

EIMCO ELECON (INDIA) LIMITED

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ANNUAL REPORT 2001-2002

BOARD OF DIRECTORS

Mr. B.I. Patel	—	<i>Chairman & Managing Director</i>
Mr. Hans C. Gass		
Mr. Lasse Hakoaho		
Mr. Werner Kraher		
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-eighth Annual General Meeting of the Members of EIMCO ELECON (INDIA) LTD. will be held on Saturday, the 28th September 2002 at 3.00 P.M. at the Registered Office of the company at Vallabh Vidyanagar 388120, Gujarat state to transact the following business :

ORDINARY BUSINESS

1. To receive, consider and adopt the Audited Balance Sheet as at 31st March 2002 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 Shri N.S. Patel, who retires by rotation and being eligible, offers himself for re-appointment.
4. To appoint a Director in place of Shri H.S. Parikh, who retires by rotation and being eligible, offers himself for re-appointment.
5. To appoint Auditors and to fix their remuneration.

SPECIAL BUSINESS

6. To consider and if thought fit, to pass with or without modification the following Resolution as a Special Resolution :

"RESOLVED THAT, pursuant to the provisions of Section 269, 309, 310 and other applicable provisions, if any, of the Companies Act, 1956 and subject to the limits laid down in Section 198 and 309 read with Schedule XIII of the Companies Act, 1956, consent of the Company be and is hereby accorded for the re-appointment of Shri Bhanubhai I. Patel as Managing Director of the Company for a period of 3 years with effect from 1st September 2002 and that he shall be entitled to a salary, commission and perquisites as specified in detail as set out in the draft agreement to be entered into by and between the Company of the One part and Shri Bhanubhai I. Patel of the Other part, draft whereof was submitted to this meeting and initialled by the Chairman for the purpose of identification, which agreement is hereby specifically approved with liberty to the Remuneration Committee of the Company to revise, amend, alter or otherwise vary the terms and conditions of his appointment from time to time as they deem fit provided that at no time the remuneration payable to Shri Bhanubhai I. Patel shall exceed the maximum limit prescribed in section I of part II of Schedule XIII

of the Companies Act, 1956 as existing or as may be amended, in the event of the Company having adequate profits. In the event of the company not earning profits or inadequacy of profits in any financial year, Shri Bhanubhai I. Patel would be entitled to receive the remuneration to the maximum extent prescribed in B of section II of part II of Schedule XIII of the Companies Act, 1956 as existing or as may be amended."

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

"RESOLVED THAT, pursuant to the provisions of Section 269, 309, 310 and other applicable provisions, if any, of the Companies Act, 1956 and subject to the limits laid down in Section 198 and 309 read with Schedule XIII of the Companies Act, 1956, consent of the Company be and is hereby accorded for the re-appointment of Shri C.T. Dave as Wholetime Director of the Company for a period of 2 years with effect from 1st January 2003 and that he shall be entitled to a salary, commission and perquisites as specified in detail as set out in the draft agreement to be entered into by and between the Company of the One part and Shri C.T. Dave of the Other part, draft whereof was submitted to this meeting and initialled by the Chairman for the purpose of identification, which agreement is hereby specifically approved with liberty to the Remuneration Committee of the Company to revise, amend, alter or otherwise vary the terms and conditions of his appointment from time to time as they deem fit provided that at no time the remuneration payable to Shri C.T. Dave shall exceed the maximum limit prescribed in section I of part II of Schedule XIII of the Companies Act, 1956 as existing or as may be amended, in the event of the Company having adequate profits. In the event of the company not earning profits or inadequacy of profits in any financial year, Shri C.T. Dave would be entitled to receive the remuneration to the maximum extent prescribed in B of section II of part II of schedule XIII of the Companies Act, 1956 as existing or as may be amended."

By order of the Board

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

Dated : 6th May, 2002

Nilesh D. Shelat
Company Secretary

EIMCO ELECON (INDIA) LIMITED**ANNEXURE TO THE NOTICE**

Explanatory statement

Pursuant to section 173 of the Companies Act, 1956

ITEM NO. 6**Re-appointment of Shri Bhanubhai I. Patel**

Shri Bhanubhai I. Patel is an Arts Graduate. He is one of the Promoters of the company. He is also Chairman-cum-Managing Director of Elecon Engineering Co. Ltd. He is an industrialist with wide management experience of over 50 years. The rapid and enviable growth of the company can be attributed to his farsightedness.

Shri Bhanubhai I. Patel has been acting as the Managing Director of the Company since 1993. He was re-appointed as Managing Director for a period of 5 years with effect from 1st September 1997 at the 23rd Annual General Meeting held on 29th September 1997. His Present tenure is due to expire on 31st August, 2002.

The Remuneration Committee of the Company at its Meeting held on 27th April 2002 subsequently, the Board at its meeting held on 6th May 2002, re-appointed Shri Bhanubhai I. Patel as Managing Director of the Company unanimously subject to the approval of the company in General Meeting. The terms and conditions including remuneration payable to Shri Bhanubhai I. Patel are set out in the draft agreement to be entered into by the Company with him, copy of which is available for inspection to the Members at the Registered Office of the Company on working days except Sunday between 10.00 a.m. and 12.00 noon till the date of Annual General Meeting and which, inter alia, contain the following principal terms and conditions:

1. The Managing Director shall be subject to the superintendence, control and direction of the Board of Directors and he will be entrusted with substantial powers of management and will also perform such other duties as may from time to time be entrusted to him.

2. Period of Appointment : Three years with effect 1st September, 2002.

3. Remuneration payable to Shri Bhanubhai I. Patel

(a) Salary : Rs. 2,00,000/- per month.

(b) Perquisites and allowances :

- i) In addition to salary, the Managing Director shall be entitled to perquisites and allowances like accommodation (furnished or otherwise) or house rent allowance in lieu thereof, House Maintenance Allowance together with reimbursement of expenses or allowance for utilities such as gas, electricity, water, furnishings and repairs, reimbursement of actual expenditure on medical treatment for self and family, club fees, leave travel concession, Medical insurance and such other perquisites as may be determined by the Remuneration Committee subject to the overall ceiling of remuneration stipulated in Section 198 and 309 of the Companies Act, 1956.

- ii) Company's contribution to Provident Fund, Superannuation Fund, Gratuity payable at the rate not exceeding half a month's salary for each completed year of service and encashment of earned leave at the end of tenure shall not be included in computation of perquisites.

- iii) Car for use on Company's business and telephone and other communication facilities at residence will not be considered as perquisites.

- iv) The Managing Director so long as he functions as such, shall not be paid any sitting fees for attending meetings of the Board of Directors or Committees thereof.

(c) Commission :

In addition to the salary and perquisites payable, commission as may be decided by the remuneration

EIMCO ELECON (INDIA) LIMITED

committee at the end of each Financial Year calculated with reference to the net profits of the Company in a particular Financial Year, subject to the overall ceiling stipulated in Section 198 and 309 of the Companies Act, 1956.

Shri Bhanubhai I. Patel is concerned or interested in the resolution as it relates to him.

Shri P.B. Patel & Shri P.M. Patel, Directors of the company, being relatives of Shri. Bhanubhai I. Patel, are interested or concerned in the resolution. None of the other Directors is interested or concerned in the aforesaid resolution.

This explanation together with the accompanying notice may be treated as an abstract of the terms of re-appointment of Managing Director under Section 302 of the Companies Act, 1956.

Shri Bhanubhai I. Patel has been appointed as Managing Director of the Company with effect from 12-8-1993 for a period from 1-9-1993 to 30-8-1997 at a remuneration of Rs. 15,000 per month plus perks and commission 1% of net profit or 50% annual salary whichever is less. On completion of the term, he has again been appointed for a further period of 5 years from 1-9-1997 to 31-8-2002 at a remuneration of Rs. 50,000 per month plus total perks of Rs. 4 lacs per annum and commission. With revision on 1-8-2001, his present remuneration is Rs. 1,20,000 per month plus total perks of Rs. 5 lacs per annum and commission.

ITEM NO. 7**Re-appointment of Shri C.T. Dave, Wholetime Director**

Shri C.T. Dave is associated with the company since its inception and also instrumental to the growth of the company. He is a Diploma holder in Mechanical Engineering and Member of Mining & Geological Institute. He has more than 40 years of experience and very vast knowledge in the mining field.

Considering his capacity and managerial ability of running the business, he has been appointed as Wholetime Director of the company with effect from 1985 and since then, he is at the helm of affairs of the company.

The present tenure of appointment of Shri C.T. Dave, Wholetime Director, expires on 31-12-2002. His continuous association is in the interest of the company.

The Remuneration Committee of the Company at its Meeting held on 27th April 2002 and subsequently, the Board at its meeting held on 6th May 2002, re-appointed Shri C.T. Dave as Wholetime Director of the Company unanimously subject to the approval of the company in General Meeting. The terms and conditions including remuneration payable to Shri C.T. Dave are set out in the draft agreement to be entered into by the Company with him, copy of which is available for inspection to the Members at the Registered Office of the Company on working days except Sunday between 10.00 a.m. and 12.00 noon till the date of Annual General Meeting and which, inter alia, contains the following principal terms and conditions:

1. The Wholetime Director shall be subject to the superintendence, control and direction of the Board of Directors and he will be entrusted with substantial powers of management and will also perform such other duties as may from time to time be entrusted to him.
2. Period of Appointment : Two years with effect from 1st January, 2003.
3. Remuneration payable to Shri C.T. Dave
 - (a) Salary: Rs.1,20,000/- per month.
 - (b) Perquisites and allowances:
 - i. In addition to salary, the Wholetime Director shall be entitled to perquisites including furnished accommodation or house rent in lieu thereof, gas, electricity, water and furnishings, reimbursement of actual expenditure on medical treatment for self and family and the expenditure incurred on travel and stay abroad including that of accompanying spouse, leave travel concession for self and family, club fees, medical and personal accident insurance and such other perquisites as may be determined

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by the Board of Directors. The total perquisites will be restricted to Rs.5 lacs per annum.

For the purpose of calculating the above ceiling, perquisites shall be evaluated as per the Income-tax Rules wherever applicable.

- ii. Company's contribution to Provident Fund, Superannuation Fund, Gratuity payable at the rate not exceeding half a month's salary for each completed year of service and encashment of earned leave at the end of tenure which shall not be included in computation of perquisites.
- iii. Car for use on Company's business and telephone and other communication facilities at residence will not be considered as perquisites.
- iv. The Wholetime Director, so long as he functions as such, shall not be paid any sitting fees for attending meetings of the Board of Directors or Committees thereof.

- (c) Commission : One percent commission on the net profits of the Company computed in the manner laid down in Section 309(5) of the Companies Act, 1956 subject to a ceiling of 50% of the annual salary, whichever is less.

The aforesaid explanatory statement may also be treated as a Notice to Members under Section 302 of the Companies Act, 1956.

Except Shri C.T. Dave, none of the other Directors is interested or concerned in the aforesaid resolution.

The first appointment of Shri. C.T. Dave as Whole time Director of the Company was made for a period of 5 years with effect from 1-1-1985 at a salary of Rs. 5,500 per month plus perks and commission 1% of net profit or 50% annual salary whichever is less. He has been re-appointed Wholetime Director on completion of every term for periods from 1-1-1990 to 31-12-1994, 1-1-1995 to 31-12-1999 and 1-1-2000 to 31-12-2002 at a starting remuneration of Rs. 7,500, Rs. 20,000 and Rs. 60,000 respectively per month plus perks and commission. With revision on 1-8-2001, his present remuneration is Rs. 1,00,000 per month plus Rs. 5 lacs perks per annum and commission.

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EIMCO ELECON (INDIA) LIMITED**GENERAL INFORMATION**

The company is engaged in manufacturing of Mining Machinery for underground, open cast and metal mines. The company was incorporated on 31-7-1974 under the Companies Act, 1956 and obtained Commencement of Business Certificate on 4-3-1975. The Company's commercial production was started on 29-6-1977. At present, 25.10% of equity shares of the company is held by Tamrock Great Britain Holdings Ltd., a 100% subsidiary of Sandvik AB, Sweden.

During the last three financial years, company's foreign exchange and net foreign exchange earning were as under:

Year	Total earning in Foreign Exchange on account of export (Rs.)	Total imports (Rs.)	Net Foreign Exchange earning/ (outgo) (Rs.)
2000-2001	5397508	173043823	(167646315)
1999-2000	1761689	158592751	(156831062)
1998-1999	3403315	146055866	(142646551)

During the last three years, the average sales & other income growth was 15% and net profit after tax growth was 11.86%. The company expects to keep the same growth rate barring unforeseen circumstances.

At present the company is making profits, and Management has worked out strategies to meet the challenging situation, improving the order book and resultant turnover. With tight control on costs and overhead expenses, the company expects improvement in profitability.

It is observed that in medium size engineering company the remuneration being paid to Directors are in similar scale.

The company has not made any default in repayment of any debts (including public deposits) or debentures or interest payable thereon for a continuous period of thirty days in the preceeding financial year before the date of appointment of such managerial person.

Registered Office
Anand-Sojitra Road
Vallabh Vidyanagar
Gujarat-388120

By order of the Board

Nilesh D.Shelat
Company Secretary

Date: 6th May, 2002

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 1st August, 2002 to 14th August, 2002. (both days inclusive).
- C. The payment of dividend on equity shares as recommended by the directors for the year ended 31st March, 2002 when declared at the meeting will be paid:
 - i. to those members whose names appear in the Register of Members of the Company on 1st August, 2002.
 - ii. in respect of shares held in electronic form, to those "deemed members" whose names appear on the statements of beneficial ownership furnished by National Securities Depository Limited (NSDL) and Central Depository Services (India) Ltd. (CDSL) at the end of business hours on 31st July, 2002.
- D. The members are requested to intimate to the Company if there is any change in their registered address and in case the shares are held in dematerialised form, this information should be passed on to their respective Depository Participants.
- E. The members desiring to have any information on accounts are requested to write to the 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 Balance Sheet as no arrangement has been made to distribute additional copies as a measure of economy.

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

By order of the Board

Nilesh D.Shelat
Company Secretary

Date: 6th May, 2002

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

To
The Members,
EIMCO ELECON (INDIA) LTD.

The Directors have pleasure in presenting their Twenty-Eighth Annual Report together with the Audited Statement of Accounts of the company for the year ended 31st March 2002:

1. FINANCIAL RESULTS

	31-03-2002 (Rs.)	31-03-2001 (Rs.)
Profit before Depreciation Voluntary Retirement Compensation & Provision for Taxation	172,859,991	172,790,816
Less : Depreciation	35,776,454	27,414,525
	137,083,537	145,376,291
Less : Voluntary Retirement Compensation	6,870,772	2,358,171
PROFIT BEFORE TAX	130,212,765	143,018,120
Less : Provision for Taxation and Deferred Tax	46,249,754	57,500,000
PROFIT AFTER TAX	83,963,011	85,518,120
Less : Excess/short provision for taxation for earlier year	—	(2,754,192)
Add : Balance brought forward from last year	17,339,497	13,645,850
	101,302,508	96,409,778
APPROPRIATED AS		
Proposed Dividend	19,035,671	17,305,155
Tax on distributed Profit	—	1,765,126
Transfer to General Reserve	60,000,000	60,000,000
Balance Carried Forward	22,266,837	17,339,497
	101,302,508	96,409,778

2. PERFORMANCE

During the year under review, the Company has achieved the highest ever turnover of Rs.780.56 million (previous year Rs.759.86 million). The net profit stood at Rs.83.96 million (previous year Rs.85.51 million).

3. DIVIDEND

Your directors recommend for your consideration a dividend of 33% for the year ended 31st March, 2002.

4. INSURANCE

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

5. FIXED DEPOSITS

Eight Deposits aggregating to Rs.115,725 though matured were not claimed as on 31st March 2002.

6. DIRECTORS

Shri N.S. Patel and Shri H.S. Parikh retire by rotation and, being eligible, offer themselves for re-appointment. A brief profile of these Directors is appearing in Annexure-4 to this Report.

7. DIRECTORS' RESPONSIBILITY STATEMENT

The Board of Directors of your Company state:

1. that in the preparation of the annual accounts, the applicable accounting standards have been followed along with proper explanation relating to material departures;
2. that the directors have selected such accounting policies and applied them consistently and made judgements and estimates that are 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 or loss of the Company for that period;

EIMCO ELECON (INDIA) LIMITED

3. that the directors have taken proper and sufficient care of the maintenance of adequate accounting records in accordance with the provisions of the Company Act, 1956 Act for safeguarding the assets of the company and for preventing and detecting fraud and other irregularities;

4. that the directors have prepared the annual accounts on a going concern basis.

8. MANAGEMENT'S DISCUSSION AND ANALYSIS

A detailed review of the operations, performance and future outlook of the Company is given in the Management's Discussion and Analysis appearing as Annexure-5 to this Report.

9. CORPORATE GOVERNANCE

Your Company has always striven to incorporate appropriate standards for good Corporate Governance. It has taken adequate steps to ensure that the provisions of Corporate Governance as prescribed under the Listing Agreements with the Stock Exchanges, are complied with.

A detailed report on Corporate Governance is appearing as Annexure 3 to this Report along with the Auditors' Certificate on its compliance by the Company.

10. 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 employees.

As required by the provisions of Section 217 (2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules, 1975, as amended, the names and other particulars of the employees are set out in the Annexure-1 to the Directors' Report.

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

The particulars required to be disclosed in this report pursuant to the provision 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-2 forming part of this report.

12. AUDITORS

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

13. ACKNOWLEDGEMENT

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

B. I. PATEL
Chairman

Place : Zeltweg
Date : 6th May, 2002

EIMCO ELECON (INDIA) LIMITED**ANNEXURE 1 TO DIRECTORS' REPORT- ITEM NO. 10**

Information pursuant to Section 217 (2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules 1975 and forming part of the Directors' Report for the financial year ended 31st March 2002.

(A) Names of employees employed throughout the year.

Sr. No.	Name	Age Years	Qualifi- cation	Date of joining	Designation	Nature of duty	Remuneration Received		Experi- ence (years)	Last employ- ment & Designation
							Gross (Rs.)	Net (Rs.)		
1.	Mr. B. I. Patel	74	B.A.	01-09-1993	Chairman & Managing Director	Overall Manage- ment	2,755,418	1,631,546	55	Elecon Engineering Co. Ltd., Chairman & Managing Director
2.	Mr. C. T. Dave	64	DME MMGI	1-11-1975	Executive Director	Overall Manage- ment	2,444,759	1,481,336	41	The Milling Trading Co. Pvt. Ltd., Divisional Administrator

(B) Names of employees employed for part of the year – Nil**NOTES :**

- Both the appointments are contractual.
- Gross remuneration received includes Salary, Commission, House Rent Allowance/rent paid, Medical Expenses, Company's contribution to Provident Fund, Superannuation and Gratuity Fund, monetary value of perquisites in accordance with the provision of the Income Tax Act, 1961.
- Experience includes number of years of service elsewhere, wherever applicable.
- Mr. B. I. Patel is a relative of Mr. P. B. Patel & Mr. P. M. Patel, Directors of the Company.