

EIMCO ELECON (INDIA) LIMITED



ANNUAL REPORT 2002-2003

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

REGISTRARS & TRANSFER AGENTS

M/s. Intime Spectrum Registry Ltd.
C-13, Pannalal Silk Mills Compound
LBS Marg, Bhandup (W)
Mumbai – 400 078
Phone : (022) 2592 3837 (10 lines)
Fax : (022) 2567 2693

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Twenty-ninth Annual General Meeting of EIMCO ELECON (INDIA) LTD. will be held on Saturday, the 27th September 2003 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 2003 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 P.M. Patel who retires by rotation and being eligible, offers himself for re-appointment.
4. To appoint a Director in place of Shri Lasse Hakoaho 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 an Ordinary Resolution.

“Resolved that pursuant to Section 293(1)(e) of the Companies Act, 1956 and other applicable provisions, if any, of the said Act, consent of the Company be and is hereby accorded to the Board of Directors of the Company for contributing to national, benevolent, charitable, public or general or other funds not directly relating to the business of the company or the welfare of its employees, of any amounts the aggregate of which not exceeding in any financial year Rs.1 crore or 5% of the average net profits as determined in accordance with the provisions of the Section 349 and 350 of the said Act during the three financial years immediately preceding, whichever is greater.”

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

By order of the Board

Nilesh D. Shelat
Company Secretary

Dated : 3rd June, 2003

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 16th September, 2003 to 27th September, 2003 (both days inclusive).
- C. The payment of dividend on equity shares as recommended by the directors for the Year ended 31st March, 2003 when declared at the meeting will be paid:
 1. to those members whose names appear in the Register of Members of the Company on 16th September, 2003.
 2. in respect of shares held in electronics 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 15th September, 2003.
- D. 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.
- E. 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.

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Vallabh Vidyanagar
Gujarat - 388 120

By order of the Board

Nilesh D. Shelat
Company Secretary

Dated : 3rd June, 2003

ANNEXURE TO THE NOTICE

Explanatory statement pursuant to Section 173(2) of the Companies Act, 1956.

ITEM NO. 6

Section 293(1)(e) of the Companies Act, 1956 inter-alia provides that the Board of directors of a public company shall not, except with the consent of the company in General Meeting contribute to charitable and other funds not directly relating to the business of the company or the welfare of its employees, of any amount the aggregate of which not exceeding in any financial year Rs. 50,000 or 5% of the average net profits as determined in accordance with the provisions of the Sections 349 and 350 of the said Act during the three financial years immediately preceding, whichever is greater.

Since the company is required to contribute and donate funds, from time to time, to such Institutions the

contribution whereof may exceed the ceiling limit of Rs.50,000 presently applicable to the company within the meaning of Section 293(1)(e) of the said Act, your consent is, therefore, being sought for empowering Board of Directors of the company to make donations in any financial year not exceeding Rs.1 crore or 5% of the average net profits of the three immediately preceding financial years, whichever is greater.

None of the Directors of the company is interested in this resolution.

By order of the Board

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

Dated : 3rd June, 2003

Nilesh D. Shelat
Company Secretary

DIRECTORS' REPORT

To
The Members,
EIMCO ELECON (INDIA) LTD.

The Directors have pleasure in presenting their Twenty-ninth Annual Report together with the Audited Statement of Accounts of the company for the year ended 31st March 2003.

1. FINANCIAL RESULTS

	31-03-2003 (Rs.)	31-03-2002 (Rs.)
Profit before Depreciation, Voluntary Retirement Compensation & Provision for Taxation	121,127,959	172,859,991
Less : Depreciation	40,223,627	35,776,454
	80,904,332	137,083,537
Less : Voluntary Retirement Compensation	541,728	6,870,772
PROFIT BEFORE TAX	80,362,604	130,212,765
Less : Provision for Taxation and Deferred Tax	30,710,778	46,249,754
PROFIT AFTER TAX	49,651,826	83,963,011
Add : Excess/short provision for taxation for earlier year	58,140	—
	49,709,966	83,963,011
Add : Balance brought forward from last year	22,266,846	17,339,497
	71,976,812	101,302,508
APPROPRIATED AS		
Proposed Dividend	19,035,671	19,035,671
Tax on distributed Profit	2,438,945	—
Transfer to General Reserve	25,000,000	60,000,000
Balance Carried Forward	25,502,196	22,266,837
	71,976,812	101,302,508

2. PERFORMANCE

During the year under review, the Company has achieved the highest ever turnover of Rs.836.89 million (previous year 780.56 million). The net profit stood at Rs.49.65 million (previous year Rs.83.96 million). Appreciation of Euro currency during the year and executions of development orders of machines affected the profitability.

3. DIVIDEND

Your directors recommend for your consideration a dividend of 33% for the year ended 31st March, 2003.

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 2003.

6. DIRECTORS

Shri P.M. Patel and Shri Lasse Hakoaho retire by rotation and, being eligible, offer themselves for reappointment. 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;

3. that the directors have taken proper and sufficient care of 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;
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 reappointment. The members are requested to appoint Auditors for the current year and fix their remuneration.

13. ACKNOWLEDGEMENT

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

For and on behalf of the Board

B. I. PATEL
Chairman

Place : Klagenfurt
Date : 3rd June, 2003

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 2003.

(A) Names of employees employed throughout the year.

Sr. No.	Name	Age Years	Qualifi- cation	Date of joining	Designation	Nature of duty	Remuneration Received		Exper- ience (years)	Last employ- ment & Designation
							Gross (Rs.)	Net (Rs.)		
1.	Mr. B. I. Patel	75	B.A.	1-09-1993	Chairman & Managing Director	Overall Manage- ment	52,01,837	43,96,850	56	Elecon Engineering Co. Ltd., Chairman & Managing Director
2.	Mr. C. T. Dave	65	DME MMGI	1-11-1975	Executive Director	Overall Manage- ment	28,84,838	23,89,753	42	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 service elsewhere, wherever applicable.
- Mr. B.I. Patel is a relative of Mr. P. B. Patel & Mr. P. M. Patel Directors of the Company.

ANNEXURE 2 TO DIRECTORS' REPORT - ITEM NO. 11

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, 2003.

[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 vapour lamps in place of mercury vapour lamps, reduction in ceiling height by providing false ceiling and insulation with thermocol 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 which 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 bring out improvements 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 | : | Rs. Nil |
| 2. Recurring | : | Rs. 1,892,193 |
| 3. Total R & D expenditure | | |
| Percentage of total turnover | : | 0.22% |

[C] Technology absorption, adaptation & innovation:

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

The technologies so far imported by the Company have 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 have 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 signed two Collaboration Agreements in 1999 as mentioned below:

- i. Agreement dated 1-6-1999 with Sandvik Tamrock Secoma SA, France for manufacture of CTX models of Load Haul Dumps products.
- ii. Agreement dated 2-12-1999 with Driltech Mission LLC, USA for manufacture of Rotary Blasthole Drills and DTH Drills.

[b] Whether technology fully absorbed:

Technology for the above mentioned products are absorbed.

[D] Foreign exchange earning & outgo:

1. During the year the Company has exported goods worth Rs.1,276,113 and continues to make efforts to push up exports. The Company has also earned commission to the extent of Rs.182,914.

2. Foreign Exchange used & earned:

<u>Used</u>	<u>Earned</u>
Rs. 221,609,325	Rs. 1,459,027

For and on behalf of the Board

B. I. PATEL
Chairman

Place : Kagenfurt
Date : 3rd June, 2003

CORPORATE GOVERNANCE REPORT

Annexure 3 to the Directors' Report (Item No. 9)

1. Company's philosophy

The Company is committed to good Corporate Governance. The mandatory requirements of Clause 49 of the Listing Agreement with the Stock Exchanges have been fully implemented by your Company. The Company firmly believes in the rights of its stakeholders to information regarding the Company's business and financial performance.

2. Board of Directors (the Board)

During the year 2002-2003, 4 Board Meetings were held i.e. on

6th May 2002
27th July 2002
29th October 2002
28th January 2003

Sr. No.	Name of the Director	Category of Directorship	No. of Board Meetings attended out of 4 held	Attendance at last AGM Held on 28-9-2002	No. of other Directorships in other public companies	No. of Committee positions held in other public Companies	
						Member	Chairman
1.	Mr. B.I. Patel	CMD-P	4	Yes	8	Nil	1
2.	Mr. C.T. Dave	WTD	4	Yes	1	Nil	Nil
3.	Mr. P.B. Patel	NED-P	3	No	12	Nil	Nil
4.	Mr. H.S. Parikh	NED (I)	2	Yes	4	6	3
5.	Mr. P.M. Patel	NED (I)	1	No	3	7	Nil
6.	Mr. N.S. Patel	NED (I)	3	Yes	1	Nil	Nil
7.	Mr. Hans Gass	NED (I)	3	No	1	1	Nil
8.	Mr. Lasse Hakoaho	NED (I)	Nil	No	Nil	Nil	Nil
9.	Mr. Werner Kraher	NED (I)	2	No	Nil	Nil	Nil

CMD : Chairman & Managing Director

WTD : Wholtime Director

P : Promoter

NED (I) : Non Executive Director (Independent)

3. Audit Committee

At the meeting held on 31st January 2001, the Board of Directors have appointed an Audit Committee comprising of following Directors :

Mr. H.S. Parikh (Chartered Accountant)	Chairman	Non-Executive and Independent Director
Mr. P.B. Patel	Member	NED-P
Mr. N.S. Patel	Member	NED-I

The Executive Director, Company Secretary, Head of Accounts, Internal Auditors and Statutory Auditors are invitees to the Meetings.

Meetings and attendance during the year :

Members	Attendance at Committee Meeting held on		
	27th April 2002	26th October 2002	2nd February 2003
Mr. H.S. Parikh	Yes	Yes	No
Mr. N.S. Patel	Yes	Yes	Yes
Mr. P.B. Patel	Yes	Yes	Yes

4. Remuneration Committee

With effect from 21st July 2001, the Board of Directors has appointed a Remuneration Committee comprising of following Directors:

Mr. H.S. Parikh	Chairman	Non-Executive and Independent Director
Mr. P.B. Patel	Member	NED-P
Mr. N.S. Patel	Member	NED-I

Meetings and attendance during the year :

Members	Attendance at Committee Meeting held on		
	27th April 2002		
Mr. H.S. Parikh	Yes		
Mr. N.S. Patel	Yes		
Mr. P.B. Patel	Yes		

The details of remuneration paid to Wholetime Directors during the financial year 2002-2003 are as under :

Name	Salary (Rs.)	Perquisites (Rs.)	Commission	Total (Rs.)	Period of contract
Mr. B.I. Patel Chairman & Managing Director	1,20,000 p.m.	To be determined by the Remuneration Committee at the end of each financial year subject to overall ceiling of the Companies Act, 1956.	To be determined by the Remuneration Committee at the end of each financial year subject to overall ceiling of the Companies Act, 1956.	20,00,000 + 23,96,850	5 years from 1-9-1997 to 31-8-2002.
	2,00,000 p.m.			43,96,850	3 years from 1-9-2002 to 31-8-2005.
Mr. C.T. Dave Wholetime Director	1,00,000 p.m.	5,00,000 per Annum	1% of net profit or 50% of annual salary whichever is less.	12,60,000 + 4,99,753 + 6,30,000	3 years from 1-1-2000 to 31-12-2002.
	1,20,000 p.m.			23,89,753	2 years from 1-1-2003 to 31-12-2004.
Bonus				Nil	
Stock Options				Nil	
Pension				Nil	
Others				Nil	

The Non-Executive Directors do not draw any remuneration from the Company other than sitting fees for attending Board/Committee Meetings.

The details of remuneration paid to Non-Executive Directors are as under:

Name	Sitting Fees		Total (Rs.)
	Board Meeting	Committee Meeting	
Mr. P.B. Patel	15000	40000	55000
Mr. N.S. Patel	15000	20000	35000
Mr. P.M. Patel	5000	Nil	5000
Mr. H.S. Parikh	10000	15000	25000
Mr. Hans Gass	10000	Nil	10000
Mr. Lasse Hakoaho	Nil	Nil	Nil
Mr. Werner Kraher	5000	Nil	5000
			135000