

MAKING IN INDIA SINCE 1951

55th
ANNUAL REPORT
2014-15



ABOUT COVER

Making in India since 1951

For over 60 years Elecon Group has been proudly making in India and today is the largest manufacturer of Industrial gears in Asia and a prominent player in bulk material handling and mining equipment industry. During these years we supplied highly sophisticated equipments for core sectors like fertilizers, cement, coal, power generation, mining, chemical, steel, port mechanization, minerals and metal processing, etc.

Our gears are performing well for Indian Space Research Organization (ISRO) and also for Naval Aircraft carriers. Our gear powers **INS Shivalik** which is the first stealth warship built in India.

In line of our vision to create a global presence in power transmission by innovating and developing products to enhance value and satisfaction of our customers, we have expanded our wings and our new acquisitions are helping us in taking our vision forward. **Elecon Engineering has been making in India and providing high quality products that add value to our customers throughout the globe from our subsidiaries in UK, USA and Sweden.**

We strive for inclusive growth and sustainable development and make concentrated efforts towards this. We live by our motto of 'Let's preserve the environment' and all our facilities consciously work towards preserving, nurturing and sustaining the nature. Some of our efforts are appreciated by United Nations Environment Program.





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

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 Jal R. Patel



Shri Hasmukhlal S. Parikh



Shri Jai S. Diwanji



Dr. Sonal V. Ambani

Chief Financial Officer

Shri Rajat Jain

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
IndusInd Bank

Registered Office

Anand-Sojitra Road,
Vallabh Vidyanagar-388120
Gujarat, India.



FIVE YEARS AT A GLANCE

PARTICULARS	Consolidated#		Standalone#		Consolidated#		Standalone#		Consolidated#		Standalone#		Consolidated#		Standalone#		Consolidated#		Standalone#		(₹ in Mn.)	
	2014-2015		2014-2015		2013-2014		2013-2014		2012-13		2012-13		2011-12		2011-12		2010-11		2010-11			
	US \$ Mn.	₹ Mn.	US \$ Mn.	₹ Mn.	₹ Mn.	₹ Mn.	₹ Mn.	₹ Mn.	₹ Mn.	₹ Mn.	₹ Mn.	₹ Mn.	₹ Mn.	₹ Mn.	₹ Mn.	₹ Mn.	₹ Mn.	₹ Mn.	₹ Mn.	₹ Mn.	₹ Mn.	₹ Mn.
TURNOVER	212.6	13,289	80.5	5,032	12,929	5,012	15,268	5,952	16,132	13,317	11,739											
TOTAL INCOME	215.3	13,455	84.1	5,259	13,083	5,188	15,342	6,063	16,212	13,391	12,024											
EARNING BEFORE DEPRECIATION, INTEREST & TAX	27.2	1,698	17.0	1,065	1,497	1,001	2,082	1,027	2,102	2,027	1,814											
DEPRECIATION & AMORTISATION EXPENSES	11.5	716	8.3	516	616	454	571	420	486	424	394											
PROFIT AFTER TAX & MINORITY INTEREST	2.6	163	5.3	332	137	274	179	85	611	696	879											
EQUITY DIVIDEND	1.9	120	1.9	120	112	109	109	109	171	167	167											
DIVIDEND%	-	-	-	55%	-	50%	-	50%	-	90%	90%											
EQUITY SHARE CAPITAL	3.5	218	3.5	218	218	218	218	218	186	186	186											
RESERVE & SURPLUS	82.2	5,138	78.2	4,886	5,103	4,699	5,160	4,543	4,401	4,262	3,760											
NET WORTH	85.7	5,356	81.7	5,104	5,321	4,917	5,378	4,761	4,587	4,448	3,946											
GROSS FIXED ASSETS	148.3	9,270	101.2	6,325	9,500	6,346	9,427	6,325	8,291	6,912	5,762											
NET FIXED ASSETS	75.9	4,743	53.7	3,356	5,500	3,805	5,827	4,186	5,222	4,469	3,719											
TOTAL ASSETS	314.8	19,676	168.9	10,556	20,607	10,624	21,259	10,792	19,198	16,794	14,674											
NUMBER OF EMPLOYEES(Nos.)				638		579		697		1,290	1,197											
KEY INDICATORS	US \$		US \$																			
BASIC EARNINGS PER SHARE(₹)	0.2	1.50	0.05	3.05	1.26	2.52	1.65	0.78	6.58	7.49	9.47											
DEBT EQUITY RATIO																						
(TOTAL DEBT:EQUITY)	-	1.03	-	0.49	1.19	0.53	1.30	0.54	1.45	1.21	1.34											
EBIDTA*/TURNOVER %	-	12.77	-	21.16	11.58	19.97	13.64	17.26	13.03	15.22	15.45											
NET PROFIT MARGIN%	-	1.23	-	6.60	1.06	5.47	1.17	1.43	3.79	5.23	7.49											
RETURN ON NET WORTH%	-	3.05	-	6.50	2.58	5.58	3.33	1.79	13.32	15.65	22.28											
RETURN ON CAPITAL EMPLOYED%	-	1.52	-	4.30	1.19	3.60	1.50	1.17	5.65	7.23	9.81											

Financial details of FY 15, FY 14, FY 13, FY 12 & FY 11 are as per Revised Schedule VI format.

Exchange Rate: 1 US\$ = ₹ 62.495 (as on 31-3-2015).

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

PERFORMANCE INDICATORS

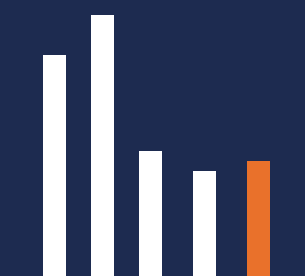
Net Sales

₹ in Mn

(0.40%)

increase from 2014

₹ 5,032	2015
₹ 5,012	2014
₹ 5,952	2013*
₹ 13,317	2012
₹ 11,739	2011



2011 - 2015

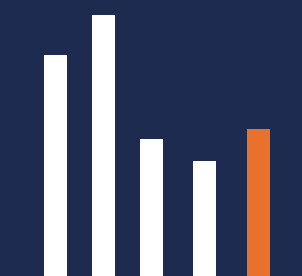
EBIDTA

₹ in Mn

(6.43%)

increase from 2014

₹ 1,065	2015
₹ 1,001	2014
₹ 1,027	2013*
₹ 2,027	2012
₹ 1,814	2011



2011 - 2015

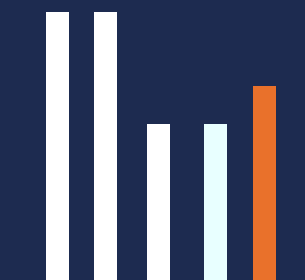
Dividend

₹ in %

(10%)

increase from 2014

55%	2015
50%	2014
50%	2013
90%	2012
90%	2011



2011 - 2015

*Decrease because of Scheme of Arrangement.



MANAGEMENT INSIGHT



"The 'Make in India' program launched to facilitate investment, foster innovation, build best in class manufacturing infrastructure, enhance skill development and to protect intellectual property has added a much needed vibrancy to the market.

Elecon Group of Companies supplies hi-tech equipments to major core sectors and with a spurt in the manufacturing we are confident of making brisk progress. Our CAPEX over the years has helped us establish best in the class facilities and with operational excellence inculcated in our systems we are geared for gearing the future."

Prayasvin Patel

- Chairman & Managing Director



"Decisive focus on 'Manufacturing Sector' from the government has yet to show significant results at your company level, but we continue to concentrate on being lean and efficient.

Internal improvements and increased productivity will be the focus of 'Team Elecon' as the Indian and the world economy turns around slowly.

The management is dedicated to stay the course with the strong willed support of its employees and stakeholders."

Prashant Amin

- Executive Director



We have closed this year on a positive note despite the challenging environment. An important aspect of our financial strategy has been the continuous evaluation of processes to improve efficiency, effectiveness and accountability. Streamlined operations and adoption of cellular manufacturing concept has greatly reduced our turnaround time. TPM has also been another effective tool.

Disciplined financial practices have been an area of focus. Concrete steps towards weeding out of small and non profitable accounts while tightening controls on inventory and receivables management has helped us shrink our working capital cycle by over 15%.

Our belief is that economy is on the verge of a lift off and any additional business generated would significantly affect the bottom line positively. We strive for consistent growth with sustainable margins that will deliver value to the stakeholders.

Rajat Jain - Chief Financial Officer



"The overall economic situation in the country has been gloomy. There is a dearth of fresh requirements with a long standing pause on opportunities. Lack of fund infusion has forced the declarations and project outlines to the files.

There are able hands but lack of policy guidelines has hindered growth. The campaigns like 'Make in India', 'Smart Cities', 'Metro Projects' need push by way of initiatives and fund infusion to kick start the fast paced growth.

We believe that the Government is moving towards the stated goals and the economy should see positive movements. The first sector to be benefited would be the infrastructure industry and our company should be able to get the maximum benefit out of it."

Vilas Kalyankar - Chief Executive Officer

CORPORATE SOCIAL RESPONSIBILITY



EL CARE – For the people by Elecon

El Care our social service wing has been very active in and around Vallabh Vidyanagar, at the same time not limiting themselves to geographical boundaries and constantly expanding their reach for societal benefit.

Our key activities this year were:

Ensuring that financially backward people get the best medical services and attention and lack of financial capability does not hinder their treatment.

Ever since we realized that there is a shortage of blood due to lack of blood donation, El Care makes it a point to organize regular blood donation camps and educates and motivates people to join hands in donating blood.

El Care also organizes eye check up camps in villages near to our facilities and motivates people for noble causes such as eye donation, organ donations. El Care also supports orphanages and old age homes.

Bhanubhai and Madhuben Patel Cardiac Centre generously donated to Shri Krishna Hospital at Karamsad has created a special place in India in handling pediatric cardiology and vascular care. It has successfully performed

some of the most complicated cardiac procedures and surgeries, many of which are rarely managed elsewhere in India. With superior infrastructure and a highly skilled and dedicated team the word is out and the centre gets patients from other states in India and abroad.

We through El Care have been supporting bright students from economically weaker backgrounds with scholarships. Engineering students from B.V.M. are the beneficiaries of these scholarships. 15 students each year receive this scholarship which includes amount for their tuition fees, examination fees, hostel fees as well as food charges. We have been granting this scholarships from 2007 onwards, and this year the cheque was handed over to Dr. F.S. Umarigar – Principal of B.V.M. by Shri Prashant Amin our Executive Director.

We take pride in informing our friends that our sponsored and donated Madhuben and Bhanubhai Patel Women's Institute of Engineering for Studies and Research in Computer and Communication Technology (MBICT), that we gave to Charutar Vidya Mandal has released its first batch of engineers. The first batch result came at a flawless 100%. We feel the pride as we are moving ahead in our objective of empowering women to empower the



society.

Children with special needs have a special place in our heart. We through El Care arranged a tour for students of P.C. Bhatt Dumb and Deaf School to Unai, Saputara, Tithal (Valsad), Udwada, Daman and Bharuch with a special interest shown in this activity by our Group Chairman – Shri Prayasvin Patel.

ELF – Elecon Ladies Forum – Bringing Smiles, spreading joy

The Elecon Ladies Forum is a group of ladies who have joined hands for welfare activities. This group is an active participant to all the CSR activities done by us. However these ladies believe in doing a bit extra, walking the extra mile to bring joy and happiness on the faces of the lives



they touch.

They plan and execute various activities and pick up an area and put full strength to bring positive changes in the areas they can cover. Last year they executed a series of activities under 'Khushali – Joyful learning and living'. Khushali is a girl who is always happy, healthy and cheerful. Under this banner various campaigns were done so that every little girl gets a Healthy, Happy and Joyous atmosphere through which each girl becomes the Khushali for their family.

The focus of ELF activities this year but not limiting to it would be 'Education for the Girl Child'. Under this information on Girl Child education would be spread and parents would be motivated to educate their girls. Schools would be educated on having the right kind of infrastructure and facilities that accommodate the needs of a girl child.

ELF carries out various activities in schools for children and not as preachers but friends inculcates good and

healthy habits in them. They also gift generously to children who attend school regularly.

Elecon Ladies Forum also organises activities for working women, so that in their extremely busy schedules which leaves the women with little time for themselves, their health does not take the backseat. ELF organised one such event for the ladies working in Elecon which threw light on ways for High Energy Life, High Energy Working, Healthy Happy Working and Positive Work Attitude to promote work life equilibrium.

Elecon Ladies Forum has surely touched on many lives making positive contributions in the areas they work in. Their spirit and passion towards the causes is a motivation for us all to do something more, to walk the extra mile and as they put it 'Spreading smiles on Faces'.

STRENGTH & GROWTH DRIVERS

ELECON has pioneered in obtaining ISO 9001:2008 version in 2010 in the industrial gear manufacturing industry in India. Its continuous and humble contribution to the industry has made ELECON an ideal choice of gears for various sector viz. Cement, Sugar, Power, Steel, Coal, Ports, etc.

Manufacturing Strength

At Elecon we believe in setting industry benchmarks through continuous improvement.

We have built a state of the art manufacturing plant as an expansion of the Elecon Gear manufacturing facilities. This ultra modern plant helps us double our gear box manufacturing capacity while ensuring world class quality and ensuring timely delivery backed by shortest possible lead time.

Our new facility Bhanubhai Memorial Center of Excellence (BMCE) is helping us improve the total throughput time and also in bringing down costs. Our recently launched EON/EOS series of catalogue gears are amongst the most cost effective in the market.

A robust impetus has been added due to the modernizing of our existing capacity to augment increased demand. Expansion of our range of products in new areas like manufacturing gear boxes for wind turbines of 1MW and 2MW capacity has also taken place. Elecon is poised to enjoy first mover advantage and with it sustained growth, higher margins and revenues.

Growth Drivers

The recession posed some tough questions for Elecon. However, we have succeeded in maintaining our operational momentum and are geared up for continuing this trend by maintaining competitive manpower cost and high level of technology.

Our years of experience give us specialized expertise and knowledge in the manufacturing of Transmission Equipments. The Gear Division over the past years has witnessed growth driven by industrial Capex as our gears have applications in core and key sectors like Power, Steel, Cement, Sugar, etc.

We are looking to extensively penetrate in the Sugar Planetary Gear Boxes and Marine Gear Boxes. We are also exploring new segments like defense, navy, high speed gears, gears for plastic industry and vertical roller mill drive in Power and Cement Industries.

New reforms are on the verge along with steps to counter recession, which in turn will provide more thrust to stability in the price and production of essential commodities resulting into steady growth momentum for the Indian economy.