

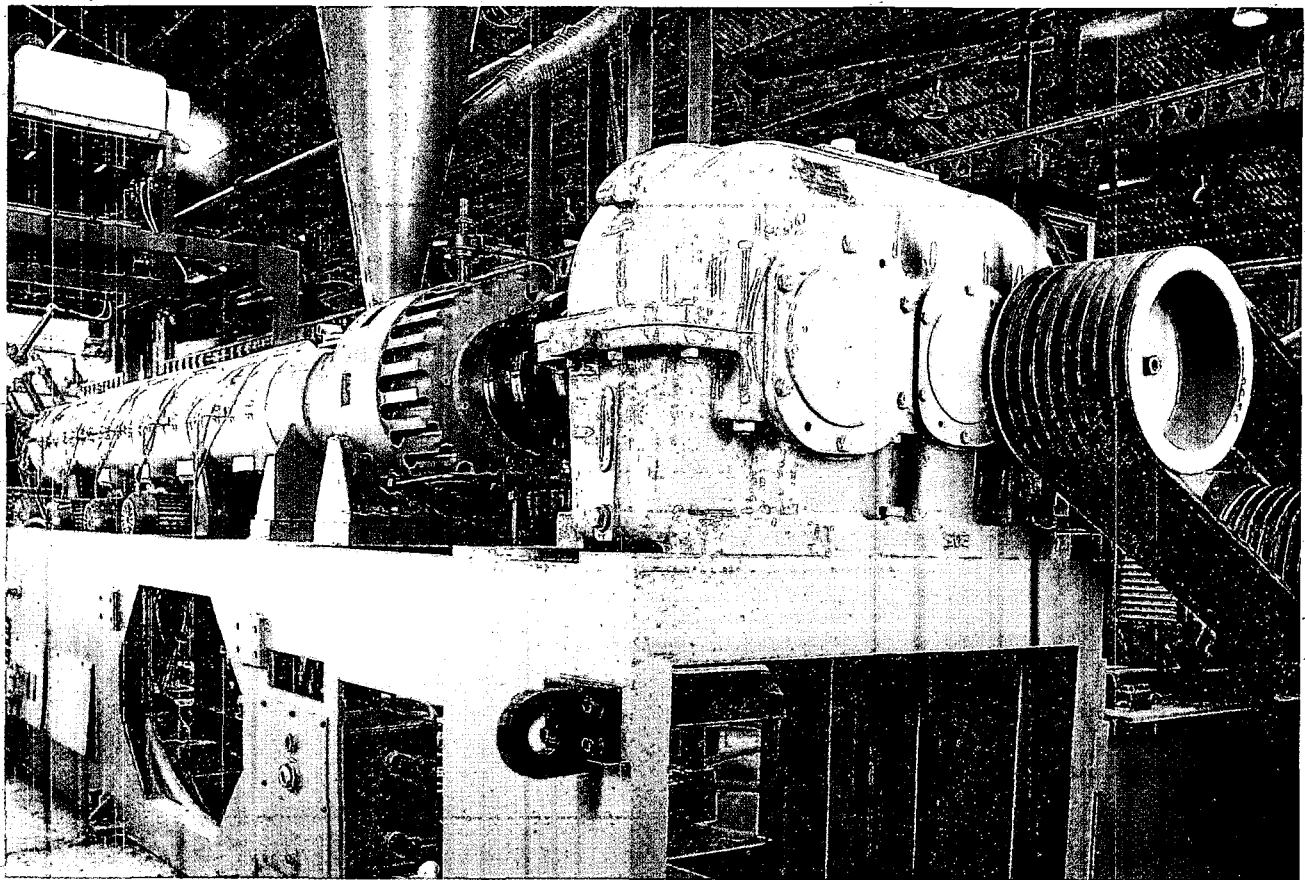
ELECON



ELECON ENGINEERING COMPANY LIMITED

38TH ANNUAL REPORT 1997-98

Let's Preserve Our Environment



Helical Gear driving plastic extruder

Report Junction.com



Latest Generation Machining Centre, installed with Table Size 800mm x 800mm for machining Worm Gear Casings & Helical Gears.

ELECON ENGINEERING COMPANY LIMITED**BOARD OF DIRECTORS**

(As on 29th June, 1998)

MD	✓	BKC	✓
CS	✓	DPY	MA
RO	✓	DIV	✓
TRA	NA	AC	✓
AGM	✓	SHI	✓
YE	✓		

Shri Bhanubhai I. Patel*Chairman & Managing Director***Shri Prayasvin B. Patel***Managing Director***Shri Natoobhai S. Patel***Commercial Director***Shri Pradip M. Patel****Shri Upendra M. Patel****Shri Chirayu R. Amin****Shri Hasmukhlal S. Parikh****Shri Amritlal C. Shah****Shri Nanalal D. Shah**

ICICI Nominee

*Secretary***Shri Dattanand D. Heranjal***Auditors***Thakorebhai Shirish Desai & Butala***Chartered Accountants**Navsari**Bankers***State Bank of India****Bank of Baroda****Canara Bank***Registered Office***Vallabh Vidyanagar 388 120, Gujarat**



NOTICE

NOTICE IS HEREBY GIVEN THAT the Thirty-Eighth Annual General Meeting of Elecon Engineering Company Limited will be held in the Audio Visual Hall of the company situated near Gear Division of the company at Vallabh Vidyanagar, Gujarat on Saturday, 26th September, 1998 at 3.00 p.m. to transact the following business:

ORDINARY BUSINESS :

1. To receive, consider and adopt Audited Balance Sheet as at 31st March, 1998, Profit & Loss Account for the year ended on that date and the Reports of Board of Directors and Auditors thereon.
2. To declare a dividend.
3. To appoint a Director in place of Shri Pradip M. Patel, who retires by rotation and, being eligible, offers himself for re-appointment.
4. To appoint a Director in place of Shri Prayasvin B. Patel, who retires by rotation and being eligible offers himself for re-appointment.
5. To appoint the 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, pursuant to the provisions of Section 269, 309, 310 and other applicable provisions, if any, of the Companies Act, 1956 and subject to the limits laid down in Section 198 and 309 read with Schedule XIII of the Companies Act, 1956, consent of Company be and is hereby accorded for the reappointment of Shri. Prayasvin B. Patel as the Managing Director of the Company for a period of five years with effect from 1st July, 1998 and that he shall be entitled to a Salary, Commission and Perquisites as specified in detail as set out in the draft agreement to be entered into by and between the Company of the One Part and Shri. Prayasvin B. Patel of the Other Part, submitted to this meeting and signed by the Chairman for the purpose of identification, which agreement is hereby specifically approved with liberty to the Board of Directors of the Company to revise, amend, alter or otherwise vary the terms and conditions of his appointment from time to time as they deem fit, provided that, at no time the remuneration payable to Shri. Prayasvin B. Patel shall exceed the maximum limit prescribed in Section I of Part II of Schedule XIII of the Companies Act, 1956 as Existing or as may be amended, in the event of the Company having adequate profits.

In the event of the Company not earning profits or inadequacy of profits in any financial year, Shri. Prayasvin B. Patel would be entitled to receive the remuneration to the maximum extent prescribed in Section II of part II of Schedule XIII of the Companies Act, 1956 as existing or as may be amended."

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

"Resolved that, Mr. Chirayu R. Amin, who was appointed as an Additional Director of the Company by the Board of Directors with effect from 29th June, 1998 and who holds office upto the date of 38th Annual General Meeting and in respect of whom the company has received a notice in writing from a Member proposing his candidature for the office of Director in terms of Section 257 of the Companies Act, 1956 be and is hereby appointed as a 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. Amritlal Chunilal Shah, who was appointed as an Additional Director of the Company by the Board of Directors with effect from 29th June, 1998 and who holds office upto the date of 38th Annual General Meeting and in respect of whom the company has received a notice in writing from a Member proposing his candidature for the office of director in terms of Section 257 of the Companies Act, 1956 be and is hereby appointed as a Director of the Company."

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

"Resolved that, Mr. Hasmukhlal Saburlal Parikh, who was appointed as an Additional Director of the Company by the Board of Directors with effect from 29th June, 1998 and who holds office upto the date of 38th Annual General Meeting and in respect of whom the company has received a notice in writing from a Member proposing his candidature for the office of Director in terms of Section 257 of the Companies Act, 1956 be and is hereby appointed as a Director of the Company."

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

"Resolved that, Mr. Ashokbhai Jethabhai Patel, who was appointed as an Additional Director of the Company by the Board of Directors with effect from 23rd July, 1998 and who holds office upto the date of 38th Annual General Meeting and in respect of whom the company has received a notice in writing from a Member proposing his candidature for the office of Director in terms of Section 257 of the Companies Act, 1956 be and is hereby appointed as a Director of the Company."

By order of the Board of Directors,

D.D.Heranjal
Company Secretary

Place : Vallabh Vidyanagar.

Date : 23rd July, 1998.

ELECON ENGINEERING CO. LTD.**Notes :**

- (1) A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF AND THE PROXY NEED NOT BE A MEMBER OF THE COMPANY.

The Instrument of Proxy should however be deposited at the Registered Office of the Company not less than 48 hours before the Annual General Meeting.

- (2) The Explanatory Statement pursuant to Section 173(2) of the Companies Act, 1956 relating to the Special Business to be transacted at the meeting is annexed hereto.
- (3) The Register of Members and Share Transfer Books of the Company will remain closed from Tuesday, the 1st day of September, 1998 to Monday, the 7th day of the September, 1998. (both days inclusive).
- (4) The dividend on the shares, if declared by the Company at the Meeting, will be paid to those Members whose names appear on the Company's Register of Members as on 7th September, 1998 and Account Payee Dividend Warrants will be posted within the statutory time limit.
- (5) Members are requested to inform the Company of any change in their address immediately so as to enable the Company to despatch dividend warrants and any future communication at their correct address.
- (6) Members intending to require information about accounts or any other matter are requested to write to the Company atleast ten days in advance of the Annual General Meeting.
- (7) Pursuant to Section 205A of the Companies Act, 1956, unclaimed dividend for the Financial Year ended on 31st March, 1994 has been transferred to the General Revenue Account of the Central Government. Shareholders who have not encashed their dividend warrants for the said period are requested to claim the amount not claimed so far from the Registrar of Companies, Gujarat, Near Rupal Park, Near Gujarat Housing Board, Naranpura Char Rasta, Ahmedabad-380 009 by submitting an application in the prescribed form.

**ANNEXURE TO THE NOTICE OF
38TH ANNUAL GENERAL MEETING**

Explanatory Statement pursuant to Section 173(2) of the Companies Act, 1956.

Item No. 6

Shri. Prayasvin B. Patel has been acting as the Managing Director of the Company for the last five years. Earlier to this, he was working as Joint Managing Director of the Company for ten years. He was appointed as Managing Director for a period of five years with effect from 1st July, 1993 at the 33rd Annual General Meeting held on 30th September, 1993. His present tenure is due to expire on 30th June, 1998.

You are aware of the contributions made by Shri. Prayasvin B. Patel to the Company. The excellent growth and reputation enjoyed by the company is attributable to the concerted efforts and hard work put in by Shri. Prayasvin B. Patel.

The Board of Directors of the Company at its meeting held on 29th June, 1998 reappointed Shri. P.B.Patel as Managing Director of the Company unanimously subject to the approval of the Company in General Meeting. The terms and conditions including remuneration payable to Mr. P.B.Patel are set out in the draft agreement to be entered into by the Company with him, copy of which is available for inspection to the Members at the Registered Office of the Company on working days except Friday between 10. A.M. and 12 noon till the date of Annual General Meeting and which interalia contains the following principal terms and conditions.

1. The Managing Director shall be subject to the superintendence, control and direction of the Board of Directors and he will be entrusted with substantial powers of management and will also perform such other duties as may from time to time be entrusted to him.
2. Period of Appointment :Five years with effect from 1st July, 1998.
3. Remuneration payable to Mr. P.B.Patel when the Company earns adequate profits :
 - a) Salary : Rs. 50,000/- per month.
 - b) i) Perquisites and Allowances :

In addition to salary, the Managing Director shall be entitled to perquisites and allowances like accommodation (furnished or otherwise) or house rent allowance in lieu thereof, House



Maintenance Allowance together with reimbursement of expenses or allowance for utilities such as gas, electricity, water, furnishings and repairs, reimbursement of actual expenditure on medical treatment for self and family, reimbursement of expenditure incurred on travel and stay abroad including that of accompanying person/spouse, Club fees, Leave Travel concession for self and family, Medical insurance and such other perquisites as may be determined by the Board of Directors subject to the overall ceiling of remuneration stipulated in Section 198 and 309 of the Companies Act, 1956.

- ii) Contribution to Provident Fund, Superannuation fund will be made to the extent, this either singly or put together are not taxable under the Income-Tax Act, 1961.
- iii) Gratuity will be payable at a rate not exceeding half a month's salary for each completed year of service in the Company as per the rules applicable from time to time.
- iv) Encashment of leave at the end of the tenure.
- v) Car for use on Company's business and telephone and other communication facilities at residence will not be considered as perquisites.

For the purpose of calculating the above ceiling the perquisites shall be evaluated as per the Income-tax Rules wherever applicable.

c) **Commission:**

In addition to the salary and perquisites and allowances payable, commission, not exceeding twelve months salary, subject however to the ceiling laid down under the provisions of and as stipulated in Section 198 and 309 of the Companies Act, 1956.

4. **Minimum remuneration:**

The minimum remuneration to be paid in the event of loss or inadequacy of profits in any Financial Year during the currency of the tenure of the Managing Director, will be subject to the maximum ceiling in the manner set-out in Section II, Part II of Schedule XIII to the Companies Act, 1956 or any amendment made hereafter in this regard.

Apart from the above, the Agreement contains further terms and conditions, the powers and duties, reimbursement of entertainment, travelling and all other expenses incurred by Mr. P.B.Patel for the business of the company, provision for earlier determination of the appointment by either party by giving six months notice in writing to the other party etc.

The reappointment of Mr. P.B.Patel on the terms and conditions set out in the aforesaid draft agreement is subject to the approval of the Company in General Meeting.

The draft agreement between the Company and Mr. P.B.Patel is available for inspection by the Members of the Company at its Registered Office between 10 A.M. and 12 Noon on any working day except Friday, till the date of Annual General Meeting.

The Board of Directors recommends passing of the resolution set out at item no. 6 of the Notice convening the Meeting.

Mr. P.B. Patel may be deemed to be concerned or interested in the resolution. Mr. Bhanubhai I. Patel and Mr. Pradip M. Patel may be deemed to be concerned or interested in the resolution relating to the reappointment of Shri. Prayasvin B. Patel, being his relatives.

None of the other Directors is in any way concerned or interested in the above resolution.

This may be treated as an abstract of the draft agreement between the Company and Mr. P.B.Patel pursuant to Section 302 of the Companies Act, 1956.

ELECON ENGINEERING CO. LTD.**Item Nos. 7 to 10**

Mr. Chirayu R. Amin, Mr. Amritlal C. Shah and Mr. Hasmukhlal S. Parikh were appointed as Additional Directors of the Company on 29th June, 1998. Mr. Ashokbhai J. Patel was appointed as an Additional Director on 23rd July, 1998. In terms of Section 260 of the Companies Act, 1956 the additional director holds his office upto the conclusion of the next annual general meeting held after his appointment. Notices have been received by the Company from certain Members under Section 257 of the Companies Act, 1956 proposing the appointment of Shri. Chirayu R. Amin, Shri. Amritlal C. Shah, Shri. Hasmukhlal S. Parikh and Shri. Ashok J. Patel as Directors of the Company at this meeting. Mr. Chirayu R. Amin, Mr. Amritlal C. Shah, Mr. Hasmukhlal S. Parikh and Mr. Ashokbhai J. Patel have offered themselves for appointment as Directors.

Shri. Chirayu R. Amin is the Managing Director of Alembic Chemical Works Company Ltd., Vadodara and has wide knowledge and experience in business and industry.

Shri. Amritlal C. Shah has vast experience in banking and finance. He is on the Board of leading financial institutions and reputed companies of the country. He is the Ex-Chairman of Bank of Baroda.

Shri. Hasmukhlal S. Parikh who is by profession a Chartered Accountant is also on the Board of many reputed companies and has wide experience in the financial field.

Shri. Ashokbhai J. Patel is the Chairman and Managing Director of Gujarat Machinery Manufacturers Ltd., Karamsad and is a leading industrialist.

Your Directors therefore feel that the continued association of these Directors will be in the interest of the Company and accordingly recommends their appointment.

None of the Directors is interested in the resolution except Shri. Chirayu R. Amin, Shri. Amritlal C. Shah, Shri. Hasmukhlal S. Parikh and Shri. Ashokbhai J. Patel as the resolution pertains to their appointment as Directors.

By order of the Board of Directors,

Vallabh Vidyanagar
23rd July, 1998.

D.D. Heranjal
Company Secretary



DIRECTORS' REPORT

To

The Members,

Your Directors have pleasure in presenting their Thirty Eighth Annual Report together with the Audited Statement of Accounts for the year ended 31st March, 1998.

1. FINANCIAL RESULTS

	31st March, 1998 Rupees	31st March, 1997 Rupees
Profit before interest and depreciation	20,36,25,657	20,22,40,381
Less : Interest	3,61,17,442	5,31,39,240
Depreciation	6,27,07,525	5,10,40,105
Profit before Tax	10,48,00,690	9,80,61,036
Less : Provision for Tax	1,39,00,000	1,27,50,000
Profit after tax	9,09,00,690	8,53,11,036
Add : Adjustment for prior year (Net)	Nil	23,77,273
T O T A L	9,09,00,690	8,76,88,309
Add : Balance brought forward from last year	1,14,40,569	86,91,702
Total available for appropriation	10,23,41,259	9,63,80,011
Which is appropriated as under:		
Transfer to General Reserve	7,75,00,000	7,50,00,000
Proposed Dividend	1,01,65,338	90,35,856
Additional Tax on Proposed Dividend	10,16,534	9,03,586
Balance carried forward	1,36,59,387	1,14,40,569

2. DIVIDEND

Your Directors recommend payment of dividend for the year ended 31st March, 1998 at the rate of Rs. 1.80 per Share on 56,47,410 Equity shares of Rs. 10/- each.

3. OPERATING RESULTS

Income from sales and other services for the year under review amounted to Rs. 159.80 Crores as against the previous year's Sales of Rs. 168.46 Crores. The Profit before Tax has increased marginally despite reduction in turnover.

4. GENERAL BUSINESS OUTLOOK

There is no significant progress as regards investment in Power Projects either by Private Sector or public sector. The recessionary conditions prevailing in the industry has adversely affected the growth of industrial production which has remained abysmally low at 4.2% for the fiscal year 1997-98.

The economic sanctions imposed by the industrialised nations, in the aftermath of nuclear explosions made by India, is likely to hamper the inflow of foreign funds and consequently affect foreign investment. This in turn will further slow down the development in infrastructure sector, restricting the growth of both the Material Handling and the Gears division of the Company.

It was expected that the measures taken to free the Indian industry from the shackles of bureaucracy in the wake of liberalisation process started in 1991 would pave way for the rapid industrial development of the country. However, the situation as it stands today, belies the hopes and the aspirations raised earlier and the euphoria is waning. The steps taken for the development of the most vital sector of infrastructure have not fetched the desired results. It is distressing to note that no serious efforts are being made to resolve these issues of grave concern.

As far as your company is concerned, to keep ourselves abreast with the latest technology, we have entered into collaboration agreement with a German company for transfer of technical knowhow for the manufacture of helical and spiral bevel helical gears.

5. INVESTMENTS

We have floated a new company to manufacture geared motors and gear reducers with a wide range, in technical collaboration with a Japanese company of international repute.

We have also formed a joint venture company which will initially undertake manufacturing of industrial freewheels overrunning clutches, sprag assemblies, clutches and related parts and components used in power transmission and work holding technology. Apart from financially participating in this company, the German company will provide technical knowhow for manufacture of a range of products in the field of their expertise.

ELECON ENGINEERING CO. LTD.

The investment made in both the above companies is expected to fetch good results in future.

6. PROSPECTS FOR CURRENT YEAR

The company's order position is comfortable. At present, we have pending orders worth Rs. 194. 37 crores on hand.

The order received from the Neyveli Lignite Corporation Ltd. last year will be executed over a period of two years including the current year. The major portion of the order received from the Maharashtra State Electricity Board last year will be executed during the current year. We expect to continue and maintain the growth in the gear division during the current year.

7. DIVERSIFICATION

The Company has installed Seven additional Wind Mills during the year.

You may be aware that there was a severe cyclone in the coastal areas of Gujarat recently. In the wake of this, eleven windmills erected for captive consumption costing Rs. 1234 lacs were lost. However, all the windmills that were lost are fully insured for which a claim has already been lodged with the insurers.

8. FIXED DEPOSITS :

Fourteen Deposits aggregating to Rs. 62,000/- though matured were not claimed as on 31st March, 1998. None of these deposits have been claimed till date.

9. INSURANCE

All the properties of company have been insured against risk of fire including risks of riots, strike, flood, malicious damages etc.

10. PARTICULARS OF EMPLOYEES

Information pursuant to sub-section [2A] of Section 217 of the Companies Act, 1956, read with the Companies [Particulars of Employees] Rules 1975, is given in the Annexure forming part of this report.

11. ENERGY CONSERVATION MEASURES, TECHNOLOGY ABSORPTION AND R&D EFFORTS :

The particulars required to be furnished under Section 217 (1) (e) of the Companies Act, 1956, regarding Energy Conservation, Technology Absorption and R&D efforts are furnished in the Annexure forming part of this Report.

12. DIRECTORS :

In accordance with the provisions of the Companies' Act, 1956, and pursuant to the company's Articles Of Association, two of the Directors Shri. Pradeep M. Patel and Shri. Prayasvin B. Patel retire by rotation and being eligible, offer themselves for re-appointment.

During the year under review, Shri. Natoobhai S. Patel, Commercial Director, has intimated his unwillingness to continue after the expiry of his present tenure expires in August, 1998 on account of indifferent health. However, he will continue as a Director on the Board. Two other directors viz. Shri. Ranjit Vithaldas and Shri. Jayantilal R. Shah have tendered their resignations from the Board on account of advancing age and indifferent health. The Board of Directors places on record its deep appreciation for the mature and able guidance provided by them during their tenure as Directors of the company.

The Board has appointed Shri. Chirayu R. Amin, Dr. A. C. Shah and Shri. Hasmukhlal S. Parikh as Additional Directors on Board with effect from 29th June, 1998. Pursuant to section 260 of the Companies Act, 1956 they hold office upto the date of 38th Annual General Meeting and being eligible offer themselves for appointment.

Shri. P. B. Patel, whose tenure as Managing Director of the company expires on 30th June, 1998, is reappointed for a further period of five years by the Board of Directors. The approval of Shareholders is being sought for his reappointment as Managing Director with effect from 1st July, 1998.

13. DONATIONS

Rs. 7.42 lacs was donated during the year under review for various Educational, Social, Charitable and Political purposes.

14. AUDITORS

The company's Auditors M/S Thakorebhai Shirish Desai and Butala, Chartered Accountants, Navsari retire and being eligible offer themselves for reappointment.

The Auditors Report is self explanatory and gives complete information.

15. ACKNOWLEDGEMENT

The Directors take this opportunity to express their sincere appreciation to the co-operation and support given to your company by its Bankers, Financial Institutions and Debentureholders, customers, suppliers, foreign collaborators and from various Central and State Government Authorities.

We would also like to appreciate the efforts put by the employees of the company for their hardwork and continued support. The Directors are also grateful to the Shareholders for the confidence and faith they have always placed on us.

On behalf of the Board of Directors

Place : Vallabh Vidyanagar
Date : June 29, 1998

B. I. Patel
Chairman



ANNEXURE TO DIRECTORS' REPORT:

Information required under Section 217 (1) (e) of the Companies Act, 1956 read with the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988.

A) CONSERVATION OF ENERGY

a. Energy Conservation Measures taken:

- i) The company has installed seventy feet Goliath Crane in the raw material stocking yard. This has reduced the use of diesel engine driven vehicles for shifting of raw materials and resulted in reduction of diesel consumption.
- ii) During the year, new techniques of designing special toolings were introduced. Adoption of these new techniques have reduced the need of welding and consequently there was reduction in consumption of power used during welding.
- iii) Replacement of DC drives for CNC machines by AC Vector drive has resulted in saving of operational power.
- iv) In continuation with last year's programme, all HPMV lamps have been replaced with HPSV lamps, for shops as well as compound lighting.
- v) The working of heat treatment furnace has been staggered to get maximum utilisation and energy saving.
- vi) Many old conventional machine-tools have been replaced by less numbers of new energy efficient CNC machines resulting in reduction of production cycle time. This has resulted in overall energy saving.
- vii) Relocation of certain departments from the existing office building to the technical office building with better utilisation of space is expected to reduce power consumption on account of reduction in power consumption of AC plant and lighting.

b. Additional investment and proposals, if any, being implemented for reduction of consumption of energy:

- i) The company has continued to install energy saving device on welding sets.
- ii) The replacement of natural cooling towers by FRP cooling towers for captive power generation to improve plant efficiency continued during the year.

- iii) The company plans to replace the water chilled AC plant located in Technical Office Building by vapour absorption system for cooling the area which would reduce energy consumption substantially.

c) *Impact of the measures at a & b above for reduction of energy consumption and consequent impact on the cost of production of goods:*

Implementation of the above referred measures taken for energy conservation has resulted in reducing unit consumption of power and electricity.

B) TECHNOLOGY ABSORPTION

I. Research & Development:

a) Specific areas in which R & D carried out by the Company:

The company has developed new techniques of designing of special toolings for Idler components which has resulted into reduction in the welding process. This development is done in-house in the tool room of the company.

b) Benefits derived as a result of above R & D :

The development of new techniques of special designing tools have helped in reduction in power consumption. Apart from reduction in power consumption, reduction in the need for welding has resulted in eco-friendly environment.

c) Future plan of action :

The company shall continue its efforts to absorb latest technological developments.

d) Expenditure on Research & Development :

The revenue expenditure involved in research and development during the year under review is Rs. 6.30 Lacs constituting 0.04 % of the annual turnover.

II. TECHNOLOGY ABSORPTION, ADAPTATION AND INNOVATION

a) Efforts made towards technology absorption, adaptation and innovation:

- i. The company has continued with the activity of upgradation of technology by bringing in latest CNC controls for machines which are