

India ready
We are ready



57th annual report
2016-17





about cover

As India gears up for the next growth revolution, making us a front-runner amongst the “Third World Nations”, the whole world has started to look at us as a land of opportunities. After historical amendments into the financial system, it may seem that the roadmap for the nation’s growth is set and is firm.

For over six decades, Elecon has established its reputation of trust and most modern innovations in the realm of Industrial Gears, Power Transmission and labor-less Material Handling. Elecon has emerged as the largest manufacturer of Industrial gears in Asia and continues to be so.

As the Pioneer and the market leader, our prime focus remains on research and development, providing support to growth sectors such as fertilizer, cement, coal, power generation, mining, chemical, steel, port-mechanisation, minerals & metals processing sectors. As our prophecy states - “Technological innovation is the key to excel”.

As a Company, Elecon focuses largely on staying ahead in technological innovation.

Understanding the market trends and then innovating to create opportunities and capitalising on them by providing the best potential solutions, to take on any challenges.

Our excellence can be adjudged by our successful contracts with ISRO and The Indian navy for their power transmission needs. We also have the longest Material Handling projects completed successfully, to our name.

Elecon rather than just being a successful company is more of a responsible organisation. When it is about inclusive growth and sustainable development our team takes on our CSR as a priority.

Living to our motto of ‘Lets preserve the environment’, all our facilities consciously work towards preserving, nurturing and sustaining the nature for a better future.

contents

elecon at a glance

Board of Directors	02
Five Years at a Glance	03
Performance Indicators	04
Management Insight	05
Corporate Social Responsibility	06
Strength & Growth Drivers	08
Board's Report	12
Management Discussion and Analysis	19
Corporate Governance Report	45
Auditors' Report	65
Balance Sheet	72
Statement of Profit and Loss	74
Cash Flow Statement	76
Significant Accounting Policies	78
Notes on Financial Statement	89
Auditors' Report on Consolidated Financial Statements	138
Consolidated Balance Sheet	142
Consolidated Statement of Profit and Loss	144
Consolidated Cash Flow Statement	147
Significant Accounting Policies	149
Notes on Consolidated Financial Statement	161
Notice of AGM	213

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 BSE Limited and in November, 2006 on National Stock Exchange of India Limited.

In 1963, the Company started manufacturing of Transmission Equipment's. In 1976, the Company established its separate Gear Division, specializing 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".

Elecon EPC Projects Limited merged with the Company when the Hon'ble High Court of Gujarat, approved the scheme of amalgamation of Elecon EPC Projects Limited (Transferor Company) with the Company. The appointed date of the scheme was March 30, 2015 and it became effective from October, 2016. With this, the Material Handling Equipments (MHE) business of Elecon EPC Projects Limited transferred to the Company. Now the Company is having two segments/divisions – Gear Division & MHE Division.

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.

Our business activities of Elecon are spread out in the area covering wide space in lakhs of sq. meters together with all infrastructure facilities, buildings and structures thereon.

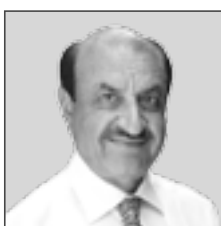
board of directors



Shri Prayasvin B. Patel
Chairman & Managing Director



Shri Prashant C. Amin
Executive Director



Shri Pradip M. Patel



Shri Chirayu R. Amin



Shri Jal R. Patel



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
B S R & Co. LLP,
Chartered Accountants

Bankers

State Bank of India
Bank of Baroda
EXIM Bank of India
Axis Bank Limited
HDFC Bank Limited
IDBI Bank Limited
IndusInd Bank Limited

R & T Agent

Link Intime India Private Limited

Registered Office

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

five years at a glance

	2016-17 #				2015-16 #		2014-15		2013-14		2012-13	
Particulars	Consolidated		Standalone		Consolidated	Standalone	Consolidated	Standalone	Consolidated	Standalone	Consolidated	Standalone
	US \$ Mn.	₹ Mn.	US \$ Mn.	₹ Mn.	₹ Mn.	₹ Mn.	₹ Mn.	₹ Mn.	₹ Mn.	₹ Mn.	₹ Mn.	₹ Mn.
TURNOVER	196.6	12,747	153.7	9,965	13,655	10,647	13,289	5,032	12,929	5,012	15,268	5,952
TOTAL INCOME	197.9	12,832	154.9	10,043	13,952	10,960	13,455	5,259	13,083	5,188	15,342	6,063
EARNING BEFORE DEPRECIATION, INTEREST & TAX	25.30	1,640	24.0	1,558	1,638	1,424	1,698	1,065	1,497	1,001	2,082	1,027
DEPRECIATION & AMORTISATION EXPENSES	8.2	532	7.4	481	621	557	716	516	616	454	571	420
PROFIT AFTER TAX & MINORITY INTEREST	1.7	108	3.2	211	374	365	163	332	137	274	179	85
EQUITY DIVIDEND	0.9	56	0.9	56	120	120	120	120	112	109	109	109
DIVIDEND%	-	-	-	25%	-	55%	-	55%	-	50%	-	50%
EQUITY SHARE CAPITAL	3.5	224	3.5	224	218	218	218	218	218	218	218	218
RESERVE & SURPLUS	106.0	6,874	109.0	7,069	6,825	7,016	5,138	4,886	5,103	4,699	5,160	4,543
NET WORTH	93.50	6,066	111.4	7,223	5,911	7,155	5,356	5,104	5,321	4,917	5,378	4,761
GROSS FIXED ASSETS	144.7	9,385	135.2	8,769	9,177	8,651	9,270	6,325	9,500	6,346	9,427	6,325
NET FIXED ASSETS	116.5	7,553	115.6	7,496	7,862	7,825	4,743	3,356	5,500	3,805	5,827	4,186
TOTAL ASSETS	323.0	20,944	286.6	18,587	22,061	19,759	19,676	10,556	20,607	10,624	21,259	10,792
NUMBER OF EMPLOYEES(Nos.)				1,143		1,244		638		579		697
KEY INDICATORS	US \$		US \$									
BASIC EARNINGS PER SHARE (₹)	0.01	0.96	0.03	1.88	3.33	3.25	1.50	3.05	1.26	2.52	1.65	0.78
DEBT EQUITY RATIO												
(TOTAL DEBT:EQUITY)	-	0.82	-	0.63	0.79	0.79	1.03	0.49	1.19	0.53	1.30	0.54
EBIDTA*/TURNOVER %	-	12.87	-	15.64	12.00	13.37	12.77	21.16	11.58	19.97	13.64	17.26
NET PROFIT MARGIN%	-	0.84	-	2.11	2.74	3.43	1.23	6.60	1.06	5.47	1.17	1.43
RETURN ON NET WORTH%	-	1.77	-	2.92	6.32	5.10	3.05	6.50	2.58	5.58	3.33	1.79
RETURN ON CAPITAL EMPLOYED%	-	0.52	-	2.84	2.82	4.94	1.52	4.30	1.19	3.60	1.50	1.17

Financial details of FY 17 & FY 16 are as per IndAS, notified by MCA and after giving effect of Scheme of Amalgamation.

Exchange Rate: 1 US\$ = ₹ 64.845 (as on 31-03-2017)

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

performance indicators

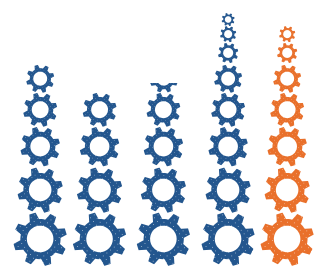
Net Sales

₹ in Mn.

(6.41%)

Decrease from 2016

₹ 9,965	2017*
₹ 10,647	2016*
₹ 5,032	2015
₹ 5,012	2014
₹ 5,952	2013



2013 - 2017

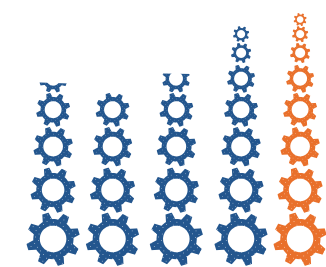
EBIDTA

₹ in Mn.

(9.43%)

Increase from 2016

₹ 1558	2017*
₹ 1424	2016*
₹ 1065	2015
₹ 1001	2014
₹ 1027	2013

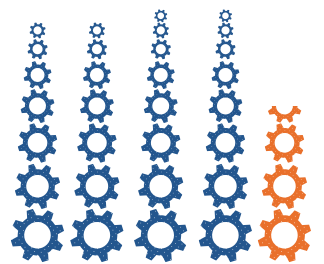


2013 - 2017

Dividend

in %

25%	2017
55%	2016
55%	2015
50%	2014
50%	2013



2013 - 2017

*Change because of Scheme of Amalgamation.

management insight



Fiscal 2017 was a mixed year for our business as the economy witnessed macro events that led to a subdued demand in few of the core sectors. The drop in the business activity seems to have bottomed out as we anticipate a recovery in the economy going forward which should translate into business opportunity for Elecon. At Elecon, we continue to remain focused on operations and execution as we intend to maintain our stronghold both in the gears as well as the material handling business.

Prayasvin Patel - Chairman & Managing Director



Amidst a subdued business environment, the focus continued to center around execution and operational efficiencies. While operations at our customer end were affected by the government's demonetization drive, our business showed positive trends on account of improved efficiencies, new technology initiatives and cost reduction. We believe our gear and material handling divisions are well placed to benefit from an uptick in the overall economy.

Prashant Amin - Executive Director



We are happy to conclude fiscal 2017 with the objectives set for the year. We now are a consolidated entity with our two businesses synergizing under a single brand. While this has now been achieved, our next goal is to align our efficiencies to improve performance and recalibrate our business towards the emerging opportunities that we anticipate over a period of time. We believe that the years going forward would witness improvement in the overall economic activity as the government continues to emphasize on various initiatives supporting the sectors we operate in.

Rajat Jain - Chief Financial Officer

corporate social responsibility



"We make a living by what we get; we make a life by what we give." – Anonymous

Elecon group of companies are the true philanthropist who have been generously contributing towards the betterment of the society and the planet, much before there was a mandate from the Government.

Elecon takes on its CSR initiatives through two dedicated wings; namely EI-care and ELF, under M/s. B. I. Patel Charitable Trust, headed by Mr. Prayasvin Patel – Group Chairman and Mrs. Taruna Patel – CEO Emtici Engineering.

They have been recognized for their contributions made and have been honoured with 'Charotar Ratna' and 'Achiever of Excellence' respectively.

At Elecon, we plan and conduct various awareness activities, health camps, contribute towards education, work towards saving the environment and also help standalone cases.

Though our contributions are made towards several noble causes, the important ones are highlighted as follows.



ELECON LADIES FORUM (ELF) INITIATIVE – KHUSHALI

Elecon ladies forum adopted an initiative called Khushali – Towards joyful learning and living. This initiative was a vision for healthy, happy and colorful atmosphere for girl child. It focuses primarily on girls aged between 6 years to 16 years and work on the overall motto of saving the girl child, girl child education, awareness on health & hygiene, teaching self-protection.

It is essential to understand and educate that as we enter into the new era where women are given equal respect and opportunities as men, it is also their right to be happy.

EDUCATION

At Elecon, we're believers who preach that education can bring about great changes in the society. Elecon facilitates scholarships to meritorious but financially poor students, the ones who need it the most. Elecon funds 60 engineering students of BVM Engineering College each year, and has been doing it for many years. We also fund the "Best Business Idea Award" for the Semcom College to promote the spirit of entrepreneurship amongst young students.



Elecon supports a differently abled school in Sojitra and hence contributes towards uplifting them. We at Elecon have also adopted a village called Gana and support their municipal school.

Other than these, Elecon donates and supports various other educational institutions and causes and also makes contribution to Anoopam Mission – An NGO that works towards uplifting differently abled children.

HEALTHCARE

If one has the gift of good health, they can achieve great heights. Believer of the prophecy, Elecon cares for people around and their good health. We generously donate towards Bhanubhai and Madhuben Patel Cardiac Centre at Shree Krishna Hospital, Karamsad - a state of art cardiac center for all kinds of pediatric and adult heart diseases.

Blood donation is the greatest form of donation. We, with the help and support of the local blood banks, organize blood donation camps. Leadership drives the noble cause as most top leaders at Elecon themselves donate blood and thus lead by example, followed by volunteers.



Elecon also facilitates health check-up camps, eye-camps, eye-gear distribution camps, health and hygiene camps in and around Charutar region. Elecon is also educating people on the importance of organ donation by organising seminars with noteworthy medical doctors.

ENVIRONMENT

As the Pioneer in the realm of engineering innovative solutions, we at Elecon are sensitive towards the environment. Not only our product ranges comply with non-polluting standards, we're also gradually adopting Green building model systems into our organization.

Not only has Elecon given three public gardens to the town, we have actively participated in tree plantation activities at schools and offices to inspire others.

As we lead by example, we help the ones who support such causes and to motivate them. Elecon strongly supports a local NGO named Voluntary Nature Conservancy (VNC) who actively work towards saving the environment and creating the awareness towards sustainable development.

material handling equipment division



▲ 5 Km. long high speed Downhill conveyor system, NMDC KIOP, Donimalai, Bellary district of Karnataka.

Strengths

At Elecon, we have a state of the art manufacturing facility spanning 1,17,000 sq. meters, equipped with new generation CNC and NC machines tools and equipment for manufacturing, quality control and testing. Our superior manufacturing infrastructure coupled with our highly skilled and experienced workforce ensures that our products and solutions are robust and dependable for years to come.

We, being the pioneer in the industry are always on the lookout for new developments, expansion of our product range and continuous improvement of our current offerings. Some of our new advancements include pipe conveyors, high speed rollers, as well as yard management and man-less machine operation.

Achievements

- Successfully commissioned 5 km long and 2000 TPH capacity downhill conveyor system, a highly complex and challenging project because of its topography, for NMDC-KIOP at Donimalai, Bellary district of Karnataka.
- Successfully completed project for pipe conveyor of 7.5 km and 1500 TPH capacity, one of the longest conveyors in the world for Manikgarh Cement.
- Only company in India successful in getting RDSO approval in compliance with G-33 Rev-I for C-type wagon tippler at Wonder Cement and Rota Side wagon tippler at Haldia Energy Limited.
- Designed and manufactured largest barrel reclaimer