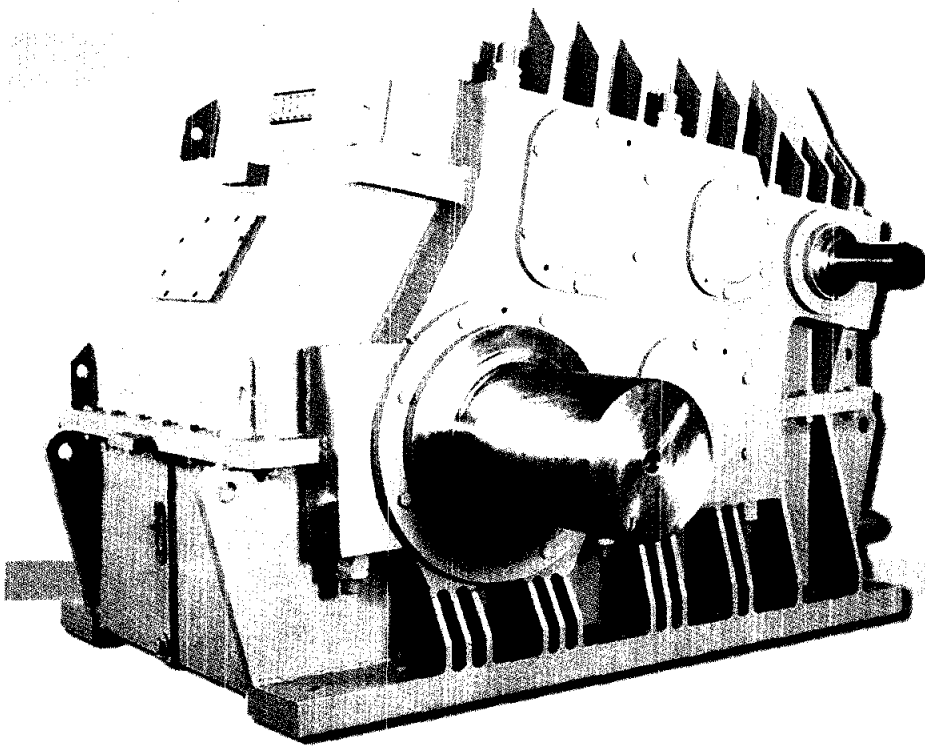


41st ANNUAL REPORT 2000-2001

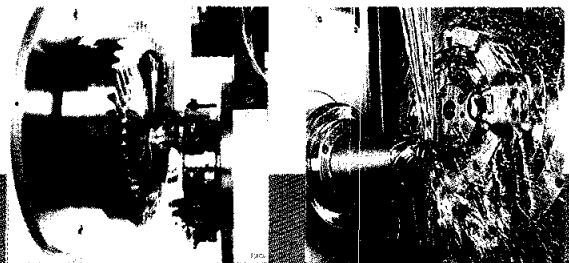
ELECON 

ELECON ENGINEERING COMPANY LIMITED

Let's Preserve Our Environment



DUAL TANDEM GEAR BOX
DEVELOPED FOR SUGAR MILL
700 HP - 1000 INPUT RPM
RATIO = 63:1



MODEL : KNC - 60 OF KLINGELNBERG, GERMANY.

The CNC controlled, Spiral Bevel Gear generating & hard cutting Machine, which brings unrestricted possibilities for contact pattern.

ELECON ENGINEERING COMPANY LIMITED

BOARD OF DIRECTORS

(As on 28th May, 2001)

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

(Division of Thacker Butala Desai)

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 Forty First Annual General Meeting of Elecon Engineering Company Limited will be held at the Audio Visual Hall of the Company situated near Gear Division of the Company at Vallabh Vidyanagar, Gujarat on Saturday, the 29th September, 2001 at 11.00 a.m. to transact the following business:

ORDINARY BUSINESS

1. To receive, consider and adopt the Audited Balance Sheet as at 31st March, 2001, Profit & Loss Account for the year ended on that date and the Reports of Board of Directors and Auditors thereon;
2. To appoint a Director in place of Shri Pradip M. Patel, who retires by rotation and being eligible, offers himself for re-appointment;
3. To appoint a Director in place of Shri Upendra M. Patel, who retires by rotation and being eligible, offers himself for re-appointment;
4. To appoint a Director in place of Shri Chirayu R. Amin, who retires by rotation and being eligible, offers himself for re-appointment;
5. To consider and, if thought fit, to pass, with or without modifications, the following resolution as an Ordinary Resolution:

"RESOLVED THAT, pursuant to the provisions of the Companies Act, 1956 and other applicable provisions, if any, M/s. Thacker Butala Desai, Chartered Accountants, be and are hereby appointed as Auditors of the Company to hold office from the conclusion of this Annual General Meeting until the conclusion of next Annual General Meeting of the Company at a remuneration of Rs. 1,75,000 (Rupees One Lac Seventy Five Thousand only) plus Service tax at the applicable rate, from time to time, plus travelling and out-of-pocket expenses incurred by them for the purpose of audit of the Company's accounts, exclusive of any remuneration, fees or charges payable to them for rendering any services that may be rendered by them to the Company from time to time other than in the capacity of Auditors."

By the order of the Board of Directors

Place : Vallabh Vidyanagar
Date : 28-05-2001

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 Register of Members and Share Transfer Books of the Company will remain closed from Saturday, the 1st day of September, 2001 to Friday, the 7th day of September, 2001 (both days inclusive).
- (3) Members intending to require information about accounts or any other matter are requested to write to the Company at least ten days in advance of the Annual General Meeting.

By the order of the Board of Directors

Place : Vallabh Vidyanagar
Date : 28-05-2001

D. D. Heranjal
Company Secretary

INFORMATION PURSUANT TO LISTING AGREEMENT WITH STOCK EXCHANGES

The names and addresses of the Stock Exchanges where the Company's Shares are listed :

Name of the Stock Exchange	Address
1. The Stock Exchange, Ahmedabad (Regional Stock Exchange)	Kamdheni Complex, Opp. Sahajanand College Near Polytechnic Panjara Pole Ahmedabad
2. The Stock Exchange, Mumbai	P. J. Towers 25th Floor, Dalal Street, Mumbai - 400 001.

The listing fee for the year 2000-01 for all the above Stock Exchanges have been paid in time and there being neither de-listing nor suspension of company's shares from trading during the period under review.

ELECON ENGINEERING CO. LTD.**DIRECTORS' REPORT**

To

The Members,

Your Directors have pleasure in presenting their Forty First Annual Report together with the Audited Statement of Accounts for the year ended 31st March, 2001.

1. FINANCIAL RESULTS :

	As on 31st March, 2001 Rupees	As on 31st March, 2000 Rupees
Profit before Interest and Depreciation	13,25,71,436	15,37,42,767
Less : Interest	5,07,56,255	3,71,80,427
Depreciation	7,79,00,296	6,65,26,202
Profit Before Tax	39,14,885	5,00,36,138
Less : Provision for Tax	5,00,000	1,60,00,000
Profit After Tax	34,14,885	3,40,36,138
Less : Prior Year Adjustments	Nil	24,41,774
T O T A L	34,14,885	3,15,94,364
Add : Balance brought forward from last year	1,07,10,088	1,15,17,436
Total available for Appropriation	1,41,24,973	4,31,11,800
Which is appropriated as under:		
Transfer to General Reserve	Nil	2,00,00,000
Proposed Dividend	Nil	1,01,65,338
Additional Tax on Proposed Dividend	Nil	22,36,374
Balance Carried Forward	1,41,24,973	1,07,10,088

2. DIVIDEND :

In view of inadequate profits for the year under review, the Directors do not recommend any dividend for the year.

3. REVIEW OF OPERATIONS :

Income from Sales and other services for the year under review amounted to Rs. 142.38 Crores as against Rs. 169.84 Crores for the previous year, which reflects a decrease of approximately 16% as compared to the earlier year. This is attributable to the general slowdown in the economy coupled with low level of investment, in the core sectors of the economy. This has adversely affected the Company's Material Handling Equipment Division business. However, the Gear Division of your Company has achieved a record turnover of over Rs. 77 Crores during the year under review as compared to Rs. 63 Crores during the previous year.

The Customs Authorities have during the year under review, enforced a payment of Rs. 435 lacs slapping customs duty on a project of the Maharashtra State Electricity Board, executed by the Company in an earlier year. The project enjoyed the deemed export benefit at the time of award of the contract and accordingly duty free import of raw materials were permitted. The status of deemed export was later on withdrawn and consequently, the Company was forced to make customs duty payment of Rs. 435 lacs. The Company has been pursuing for recovery of the import duty imposed by the Customs Authorities from the Maharashtra State Electricity Board. The Profits of the Company were already under pressure on account of lower turnover and payment of heavy customs duty, has severely affected the profitability of the Company. Hence, the profits after tax, during the year under review, are substantially lower at Rs. 34.15 lacs as compared to Rs. 340.36 Lacs in the previous year.

4. FUTURE OUTLOOK :

The order book position for the Material Handling Equipment Division of your Company continues to be a cause of concern. As stated earlier, the lack of investment in the infrastructure and core sectors of economy has created recessionary conditions in the bulk material handling equipment industry, causing adverse effect on the Material Handling Equipment Division of your Company. The Order Booking in the Gear Division, however is at a fairly comfortable level.

5. DIRECTORS' RESPONSIBILITY STATEMENT :

The Directors confirm that in the preparation of the annual accounts of the Company for the year ended March 31, 2001 –

- the applicable accounting standards have been followed with proper explanation relating to material departures, if any;



- 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 of the Company for the year ended on that date;
- proper and sufficient care was taken for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities and
- the accounts have been prepared on a going concern basis.

6. CORPORATE GOVERNANCE :

The Securities and Exchange Board of India and subsequently the Stock Exchanges, where the shares of your Company are listed, have prescribed certain guidelines on Corporate Governance. As per the implementation schedule given by the Stock Exchanges, the guidelines on corporate governance becomes applicable to your company during the year 2001-02. The Board of Directors has taken suitable steps in this matter to ensure due compliance of the necessary requirements.

7. SUBSIDIARY COMPANY :

The Company has set up a wholly owned subsidiary company at Singapore namely Elecon Singapore Pte. Ltd. with a view to develop the export market for the Company's products in the South East Asian Countries.

A Statement pursuant to Section 212 of the Companies Act, 1956, relating to the Subsidiary Company is annexed.

8. FIXED DEPOSITS :

Seventeen deposits aggregating to Rs. 87,000/- though matured, were not claimed as on 31st March, 2001. None of these deposits have been claimed till date.

9. 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.

10. 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.

11. DIRECTORS :

In accordance with the provisions of the Companies Act, 1956 and the Company's Articles of Association, Shri. Pradip M. Patel, Shri. Upendra M. Patel and Shri. Chirayu R. Amin, retire by rotation and being eligible, offer themselves for re-appointment.

12. AUDITORS :

The Auditors, M/s Thakorebhai Shirish Desai & Butala, Chartered Accountants, Navsari have merged with another firm namely Thacker Butala Desai, with effect from 1st April 2001 and as such the casual vacancy caused was filled up at the Board meeting appointing Thacker Butala Desai as the Auditors of the Company to hold office till the conclusion of the next Annual General Meeting of the Company. At the forthcoming Annual General Meeting of the shareholders of the Company, Thacker Butala Desai, Chartered Accountants, retire and being eligible, offer themselves for re-appointment.

13. ACKNOWLEDGEMENTS :

Your Directors take this opportunity to thank the Company's Bankers, Financial Institutions and other lenders 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 : 31st July, 2001

B.I. Patel
Chairman

ELECON ENGINEERING CO. LTD.**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 re-layout of equipments and re-engineering of processes at the Company's Material Handling Equipment Division has resulted in reduction of time and distance in material movement, which has ultimately resulted in saving in the cost of diesel.
- ii) The Company is continuing the installation of PL Lamps of various capacities in various working areas of the Company, instead of normal 40 Watt fluorescent tubes, resulting into energy saving.

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

- i) The Company has installed three nos. of automatic power factor control panels, (APFC) totalling 450 KVAR capacity to improve the energy power factor. This has resulted in considerable advantages in terms of reduction in maximum power demand as well as additional rebate in the electricity bill.
- ii) The programme for replacement of old DC motors and old DC servo motors by AC motors/Servo motors on old machine tools was continued during the year which resulted in considerable saving in energy consumption.

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 :

No specific activities have been carried out in this area. However, upgradation of earlier R & D products has continued, resulting into quality improvement.

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

Not Applicable.

- c) Future plan of action :

The Company has no specific plans on R & D.

- d) Expenditure on Research & Development :

Not Applicable.

II. TECHNOLOGY ABSORPTION, ADAPTATION AND INNOVATION

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

The Company has absorbed the technology for manufacturing of Scraper Reclaimers from SCHADE Fordertechnik GmbH & Co., Germany. The Company is in the process of absorbing the technology for the manufacture of specialized marine gears for navy, the technical knowhow for which is provided by RENK Aktiengesellschaft Gogginger Strape, Germany.

The process for the implementation of ERP ORACLE and CRM Software package comprising various modules is continuing.

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

The efforts would entail curtailment in foreign exchange out go 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.

Scrapper Reclaimers	1999
Special Marine Gears for Navy	2000
Wind Electric Generators	2000

- c) Technologies imported during the last five years :

Technologies imported	Year of import
Design for Ship loader	1996
Helical Spiral Bevel Helical Gears	1998

C. FOREIGN EXCHANGE EARNINGS AND OUTGO:

Foreign Exchange earned by the company during the year amounted to Rs. 458.63 Lacs and the company has spent in foreign exchange Rs. 973.68 lacs. More particulars are given in the Notes to the Accounts in Schedule - 17.

ANNEXURE TO DIRECTORS' REPORT :

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, 2001.

(a) Names of employees employed throughout the year and were in receipt of remuneration for the year in aggregate of not less than Rs. 12,00,000/-

Sr. No.	Name	Age in Years	Qualification	Date of Joining	Designation	Nature of Duty	Remuneration received (in Rs.)		Experience (Years)	Last employment
							Gross	Net		
1.	Mr. B.I. Patel	73	B.A	01-01-68	Chairman & Managing Director	Overall Management	13,74,364	4,17,278	54	Director, The Milling Trading Co. Pvt. Ltd
2.	Mr. P.B. Patel	43	B.E. (Mech), M.B.A.	01-07-83	Managing Director	Overall Management	12,49,295	4,58,510	25	Director, Prayas Casting Pvt. Ltd.

(b) Names of employees employed for part of the year and were in receipt of remuneration at a rate of not less than Rs. 1,00,000/- per month in terms of Section 217 (2A) of the Companies Act, 1956.

NIL

Notes :-

- All appointments are contractual.
- Gross remuneration received includes Salary, House Rent Allowance/Rent paid, Medical Expenses, Company's contribution to Provident Fund, Superannuation and Gratuity Fund, monetary value of perquisites in accordance with the provisions of the Income Tax Act, 1961.
Net remuneration received includes Salary and House Rent Allowance/Net Rent paid, Medical expenses less Income Tax, Professional Tax and Employee's contribution to Provident Fund.
- The names of employees who were in the company's employment for full/part of the year and whose remuneration excluding compensation paid under Voluntary Retirement Scheme being less than Rs. 1,00,000/- or above per month has not been given.
- Experience includes number of years service elsewhere, wherever applicable.
- Mr. P.B. Patel and Mr. B.I. Patel are related to each other and to Mr. P.M. Patel.

ELECON ENGINEERING CO. LTD.**STATEMENT PURSUANT TO SECTION 212 OF THE COMPANIES ACT, 1956 RELATING TO SUBSIDIARY COMPANY:**

Sr. No.	Particulars	
01.	Name of the Subsidiary	: ELECON SINGAPORE PTE. LTD.
02.	Financial Year of the Subsidiary Company ending on	: 31st March, 2001
03.	Shares of the Subsidiary Company held on the above date and extent of holding	:
	a) No. of Equity Shares	: 1,80,804
	b) Extent of holding – In % age	: 100%
04.	Net aggregate amount of profits/(Loss) of the Subsidiary Company so far as it concerns the members of the Company	
	a) Dealt in the Company's Accounts	
	i) For the financial year of the Subsidiary	: Nil
	ii) For the previous financial years of the Subsidiary since it became the Subsidiary of the Company	: Nil
	b) Not dealt in the Company's Accounts	
	i) For the financial year of the Subsidiary	: (1,26,870) In Singapore \$
	ii) For the previous financial years of the Subsidiary since it became the Subsidiary of the Company	: N. A.

On behalf of Board of Directors

D. D. Heranjal
Secretary

B. I. Patel
Chairman & Managing Director

P. B. Patel
Managing Director

Date : 31st July, 2001



AUDITORS' REPORT

To
The Shareholders
Elecon Engineering Company Limited
Vallabh Vidyanagar

We have audited the attached Balance Sheet of Elecon Engineering Company Limited as at 31st March, 2001 and also the Profit and Loss Account of the Company for the year ended on that date annexed thereto and we report as follows:

- (1) We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit.
- (2) In our opinion, proper books of account, as required by law, have been kept by the Company so far it appears from our examination of the books.
- (3) The Balance Sheet and Profit and Loss Account dealt with by this Report are in agreement with the books of account.
- (4) In our opinion, the Profit and Loss Account and Balance Sheet comply with the Accounting Standards referred to in sub-section (3C) of Section 211 of the Companies Act, 1956.
- (5) Based on representations made by all the Directors of the Company and the information and explanations as made available to us by the Company none of the Directors of the Company has prima facie any disqualification as referred to in Clause (g) of sub-section (1) to Section 274 of the Companies Act, 1956.
- (6) In our opinion, and to the best of our information and according to the explanations given to us, the said accounts read together with the notes thereon, give the information required by the Companies Act, 1956, in the manner so required and give a true and fair view:
 - (a) In the case of Balance Sheet, of the state of affairs of the Company as at 31st March, 2001; and
 - (b) In the case of Profit and Loss Account, of the profit of the Company for the year ended on that date.

As required by the Manufacturing and Other Companies (Auditors' Report) Order, 1988 issued by the Company Law Board in terms of Section 227(4A) of the Companies

Act, 1956 and on the basis of such checks, as were considered appropriate, we further state that:

1. The Company has maintained proper records showing full particulars including quantitative details and situation of its fixed assets. All the assets have not been physically verified by the management during the year but there is a regular programme of verification which in our opinion is reasonable having regard to the size of the Company and the nature of its assets. No material discrepancies were noticed on such verification.
2. None of the fixed assets have been revalued during the year.
3. The stocks of finished goods, spare parts and raw materials have been physically verified during the year by the management. In our opinion, the frequency of verification is reasonable.
4. The procedures of physical verification of stocks followed by the management are reasonable and adequate in relation to the size of the Company and nature of its business.
5. The discrepancies noticed on verification between the physical stocks and the book records were not material.
6. On the basis of our examination of stock records, we are of the opinion that the valuation of stocks is fair and proper in accordance with the normally accepted accounting principles, and is on the same basis as in the preceding year.
7. In our opinion and according to the information and explanations given to us, the Company has not taken any loan from companies, firms or other parties listed in the Register maintained under section 301 and from the companies under the same management within the meaning of section 370(1-B) of the Companies Act, 1956.
8. The Company has not granted loans to companies, firms or other parties listed in the register maintained under section 301 as well as to any company under the same management within the meaning of section 370(1-B) of the Companies Act, 1956.
9. The Company granted an unsecured loan to a Company during the year under review which has been fully recovered with interest thereon as stipulated. The company has not granted any other loan or advances in the nature of loans to any other parties except interest free loans to its employees, who are repaying the principal amount regularly, as stipulated.