

EIMCO ELECON (INDIA) LIMITED



ANNUAL REPORT 2004-2005

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

REGISTRAR & SHARE TRANSFER AGENTS

Mumbai Office

M/S. Intime Spectrum Registry Ltd.
C-13, Pannalal Silk Mills Compound
LBS Marg, Bhandup (W)
Mumbai-400 078

Vadodara Office

M/S Intime Spectrum Registry Ltd.
201, Sidcup Towers
Race Course
Vadodara-390007

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the 31st Annual General Meeting of EIMCO ELECON (INDIA) LTD. will be held on Wednesday, the 28th September, 2005 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 2005 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 P.M. Patel 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 and 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 2005 to 31st August 2008 on the terms and conditions, including those relating to remuneration, as set out under Serial No.1 of the Explanatory Statement annexed to this Notice.”

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

“RESOLVED THAT, subject to the provisions of the Companies Act, 1956 (including any statutory modification(s) or re-enactment thereof for the time being in force and as may be enacted hereafter), the Securities and Exchange Board of India (Delisting of Securities) Guidelines, 2003 and subject to such approvals, permissions and sanctions as may be necessary and subject to such conditions and modifications as may be prescribed or imposed while granting such approvals, permissions and sanctions, which may be agreed to, by the Board of Directors of the Company (hereinafter referred to as “the Board,” which term shall be deemed to include any Committee thereof for the time being exercising the powers conferred on the Board by this Resolution) consent is hereby accorded to the Board to de-list the Company's Equity Shares from The stock Exchange, Ahmedabad and Vadodara Stock Exchange Ltd.

RESOLVED FURTHER THAT the Board be and is hereby authorised to take all necessary steps in this regard to comply with all statutory and procedural formalities and further to authorise any of its committees or any of its Directors or any of the Officers of the Company to do all such acts, deeds, or things to give effect to the aforesaid resolution.”

Registered office
Anand-Sojitra Road
Vallabh Vidyanagar
Gujarat-388120

Date: 15-6-2005

By order of the Board

Nilesh D.Shelat
Company Secretary

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 6th September, 2005 to 10th September, 2005. (both days inclusive)
- C. The payment of dividend on equity shares as recommended by the directors for the Year ended 31st March, 2005 when declared at the meeting will be paid:
1. to those members whose names appear in the Register of Members of the Company on 6th September, 2005.
 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 5th September, 2005.

- 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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By order of the Board

Date: 15-6-2005

Nilesh D.Shelat
Company Secretary

ANNEXURE TO THE NOTICE

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

1. Item No.6.

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. He was again re-appointed with effect from 1-9-2002 for a period of three years at a remuneration of Rs.2,00,000 per month plus perquisites and commission as applicable under Section 198 and 309 of the Companies Act, 1956.

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.

The Remuneration Committee of the Company at its Meeting held on 11-06-2005 and subsequently, the Board at its meeting held on 15-06-2005, subject to the approval of the Members, re-appointed Shri Bhanubhai I. Patel as the Managing Director of the Company with effect from 1st September, 2005, for a further period of three years.

Details of Shri Bhanubhai's other Directorships and Committee Memberships, are as follows:

The terms and conditions of Shri Bhanubhai's re-appointment, including remuneration, are as follows:

Tenure:

For a period of three years with effect from 1st September, 2005 to 31st August 2008.

Remuneration:

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

(b) Perquisites and allowances:

(1) In addition to salary, the Managing Director shall be entitled to perquisites and allowance 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, 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.

(2) 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

Company	Position	Committee Memberships and Position
Elecon Engineering Co. Ltd	Chairman & Managing Director	
Kriti Industries (India) Ltd	Chairman	
Narmada Travels Ltd.	Chairman	
Power Build Ltd.	Chairman	
Ringspann Elecon (India) Ltd	Chairman	
Sir Shadi Lal Enterprises Ltd	Chairman	Remuneration Committee-Member
Power Build Elecon Gears Ltd.	Director	
PWH Materials Handling Limited	Director	

encashment of earned leave at the end of tenure shall not be included in computation of perquisites.

- (3) Car for use on Company's business and telephone and other communication facilities at residence will not be considered as perquisites.
- (4) 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 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 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.

Minimum Remuneration

Notwithstanding anything hereinabove, where in any financial year during the currency of Shri Bhanubhai's tenure as Managing Director, the Company has no profits or its profits are inadequate, the Company will pay the remuneration by way of salary & perquisites as Minimum remuneration as specified in schedule xiii of the Company's Act, 1956.

Approval of the shareholders under Section 269 read with Schedule xiii to the Companies Act, 1956, is required for appointment/re-appointment of a Managing Director and payment of remuneration to him. Hence, the Board of Directors commends Resolution No.6 for your approval.

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 Holding Ltd., a 100% subsidiary of Sandvik AB, Sweden.

During the last three financial years, company's total foreign exchange and net 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)
2004-2005	2,713,757	370,356,866	(367,643,109)
2003-2004	12,000,845	318,974,860	(306,974,015)
2002-2003	1,459,027	208,626,699	(207,167,672)

During the last three years, the average sales & other income growth was 9% and net profit after tax growth was also 9%. 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.

2. Item No.7.

The Equity Shares of the Company are currently listed on The stock Exchange, Mumbai (BSE) National Stock Exchange (NSE), The Stock Exchange, Ahmedabad (ASE) and Vadodara Stock Exchange (VSE).

The Shares of the Company have not been traded on the ASE and VSE since last many years. The annual recurring listing fees paid to ASE and VSE does not offer commensurate benefits to the Company and its investor. In the changed scenario of the nationwide trading facility set up by the BSE and NSE, the continued listing on ASE & VSE is not considered necessary.

The proposed voluntary de-listing of the Equity Shares of the Company from ASE & VSE will not adversely affect the investors and shareholders including those members located in the region where the ASE & VSE are situated. Pursuant to SEBI (Delisting of securities) guidelines 2003, it is now proposed to seek members' approval by way of a Special Resolution for the voluntary delisting of the Company's Equity share from the Stock Exchanges at Ahmedabad and Vadodara set

out in the Resolution at item 7 of the notice. In terms of the said guidelines, as the equity shares shall continue to remain listed on BSE & NSE, no exit option is required to be offered to the shareholders.

The proposed delisting is in the interest of the Company and the Board recommends the Resolution for the acceptance by the Members. None of the Directors of the Company is concerned or interested in the Resolution item No.7.

Registered office
Anand-Sojitra Road
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Gujarat-388120

By order of the Board

Date: 15-6-2005

Nilesh D.Shelat
Company Secretary



DIRECTORS' REPORT

To:
The Members of EIMCO ELECON (INDIA) LTD.

The Directors have pleasure in presenting their 31st Annual Report together with the Audited Statement of Accounts of the company for the year ended 31st March 2005.

1. FINANCIAL RESULTS

	31-03-2005 (Rs.)	31-03-2004 (Rs.)
Profit before Depreciation, & Provision for Taxation	199,235,744	167,397,666
Less: Depreciation	59,314,109	46,462,792
PROFIT BEFORE TAX	139,921,635	120,934,874
Less: Provision for Taxation and Deferred Tax	52,406,673	44,861,706
PROFIT AFTER TAX	87,514,962	76,073,168
Excess / Short provision for taxation for earlier year	-	(1,798,090)
	87,514,962	74,275,078
Add: Balance brought forward from last year	28,302,658	25,502,196
	<u>115,817,620</u>	<u>99,777,274</u>
APPROPRIATED AS		
Proposed DIVIDEND	20,189,348	19,035,671
Tax on distributed Profit	2,880,336	2,438,945
Transfer to General Reserve	70,000,000	50,000,000
Balance Carried Forward	22,747,936	28,302,658
TOTAL	<u>115,817,620</u>	<u>99,777,274</u>

2. PERFORMANCE

During the year under review, the Company has achieved the highest ever turnover of Rs.1008.20 million (previous year 869.63 million). The net profit stood at Rs.87.51 million (previous year Rs76.07 million).

3. DIVIDEND

Your directors recommend for your consideration a dividend of 35% for the year ended 31st March, 2005.

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 2005.

6. DIRECTORS

Shri N.S.Patel and Shri P.M.Patel 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 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

Place : Mumbai
Date : 15-6-2005

B.I. PATEL
CHAIRMAN

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 2005.

(A) Names of employees employed throughout the year

Sr. No.	Name	Age (yrs)	Qualification	Date Of Joining	Designation	Nature Of Duty	Remuneration Received		Experience (Yrs)	Last Employment & Designation
							Gross	Net		
1.	Mr. B.I. Patel	77	B.A.	1-9-1993	Chairman & Managing Director	Overall Management	64,55,295	38,77,643	58	Elecon Engineering Co. Ltd. Chairman & Managing Director
2.	Mr. A.M. Deshpande	55	BE(Mechanical) ME(Machine Design)	10-10-2003	Chief Executive Officer	Overall Management	26,16,560	15,83,560	32	L&T Case Equipment Pvt.Ltd Sr.Deputy General Manager Engineering.

Notes:

1. The appointment of Shri B.I. Patel is contractual.
2. 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.
3. Experience includes number of years service elsewhere.
4. Mr. B.I. Patel is a relative of Mr. P.B. Patel & Mr. P. M. Patel, Directors of the Company.