

# **EIMCO ELECON (INDIA) LIMITED**

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**ANNUAL REPORT  
2006-2007**

**BOARD OF DIRECTORS**

Mr. P. M. Patel	-	Chairman
Mr. P. B. Patel	-	Managing Director
Mr. Werner Kraher		
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

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**NOTICE OF ANNUAL GENERAL MEETING**

NOTICE IS HEREBY GIVEN that the 33<sup>rd</sup> Annual General Meeting of EIMCO ELECON (INDIA) LTD. will be held on Monday, the 16<sup>th</sup> July, 2007 at 3.30 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 31<sup>st</sup> March 2007 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 Werner Kraher who retires by rotation and being eligible, offers himself for re-appointment.
4. To appoint a Director in place of Shri N.S.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 an Ordinary Resolution:

“Resolved that the increase by way of revision in the salary, perquisites and commission payable to Shri A. M. Deshpande, Wholetime Director, with effect from 1<sup>st</sup> April 2007 to 31<sup>st</sup> December 2008, as stated in the draft of the Supplemental Agreement to be entered into by the Company with him, be and is hereby approved.”

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

By order of the Board

Nilesh D. Shelat  
Company Secretary

Date : 11<sup>th</sup> May, 2007

**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 5-7-2007 to 16-7-2007 (both days inclusive).
- C. The payment of dividend on equity shares as recommended by the directors for the year ended 31<sup>st</sup> March, 2007 when declared at the meeting will be paid:
  - i. to those members whose names appears in the Register of Members of the Company on 5-7-2007.
  - 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 4-7-2007.
- 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

Nilesh D. Shelat  
Company Secretary

Date: 11<sup>th</sup> May, 2007

**ANNEXURE TO THE NOTICE**

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

**ITEM NO. 6.**

The Remuneration Committee and the Board of Directors at their meeting held on 11<sup>th</sup> May 2007 unanimously resolved to increase the remuneration payable to Shri A.M.Deshpande, Wholetime Director from 1<sup>st</sup> April 2007 for the remaining period of his term of appointment i.e. 31<sup>st</sup> December 2008, subject to the approval of the Company in General Meeting. The terms and conditions including remuneration payable to Shri A. M. Deshpande are set out in the draft of the Supplemental Agreement to be entered into by the Company with him which inter alia, contain the following terms and conditions:

**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.14 Lacs per annum whichever is less.

(c) Perquisites & Allowances :

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.

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, modification or re-enactment.

All other terms and conditions remain unchanged.

The Wholetime Director shall not be paid any sitting fees for attending meetings of the Board of Directors or Committees thereof.

Shri A.M.Deshpande is concerned or interested in the resolution as it relates to him.

None of the other Directors is interested or concerned in the aforesaid resolution.

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

By order of the Board,

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

Date: 11<sup>th</sup> May, 2007

Nilesh D. Shelat  
Company Secretary

## **DIRECTORS' REPORT**

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

The Directors have pleasure in presenting their 33<sup>rd</sup> Annual Report together with the Audited Statement of Accounts of the company for the year ended 31<sup>st</sup> March 2007.

### **1. FINANCIAL RESULTS**

	<b>31-03-2007</b>	<b>31-03-2006</b>
	<b>(Rs.)</b>	<b>(Rs.)</b>
Profit before Depreciation, & Provision for Taxation	<b>205,497,771</b>	191,254,311
Less: Depreciation	<b>76,450,094</b>	67,021,536
<b>PROFIT BEFORE TAX</b>	<b>129,047,677</b>	124,232,775
Less : Provision for Taxation and Deferred Tax and Fringe Benefit Tax	<b>42,258,980</b>	41,827,601
<b>PROFIT AFTER TAX</b>	<b>86,788,697</b>	82,405,174
<b>Add : Balance brought forward from last year</b>	<b>22,132,206</b>	22,747,936
	<b>108,920,903</b>	105,153,110
<b>APPROPRIATED AS</b>		
<b>Proposed DIVIDEND</b>	<b>20,189,348</b>	20,189,348
<b>Tax on distributed Profit</b>	<b>3,431,180</b>	2,831,556
<b>Transfer to General Reserve</b>	<b>60,000,000</b>	60,000,000
<b>Balance Carried Forward</b>	<b>25,300,375</b>	22,132,206
<b>Total</b>	<b>108,920,903</b>	105,153,110

### **2. PERFORMANCE**

During the year under review, the Company has achieved the turnover of Rs.989.70 million (previous year Rs.931.71 million). The net profit stood at Rs.86.78 million (previous year Rs.82.40 million).

During the year your company entered into technology transfer agreement with M/s. Ahlmann Baumaschinen GmbH of Germany for manufacturing of Front End Articulated Loader.

During the year your company received the order for one continuous mining package worth Rs.12.51 crores, which would be dispatched during first quarter of current year.

### **3. DIVIDEND**

Your directors recommend for your consideration a dividend of 35% for the year ended 31<sup>st</sup> March, 2007.

### **4. INSURANCE**

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

### **5. FIXED DEPOSITS**

Fourteen Deposits aggregating to Rs.169,000 though matured were not claimed as on 31<sup>st</sup> March 2007.

### **6. DIRECTORS**

Shri Werner Kraher and Shri N.S.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.

During the year Shri Hans Gass, Director resigned from the Board of Directors of the company. Your Directors place on record their sincere appreciation for the valuable contribution made by Shri Hans Gass.

### **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;
- 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 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

P. B. Patel  
Managing Director

A. M. Deshpande  
Wholetime Director

Place : Mumbai  
Date : 11<sup>th</sup> May, 2007

**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 31<sup>st</sup> March 2007.

**(A) Names of employee 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.	Shri P. B. Patel	49	BE (Mech.) M.B.A	01-04-06	Managing Director	Overall Management	66,31,045	42,58,226	31	Elecon Eng. Co. Ltd. (Managing Director)
2.	Shri A. M. Deshpande	57	BE (Mech.) ME (Machine Design)	10-10-03	Whole time Director	Overall Management	39,45,320	21,12,641	34	L&T Case Equipment Pvt. Ltd (Sr.Deputy General Manager-Engg.)

**Notes:**

1. The appointments of both the above Directors are 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, wherever applicable.
4. Shri P. B. Patel, Managing Director of the Company is a relative of Shri P. M. Patel, Director 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 31<sup>st</sup> March, 2007.

**[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 and it 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.5,750,015 |
| 3. Total R & D expenditure   |                |
| Percentage of total turnover | : 0.58%        |

**[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 as mentioned below:

(i) Agreement dated 2-7-2004 with Voest-Alpine Bergtechnik Ges.m.b.H., Austria for manufacture of ACM-10-continuous miner.

(ii) Agreement dated 12-12-2006 with Ahlmann Baumaschinen GmbH, Germany for manufacture of Front End Articulated Loader.

[b] Whether technology fully absorbed :

Transfer of Technology for the above mentioned products is in progress.

**[D] Foreign exchange earning & outgo:**

**1. During the year the Company has exported goods worth Rs.3,607,856 and continues to make efforts to push up exports. The Company has also earned commission to the extent of Rs.1,652,376.**

**2. Foreign Exchange used & earned:**

<u>Used</u>	<u>Eamed</u>
Rs.132,918,185	Rs. 5,260,232

For and on behalf of the Board

P. B. Patel  
Managing Director

A. M. Deshpande  
Wholtime Director

Place : Mumbai  
Date : 11<sup>th</sup> May, 2007



## 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 2006-2007, five (5) Board Meetings were held i.e. on

27<sup>th</sup> June 2006

25<sup>th</sup> July 2006

12<sup>th</sup> September 2006

31<sup>st</sup> October 2006

17<sup>th</sup> January 2007

Sr. No.	Name of the Director	Category of Director-ship	No. of Board Meetings attended out of 5 held	Attendance at AGM held on 12th Sep. 06	No. of other Director-ships in other companies (excluding Directorships in foreign and private companies)	No. of Committee positions held in other public companies	
						Member	Chairman
1	Mr. P. B. Patel	MD (P)	5	Yes	14	Nil	Nil
2	Mr. H. S. Parikh	NED (I)	5	Yes	3	4	4
3	Mr. P. M. Patel	NED (P)	5	Yes	2	4	Nil
4	Mr. N. S. Patel	NED (I)	4	Yes	1	Nil	Nil
5	Mr. Hans Gass	NED (P)	1	No	Nil	Nil	Nil
6	Mr. Werner Kraher	NED (P)	2	No	Nil	Nil	Nil
7	Mr. Hakan Kingstedt	NED (P)	1	No	2	Nil	Nil
8	Mr. U. M. Patel	NED (I)	4	Yes	4	1	Nil
9	Mr. A. M. Deshpande	WTD	5	Yes	1	Nil	Nil

MD (P) : Managing Director (Promoter)

NED (P) : Non Executive Director (Promoter)

NED (I) : Non Executive Director (Independent)

WTD : Wholetime Director

Personal Shareholding of Non-Executive Directors is as follows:

No. of Equity shares as at the year end

Mr. P. M. Patel	150 Shares
Mr. H. S. Parikh	300 Shares
Mr. Hans C. Gass	NIL
Mr. Werner Kraher	NIL
Mr. Hakan Kingstedt	NIL
Mr. N. S. Patel	NIL
Mr. U. M. Patel	NIL

**3. Audit Committee**

At the meeting held on 31<sup>st</sup> 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	MD-P
Mr. N. S. Patel	Member	NED-I

The Wholetime 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			
	24 <sup>th</sup> June 2006	25 <sup>th</sup> July 2006	31 <sup>st</sup> October 2006	13 <sup>th</sup> January 2007
Mr. H. S. Parikh	Yes	Yes	Yes	Yes
Mr. N. S. Patel	Yes	Yes	No	Yes
Mr. P. B. Patel	Yes	Yes	Yes	Yes

**4. Remuneration Committee**

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

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

Meeting and attendance during the year :

Members	Attendance at Committee Meeting held on	
	24 <sup>th</sup> June 2006	
Mr. H. S. Parikh	Yes	
Mr. N. S. Patel	Yes	
Mr. P. B. Patel	Yes	