

53rd Annual Report 2012-13



Journey of Evolution



About Cover



From the very beginning of life the natural phenomenon of change has been the integral part of the existence. Through the development stages of entire creation, one thing has remained constant and that is CHANGE.....

BHANUBHAI MEMORIAL CENTRE OF EXCELLENCE (BMCE)

We have built a new state-of-the-art manufacturing plant as our attempt to move towards evolution. This modern engineering plant has been built to double the gear box manufacturing capacity to provide world class quality and to ensure on-time delivery within a short span of time.

In last five decades, we have done lots of research and innovations in gear technology. We have developed variety of products in transmission business from worm gear to helical, from planetary to vertical planetary, variable speed couplings, etc. This development always demanded overall progress in gear manufacturing technology, right from cutting to carburizing, gear grinding. The extract of learning is used in layout, machine selection as well in process improvement of gear manufacturing. The new plant will produce internal components of the helical gear box and has a capacity of manufacturing 1000 gear boxes per month.

This new plant is a tribute to our founder Chairman Lt. SHRI BHANUBHAI PATEL who wanted to remain "ALWAYS A STEP AHEAD IN TECHNOLOGY."



THE NEW IDENTITY OF ELECON ENGINEERING COMPANY LIMITED.

We are pleased to introduce the new identity of ELECON. The new logo sports the ELECON monogram in refreshing Orange. Suggesting a new energetic avatar. The pneumatic depicts Blue outlines encircling a Gear, creatively formed by the letter E. The outlines in Blue depict the revolution of the Gear they encircle, suggesting that ELECON is moving towards revolutionizing the way modern industries work, befitting its new positioning line - "Gearing the Future". While being extremely eye-catching and subtle to look at, the logo also displays ELECON's ambition - to continuously deliver innovative, futuristic solutions par excellence, across industries, globally, and SHAPING THE FUTURE.....TODAY.

ELECON AT A GLANCE

Elecon Group was established in 1951 in Goregaon, Mumbai by Ishwarbhai B. Patel. The Company's early focus was on Engineering, Procurement and Construction projects in India. It initially manufactured custom manufacturing conveyor systems under a trading Company.

Elecon Engineering Company Ltd. was incorporated as a Private Limited Company on 11th January 1960. In May 1960, the Company moved to its current location in Vallabh Vidyanagar, Gujarat. Later in June 1962, the Company was listed on the Bombay Stock Exchange.

In 1963, Company has started manufacturing of Transmission Equipments. In 1976, the Company established its separate Gear Division, specialising in power transmission equipment. With vast

experience of more than 5 decades, the Company has successfully consolidated its position as Asia's largest gear manufacturing Company, with a significant presence in India as well as abroad. Company was the pioneer in introducing the modular design concept, case hardened and ground gear technology in India. The Company has a proven track record in designing and manufacturing worm gears; parallel shaft and right angle shaft; helical and spiral level helical gears; fluid geared and flexible couplings, as well as planetary gear boxes.

Facing all the hurdles of Global as well as Indian slowdown in Engineering Sector, Company has always focused towards success through Guru Mantra "Innovation, Change and Adaptability to change".

Expanding its Gear Box manufacturing capacity, the Company has set up a new plant for Gear manufacturing. The new plant has been built to double the Gear Box manufacturing capacity from 500 Gear Boxes from month to 1000 Gear Boxes per month. Elecon will produce internal component of Helical Gear Box at its new plant.

State of the art manufacturing facilities at new plant include fully automated machine lines; comprehensive production capacity; a dedicated work force and a responsive after sales service.

In October 2010, Company acquired the Benzlers-Radicon Group, the power transmission business of UK-based David Brown Ltd. to expand its reach in international market.

Business activities of Elecon has spread out in the area covering wide space of 2,59,075.15 sq. meters together with all infrastructure facilities, buildings and structures thereon.



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Board of Directors



Shri Prayasvin B. Patel
Chairman and Managing Director



Shri Prashant C. Amin
Executive Director



Shri Pradip M. Patel



Shri Chirayu R. Amin



Shri Hasmukhlal S. Parikh



Shri Jal R. Patel



Shri Jai S. Diwanji

Chief Financial Officer

Shri Hemendra C. Shah

Company Secretary

Shri Paresh M. Shukla

Auditors

Thacker Butala Desai
Chartered Accountants
Navsari

Bankers

State Bank of India
Bank of Baroda
EXIM Bank of India
Axis Bank Limited
HDFC Bank Limited
IDBI Bank Limited
Standard Chartered Bank

Registered Office

Anand Sojitra Road
Vallabh Vidyanagar-388120
Gujarat, India

Five years at a glance

(₹ in Mn.)

| PARTICULARS | Consolidated# | | Standalone# | | Consolidated# | Standalone# | Consolidated# | Standalone | Standalone | Standalone |
|---|---------------|--------|-------------|--------|---------------|-------------|---------------|------------|------------|------------|
| | 2012-2013 | | 2012-2013 | | 2011-2012 | 2011-2012 | 2010-11 | 2010-11 | 2009-10 | 2008-09 |
| | US \$ Mn. | ₹ Mn. | US \$ Mn. | ₹ Mn. | ₹ Mn. | ₹ Mn. | ₹ Mn. | ₹ Mn. | ₹ Mn. | ₹ Mn. |
| TURNOVER | 281.2 | 15,268 | 109.6 | 5,952 | 16,132 | 13,317 | 12,843 | 11,739 | 10,464 | 9,551 |
| TOTAL INCOME | 282.5 | 15,342 | 111.7 | 6,063 | 16,212 | 13,391 | 13,129 | 12,024 | 10,711 | 9,646 |
| EARNING BEFORE DEPRECIATION, INTEREST & TAX | 38.3 | 2,082 | 18.9 | 1,027 | 2,102 | 2,027 | 1,885 | 1,814 | 1,496 | 1,490 |
| DEPRECIATION & AMORTISATION EXPENSES | 10.5 | 571 | 7.7 | 420 | 486 | 424 | 416 | 394 | 331 | 221 |
| PROFIT AFTER TAX & MINORITY INTEREST | 3.3 | 179 | 1.6 | 85 | 611 | 696 | 900 | 879 | 662 | 575 |
| EQUITY DIVIDEND | 2.0 | 109 | 2.0 | 109 | 171 | 167 | 167 | 167 | 139 | 139 |
| DIVIDEND% | - | - | - | 50% | -- | 90% | -- | 90% | 75% | 75% |
| EQUITY SHARE CAPITAL | 4.0 | 218 | 4.0 | 218 | 186 | 186 | 186 | 186 | 186 | 186 |
| RESERVE & SURPLUS | 95.0 | 5,160 | 83.7 | 4,543 | 4,401 | 4,262 | 3,998 | 3,760 | 3,075 | 2,568 |
| NET WORTH | 99.0 | 5,378 | 87.7 | 4,761 | 4,587 | 4,448 | 4,184 | 3,946 | 3,235 | 2,737 |
| GROSS FIXED ASSETS | 173.6 | 9,427 | 116.5 | 6,325 | 8,291 | 6,912 | 6,997 | 5,762 | 5,273 | 4,559 |
| NET FIXED ASSETS | 107.3 | 5,827 | 77.1 | 4,186 | 5,222 | 4,469 | 4,386 | 3,719 | 3,622 | 3,110 |
| TOTAL ASSETS | 391.5 | 21,259 | 198.8 | 10,792 | 19,198 | 16,794 | 16,968 | 14,674 | 12,968 | 13,320 |
| NUMBER OF EMPLOYEES(Nos.) | | | | 697 | | 1,290 | | 1,197 | 1,069 | 889 |
| | | | | | | | | | | |
| KEY INDICATORS | US \$ | | US \$ | | | | | | | |
| BASIC EARNINGS PER SHARE(₹) | 0.03 | 1.65 | 0.01 | 0.78 | 6.58 | 7.49 | 9.69 | 9.47 | 7.13 | 6.19 |
| DEBT EQUITY RATIO | | | | | | | | | | |
| (TOTAL DEBT:EQUITY) | - | 1.30 | - | 0.54 | 1.45 | 1.21 | 1.55 | 1.34 | 1.61 | 2.16 |
| EBIDTA*/TURNOVER % | - | 13.64 | - | 17.26 | 13.03 | 15.22 | 14.68 | 15.45 | 14.29 | 15.61 |
| NET PROFIT MARGIN% | - | 1.17 | - | 1.43 | 3.79 | 5.23 | 7.00 | 7.49 | 6.32 | 6.02 |
| RETURN ON NET WORTH% | - | 3.33 | - | 1.79 | 13.32 | 15.65 | 21.50 | 22.28 | 20.46 | 20.99 |
| RETURN ON CAPITAL EMPLOYED% | - | 1.50 | - | 1.17 | 5.65 | 7.23 | 8.68 | 9.81 | 7.52 | 6.47 |

Financial details of FY13, FY12 & FY11 are as per Revised Schedule VI format.

Exchange Rate: 1 US\$ = ₹ 54.30 (as on 31-3-2013).

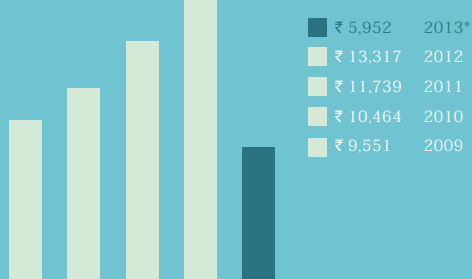
* Extraordinary items and other income are not considered for calculating EBIDTA.

Figures are rounded off to nearest US \$ Mn./ ₹ in Mn.

Performance Indicators

Net Sales
₹ in Mn

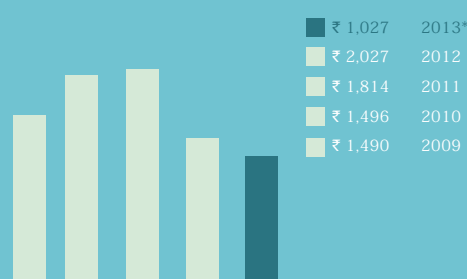
(55.30%)
decrease from 2012



2009 - 2013

EBIDTA
₹ in Mn

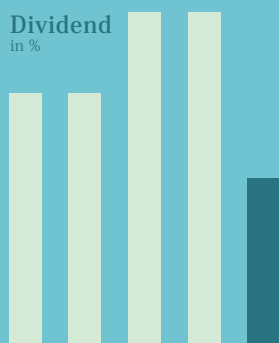
(49.33%)
decrease from 2012



2009 - 2013

Dividend
in %

50% 2013
90% 2012
90% 2011
75% 2010
75% 2009



2009 - 2013

*Decrease because of Scheme of Arrangement.

Assembly of Planetary Gearbox



Management Insight



“ We have a new identity and with it, a brand new beginning. For over 5 decades, we've geared a reputation of delivering innovative, futuristic solutions par excellence, while upholding the highest standards of values, commitment and trust. By restructuring ourselves, we are now aligning our business paradigms with the needs of the increasingly demanding and ever-evolving business ecosystem, while maintain our core beliefs. Our new identity signifies our beginning as an organization that is better, younger and more energetic, in our thoughts and in our approach. We are ELECON, an organization that is not just gearing the world; we are an organization that is “Gearing The Future.”

- **Prayasvin Patel**
Chairman & Managing Director



The restructuring of Elecon Group has created focused Industrial Gear and Material Handling entities. As we implement the second phase of the restructuring exercise, the company faces the challenging economic environment. The management is confident of achieving the benefits in the coming years with the support of its dedicated employees and trust of its stakeholders.

- **Prashant Amin**
Executive Director



The Global as well as Indian economy continued to face challenges in the FY 2013. The economic headwinds, delays with reforms, hurdles in clearance of various government projects and lack of investments had dampened optimism in the Industry. The performance of the Company may be considered satisfactory during the year under report & seen in the face of difficult and trying conditions in a contracted market for Company's products and services. Enormous opportunities arise during transformative times. We are truly in transformative times. We, at Elecon Group have completed a comprehensive business restructuring exercise with an objective to create a focused and a separate material handling & power transmission entities and also deleveraging the balance sheets for raising funds at appropriate evaluation for both the businesses.

We remain confident that our way of doing business and managing our cash will enable us to further strengthen our positions amidst issue of rupee depreciation and global economic slowdown and hope to create long-term sustainable value for our stakeholders and investors.

- **Hemendra Shah** -Chief Financial Officer



This is the right opportunity to all of us to improve our systems as well consolidate all right practices, when there is less load in workshops as well their supporting departments during this recessionary period. We have also taken right decision of separating out MHE like business having long cycle as well with project oriented orders from Transmission like business with short cycle and Product oriented orders. TPM and it's implementation, bifurcation of Engineered and Catalogue products in transmission products shall also help in improvrrnt of OTD as well profitability.

When I am thinking and writing this, some good news of opening of market is coming along with heavy down pour of monsoon, rising some hope for opening of economy.

- **Vilas Kalyankar** -Chief Executive Officer

Corporate Social Responsibility

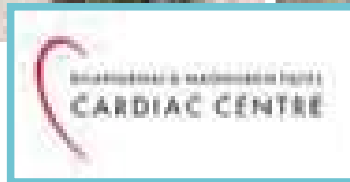


Corporate Social Responsibility is continuing commitment by ELECON to contribute towards the economic development while improving the quality of life of the people, customers as well as the community and society at large.

We believe that being socially responsible means that organizations must be ethical and sensitive towards stakeholders on important social, cultural, environmental and socio-economic issues.

Social wings of Elecon i.e. EL CARE and ELF (Elecon Ladies Forum), try to achieve its objectives of comprehensive community development by continuously putting its efforts on making a positive contribution by organising Blood Donation Camps, Eye check up and Eye donation camps. They also support to Orphanage Homes, Old Age Homes, for Higher education and health care support to deserving people.

EL CARE always believes that "Empowering a Woman leads to Empowerment of a Family" and continuously focuses on its serious commitment towards girls' education. The company donated generously to Charutar Vidyamandal (CVM) for establishment of Women's Engineering College under the name of Madhuben & Bhanubhai Patel Women Institute of Engineering for Studies & Research in Computer & Communication Technology (MBICT) at New Vallabh Vidyanagar.



Bhanubhai & Madhuben Patel Cardiac Centre

Bhanubhai & Madhuben Patel Cardiac Centre (BMPCC) constructed and developed by Elecon group and managed by Charutar Arogya mandal at Shri Krishna Hospital, karamsad with its multidisciplinary pediatric support structure and telemedicine service has performed over 701 surgeries, out of which 381 are pediatric and 320 are adult surgeries. The Centre also keeps on ascending the quality ladder with doing the most complicated cardiac procedures and surgeries, many of which are rarely managed elsewhere in the country.

The Centre provides the most efficient medical care at the affordable rates to underprivileged people of the society. With the most advanced infrastructure and dedicated team of professionals, the Centre is getting patients from other states and quite a few foreign nationals as well.

Strength & Growth Drivers

Elecon is the ideal choice for supply of gears to various sectors like Cement, Sugar, Power, Steel, Coal and Ports, etc. Elecon has humbly provided its contribution in the growth of Gear industries of India and has also become the first industrial gear manufacturer in India to achieve ISO 9001:2008 version in 2010.

Manufacturing Strength

Elecon has set its highest standard in all aspects of its functioning. It is covering wide space of 1,47,541 sq. meters together with all buildings and structures thereon and all plant and machinery.

Company has built a new state-of-the-art manufacturing plant as an expansion of the Elecon Gear manufacturing facilities. This modern engineering plant has been built to double the gear box manufacturing capacity to provide world class quality and to ensure timely delivery within a short span of time.

Modernisation of existing capacity to augment increased demand can also be considered as one of the manufacturing strength. Elecon has expanded its activities to new areas like manufacturing of wind mill gear boxes for 1 MW to 2 MW. Thus, Elecon is poised to enjoy first mover advantage leading to sustained growth, higher margin and revenues.

The Company has expanded capacity in the manufacturing plants in last couple of years to cater large demand.

Growth Drivers

The Company has maintained its growth momentum in present economic slowdown. We look forward to continuing this trend.

The Company has gained specialised expertise and knowledge over the years in manufacturing Transmission Equipments and due to our competitive manpower cost and high level of technology, we are comfortably able to maintain growth over the years. The Gear Division over the past years have witnessed growth driven by industrial capex as gears find applications across all industries such as Power, Steel, Cement, Sugar etc.

Elecon wants to penetrate extensively in the Sugar Planetary Gear Boxes, Marine Gear boxes and Wind Mill Gear Boxes business. Entering in the business of manufacturing of Wind Mill Gear Boxes and targeting to become Major player in 1-2 MW Segment is in our priority list. Company is also exploring new segments for higher growth: Defense, Navy; High Speed Gears; Gears for Plastic Industry and Vertical Roller Mill Drive in Power and Cement industries.

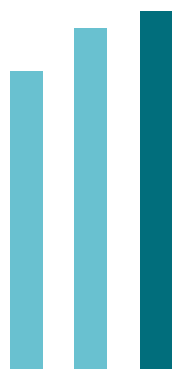
New Government, after the general election in 2014, has to take the call for new reforms along with taking steps to counter recession, which in turn will provide more thrust to stability in the price and production of essential commodities resulting into steady momentum in the growth of Indian economy.

▼ EON Series Bevel Helical Gearbox



Gear Net Sales

₹ in Mn

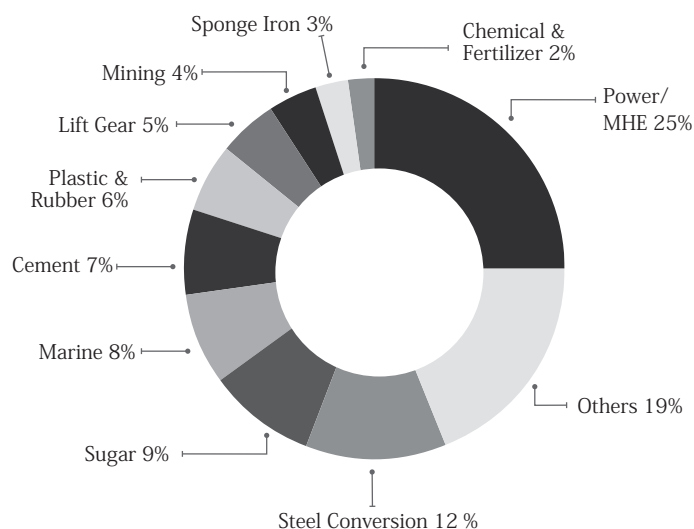


2011 - 2013

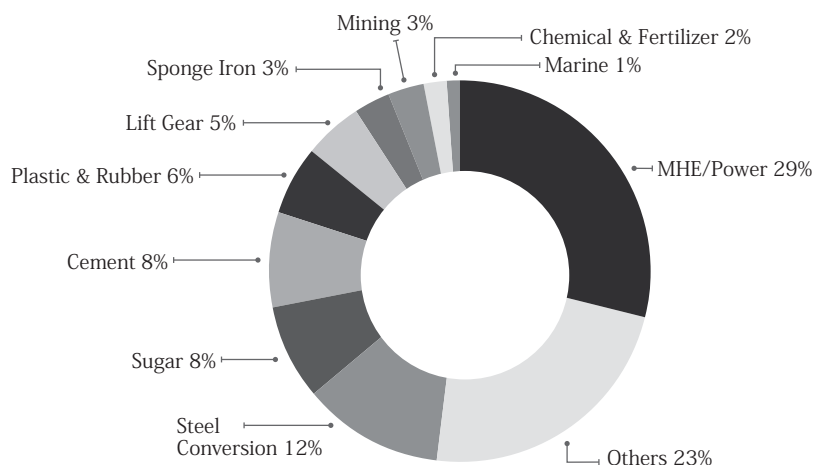
3.71%
increase from
2012

| | |
|---------|------|
| ₹ 5,952 | 2013 |
| ₹ 5,739 | 2012 |
| ₹ 5,224 | 2011 |

Sales Industrywise



Orderbook Industrywise



Net Sales for
increased by
3.71 %
₹ 5,739 Mn
in 2011-12 to
₹ 5,952 Mn
in 2012-13



Double Reduction Worm Gearbox with special
output shaft