

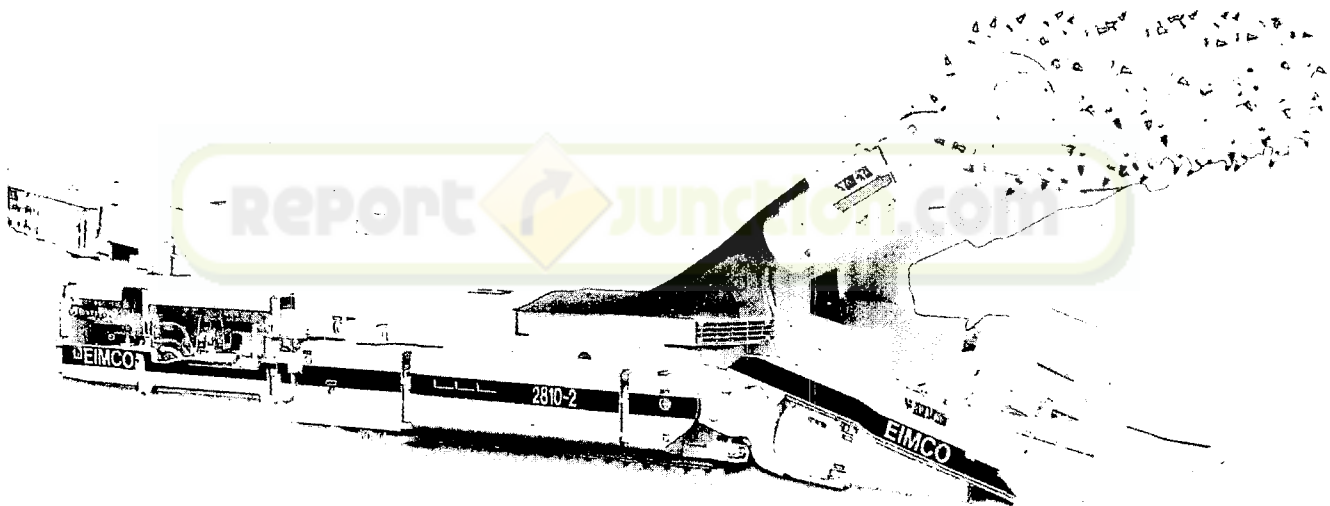
EIMCO ELECON

MD	✓	BKC	✓
CS	✓	DPY	✓
RO	✓	DIV	✓
TRA	✓	AC	✓
AGM	✓	SHI	✓
YE	✓		

Certified True Copy.
For Eimco Elecon (India) Ltd.,

N. D. Shelat

Nilesh D. Shelat
Company Secretary



ANNUAL REPORT 1997-98

EIMCO ELECON (INDIA) LIMITED

BOARD OF DIRECTORS

Mr. B.I. Patel	—	<i>Chairman & Managing Director</i>
Mr. Ilkka Hakala		
Mr. R.W. Eltringham		
Mr. Carl Schrock		
Mr. P.M. Patel		
Mr. H.S. Parikh		
Mr. P.B. Patel		
Mr. N.S. Patel		
Mr. C.T. Dave	—	<i>Executive Director</i>

COMPANY SECRETARY

Mr. Nilesh D. Shelat

AUDITORS

Messrs. Talati & Talati
Chartered Accountants
Ahmedabad

BANKERS

State Bank of India
Anand

REGD. OFFICE & WORKS

Vallabh Vidyanagar
Gujarat - Pin 388 120

EIMCO ELECON (INDIA) LIMITED**NOTICE OF ANNUAL GENERAL MEETING**

NOTICE IS HEREBY GIVEN that the Twenty-Fourth Annual General Meeting of the members of EIMCO ELECON (INDIA) LTD. will be held on Thursday, the 24th September 1998, at 3.00 p.m. at the Registered Office of the Company at Vallabh Vidyanagar 388 120, Gujarat State to transact the following business :

ORDINARY BUSINESS

1. To receive, consider and adopt the Audited Balance Sheet as at 31st March 1998 and Profit & Loss Account for the year ended on that date and the reports of the Directors & Auditors.
2. To declare dividend.
3. To appoint a Director in place of Mr. Ilkka Hakala, who retires by rotation and being eligible, offers himself for reappointment.
4. To appoint a Director in place of Mr. C.T. Dave, who retires by rotation and being eligible, offers himself for reappointment.
5. To appoint Auditors and to fix their remuneration.

SPECIAL BUSINESS

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

"RESOLVED THAT Mr. Carl Schrock be and is hereby appointed as a Director of the Company."

Registered Office:
Anand-Sojitra Road
Vallabh Vidyanagar
Gujarat - 388 120

By order of the Board,

Nilesh D. Shelat
Company Secretary

Date : July 27, 1998

ANNEXURE TO THE NOTICE

Explanatory statement

Pursuant to Section 173 of the Companies Act, 1956

Item No. 6

Appointment of Mr. Carl Schrock

In place of Mr. Roger Meredith, who resigned last year, our Collaborator has nominated Mr. Carl Schrock to be appointed as Director. Accordingly, Mr. Schrock was appointed as an Additional Director with effect from 18-5-1998 pursuant to Section 260 of the Companies Act, 1956. Mr Schrock holds office only upto the date of the ensuing Annual General Meeting.

Mr. Schrock was on the Board of Eimco Elecon earlier also as Director as well as Alternate Director. He has been associated with Tamrock, our Collaborator, since long period and worked in different capacities. His indepth knowledge and vast experience in coal mining, will be of great advantageous to the company.

Notice has been received from a shareholder of the company proposing the name of Mr. Carl Schrock for appointment to the office of Director of the Company. The Board recommends the resolution for your approval.

None of your Directors is concerned or interested in this resolution.

Registered Office:
Anand-Sojitra Road
Vallabh Vidyanagar
Gujarat - 388 120

By order of the Board,

Nilesh D. Shelat
Company Secretary

Date : July 27, 1998

EIMCO ELECON (INDIA) LIMITED

NOTES :

- A. A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT A PROXY/ PROXIES TO ATTEND AND VOTE INSTEAD OF HIMSELF. THE PROXY NEED NOT BE A MEMBER OF THE COMPANY. THE PROXY/PROXIES FORM/S IN ORDER TO BE EFFECTIVE SHOULD BE DEPOSITED WITH THE COMPANY NOT LESS THAN 48 HOURS BEFORE THE MEETING.
- B. The Register of Members & Share Transfer Books of the Company will be closed from 1-9-1998 to 8-9-1998 (both days inclusive).
- C. The payment of dividend as recommended by the directors, if approved at the meeting, will be made to those members whose names appear on the Register of Members on 8-9-1998 or to their mandatees. The dividend warrants will be posted to them by 1-11-1998.
- D. The members are requested to intimate to the Company if there is any change in their registered address.
- E. The members desiring to have any information on accounts are requested to write to the Company addressed to Company Secretary atleast one week in advance of the meeting to enable the Company to keep the information ready.
- F. The members are requested to bring with them their copy of Annual Report as no arrangement has been made to distribute additional copies as a measure of economy.
- G. Pursuant to Section 205A of the Companies Act, 1956, all unclaimed/unpaid dividends viz. Final Dividend 1993-94 and Interim Dividend 1994-95, have been transferred to the General Revenue Account of the Central Government. Shareholders who have not encashed the dividend warrants for the said period are requested to claim their amount from the Registrar of Companies, Gujarat, at his office at ROC Bhavan, Gujarat Housing Board Bldg., Near LIC Office, Opp. Rupal Park, Ankur Char Rasta, Naranpura, Ahmedabad.

EIMCO ELECON (INDIA) LIMITED**DIRECTORS' REPORT**

To :

The Members of EIMCO ELECON (INDIA) LTD.

The Directors have pleasure in presenting their Twenty-Fourth Annual Report together with the Audited Statement of Accounts of the Company for the year ended 31st March 1998.

1. FINANCIAL RESULTS

	31-03-1998	31-03-1997
	(Rs.)	(Rs.)
GROSS PROFIT	118,493,217	143,154,692
Less : Depreciation	19,606,621	17,531,057
PROFIT BEFORE TAX	98,886,596	125,623,635
Less : Provision for taxation	37,200,000	48,200,000
PROFIT AFTER TAX	61,686,596	77,423,635
Add : Excess/Short		
provision for taxation		
for earlier year	(1,683,025)	56,348
Add : Balance brought		
forward from last year	15,983,902	17,636,023
	75,987,473	95,116,006
APPROPRIATED AS		
Proposed Dividend	15,574,640	15,574,640
Tax on distributed profit on	1,557,464	1,557,464
proposed dividend		
Transfer to General Reserves	45,000,000	62,000,000
Balance Carried Forward	13,855,369	15,983,902
	75,987,473	95,116,006

2. PERFORMANCE

During the year under review, the Company earned a net income of Rs.490.27 million (previous year Rs.588.03 million) and posted a net profit of Rs.61.68 million (previous year Rs.77.42 million).

During the year, the sales of machines was affected due to various reasons. Public sector coal companies are finding it difficult to compete with imported coal. Coal was put on OGL this year, allowing State Electricity Boards and industrial users to import coal under OGL. Coal India Ltd. was laden with a pithead coal stock of 13 million tones, which is equivalent to 21 days stock.

Coal stocks were also reported to have further increased due to lesser consumption of coal in the last couple of months in the year under review as most of the power stations had to cut power generation in the wake of restricted demand from industries which, among others include steel, cement, automobile and engineering. Also Coal India is implementing "Cash and Carry" scheme for coal sales with respect to most of the State Electricity Boards which has affected the off-take of coal by these entities.

Two of Coal India subsidiaries were referred to BIFR during the year. They have since come out of the BIFR net as a result of capital restructuring, nevertheless our business with these two subsidiaries were adversely affected for almost the whole of this year.

Unnerved by the current scenario, the public sector coal companies had to cut production for the last two months of the financial year 1997-98. The overall coal production cut has affected our company.

3. DIVIDEND

Your Directors recommend for your consideration a dividend of 27% for the year ended 31st March 1998.

4. MARKET CONDITION & FUTURE OUTLOOK

In the Annual Report for the year 1995-96, we had reported about company's participation, through our collaborator's American subsidiary company, Eimco Coal Machinery Incorporated (ECMI), in the global tender of Coal India for introducing modern technologies in underground coal mines. Your Directors take the pleasure to mention here that ECMI has been awarded Letter of Intent by Coal India for introduction of modern technology at Kapildhara Underground Coal Mine of SECL. The work on execution of this project is in progress.

This Project, which includes Equipment Supply, Services and Maintenance contract, has a potential to generate a revenue of Rs.100 crores over the next five years. Your Company, as a partner in this Project, will benefit substantially from this business. It will also open up new opportunities and initiatives for your company in the coming years as Coal India has already floated Ten more Tenders for adoption of Modern Technology in underground mines.

EIMCO ELECON (INDIA) LIMITED

Company's present principle activities involve manufacture of underground mining loaders and this will continue though perhaps at a slightly reduced level. Additional models, widening the range are likely to be added with the support and co-operation of our Collaborator. This will result in increased turnover of the Company once its manufacture has commenced.

5. WINDMILLS

Company's all the six wind mills were damaged due to Cyclone that was hit Kandla and Jamnagar, Gujarat State on 9th June 1998. The Windmills were insured and the company has already lodged claims with the insurance company.

6. INSURANCE

The whole of the properties of the Company have been suitably insured.

7. FIXED DEPOSITS

There are no outstanding deposits which are matured as at 31st March 1998.

8. DIRECTORS

During the year, Mr. KSR Chari has resigned from the Board. The Board of Directors placed on record its sincere appreciation and gratitude for the invaluable services rendered by Mr. Chari, during his Chairmanship with the company.

Mr. Carl Schrock was appointed as Additional Director on the Board. He ceases to hold office on the date of the ensuing Annual General Meeting. Notice under Section 257 of the Companies Act, 1956 along with requisite deposit has been received from a shareholder proposing the candidature of Mr. Carl Schrock to the office of Director.

Mr. Ilkka Hakala and Mr. C.T. Dave, retire by rotation and being eligible, offer themselves for re-appointment.

9. PERSONNEL

Industrial relations in the company were cordial throughout the year under review.

The Board of Directors of the Company wishes to place on record its sincere appreciation for the continued support and good work of all the employees.

Information as per section 217(2A) of the Companies Act, 1956 and the Companies (Particulars of Employees) Rules 1975 as amended, forms part of this report. However, as per the provisions of section 219(1)(b)(iv) of the Companies Act, 1956, the report and accounts are being sent to all the shareholders of the company excluding the statement of Particulars of Employees under section 217(2A) of the Act.

Any shareholder interested in obtaining a copy of the said statement may write to the Company Secretary at the Registered Office of the company.

10. CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION AND FOREIGN EXCHANGE EARNING & OUTGO

The particulars required to be disclosed in this report pursuant to the provisions of Section 217 (1)(e) of the Companies Act, 1956 and the Companies (Disclosure of particulars in the Report of Board of Directors) Rules, 1988 are given in Annexure-I, forming part of this report.

11. AUDITORS

The Company's Auditors Messrs Talati & Talati, retire and being eligible, offer themselves for reappointment. The members are requested to appoint Auditors for the current year and fix their remuneration.

12. ACKNOWLEDGMENT

The Board records its thanks to the Company's Bankers, Financial Institutions, Government, Collaborators and other agencies for their support extended to the Company and look forward to their continued support.

For and on behalf of the Board

Place : Vienna
Date : July 27, 1998

B. I. PATEL
CHAIRMAN

EIMCO ELECON (INDIA) LIMITED

ANNEXURE-I TO DIRECTORS' REPORT, ITEM NO.10

Particulars required to be disclosed in the report of Board of Directors pursuant to Section 217(1)(e) of the Companies Act, 1956 and the Companies (Disclosure of particulars in the Report of Board of Directors) Rules 1988, and forming part of the Directors' Report for the year ended 31st March 1998.

[A] CONSERVATION OF ENERGY :

The steps taken in respect of energy conservation are, provision of capacitors for electric supply system to improve power factors, replacement of sodium vapor lamps in place of mercury vapor lamps, reduction in ceiling height by providing false ceiling and insulation with thermocule wherever required, preventive maintenance, switching off power supplies during recess/lunch time. These continuous & cautious efforts have saved energy cost to the Company.

[B] TECHNOLOGY ABSORPTION :

Form B (rule 2)

Research & Development (R & D)

The Company has a Government recognized R & D Department. It is manned with well qualified personnel and equipped with Computer Aided Design System.

1. Benefit derived as a result of the above R & D :

R&D efforts have helped to bring out an improvement in processes, product design and operating efficiencies. Indigenous development & supply of the underground mining machinery saved the country a sizable amount of foreign exchange, besides availability of machines at shorter notice.

2. Future plan of action :

Continuous measures are being taken to achieve indigenisation of existing machines and efforts are put to introduce new models suitable to the Indian mining conditions.

3. Expenditure :

1. Capital	4,117,445
2. Recurring	921,530

Total : 5,038,975

3. Total R & D Expenditure
percentage of total turnover : 1.2%

Technology absorption, adaptation & innovation :

1. Efforts, in brief, made towards technology absorption, adaptation & innovation.

The technology so far imported by the Company has been absorbed and adapted/innovated to suit them to the Indian mining conditions by the active involvement of our R&D Department.

2. Benefits derived as a result of above efforts

Absorption, adaptation & innovation of imported technology has lead to less dependence on imports of these products. This has saved a considerable amount of foreign exchange & cost of production.

3. Technology imported.

[a] Year of Imports : The company has not imported any technology on payment of consideration in the last five years.

[b] Whether technology fully absorbed : As regards technology already imported, the same has been absorbed and for other models, absorption & adaptation of technology would be made, once the technology has been imported in case of any indigenous demand for such products.

[C] FOREIGN EXCHANGE EARNING & OUTGO :

1. During the year the Company has exported goods worth Rs.2,188,745 and continues to make efforts to push up exports. The Company has also earned commission to the extent of Rs.720,762.

2. Foreign Exchange used & earned :

Used	Earned
Rs. 86,955,579	Rs. 29,09,507

For and on behalf of the Board

Place : Vienna
Date : July 27, 1998

B.I. PATEL
CHAIRMAN

EIMCO ELECON (INDIA) LIMITED**Auditors' Report**

To
The Members
EIMCO ELECON (INDIA) LIMITED.

We have audited the attached Balance Sheet of Eimco Elecon (India) Limited as at 31st March, 1998 and also the Profit and Loss Account of the Company for the year ended on that date annexed thereto and report that :

1. 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;
2. In our opinion, proper books of accounts as required by law have been kept by the Company so far as appears from our examination of the books;
3. The Balance Sheet and Profit and Loss Account dealt with by this report are in agreement with the above books of account;
4. In our opinion and to the best of our information and according to the explanations given to us, the said accounts read with the notes thereon give the information required by the Companies Act 1956, in the manner so required and give a true and fair view;
 - (i) in the case of Balance Sheet, of the state of affairs of the Company as at 31st March, 1998; and
 - (ii) in the case of the Profit and Loss Account, of the Profit for the year ended on that date.
5. As required by the Manufacturing and Other Companies (Auditor's Report) Order, 1988 issued by the Central Government in terms of Section 227 (4-A) of the Companies Act 1956, we further report that:
 - i. The Company has maintained proper records showing full particulars including quantitative details and situations of the Fixed Assets. We are informed that the aforesaid assets have been physically verified by the management at reasonable interval and that no serious discrepancies have been noticed by the management on such verification as compared to the aforesaid records of Fixed Assets.
 - ii. None of the Fixed Assets have been revalued during the year.
 - iii. As explained to us physical verification of finished goods, stores, spare parts and raw material has been conducted by the management at reasonable period except for some stock of raw material lying with third parties which have been confirmed or delivered subsequently by the third party.
 - iv. The procedures of physical verification of above stocks followed by the management are adequate and reasonable in relation to the size of the Company and the nature of its business.
 - v. During physical verification of above stocks, no significant discrepancies have been noticed as compared to the book records and these have been properly dealt with in the books.
 - vi. In our opinion, the valuation of stock is fair and proper and in accordance with the normally accepted accounting principles and is on the same basis as in the preceding year.
 - vii. The Company has not taken loan, secured or unsecured from Companies, firms or other parties listed in the register maintained under section 301 of the Companies Act, 1956 and from a Company under the same management within the meaning of Section 370(1-B) of the Companies Act, 1956.
 - viii. No loans, secured or unsecured, have been granted to Companies, firms or other parties listed in the Register maintained under Section 301 of the Companies Act, 1956 and from a Company under the same management within the meaning of Section 370(1-B) of the Companies Act, 1956.
 - ix. In respect of interest free loans and advances in the nature of loans given to employees, they are repaying the principal amounts as stipulated.
 - x. In our opinion and according to the information and explanations given to us, there are adequate internal control procedures, commensurate with the size of the Company and the nature of its business with regard to purchase of stores, raw-materials including components, plant and