

ELECON



ELECON ENGINEERING COMPANY LIMITED

42nd ANNUAL REPORT 2001-2002

Report





GEAR ASSEMBLY

ELECON ENGINEERING CO. LTD.

ELECON ENGINEERING COMPANY LIMITED

BOARD OF DIRECTORS

(As on 29th June, 2002)

Shri Bhanubhai I. Patel

Chairman & Managing Director

Shri Prayasvin B. Patel

Managing Director

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 Second 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, the 28th September, 2002 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, 2002, Profit & Loss Account for the year ended on that date and the Report of Board of Directors and Auditors thereon;
2. To appoint a Director in place of Shri. Hasmmukhlal S. Parikh, who retires by rotation and being eligible, offers himself for re-appointment;
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 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 Lacs 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."

SPECIAL BUSINESS

5. To consider and, if thought fit, to pass with or without modifications the following Resolution as Special Resolution :

"RESOLVED THAT, pursuant to the provisions of Sections 198, 269, 309 read with Schedule XIII and other applicable provisions, if any, of the Companies Act, 1956 ("the Act") (including any statutory modifications or re-enactment thereof, for the time being in force), approval of members be and is

hereby accorded for the re-appointment of Shri. Bhanubhai I. Patel as the Managing Director of the Company for a period of 5 years with effect from 1st August, 2002 and that he shall be entitled to salary, benefits 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 Bhanubhai I. Patel of the other part, draft whereof was submitted to this meeting and initialled by the Chairman for the purpose of identification, which agreement is hereby specifically approved with liberty and power to the Board of Directors of the Company (including its Committee constituted for the purpose) to grant increments and to alter and vary from time to time, the amount and type of perquisites and benefits to be provided and payable to Shri Bhanubhai I. Patel, so as not to exceed the maximum limit prescribed in Schedule XIII of the Companies Act, 1956 as existing or as may be amended, from time to time."

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

"RESOLVED THAT, subject to the approval of the Central Government as may be required under the provisions of Section 294 AA/ Section 294 of the Companies Act, 1956 and/or other applicable provisions, if any, of the said Act, consent be and is hereby accorded to the appointment of Emtici Engineering Limited as its Sole Selling Agents for promoting the sale and distribution of the products of the Company, on the terms and conditions contained in the Agreement proposed to be entered into between the Company of the one part and Emtici Engineering Limited of the other part (a draft whereof is laid on the table and initialled for the purpose of identification by the Chairman hereof).

FURTHER RESOLVED THAT, the Board of Directors of the Company be and are hereby authorised to make, accept or agree to such variations and/or modifications/amendments in terms of the appointment of Emtici Engineering Limited as the Sole Selling Agents of the Company as may be required by the Central Government and agreed to by the Company and the Sole Selling Agents."

By the order of the Board of Directors

Regd. Office : Vallabh Vidyanagar

D. D. Heranjal

Date : 29-06-2002

Company Secretary

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 relative Explanatory Statement pursuant to Section 173 of the Companies Act, 1956, in respect of the Special Business under item Nos. 5 and 6 as set out above is annexed.
- (3) Pursuant to the Provisions of Clause 49 of the Listing Agreement relating to Corporate Governance, relevant information in respect of item nos. 2 & 3 set out above and in respect to directors retiring by rotation, is annexed herewith.
- (4) The Register of Members and Share Transfer Books of the company will remain closed from Monday, the 2nd day of September, 2002 to Monday, the 9th day of September, 2002. (both days inclusive).
- (5) 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

Regd. office : Vallabh Vidyanagar **D. D. Heranjal**
Date : 29-06-2002 *Company Secretary*

INFORMATION PURSUANT OT LISTING AGREEMENT WITH STOCK EXCHANGES

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

Name of the Stock Exchanges	Address
1. The Stock Exchange, Ahmedabad (Regional Stock Exchange)	Kamdhenu 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 2001-02 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.

ANNEXURE TO THE NOTICE OF 42ND ANNUAL GENERAL MEETING :

Explanatory Statement pursuant to Section 173 of the Companies Act, 1956 accompanying Notice dated 29-06-2002:

Item No. 5

Shri Bhanubhai I. Patel has been acting as the Managing Director of the Company for the last 33 years. He was re-appointed as Managing Director for a period of 5 years with effect 1st August, 1997 at the 37th Annual General Meeting of the Company held on 25th September, 1997. His present tenure is due to expire on 31st July, 2002.

You are aware of the contributions made by Shri Bhanubhai I. 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 Bhanubhai I. Patel.

The Board of Directors of the Company at its Meeting held on 29th June, 2002 re-appointed Shri Bhanubhai I. 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 Shri Bhanubhai I. 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 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.

- 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 be entrusted to him, from time to time.
- Period of Appointment : Five years with effect from 1st August, 2002.
- Remuneration payable to Shri Bhanubhai I. Patel when the Company earns adequate profits:
 - Salary : Rs. 60,000/- per month.
 - 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 allowances 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 & stay abroad including that of accompanying person, Club fees, Leave Travel concession for self and family, Medical insurance and such other perquisites and allowances in accordance with the Rules of the Company, 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 as per the rules of the Company 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 as may be decided by the Board of Directors at the end of each Financial Year calculated with reference to the net profits of the Company in a particular Financial Year, subject to the overall ceiling 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 hereinafter 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. B. I. 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 re-appointment of Mr. B. I. Patel on the terms & 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. B. I. 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 Annual General Meeting.

The Board of Directors recommends passing of the resolution set out at item No. 5 of the Notice convening the Meeting.

Mr. B. I. Patel may be deemed to be concerned or interested in the resolution. Mr. Prayasvin B. Patel and Mr. Pradip M. Patel may be deemed to be concerned or interested in the resolution relating to the re-appointment of Shri Bhanubhai I. 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. B. I. Patel pursuant to Section 302 of the Companies Act, 1956.

Item No. 6

Emtici Engineering Limited has been acting as the Sole Selling Agents of the Company for the past 39 years and has been efficiently promoting the sales of the Company's products. The appointment of Emtici Engineering Limited has been approved by the Shareholders of the Company as well as the Central Government. The Central Government vide their letter No.12/9/97-CLX dated 20-10-1997 has approved Emtici Engineering Limited to continue as the Sole Selling Agents of the Company for a period of five years from 16.3.1997 to 15.3.2002.

As the said period has expired on 15.3.2002, the Board of Directors of the Company having regard to

ELECON ENGINEERING CO. LTD.

the satisfactory services rendered by the Sole Selling Agent, decided to continue the appointment of the Sole Selling Agent for a further period of five years with effect from 16.3.2002. A draft agreement in that behalf has been prepared which will be executed after approval of the Central Government is received by the Company as required under Section 294AA of the Companies Act, 1956. Under the draft agreement, it is proposed that Emtici Engineering Ltd. will be appointed as the Sole Selling Agent for the sale and distribution of the products manufactured by the Company throughout the territory of the Union of India. The sole selling agent will be paid commission at the rate not exceeding 5% for all products except spares, on which the commission would not exceed 7.5 % of Net Sales Price (excluding Sales Tax, Packing, Forwarding, Delivery Charges etc.)

Sub-section 2 of Section 294AA of the Companies Act, 1956 provides, inter alia, to the effect that no Company shall appoint any Body Corporate which has a substantial interest in the Company as Sole Selling Agent of that Company, unless such appointment has been previously approved by the Central Government.

Sub-section 3 of the said Section 294AA of the Companies Act, 1956 provides, inter alia, to the effect that no Company having a paid up share capital of Rupees fifty lacs or more shall appoint a Sole Selling Agent except with the consent of the Company accorded by a Special Resolution and the approval of the Central Government. Emtici Engineering Limited

holds shares of the Company, the aggregate amount paid up on which exceeds Rupees five lacs and accordingly, has substantial interest in the Company.

Furthermore, the paid-up share capital of the Company is also more than Rupees fifty lacs and hence the above Special Resolution is placed before you, for your approval.

An application will shortly be made to the Central Government for obtaining its approval to the appointment of Emtici Engineering Limited as the Sole Selling Agents with effect from 16.3.2002 on terms and conditions set out in the draft Agreement proposed to be entered into by and between the Company and the said Sole Selling Agents, a copy whereof is available for inspection to the members of the Company at the Registered Office of the Company situated at Vallabh Vidyanagar, Gujarat on all working days of the Company between 10 a.m. and 12 noon.

None of the Directors is interested or concerned in this resolution.

By the order of the Board of Directors

Regd. office : Vallabh Vidyanagar

D. D. Heranjal

Date : 29-06-2002

Company Secretary





**Details of the Directors seeking appointment /re-appointment at the Annual General Meeting:
(Pursuant to Clause 49 of the Listing Agreement)**

Name of Director	Shri. H. S. Parikh	Dr. A.C.Shah
Date of Birth	16-03-1927	16-10-1932
Date of Appointment	29-06-1998	29-06-1998
Expertise in specific Functional areas	Senior Chartered Accountants with Accounting, Finance & audit background. He is partner in Parikh & Shah, Chartered Accountants, Mumbai	Economic, Banking, Finance & Rural Development He was ex-Chairman & Managing Director of Bank of Baroda. He was also appointed as Advisor to Unit Trust of India for setting up of UTI Bank. He was also Guest Faculty of IIM-Ahmedabad, NIBM-Pune and Bankers Training College of RBI - Mumbai.
Qualifications	B.Com, F.C.A.	M.A., Ph.D (in Economics)
List of Public/Private Companies in which outside Directorship held as on 31st March, 2002.	<ul style="list-style-type: none"> - Eimco Elecon (I) Limited. - Pranavaditya Spinning Mills Limited. - The Supreme Industries Limited. - Simplex Casting Limited. - Samek Investments Pvt. Ltd. 	<ul style="list-style-type: none"> - National Organic-Chemical Industries Ltd. - Reliance Capital - Trustee Company. - The Zandu Pharmaceuticals Works Ltd. - S. Kumars Nationwide Ltd. - Adani Exports Ltd. - ANZ Grindlays - Asset Management Company. - Smart Bridges, Singapore. - Aptech Training Limited. - NABARD Supervisory Board & Advisory Council - Gujarat Petro Synthesis.
Chairman/Member of the Board of the Public Companies on which he is a Director as on 31st March, 2002.	<ul style="list-style-type: none"> - Supreme IndustriesLtd. Audit Committee-Chairman - Fixed Assets Sales Committee-Member - Directors' Remuneration Committee- Member - Simplex Casting Ltd. Audit Committee-Chairman. - Shareholders/Grievance Committee-Member - Pranavaditya Spinning Mills Ltd. Audit Committee-Chairman - Remuneration Committee-Member - Eimco Elecon (I) Ltd. Audit Committee-Chairman - Remuneration Committee-Member - Investor Grievance Committee-Member. 	<ul style="list-style-type: none"> - National Organics-Chem. Ind. Ltd. Audit SubCommittee Member & Chairman - S. Kumars Nationwide Ltd. Audit Committee Member & Chairman - The Zandu Pharma Works Ltd. Shareholders/Grievance Committee Chairman-Member - Aptech Training Ltd. Audit Sub-Committee Member & Chairman - Share Invt.-Committee Member & Chairman - Adani Exports Audit Sub Committee - Member - Shareholders/Greivance Committee-Member.

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

To

The Members,

Your Directors have pleasure in presenting their Forty Second Annual Report together with the Audited Statement of Accounts for the year ended 31st March, 2002.

1. FINANCIAL RESULTS :

	As on 31st March, 2002 Rupees	As on 31st March, 2001 Rupees
Profit before Interest and Depreciation	12,00,56,181	13,25,71,436
Less : Interest	6,04,03,520	5,07,56,255
Depreciation	7,49,83,587	7,79,00,296
Profit/(Loss) Before Tax	(1,53,30,926)	39,14,885
Less : Provision for Tax	1,26,000	5,00,000
Deferred Tax	(6,83,741)	Nil
Profit/(Loss) After Tax	(1,47,73,185)	34,14,885
Prior Year		
Adjustments (Net)	3,06,971	Nil
T O T A L	(1,44,66,214)	34,14,885
Add : Balance brought forward	1,41,24,973	1,07,10,088
Total available for Appropriation	(3,41,241)	1,41,24,973

2. DIVIDEND :

In view of loss incurred during 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. 136.67 Crores as against Rs. 142.38 Crores for the previous year, which reflects a decrease of approximately 4 % as compared to the earlier year. The communal riots that rocked the State in the last month of the financial year crippled the business operations in Gujarat State which resulted in the decrease in turnover.

Despite stringent cost cutting measures taken by the Management of your Company, it has incurred a loss of Rs. 153.31 lacs for the first time in the last decade, as compared to a profit before tax of Rs. 39.15 lacs in the previous year. The loss is after providing for write off of payments made towards Voluntary Retirement Scheme aggregating to Rs. 122.75 lacs. The loss is also attributable to lower turnover on account of disturbances in the State in the month of March, 2002 which adversely affected dispatches held up because of refusal of transporters to lift the material ready for dispatch. Higher interest burden of Rs.6.04 Crores as against Rs. 5.08 Crores in the previous year also contributed to loss.

4. FUTURE OUTLOOK :

The poor order book position for the Material Handling Equipment (MHE) Division of your Company has caused considerable concern and the hope lies in the probable recovery or reversal of trend in the recessionary business conditions. The Government of India has projected an addition in power generation capacity of approximately 36,500 MW during the tenth five year plan. If these projects take off, it may create good opportunity to the MHE division of your company.

The Order Booking in the Gear Division has been fairly good and execution of the prestigious Navy order in the current year is expected to generate the highest ever turnover for the Gear division of the Company this year.

5. DIRECTORS' RESPONSIBILITY STATEMENT :

The Directors confirm that in the preparation of the annual accounts of the Company for the year ended March 31, 2002 –

- the applicable accounting standards had been followed with proper explanation relating to material departures, if any;
- that the Directors had 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 loss 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 Company has complied with the mandatory provisions of Corporate Governance as prescribed in the Listing Agreement with the Stock Exchanges. A separate report on Corporate Governance is included as a part of the Annual Report along with the Auditor's Report on its compliance.

7. SUBSIDIARY COMPANY :

The Company has set up another wholly owned subsidiary company at Australia namely Elecon Australia Pte. Ltd. with a view to develop the export market for the Company's products in Australia. The Company is also in process of setting up a subsidiary in South Africa.

The audited accounts of Elecon Singapore Pte. Ltd., the subsidiary of the company along with a Statement pursuant to Section 212 of the Companies Act, 1956, is annexed.

The consolidated financial statements of the Company and that of its wholly owned subsidiary viz. Elecon Singapore Pte. Ltd. is enclosed.

8. FIXED DEPOSITS :

Sixteen deposits aggregating to Rs. 81,000/- though matured were not claimed as on 31st March, 2002. None of these deposits have been claimed till date.

9. PARTICULARS OF EMPLOYEES :

None of the employees were in receipt of remuneration exceeding Rs. 24,00,000/- per annum where employed for the full year or exceeding Rs. 2,00,000/- per month where employed for a part of the year and in view of this 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, is not applicable.

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 Hasmukhlal S. Parikh and Dr. A. C. Shah, retire by rotation and being eligible, offer themselves for re-appointment.

12. AUDITORS :

The Auditors, M/s Thacker Butala Desai retire at the ensuing Annual General Meeting of the shareholders of the Company and being eligible, offer themselves for reappointment.

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 : Mumbai

Date : June 29, 2002.

P. B. Patel

Managing Director

H. S. Parikh

Director