

67\* NOT OUT

*Elecon's journey of distinction*



## COVER STORY

# 67\* NOT OUT

Elecon is a company with international standards and world-class capabilities, which stands as Asia's largest gear manufacturer and an integrated solution provider for entire value chain of Material Handling Systems. Elecon started its journey of excellence Sixty-seven year ago and today, our business model comprises of complete range of Engineering, Construction, Product Sales and Services; delivering single-point solutions for our prestigious clients.

Driven by vision of creating a pan-global presence in power transmission, Elecon has developed a range of products that match the best in the business in terms of quality & innovation. Over the years we have established our footprint across the globe, including acquisitions in UK, USA and Europe. We take pride in being part of India's success story in Space Technology and Defence sector by executing repeat orders from ISRO and the Indian Navy. Our state-of-the-art production facilities include ultra-modern Lean Manufacturing unit located in picturesque surroundings, which truly portrays the visions of our founder Late Shri Bhanubhai Patel and his life's work.

Industry leader for over six decades, Elecon's Material Handling Equipment division offers quality products and services to the core sector industries in Power and Steel, Mines, Cement, Fertilizer, Ports & Special Conveyors. We have associated with several challenging projects among which 7.5 kilometers long pipe conveyor at Manikgarh Cement and 5 kilometers long downhill conveyor for NMDC iron ore project occupy a place of pride in Elecon's hall of fame. Our journey towards achieving excellence-everywhere and retaining our position as 'most preferred' continues unabated.

Inclusive growth, community service and conservation of environment are fundamental to our ethos. We make a living by what we get, but we make a life by what we give.

# CONTENTS

Board of Directors	02
Five Years at a Glance	04
Performance Indicators	05
Management Insight	07
Corporate Social Responsibility	08
Strength & Growth Drivers	10
Board's Report	14
Management Discussion and Analysis	22
Corporate Governance Report	48
Auditors' Report	67
Balance Sheet	74
Statement of Profit and Loss	76
Cash Flow Statement	78
Significant Accounting Policies	80
Notes on Financial Statement	91
Auditors' Report on Consolidated Financial Statements	134
Consolidated Balance Sheet	138
Consolidated Statement of Profit and Loss	140
Consolidated Cash Flow Statement	143
Significant Accounting Policies	145
Notes on Consolidated Financial Statement	157
Notice of AGM	203

## ELECON AT GLANCE

Elecon Group was founded in the year 1951 in Goregaon, Mumbai by Late Shri Ishwarbhai B. Patel. Initially, the Company manufactured conveyor systems under a trading company with a focus was on Engineering, Procurement and Construction projects in India.

Elecon Engineering Company Limited was incorporated as a Private Limited Company on January 11, 1960. In May 1960, the Company relocated its base to the current location in Vallabh Vidyanagar, Gujarat. Later in June 1962, the Company was listed on the Bombay Stock Exchange Limited and in November 2006 on National Stock Exchange of India Limited.

In the year 1963, the Company started manufacturing power transmission equipment. In 1976, the Company established an independent Gear Division, specializing in power transmission equipment. With an expertise of over Six-decades, the Company has successfully established its position as Asia's largest gear manufacturing company, directed by its global presence in Asia, US, UK and Europe. Elecon was the pioneer to introduce the modular design concept and case hardened & ground gear technologies in India. The Company has a proven track record in designing and manufacturing of worm gears, parallel shaft, right-angle shaft, helical & spiral level helical gears, fluid geared & flexible couplings, as well as the planetary gearboxes. With a vision of global dominance, Elecon has developed a complete range of products that match the best in the business in terms of quality and innovation and has an ultramodern Lean Gear Manufacturing unit known as the BMCE.

Elecon has always focused towards success through the Mantra of "Innovation, Change and Adaptability to the Change". Other than offering a complete range of power transmission solutions, Elecon is also an integrated solution provider for entire value chain of Material Handling Systems managed under its MHE Division. The MHE Division of Elecon has been successfully associated with numerous milestone projects in India, making us one of the most successful names offering complete Material Handling Equipment solutions.

Elecon takes pride in revolutionizing India's success story. The Company has been a leading name in Space Technology, Defence, Steel, Mining, Power Sectors and many more. Within the last decade, the Gear Division has doubled its manufacturing capacity, revamped its internal component production and has a dedicated workforce for a responsive after-sales service.

With the prophecy of great customer satisfaction, Elecon has strategically devised its presence in India and foreign locations. Our teams of highly skilled and experienced professionals help in analyzing the root-cause and then providing optimally feasible and cost effective project management solutions.



# BOARD OF DIRECTORS

A portrait of Shri Prayasvin B. Patel, a man with dark hair and a mustache, wearing a blue suit and a patterned tie. He is sitting in front of industrial machinery, possibly a large gear or part of a machine.

**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 Kamlesh Shah

#### Company Secretary

Smt. Bharti Isarani

#### Auditors

B S R & Co. LLP,  
Chartered Accountants

#### Bankers

State Bank of India  
Bank of Baroda  
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

	2017-18 #				2016-17 #		2015-16 #		2014-15		2013-14	
Particulars	Consolidated		Standalone		Consolidated	Stand-alone	Consolidated	Stand-alone	Consolidated	Stand-alone	Consolidated	Stand-alone
	US \$ Mn.	₹ Mn.	US \$ Mn.	₹ Mn.	₹ Mn.	₹ Mn.	₹ Mn.	₹ Mn.	₹ Mn.	₹ Mn.	₹ Mn.	₹ Mn.
TURNOVER	182.9	11,897	141.4	9,195	12,747	9,965	13,655	10,647	13,289	5,032	12,929	5,012
TOTAL INCOME	183.8	11,952	143.0	9,301	12,832	10,043	13,952	10,960	13,455	5,259	13,083	5,188
EARNING BEFORE DEPRECIATION, INTEREST & TAX	17.8	1,160	15.5	1,006	1,640	1,558	1,638	1,424	1,698	1,065	1,497	1,001
DEPRECIATION & AMORTISATION EXPENSES	8.1	529	7.4	481	532	481	621	557	716	516	616	454
PROFIT AFTER TAX & MINORITY INTEREST	1.2	76	1.2	81	108	211	374	365	163	332	137	274
EQUITY DIVIDEND	0.3	22	0.3	22	56	56	120	120	120	120	112	109
DIVIDEND%	-	-	-	10%	-	25%	-	55%	-	55%	-	50%
EQUITY SHARE CAPITAL	3.4	224	3.4	224	224	224	218	218	218	218	218	218
RESERVE & SURPLUS	105.6	6,865	108.9	7,083	6,874	7,069	6,825	7,016	5,138	4,886	5,103	4,699
NET WORTH	90.4	5,878	111.5	7,252	6,066	7,223	5,911	7,155	5,356	5,104	5,321	4,917
GROSS FIXED ASSETS	149.4	9,717	135.3	8,798	9,385	8,769	9,177	8,651	9,270	6,325	9,500	6,346
NET FIXED ASSETS	109.2	7,101	108.8	7,080	7,553	7,496	7,862	7,825	4,743	3,356	5,500	3,805
TOTAL ASSETS	333.2	21,675	300.5	19,547	20,944	18,587	22,061	19,759	19,676	10,556	20,607	10,624
NUMBER OF EMPLOYEES(Nos.)						1,143		1,244		638		579
KEY INDICATORS	US \$		US \$									
BASIC EARNINGS PER SHARE (₹)	0.00		0.01	0.72	0.96	1.88	3.33	3.25	1.50	3.05	1.26	2.52
DEBT EQUITY RATIO												
(TOTAL DEBT:EQUITY)	-	0.83	-	0.68	0.82	0.63	0.79	0.79	1.03	0.49	1.19	0.53
EBIDTA* / TURNOVER %	-	9.75	-	10.94	12.87	15.64	12.00	13.37	12.77	21.16	11.58	19.97
NET PROFIT MARGIN%	-	0.64	-	0.88	0.84	2.11	2.74	3.43	1.23	6.60	1.06	5.47
RETURN ON NET WORTH%	-	1.29	-	1.11	1.77	2.92	6.32	5.10	3.05	6.50	2.58	5.58
RETURN ON CAPITAL EMPLOYED%	-	0.06	-	0.64	0.83	1.72	2.82	4.94	1.52	4.30	1.19	3.60

# Financial details of FY 18, FY 17 & FY 16 are as per IND AS, notified by MCA.

Exchange Rate: 1 US\$ = ₹ 65.0441 (as on 31-3-2018)

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

# PERFORMANCE INDICATORS

## Net Sales

₹ in Mn.



## 2014 - 2018

7.73%

Decrease from 2017

- ₹ 9,195 2018\*
- ₹ 9,965 2017\*
- ₹ 10,647 2016\*
- ₹ 5,032 2015
- ₹ 5,012 2014

## EBIDTA

₹ in Mn.



## 2014 - 2018

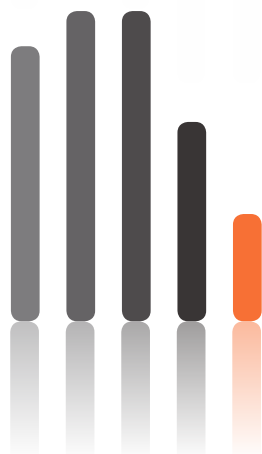
35.43%

Decrease from 2017

- ₹ 1,006 2018\*
- ₹ 1,558 2017\*
- ₹ 1,424 2016\*
- ₹ 1,065 2015
- ₹ 1,001 2014

## Dividend

in %



## 2014 - 2018

- 10% 2018
- 25% 2017
- 55% 2016
- 55% 2015
- 50% 2014

\*Change because of Scheme of Amalgamation.







Single flight, long distance pipe conveyor with triangular gantry and moveable maintenance trolley at Manikgarh cement (1,500 TPH)



# MANAGEMENT INSIGHT



The year gone by has been a mixed bag for our business performance. While, initially, the business faced some operational and macroeconomy headwinds, there was a gradual revival in the business activity towards the end of the fiscal year. Our gears division continues to maintain its growth momentum although the recovery in the material handling segment at the macro level remained weak. From a strategic standpoint, we continue to address business challenges through a shift to product-based business and a gradual exit from the troubled projects. As we see a significant revival in the cement and steel sector on the back of government's ongoing thrust on infrastructure sector, we remain optimistic about the business and focus on delivering operational excellence.

**Prayasvin Patel** - Chairman & Managing Director



Fiscal 2018 was a challenging year for the industry and economy per se. Amidst the disruption caused by the rollout of GST affecting the macro activity, our continued focus on streamlining operations, cost reduction and technology initiatives helped the company in maintaining positive performance. While we continue to encounter challenges in the MHE business, we are continuously taking remedial steps and focusing on growing our order book. We believe that ongoing revival in the economy and the sectors in which we operate augurs well for the growth prospects for the company.

**Prashant Amin** - Executive Director



Our performance has been muted for the fiscal year as we faced dual headwinds both on the macro and at company front. Our MHE division faced major challenges during the year and as a corrective measure, we continued to exit the troubled projects and streamline our operations. While we continue to consolidate our MHE division to a product-based approach, we have also increased our focus on improving the profitability in the gears business. We expect our strategy to result in improved performance from gears division and exports in the coming year with significant improvement in margins. With the gradual pickup in economic activity and increased order inflows, we are already seeing signs of recovery in the business. As such, we remain positive on the business outlook and are confident of a turnaround in the Company's performance.

**Kamlesh Shah** - Chief Financial Officer

# CORPORATE SOCIAL RESPONSIBILITY



## ***"We rise by lifting others." – Anonymous***

Elecon Group of Companies generously contribute towards the betterment of the society through various initiatives.

Elecon Group takes on its CSR through two dedicated wings; namely El-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.

Elecon conducts several social activities, health & awareness camps, encourages efforts towards sustainable development and sometimes also helps standalone cases. Amongst the many activities towards noble causes, the important ones can be highlighted as below.

### **EDUCATION**

Elecon believes in excellence and understands the true importance of good education. Elecon facilitates



scholarships to meritorious but financially poor students, the ones who need it the most. Elecon provides funding to 60 engineering students of the BVM Engineering College each year.

Elecon also offers support to a differently-abled school in Sojitra and contributes towards their upliftment. Elecon has also adopted a village called Gana and support their municipal school.

Apart from these, Elecon supports other educational institutions and their causes. We offer support to Anoopam Mission – An NGO that works towards uplifting differently abled children in Mogri and a school at Gokalpura.