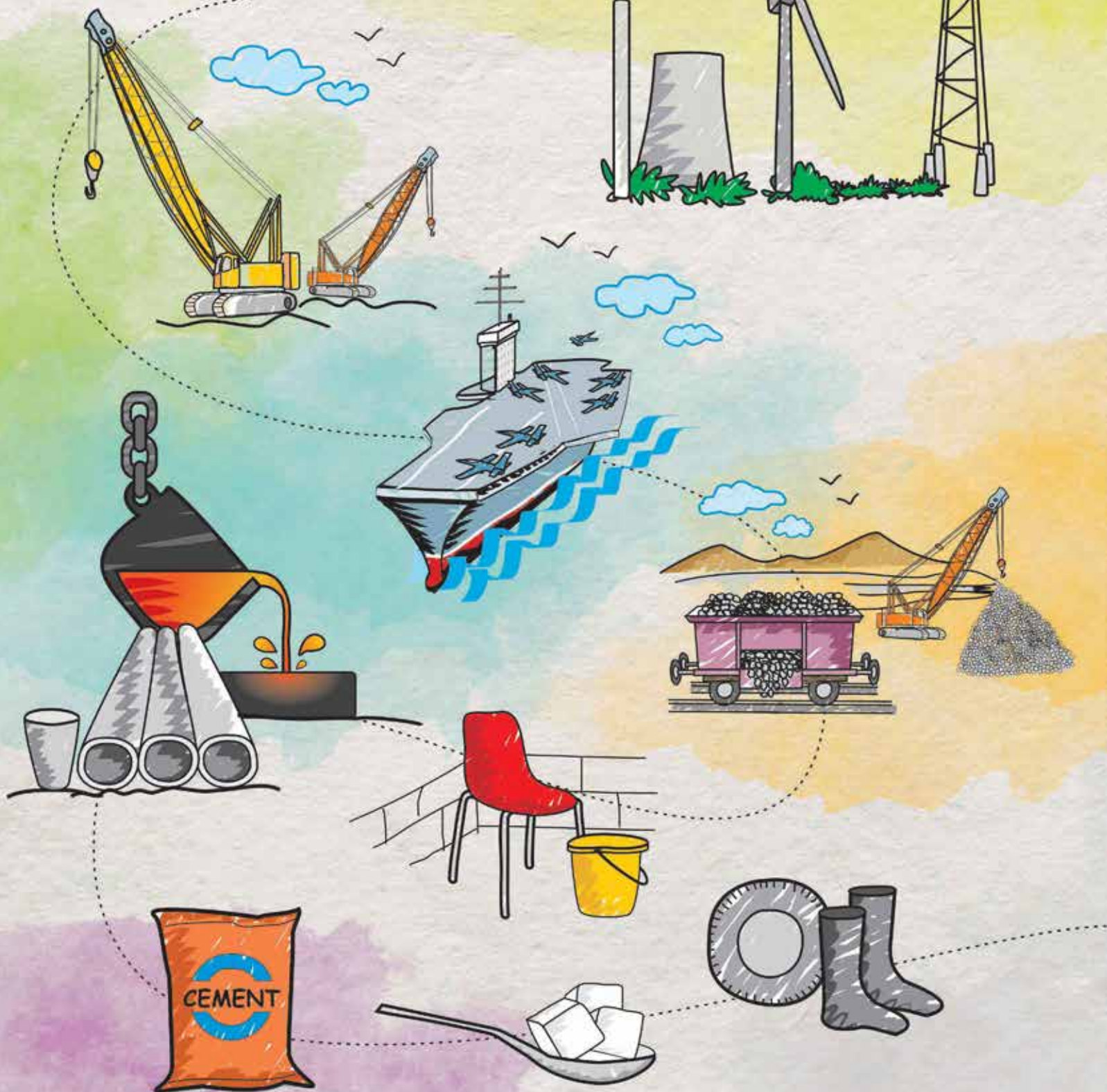
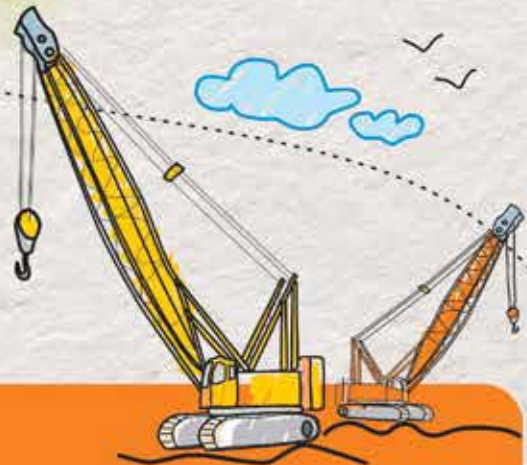


Gearing key sectors and industries



56th Annual Report 2015-16

About Cover



Our over 60 years of experience along with our commitment to excellence and innovation has helped us become Asia's Largest manufacturer of industrial gears. We are acknowledged in the industry for having the most ultramodern facilities in the country.

It is our commitment to technology that has helped us emerge as the supplier of choice for the key sectors like fertilizer, cement, coal, power generation, mining, chemical, steel, port mechanization, minerals & metals processing, etc to name a few. We are proud of our reach in various industries and the appreciation we receive from our clients excites us to keep on improvising to provide even better customer experiences.

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.

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 Limited 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".

We being a technology driven Company are always working on offering enhanced solutions to the sectors we cater to. We have been successful in launching new gears that help us gain the first mover advantage and reinforce our leadership position.

Strategic investments on infrastructure, process enhancement and process optimization through continuous improvement activities help us keep a check on the concept to commissioning processes which result in enhanced value for our clients.

Our operations are spread strategically, so that we are always near to our customers. Our teams of highly skilled and experienced professionals help in root cause analysis and then providing optimum, feasible and cost effective solutions. We are successful in cutting through national and international geographies with significant presence in India and abroad.

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 Parthiv Parikh

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 Limited

R & T Agent

Link Intime India Pvt. Ltd.

Registered Office

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

Five Years at a Glance

(₹ in Mn.)

PARTICULARS	2015-2016				2014-2015		2013-14		2012-13		2011-12
	Consolidated		Standalone		Consolidated	Standalone	Consolidated	Standalone	Consolidated	Standalone	Standalone
	US \$ Mn.	₹ Mn.	US \$ Mn.	₹ Mn.	₹ Mn.	₹ Mn.	₹ Mn.	₹ Mn.	₹ Mn.	₹ Mn.	₹ Mn.
TURNOVER	194.0	12,853	78.3	5,188	13,289	5,032	12,929	5,012	15,268	5,952	13,317
TOTAL INCOME	199.5	13,215	84.2	5,579	13,455	5,259	13,083	5,188	15,342	6,063	13,391
EARNING BEFORE DEPRECIATION, INTEREST & TAX	22.6	1,500	15.8	1,047	1,698	1,065	1,497	1,001	2,082	1,027	2,027
DEPRECIATION & AMORTISATION EXPENSES	10.0	661	7.1	471	716	516	616	454	571	420	424
PROFIT AFTER TAX & MINORITY INTEREST	5.8	382	6.5	432	163	332	137	274	179	85	696
EQUITY DIVIDEND	1.8	120	1.8	120	120	120	112	109	109	109	167
DIVIDEND%	-	-	-	55%	-	55%	-	50%	-	50%	90%
EQUITY SHARE CAPITAL	3.3	218	3.3	218	218	218	218	218	218	218	186
RESERVE & SURPLUS	81.5	5,401	78.1	5,173	5,138	4,886	5,103	4,699	5,160	4,543	4,262
NET WORTH	84.8	5,619	81.4	5,391	5,356	5,104	5,321	4,917	5,378	4,761	4,448
GROSS FIXED ASSETS	142.7	9,454	98.3	6,515	9,270	6,325	9,500	6,346	9,427	6,325	6,912
NET FIXED ASSETS	65.1	4,316	47.2	3,125	4,743	3,356	5,500	3,805	5,827	4,186	4,469
TOTAL ASSETS	306.6	20,313	176.0	11,662	19,676	10,556	20,607	10,624	21,259	10,792	16,794
NUMBER OF EMPLOYEES(Nos.)				694		638		579		697	1,290
KEY INDICATORS	US \$		US \$								
BASIC EARNINGS PER SHARE(₹)	0.05	3.51	0.06	3.96	1.50	3.05	1.26	2.52	1.65	0.78	7.49
DEBT EQUITY RATIO (TOTAL DEBT:EQUITY)	-	1.10	-	0.60	1.03	0.49	1.19	0.53	1.30	0.54	1.21
EBIDTA/TURNOVER %	-	11.67	-	20.17	12.77	21.16	11.58	19.97	13.64	17.26	15.22
NET PROFIT MARGIN%	-	2.97	-	8.32	1.23	6.60	1.06	5.47	1.17	1.43	5.23
RETURN ON NET WORTH%	-	6.80	-	8.00	3.05	6.50	2.58	5.58	3.33	1.79	15.65
RETURN ON CAPITAL EMPLOYED%	-	3.30	-	5.02	1.52	4.30	1.19	3.60	1.50	1.17	7.23

Exchange Rate: 1 US\$ = ₹ 66.25 (as on 31-03-2016).

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

Performance Indicators

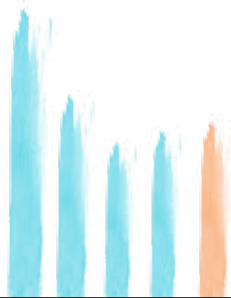
Net Sales

₹ in Mn.

(3.11%)

increase from 2015

₹ 5,188	2016
₹ 5,032	2015
₹ 5,012	2014
₹ 5,952	2013*
₹ 13,317	2012



2012 - 2016

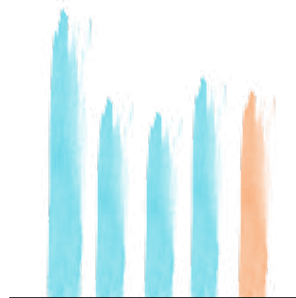
EBIDTA

₹ in Mn.

(1.72%)

decrease from 2015

₹ 1,047	2016
₹ 1,065	2015
₹ 1,001	2014
₹ 1,027	2013*
₹ 2,027	2012

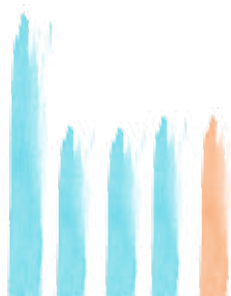


2012 - 2016

Dividend

in %

55%	2016
55%	2015
50%	2014
50%	2013
90%	2012



2012 - 2016

*Decrease because of Scheme of Arrangement.



Management Insight



Fiscal 2016 was a rewarding year for our gear business with a record order booking during the fiscal. We closed financial year on a robust order book that would ensure business momentum for the coming fiscal. Going forward, we will strive to ensure that we continue excelling in our technology and execution such that our reputation continues to enhance in the market place. From a group standpoint, the merger of the material handling business back into the parent would deliver economics of scale and financial benefits that would benefit both the Companies and the Shareholders. I would reiterate that Elecon Engineering is committed to our objective of maximizing shareholder returns over a long period.

Prayasvin Patel - Chairman & Managing Director



We had a great year with business growing in core defence sector. However, demand in key sectors such as steel sector and cement sector continued to remain sluggish. While cement industry is showing some positive improvements we would think that the steel industry would still take a little bit longer time before we start seeing some capital investment in that industry. We remain confident on our business outlook from these sectors in the long run. From an operational perspective, we continue to excel in upgrading technology and we are confident that with the uptick in economy, a favourable budgetary policy put in place by the government, and the integration of synergies of material handling and gear business would make us strong to address pipeline of opportunities for the coming years.

Prashant Amin - Executive Director



We have been in the forefront in technical development and enhancements. Not only do we have many firsts to our credit but also enjoy the first mover advantage. Our long standing commitment to technology is getting appreciated and rewarded by the markets which helps us in keeping on stronghold as the supplier of choice for major core sectors.

With the Indian economy slowly opening up and the reforms bringing in a lot of investments in India we are confident of a positive 2016-2017.

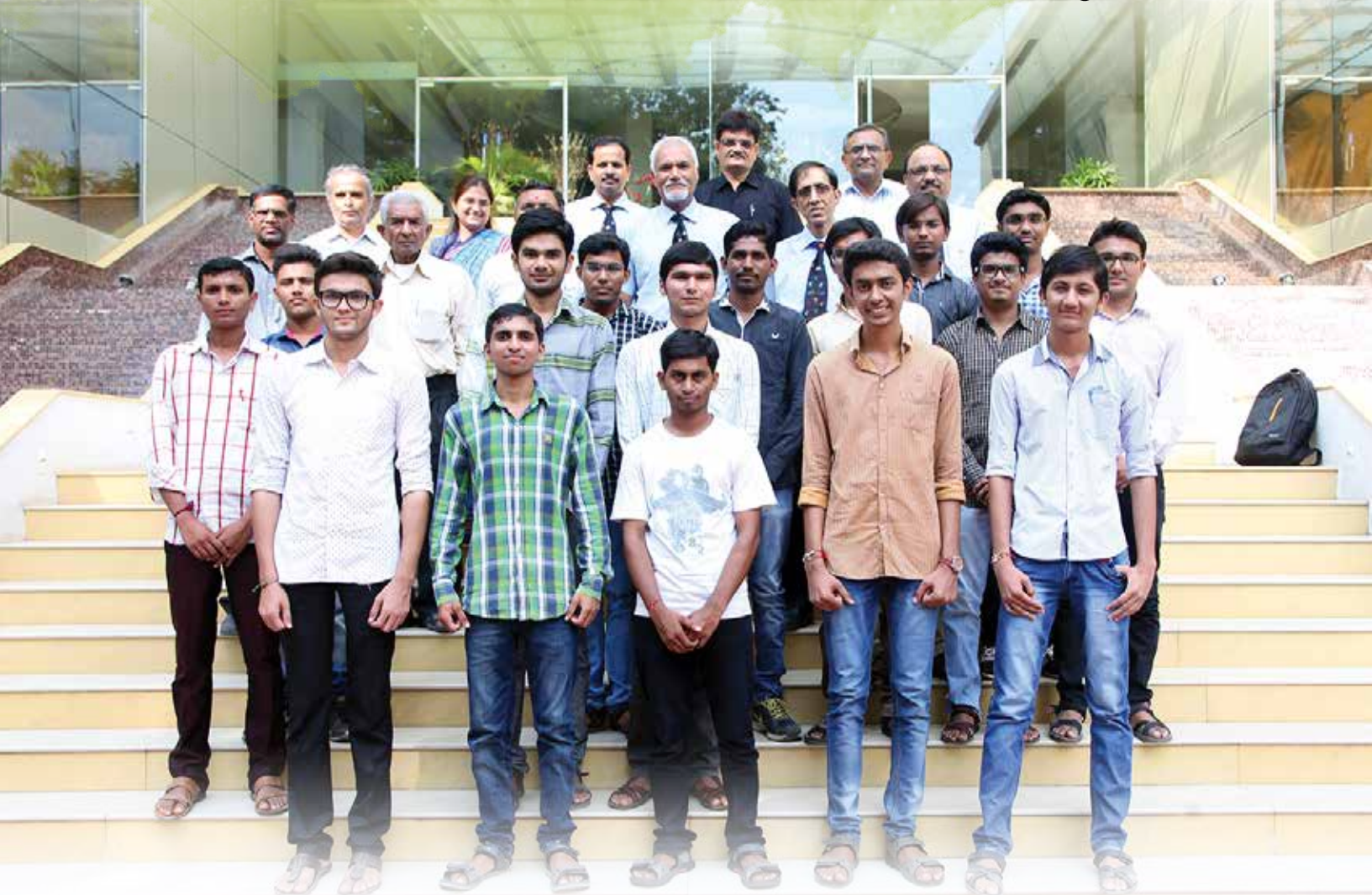
Dinesh Patel - Group Technical Director



Fiscal 2016 has been a year of steady improvement for our gear business. We have worked on our operating efficiencies and as a result demonstrated an uptick in the margins. The engineering sector was affected due to the economic downturn. Despite this, we bagged some high profile orders and closed this fiscal with a positive trend both in the orders booked and execution. This demonstrates the outlook we have for the coming fiscal. We continue our focus on disciplined financial practices. We believe we are on course to deleverage some part of the balance sheet. The strategic merger of our gear business with the material handling business announced recently should provide us with advantages including higher levels of efficiencies, gain in productivity and significant cost advantages. We believe the efforts underway by the Government to kick start the economy and more importantly the engineering sector would benefit Elecon Engineering in the long run.

Rajat Jain - Chief Financial Officer

Corporate Social Responsibility



Elecon has been contributing to the society in a positive way since its inception. We have undertaken multiple tasks way before CSR was mandated by the government.

Elecon undertakes CSR activities primarily through its social services wing 'El-Care' and 'ELF' under the umbrella of M/s. B. I. Patel Trust, spearheaded by Mr. Prayasvin Patel – Group Chairman and Mrs. Taruna Prayasvin Patel – C.E.O., Emtici Engineering Group of Companies recognized for their efforts by 'Charotar Ratna' and 'Achiever of Excellence' awards respectively.

Our activities consist of our regular causes that we support and also stand alone cases that come to our attention.

Some of the activities carried out by us include:

EDUCATION:

Elecon believes in the power of education to change the world for the better. Elecon facilitates economically weaker but meritorious students by giving out complete scholarships which includes the expenses towards their



boarding and lodging. 15 students from each academic year are awarded this scholarship, so on a rolling basis now we are giving this scholarship to 60 students. Elecon donated generously and is still contributing to Madhuben and Bhanubhai Patel Women Institute of Engineering for Studies and Research in Computer and Communication Technology (MBICT), which is the first women engineering college of Gujarat. We have donated computers to a

municipal school at Gana village (village that we have adopted). We have been supporting the I.B. Patel English School and we have been making contributions to Anoopam Mission – An NGO that works for the upliftment and inclusion of differently abled children.

HEALTHCARE:

Elecon believes that you can do anything if you are supported with good health. Having realized that, Elecon generously donated to the Bhanubhai and Madhuben Patel Cardiac Center – a state of the art cardiac center for all kinds of pediatric and adult cardiac diseases. It is equipped with all modern facilities and infrastructure needed for quality cardiac care, and caters to patients transcending national boundaries. Blood donation is one of the most significant contributions that a person can make towards the society. Elecon, in conjunction with local blood banks organizes blood donation camps. In one such camp we collected record number of units. Elecon also facilitates health check up camps, eye check up camps and health awareness camps in and around the area that we operate. We provide free eye gear for people of these villages, which require immediate attention but cannot afford. Elecon is also educating the people on the importance of organ donation and organizes seminars for this cause with noted doctors.

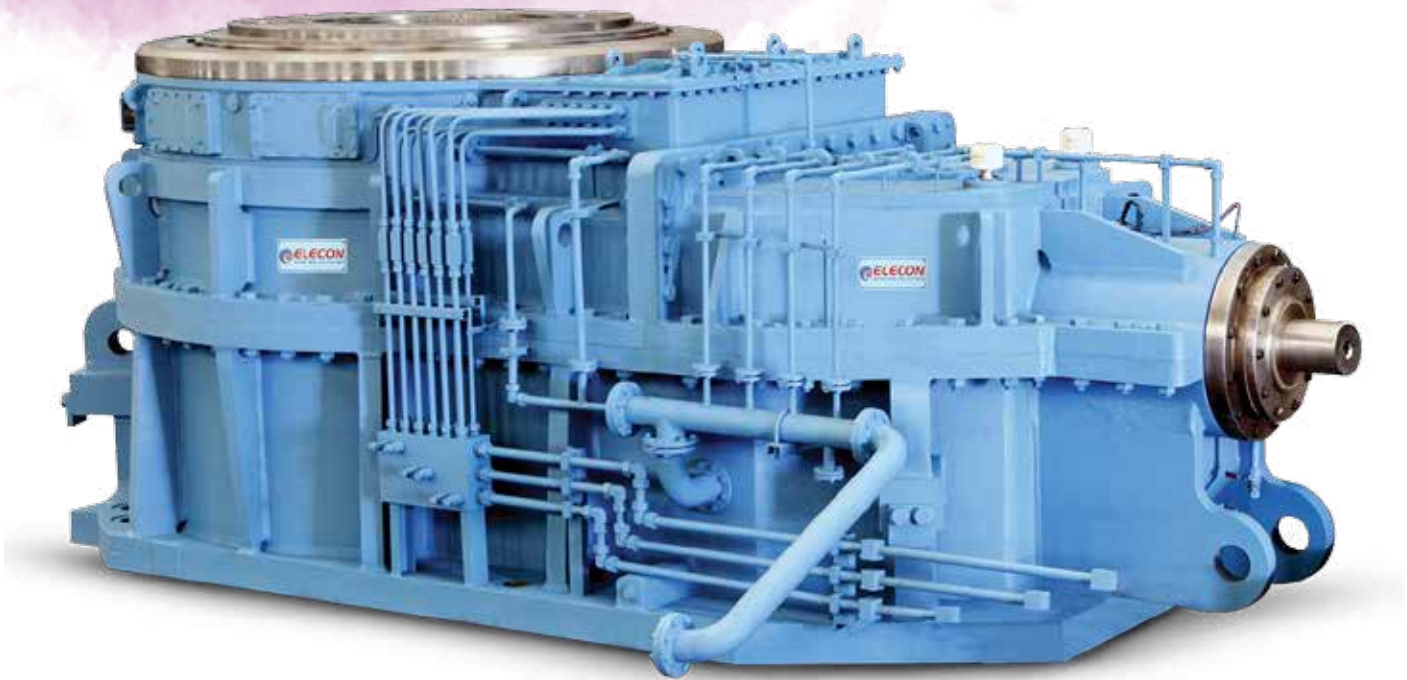
ENVIRONMENT:

Being the pioneers in offering sophisticated solutions for various industries, Elecon realizes that it is important that we take care of the environment also. Our product offerings are such that they cause least possible negative impact on the environment. We nurture the environment and support such causes as well. Elecon donated and helps maintain three gardens in the vicinity of Vallabh Vidyanagar. Also all our facilities have lush green gardens and have a good green cover. Elecon sponsored 'Greenathon' an initiative of Voluntary Nature Conservancy (VNC) to create environmental awareness. We supported the call of the Honorable Prime Minister of India of 'Swachh Bharat Abhiyaan' and organized a local drive in and around our facilities. Our inter-company initiatives have been appreciated by United Nations Environment Program (UNEP)

The contributions of Elecon towards the society are not limited to the causes mentioned here but our dedicated team tries to study and understand the needs of the society and proposes areas where we can collaborate with them effectively for a better future.



Strength & Growth Drivers



Elecon's largest Vertical Roller Mill Drive Gearbox for Raw Mill of Cement Plant

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 a state of the art gear manufacturing plant. This ultra modern plant helps us in ensuring world class quality and ensuring timely delivery backed by shortest possible lead time.

Our new facility Bhanubhai Memorial 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. In the same line we have updated our assembly shop to have more outputs.

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 gearboxes for sugar mill upto 7.5 Mi. Nm torque, VRM gearboxes with weight upto

110 Ton 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 gives 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, Defence, etc.

We are in the Sugar sector by supplying Small & Large Planetary Gear Boxes. We have already received large orders for supply of marine gear boxes and we are looking for more opportunities in near future.

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.