

EIMCO ELECON (INDIA) LIMITED

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**ANNUAL REPORT
2003-2004**

BOARD OF DIRECTORS

Mr. B.I. Patel — Chairman & Managing Director
Mr. Hans C. Gass
Mr. Hakan Kingstedt
Mr. Werner Kraher
Mr. P.M. Patel
Mr. H.S. Parikh
Mr. P.B. Patel
Mr. N.S. Patel

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 30th Annual General Meeting of EIMCO ELECON (INDIA) LTD. will be held on Friday, the 3rd September 2004 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 2004 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. H.S. Parikh who retires by rotation and being eligible, offers himself for re-appointment.
4. To appoint a Director in place of Mr. Werner Kraher 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 Mr. Hakan Kingstedt, who was co-opted as an Additional Director of the company by the Board of Directors, and who holds office under Section 260 of the Companies Act, upto the date of Annual General Meeting, be and is hereby appointed as Director of the Company, whose period of office will be liable to retirement by rotation.

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 25th August, 2004 to 3rd September, 2004 (both days inclusive).
- C. The payment of dividend on equity shares as recommended by the directors for the Year ended 31st March, 2004 when declared at the meeting will be paid:
 1. to those members whose names appear in the Register of Members of the Company on 25th August, 2004.
 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 24th August, 2004.
- D. The members desiring to have any information on accounts are requested to write to the Company Secretary at least 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.

Registered office
Anand-Sojitra Road
Vallabh Vidyanagar
Gujarat-388120

By order of the Board

Nilesh D.Shelat
Company Secretary

Date: 23rd April, 2004

Registered office
Anand-Sojitra Road
Vallabh Vidyanagar
Gujarat-388120

By order of the Board

Nilesh D.Shelat
Company Secretary

Date: 23rd April, 2004

EIMCO ELECON (INDIA) LIMITED

ANNEXURE TO THE NOTICE

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

ITEM NO.6

Mr. Hakan Kingstedt was appointed as an Additional Director with effect from 13-10-2003 pursuant to Section 260 of the Companies Act, 1956. Mr. Hakan Kingstedt holds office upto the date of the ensuing Annual General Meeting. The Company has received notice under section 257 of the Companies Act, 1956 together with requisite deposit, signifying the intention to propose the name of Mr. Hakan Kingstedt for appointment as director liable to retire by rotation.

Considering his extensive knowledge, business skills and managerial experience, the Board considers that the

appointment of Mr. Hakan Kingstedt ~~will be in the interest~~ of the Company and therefore, recommends the proposed resolution for approval.

Except Mr. Hakan Kingstedt none of the Directors shall be deemed to be concerned or interested in the proposed resolution.

Registered office
Anand-Sojitra Road
Vallabh Vidyanagar
Gujarat-388120

Date: 23rd April, 2004

By order of the Board

Nilesh D.Shelat
Company Secretary

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

To
The Members,
EIMCO ELECON (INDIA) LTD.

The Directors have pleasure in presenting their 30th Annual Report together with the Audited Statement of Accounts of the company for the year ended 31st March 2004.

1. FINANCIAL RESULTS

	31-03-2004	31-03-2003
	(Rs.)	(Rs.)
Profit before Depreciation, Voluntary Retirement Compensation & Provision for Taxation	167,397,666	121,127,959
Less: Depreciation	46,462,792	40,223,627
	120,934,874	80,904,332
Less: Voluntary Retirement Compensation	-	541,728
PROFIT BEFORE TAX	120,934,874	80,362,604
Less: Provision for Taxation and Deferred Tax	44,861,706	30,710,778
PROFIT AFTER TAX	76,073,168	49,651,826
Excess / Short provision for taxation for earlier year	(1,798,090)	58,140
	74,275,078	49,709,966
Add: Balance brought forward from last year	25,502,196	22,266,846
	99,777,274	71,976,812
APPROPRIATED AS		
Proposed Dividend	19,035,671	19,035,671
Tax on distributed Profit	2,438,945	2,438,945
Transfer to General Reserve	50,000,000	25,000,000
Balance Carried Forward	28,302,658	25,502,196
Total	99,777,274	71,976,812

2. PERFORMANCE

During the year under review, the Company has achieved the highest ever turnover of Rs.869.63 million (previous year 836.89 million) The net profit stood at Rs.76.07 million (previous year Rs. 49.65 million).

3. DIVIDEND

Your directors recommend for your consideration a dividend of 33% for the year ended 31st March, 2004.

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 2004.

6. DIRECTORS

Mr. H.S.Parikh and Mr. Werner Kraher retire by rotation and, being eligible, offer themselves for reappointment. A brief profile of these Directors is appearing in Annexure 4 to this Report.

During the year Mr. C.T.Dave, Wholetime Director and Mr. Lasse Hakoaho Director resigned from the Board of Directors of the company. Your Directors place on record their sincere appreciation for the valuable contribution made by Mr. C.T.Dave and Mr. Lasse Hakoaho.

Mr. Hakan Kingstedt has been appointed Additional Director w.e.f. 13th October 2003 and he will hold office as Additional Director upto Annual General Meeting. Notice together with deposit has been received from a member pursuant to section 257 of the Companies Act, 1956, proposing Mr. Hakan Kingstedt's appointment in the ensuing Annual General Meeting as Director of the Company liable to retire by rotation.

7. DIRECTORS' RESPONSIBILITY STATEMENT

The Board of Directors of your Company state:

- that in the preparation of the annual accounts, the applicable accounting standards have been followed along with proper explanation relating to material departures;

EMCO ELECON (INDIA) LIMITED

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 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 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 : Vallabh Vidyanagar
Date : 23rd April, 2004

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 2004.

(A) Names of employees employed throughout the year

Sr No.	Name	Age Years	Qualification	Date of joining	Designation	Nature of duty	Remuneration Received		Experience (years)	Last Employment & Designation
							Gross (Rs.)	Net (Rs.)		
1	Mr.B.I.Patel	76	B.A.	1-9-93	Chairman & Managing Director	Overall Management	62,56,439	49,06,234	57	Elecon Engineering Co. Ltd. Chairman & Managing Director

(B) Names of employees employed for the part of the year

1	Mr.C.T.Dave	66	DME MMGI	1-11-75	Executive Director	Overall Management	30,17,540	20,33,231	43	The Milling Trading Co. P. Ltd. Divisional Administrator
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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, Retirement Benefits, 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, 2004.

[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 thermocole 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 Indian mining conditions.

3. Expenditure:

1.	Capital	:	Rs. Nil
2.	Recurring	:	Rs.1,827,848
3.	Total R & D expenditure		
	Percentage of total turnover	:	0.21%

[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:

- Agreement dated 1-6-1999 with Sandvik Tamrock Secoma SA, France for manufacture of CTX models of Load Haul Dumps products.
- 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.4,303,213 and continues to make efforts to push up exports. The Company has also earned commission to the extent of Rs.7,697,632.

2. Foreign Exchange used & earned:

<u>Used</u>	<u>Earned</u>
Rs. 328,198,320	Rs.12,000,845

For and on behalf of the Board

B.I. PATEL
CHAIRMAN

Place : Vallabh Vidyanagar

Date : 23rd April, 2004

EIMCO ELECON (INDIA) LIMITED**CORPORATE GOVERNANCE REPORT**

Annexure 3 to the Directors' Report

1. Company's philosophy

The Company is committed to good Corporate Governance. The mandatory requirement 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 2003-2004, 5 Board Meetings were held i.e. on

13th May 20033rd June 200317th July 200313th October 200319th January 2004

Sr. No.	Name of the Director	Category of Directorship	No. of Board Meetings attended out of 5 held	Attendance at last AGM Held on 27-9-2003	No. of other Directorships in other public companies (excluding Directorships in foreign and private companies)	No. of Committee positions held in other companies	
						Member	Chairman
1.	Mr. B.I. Patel	CMD-P	5	Yes	8	1	Nil
2.	Mr.C.T.Dave	WTD	4	Yes	Nil	Nil	Nil
3.	Mr. P.B. Patel	NED-P	5	Yes	12	Nil	Nil
4.	Mr. H.S. Parikh	NED (I)	0	Yes	4	6	3
5.	Mr. P.M. Patel	NED (I)	1	No	3	6	1
6.	Mr. N.S. Patel	NED (I)	1	No	1	Nil	Nil
7.	Mr. Hans Gass	NED (I)	4	No	2	1	Nil
8.	Mr. Lasse Hakoaho	NED (I)	0	No	Nil	Nil	Nil
9.	Mr. Werner Kraher	NED (I)	2	No	Nil	Nil	Nil
10.	Mr.Hakan Kingstedt	NED (I)	1	No	Nil	Nil	Nil

CMD : Chairman & Managing Director

P : Promoter

WTD : Wholetime Director

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

EIMCO ELECON (INDIA) LIMITED

Meetings and attendance during the year :

Members	Attendance at Committee Meeting held on		
	13 th May 2003	27 th September 2003	6 th March 2004
Mr. H.S. Parikh	Yes	Yes	Yes
Mr. N.S. Patel	No	No	Yes
Mr. P.B. Patel	Yes	Yes	No

4. Remuneration Committee

With effect from 21st July 2001, the Board of Directors have appointed a Remuneration 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

Meetings and attendance during the year :

Members	Attendance at Committee Meeting held on		
	13 th May 2003		
Mr. H.S. Parikh	Yes		
Mr. N.S. Patel	No		
Mr. P.B. Patel	Yes		

The details of remuneration paid to Whole-time Directors are as under :

Name	Salary (Rs.)	Perquisites (Rs.)	Commission	Total (Rs.)	Period of contract
Mr. B.I. Patel	200,000 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	2,400,000 + 717,185 + 2,150,000 <hr/> 5,267,185	3 years from 1-9-02 to 31-8-05.
Mr. C.T. Dave	120,000 p.m.	500,000 p.a.	1% of net profit or 50% of annual salary whichever is less.	1,080,000 + 374,740 + 540,000 <hr/> 1,994,740	2 years from 1-1-03 to 31-12-04, resigned with effect from 31-12-03.
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.