

EIMCO ELECON (INDIA) LIMITED



ANNUAL REPORT 2005-2006

tribute

a t r i b u t e



Late Shri Bhanubhai I. Patel

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The Patriarch has left for the ultimate abode,
yet his memories will nestle in eternity.

May his life and legacy remain a guiding
principle to everyone subscribing to a
mission that is Life.

The passing away of our Chairman and
mentor Shri Bhanubhai Patel has created a
vacuum that shall take time to fill.

We'll always miss him for the values he
instilled in all of us in managing our affairs
with the highest standards of business ethics
and social responsibilities.

His vision, integrity, dynamism and passion
for perfection along with perpetual
awareness towards all-round development
were exemplary.

His passing away is a loss that can only be
recovered, by following his footsteps.

All achievements begin with an idea!

*The soul can never be cut to pieces by any weapon,
nor burned by fire, nor moistened by water, nor withered by the wind.*

-The Gita



Society First: A man of empowerment

A perspective look at the lifespan of late Shri Bhanubhai I. Patel the founder of Elecon, will reveal a remarkable personality that created history in the national and global technosphere with an unrelenting commitment to exploit state-of-the-art technology while navigating Elecon through 55 glorious years of incessant achievements. The result; Elecon is today, India's largest manufacturer of Material Handling Equipment and Power Transmission Products. A dream that was envisaged in 1951 has blossomed in full glory.

Take a closer look and one is absorbed into the magical charm of this dynamic veteran who was a sheer source of pure energy. Even though an Arts graduate by education, he walked the technology path and strived for excellence while staying a step ahead in technology. Ahead of his time, Shri Bhanubhai not only introduced state-of-the-art technologies but also best manufacturing practices with a new approach towards total customer satisfaction.

Baptised with his love for innovative technologies and remarkable willpower Shri Bhanubhai started his career as a Sales Director in Milling Trading Company Private Limited, during which he learned the business and nurtured a dream, to one day

make it big in the industrial arena. Foremost in his mind was 'self-reliance' considering the Indian industry in context. For his pioneering spirit, it was reason enough to venture ahead with a mission to realize his dream. This was just the beginning for an individual who loved to challenge the challenge. This committed drive helped him foray into unexplored areas in the engineering world.

A noble and caring human being under a hard shell, he was a true role model for all who worked with him. A sport and art lover, he believed in doing all he did in totality and that life was nothing but an endless process to excel.

This tribute highlights some achievements of Shri Bhanubhai during his captivating years of excellence, experience, expertise and eminence, collectively; ELECON.

The Genesis

Circa 1951.

Shri Bhanubhai was born on the 17th of March 1928 and graduated in Arts from Bombay University in 1950. He joined Milling Trading Company Private Limited as Sales Director due to his affinity with technology. Before long, he realised the importance of self-reliance in the engineering industry



First ever Stacker Reclaimer installation by Elecon in India at Santaldih, West Bengal in 1960



At conference celebrating India's largest MHE contract then Neyveli Lignite Corp. in 1975

नैनं छिन्दन्ति शस्त्राणि नैनं दहति पावकः ।
न चैनं कलेदयन्तापो न शोष्यति मारुतः ॥

भगवद् गीता



and shaped a plan to achieve the same. A moderate start for Elecon with marketing activities for equipment and accessories for Power Plants, Steel and Sugar Mills, Fertilizer Plants, Cement and the Mining industry. These primal years contained therein, infinite promises for the time to come.

In 1962, Elecon shifted its base to a thriving industrial locale of Vallabh Vidyanagar in Gujarat upon an invitation by Shri H. M. Patel (ex. Finance Minister, Government of India). The commitment to excel only grew stronger through each achievement and challenge.

Shri Bhanubhai became the Managing Director in 1968 and took rapid strides that turned Elecon into a brilliant organization in the manufacture of bulk Material Handling Equipment and Power Transmission solutions. Sales zoomed from Rs. 2.5 million in 1962 to exceed Rs. 4,400 million by the year 2005-06.

Radical Vision

The initiatives undertaken by Shri Bhanubhai made progressive impact across the Indian and overseas industry by the use of innovative solutions to heavy application industries such as Thermal Power Stations, Fertilizer Plants, Steel & Cement Plants, Mining Industry, Defence industry and more, which ultimately offered an unprecedented competitive advantage to the Indian Economy as Elecon emerged as a robust element for the growth.

The Drive

Shri Bhanubhai believed in the old adage of "If you think you can, you will" and navigated Elecon through the maze of time with dedication, drive and determination.

Incorporated at a time of uncertainty, Elecon made its mark by continuously engaging in the exploration of new horizons. Then, the

recent independence of the nation meant a time for jubilation, but was just as much, a testing time for those who dared to achieve the unachievable. For young Elecon it was a formidable task.

However, the resolute spirit in Elecon helped achieve a series of landmarks and began offering a wide gamut of engineering products like Conveyors, Material Handling Plants, Gear Transmission Products to core industry sectors including Steel, Fertilizer, Cement, Mining, Power, Ports and Defence.

Today after 55 years of relentless efforts, Elecon has established itself to be an industrial power house contributing its time, energy and skills to building India's backbone in industrial infrastructure and defence. Figuratively, there will always be a bit of Elecon across India.

First Among Equals

Over time, under the able guidance of Shri Bhanubhai, Elecon evolved into a 'one stop shop' for bulk Material Handling Equipment and Power Transmission Products. From concept to commissioning, Elecon provides the best in technology, service and quality.

With constant innovation in technology and razor sharp understanding of industry needs, it is little wonder that today, Elecon is the largest manufacturer of a composite range of bulk Material Handling Equipment and Power Transmission products in India.

Conveying systems designed, manufactured and erected to work at the rate of 20,000 tons per hour for the Neyveli Lignite Corporation is the second largest conveying system in the world.

Always A Step Ahead

Graduation in Arts made him love painting, music and sculpture, but responsibilities

of running an engineering conglomerate added the love for technology. A passion for perfection translated into constant adoption and deployment of new technology to produce better products in shorter timeframes with near-zero rejection.

Shri Bhanubhai's drive for perfection further brought about novel methods in business management. Code of ethics was introduced along with new marketing and sales practices and business process re-engineering methods.

Global Vision

With the global industry in sight, Shri Bhanubhai inculcated a perfection oriented thought process in all endeavors at Elecon; from raw material procurement to production infrastructure, manufacturing practices, adherence to quality standards and stringent quality control, commitment to research & development, marketing and total customer satisfaction.

An ISO 9001:2000 certification for the Gear Division by world renowned accreditation agency stands as a testimony to Elecon's adherence to globally accepted quality norms. Elecon's growth plan confirms to its organizational belief that excellence is a never ending marathon.

Human Resources - The Force

Shri Bhanubhai truly believed that no sword is mightier than the spirited resolve that wields it. At the heart of Elecon is a



Strategising in office



Late Shri B.I. Patel with CMD Prayasvin Patel at workshop

remarkable aspect of people bonding. Career building, constant learning and support, employee mentoring, were some of the essentials introduced and implemented in the Elecon HR policy. In the development of its people lies the motivating force that will propel Elecon into the future.

Community Initiatives

Shri Bhanubhai's efforts and contributions are beyond the confinement of corporate excellence, which find their noble presence in millions of transformed lives and social developments benefitting one and all. Being a dynamic visionary, he subscribed to the notion of absolute empowerment, which is quite axiomatic in all his community contributions. Some of the compassionate efforts he endeavoured are:

Education: Knowing that education plays a crucial role to help achieve democratic objectives, he religiously donated to building and caring such institutions including schools, collages, academic trusts and others to pave a better tomorrow.

Healthcare: To heal innocent and needy lives, Shri Bhanubhai helped establish centres with advanced facilities in hospitals and medical institutions to serve people in a caring environment.

Environment: Shri Bhanubhai remained quite emphatic on rewarding the community for the civil good and betterment as he did never limit reforms to corporate board rooms. He has played a significant role in gifting a new charm and feel to the environment by sponsoring the development of gardens, parks and environment friendly plantation drives.

Aids for National Calamities / Disasters: Needless to say, Shri Bhanubhai always remained at the forefront in aid efforts

whenever a natural calamity hit the nation by funding national aids for reconstruction and rehabilitation and unflinchingly contributed his patriotic dues.

Triumphing Chapters

In heralding an ever contemporary Elecon and to enable the organization flower into an immaculate success story, Shri Bhanubhai consistently endeavored to do more.

Established a sophisticated Gear manufacturing facility with Computerised Numerically Controlled (CNC) machines, to boost production. This CNC technology helped make Elecon a leading manufacturer of Power Transmission products including Codog Marine gearboxes for the Indian Navy.

Employment of more than 2000 people in Elecon and its associate group companies.

Promotion of joint venture companies viz. Ringspann Elecon (India) Limited in collaboration with M/s. Ringspann of Germany and Power Build Elecon Gears Limited in collaboration with M/s. SKK of Japan. Strategic alliances with multiple engineering companies in Europe across multiple product lines.

Establishment of Eimco Elecon (India) Limited by collaborating with Eimco (G.B) Limited - A division of Sandvik Mining & Construction of Sweden to manufacture state-of-the-art mining equipment.

Earning the national pride by being selected to serve national interests such as the Indian Navy and Indian Space Research Organisation.

Accomplished global heights of excellence by earning the distinct accolades of ISO 9001:2000 Certification by TUV Rheinland.

Formation of new age information technology company, Elecon Information Technology Limited to cater to Elecon group's constant drive for advanced technology.

A fact, to keep him embraced in immortality is the heritage of organisations Shri Bhanubhai brought to life. Hand picked from his genius foresightedness, he nurtured them into bright vistas able to meet every premonition he could foresee, which shall now progress as the living tribute.

The Phenomenal Era:

Elecon Engineering Company Limited - associates and group Companies:-

- Emtici Engineering Limited, Eimco Elecon (India) Limited, Power Build Limited, Prayas Castings Limited, VVN Mfg & Investa Limited, Power Build Elecon Gears Limited, Ringspann Elecon (India) Limited, Kirloskar Power Build Gears Limited, Elecon Information Technology Limited, Akaaish Mechatronics Limited, Woodpack Corporation, Elecon Singapore Pte. Limited, Elecon Africa (Pty) Limited, Elecon Australia (Pty) Limited, Elecon Middle East FZCO.

The Future

The new millennium means new challenges to be met, new horizons to be explored, new heights to be scaled and new depths to be fathomed. It's a time to brace for change and have the will to metamorphose in a new 'Avatar', as an even more progressive enterprise.

It is this time of constant change that this insurmountable loss of Shri Bhanubhai will be felt the most. But, just as most visionaries leave behind legacies, so has Shri Bhanubhai. The two legacies are, Elecon the enterprise and an able navigator in Shri Prayasvin B. Patel to lead the group in its new Avatar.

BOARD OF DIRECTORS

| | | |
|---------------------|---|--------------------|
| Mr. P.M. Patel | — | Chairman |
| Mr. P.B. Patel | — | Managing Director |
| Mr. Werner Kraher | | |
| Mr. Hans Gass | | |
| Mr. Hakan Kingstedt | | |
| Mr. H.S. Parikh | | |
| Mr. N.S. Patel | | |
| Mr. U.M. Patel | | |
| Mr. A.M. Deshpande | — | Wholetime Director |

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.
1st Floor, 308, Jaldhara Complex
Opp. Manisha Society
Off Old Padra Road, Vasna Road
Vadodara - 390 015

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the 32nd Annual General Meeting of EIMCO ELECON (INDIA) LTD. will be held on Tuesday, the 12th September 2006 at 11.00 a.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 2006 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. Hakan Kingstedt who retires by rotation and being eligible, offers himself for re-appointment.
4. To appoint a Director in place of Mr. 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 an Ordinary Resolution.

"Resolved That Mr. A. M. Deshpande, 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, 1956, upto the date of forthcoming Annual General Meeting, be and is hereby appointed as Director of the Company, whose period of office will be liable to retirement by rotation."

7. To consider and if thought fit, to pass, with or without modification, the following Resolution as an Ordinary Resolution.

"Resolved That Mr. Upendrabhai Patel, 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, 1956, upto the date of forthcoming Annual General Meeting, be and is hereby appointed as Director of the Company, whose period of office will be liable to retirement by rotation."

8. To consider and if thought fit, to pass, with or without modification, the following Resolution as an Ordinary Resolution.

"RESOLVED THAT pursuant to the provisions of section 198, 269, 309, 310, Schedule XIII and other applicable provisions, if any, of the Companies Act, 1956, the

Company hereby approves the appointment of Mr. A.M. Deshpande as Wholetime Director of the Company for a period of 3 years with effect from 1st January 2006 on the terms and conditions, including remuneration, as are set out in the draft Agreement to be entered into by the Company with him, which agreement is hereby specifically sanctioned with authority to the Board of Directors to alter and vary the terms and conditions of the said appointment and/or Agreement in accordance with Schedule XIII to the Companies Act, 1956, and/or any amendments and/or modifications including any guidelines or notifications on managerial remuneration which may be issued or any rules that may be prescribed by the Central Government from time to time or as may be varied by the General Meeting and as may be acceptable to the appointee.

RESOLVED FURTHER THAT the Board of Directors of the Company be and is hereby authorized to take such steps as may be necessary to give effect to this resolution."

9. To consider and if thought fit, to pass, with or without modification, the following Resolution as an Ordinary Resolution.

"RESOLVED THAT pursuant to the provisions of section 198, 269, 309, 310, Schedule XIII and other applicable provisions, if any, of the Companies Act, 1956, the Company hereby approves the appointment of Mr. P.B.Patel as Managing Director of the Company for a period of 3 years with effect from 1st April 2006 on the terms and conditions, including remuneration, as are set out in the draft Agreement to be entered into by the Company with him, which agreement is hereby specifically sanctioned with authority to the Board of Directors to alter and vary the terms and conditions of the said appointment and/or Agreement in accordance with Schedule XIII to the Companies Act, 1956, and/or any amendments and/or modifications including any guidelines or notifications on managerial remuneration which may be issued or any rules that may be prescribed by the Central Government from time to time or as may be varied by the General Meeting and as may be acceptable to the appointee.

RESOLVED FURTHER THAT the Board of Directors of the Company be and is hereby authorized to take such steps as may be necessary to give effect to this resolution."

Registered office :
Anand-Sojitra Road
Vallabh Vidyanagar
Gujarat-388120

Dated : 27th June 2006

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 18-8-2006 to 29-8-2006. (both days inclusive).
- C. The payment of dividend on equity shares as recommended by the directors for the Year ended 31st March, 2006 when declared at the meeting will be paid:
1. to those members whose names appear in the Register of Members of the Company on 18-8-2006.
 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 17-8-2006.

- 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.

Registered office :
Anand-Sojitra Road
Vallabh Vidyanagar
Gujarat-388120

By order of the Board

Dated : 27th June 2006

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

Mr.A.M.Deshpande was appointed as an Additional Director with effect from 1st January, 2006 pursuant to Section 260 of the Companies Act, 1956. Mr.A.M.Deshpande 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.A.M.Deshpande 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.A.M.Deshpande will be in the interest of the Company and therefore, recommends the proposed resolution for approval.

Except Mr. A. M. Deshpande none of the Directors shall be deemed to be concerned or interested in the proposed resolution.

2. Item No.7

Mr.Upendrabhai Patel was appointed as an Additional Director with effect from 1st January, 2006 pursuant to Section 260 of the Companies Act, 1956. Mr.Upendrabhai Patel 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. Upendrabhai Patel 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.Upendrabhai Patel will be in the interest of the Company and therefore, recommends the proposed resolution for approval. Mr. Upenrabhai Patel was not holding any Equiry Share of the Company prior to his appointment.

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

3. Item No. 8

The Board of Directors of the Company at its Meeting held on 23rd December 2005, appointed Mr. A. M. Deshpande as Wholetime Director of the Company subject to the approval of the Company in General Meeting and subsequently, the Remuneration Committee at its Meeting held on 30-01-2006 has also approved the remuneration package of Mr. A. M. Deshpande.

The terms and conditions of Mr. A.M. Deshpande's appointment, including remuneration, are as follows:

Tenure:

For a period of 3 years with effect from 1st January, 2006 to 31st December 2008.

Remuneration:

- (a) Salary : Rs. 2,00,000/- per month.
- (b) Commission: In addition to salary, 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 Rs.7 Lacs per annum whichever is less.
- (c) Perquisites:
 - (1) 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 shall not be included in computation of perquisites.
 - (2) Car for use on Company's business and telephone and other communication

facilities at residence will not be considered as perquisites.

Minimum Remuneration: Notwithstanding anything herein contained, where in any financial year during the currency of tenure of the Wholetime Director, the Company has no profits or the profits are inadequate, the Company will pay remuneration by way of salary and perquisites as stated above but shall not exceed the limits prescribed under Schedule XIII to the Companies Act, 1956 and other provisions thereof or any amendments, variations, modifications or enactment.

All other terms and conditions remain unchanged.

The Wholetime Director so long as he functions as such, shall not be paid any sitting fees for attending meeting of the Board of Directors or Committees thereof.

None of the Directors of the Company is in any way deemed to be concerned or interested in the aforesaid resolution except Mr. A.M.Deshpande.

Mr. A. M. Deshpande holds Directorship in Eimco Elecon Electricals Ltd.

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

Approval of the shareholders under Section 269 read with Schedule XIII to the Companies Act, 1956, is required for appointment of a Wholetime Director and payment of remuneration to him. Hence, the Board of Directors recommends Resolution No.8 for your approval.

4. Item No.9

Mr. P.B. Patel born on 3rd April 1958, had his education in Vallabh Vidyanagar and obtained Bachelor of Mechanical Engineering Degree from Sardar Patel University, Vallabh Vidyanagar in First Class with Distinction. Thereafter, he obtained Master of Business Administration Degree from Loyola University, USA.

Mr. P.B. Patel has started his career as a Sales Director of Prayas Castings Pvt. Ltd. Thereafter, he joined Elecon Engineering Co. Ltd. as Joint Managing Director on 1st July 1983. From 1st July 1993, he has taken over the responsibility of Managing Director of the Company. He has 30 years of experience in Engineering Industry.

Mr. P.B. Patel holds Directorship in Power Build Limited, Power Build Elecon Gears Limited, VVN Mfg. & Investa Limited, Prayas Castings Limited, PWH Materials Handling Limited, Narmada Travels Limited, Ringspann Elecon (India) Limited, Kirloskar Power Build Gears Limited, Akaash Mechatronics Limited, Elecon Information Technology Limited, Maduban Prayas Resorts Limited and Marck Parenterals India Limited.

The Directors have at their Meeting held on 28th March, 2006 appointed Mr. P. B. Patel as Managing Director, for a period 3 years with effect from 1st April, 2006, on the following terms and conditions, subject to the approval of the Company in General Meeting. Subsequently, the Remuneration Committee at its Meeting held on 28th March 2006 has also approved the remuneration package of Mr. P.B. Patel.

Tenure:

For a period of 3 years with effect from 1st April, 2006 to 31st March, 2009.

Remuneration:

- (a) Salary : Rs. 2,50,000/- per month.
- (b) Commission : As may be decided by the Board of Directors at the end of each year calculated with reference to the net profit of the Company during the financial year, subject to overall ceiling as prescribed in Section 198 and 309 of the Companies Act, 1956.
- (c) Perquisites & Allowances : In addition to salary, the Managing Director shall be entitled to perquisites and benefits like accommodation (furnished or otherwise) or House Rent Allowance in lieu thereof,