

EIMCO ELECON (INDIA) LIMITED

**ANNUAL REPORT
2011-2012**

**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. Vihang Virkar		
Mr. Nirmal Bhogilal		
Mr. Nalin M. Shah		
Mr. M. G. Rao	-	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.
C-13, Pannalal Silk Mills Compound
LBS Marg, Bhandup (W)
Mumbai - 400 078

Vadodara Office

Link Intime India Pvt. Ltd.
B-102 & 103, Shangrila Complex,
First Floor, Opp. HDFC Bank,
Near Radhakrishna Char Rasta, Akota.
Vadodara - 390 020.

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the 38th Annual General Meeting of EIMCO ELECON (INDIA) LTD. will be held on Monday the 30th July 2012 at 11.30 AM. 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 2012, Profit & Loss Account and cash flow statement 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.C.Amin who retires by rotation and being eligible, offers himself for re-appointment.
4. To appoint a Director in place of Mr. P.M.Patel who retires by rotation and being eligible, offers himself for re-appointment.
5. To appoint Auditors and to fix their remuneration.

SPECIAL BUSINESS

6. To consider and if thought fit, to pass, with or without modification, the following Resolution as an Ordinary Resolution:
 "RESOLVED That Mr. Nirmal Bhogilal, 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, up to 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. M. G. Rao, 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."
8. To consider and if thought fit, to pass, with or without modification, the following Resolution as an Ordinary Resolution:

"RESOLVED That Mr. Nalin M. Shah 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."

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. M. G. Rao as Wholetime Director of the Company for a period of 5 years with effect from 8th September 2011 on the terms and conditions, including remuneration, as 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."

By order of the Board of Directors

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

Date : 8th May, 2012

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 20-07-2012 to 30-07-2012 (both days inclusive)
- C. The payment of dividend on equity shares as recommended by the directors for the year ended 31st March, 2012 when declared at the meeting will be paid:
1. To those members whose names appears in the Register of Members of the Company on 20-07-2012.
 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 19-07-2012.
- D. The dividend on Equity Shares, if declared at the Meeting, will be credited/dispatched between 2-08-2012 and 4-08-2012.
- E. The members desiring to have any information on accounts are requested to write to the Company Secretary at least one week in advance of the meeting to enable the Company to keep the information ready.
- F. 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.
- G. As per Clause 5 of the Listing Agreement, the Company's Registrar & Transfer Agent, M/S Link Intime India Pvt. Ltd. has issued three Reminders by Reg. Post to Shareholders whose share certificates remained unclaimed and lying with the company. Thereafter 1450 Equity shares of 24 share holders were transferred to "Unclaimed Suspense Account". There after no shareholder has claimed shares from this account.

By order of the Board of Directors

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

Date : 8th May, 2012

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. Nirmal Bhogilal was appointed as an Additional Director with effect from 23-09-2011 pursuant to Section 260 of the Companies Act, 1956. Mr. Nirmal Bhogilal 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. Nirmal Bhogilal 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. Nirmal Bhogilal will be in the interest of the Company and therefore, recommends the proposed resolution for approval.

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

ITEM NO.7

Mr. M.G.Rao was appointed as an Additional Director with effect from 8-09-2011 pursuant to Section 260 of the Companies Act, 1956. Mr. M. G. Rao 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. M. G. Rao for appointment as director.

Considering his extensive knowledge, and managerial experience, the Board considers that the appointment of Mr. M. G. Rao will be in the interest of the Company and therefore, recommends the proposed resolution for approval.

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

ITEM NO.8

Mr. Nalin M. Shah was appointed as an Additional Director with effect from 8-05-2012 pursuant to

Section 260 of the Companies Act, 1956. Mr. Nalin M. Shah 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. Nalin M. Shah for appointment as director liable to retire by rotation.

Considering his extensive knowledge and experience, the Board considers that the appointment of Mr. Nalin M. Shah will be in the interest of the Company and therefore, recommends the proposed resolution for approval.

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

ITEM NO.9

On the recommendation of the Remuneration Committee of the Company, the Board at its meeting held on 2nd August, 2011 have appointed Mr. M. G. Rao as Wholetime Director for a period of five years with effect from 8th September 2011 subject to the approval of the Shareholders in the General Meeting. The brief particulars of his remuneration are as mentioned herein below.

1. The Wholetime Director shall be subject to the superintendence, control and direction of the Board of Directors.
2. Period of Appointment: Five years with effect from 8th September, 2011.
3. Remuneration:
 - (a) Salary: ₹ 2,00,000/- per month with such increase as may be decided by the Board of Directors (which includes any Committee thereof) from time to time, but subject to maximum salary of ₹ 5,00,000/- per month.
 - (b) Medical Allowance :
₹ 78,500/- per month.
 - (c) Leave Travel Allowance :
₹ 1,00,000/- per month



- (d) Furnishing Allowance :
₹ 1,00,000/- per month.
- (e) Annual Bonus of ₹ 5,00,000/- with such increase as may be decided by the Board of Directors (which includes any Committee thereof) from time to time, but subject to maximum amount of ₹ 10,00,000/- per annum.

Perquisites :

In addition to above, the Wholetime Director shall also be entitled to perquisites like Rent-free furnished accommodation, expenditure incurred by the Company on gas, electricity, water and furnishings, if any, shall be valued as per Income Tax Rules, 1962.

Provident Fund, Gratuity and Superannuation as per rules of the Company.

Leave encashment as per the rules of the Company.

The above shall not be included in the computation of ceiling on remuneration or perquisites aforesaid.

The Company shall provide car with driver at the entire cost of the Company for use on Company's business and the same will not be considered as perquisites.

The Company shall provide telephone and other communication facilities at the residence for use on Company's business and the same will not be considered as perquisites.

The Wholetime Director shall not be liable to retire by rotation and shall not be paid any sitting fees for attending meetings of the Board of Directors or committee thereof.

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 Scheduled XIII to the Companies Act, 1956 and other provisions thereof or any amendments, variations, modifications or reenactment.

The draft agreement between the Company and Mr. M. G. Rao is available for inspection by the Members of the Company at its Registered Office between 10.00 am and 12.00 noon on any working day of the Company till the date of Annual General Meeting.

The Board recommends the resolution as set out at item no.9 of the Notice for your approval.

None of the directors of the Company is in any way deemed to be concerned or interested in the aforesaid resolution except Mr. M. G. Rao.

This along with the relevant resolution may be treated as an Abstract pursuant to Section 302 of the Companies Act, 1956.

By order of the Board of Directors

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

Date : 8th May, 2012

Nilesh D. Shelat
Company Secretary

DIRECTORS' REPORT

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

The Directors have pleasure in presenting their 38th Annual Report together with the Audited Statement of Accounts of the Company for the year ended 31st March 2012.

1. FINANCIAL RESULTS

(₹ in Lacs)

	31-03-2012	31-03-2011
	(₹)	(₹)
Profit before exceptional and extraordinary items and Tax	1656.92	1968.57
Exceptional items - Income from sale of Surface Drilling Product Line	898.83	Nil
Less: Provision for Taxation	522.95	629.04
PROFIT BEFORE TAX	2032.80	1339.53
Add: Balance brought forward from last year	351.82	330.45
	2384.62	1669.99
APPROPRIATED AS		
Proposed Dividend	230.74	230.74
Tax on Proposed Dividend	37.43	37.43
Transfer to General Reserve	1750.00	1050.00
Balance Carried Forward	366.45	351.82
Total	2384.62	1669.99

2. PERFORMANCE

During the year under review, the Company has achieved the turnover of ₹ 18070.74 Lacs (Previous Year ₹ 18752.69 Lacs). The profit before exceptional items and tax stood at ₹ 1656.92 Lacs (Previous Year ₹ 1968.57 Lacs). During the year Company sold its Surface Drilling Product Line to Sandvik Asia Pvt. Ltd. for a consideration of ₹ 1650 lacs. In view of the same, the Company has written off inventory of ₹ 751.17 Lacs pertaining to the above business. The net amount of ₹ 898.83 Lacs has been shown as Exceptional item.

3. DIVIDEND

Your directors recommend for your consideration a dividend of ₹ 4/- per share of ₹ 10/- each for the year ended 31st March, 2012.

4. INSURANCE

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

5. FIXED DEPOSITS

Two Deposits aggregating to ₹ 55,212 though matured were not claimed as on 31st March 2012.

6. DIRECTORS

Mr. P. C. Amin and Mr. P. M. Patel retire by rotation and, being eligible, offer themselves for reappointment. A brief profile of these Directors is appearing in Annexure 4 to this Report.

Mr. P. B. Patel, Managing Director will relinquish the office of Managing Director with effect from 1st June, 2012, however he will continue to be a Director of the Company.

During the year Mr. Shreevardhan Sinha and Mr. A. M. Deshpande, Directors, resigned from Board of Directors of the Company. Your Directors place on record their sincere appreciation for the valuable contribution made by Mr. Shreevardhan Sinha and Mr. A. M. Deshpande.

Mr. Nirmal Bhogilal was appointed as Additional Director w.e.f. 23-09-2011 and will hold office up to Annual General Meeting. Notice together with deposit has been received from a member pursuant to Section 257 of the Companies Act, 1956 proposing Mr. Nirmal Bhogilal's appointment in the ensuing Annual General Meeting as Director of the Company liable to retire by rotation.

Mr. M. G. Rao was appointed as Additional Director w.e.f. 08-09-2011 and will hold office up to Annual General Meeting. Notice together with deposit has been received from a member pursuant to Section 257 of the Companies Act, 1956 proposing Mr. M. G. Rao's appointment in the ensuing Annual General Meeting as Director of the Company. The Board of Directors appointed him as Whole time



Director, subject to approval of members.

Mr. Nalin M. Shah was appointed as Additional Director w.e.f. 08-05-2012 and will hold office up to Annual General Meeting. Notice together with deposit has been received from a member pursuant to Section 257 of the Companies Act, 1956 proposing Mr. Nalin M. Shah'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;
2. that the directors have selected such accounting policies and applied them consistently and made judgments 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 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, Chartered Accountants, 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 of Directors

P. B. Patel
Managing Director

M. G. Rao
Wholetime Director

Place : Mumbai
Date : 8th May, 2012

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 2012.

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.	Mr. P. B. Patel	54	BE (Mech.) MBA	01-04-06	Managing Director	Overall Management	87,84,677	43,39,150	36	Elecon Engg. Co. Ltd. (Managing Director)

Name of employees employed for part of the year:

Sr. No.	Name	Age Yrs.	Qualification	Date Of Joining	Designation	Nature Of Duty	Remuneration Received		Experience (yrs)	Last Employment & Designation
							Gross ₹	Net ₹		
1.	Mr. A. M. Deshpande	62	BE (Mech.) ME (Machine Design)	10-10-03	Whole time Director	Overall Management	32,61,092	14,51,104	39	L&T Case Equipment Pvt. Ltd. (Sr. Deputy General Manager -Engg.)
2	Mr. M. G. Rao	53	M.E. (Welding Engg.)	08-09-11	Whole time Director	Overall Management	40,42,236	22,61,324	32	McNally Sayaji Engg. Ltd. (Chief Operating Officer)

Notes:

1. The appointments of Mr. P. B. Patel, Managing Director and Mr. M. G. Rao, Wholetime Director are contractual.
2. Gross remuneration received includes Salary, Commission, Bonus, 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 year's service elsewhere, wherever applicable.
4. Mr. P. B. Patel, Managing Director of the Company is a relative of Mr. 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 31st March, 2012.

[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 In-house R & D facility 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 : ₹ 18.25 lacs
 2. Recurring : ₹ 172.63 lacs
 3. Total R & D expenditure

Percentage of total turnover : 1.05 %

[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 led 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 had signed Two Collaboration Agreements as mentioned below:

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

(ii) 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 other products, it is in progress.

[D] Foreign exchange earning & outgo:

1. During the year the Company has exported goods worth ₹ 115.99 lacs and continues to make efforts to push up exports.
2. Foreign Exchange used & earned:

<u>Used</u>	<u>Earned</u>
₹ 2,714.35 lacs	₹ 115.99 lacs

For and on behalf of the Board of Directors

P. B. Patel
Managing Director

M. G. Rao
Wholetime Director

Place : Mumbai
Date : 8th May, 2012