

# **EIMCO ELECON (INDIA) LIMITED**



## **ANNUAL REPORT 2007-2008**

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## **BOARD OF DIRECTORS**

Mr. P. M. Patel	-	Chairman
Mr. P. B. Patel	-	Managing Director
Mr. P. C. Amin		
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 34<sup>th</sup> Annual General Meeting of EIMCO ELECON (INDIA) LTD. will be held on Tuesday, the 29<sup>th</sup> July, 2008 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 31<sup>st</sup> March 2008 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. P. M. Patel who retires by rotation and being eligible, offers himself for re-appointment.
4. To appoint a Director in place of Mr. U. 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 an Ordinary Resolution.

“Resolved That Mr. Prashantbhai Amin, 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 a 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 pursuant of Sections 198, 269, 309, 310 and other applicable provisions, if any, of the Companies Act, 1956, the Company hereby approves the re-appointment of Mr. P.B.Patel as Managing Director of the Company for a period of five years with effect from 1<sup>st</sup> April

2009, 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 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 there under from time to time and acceptable to Mr.P.B.Patel or as may be varied by the General Meeting.

RESOLVED FURTHER THAT the Board of Directors of the company be and is hereby authorised to vary and/or alter and/or modify the terms and conditions relating to remuneration, commission payable and perquisites to be provided for Mr. P.B.Patel as Managing Director in accordance with any change that may be effected from time to time in Schedule XIII to the Companies Act, 1956, if any, any amendments and/or modifications including any guidelines or modifications as may be made by the Central Government from time to time.

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

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

“RESOLVED THAT pursuant of Sections 198, 269, 309, 310 and other applicable provisions, if any, of the Companies Act, 1956, the Company hereby approves the re-appointment of Mr.A.M.Deshpande as Wholetime Director of the Company for a period of five years with effect from 1<sup>st</sup> January 2009, 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

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 there under from time to time and acceptable to Mr. A. M. Deshpande or as may be varied by the General Meeting.

RESOLVED FURTHER THAT the Board of Directors of the company be and is hereby authorised to vary and/or alter and/or modify the terms and conditions relating to remuneration, commission payable and perquisites to be provided for Mr. A. M. Deshpande as Wholetime Director in accordance with any change that may be effected from time to time in Schedule XIII to the Companies Act, 1956, if any, any amendments and/or modifications including any guidelines or modifications as may be made by the Central Government from time to time.

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

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

By order of the Board

Date : 26<sup>th</sup> May, 2008

**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 15-7-2008 to 19-7-2008. (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, 2008 when declared at the meeting will be paid:
  - a. to those members whose names appears in the Register of Members of the Company on 15-7-2008.
  - b. 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 14-7-2008.
- 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

Date : 26<sup>th</sup> May, 2008

**Nilesh D. Shelat**  
Company Secretary

**ANNEXURE TO THE NOTICE**

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

**ITEM NO.6**

Mr. Prashantbhai Amin was appointed as an Additional Director with effect from 25-10-2007 pursuant to Section 260 of the Companies Act, 1956. Mr. Prashantbhai Amin 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. Prashantbhai Amin 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. Prashantbhai Amin will be in the interest of the Company and therefore, recommends the proposed resolution for approval.

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

**ITEM NO.7**

The Directors have at their meeting held on 26<sup>th</sup> May 2008, re-appointed Mr. P.B. Patel as Managing Director, for a further period of 5 years with effect from 1<sup>st</sup> April, 2009, on the following terms and conditions:

- A) Salary: Rs.3,00,000 (Rupees Three lacs only) per month from 1<sup>st</sup> April 2009, with annual increment as the Board of Directors may decide.
- 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, maintenance and upkeep, monthly outgoings, cost of repairs, furnishings, payment of actual expenses for gas, electricity, water, reimbursement of actual expenditure on medical treatment for self and family, leave travel for self and family, club fees, medical/accident insurance, and such other perquisites subject to overall ceiling of remuneration stipulated in section 198 and 309 of the Companies Act, 1956.

Minimum Remuneration: Notwithstanding anything herein contained, where, in any financial year during the currency of tenure of the Managing 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 re-enactment.

All other terms and conditions remain unchanged.

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

The particulars set out above may be treated as an abstract of the Agreement, proposed to be entered into between the Company and Mr. P. B. Patel under the provisions of Section 302(2) of the Companies Act, 1956.

None of the Directors of the Company is in any way deemed to be concerned or interested in the aforesaid resolution except Mr. P. B. Patel himself and Mr. P. M. Patel who is a relative of Mr. P. B. Patel.

Mr. P. B. Patel shall not be subject to retirement by rotation during his tenure in the office as Managing Director of the Company, in accordance with the provisions of the Articles of Association of the Company.

The Board of Directors recommends the resolution for approval of the members.

The draft Agreement, referred to above, to be entered into with Mr. P.B.Patel is available for inspection by the members of the Company at the Registered Office of the Company between 10.00 a.m and 1.00 p.m on all working days, except Sundays till the date of the Annual General Meeting.

#### **ITEM NO. 8**

The Directors have at their meeting held on 26<sup>th</sup> May 2008, re-appointed Mr.A.M.Deshpande as Whotetime Director, for a further period of 5 years with effect from 1<sup>st</sup> January, 2009, on the following terms and conditions:

- A) Salary: Rs.2,25,000 (Rupees Two lacs Twenty five Thousand only) per month from 1<sup>st</sup> January 2009, with annual increment as the Board of Directors may decide.
- 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.18 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

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 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.

The particulars set out above may be treated as an abstract of the Agreement, proposed to be entered into between the Company and Mr. A.M.Deshpande under the provisions of Section 302(2) of the Companies Act,1956.

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 himself.

The Board of Directors recommends the resolution for approval of the members.

The draft Agreement, referred to above, to be entered into with Mr. A.M.Deshpande is available for inspection by the members of the Company at the Registered Office of the Company between 10.00 a.m. and 1.00 p.m on all working days, except Sundays till the date of the Annual General Meeting.

By order of the Board,

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

Date : 26<sup>th</sup> May, 2008

**Nilesh D. Shelat**  
Company Secretary



## **DIRECTORS' REPORT**

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

The Directors have pleasure in presenting their 34<sup>th</sup> Annual Report together with the Audited Statement of Accounts of the Company for the year ended 31<sup>st</sup> March 2008.

### **1. FINANCIAL RESULTS**

	<b>31-03-2008</b>	31-03-2007
	<b>(Rs.)</b>	(Rs.)
Profit before Depreciation, & Provision for Taxation	<b>278,596,036</b>	205,497,771
Less: Depreciation	<b>74,276,749</b>	76,450,094
<b>PROFIT BEFORE TAX</b>	<b>204,319,287</b>	129,047,677
Less : Provision for Taxation and Deferred Tax and Fringe Benefit Tax	<b>70,973,935</b>	42,258,980
<b>PROFIT AFTER TAX</b>	<b>133,345,352</b>	86,788,697
<b>Add : Balance brought forward from last year</b>	<b>25,300,375</b>	22,132,206
	<b>158,645,727</b>	108,920,903
<b>APPROPRIATED AS</b>		
<b>Proposed DIVIDEND</b>	23,073,540	20,189,348
<b>Tax on distributed Profit</b>	3,921,348	3,431,180
<b>Transfer to General Reserve</b>	100,000,000	60,000,000
<b>Balance Carried Forward</b>	31,650,839	25,300,375
<b>Total</b>	<b>158,645,727</b>	108,920,903

### **2. PERFORMANCE**

During the year under review, the Company has achieved the turnover of Rs.1,190.34 million (previous year Rs. 989.70 million). The net profit stood at Rs.133.34 million (previous year Rs. 86.78 million).

During the year your company sold two continuous mining packages.

### **3. DIVIDEND**

Your directors recommend for your consideration a dividend of 40% for the year ended 31<sup>st</sup> March, 2008.

### **4. INSURANCE**

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

### **5. FIXED DEPOSITS**

Four Deposits aggregating to Rs.74,000 though matured were not claimed as on 31<sup>st</sup> March 2008.

### **6. DIRECTORS**

Mr. P. M. Patel and Mr. U. 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.

During the year Mr. Werner Kraher and Mr. Hakan Kingstedt, Directors, resigned from the Board of Directors of the Company. Your Directors place on record their sincere appreciation for the valuable contribution made by Mr. Werner Kraher and Mr. Hakan Kingstedt.

Mr. Prashantbhai Amin has been appointed as Additional Director w.e.f. 25<sup>th</sup> October 2007 and 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. Prashantbhai Amin's appointment in the ensuing Annual General Meeting as Director of the Company liable to retire by rotation. A brief profile of Mr. Prashantbhai Amin 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 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 : 26<sup>th</sup> May, 2008



**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 2008.

(A) Name 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.	Shri P. B. Patel	50	BE (Mech.) M.B.A	01-04-06	Managing Director	Overall Management	95,59,900	62,36,260	32	Elecon Engg. Co. Ltd. (Managing Director)
2.	Shri A. M. Deshpande	58	ME (Mech.)	10-10-03	Whole time Director	Overall Management	46,47,920	25,96,644	35	L&T Case Equipment Pvt. Ltd (Sr.Deputy General Manager- Engg.)

**Notes:**

1. The appointment 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 provisions of the Income Tax Act, 1961.
3. Experience includes number of years service elsewhere, wherever applicable.
4. Mr. Prayasvinbhai Patel, Managing Director of the Company is a relative of Mr. Pradipbhai 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, 2008.

### [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.61,27,568
3. Total R & D expenditure	
Percentage of total turnover	: 0.51 %

### [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 709,408 and continues to make efforts to push up exports.
2. Foreign Exchange used & earned:
 

<u>Used</u>	<u>Earned</u>
Rs.176,859,620	Rs 709,408

For and on behalf of the Board

1. Capital	: Rs. Nil	P. B. Patel	A. M. Deshpande
2. Recurring	: Rs.61,27,568	Managing Director	Wholetime Director
3. Total R & D expenditure			
Percentage of total turnover	: 0.51 %	Place : Mumbai	
		Date : 26 <sup>th</sup> May, 2008	