

EIMCO ELECON (INDIA) LIMITED

**ANNUAL REPORT
2009-2010**

**BOARD OF DIRECTORS**

Mr. P. M. Patel	-	Chairman
Mr. P. B. Patel	-	Managing Director
Mr. P. C. Amin		
Mr. H. S. Parikh		
Mr. Jal Patel		
Mr. Shreevardhan Sinha		
Mr. Vihang Virkar		
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**

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

Vadodara Office

Link Intime India Pvt. Ltd.
(Formerly 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 36th Annual General Meeting of EIMCO ELECON (INDIA) LTD. will be held on Friday the 30th July, 2010 at 4.00 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 2010 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.Jal 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. Vihang Virkar, 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 pursuant to the provisions of Sections 198, 269, 309, 310 read with Schedule xiii and other applicable provisions, if any, of the Companies Act, 1956, the Company hereby accords its approval to the revision in remuneration payable to Mr. A. M. Deshpande, Wholtime Director with effect from 1st April, 2010 as set out under item No.7 of the the Explanatory Statement annexed to this Notice."

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 01-07-2010 to 07-07-2010. (both days inclusive)
- C. The payment of dividend on equity shares as recommended by the directors for the Year ended 31st March, 2010 when declared at the meeting will be paid:
 1. to those members whose names appear in the Register of Members of the Company on 01-07-2010.
 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 30-06-2010.
- 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 : 10th May, 2010

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

By order of the Board

Nilesh D. Shelat
Company Secretary

Date : 10th May, 2010



ANNEXURE TO THE NOTICE

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

ITEM NO.6

Mr. Vihang Virkar was appointed as an Additional Director with effect from 30-7-2009 pursuant to Section 260 of the Companies Act, 1956. Mr. Vihang Virkar 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. Vihang Virkar for appointment as director liable to retire by rotation.

Considering his extensive knowledge and business skills the Board considers that the appointment of Mr. Vihang Virkar will be in the interest of the Company and therefore, recommends the proposed resolution for approval.

Except Mr. Vihang Virkar, none of the Directors shall be deemed to be concerned or interested in the proposed resolution.

ITEM NO.7

The Remuneration Committee and the Board of Directors at their meeting held on 10th May 2010 unanimously resolved to revise the remuneration payable to Mr. A. M. Deshpande from 1st April 2010 for remaining period of his term of appointment i.e. 31st December 2013, subject to the approval of the Company in General Meeting. The terms and conditions including remuneration payable to Mr. 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.2,25,000 (Rupees two lacs twenty-five thousand only) per month from 1st April 2010, with annual increment as the Board of Directors may decide.
- (b) **Perquisites**: In addition to above, he shall also be entitled to perquisites and allowance like Rent-free furnished/semi-furnished accommodation/House rent Allowance, expenditure incurred by the Company on gas, electricity, water and furnishing to be valued as per the Income Tax Rules, retirement benefits as per the laws applicable from time to time. Company maintained car with driver/maintenance cost of the car as per the rules of the Company, as applicable. The perquisites and allowance shall be valued as per the Income Tax Rules, wherever applicable. In the absence of any such Rules, they shall be evaluated at actual cost.
- (c) **Commission**: In addition to salary and perquisites, one percent commission on the net profit 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.
- (d) **Minimum Remuneration**: Notwithstanding anything herein contained, where in any financial year during the currency of tenure of the Whole time Director, the Company has no profits or 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 reenactment.

All other terms and conditions remain unchanged.

The Whole time 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.

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 am. and 1.00 pm. on all working days except Sundays till the date of the annual general meeting.

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

By order of the Board of Directors,

Nilesh D. Shelat
Company Secretary

Date : 10th May, 2010

DIRECTORS' REPORT

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

The Directors have pleasure in presenting their 36th Annual Report together with the Audited Statement of Accounts of the Company for the year ended 31st March 2010.

1. FINANCIAL RESULTS

	31-03-2010	31-03-2009
	(Rs.)	(Rs.)
Profit before Depreciation, & Provision for Taxation	260,471,964	307,741,097
Less: Depreciation	69,478,422	74,182,472
PROFIT BEFORE TAX	190,993,542	233,558,625
Less : Provision for Taxation and Deferred Tax and Fringe Benefit Tax	62,968,049	81,288,340
PROFIT AFTER TAX	128,025,493	152,270,285
Add : Balance brought forward from last year	31,926,236	31,650,839
	159,951,729	183,921,124
APPROPRIATED AS		
Proposed Dividend	23,073,540	23,073,540
Tax on distributed Profit	3,832,515	3,921,348
Transfer to General Reserve	100,000,000	125,000,000
Balance Carried Forward	33,045,674	31,926,236
Total	159,951,729	183,921,124

2. PERFORMANCE

During the year under review, the Company has achieved the turnover of Rs.1645.65 million (previous year 1480.78 million). The net profit stood at Rs.128.02 million (previous year Rs.152.27 million).

3. DIVIDEND

Your directors recommend for your consideration a dividend of Rs. 4/- per share of

Rs.10/ each for the year ended 31st March, 2010.

4. INSURANCE

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

5. FIXED DEPOSITS

Five Deposits aggregating to Rs.122,800 though matured were not claimed as on 31st March 2010.

6. DIRECTORS

Mr. P.M.Patel and Mr. Jal 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.

Mr. Vihang Virkar was appointed as Additional Director w.e.f. 30th July 2009 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.Vihang Virkar'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:

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 : Vallabh Vidyanagar

Date : 10th May, 2010

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 2010.

(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	52	BE (Mech.) MBA	01-04-06	Managing Director	Overall Management	97,45,077	49,50,700	34	Elecon Engg. Co. Ltd. (Managing Director)
2.	Shri A. M. Deshpande	60	BE (Mech.) ME (Machine Design)	10-10-03	Whole time Director	Overall Management	53,58,808	32,49,631	37	L&T Case Equipment Pvt. Ltd (Sr.Deputy General Manager- Engg.)
(B) Name of employee employed for part of the year										
1.	Shri Ravindra Luthra	58	B.E. (Ag.Engg) M.SC (Ag.Engg.)	26-5-04	Vice President	Head- R & D and Production	24,96,497	17,80,050	36	Escorts Construction Equipment Ltd- Head – Product Engg.

Notes:

1. The appointments of Mr. Prayasvinbhai Patel, Managing Director and Mr. A. M. Deshpande, Wholetime Director 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 31st March, 2010.

[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.96,55,125
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 Three 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.
 - (iii) Agreement dated 12-05-2008 with Huta Stalowa Wola, S.A Poland for manufacture of 520G Wheel Loader.
 - [b] Whether technology fully absorbed:
Technology for the Front End Loader is absorbed and for rest products it is in progress.

[D] Foreign exchange earning & outgo:

1. During the year the Company has exported goods worth Rs.126,859 and continues to make efforts to push up exports.
2. Foreign Exchange used & earned:

<u>Used</u>	<u>Earned</u>
Rs. 348,351,217	Rs. 239,574

For and on behalf of the Board

P. B. Patel
Managing Director

A. M. Deshpande
Wholetime Director

Place : Vallabh Vidyanagar

Date : 10th May, 2010

Corporate Governance Report

ANNEXURE 3 TO THE DIRECTORS' REPORT - ITEM NO.9

1. Company's philosophy

The Company is committed to good Corporate Governance. The mandatory requirements 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 2009-2010, four (4) Board Meetings were held i.e. on

2nd May 2009
30th July 2009
28th October 2009
29th January 2010

Sr. No.	Name of the Director	Category of Directorship	No. of Board Meetings attended out of 4 held	Attendance at AGM held on 30th July, 09	No. of other Directorships 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)	4	Yes	11	Nil	Nil
2.	Mr. H.S. Parikh	NED (I)	3	Yes	3	5	3
3.	Mr. P.M. Patel	NED (P)	4	Yes	3	4	Nil
4.	Mr. Vihang Virkar	NED (I)	3	Yes	Nil	Nil	Nil
5.	Mr. A.M.Deshpande	WTD	4	Yes	1	Nil	Nil
6.	Mr. P.C.Amin	NED(P)	4	Yes	9	NIL	1
7.	Mr. Jal Patel	NED(I)	4	Yes	6	5	2
8.	Mr. Shreevardhan Sinha	NED(I)	-	No	Nil	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	Nil
Mr. H. S. Parikh	300 Shares
Mr. P. C. Amin	1200 Shares
Mr. Jal Patel	Nil
Mr. Vihang Virkar	Nil
Mr. Shreevardhan Sinha	Nil

**3. Audit Committee**

The composition of the Audit Committee is as under:

Mr. Jal Patel (Chartered Accountant & Company Secretary)	Chairman	NED-I
Mr. H.S. Parikh (Chartered Accountant)	Member	NED-I
Mr. P.M.Patel	Member	NED-P
Mr. P.C. Amin	Member	NED-P
Mr.Vihang Virkar	Member	NED-I
Mr. Shreevardhan Sinha	Member	NED-I

The Managing Director, 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			
	2 nd May 2009	30 th July 2009	28 th October 2009	29 th January 2010
Mr.Jal Patel	Yes	Yes	Yes	Yes
Mr. P.M. Patel	Yes	Yes	Yes	Yes
Mr. H.S. Parikh	Yes	Yes	No	Yes
Mr. P.C. Amin	Yes	Yes	Yes	Yes
Mr.Vihang Virkar	No	No	No	Yes
Mr.Shreevardhan Sinha	No	No	No	No

4. Remuneration Committee

The composition of the Remuneration Committee is as under :

Mr. H. S. Parikh (Chartered Accountant)	Chairman	NED-I
Mr. P. M. Patel	Member	NED-P
Mr. P. B. Patel	Member	MD-P
Mr. P. C. Amin	Member	NED-P

Members Attendance at Committee Meeting held :

Members	Attendance at Committee Meeting held on 2 nd May, 2009
Mr. H. S. Parikh	Yes
Mr. P. M. Patel	Yes
Mr. P. B. Patel	Yes
Mr. P. C. Amin	Yes