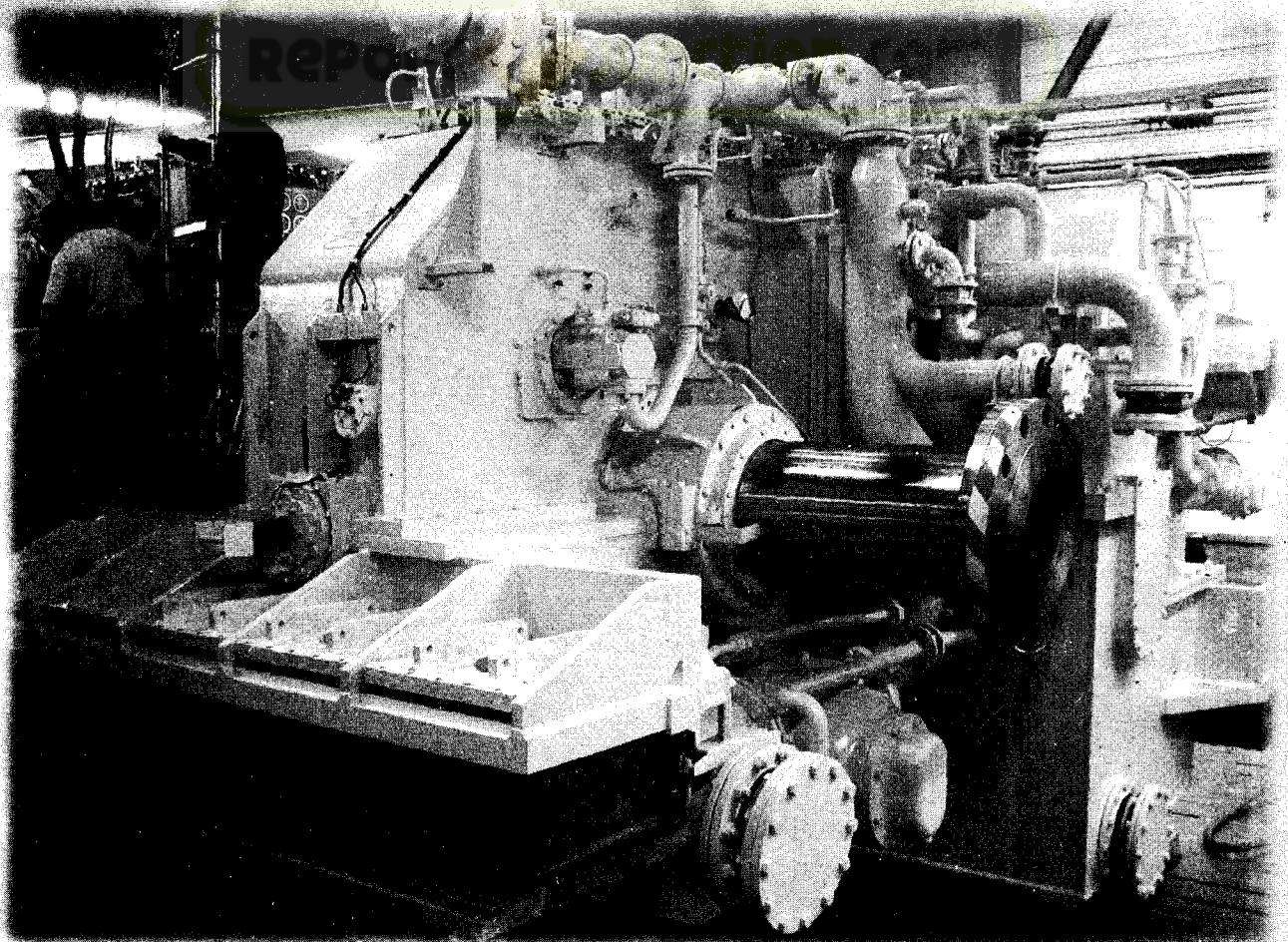




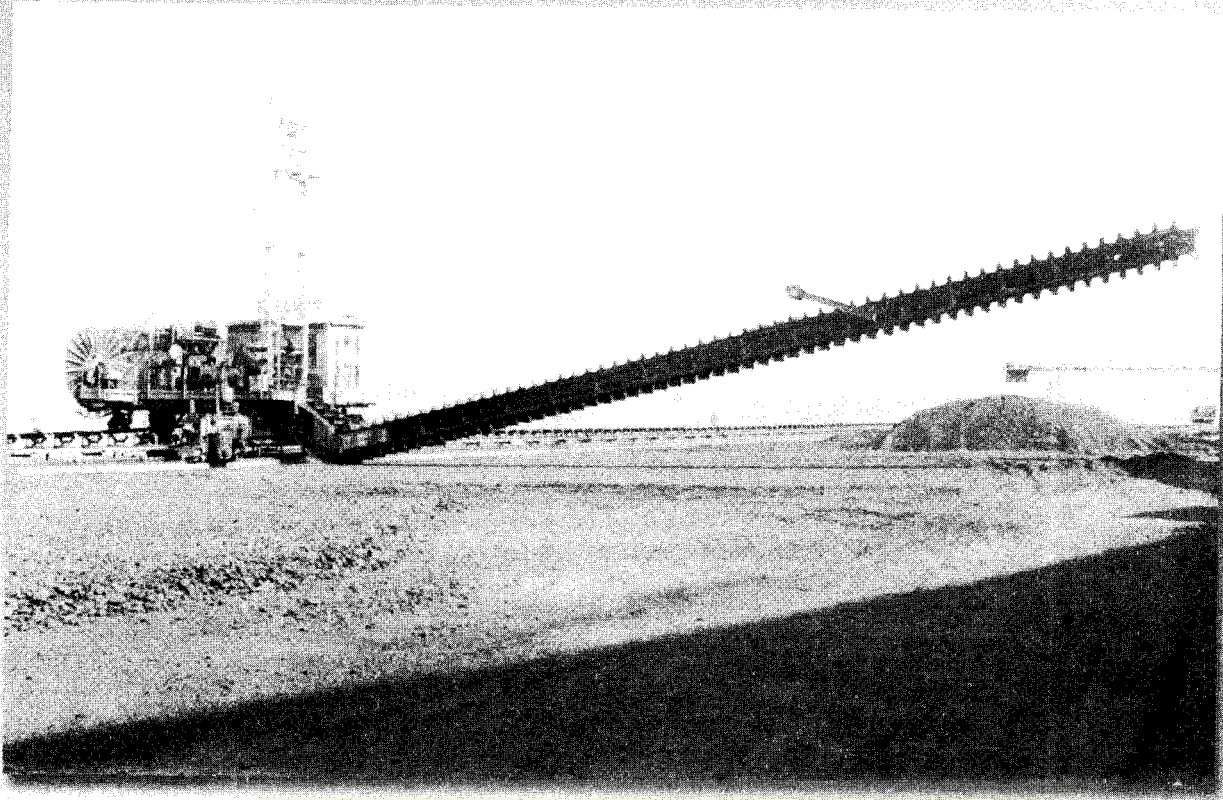
# **ELECON ENGINEERING COMPANY LIMITED**

## **43rd ANNUAL REPORT 2002-2003**

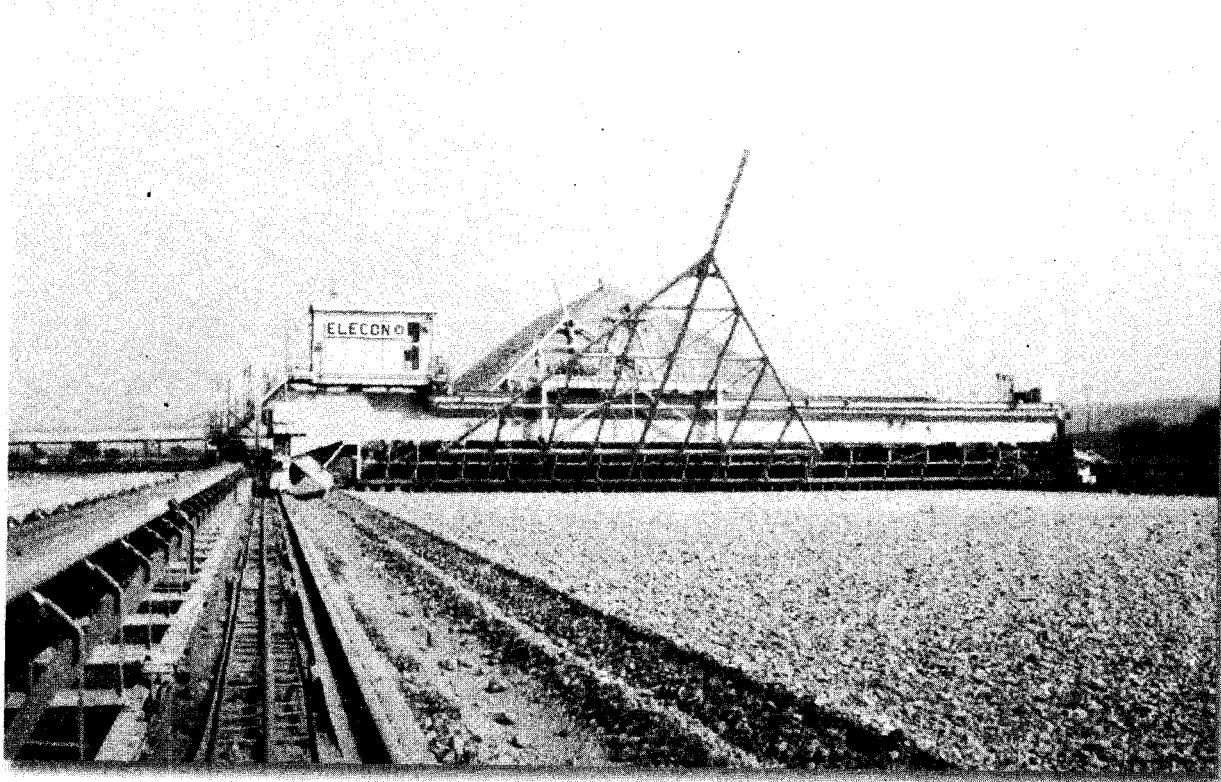


One of the six CODOG Type Marine Gear Box-BG5 192.5 lo of P17 for Indian Navy.  
Weighing 53.75 tons and capable of transmitting 22,370 KW.





Pylon scraper reclaimer at Maratha cement (Unit of Ambuja cement)  
handling coal at the rate of 200 TPH.



Bridge type scraper reclaimer at Maratha cement (Unit of Ambuja cement)  
handling limestone at the rate of 720 TPH.

## ELECON ENGINEERING COMPANY LIMITED

### BOARD OF DIRECTORS

(As on 19th August, 2003)

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**Shri B. I. Patel**

*Chairman & Managing Director*

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**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**

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*Registered Office*

**Vallabh Vidyanagar 388 120, Gujarat**

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## NOTICE

NOTICE IS HEREBY GIVEN THAT the Forty Third 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 27th September, 2003 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, 2003, 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 Pradip M. Patel, who retires by rotation and being eligible, offers himself for re-appointment;
3. To appoint a Director in place of Shri Ashok J. Patel, 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, 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.2,50,000 (Rupees Two Lacs Fifty 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 a Special Resolution :

"RESOLVED THAT, pursuant to the provisions of Sections 198, 269, 309, 310, 311 read with Schedule XIII and other applicable provisions, 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 Prayasvin B. Patel as the Managing Director of the Company for a period of three years with effect from 1st July, 2003 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 Prayasvin B. 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 Prayasvin B. 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."

By the order of the Board of Directors

Regd. Office :  
Vallabh Vidyanagar - 388 120.  
Gujarat

Date : 19-08-2003

**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 relative Explanatory Statement pursuant to Section 173 of the Companies Act, 1956, in respect of the Special Business under item No. 5 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 Tuesday, the 16th day of September, 2003 to Saturday, the 27th day of September, 2003. (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

Place : Vallabh Vidyanagar  
Date : 19-08-2003

**D. D. Heranjal**  
*Company Secretary*

### ANNEXURE TO THE NOTICE OF 43RD ANNUAL GENERAL MEETING :

Explanatory Statement pursuant to Section 173 of the Companies Act, 1956 accompanying Notice dated 19-08-2003:

#### Item No. 5

Shri Prayasvin B. Patel has been acting as the Managing Director of the Company for the last 10 years. Earlier to this, he was working as Joint Managing Director of the Company. He was re-appointed as Managing Director for a period of 5 years with effect 1st July, 1998 at the 38th Annual General Meeting of the Company held on 26th September, 1998. His tenure has expired on 30th June, 2003.

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 growth of Gear Division of the Company over the years which achieved a record turnover of over Rs. 100 crores during the financial year 2002-03 was mainly attributable to the sustained efforts of Shri Prayasvin B. Patel.

The Remuneration Committee at its meeting held on 26th June, 2003 has unanimously decided the remuneration package of Mr. P. B. Patel. The Board of Directors of the Company at its Meeting held on 30th June, 2003, re-appointed Shri Prayasvin 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 Shri Prayasvin 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 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. 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.
2. Period of Appointment : Three years with effect from 1st July, 2003.
3. Remuneration payable to Mr. Prayasvin B. Patel when the Company earns adequate profits:
  - (a) Salary : Rs. 2,25,000/- 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 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. 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 re-appointment of Mr. P. B. 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. 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 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. 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 re-appointment 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.

By the order of the Board of Directors

Regd. Office :  
Vallabh Vidyanagar - 388 120.  
Gujarat

Date : 19-08-2003

**D. D. Heranjal**  
Company Secretary

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

<i>Name of Director</i>	<i>Shri Pradip M. Patel</i>	<i>Shri Ashok J. Patel</i>
Date of Birth	05-11-1947	06-09-1944
Date of Appointment	14-11-1977	29-06-1998
Expertise in specific Functional areas	<ul style="list-style-type: none"> <li>i) Managing Director of ABC Bearings Limited.</li> <li>ii) Associated with the Bearings Industry for over three decades.</li> <li>iii) Joined ABC Bearings Limited (Formerly the Antifriction Bearings Corporation Limited) on 7th September, 1973.</li> <li>iv) Director in ABC Bearings Limited since 1st August, 1986.</li> </ul>	<ul style="list-style-type: none"> <li>i) Director of GMM Pfaudler Limited from 1980, Managing Director from 1987 &amp; Chairman &amp; Managing Director of GMM Pfaudler Limited from 1993.</li> <li>ii) Managing Director in Millars India Ltd. from 1972-1987 &amp; Chairman in Millars India Ltd from 1993.</li> <li>iii) Technical Director in Millars Machinery Co. Ltd. from 1970 &amp; Chairman from 1990.</li> <li>iv) Chairman of Pedershaab Acme India Pvt. Ltd. since 1999.</li> </ul>
Qualifications	M.B.A, USA	B. Sc. (Mechanical Engineering), U.K. & MBA, USA.
List of Public/Private Companies in which outside Directorship held as on 31st March, 2003.	<ul style="list-style-type: none"> <li>- ABC Bearings Limited</li> <li>- Mipco Seamless Rings (Gujarat) Ltd.</li> <li>- Eimco Elecon (India) Ltd.</li> <li>- Manoway Investments Pvt. Ltd.</li> <li>- Ziwani Properties Pvt. Ltd.</li> <li>- Mipco Investments Pvt. Ltd.</li> <li>- Maple Investments Co. Pvt. Ltd.</li> <li>- Emsons Leasing Co. Pvt. Ltd.</li> <li>- Taveta Properties Pvt. Ltd.</li> <li>- Mipco Bearings Pvt. Ltd.</li> </ul>	<ul style="list-style-type: none"> <li>- GMM Pfaudler Limited</li> <li>- Karamsad Holdings Limited</li> <li>- Karamsad Investments Limited</li> <li>- Millars India Limited</li> <li>- Millars Machinery Co. Pvt. Ltd.</li> <li>- Pedershaab Millars India Pvt Ltd. (Formerly Pedershaab Acme India Pvt. Ltd.)</li> <li>- Ready Mix Concrete Pvt. Ltd.</li> <li>- Suzhou Pfaudler Glasslined Equipment Co. Ltd., China.</li> </ul>
Chairman/Member of the Committee of the Public Companies on which he is a Director as on 31st March, 2003.	<p>1. ABC Bearings Limited: -</p> <ul style="list-style-type: none"> <li>i) Audit Committee- Member</li> <li>ii) Transfer-cum-Shareholders/ Investors' Grievance Committee - Member.</li> </ul> <p>2. Mipco Seamless Rings (Gujarat) Ltd:</p> <ul style="list-style-type: none"> <li>i) Audit Committee-Member</li> <li>ii) Transfer-cum-Shareholders'/ Investors' Grievance Committee - Chairman.</li> </ul> <p>3. Elecon Engineering Co. Ltd:</p> <ul style="list-style-type: none"> <li>i) Audit Committee-Member</li> <li>ii) Shareholders'/Investors' Grievance Committee - Member</li> <li>iii) Remuneration Committee - Member</li> </ul>	<p>1 GMM Pfaudler Ltd :</p> <ul style="list-style-type: none"> <li>i) Share Transfer Committee - Member</li> </ul> <p>2 Elecon Engineering Co. Ltd.</p> <ul style="list-style-type: none"> <li>i) Audit Committee-Member</li> <li>ii) Remuneration Committee-Member</li> <li>iii) Shareholders'/Investors' Grievance Committee-Chairman</li> </ul>



## ANNEXURE FORMING PART TO THE EXPLANATORY STATEMENT AS REQUIRED UNDER SECTION II (B) (IV) OF PART II OF SCHEDULE XIII OF THE COMPANIES ACT, 1956.

### I. GENERAL INFORMATION :

1. **Nature of industry:-** Engineering Industry engaged in Manufacturing Bulk Materials Handling Equipments, Industrial Gears and Wind Turbine Generators.

2. **Date or expected date of commencement of Commercial production:-**

The Company was incorporated on January 11, 1960 as a Public Limited Company and commenced production thereafter.

3. **Financial performance based on given indicators : -**

As per the Audited Financial Results for the year ended March 31, 2003.

(Rs. in Lacs)

Sales, Erection and Other Charges	15769.28
Other Income	547.23
Total Income	16316.51
Total Expenditure other than interest & Depreciation	14765.64
Profit before Depreciation, Interest and Tax	1550.87
Depreciation	807.78
Profit before Interest and Tax	743.09
Interest & financial charges (net)	596.06
Profit Before Tax	147.03
Provision for current Tax	15.00
Profit after current Tax	132.03
Provision for Deferred Tax	(41.75)
Profit after Tax	173.78

4. **Export performance and net foreign exchange earned for the year ended March 31, 2003 :-**

FOB value of Exports : Rs. 903.02 Lacs.

5. **Foreign investments & Collaboration as on March 31, 2003 :**

A. Foreign Investments :

1. In Elecon Singapore Pte. Ltd. - S\$ 449278
2. In Elecon Australia Pty. Ltd. - US\$ 89500
3. In Elecon Africa Pty. Ltd. - US\$ 52433

B. Information about Foreign Collaboration : -

Sr. No.	Name of Collaborators	Product for which the Technical know-how/ Agreement is made.	Lump sum payment & Royalty
1.	RENK Akitengesellschaft (Renk) Germany	Manufacture of special Navy gear units Codog type.	Lump sum of DM 9,33,490
2.	Turbo Winds, Belgium	Manufacture of Wind Electric Generators -T 600-48 DS	Royalty at 3% on Domestic Sales.
3.	Schade Fordertechnik GmbH & Co. Germany	Manufacture of Scraper Reclaimers	Royalty at 5% on Domestic Sales and 8% Export Sales.
4.	M/s. KOCH Transporttechnik GmbH, Germany	Ship Loader with Slewing Boom and Travelling along the Pier on rails.	Lump sum EURO 1,85,200/-
5.	M/s. Huron Manufacturing Corporation, U.S. A.	Manufacture of Continuous Surface Miner of different models.	Royalty at 5% on Domestic Sales.



**II. INFORMATION ABOUT APPOINTEE :****1. Back ground details:**

Mr. Prayasvin B. Patel, B. E. (Mech) from Sardar Patel University and MBA from U.S.A., was a Director of Prayas Casting Pvt. Ltd., Vallabh Vidyanagar. He Joined the Company as Joint Managing Director on 1st July, 1983 for a term of 5 years which was further renewed for another period of five years.

He was appointed as Managing Director of the Company from 1st July, 1993 for a period of five years which was further renewed for further period of 5 years on 1st July, 1998.

**2. Past Remuneration :**

The first appointment of Mr. P. B. Patel as Managing Director of the Company was made on 1st July, 1993 for a period of Five Years at a salary of Rs. 35,000/- per month, plus perquisites restricted to an amount equal to the Annual Salary and Commission of 1 (one)% of Net Profits subject to a ceiling of 50% of the Annual Salary.

He was reappointed as a Managing Director for a further term of Five Years w.e.f. 1st July, 1998 at a remuneration of Rs. 50,000/- per month plus perquisites and commission, subject to the ceiling prescribed in Section I of Part II of Schedule XIII of the Companies, Act. 1956, in the event of the Company having adequate profits and in case of loss or inadequate profits, salary of Rs. 50,000 per month and perquisites both put together not to exceed the ceiling prescribed in Section II of Part II of Schedule XIII of the Companies Act, 1956.

**3. Job Profile and suitability :**

As given in the Explanatory Statement.

**4. Remuneration proposed :**

As given in the Explanatory Statement.

**5. Comparative remuneration profile with respect to industry, size of the company, profile of the position and person :**

Taking into consideration the size of the company, the profile of the Appointee, the responsibilities shouldered by him and the industry benchmark, the aforesaid remuneration is commensurate with the remuneration package paid to similar senior level appointees in other companies.

**6. Pecuniary relationship directly or indirectly with the company, or relationship with the managerial personnel, if any :**

Beside the remuneration proposed, the Managing director does not have any other pecuniary relationship with the company. He is related to the Chairman & Managing Director of the Company, Shri. B. I. Patel.

**III. OTHER INFORMATION :****1. Reasons of loss or inadequate profits :**

The Company has two divisions namely Material Handling Equipments Division (MHE) and Transmission Equipments Division (Gear Division). Since the commencement of liberalisation process in 1991, Government spending in infrastructure projects mainly, Power projects has been drastically reduced. This has adversely affected the company's MHE Division turnover. There has been intense competition for the very few projects coming up in the Power Sector. This has resulted in lack of orders and even the orders received are with reduced margin. In view of this, although the Transmission Equipments division (Gear Division) has shown increase in its turnover, the overall performance of the Company has generated inadequate profits during the year ended March 31, 2003.

**2. Steps taken or proposed to be taken for improvement :**

The Company has been concentrating its efforts on expanding both domestic and export markets. The company has also taken steps for better working capital management and lowering borrowings costs. These have contributed to reduction of interest cost and improved the operating profits.



### 3. Expected increase in productivity and profits in measurable terms.

The total income and profit/(loss) for the year ended March 31, 2003 as compared to previous year ended on March 31, 2002 are given below :

(Rs. in Lacs)

Sr. No.	Particulars	For the year ended 31st March, 2003	For the year ended 31 March, 2002
1.	Income form Sales, Erection and other charges	15769.28	13668.58
2.	Profit before Tax	147.03	(153.31)
3.	Profit after Tax	173.78	(147.73)

As can be seen from the above, there has been an overall increase in both income and profits as compared to the previous year.

By the order of the Board of Directors

Regd. Office :  
Vallabh Vidyanagar - 388 120  
Gujarat  
Date : 19th August 2003

**D. D. Heranjal**  
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 2002-03 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.