569)
C: Cash flow from financing activities		
Proceeds from long term borrowings	(70,84,490)	32,49,500
Dividends paid	(1,60,82,835)	(1,61,97,046)
Interest paid	(1,43,73,090)	(1,33,42,466)
Net cash used in financing activities (C)	3,75,40,415	(2,62,90,012)
Net increase/decrease in cash and cash equivalents (A)+(B)+(C)	1,15,08,820	6,19,579
Cash and cash equivalents (Opening balance)	2,14,53,843	2,08,34,264
Cash and cash equivalents (Closing balance)	99,45,023	2,14,53,843

As per our report annexed
for **S.Krishnamoorthy & Co.**
Chartered Accountants

J. Vijayakumar
Director

K.N.Sreedharan
Membership No. : 12026
Partner
Auditor

R. Ravi
Company Secretary

N.Krishna Samaraj
Managing Director

Coimbatore
30th May 2008

BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE:**I. Registration Details**

Registration No. 1 8 1 - 2 8 3 6 / 1 9 9 0
 Balance sheet date: 3 1 3 2 0 0 8

State Code: 1 8

II. Capital raised during the year (Amount in Rs. Thousands)

Public Issue Rs. Nil
 Bonus Issue Rs. Nil

Rights Issue Rs. Nil
 Private placement Rs. Nil

III. Position of mobilization and deployment of funds (Amount in Rs. Thousands)

Total Liabilities 5 1 1 6 8 7

Total Assets 5 1 1 6 8 7

Sources of funds

Paid up Capital 4 5 8 2 2
 Secured Loans 1 0 9 6 7 2

Reserves and surplus 1 5 6 0 9 1
 Unsecured Loans 1 3 0 8 6
 Deferred tax 4 9 8 5 1

Application of funds

Net Fixed Assets 3 0 7 5 3 9
 Net Current Assets 6 6 9 8 3
 Accumulated losses Nil

Investments Nil
 Misc. Expenditure Nil

IV. Performance of the company (Amount in Rs. Thousands)

Turnover/other income 5 6 2 1 5 5
 Profit/Loss before tax 6 5 1 5 0
 Earnings per share 8 . 6 2
 (in rupees Annualized)

Total expenditure 4 9 7 0 0 5
 Profit/Loss after tax 3 9 5 1 0
 Dividend % 2 1

V. Generic names of three principal products/services

Item code No. (ITC Code) : 73251000, 84129000, 85480000
 : 87080000, 87169000, 73083000, 84801000

Product description : Iron castings including Grey iron, SG iron and other iron alloy
 castings - Machined and Un-machined and steel components

As per our report annexed
 for **S. Krishnamoorthy & Co.**
 Chartered Accountants

J. Vijayakumar
 Director

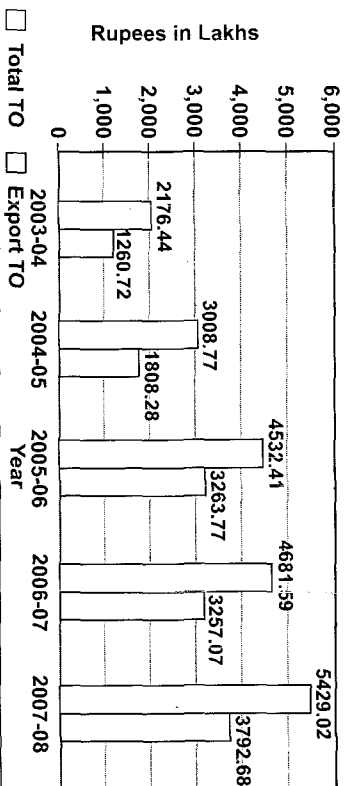
K.N.Sreedharan
 Membership No. : 12026
 Partner
 Auditor

R. Ravi
 Company Secretary

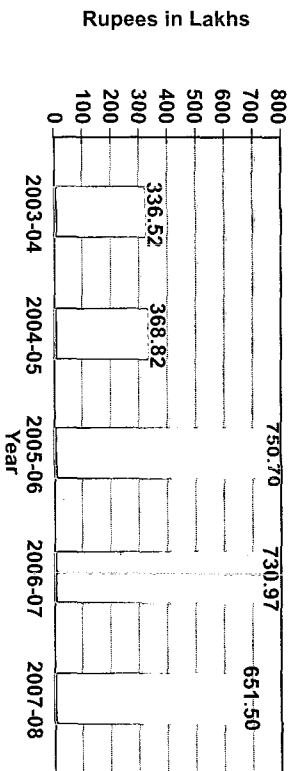
N. Krishna Samaraj
 Managing Director

Coimbatore
 30th May 2008

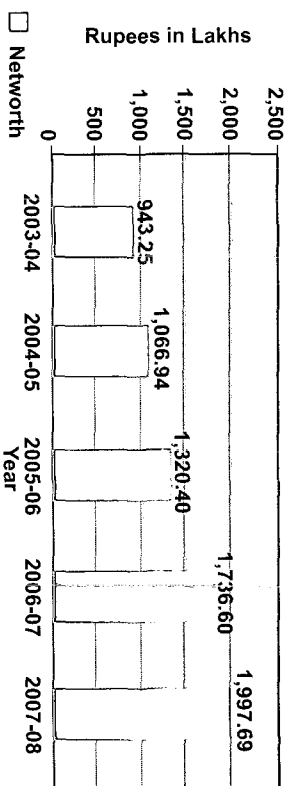
TURNOVER



PROFIT BEFORE TAX



NETWORTH



BOOK VALUE

