

NOTICE

NOTICE IS HEREBY GIVEN THAT the Forty-Seventh Annual General Meeting of members of Elecon Engineering Company Limited will be held in the Audio Visual Hall of the Company situated near Gear Division of the Company at Anand Sojitra Road, Vallabh Vidyanagar, Gujarat on Thursday, the 13th day of September, 2007 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 2007, 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 Ashok J. Patel, 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 such remuneration 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 as may be fixed by the Chairman and Managing Director of the Company."

SPECIAL BUSINESS

6. To consider and if thought fit, to pass with or without modification, the following resolution as an Ordinary Resolution:-

"RESOLVED THAT in accordance with the provision of Section 293(1)(e) and other applicable provisions if any, of the Companies Act, 1956 the Board of Directors of the Company be and is hereby authorised to contribute on behalf of the Company to charitable and other funds not directly relating to the business of the Company or welfare of its employees, any amount **exceeding 5%** of the average net profit of the Company as determined in accordance with the provisions of Section 349 and 350 of the Companies Act, 1956 during the three financial years immediately proceeding or Rs. 10 Crores, whichever is higher."

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

"RESOLVED THAT :

- (a) Pursuant to Provisions of Section 78, 81(1A) and other applicable provisions, if any, of the Companies Act, 1956 and Article 181 of the Articles of Association of the Company, and subject to the Guidelines issued by the Securities and Exchange Board of India, and other approvals as necessary, consent of the Members be and is hereby accorded to the Board of Directors of the Company to capitalize such amount, out of the Capitalisation of Reserve and Securities Premium Account of the Company, for issue of fully paid Bonus Shares of the face value of Rs. 2/- each, to the holders of the existing Equity Shares of the Company, on such Record Date as may be fixed by the Board in this regard in the proportion of two new equity shares for every one equity share to which the shareholder is entitled.
 - (b) The bonus share shall be subject to the Memorandum and Articles of Association of the Company and shall rank *pari passu* in all respect with and carry the same right as the existing equity share and shall be entitled to participate in full in any dividend declared after the allotment of bonus share.
 - (c) No letter of allotment shall be issued to the allottee to the bonus share instead, share certificate will be dispatched to the share holders who holds the existing equity share in physical form and the respective beneficiary account will be credited for the bonus share for shareholder who holds the existing equity shares in dematerialised/electronic form within reasonable period.
 - (d) In respect of fraction entitlement, the bonus share shall be consolidated and allotted to any person appointed by the Board in trust, on the understanding that such person shall sell the bonus shares at such price or prices to such persons as they may deem fit as soon as practicable after the allotment of such bonus shares and pay to the Company the net sale proceeds (after deducting all expenses relating to such sell) which proceeds shall be distributed by the Company *pro-rata* amongst the shareholders entitled thereto.
 - (e) The Board of Directors (which shall include any Committee, the Board may constitute or any Director/Officer authorised by the Board for this purpose) be and is hereby authorised to settle all matters arising out of and incidental to the above mentioned issue of bonus equity shares and further take all actions as it may in its absolute discretion deem necessary to give effect to the resolution."
8. To consider and if thought fit, to pass with or without modification, the following resolution as a Special Resolution:-
"RESOLVED THAT in addition to the resolution passed earlier under Section 81(1A) if any, 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 international offerings in one or more foreign markets, securities in the form of American/Global Depository Receipts, Foreign Currency Convertible Bonds, Warrants 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 promoters/ shareholders/members of the Company), for an aggregate value of, an amount in foreign currency not exceeding equivalent Rs. 500 Crores, in addition to the amount for which approval has already been given earlier by the members, such issue and allotment to be made at such time or times, in such tranche or tranches, at such 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 agreements/arrangements with any financial/ legal 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 commission, brokerage, fees or the like and also to seek the listing of such Security 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 regulations 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 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 existing equity shares of the Company in all respects except such rights as to dividend as may be provided under the terms of the issue and in the offer document.

RESOLVED FURTHER THAT such Security may be redeemed in a manner provided in the terms of the 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 below so that the Company has opportunities of both markets in combination for raising funds aggregating/equivalent to Rs. 500 Crores, in addition to the amount for which approval has already been given earlier by the members.

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 agreements/ 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 authorized to file the requisite registration application 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 authorized to delegate all or any of its powers herein conferred to a Committee of the Board and/or the Chairman and Managing Director along with the authority to them 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, the following resolution as a Special Resolution:-

“RESOLVED THAT in addition to the resolution passed under Section 81(1A) if any, 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/warrants/preference 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 and/or Trustees and/or Promoters 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 promoters/shareholders/members of the Company), for an aggregate amount not exceeding Rs. 500 Crores, in addition to the amount for which approval has already been given earlier by the members, 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 Security, and that the Company is also entitled to enter into and execute all such agreements with any financial/legal 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 commission, brokerage, fees or the like, also to seek the listing of such Security 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 bond 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 rights as to dividend as may be provided under the terms of the issue and in the offer document.

RESOLVED FURTHER THAT such Security may be 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. 500 crores, in addition to the amount for which approval has already been given earlier by the members.

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 but not limited to 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.

RESOLVED FURTHER THAT the Board be and is hereby authorized to file the requisite registration application 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 authorized to delegate all or any of its powers herein conferred to a Committee of the Board and/or the Chairman and Managing Director along with the authority to them 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 the following resolution as an Ordinary Resolution

“RESOLVED THAT pursuant to the provisions of Section 94 and other applicable provisions, if any, of the Company Act, 1956, the Authorised Share Capital of the Company be increased and classified from Rs.30,00,00,000 (Rupees Thirty Crores only) divided into 15,00,00,000 (fifteen Crores) Equity Shares of Rs.2/- (Rs. Two each) to Rs. 50,00,00,000 (Rupees Fifty Crores only) divided into 22,50,00,000 (Twenty Two Crores Fifty Lacs) equity shares of Rs 2/- each and 2,50,00,000 (Two Crores Fifty Lacs) Cumulative Redeemable Preference Shares of Rs. 2/- each.”

11. To consider and, if thought fit, to pass the following resolution as an Ordinary Resolution ;

“RESOLVED THAT the existing Clause V of the Memorandum of Association of the Company be and is hereby substituted by the following new Clause:-

- V. The Authorized Share Capital of the Company is Rs. 50,00,00,000 (Rupees Fifty Crores only) divided into 22,50,00,000 (Twenty Two Crores Fifty Lacs) equity shares of Rs. 2/- each and 2,50,00,000 (Two Crores Fifty Lacs) Cumulative Redeemable Preference Shares of Rs. 2/- each with power to increase or reduce the capital for the time being into several classes and to attached thereto respectively any preferential, qualified or special rights, privileges or conditions as may be determined by or in accordance with the regulations of the Company and to vary, modify and abrogate any such rights, privileges or conditions in such manner as may be for the time being approved by the

regulations of the Company and the Statutory provisions of the Company, if any.”

12. To consider and, if thought fit to pass the following resolution as an Special Resolution

“RESOLVED THAT the existing Article 4 of the Articles of Association of the Company be and is hereby substituted by the following new Article:-

4. The Authorized Share Capital of the Company is Rs. 50,00,00,000 (Rupees Fifty Crores) divided into 22,50,00,000 (Twenty Two Crores Fifty Lacs) equity shares of Rs. 2/- each and 2,50,00,000 (Two Crores Fifty Lacs) Cumulative Redeemable Preference Shares of Rs. 2/- each with power to increase or reduce the capital for the time being into several classes and to attached thereto respectively any preferential, qualified or special rights, privileges or conditions as may be determined by or in accordance with the regulations of the Company and to vary, modify and abrogate any such rights, privileges or conditions in such manner as may be for the time being approved by the regulations of the Company and the Statutory provisions of the Company, if any.”

By order of Board of Directors

Registered office:
Anand Sojitra Road
Vallabh Vidyanagar – 388 120
Gujarat
Date : 15-06-2007

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 informations in respect of Item No. 3 & 4 set out above and in respect to Directors retiring by rotation, are annexed herewith.
- (3) The relative Explanatory Statement pursuant to Section 173(2) of the Companies Act, 1956 in respect of the Special Business under item No. 6 to 12 as set out above is annexed.
- (4) The Register of Members and Share Transfer Books of the company will remain closed from Tuesday, the 17th day of July, 2007 to Tuesday, the 24th day of July, 2007 (both days inclusive).
- (5) The payment of dividend on equity shares as recommended by the Directors for the year ended 31st March, 2007 when declared at the meeting will be paid :
 - (i) to those members whose name appear in the Register of Members of the Company on Tuesday, the 17th day of July, 2007.
 - (ii) in respect of shares held in electronics form, to those “deemed members” whose names appear 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 16th day of July, 2007.

- (6) The Company has transferred unclaimed dividend for the year 1998-99 to the Investor Education and Protection Fund. The unclaimed dividend for the year 1999-2000 shall be transferred to the Investor Education and Protection Fund during November 2007.
- (7) The Company has paid the listing fees for the year 2007-2008 to The Stock Exchange, Mumbai and The National Stock Exchange of India Limited, Mumbai, where the securities of the Company continue to be listed.
- (8) Shareholders are requested to furnish their e-mail Id's to enable the Company forward information in relation to the Company.
- (9) The Company has designated an exclusive email ID called nadhyaru@mhe.elecon.com for redressal of shareholders' complaints/grievances. In case you have any query/ complain or grievance, then please write to us at nadhyaru@mhe.elecon.com
- (10) 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.
- (11) 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 : 15-06-2007

Nayan M. Adhyaru
Company Secretary

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

Item No. 6

The Company is authorised by its Memorandum of Association to contribute to charitable and other funds not directly relating to the business of the Company or the welfare of its employees. By virtue of Section 293(1)(e) of the Act, however, the maximum limit which can be so contributed in any financial year is Rs. 50,000 or 5% of the Company's average net profits as determined in accordance with Section 349 and 350 of the Companies Act, 1956, during the three immediately preceding financial years, whichever is greater. Section 293(1)(e) permits such contributions in excess of these limits if shareholders approve. As such, your Board seeks sanction to make such contributions in any financial year up to a limit of Rs. 10 Crores (Rs. Ten Crores only) or 5% of the Company's average net profits during the three immediately preceding financial years, whichever is greater. The Board recommends this resolution for your approval.

None of the Directors is in any way concerned or interested in the resolution proposed to be passed.

Item No. 7

In view of the Company's excellent performance for the past few years and since the Company's future sustainability has been firmly established, the Board of Directors at its meeting held on 15th June, 2007 has recommended two Bonus shares of Rs. 2/- each fully paid up for every one Equity Share of Rs. 2/- each, to which a Member is entitled on the Record Date to be fixed by the Board (includes Committee, if any) for the purpose of the Bonus issue.

The Bonus shares will be issued by utilisation of the Securities Premium Account, as permitted by Section 78 and other applicable provisions of the Companies Act, 1956 and in terms of the Guidelines issued by SEBI on Bonus issues.

The issue of Bonus Shares will increase the floating stock of Equity Shares in the stock market.

The issue of Bonus Shares and sale of fractional shares pertaining to Non-resident members will be subject to Regulations prescribed under the Foreign Exchange Management Act, 1999.

Section 78 of the Companies Act, 1956 and Article 181 of the Articles of Association of the Company permit Capitalisation of Securities Premium Account for issue of fully-paid Bonus Shares, only after approval by the Members in Annual General Meeting by way of a Special Resolution. Accordingly, the Resolution at item No. 7 seeks the approval of the Members for issue of Bonus Shares.

The Record Date for the issue of Bonus Shares will be fixed by the Board, after obtaining Members' approval.

The Directors are concerned or interested in this Resolution, only to the limited extent of their respective shareholding, if any, in the Company.

Item No. 8 and 9

Your Company has drawn modernization and expansion program for its MHE and GEAR division and enhances the production capacity so as to cater the future demand of 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 500 Crores, in addition to the amount for which approval has already been given by the members 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 as deemed fit to Board of Directors;
2. raise funds upto Rs. 500 Crores (inclusive Clause 1 above) in addition to the amount for which approval has already been given by the members by issue of Equity Shares/Warrants/ Preference 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 approved 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. 500 Crores, in addition to the amount for which approval has already been given by the members.

This will lead to improvement in the net worth, saving in cost of borrowings and by that the Company will become debt free (long term debt) 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 to 12

Consequent upon the recommendation for the issue of bonus shares and planning for further issue of securities, it has become necessary to appropriately increase the Authorised share capital of the Company. The present Authorised Share Capital of the company is Rs. 30,00,00,000 is proposed to be increased and classified to Rs. 50,00,00,000. The Ordinary Resolution at item No. 11 and special Resolution at item No. 12 seek to make corresponding alterations in the Memorandum and Articles of Association respectively.

None of the Directors of the Company is concerned or interested either directly or indirectly in the Resolution under item No. 10 to 12.

The Board recommends the resolution for the approval of the members.

By order of Board of Directors

Registered office:
Anand Sojitra Road
Vallabh Vidyanagar – 388 120
Gujarat

Date : 15-06-2007

Nayan M. Adhyaru
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 Ashok J. Patel
Date of Birth	13-07-1928	06-09-1944
Date of Appointment	30-09-1980	29-06-1998
Expertise in specific Functional areas	Associated with Shree Dinesh Mills Limited since its inception for last 35 years and instrumental in the progress of the Company despite of ups and down in the textile industry. Wide experience as a Director on the Board of Director of various companies. Also associated with various Educational Institute, Business Institutions, Research Association and Government Bodies.	Director of GMM Pfaudler Limited from 1980, Managing Director from 1987 and Chairman and Managing Director of GMM Pfaudler from 1993. Managing Director in Millars India Limited from 1972 – 1987 and Chairman in Millars India Limited from 1993. Technical Director in Millars Machinery Limited from 1970 and Chairman from 1990.
Qualifications	B. Sc. (Hons.) Mumbai and M. B. A. (U. S. A.)	B. Sc. (Mechanical Engineering), U. K. and M. B. A. (U. S. A.)
List of Public/Private Companies in which outside Directorship held as on 31 st March, 2007.	<ul style="list-style-type: none"> Shree Dinesh Mills Limited Gujarat JHM Hotels Limited Eimco Elecon (India) Limited Dinesh Remedies Limited 	<ul style="list-style-type: none"> GMM Pfaudler Limited Karamsad Holdings Limited Karamsad Investments Limited Millars India Limited Millars Machinery Company Private Limited Pedershaab Millars India Private Limited Ready Mix Concrete Limited Suzhou Pfaudler Glasslined Equipment Company Limited, China Dietrich Engineering Consultants India Private Limited
Chairman/Member of the Committee of the Public Companies on which he is a Director as on 31 st March, 2007.	<ul style="list-style-type: none"> Gujarat JHM Hotels Limited - Member of Audit Committee 	<ul style="list-style-type: none"> Millars India Limited – Member of Share Transfer and Remuneration Committee Elecon Engineering Company Limited – Member of Audit Committee, Remuneration Committee and Shareholders/ Investors Grievance Committee



directors' report

Prayasvin B. Patel
Chairman & Managing Director



Dear Members,

Report

On behalf of the Board of Directors of your Company, it is my proud privilege to present the 47th Annual Report and Audited Statement of Accounts for the financial year ended on 31st March, 2007.

The year 2006-07 was a buoyant year for the Indian economy. With a robust economic growth, the year saw sustained economic activity backed by strong investments. Indian manufacturing industry in particular rose to new heights of performance. More importantly, it has won encomiums from people who matter that Indian manufacturing was not only competitive but also cost conscious.

The superlative performance has its beneficial impact on your Company's operations. In fact, I feel honoured to share with you that the year 2006-07 has turned out to be a landmark year of performance capped by stunning achievements that will forever be cherished and valued by all of us.

The outstanding and enviable performance of your Company during the year has been embellished by :

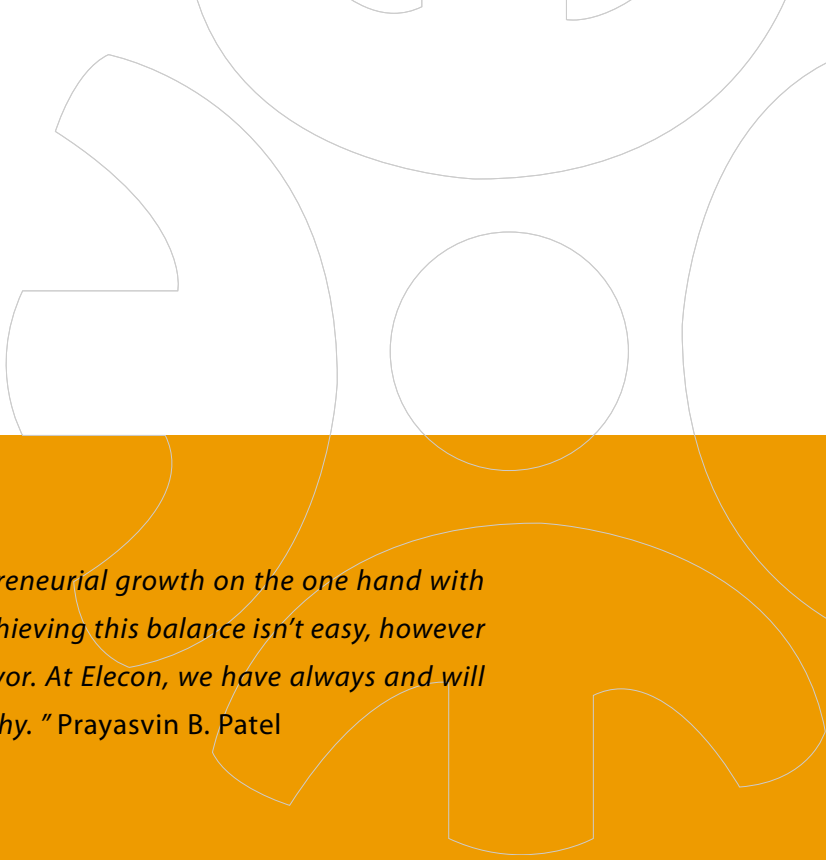
- Highest-ever production
- Highest-ever turnover
- Highest-ever profits
- Highest-ever earnings per share
- Highest-ever market capitalisation

What has been accomplished reflects strongly, the dynamic capability of our Company to excel in excellence and demonstrates that our valued shareholders can always expect sustained growth and increased profitability.

a remarkable growth



63% in turnover
and 97% in net profit



"As a corporate we seek to balance the entrepreneurial growth on the one hand with social and ecological concerns on the other. Achieving this balance isn't easy, however we must consistently work towards this endeavor. At Elecon, we have always and will continue to believe in the value of this philosophy." Prayasvin B. Patel

Let me now share with you all our remarkable progress:

OPERATIONAL PERFORMANCE | The buoyancy exhibited by the Indian economy which saw many new green field projects as well as expansions in core and other sectors and expansions in the industrial spectrum along with emphasis on infrastructure provided ample business opportunities for the Company.

These are exemplified by the unexecuted order book of about Rs. 8,370 Mn comprising Rs. 6,210 Mn for MHE division and Rs. 2,160 Mn for Gear Division as on May 31st, 2007. The Company is having live enquiries of around Rs. 20,790 Mn as on May 31st, 2007.

For the year ended on 31st March, 2007, the Company has achieved a Turnover of Rs. 7,231 Mn and Net Profit of Rs. 549 Mn as against the Turnover of Rs. 4,424 Mn and Net Profit of Rs. 278 Mn during the previous year, representing a remarkable growth of 63% in turnover and 97% in Net Profit.

The healthy bottom line of your company, unfolds a significant message : Whether it is supply of equipment to a power project Dadri in India or a mining project in far off Botswana near South Africa, Elecon is a brand with a credible assurance of Reliability. In other words,

for customers, stakeholders and investors, Elecon is synonymous with Reliability.

Going forward, we firmly believe that Reliability will be our brand equity and the strategic tool for further success in the future. This characteristic quality is deeply instilled in our people, in the products we deliver, in the processes we employ and in the services we render.

As the Indian economy is on a strident growth path, we expect exciting opportunities to forge ahead in the coming years both in our existing business and the new businesses we are foraying into.

DIVIDEND | Your Directors are pleased to recommend dividend of Rs. 1.50 per share (previous year Rs. 5 per share of Rs. 10 each on 5,707,783 equity shares) on 30,923,650 equity shares of Rs. 2 each for the year ended on 31st March, 2007.

BONUS | Your Directors are pleased to recommend to issue 2 (two) Bonus shares of Rs. 2 each fully paid up for every 1 (One) Equity Share of Rs. 2 each, to which a Member is entitled on the Record Date to be fixed by the Board for the purpose of the Bonus issue.

NEW BUSINESSES | Elecon Engineering since its inception has always been in the forefront of innovations and technology in the manufacturing and has passionately



Our project plans are well in tune with market dynamics to deliver exponential growth. With our diversification into Wind Mill Farms and Wind Mill Gearboxes, we are poised to deliver even stronger returns to our shareholders.

strived to reach new frontiers of technical excellence in order to be in tune with the changing times.

In line with this strategy, your Company has taken two strategic decisions. To capture new markets for ensuring further growth, your company has signed a technical collaboration with Haisung Industrial System Company Limited of Korea to design and manufacture high speed and capacity lift gear boxes. The Company has also signed the Technical Collaboration Agreement with RENK AG, of Germany for availing technology for design and manufacture of Vertical Roller Mill Gear Boxes. This type of Gear boxes is presently imported into India and hence Elecon will be the first company to manufacture these gearboxes in India. This will open the market for the Company's product to serve major Indian cement manufacturers as well as service the bigger size gear units supplied or being supplied by RENK.

Our Goal is to become a major global player besides earning strong leadership position in the market place by delivering superior world class products based on state-of-the-art-technologies at competitive prices .

DIRECTORS' RESPONSIBILITY STATEMENT | Pursuant to Section 217(2AA) of the Companies Act, 1956, with respect to the Directors' Responsibility Statement, it is hereby confirmed that:

- in the preparation of the annual accounts of the Company for the year ended on March 31, 2007, the applicable accounting standards have been followed;
- the Directors have selected and applied consistently such accounting policies 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;
- the Directors have taken proper and sufficient care 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.

CORPORATE GOVERNANCE | As per Clause 49 of the Listing Agreement, a report on Corporate Governance, together with Management Discussion and Analysis and a certificate from the Company's Auditors form part of this report.

Your Company, acknowledging its corporate responsibility, has voluntarily obtained a 'Secretarial Audit Report' from Shri Ashwin Shah, Company Secretary

in whole-time practice, which is annexed to this Report.

In line with global practices, your Company is committed to maintain the highest standards of Corporate Governance, reinforcing the relationship between the Company and its Shareholders.

FIXED DEPOSITS | There are no unclaimed deposits as on 31st March 2007.

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 employees are set out in Annexure – A, forming part of this Report.

CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION AND FOREIGN EXCHANGE EARNINGS AND OUTGO | The particulars required to be furnished under Section 217(1) (e) read with the Companies (Disclosure of particulars in the report of Board of Directors) Rules, 1988 are given in Annexure – B, forming part of this Report.

DIRECTORS | In accordance with the provisions of the Companies Act, 1956 and the Articles of Association of the Company, Shri Upendrabhai M. Patel and Shri Ashok J. Patel Directors retire by rotation at the ensuing Annual General Meeting and being eligible, offer themselves for re-appointment.

During the year under review, Shri Nanalal D. Shah, Nominee Director of ICICI Bank Limited had ceased to be Director of the Company consequent upon full repayment of Corporate Loan availed by the Company from ICICI Bank Limited with effect from 12th September, 2006.

AUDITORS | The Company's Auditors M/s. Thakorebhai - Shirish Desai & Butala, Division of Thacker Butala Desai, Chartered Accountants, Navsari, retire as Statutory Auditors at the ensuing Annual General Meeting of the Company and being eligible, offer themselves for reappointment.

FOREIGN CURRENCY CONVERTIBLE BONDS | The 8,900

FCCBs of US \$ 1,000 each aggregating to US \$ 8.9 Mn have been converted into equity shares of the Company till the end of financial year 2006-2007, of which 7,900 FCCBs of US \$ 1,000 each aggregating to US \$ 7.9 Mn have been converted during the financial year 2006 – 2007.

As on the date of this Report, 100 FCCBs of US \$ 1,000 each aggregating to US \$ 0.1 Mn are outstanding for conversion.

OVERSEAS INVESTMENTS | Your Company has invested in 49,943 Shares of US \$ 1 each aggregating to US \$ 49,943 in Elecon Engineering (Suzhou) Company Limited at China, which represents 50% of paid up capital of the investee Company.

STATUTORY DISCLOSURES | None of the Directors of your Company is disqualified as per provisions of Section 274(1) (g) of the Companies Act, 1956. Your Directors have made necessary disclosures, as required under various provisions of the Act and Clause 49 of the Listing Agreement.

INSURANCE | The Company has taken adequate insurance cover for all movable & immovable assets of the Company for various types of risks.

INDUSTRIAL RELATIONS | During the year, harmonious Industrial Relations were maintained in the Company and no man-days were lost.

ACKNOWLEDGEMENT | Your Directors recognize the very valuable and dynamic support extended by all shareowners, business partners and members of Elecon family, which has helped the Company to attain sustained growth. Your Directors would like to place on record their appreciation for the support received from the Company's Bankers, Financial Institutions, other Lenders, Auditors, Customers, Vendors and Government Authorities.

For and on behalf of Board of Directors



Prayasvin B. Patel

Chairman & Managing Director

Date: 15-06-2007 Place: Mumbai