

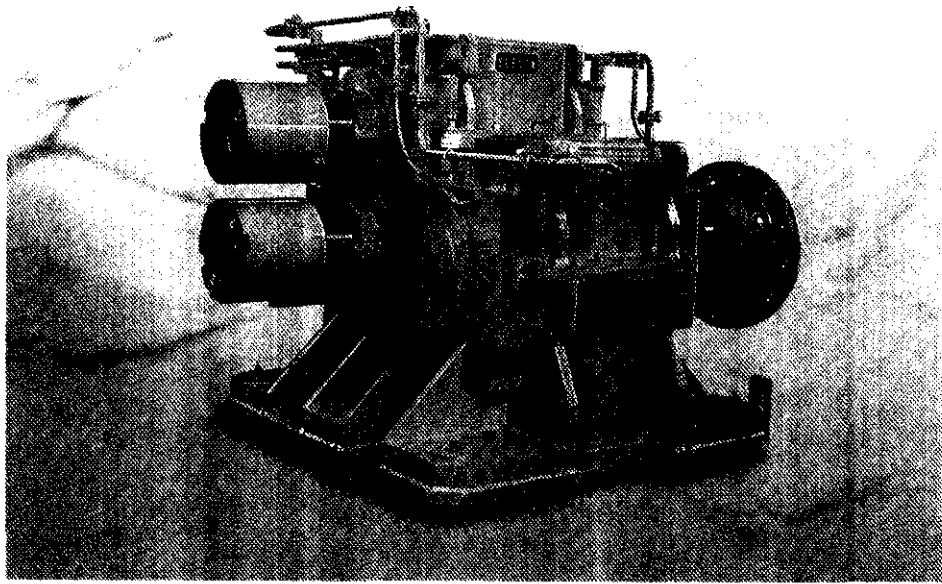
ELECON ENGINEERING COMPANY LIMITED



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40th ANNUAL REPORT 1999-2000

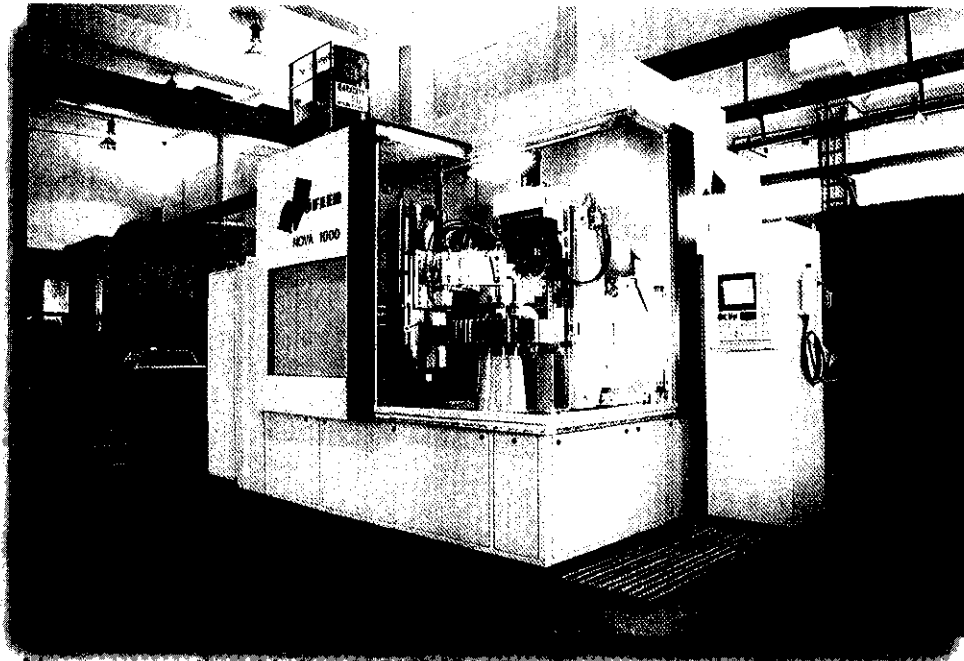
Let's Preserve Our Environment



Typical drive gear box rated to output torque-340 KNM. for cold rolling mill, recently commissioned at a steel plant.



Turning gear unit TG-145, specially developed for starting the power generating unit.



New generation Hofer NOVA CNC - 1000 Gear Grinding machine having 11 axis multi processor continuous path control, with separate pallette to reduce setting time to zero with a precision of profile accuracy measurement in situ.

ELECON ENGINEERING COMPANY LIMITED

BOARD OF DIRECTORS

(As on 26th June, 2000)

Shri Bhanubhai I. Patel

Chairman & Managing Director

Shri Prayasvin B. Patel

Managing Director

Shri Natoobhai S. Patel

Director - Finance

Shri Pradip M. Patel

Shri Upendra M. Patel

Shri Chirayu R. Amin

Shri Ashok J. Patel

Shri Hasmukhlal S. Parikh

Dr. 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 Fortieth 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 Thursday, 28th September, 2000 at 3.00 P.M to transact the following business :

ORDINARY BUSINESS :

1. To receive, consider and adopt the Audited Balance Sheet as at 31st March, 2000, Profit & Loss Account for the year ended on that date and the Report of Board of Directors and Auditors thereon.
2. To declare a dividend.
3. To appoint a Director in place of Dr. Amritlal C. Shah, who retires by rotation and, being eligible, offers himself for re-appointment.
4. To appoint a Director in place of Shri Hasmukhlal S. Parikh, who retires by rotation and, being eligible, offers himself for re-appointment.
5. To appoint a Director in place of Shri Ashok J. Patel, who retires by rotation and, being eligible, offers himself for re-appointment.
6. To appoint the Auditors and to fix their remuneration.

SPECIAL BUSINESS :

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 Section 269, 309, 310 and other applicable provisions 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 the Company be and is hereby accorded for the appointment of Shri Natoobhai S. Patel as the Director (Finance) of the company for a period of one year with effect from 1st September, 2000 and that he shall be entitled to a salary, perquisites as specified in detail as set out in the draft agreement to be entered into by and between the Company on the one part and Shri Natoobhai S. Patel on 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 Natoobhai S. 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, the company is not earning profits or in the case of inadequacy of profits in any financial year, Shri Natoobhai S. 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."

8. To consider and if thought fit, to pass with or without modification, the following resolution as a Special resolution:

"RESOLVED THAT, pursuant to Section 31 and other applicable provisions of the Companies Act, 1956, and the provisions of the other statutes as applicable

and subject to such approvals, consents, permission and sanctions as may be necessary from appropriate authorities or bodies, the Articles of Association of the Company, be and is hereby altered in the following manner :

- (i) Insert the following heading and Article alongwith the marginal notes as Article - 23 A after Article - 23 .

DEMATERIALISATION OF SECURITIES

23A. (1) For the purpose of this Article :-

Definitions "Beneficial owner" means a person whose name is recorded as such with a Depository.

"SEBI" means the Securities and Exchange Board of India established under Section 3 of the Securities and Exchange Board of India Act, 1992.

"Depositories Act" means the Depositories Act, 1996, including any statutory modifications or re-enactment thereof for the time being in force.

"By-Laws" means by-laws made by a Depository under Section 26 of the Depositories Act.

"Depository" means a company formed and registered under the Companies Act, 1956 and which has been granted a certificate of registration under sub-section (1A) of Section 12 of the Securities and Exchange Board of India Act, 1992.

"Member" means the duly registered holder from time to time of the shares of the Company and includes every person whose name is entered as a Beneficial Owner in the record of the Depository.

"Debenture holder" means the duly registered holder from time to time, of the debenture of the company.

"Participant" means a person registered as such under Section 12 (1A) of the Securities and Exchange Board of India Act, 1992.

"Record" includes the records maintained in the forms of books or stored in computer or in such other forms as may be determined by regulations made by SEBI in relation to the Depositories Act.

"Regulations" mean the regulations made by SEBI.

"Security" means such security as may be specified by SEBI.

Words imparting the singular number only include the plural number and vice versa.

Words imparting persons may also include corporations.

Words and expressions used and not defined in the Act but defined in the Depositories Act shall have the same meanings respectively assigned to them in that Act.

- Company to recognise interest in dematerialised (2) Either the Company or the investor may exercise an option to issue, deal in, hold the securities (including shares) with a Depository in electronic form

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Securities under the Depositories Act, 1996		and the certificates in respect thereof shall be dematerialised, in which event the rights and obligations of the parties concerned and matters concerned therewith or incidental thereof, shall be governed by the provisions of the Depositories Act, as amended from time to time or any statutory modification thereto or reenactment thereof.			thereof and accordingly shall not be bound to recognise any benami trust or equitable, contingent, future or partial interest in any share, or (except only as is by these Articles otherwise expressly provided) any right in respect of a share other than an absolute rights thereto in accordance with these Articles, on the part of any other person whether or not it has express or implied notice thereof, but the Board shall be at their discretion to register any share in the joint names of any two or more persons or the survivor or survivors of them.
Dematerialisation of Securities	(3)	Notwithstanding anything contained in these Articles, the Company shall be entitled to dematerialise its existing securities, rematerialise its securities held in the Depositories and/or offer its fresh securities in a dematerialised form pursuant to the Depositories Act, and the rules framed thereunder, if any.	Depository to furnish information	(8)	Every Depository shall furnish to the Company information about the transfer of securities in the name of the Beneficial Owner at such intervals and in such manner as may be specified by the by-laws and the Company in that behalf.
Option to receive security certificates or hold Securities with Depository	(4)	Every person subscribing to or holding securities of the Company shall have the option to receive security certificates or to hold the securities with a Depository. If a person opts to hold his security with a Depository, the Company, shall intimate such Depository the details of allotment of the security, and on receipt of the information, the Depository shall enter in its record the name of the allottee as the Beneficial Owner of the security.	Cancellation of certificates upon surrender by a person	(9)	Upon receipt of certificate of securities on surrender by a person who has entered into an agreement with a Depository through a participant, the Company shall cancel such certificate and substitute in its record the name of the Depository as the registered owner in respect of the said securities and shall also inform the Depository accordingly.
Securities in Depositories to be in fungible form	(5)	All securities held by a Depository shall be dematerialised and be in fungible form. Nothing contained in Section 153,153A,153B,187B,187C and 372A of the Act shall apply to a Depository in respect of the securities held by it on behalf of the Beneficial Owners.	Option to opt out in respect of any security	(10)	If a Beneficial Owner seeks to opt out of a Depository in respect of any security, the Beneficial Owner shall inform the Depository accordingly. The Depository shall on receipt of the information as above make appropriate entries in its records and shall inform the company. The Company shall, within thirty (30) days of the receipt of information from the Depository and on fulfilment of such conditions and on payment of such fees as may be specified by the regulations, issue the Certificate of Securities to the Beneficial Owner or the transferee as the case may be.
Rights of Depositories and Beneficial Owners	(6)	(a) Notwithstanding anything to the contrary contained in the Act or these Articles, a Depository shall be deemed to be a registered owner for the purpose of effecting transfer of ownership of security on behalf of the Beneficial owner. (b) Save as otherwise provided in (a) above, the Depository as the registered owner of the securities shall not have any voting rights or any other rights in respect of the security held by it. (c) Every person holding securities of the Company and whose name is entered as the Beneficial Owner in the records of the Depository shall be deemed to be a member of the Company. The Beneficial owner of the securities shall be entitled to all the rights and benefits and be subject to all the liabilities in respect of his securities which are held by the Depository.	Service of Documents	(11)	Notwithstanding anything in the Act or these Articles to the contrary, where securities are held in a Depository, the records of the beneficial ownership may be served by such Depository on the Company by means of electronic mode or by delivery of floppies or discs.
Beneficial owner deemed as absolute owner	(7)	Except as ordered by a Court of competent jurisdiction or as required by law, the Company shall be entitled to treat the person whose name appears on the Register of Members as the holder of any share or where the names appear as the Beneficial Owner of the shares in the records of the Depository as the absolute owner	Provision of Articles to apply to shares held in a depository	(12)	Except as specifically provided in these Articles, the provisions relating to joint holders of shares, calls, lien on shares, forfeiture of shares and transfer and transmission of shares shall be applicable to shares held in a Depository so far as they apply to shares held in physical form subject to the provisions of the Depositories Act.



Allotment of Securities dealt with in a Depository (13) Notwithstanding any thing in the Act or these Articles, where securities are dealt with by a Depository, the Company shall intimate the details thereof to the Depository immediately on allotment of such securities.

Distinctive number of securities held in a Depository (14) The shares in the capital shall be numbered progressively according to their several denominations, provided however, that the provision relating to progressive numbering shall not apply to the shares of the company which are dematerialised or may be dematerialised in future or issued in future in dematerialised form. Except in the manner herein before mentioned, no share shall be sub-divided. Every forfeited or surrendered share held in material form shall continue to bear the number by which the same was originally distinguished.

Register and Index of Beneficial Owners (15) The Company shall cause to be kept a Register and Index of Members and a Register and Index of Debenture holders in accordance with Sections 151 and 152 of the companies Act, 1956 respectively, and the Depositories Act, with details of shares and debentures held in material and dematerialised form in any media as may be permitted by law including any form of electronic media. The Register and Index of Beneficial Owners maintained by a Depository under Section 11 of the Depositories Act shall be deemed to be Register and Index of Members and Register and Index of Debenture holders, as the case may be, for the purposes of the Companies Act, 1956. The Company shall have the power to keep in any State or Country outside India a branch Register of Members resident in that State or Country.

Register of Transfers (16) The Company shall keep a register of Transfers and shall have recorded therein fairly and distinctly particulars of every transfer or transmission of any share in material form.

(II) Insert the following Article as Article 23B after Article 23A in the Articles of Association of the Company.

Article 23B

Notwithstanding anything contained herein above, a member has a right to nominate one or more persons as his/her nominee (s) to be entitled to the rights and privileges as may be permitted under the law of such a member in the event of death of the said member(s) subject to the provisions of the Companies Act, 1956 and other applicable laws.

By order of the Board of Directors,

Place : Vallabh Vidyanagar
Date : 26th June, 2000

D.D. Heranjal
Company Secretary

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 5th day of September, 2000 to Tuesday, the 12th day of September, 2000 (both days inclusive).

(4) The dividend on 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 5th September, 2000 and to those whose names appear in the Benpos as on 4th September, 2000, 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 the 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 205-A of the Companies Act, 1956 all unclaimed/unpaid dividends upto the financial year ended 31st March, 1994 have been transferred to the General Revenue Account of the Central Government. Those members who have so far not claimed their dividends for the said periods may claim the same by submitting an application in prescribed Form No. II to The Registrar of Companies -Gujarat, Near Rupal Park, Ankur Char Rasta, Narayanpura, Ahmedabad-380 013.

Consequent upon amendment in Section 205-A of the Companies Act, 1956 and introduction of Section 205-C, by the Companies (Amendment) Ordinance, 1999, now the amount of dividend remaining unclaimed for a period of seven years shall be transferred to the Investor Education and Protection Fund.

Members who have not encashed the dividend warrant (s) so far for the financial year ended March 31, 1996, or any subsequent dividend payment(s) are requested to make their claim to the Company.

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

Item No. 7

Shri Nattoobhai S. Patel has been associated with the Company for the last fifteen years as Commercial Director and two years as Director (Finance). His present tenure is due to expire on 31st August, 2000.

Shri Nattoobhai S. Patel has vast experience in the field

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of Commercial and Financial Management. Having regard to the need for efficient Financial Management, the Board of Directors of your company was of the opinion that it would be in the interest of the Company to continue to avail the services of Shri Natoobhai S. Patel as Director - Finance of the Company.

The Board of Directors of the Company at its Meeting held on 26th June, 2000 appointed Shri Natoobhai S. Patel as Director- Finance for a further period of one year, unanimously subject to the approval of the Company in General Meeting. The terms and conditions including remuneration payable to Shri Natoobhai S. 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 all working days except Sunday between 10 A. M. and 12 Noon till the date of Annual General Meeting and which inter alia contains the following principal terms and conditions.

1. Duties to be performed : All matters relating to finance such as raising of finance, financial management, sources of finance, planning and implementation of policies in the field of finance and also generally to monitor the financial aspects in the best interest of the Company;

Negotiation with the Banks, Financial Institutions and other agencies for raising finance and finalising the terms and conditions thereof in the best interest of the Company.

Negotiation with various clients, State Electricity Boards and any State & Central Agencies in matters relating to commercial aspects especially terms and conditions relating to payment, bank and/or corporate guarantee, advance payment etc.

Any other matters in the field of finance as may be entrusted by the Managing Director and/or the Board of Directors.

2. Period of Appointment : One year with effect from 1st September, 2000.
3. Remuneration payable to Shri Natoobhai S. Patel when Company earns adequate profits:

a) Salary : Rs. 75,000/- per month.

b) Perquisites and Allowances:

Car for use on Company's business and telephone and other communication facilities at residence for official purpose will not be considered as perquisites.

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 Director-Finance, 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, provision for earlier determination of the appointment by either party by giving three months notice in writing to the other party etc.

The re-appointment of Shri Natoobhai S. 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 Shri Natoobhai S. 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 of the Company till the date of the Annual General Meeting.

The Board of Directors recommend passing of the resolution set out at Item No. 7 of the Notice convening the Meeting.

None of the Directors other than Shri Natoobhai S. Patel, 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 Shri Natoobhai S. Patel pursuant to Section 302 of the Companies Act, 1956.

Item No. 8

- (I) Consequent to the introduction of the Depository System and setting up of National Securities Depository Limited (NSDL) and Central Depository Services (I) Ltd. (C.D.S.L.) considering the benefits of scripless trading, your Company, with a view to provide better services to investors has entered into an Agreement with NSDL and CDSL to have electronic depository facilities for the shares of the Company. The Depository system of holding securities in an electronic form is a far safer and more convenient method for holding and trading in the securities of a Company.

With the enactment of the Depositories Act, 1996, and amendments to certain provisions of the Companies Act, 1956, a new Article is proposed to be introduced, briefly stating the frame-work of the system of Depository as per the provisions of the Depositories Act, 1996, with a view to facilitating operation of the Depository System. In view of this, consequent changes are required to be incorporated in the Articles of Association of the Company by inserting the new Article 23A so as to be in line with the amended provisions of the Companies Act, 1956 read with the provisions of the Depositories Act, 1996.

- (II) Consequent to amendment in the Companies Act, 1956 facility for share holders to nominate person(s) entitled to the share and securities in the event of death of a member(s) is provided for.

The Special Resolution at item No. 8 is therefore proposed, pursuant to Section 31 of the Companies Act, 1956 for the alteration of the Articles of Association of the Company incorporating the above said provisions under the law.

None of the Directors of the Company are concerned or interested in the said resolution.

The Board of Directors recommend passing of the Resolution set out at Item No. 8 of the Notice convening the Meeting.

By order of the Board of Directors,

D.D. Heranjal
Company Secretary

Registered Office:
Vallabh Vidyanagar - 388 120
Gujarat.
Date: 26th June, 2000.



DIRECTORS' REPORT

To

The Members,

Your Directors have pleasure in presenting their Fortieth Annual Report together with the Audited Statement of Accounts for the year ended 31st March, 2000.

1. FINANCIAL RESULTS

	As on 31st March, 2000 Rupees	As on 31st March, 1999 Rupees
Profit before Interest and Depreciation	15,37,42,767	25,32,42,547
Less : Interest	3,71,80,427	5,09,30,327
Depreciation	6,65,26,202	6,43,79,656
Profit before Tax	5,00,36,138	13,79,32,564
Less : Provision for Tax	1,60,00,000	5,17,00,000
Profit after Tax	3,40,36,138	8,62,32,564
Less : Prior Year Exp./ Tax Adjustments	24,41,774	33,37,265
T O T A L	3,15,94,364	8,28,95,299
Add : Balance brought forward from last year	1,15,17,436	1,36,59,387
Total available for appropriation	4,31,11,800	9,65,54,686
Which is appropriated as under:		
Transfer to General Reserve	2,00,00,000	7,25,00,000
Proposed Dividend	1,01,65,338	1,12,94,820
Additional Tax on Proposed Dividend	22,36,375	12,42,430
Balance carried forward	1,07,10,087	1,15,17,436

2. DIVIDEND

Your Directors recommend payment of dividend for the year ended 31st March, 2000 at the rate of Rs. 1.80 per share on 56,47,410 Equity Shares of Rs. 10/- each.

3. REVIEW OF OPERATIONS

Income from Sales and other services for the year under review amounted to Rs. 169.84 crores as against Rs. 197.29 crores for the previous year which reflects a decrease of approximately 14% as compared to the earlier year. This is in view of the continuing recessionary conditions prevailing, especially in the engineering industry. The Profit after Tax at Rs. 340.36 lacs appears substantially lower as compared to Rs. 862.33 lacs in the previous year. This is mainly because of higher outgo on account of the payments made under the Voluntary Retirement Scheme amounting to Rs. 893.09 lacs in the year under review as against Rs. 463.23 lacs in the previous year. Viewed in this context, the profit after tax under review, depicts the decrease that is attributable to lower turnover.

4. GENERAL BUSINESS OUTLOOK

The paucity of orders on account of slowdown in the heavy engineering segment of the economy has adversely affected the turnover in the Material Handling Equipment Division of your Company. The turnover in the Gear Division is maintained despite severe competition.

Your Company has received three orders aggregating over Rs. 58 crores constituting a single largest Order in the Gear Industry, in India, from the Mazgaon Dock Ltd. for the Indian Navy. This is indeed a very prestigious order involving high degree of sophistication and specialized technical know-how. Your Company has entered into a technical collaboration agreement with the world leaders in the field of specialized navy gears, namely RENK AG, Germany. This Order is spread over a period of three years.

The Company has submitted offers for few large material handling plants and hopes to secure orders in near future.

5. ISO CERTIFICATION

The Material Handling Equipment Division of your Company has obtained the ISO - 9001 Certificate from TUV Management Service, GmbH certifying that the Company has established a Quality System for design, manufacture, supply, erection, testing, commissioning and servicing of turnkey bulk material handling systems and equipments.

6. DEMATERIALISATION OF SHARES

The Company has entered into a tripartite agreement with the National Securities Depository Limited and Central Depository Services (India) Limited on the one part and the Registrars, Intime Spectrum Registry Pvt.

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Ltd on the other part. This will enable the shareholders to get their shares dematerialized. The trading in the shares of the Company for institutional investors and overseas corporate bodies will be compulsorily in demat form with effect from 26th June, 2000.

7. BUY BACK OF ODD LOT SHARES

The Board of Directors had decided to buy back up to 5,47,410 equity shares from holders of odd lot shares for which shareholders approval was also taken at the last annual general meeting of the Company. The shares of your Company have since been dematerialized. With dematerialisation of shares, the concept of odd lot shares, ceases to exist, as any shareholder can buy, sell or hold, even one share. This has defeated the very purpose of the buy back scheme of reducing the odd lot shares. In view of this, the Board of Directors has decided to drop the buy back of shares.

8. INVESTMENTS

Your Company proposes to set up a Subsidiary Company in Singapore to explore the export market, especially in the South East Asian Countries. The initial Capital Outlay on account of this would be very small and would be well within the specified limits laid down under the Companies Act, 1956.

9. FINANCE

The Company has during the year under review, fully repaid the foreign currency loan taken from the ICICI Ltd. as per the terms of the Agreement.

The Company has, during the year under review, taken a fresh term loan from one of its Bankers to the tune of Rs. 300.00 lacs and utilized the term loan of Rs. 1000.00 lacs from a financial institution, to meet part of its Capital expenditure.

10. FIXED DEPOSITS

Sixteen deposits aggregating to Rs. 77,000/- though matured were not claimed as on 31st March, 2000.

11. Y2K

Your Company had made adequate arrangements to make all the systems Y2K compliant and the Company has successfully passed the year end without encountering any Y2K related problems in all its systems.

12. PARTICULARS OF EMPLOYEES

Information in accordance with the provisions of Section 217 (2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules, 1975 as amended, regarding employees is given in an Annexure forming part of the Directors' Report.

13. CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION AND FOREIGN EXCHANGE EARNINGS AND OUTGO

Information as per Section 217 (1) (e) read with the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988 are given in the Annexure forming part of this report.

14. DIRECTORS

In accordance with the provisions of the Companies Act, 1956 and the Company's Articles of Association, Dr. A.C. Shah, Shri H.S. Parikh and Shri Ashok J. Patel, retire by rotation and being eligible, offer themselves for re-appointment.

Shri Natoobhai S. Patel, was appointed as Director - Finance with effect from 1st September, 1998 for a period of two years and his term expires on August 31, 2000. His term is proposed to be extended by further period of one year. The approval of shareholders is being sought for his re-appointment as Director - Finance.

15. AUDITORS

The Auditors, M/s Thakorebhai Shirish Desai & Butala, Chartered Accountants, Navsari, retire and being eligible, offer themselves for re-appointment.

16. ACKNOWLEDGEMENTS

Your Directors take this opportunity to thank the Company's Bankers and Financial Institutions for their continued assistance and co-operation.

Your Directors also wish to acknowledge the support received from all its Business Associates, Technical Collaborators and place on record their deep sense of appreciation for the dedicated services of all the employees.

For and on behalf of the Board of Directors,

Place : Vallabh Vidyanagar

Date : 26th June, 2000

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 extended Steel Yard Crane up to Fabrication Shop at its Material Handling Equipment Division for shifting of cut materials from steel cutting to fabrication shop. This has resulted in reduction of utilization of hydraulic mobile cranes and other material shifting devices resulting in reduction of consumption of diesel.
 - ii) The Company has replaced 40 Watt lamps and MV lamps by 9/11 Watt PL lamps and SV lamps, which has resulted in reduction of power consumption.
 - iii) The Company has replaced old designed Control Panels by Thyrister Control Panel for power factor correction in the Material Handling Equipment Division. The Company is also in the process of installing automatic power factor correction equipment to improve the power factor which will result in energy saving.
 - iv) The Company has taken up a drive for replacement of energy inefficient DC spindle and servo motors by energy efficient AC spindle and servo motors which will reduce energy consumption drastically.
- b. Additional investment and proposals, if any, being implemented for reduction of consumption of energy :
- i) The Company is in the process of installing low tension thyrister capacitor panel at the Gear Division of the Company for energy saving.
 - ii) The company has continued the process of replacing old transformers and D.C. Rectifier Welding Machines by inverter base D.C. welding machines where power consumption is quite low because the actual power consumption commences only when arcing is done, apart from other advantages.
 - iii) The Company has continued the process of replacing MV Lamps by SV Lamps.
- c. Impact of the measures at (a) and (b) above for reduction of energy consumption and consequent impact on the cost of production of goods :
- Implementation of the above referred measures

have resulted in conservation of energy in reducing the power consumption.

B) TECHNOLOGY ABSORPTION

I. Research & Development:

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

The Company has successfully developed by designing in-house a gear box for passenger lifts conforming to Spanish design gear boxes.

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

A combination of new design with factory filled synthetic life time lubrication offers higher power ratings and enables the selection of one size lower than required providing better economic solutions.

- c) Future plan of action :

The Company endeavours to develop passenger lift application gear boxes.

- d) Expenditure on Research & Development :

The revenue expenditure involved in research and development for the above, incurred during the year is very negligible.

II. TECHNOLOGY ABSORPTION, ADAPTATION AND INNOVATION

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

The Company has absorbed the technology of cutting hardened spiral bevel gears under the technology imported from P.I.V. Anterieb GmbH, Germany.

The Company is in the process of implementing ERP ORACLE and CRM Software package comprising various modules.

- b) Benefits derived as a result of the above efforts :

The efforts would entail curtailment in foreign exchange outgo and help in developing indigenous manufacture of international quality products.

Implementation of the ORACLE ERP Software would greatly enhance the response time in several activities leading to faster and better services to the customer.