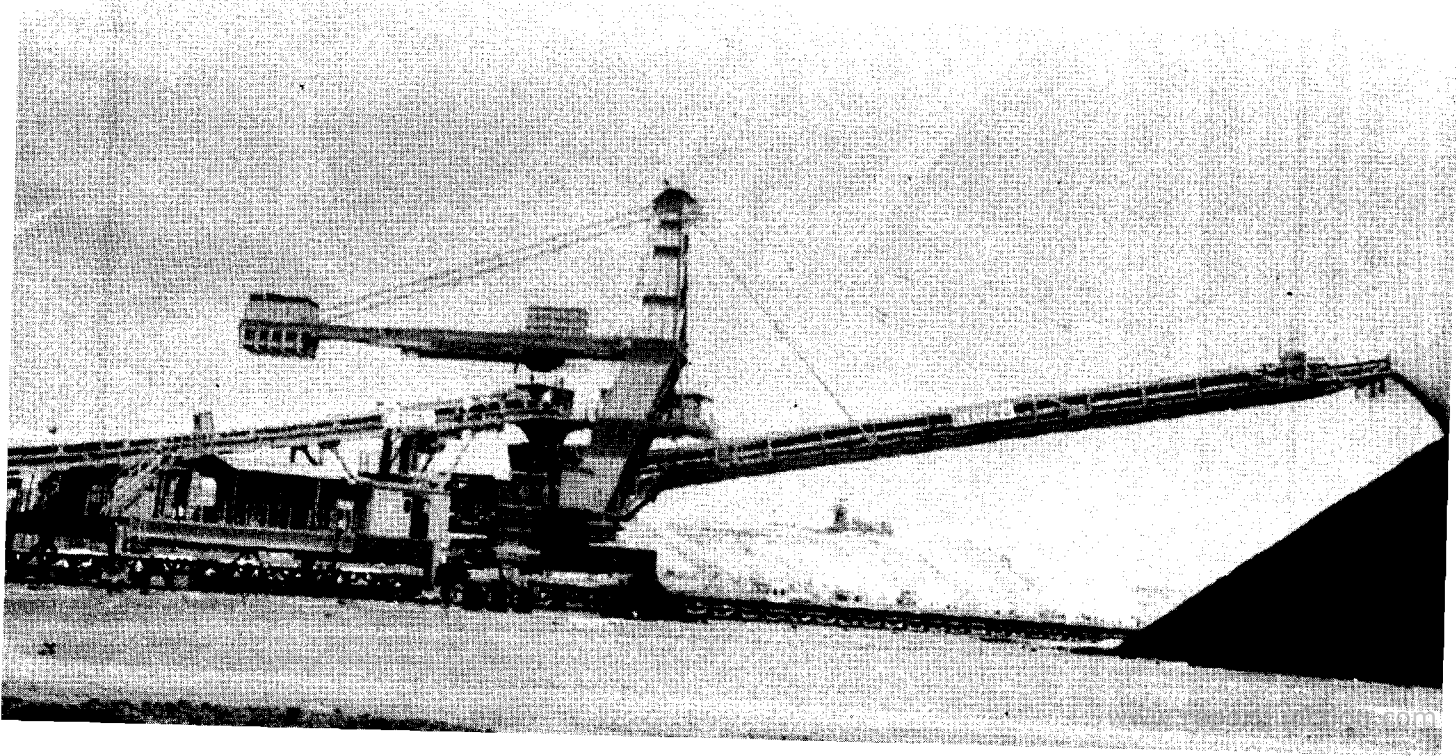


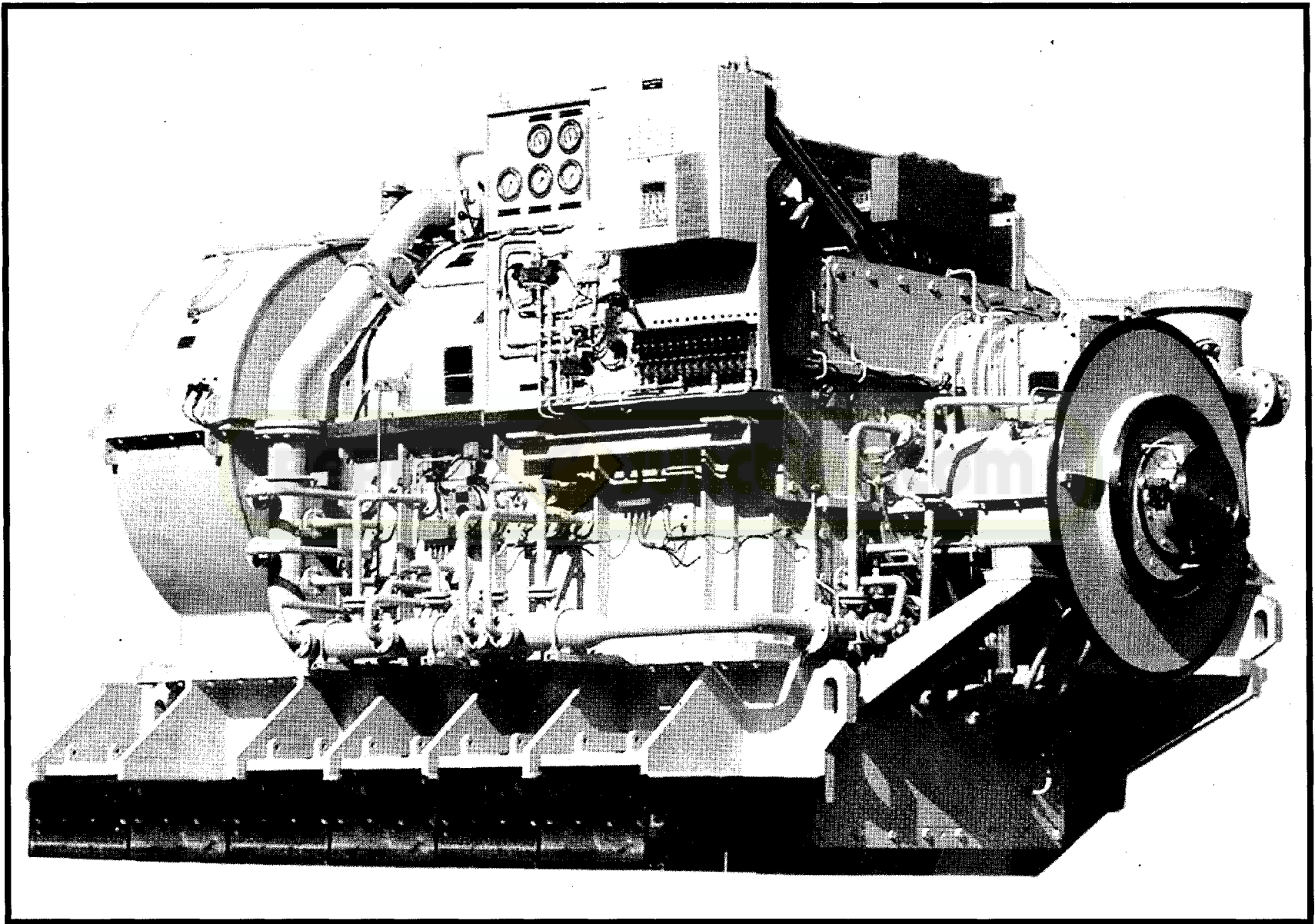


ELECON ENGINEERING COMPANY LIMITED

44TH ANNUAL REPORT 2003-2004

Report  Junction.com





One of the six Dual Drive Marine Gearbox - CODOG BGS 192.5 lo suitable for transmitting 22000 kw. and Weighing approximately 50 tonnes, supplied to Indian Navy for Stealth Warship of Class P 17.

ELECON ENGINEERING COMPANY LIMITED

BOARD OF DIRECTORS

(As on 24th July, 2004)

Shri B.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 Forth 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 Friday, the 3rd day of September, 2004 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, 2004, Profit & Loss Account for the year ended on that date and the Report of Board of Directors and Auditors thereon;
2. To declare Dividend on Equity Shares;
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, M/s. Thakorebhai Shirish Desai & Butala, Division of 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:

6. 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 Section 198, 269, 309, 310 read with Schedule XIII and all other applicable provisions, if any, of the Companies Act, 1956, for the time being in force, or as amended from time to time, including any Statutory modifications or re-enactment thereof and subject to the approval of all concerned authorities, if any, and subject to all applicable guidelines issued from time to time, the Company hereby approves the revision and variation in the terms of remuneration of Mr. Prayasvin B. Patel, Managing Director as mentioned in the Explanatory Statement, for the period from 1st April, 2004 to 30th June, 2006 i.e upto the remainder of his tenure, all other terms and conditions of his appointment, as approved earlier by the Shareholders remaining unchanged.

RESOLVED FURTHER THAT, in the event of any statutory amendment, modification or relaxation by the Central

Government to Schedule XIII of the Companies Act, 1956, the Board of Directors of the Company (hereinafter referred to as "the Board" which term shall be deemed to include any Committee, which the Board may constitute to exercise its powers, including powers conferred by this Resolution) be and is hereby authorised to vary or increase the remuneration including salary, commission, perquisites, allowances etc. within such limit or ceiling as may be prescribed under such amendment, modification or relaxation and the Agreement between the Company and the Managing Director, be suitably amended to give effect to such modifications, relaxation or variation, without any further reference to the members of the Company.

RESOLVED FURTHER THAT, where in any financial year during the currency of tenure of the Managing Director, the Company has no profits or the profits are inadequate, the Company will pay remuneration by way of salary and perquisites as stated above but shall not exceed the limits prescribed under Schedule XIII to the Companies Act, 1956 and other provisions thereof or any amendments, variations, modifications or re-enactment.

RESOLVED FURTHER THAT, the Board of Directors be and is hereby authorised to take such steps and to do all such acts, deeds and things as may be considered necessary, proper and expedient to give effect to this Resolution."

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

"RESOLVED THAT, subject to the provisions of the Companies Act, 1956, (including any statutory modification (s) or re-enactment thereof for the time being in force and as may as be enacted hereafter), the Securities and Exchange Board of India (Delisting of Securities) Guidelines, 2003 and subject to such approvals, permissions and sanctions as may be necessary and subject to such conditions and modifications as may be prescribed or imposed while granting such approvals, permissions and sanctions, which may be agreed to, by the Board of Directors of the Company (hereinafter referred to as "the Board", which term shall be deemed to include any Committee thereof for the time being exercising the powers conferred on the Board by this Resolution) consent is hereby accorded to the Board to de-list the Company's Equity Shares from The Stock Exchange, Ahmedabad.

RESOLVED FURTHER THAT, the Board be and is hereby authorised to take all necessary steps in this regard to comply with all statutory and procedural formalities and further to authorize any of its committees or any of its Directors or any of the Officers of the Company to do all such acts, deeds, or things to give effect to the aforesaid resolution."

By the order of the Board of Directors

Registered Office :
Vallabh Vidyanagar-388 120.
Gujarat

Date : 24th July, 2004

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) Pursuant to the Provisions of Clause 49 of the Listing Agreement relating to Corporate Governance, relevant information in respect of Item No. 3 & 4 set out above and in respect to directors retiring by rotation, is annexed herewith.
- (3) The relative Explanatory Statement pursuant to Section 173 of the Companies Act, 1956, in respect of the Special Business under item No. 6 & 7 as set out above is annexed.
- (4) The Register of Members and Share Transfer Books of the company will remain closed from Wednesday, the 25th day of August, 2004 to Friday, the 3rd September, 2004. (both days inclusive).
- (5) The payment of dividend on equity shares as recommended by the directors for the year ended

31st March, 2004 when declared at the meeting will be paid :

- (i) to those members whose names appear in the Register of Members of the Company on 25th August, 2004
- (ii) in respect of shares held in electronics form, to those "deemed members" whose name appears on the statement of beneficial ownership furnished by National Securities Depository Limited (NSDL) and Central Depository Services (India) Ltd, (CDSL) at the end of business hours on 24th August, 2004.
- (6) 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.
- (7) The members are requested to bring with them their copy of Balance Sheet as no arrangement has been made to distribute additional copies as a measure of economy.

By the order of the Board of Directors

D. D. HERANJAL
Company Secretary

Date : 24th July, 2004
Place: Mumbai

ANNEXURE TO THE NOTICE OF 44TH ANNUAL GENERAL MEETING :

Explanatory Statement pursuant to Section 173 of the Companies Act, 1956 accompanying Notice dated 24th July, 2004 :

Item No. 6

At the Annual General Meeting held on 27th September, 2003 the Shareholders had approved the appointment of Mr. Prayasvin B. Patel as Managing Director of the Company for a period of 3 years with effect from 1st July, 2003.

Mr. Prayasvin B. Patel has been associated with the Company since last 21 years. The excellent growth and reputation enjoyed by the Company is attributable to the concerted efforts and hard work put in by Mr. Prayasvin B. Patel. The growth of Gear Division of the Company over the years which achieved a record turnover of over Rs. 116.00 Crores during the financial year 2003-04 was a result of the sustained efforts of Mr. Prayasvin B. Patel.

The Remuneration Committee at its meeting held on

24th July, 2004 has unanimously decided to increase in the remuneration payable to Mr. Prayasvin B. Patel for the remaining period of his tenure.

The Board of Directors of the Company at its Meeting held on 24th July, 2004, unanimously resolved to increase the remuneration payable to Mr. Prayasvin B. Patel, Managing Director, from 1st April, 2004 for the remaining period of his term of appointment, subject to the approval of the Company in Annual General Meeting. The terms and conditions including remuneration payable to Mr. Prayasvin B. Patel are as under:

- (a) Salary : Rs. 2,75,000/- (Rupees Two Lacs Seventy Five Thousand only) per month with effect from 1st April, 2004, with annual increment of 10%.
- (b) Commission : As may be decided by the Board of Directors at the end of each year calculated with reference to the net profit of the Company during the financial year, subject to overall ceiling as prescribed in Sections 198 and 309 of the Companies Act, 1956.

(c) Perquisites and allowances :

In addition to salary, the Managing Director shall be entitled to perquisites and benefits like accommodation (furnished or otherwise) or House Rent Allowance in lieu thereof, Maintenance and upkeep, monthly outgoings, cost of repairs, furnishings, payment of actual expenses for gas, electricity, water, reimbursement of actual expenditure on medical treatment for self and family, Leave Travel for self and family, club fees, medical /accident insurance and such other perquisites subject to overall ceiling of remuneration stipulated in Section 198 and 309 of the Companies Act,1956.

Minimum Remuneration :

Notwithstanding anything herein contained, where, in any financial year during the currency of tenure of the Managing Director ,the Company has no profits or the profits are inadequate, the Company will pay remuneration by way of salary and perquisites as stated above but shall not exceed the limits prescribed under Schedule XIII to the Companies Act,1956 and other provisions thereof or any amendments, variations, modifications or re-enactment.

All others terms and conditions remain unchanged.

The Managing Director shall not be paid any sitting fees for attending meetings of the Board of Directors or Committee thereof.

The particulars set out above may be treated as an abstract of the supplemental Agreement, proposed to be entered into between the Company and Mr. Prayasvin B. Patel, under the provisions of Section 302(2) of the Companies Act,1956.

Mr. Prayasvin 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 aforesaid resolution relating to revision of remuneration of Shri. Prayasvin B. Patel, being his relatives.

The Board of Directors recommends the resolution for approval of the members. The draft Supplemental Agreement, referred to above, to be entered into with Mr. Prayasvin B. Patel is available for inspection by

the Members of the Company at its Registered Office between 10 a.m. and 12 noon on all working days, except Sunday till the date of Annual General Meeting.

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

Item No. 7.

The equity shares of the Company are currently listed on The Stock Exchange, Mumbai (BSE) and The Stock Exchange, Ahmedabad (ASE).

The Shares of the Company have not been traded on the ASE since last many years. The annual recurring listing fees paid to ASE does not offer commensurate benefits to the Company and/its investors. In the changed scenario of the nationwide trading facility set up by the BSE, the continued listing on ASE is not considered necessary.

The proposed voluntary de-listing of the Equity Shares of the Company from the ASE will not adversely affect the investors and shareholders including those members located in the region where the ASE is situated. Pursuant to SEBI (Delisting of Securities) Guidelines 2003, it is now proposed to seek members' approval by way of a Special Resolution for the voluntary delisting of the Company's equity shares from the Stock Exchange at Ahmedabad as set out in the Resolution at item 7 of the Notice. In terms of the said guide lines, as the equity shares shall continue to remain listed on BSE, no exit option is required to be offered to the shareholders.

The proposed delisting is in the interest of the Company and the Board recommends the Resolution for the acceptance by the Members. None of the Directors of the Company is concerned or interested in the Resolution at item No. 7

By order of the Board of Directors,

Registered Office :
Vallabh Vidyanagar-388 120.
Gujarat

Date : 24th July, 2004

D. D. HERANJAL
Company Secretary

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

Name of Director	Shri. Upendra M. Patel	Shri. Chirayu R. Amin
Date of Birth	13 - 07 - 1928	04 - 12 - 1946
Date of Appointment	30 - 09 - 1980	29 - 06 - 1998
Expertise in specific Functional areas.	<p>Associated with Shri. Dinesh Mills Limited since its inception for last 32 years and instrumental in the progress of the company despite ups and downs in the textile Industry.</p> <p>Wide experience as a Director on the Board of Directors of various Companies.</p> <p>Also associated with various educational Institutes, Business Institutions, Research Associations and Government Bodies.</p>	<p>He has been appointed as Director of Alembic Limited on 20-8-1967. He was appointed as Managing Director in Alembic Limited in 1983. At present, he is Chairman-cum-Managing Director of Alembic Limited.</p> <p>During his tenure as Managing Director, the Company has been able to maintain the growth in sales despite very keen competition in pharmaceutical industry. Export sales, which has been identified as a major thrust area has shown sizable growth. In addition to this, a lot of restructuring has been done in respect of manpower planning and business strategy of introducing new products and concentrating on some selected brands for achieving sustainable competitive edge.</p>
Qualifications	B.Sc. (Hons) –Mumbai M.B.A., (U.S.A)	M.B.A. from U.S.A.
List of Public/Private Companies in which outside Directorship held, as on 31 st March, 2004.	<ul style="list-style-type: none"> - Shri. Dinesh Mills Limited. - Gujarat JHM Hotels Ltd. 	<ul style="list-style-type: none"> - Alembic Limited . - Alembic Exports Limited. - Alembic Europe Pvt. Limited. - Alembic Glass Industries Limited. - Nirayu Private Limited. - Paushak Limited. - Shreno Limited. - Whitefield Agrotech Private Limited.
Chairman/Member of the Committee of the Public Companies in which he is a Director, as on 31 st March, 2004.	<ul style="list-style-type: none"> 1 Gujarat JHM Hotel Ltd : - Audit Committee- Member 	<ul style="list-style-type: none"> 1. Alembic Glass Industries Ltd:- Share holders/Investor Committee - Chairman. 2. Paushak Limited : Share holders/Investor Committee - Member.

DIRECTORS' REPORT

To,

The Members,

Your Directors have pleasure in presenting their Forty Fourth Annual Report together with the Audited Statement of Accounts for the year ended 31st March, 2004.

1. FINANCIAL RESULTS :

	MARCH 31, 2004 RUPEES	MARCH 31, 2003 RUPEES
Profit Before Interest & Depreciation	16,91,17,462	15,50,86,836
Less : Interest	6,92,10,626	5,96,06,298
: Depreciation	7,84,35,406	8,07,77,786
Profit Before Tax	2,14,71,430	1,47,02,752
Less: Provision for Tax	13,00,000	15,00,000
: Deferred Tax	(15,24,485)	(41,74,752)
Profit After Tax	2,16,95,915	1,73,77,504
Add : Balance Brought Forward	1,70,36,263	(3,41,241)
Total Available for Appropriation	3,87,32,178	1,70,36,263
Appropriations made as under :		
Transfer to General Reserve	50,00,000	N I L
Proposed Dividend	56,47,410	N I L
Additional Tax on Proposed Dividend	7,23,574	N I L
Balance Carried Forward	2,73,61,194	1,70,36,263

2. DIVIDEND :

Your Directors recommend payment of dividend for the year ended 31st March, 2004 at the rate of Re. 1.00 per share on 56,47,410 Equity Shares of Rs. 10/- each.

3. REVIEW OF OPERATIONS :

Income from Sales, Erection & Other Charges for the year under review amounted to Rs. 160.82 Crores as against Rs. 157.69 Crores for the previous year. The Gear box for the Second

Ship Set was unfortunately damaged on account of fire and resulted in lower turnover than expected.

However, your Company earned profit before tax of Rs. 214.71 lacs during the year as against Rs. 147.03 Lacs in the previous year, an increase of over 46 % as compared to the previous year. The benefits of cost reduction efforts are expected to continue in the ensuing year.

Your Company's Gear division has registered a turnover of Rs. 116.62 Crores compared to previous year's Rs. 102.59 Crores.

4. FUTURE OUTLOOK :

The Indian economy has registered a strong industrial growth in April, 2004 as evidenced by the Index of Industrial Production, which more than doubled to touch 9.4 %. Sectors like electricity, manufacturing and mining have exhibited impressive performances. The growth rate in exports has also been impressive. The growth in exports during the period April, 2003 to January, 2004 was led by 10 % y-o-y growth in manufactured goods. This growth in turn, was fuelled by growth in engineering goods which recorded 28.4 % growth. As far as your Company is concerned, there is a boom in demand for Gears as also for the Material Handling Equipment division products on account of substantial investments being planned in the Power Sector.

The Order Book position for the Material Handling Equipment Division of your Company has improved. Your Company has bagged an order from Maharashtra State Electricity Board for its Parli Project worth Rs. 58 Crores. The Company is also the lowest bidder in case of Tanda Project of National Thermal Power Corporation and the value of the Order is Rs. 18 Crores. The Company expects to get good orders for the Material Handling Equipment division in the foreseeable future.

The Company's exports has risen to Rs. 16.35 Crores during the year under review as compared to Rs. 9.89 Crores in the previous year. Your Company has received orders for manufacture of certain gear components from one of the largest Gear manufacturers in the world and this will certainly go a long way in developing export market for the Company's products.

The Order Booking in the Gear Division continues to remain satisfactory and the

buoyancy in demand for gear products is expected to provide business growth for the division. The balance Gearboxes for the Indian Navy are expected to be delivered in the current financial year 2004 – 05.

With good prospects for growth, especially in the Gears Division, your Company has plans to expand and modernize the production capacity by installation of state of the art machinery, in a big way during the current 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, 2004 –

- 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 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 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. FIXED DEPOSITS :

Fifteen deposits aggregating to Rs. 75,000/- though matured were not claimed as on 31st

March, 2004. None of these deposits have been claimed till date.

8. PARTICULARS OF EMPLOYEES :

As required by the provisions of Section 217 (2A) of the Companies' Act, 1956 read with the Companies (Particulars of Employees) Rules, 1975 as amended, the names and other particulars of the employees are set out in Annexure – 1 to the Directors' Report.

9. 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 – 2, forming part of this report.

10. DIRECTORS :

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

11. AUDITORS :

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

12. 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 and Technical Collaborators. The Directors also wish to place on record their appreciation for the services rendered by employees and workers.

For and on behalf of the Board of Directors,

Place : Mumbai
Date : July 24, 2004

B. I. PATEL
Chairman

ANNEXURE – 1 TO DIRECTORS' REPORT :

Information pursuant to Section 217 (2A) (a) (i) 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, 2004.

Name	Age	Qualification	Date of Joining	Designation	Nature of Duty	Remuneration received (In Rs.)		Experience In Yrs.	Last empl oyment
	Yrs.					Gross	Net		
P. B. Patel	46	B.E.(Mech.) M.B.A.	01-07-83	M.D.	Overall management	30,48,411	20,80,715	28	Director Prayas Castings 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. 2,00,000/- per month in terms of Section 217 (2A) (a) (ii) of the Companies Act, 1956 :

N I L

Notes :

- The appointment is contractual.
- Gross remuneration received includes Salary, House Rent Allowance, 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, House Rent Allowance and Medical expenses less Income Tax, Professional Tax and employee's contribution to Provident Fund.
- Experience includes number of years service elsewhere, wherever applicable.
- Mr. P. B. Patel is a relative of Mr. B.I. Patel, Chairman & Managing Director of the Company and Mr. P. M. Patel – Director.