



ELECON ENGINEERING COMPANY LIMITED

45th Annual Report 2004-2005

REPORT  www.elecon.com





The Profile gear grinding in process on HOFLER RAPID 1800



Gear profile form Grinding machine, HOFLER RAPID 1800 having gear grinding capacity up to 2000mm. The machine grinds internal and external gears up to class 2 accuracy as per DIN specifications.

ELECON ENGINEERING COMPANY LIMITED

BOARD OF DIRECTORS

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 Nayan M. Adhyaru

Auditors

Thakorebhai-Shirish Desai & Butala

(Division of Thacker Butala Desai)

Chartered Accountants

Bankers

State Bank of India

Bank of Baroda

Canara Bank

Associate Bankers

ICICI Bank Limited

HDFC Bank Limited

ABN AMRO BANK

Forex Risk Management Advisors

Mecklai Financial & Commercial Services Limited

Legal Advisors

Gagrats

Registered Office

Anand Sojitra Road, Vallabh Vidyanagar 388 120, Gujarat



NOTICE

NOTICE IS HEREBY GIVEN THAT the Forty Fifth Annual General Meeting of members of Elecon Engineering Company Limited will be held at the Audio Visual Hall of the Company situated near Gear Division of the Company at Anand Sojitra Road, Vallabh Vidyanagar, Gujarat on Thursday, the 15th day of September, 2005 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 2005, 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 Hasumukhlal S. Parikh, who retires by rotation and being eligible, offers himself for re-appointment;
4. To appoint a Director in place of Dr. Amritlal C. Shah, 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. 3,50,000 (Rupees Three 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 an Ordinary Resolution:

"RESOLVED THAT in suppression of the earlier resolution passed, and pursuant to provision of Section 293 (1) (d) and other applicable provisions, if any, of the Companies Act, 1956, the Company hereby accord its consent to Board of Directors to borrow any sums of money from time to time, from any one or more of the company's bankers/any other bankers and/or from any one or more other persons, firms, bodies corporate or financial institutions, whether by way of cash credit, advances, or deposits, loans, debentures, or bill discounting or otherwise, and whether unsecured or secured by mortgage, charge, hypothecation or lien or pledge of the company's assets and properties, stock in trade (including raw materials, stores, spare parts and

components installed or in transit) and all or any of the undertaking of the company notwithstanding that the monies to be borrowed together with the moneys already borrowed by the company (apart from temporary loans obtained from company's bankers in ordinary course of business) will or may exceed the aggregate of paid up capital of the company and its free reserves, i. e. reserve not set apart for any specific purpose, but so however, that total amount up to which the moneys may be borrowed by the Board of Directors and outstanding at any time shall not exceed the sum of Rs. 120 Crores exclusive of interest and other charges in excess of aggregate of paid up capital and free reserves of the company and the Board of Directors be hereby further authorised to delegate the power to borrow to the extent they may deem fit, to Committee of Directors, or to execute such deed of mortgage, charge, hypothecation, lien, promissory notes, depository receipt and other deeds and instruments or writings as they may think fit and containing such conditions and covenants as the Board of Directors may think fit."

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

"RESOLVED THAT Company do hereby accord its consent under Section 293 (1) (a) and other applicable provisions, if any, of the Companies Act, 1956 to mortgaging and/or charging by the Board of Directors of the Company of all or any of the immovable and/or movable properties of the company wherever situated both present and future, or the whole or substantially whole of the undertaking or undertakings of the company, in such form and in such manner as the Board of Directors may think fit, together with power to take over the management of the business and concern of the company in certain event, for securing any loans and/or advances already obtained or that may be obtained from any financial institutions/banks/insurance companies or person or persons and/or to secure any debentures issued and/or that may be issued and all interest, compound/additional interest, commitment charges, costs, charges, expenses and all other moneys payable by the company to the concerned lenders within the overall limits of a sum not exceeding Rs. 120 Crores in excess of aggregate of paid up capital and free reserves of the company outstanding at any one time as loans from Banks, Financial Institutions or elsewhere."

RESOLVED THAT the Board of Directors be are hereby further authorised to delegate the power to mortgage or charge the abovementioned to a Committee of Directors to the extent as they may consider necessary."

8. To consider and if thought fit, to pass with or without modification(s), the following Resolution as a Special Resolution;

"RESOLVED THAT pursuant to Section 81(1A) and any other applicable provisions of the Companies Act, 1956 and relevant provisions of the Memorandum and Articles of Association of the Company and the

ELECON ENGINEERING CO. LTD.

Listing Agreement entered into by the Company, subject to any necessary approval, consent, permission and/or sanction of the Government of India, Reserve Bank of India and any other appropriate authorities, institutions or bodies, and subject to such conditions as may be prescribed by any of them in granting any such approval, consent, permission or sanction, the Board of Directors of the Company and duly authorized Committee thereof, for the time being exercising the powers conferred on the Board by this Resolution be and is hereby authorized on behalf of the Company to issue and allot, in the course of international offerings in one or more foreign markets, securities in the form of American/Global Depository Receipts, Foreign Currency Convertible Bonds or any other permitted securities/instruments convertible into equity shares at the option of the company and/or holder of the security and/or securities linked to equity shares; any instruments or securities representing either Equity shares or convertible securities (hereinafter referred to as "Securities") subscribed in foreign currency(ies) through prospectus and/or offer letter and/or offering circular and/or any other documents as may be required to Foreign Investors, Foreign Institutional Investors, Non-resident Indians, Corporate Bodies, Trusts, Mutual Funds, Banks, Insurance Companies, Pension Funds, Individuals and/or Trustees and/or Stabilization Agents or otherwise (whether institutions and/or incorporated bodies whether incorporated in India or abroad and/or individuals or otherwise, and whether or not such investors are members of the Company), for an aggregate value of, an amount in foreign currency not exceeding equivalent INR 100 Crores, such issue and allotment to be made at such time or times, in such tranche or tranches, at such price or prices, at a discount or premium to market price or prices, through public issue and/or on private placement or preferential allotment basis or in such manner as the Board may, in its discretion think fit, in consultation with the Advisors, Lead Manager and Underwriters, and otherwise on such terms and conditions as may be decided and deemed appropriate by the Board at the time of issue or allotment.

RESOLVED FURTHER THAT without prejudice to the generality of the above, the aforesaid issue of securities may have all or any terms or combination of terms in accordance with international practice including but not limited to conditions in relation to payment of interest, additional interest, premia or redemption, prepayment and any other debt service payments whatsoever, and all such terms as are provided in international offerings of this nature including terms for issue of additional equity shares or variation of the conversion price of the Security during the duration of the Security, and that the Company is also entitled to enter into and execute all such arrangements with any Advisors, Lead Managers, Company Lead Manager, Underwriters, Guarantors, Depositories, Trustees, Custodians and all such agencies as may be involved or concerned in such offerings of Securities and to remunerate all such agencies including the payment of commissions, brokerage, fees or the like, and also

to seek the listing of such securities or securities representing the same in one or more international stock exchanges.

RESOLVED FURTHER THAT the Company and/or any agency or body authorized by the Company may issue Global Certificates representing the bonds with such features and attributes as are prevalent in international capital markets for instruments of this nature and to provide for the tradability or free transferability thereof as per the international practices and regulation, and under the forms and practices prevalent in the international markets.

RESOLVED FURTHER THAT the Securities issued as above shall be deemed to have been made in the foreign market and/or at the place of issue of the Security in the international market and shall be governed by such law, as the Board may decide.

RESOLVED FURTHER THAT that the Board be and is hereby authorized to issue and allot such number of equity shares as may be required to be issued and allotted upon conversion of any securities referred to in above paragraph or as may be necessary in accordance with the terms of the offering, all such shares being *pari passu* with the equity shares of the company in all respects, except such right as to dividend as may be provided under the terms of the issue and in the offer document.

RESOLVED FURTHER THAT such security maybe redeemed in a manner, provided in the terms of issue.

RESOLVED FURTHER THAT the Board is empowered to raise part funds in the overseas market and part funds in the domestic market pursuant to Resolution 8 above so that the Company has opportunities of both markets in combination for raising funds aggregating upto Rs. 100 Crores.

RESOLVED FURTHER THAT for the purpose of giving effect to any issue or allotment of Equity Shares or Securities or instruments or securities representing the same, as described in above paragraph, the Board be and is hereby authorized on behalf of the company to do all such acts, deeds, matters and things as it may at its discretion deem necessary or desirable for such purpose, including without limitation the entering into of Underwriting, Marketing and Depository arrangements and with power on behalf of the company to settle any questions, difficulties or doubts that may arise in regard to any such issue or allotment as it may in its absolute discretion deem fit".

RESOLVED FURTHER THAT the Board be and is hereby authorised to file the requisite registration statements and other documents with the Stock Exchanges or such other authorities or Institutions in India and/or abroad for this purpose;

RESOLVED FURTHER THAT the Board be and is hereby authorised to delegate all or any of its powers herein conferred to a Committee of the Board and/or the Chairman and/or the Managing Director along with the authority to these entities to further delegate all or any of such powers to any one or more



executives of the Company, in order to give effect to the aforesaid resolution."

9. To consider and if thought fit, to pass with or without modification(s), the following Resolution as a Special Resolution

"RESOLVED THAT pursuant to Section 81(1A) and any other applicable provisions of the Companies Act, 1956 and relevant provisions of the Memorandum and Articles of Association of the Company and the Listing Agreement entered into by the Company subject to any necessary approval, consent, permission and/or sanction of the Government of India, Reserve Bank of India and any other appropriate authorities, institutions or bodies, and subject to such conditions as may be prescribed by any of them in granting any such approval, consent, permission or sanction, the Board of Directors of the Company and duly authorized Committee thereof; for the time being exercising the powers conferred on the Board by this Resolution be and is hereby authorized on behalf of the Company to issue and allot, in the course of domestic markets, equity shares and/or any securities convertible into equity shares at the option of the company and/or holder of the security and/or securities linked to equity shares any instruments or securities representing either Equity shares or convertible securities (hereinafter referred to as "Securities") subscribed in Indian currency(ies) through prospectus and/or offer letter and/or offering circular and/or book building scheme or any other documents as may be required, to Domestic Individuals or to Individuals or Corporate Investors, Foreign Institutional Investors, Non-resident Indians, Corporate Bodies, Trusts, Mutual Funds, Banks, Insurance Companies, Pension Funds, Individuals and/or Trustees and/or Stabilization Agents or otherwise (whether institutions and/or incorporated bodies whether incorporated in India or abroad and/or individuals or otherwise, and whether or not such investors are members of the company), for an aggregate amount not exceeding INR 100 Crores, such issue and allotment to be made at such time or times, in such tranche or tranches, at such price or prices, at a discount or premium to market price or prices, through public issue, right issue and/or on a private placement and/or preferential allotment basis and/or in such manner as the Board may, in its discretion think fit, in consultation with the Advisors, Lead Manager and Underwriters, and otherwise on such terms and conditions as may be decided and deemed appropriate by the Board at the time of issue or allotment.

RESOLVED FURTHER THAT without prejudice to the generality of the above, the aforesaid issue of Securities may have all or any terms or combination of terms in accordance with prevalent market practice including but not limited to conditions in relation to payment of interest, additional interest, premia or redemption, prepayment and any other debt service payments whatsoever, and all such terms as are provided in domestic offerings of this nature including terms for issue of additional equity shares or variation

of the conversion price of the Security during the duration of the Security, and that the company is also entitled to enter into and execute all such arrangements with any Advisors, Lead Managers, Company Lead Manager, Underwrites, Guarantors, Depositories, Trustees, Custodians and all such agencies as may be involved or concerned in such offerings of securities and to remunerate all such agencies including the payment of commissions, brokerage, fees or the like, also to seek the listing of such Securities or securities representing the same in one or more domestic/international stock exchanges.

RESOLVED FURTHER THAT the Company and/or any agency or body authorized by the Company may issue Certificates/Receipts representing the bonds or bonds with such features and attributes as are prevalent in domestic/international capital markets for instruments of this nature and to provide for the tradability or free transferability thereof as per the domestic practices and regulation, and under the forms and practices prevalent in the domestic/international markets.

RESOLVED FURTHER THAT the securities issued as above shall be deemed to have been made in the domestic market and shall be governed by Indian Laws.

RESOLVED FURTHER THAT the Board be and is hereby authorized to issue and allot such number of equity shares as may be required to be issued and allotted upon conversion of any securities referred to in above paragraph or as may be necessary in accordance with the terms of the offering, all such shares being *pari passu* with the equity shares of the company in all respects, except such right as to dividend as may be provided under the terms of the issue and in the offer document.

RESOLVED FURTHER THAT such security maybe redeemed in a manner provided in the terms of issue.

RESOLVED FURTHER THAT the Board is empowered to raise part funds in the overseas market and part funds in the domestic market pursuant to resolution 9 above so that the company has opportunities of both markets in combination for raising funds aggregating upto Rs. 100 crores.

RESOLVED FURTHER THAT for the purpose of giving effect to any issue or allotment of Equity Shares or Securities or instruments or securities representing the same, as described in above paragraph, the Board be and is hereby authorized on behalf of the company to do all such acts, deeds, matters and things as it may at its discretion deem necessary or desirable for such purpose, including without limitation the entering into of Underwriting, Marketing, Lead Manager, Company Lead Manager, Brokers, Bankers to the issue and Depository Arrangements and with power on behalf of the company to settle any questions, difficulties or doubts that may arise in regard to any such issue or allotment as it may in its absolute discretion deem fit".

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RESOLVED FURTHER THAT the Board be and is hereby authorised to file the requisite registration statements and other documents with the Stock Exchanges or such other authorities or Institutions in India and/or abroad for this purpose;

RESOLVED FURTHER THAT the Board be and is hereby authorised to delegate all or any of its powers herein conferred to a Committee of the Board and/or the Chairman and/or the Managing Director along with the authority to these entities to further delegate all or any of such powers to any one or more executives of the Company, in order to give effect to the aforesaid resolution."

10. To consider and if thought fit, to pass with or without modification(s), the following Resolution as a Special Resolution

"RESOLVED THAT pursuant to the provisions of Section 31 (1) and all other applicable provisions, if any, of the Companies Act, 1956 (the "Act"), the Articles of Association of the Company (the "AOA") be and are hereby altered and amended as follows:

- (i) insert an additional article as Article 58A in the AOA after Article 58

The provisions of these Articles shall apply mutatis mutandis to the transfer or transmission by operation of law to Debentures, Foreign

Currency Convertible Bonds, American Depository Receipts, Global Depository Receipts, whether attached to any securities or otherwise, and such other securities and instruments as may be permissible in law and issued by the Company from time to time and at anytime.

- (ii) insert an additional article as Article 69A in the AOA after Article 69:

The Company may from time in its sole and absolute discretion, but subject to the provision of the Act, the Securities & Exchange Board of India guidelines and of all other applicable laws, rules/regulations, issue Foreign Currency Convertible Bonds, American Depository Receipts Global Depository Receipts, whether attached to any Securities or otherwise, and such other securities and instruments as may be permissible in law."

By order of Board of Directors

Registered Office :
Anand Sojitra Road
Vallabh Vidyanagar-388 120
Gujarat

Date : 30th July, 2005

Nayan M. Adhyaru
Company Secretary

NOTES

- (1) A member entitled to attend and vote at the meeting is also 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 time for holding 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 & 10 as set out above is annexed.
- (4) The Register of Members and Share Transfer Books of the Company will remain closed from Tuesday, the 6th September, 2005 to Wednesday, the 14th September, 2005 (both days inclusive).
- (5) The payment of dividend on equity shares as recommended by the Directors for the year ended 31st March, 2005 when declared at the meeting will be paid :

- (i) to those members whose names appear in the Register of Members of the Company on 6th September, 2005.

- (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 Monday, the 5th September, 2005.

- (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 the copy of Annual Report at the time of attending the Annual General Meeting.

By order of Board of Directors

Registered Office :
Anand Sojitra Road
Vallabh Vidyanagar-388 120
Gujarat

Date : 30th July, 2005

Nayan M. Adhyaru
Company Secretary



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

The following Explanatory Statement sets out all material facts relating to the business mentioned under item Nos. 6 to 10 of the accompanying Notice dated 30th July, 2005.

Item No. 6

At the Annual General Meeting of the Company held on 29th September, 1994, the members had given their consent to the Board of Directors ("the Board") of the Company to borrow a sum not exceeding Rs. 75 Crores (Rs. Seventy Five crores only) in excess of aggregate of paid up capital and free reserves of the company since then the borrowing requirement of the company have continued to grow, particularly in view of growth of the company's business as well as an increase in the cost of raw materials.

The Board therefore, seeks the approval of the members to raise aggregate limit of borrowings from Rs. 75 Crores (Rs. Seventy Five Crores only) in excess of aggregate of paid up capital and free reserves of the company to Rs. 120 Crores (Rs. One Hundred Twenty Crores only) in excess of aggregate of paid up capital and free reserves of the company. The Ordinary Resolution set out at item No. 6 of the Notice of the meeting is intended for the purpose and Board recommends it for its acceptance by the Members.

The Board therefore, recommends the proposed resolution for the acceptance by the Members by way of Ordinary Resolution.

None of the Directors of the Company is concerned or interested either directly or indirectly in the Resolution under item No. 6.

Item No. 7

In order to enable the Board of Directors to borrow up to maximum of Rs. 120 Crores in excess of aggregate of paid up capital and free reserves, the Board needs authorization to mortgage/ hypothecate/charge the assets of the company as security/ collateral security. In order to mortgage/hypothecate the assets of the company, the consent of the share holders in general body meetings is required under Section 293 (1)(a) of the Companies Act, 1956 authorizing the Board of Directors with necessary powers.

The Board therefore, recommends the proposed resolution for the acceptance by the Members by way of Ordinary Resolution.

None of the Directors of the Company is concerned or interested either directly or indirectly in the Resolution under item No. 7.

Item No. 8 and 9

Your Company has drawn modernization and expansion program for its MHE and GEAR division and enhance the production capacity so as to cater to the future demand for the products of the Company. Your company has already commenced the implementation of the programme and incurred capital expenditures during the previous/ current Financial Year. The modernization and expansion program is expected to be implemented/completed during the current financial year.

To meet the fund requirements, the Company proposes to either

1. raise funds in Foreign Currency aggregating upto equivalent INR 100 Crores by issue of Foreign Currency Convertible Bonds or such other security as the Board may decide in consultation with Advisors, Lead Manager Domestic/International Investors.

AND/OR DEPENDING ON THE ADVICE IT RECEIVES FROM ITS ADVISORS IN CONSULTATION WITH ITS AUDITORS AND THE BOARD OF DIRECTORS

2. To raise funds upto Rs. 100 Crores (inclusive Clause 1 above) by issue of equity shares or any securities convertible into equity shares as the Board may decide in consultation with the Advisors, Lead Manager, Domestic Investors.

The Board therefore, recommends that both the proposed resolutions at items 8 & 9 be accepted by the Members by way of Special Resolution, to enable the Board to raise the requisite funds either in the overseas market or in the domestic market or partly in the overseas market and partly in the domestic market aggregating to Rs. 100 Crores.

This will lead to improvement in the net worth, saving in cost of borrowings and by that the company will become debt free in the years to come.

None of the Directors of the Company is concerned or interested either directly or indirectly in the Resolution under item No. 8 and 9.

Item No. 10

- (i) Consequent to proposed issue of Foreign Currency Convertible Bonds, addition of an article in the Articles of Association of the Company so as to make other articles pertaining to transfer and transmission of shares applicable to the said issue is proposed.
- (ii) In order to borrow through Foreign Currency Convertible Bonds and others means of finance, addition of an article in the Articles of Association of the Company is proposed to modify the powers of the Directors and conditions of borrowing.

The Board therefore, recommends the proposed resolution for the acceptance by the Members as a Special Resolution.

None of the Directors of the Company is concerned or interested either directly or indirectly in the Resolution under item No. 10.

By order of Board of Directors
For Elecon Engineering Company Limited

Nayan M. Adhyaru
Company Secretary

Registered Office :
Anand Sojitra Road
Vallabh Vidyanagar-388 120
Gujarat

Date : 30th July, 2005

ELECON ENGINEERING CO. LTD.

**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 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 Accountant with Accounting, Finance & Audit background. He is a partner in M/s. 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. (Economics)
List of Public/Private Companies in which outside Directorship held as on 31st March, 2005.	<ul style="list-style-type: none"> - Eimco Elecon (I) Limited - Pranavaditya Spinning Mills Limited - The Supreme Industries Limited - Simplex Castings Limited - Samek Investments Private Limited 	<ul style="list-style-type: none"> - Reliance Capital Trustee Company - S. Kumar Nationwide Limited - Adani Exports Limited - ANZ Grindlays Standard Chartered Bank Asset Management Company - Gujarat Petro Synthesis. - Kopran - Benchmark MF : Trustee Company Private Limited
Chairman/Member of the Committee of the Public Companies on which he is a Director as on 31st March, 2005.	<ul style="list-style-type: none"> - Supreme Industries Limited Audit Committee - Chairman Fixed Assets - Chairman Directors' Remuneration Committee - Member - Simplex Castings Limited Audit Committee - Member Shareholders/Grievance Committee - Member - Pranavaditya Spinning Mills Limited Audit Committee - Member Remuneration Committee - Member - Eimco Elecon (I) Limited Audit Committee - Chairman Remuneration Committee - Chairman Investor Grievance Committee - Member. 	<ul style="list-style-type: none"> - S. Kumars Nationwide Limited Audit Committee - Chairman - Adani Exports Limited Audit Sub Committee - Member Shareholders / Grievance Committee - Member - Gujarat Petro Synthetic Audit Committee - Member Remuneration Committee - Member - Reliance MF : Trustee Company Audit Committee - Member - Kopran Audit Committee - Member



DIRECTORS' REPORT

To

The Members

Your Directors have pleasure in presenting the Forty Fifth Annual Report together with the Audited Statement of Accounts of the Company for the financial year ended on 31st March, 2005.

1. FINANCIAL RESULTS

	2004-2005 Rupees	2003-2004 Rupees
Profit Before Interest and Depreciation	34,89,85,576	16,91,17,462
Less : Interest	9,25,75,247	6,92,10,626
Depreciation	8,23,19,188	7,84,35,406
Profit Before Tax	17,40,91,141	2,14,71,430
Less: Provision for Tax	5,01,00,000	13,00,000
Deferred Tax	2,36,08,009	(15,24,485)
Profit After Tax	10,03,83,132	2,16,95,915
Add: Adjustment of Previous Years	(25,15,536)	—
Previous Year Balance Brought Forward	2,73,61,194	1,70,36,263
PROFIT AVAILABLE FOR APPROPRIATION	12,52,28,790	3,87,32,178
APPROPRIATIONS:		
Transfer to General Reserve	9,30,00,000	50,00,000
Proposed Dividend	1,41,18,525	56,47,410
Tax on Dividend	19,80,123	7,23,574
Balance Carried Forward	1,61,30,142	2,73,61,194

2. DIVIDEND

Your Directors are pleased to recommend Dividend of Rs. 2.50 per share (previous year Rs. 1 per share) on 56,47,410 equity shares of Rs. 10 each for the year ended on 31st March, 2005.

3. REVIEW OF OPERATIONS

During the financial year 2004-2005, the Company has achieved a Turnover of Rs. 277.72 Crores as against Rs. 160.82 Crores in the previous year, which is a growth of 73% over the previous year.

The Profit Before Tax has increased to Rs. 17.41 Crores from Rs. 2.15 Crores in the previous year, which is an increase of 710%. The Profit After Tax has increased from 2.17 Crores to Rs. 10.04 Crores which is a growth of 363% over the previous year.

4. FUTURE OUTLOOK

The performance of the Indian economy in 2004-05 was satisfactory and has managed to maintain the growth momentum in spite of a deficient monsoon and hardening of oil and steel prices.

The capital goods continued to demonstrate vibrancy by registering double-digit year-on-year growth rates. Your Company is witnessing a boom in demand for Gears and Material Handling Equipment products from various industries on account of substantial investments being made in the core sectors of the economy.

The Turnover of Gear Division has increased to Rs. 201.68 Crores from Rs. 116.62 Crores in the previous year, which is an increase of 73%.

The Turnover of MHE Division has increased to Rs. 76.04 Crores as against Rs. 44.20 Crores in the previous year, which is an increase of 72%.

The order book at the end of year under review is Rs. 270 Crores for the MHE Division and Rs. 120 Crores for the Gear Division.

The Company has achieved an Export Turnover of Rs. 25 Crores as against Rs. 23 Crores in the previous year, which is a growth of 9%.

With good expectations of growth in demand in both the Divisions, your Company has expanded and modernized the facilities during the year and have further plans to continue the expansion of production capacity by installing the state-of-the-art machine tools.

5. DIRECTORS' RESPONSIBILITY STATEMENT

Pursuant to Section 217(2AA) of the Companies Act, 1956, your Directors confirm :

- that in the preparation of the annual accounts of the Company for the year ended on March 31, 2005 the applicable accounting standards had been followed along with proper explanation relating to material departures, if any;
- that the Directors had selected such accounting policies and applied them consistently and made judgements and estimates that are reasonable and prudent so as to give true and fair view of the state of affairs of the Company