

A YEAR OF CONTINUING PROGRESS

46th Annual Report 2005-06

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ELECON ENGINEERING COMPANY LIMITED

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corporate profile

Elecon Engineering Company Limited is a leading manufacturer of mission critical Material Handling Equipment and Power Transmission Solutions that are based on innovative technologies for defence, mining, plastic, sugar and cement amongst other industries. Elecon designs, manufactures and markets its sophisticated range of products through its network of sales offices spread across India and through foreign equity participating Companies in Singapore, Australia, South Africa and Dubai.

about the cover

The cover is indicative of the fast moving, strong and free spirited approach that Elecon strives to achieve in all aspects of business. Leadership, teamwork, winning attitude and resolve are virtues that all at Elecon are encouraged to imbibe.

a t t r i b u t e



Late Shri Bhanubhai I. Patel

17-03-1928 • 31-01-2006

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The Patriarch has left for the ultimate abode, yet his memories will nestle in eternity.

May his life and legacy remain a guiding principle to everyone subscribing to a mission that is Life.

The passing away of our Chairman and mentor Shri Bhanubhai Patel has created a vacuum that shall take time to fill.

We'll always miss him for the values he instilled in all of us in managing our affairs with the highest standards of business ethics and social responsibilities.

His vision, integrity, dynamism and passion for perfection along with perpetual awareness towards all-round development were exemplary.

His passing away is a loss that can only be recovered, by following his footsteps.

All achievements begin with an idea!

*The soul can never be cut to pieces by any weapon,
nor burned by fire, nor moistened by water, nor withered by the wind.*

-The Gita



Society First: A man of empowerment

A perspective look at the lifespan of late Shri Bhanubhai I. Patel the founder of Elecon, will reveal a remarkable personality that created history in the national and global technosphere with an unrelenting commitment to exploit state-of-the-art technology while navigating Elecon through 55 glorious years of incessant achievements. The result; Elecon is today, India's largest manufacturer of Material Handling Equipment and Power Transmission Products. A dream that was envisaged in 1951 has blossomed in full glory.

Take a closer look and one is absorbed into the magical charm of this dynamic veteran who was a sheer source of pure energy. Even though an Arts graduate by education, he walked the technology path and strived for excellence while staying a step ahead in technology. Ahead of his time, Shri Bhanubhai not only introduced state-of-the-art technologies but also best manufacturing practices with a new approach towards total customer satisfaction.

Baptised with his love for innovative technologies and remarkable willpower Shri Bhanubhai started his career as a Sales Director in Milling Trading Company Private Limited, during which he learned the business and nurtured a dream, to one day

make it big in the industrial arena. Foremost in his mind was 'self-reliance' considering the Indian industry in context. For his pioneering spirit, it was reason enough to venture ahead with a mission to realize his dream. This was just the beginning for an individual who loved to challenge the challenge. This committed drive helped him foray into unexplored areas in the engineering world.

A noble and caring human being under a hard shell, he was a true role model for all who worked with him. A sport and art lover, he believed in doing all he did in totality and that life was nothing but an endless process to excel.

This tribute highlights some achievements of Shri Bhanubhai during his captivating years of excellence, experience, expertise and eminence, collectively; ELECON.

The Genesis

Circa 1951.

Shri Bhanubhai was born on the 17th of March 1928 and graduated in Arts from Bombay University in 1950. He joined Milling Trading Company Private Limited as Sales Director due to his affinity with technology. Before long, he realised the importance of self-reliance in the engineering industry



First ever Stacker Reclaimer installation by Elecon in India at Santaldih, West Bengal in 1960



At conference celebrating India's largest MHE contract then Neyveli Lignite Corp. in 1975

REPORT

One who was always game for sport

नैनं छिन्दन्ति शस्त्राणि नैनं दहति पावकः ।
न चैनं कलेदयन्तापो न शोष्यति मारुतः ॥
भगवद् गीता



and shaped a plan to achieve the same. A moderate start for Elecon with marketing activities for equipment and accessories for Power Plants, Steel and Sugar Mills, Fertilizer Plants, Cement and the Mining industry. These primal years contained therein, infinite promises for the time to come.

In 1962, Elecon shifted its base to a thriving industrial locale of Vallabh Vidyanagar in Gujarat upon an invitation by Shri H. M. Patel (ex. Finance Minister, Government of India). The commitment to excel only grew stronger through each achievement and challenge.

Shri Bhanubhai became the Managing Director in 1968 and took rapid strides that turned Elecon into a brilliant organization in the manufacture of bulk Material Handling Equipment and Power Transmission solutions. Sales zoomed from Rs. 2.5 million in 1962 to exceed Rs. 4,400 million by the year 2005-06.

Radical Vision

The initiatives undertaken by Shri Bhanubhai made progressive impact across the Indian and overseas industry by the use of innovative solutions to heavy application industries such as Thermal Power Stations, Fertilizer Plants, Steel & Cement Plants, Mining Industry, Defence industry and more, which ultimately offered an unprecedented competitive advantage to the Indian Economy as Elecon emerged as a robust element for the growth.

The Drive

Shri Bhanubhai believed in the old adage of "If you think you can, you will" and navigated Elecon through the maze of time with dedication, drive and determination.

Incorporated at a time of uncertainty, Elecon made its mark by continuously engaging in the exploration of new horizons. Then, the

recent independence of the nation meant a time for jubilation, but was just as much, a testing time for those who dared to achieve the unachievable. For young Elecon it was a formidable task.

However, the resolute spirit in Elecon helped achieve a series of landmarks and began offering a wide gamut of engineering products like Conveyors, Material Handling Plants, Gear Transmission Products to core industry sectors including Steel, Fertilizer, Cement, Mining, Power, Ports and Defence.

Today after 55 years of relentless efforts, Elecon has established itself to be an industrial power house contributing its time, energy and skills to building India's backbone in industrial infrastructure and defence. Figuratively, there will always be a bit of Elecon across India.

First Among Equals

Over time, under the able guidance of Shri Bhanubhai, Elecon evolved into a 'one stop shop' for bulk Material Handling Equipment and Power Transmission Products. From concept to commissioning, Elecon provides the best in technology, service and quality.

With constant innovation in technology and razor sharp understanding of industry needs, it is little wonder that today, Elecon is the largest manufacturer of a composite range of bulk Material Handling Equipment and Power Transmission products in India.

Conveying systems designed, manufactured and erected to work at the rate of 20,000 tons per hour for the Neyveli Lignite Corporation is the second largest conveying system in the world.

Always A Step Ahead

Graduation in Arts made him love painting, music and sculpture, but responsibilities

of running an engineering conglomerate added the love for technology. A passion for perfection translated into constant adoption and deployment of new technology to produce better products in shorter timeframes with near-zero rejection.

Shri Bhanubhai's drive for perfection further brought about novel methods in business management. Code of ethics was introduced along with new marketing and sales practices and business process re-engineering methods.

Global Vision

With the global industry in sight, Shri Bhanubhai inculcated a perfection oriented thought process in all endeavors at Elecon; from raw material procurement to production infrastructure, manufacturing practices, adherence to quality standards and stringent quality control, commitment to research & development, marketing and total customer satisfaction.

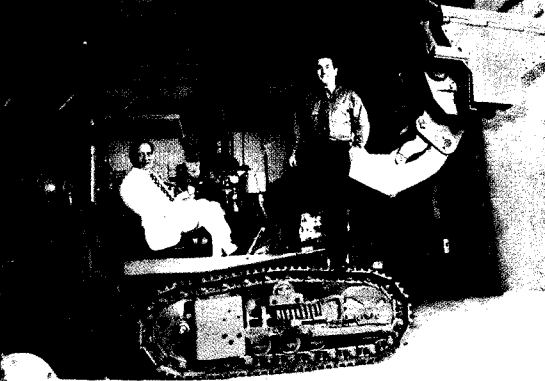
An ISO 9001:2000 certification for the Gear Division by world renowned accreditation agency stands as a testimony to Elecon's adherence to globally accepted quality norms. Elecon's growth plan confirms to its organizational belief that excellence is a never ending marathon.

Human Resources - The Force

Shri Bhanubhai truly believed that no sword is mightier than the spirited resolve that wields it. At the heart of Elecon is a



Strategising in office



Late Shri B.I. Patel with CMD Prayasvin Patel at workshop

remarkable aspect of people bonding. Career building, constant learning and support, employee mentoring, were some of the essentials introduced and implemented in the Elecon HR policy. In the development of its people lies the motivating force that will propel Elecon into the future.

Community Initiatives

Shri Bhanubhai's efforts and contributions are beyond the confinement of corporate excellence, which find their noble presence in millions of transformed lives and social developments benefitting one and all. Being a dynamic visionary, he subscribed to the notion of absolute empowerment, which is quite axiomatic in all his community contributions. Some of the compassionate efforts he endeavoured are:

Education: Knowing that education plays a crucial role to help achieve democratic objectives, he religiously donated to building and caring such institutions including schools, collages, academic trusts and others to pave a better tomorrow.

Healthcare: To heal innocent and needy lives, Shri Bhanubhai helped establish centres with advanced facilities in hospitals and medical institutions to serve people in a caring environment.

Environment: Shri Bhanubhai remained quite emphatic on rewarding the community for the civil good and betterment as he did never limit reforms to corporate board rooms. He has played a significant role in gifting a new charm and feel to the environment by sponsoring the development of gardens, parks and environment friendly plantation drives.

Aids for National Calamities / Disasters: Needless to say, Shri Bhanubhai always remained at the forefront in aid efforts

whenever a natural calamity hit the nation by funding national aids for reconstruction and rehabilitation and unflinchingly contributed his patriotic dues.

Triumphing Chapters

In heralding an ever contemporary Elecon and to enable the organization flower into an immaculate success story, Shri Bhanubhai consistently endeavored to do more.

Established a sophisticated Gear manufacturing facility with Computerised Numerically Controlled (CNC) machines, to boost production. This CNC technology helped make Elecon a leading manufacturer of Power Transmission products including Codog Marine gearboxes for the Indian Navy.

Employment of more than 2000 people in Elecon and its associate group companies.

Promotion of joint venture companies viz. Ringspann Elecon (India) Limited in collaboration with M/s. Ringspann of Germany and Power Build Elecon Gears Limited in collaboration with M/s. SKK of Japan. Strategic alliances with multiple engineering companies in Europe across multiple product lines.

Establishment of Eimco Elecon (India) Limited by collaborating with Eimco (G.B) Limited - A division of Sandvik Mining & Construction of Sweden to manufacture state-of-the-art mining equipment.

Earning the national pride by being selected to serve national interests such as the Indian Navy and Indian Space Research Organisation.

Accomplished global heights of excellence by earning the distinct accolades of ISO 9001:2000 Certification by TUV Rheinland.

Formation of new age information technology company, Elecon Information Technology Limited to cater to Elecon group's constant drive for advanced technology.

A fact, to keep him embraced in immortality is the heritage of organisations Shri Bhanubhai brought to life. Hand picked from his genius foresightedness, he nurtured them into bright vistas able to meet every premonition he could foresee, which shall now progress as the living tribute.

The Phenomenal Era:

Elecon Engineering Company Limited - associates and group Companies:-

- Emtici Engineering Limited, Eimco Elecon (India) Limited, Power Build Limited, Prayas Castings Limited, VVN Mfg & Investa Limited, Power Build Elecon Gears Limited, Ringspann Elecon (India) Limited, Kirloskar Power Build Gears Limited, Elecon Information Technology Limited, Akaash Mechatronics Limited, Woodpack Corporation, Elecon Singapore Pte. Limited, Elecon Africa (Pty) Limited, Elecon Australia (Pty) Limited, Elecon Middle East FZCO.

The Future

The new millennium means new challenges to be met, new horizons to be explored, new heights to be scaled and new depths to be fathomed. It's a time to brace for change and have the will to metamorphose in a new 'Avatar', as an even more progressive enterprise.

It is this time of constant change that this insurmountable loss of Shri Bhanubhai will be felt the most. But, just as most visionaries leave behind legacies, so has Shri Bhanubhai. The two legacies are, Elecon the enterprise and an able navigator in Shri Prayasvin B. Patel to lead the group in its new Avatar.

d i r e c t o r s

Board of Directors



Shri Prayasvin B. Patel
Chairman & 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

Chief Financial Officer

Shri Hemendra C. Shah

Secretary

Shri Nayan M. Adhyaru

Auditors

Thakorebhai-Shirish Desai & Butala
(Division of Thacker Butala Desai)
Chartered Accountants

Registered Office

Anand Sojitra Road
Vallabh Vidyanagar 388 120
Gujarat, India

Bankers

State Bank of India
Bank of Baroda
State Bank of Saurashtra
EXIM Bank

Associate Bankers

ICICI Bank Limited
HDFC Bank Limited
IDBI Limited
UTI Bank Limited

h i g h l i g h t s

2005 - 2006

	US\$ Mn.	Rs. In Lacs
TURNOVER (NET)	99	44,248
TOTAL INCOME	101	45,077
EARNING BEFORE DEPRECIATION, INTEREST & TAX*	13	5,965
DEPRECIATION	2	943
PROFIT AFTER TAX	6	2,788
EQUITY DIVIDEND	1	307
DIVIDEND (%)		50
EQUITY SHARE CAPITAL	1	571
RESERVE & SURPLUS	22	9,696
NET WORTH	22	10,037
GROSS FIXED ASSETS	48	21,338
NET FIXED ASSETS	21	9,522
TOTAL ASSETS	120	53,492
MARKET CAPITALISATION	176	78,678
NUMBER OF EMPLOYEES		680
	US\$	
BASIC EARNINGS PER SHARE (Rs.)	1.11	49.37
BOOK VALUE PERSHARE (Rs.)	3.94	175.85
DEBT EQUITY RATIO (TOTAL DEBT:EQUITY)		2.05
EBDIT*/ TURNOVER (%)		13.48
NET PROFIT MARGIN (%)		6.30
RETURN ON NET WORTH (%)		27.78
RETURN ON CAPITAL EMPLOYED (%)		8.94

* Extra ordinary items and other income are not considered for calculating EBDIT.

Note : 1 us \$ = Rs. 44.615 (Exchange Rate on 31-03-2006).

Figures are rounded off to nearest US \$ mn/Rs. in lacs.

Rs. in Lacs

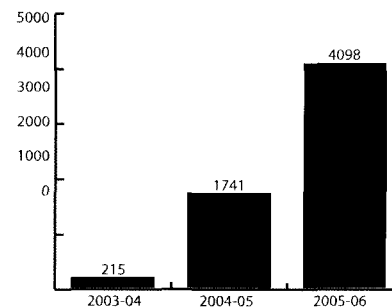
2004-05	2003-04	2002-03	2001-02	2000-01	1999-00	1998-99	1997-98	1996-97
27,772	16,082	15,769	13,669	14,238	16,984	19,729	15,980	16,846
28,078	16,431	16,317	13,896	14,555	17,296	20,055	16,149	17,054
3,790	1,791	1,357	1,098	1,123	2,119	2,669	2,154	1,908
823	784	808	750	779	665	644	627	510
1,004	217	174	(148)	34	340	862	909	853
141	56	-	-	-	102	113	102	90
25	10	-	-	-	18	20	18	16
565	565	565	565	565	565	565	565	565
6,766	5,948	5,795	5,621	6,825	6,791	6,599	5,895	5,098
6,829	5,693	5,187	5,810	6,929	7,356	7,164	6,460	5,663
17,324	15,033	14,661	14,459	14,626	14,463	12,567	13,716	11,853
6,205	4,556	4,740	5,088	5,648	5,989	4,695	5,973	4,674
33,515	23,807	18,513	17,910	16,791	16,970	17,192	18,771	16,603
9,702	1,488	434	621	816	1,948	2,908	3,106	2,654
682	679	678	969	1,084	1,274	1,572	1,818	2,002
17.78	3.84	3.08	—	0.60	6.03	15.27	16.10	15.11
120.92	100.81	91.85	102.88	122.70	130.24	126.84	114.38	100.27
1.41	1.21	1.10	0.97	0.83	0.69	0.52	0.79	0.78
13.65	11.14	8.61	8.03	7.89	12.48	13.53	13.48	11.33
3.61	1.35	1.10	—	0.24	2.00	4.37	5.69	5.06
14.70	3.81	3.35	—	0.49	4.62	12.03	14.07	15.06
5.87	1.67	1.54	—	0.28	2.81	8.10	7.93	8.53

o v e r v i e w

Elecon

- Profit Before Tax has increased by 135% to Rs. 4,098 lacs in the year 2005-06 as against Rs.1,741 lacs in the year 2004-05
- In the midst of buoyant economy, Market Capitalisation has exponentially grown eight times to Rs. 78,679 lacs as on 31st March 2006 as against Rs. 9,702 lacs as on 31st March 2005
- Book Value has increased by 45% to Rs.176 per share in the year 2005-06 as against Rs.121 per share in the year 2004-05

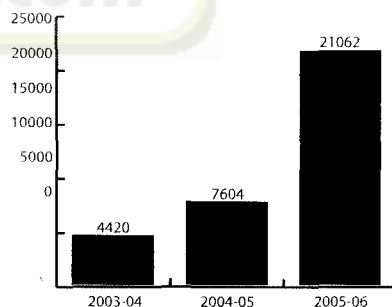
Profit Before Tax



MHE Division

- Turnover has increased by 177% to Rs. 21,062 lacs in the year 2005-06 from Rs. 7,604 lacs in the year 2004-05
- The burgeoning scenario in the infrastructure sector and rapid development initiated by the government in Power, Steel, Coal, Ports and other industries has substantially increased sales for the MHE Division. The Power sector was the highest contributor with 56% share followed by 18% in Spares

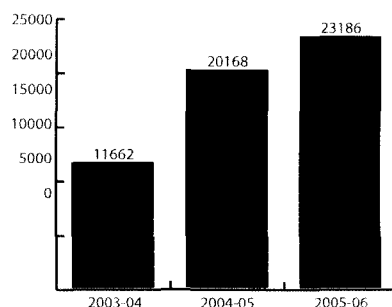
Turnover*



Gear Division

- Turnover has increased by 15% to Rs. 23,186 lacs in the year 2005-06 from Rs. 20,168 lacs in the year 2004-05
- Positive macro-economic indicators like surging investments in base industries of steel and infrastructure coupled with additional investments in modernisation and diversified applications have increased the Division's industry-wise performance

Turnover*



* Turnover excludes inter division sale