

52nd Annual Report 2011-12

ELECON 



let's preserve our environment

About cover



We at Elecon, firmly believe, that saving the nature has become a scientific movement, embodying the leadership of going beyond the traditional scope of nature conservancy, of protecting the land, water and biodiversity. This has helped in facing the toughest environmental challenge. Knowing the value of nature of what it offers, we are directed towards protecting it.

Here, we commit ourselves in creating a well defined approach, by identifying the conservation issues and finding the tools and resources and resolving them. Each one of us at Elecon, have become a part of perseverance, in assisting the efforts made around the globe, in saving the mother earth. We consider this, to be critical to the vision of healthy and prosperous planet earth. We are sure of making a positive impact around the world.

“Let’s Preserve Our Environment”.....

And the Environment Will Preserve Us.....

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Elecon at a glance

Elecon Engineering is a leader in industrial gears with a market share of approx. 25% and it also has a dominant presence in the MHE space. Elecon has also proved as leading manufacturer of Material Handling Equipment (MHE) and Power Transmission Solutions for Power, Mining, Steel, Plastic, Sugar, Defense and Cement sectors. With an established set-up and a strong and diversified product portfolio, the company is amongst the key manufacturer of various products that are offered to various industries including Power, Chemicals, Steel, Plastic, Elevators, Palm Oil, Marine Engineering, Cement, Sugar, Mining, Petroleum, Coal Handling and Fertilizers; this helps the company distribute risk well.

Elecon Engineering also has presence in the high-growth wind energy segment. It manufactures and sells wind mills up to 600kw. It is currently involved only in manufacture of the windmill gearbox and outsources the rest of the components required for a wind mill.

In MHE, Elecon Engineering procures orders based on both projects and products. Its gears are considered among the most modern ones in the industry.

Elecon has always kept its finger on the pulse which in turn has converted its challenges into opportunities. This has also help to meet the changing requirement of the industry.

Elecon has proved as one of the major players in the Competitive market over the period of 5 decades. With gained experience and specialization, the Company successfully satisfies all its customers.

Elecon has explored all avenues to use modern technologies and industrial proficiency which inspires the Company to set itself as a milestone for other Companies.

Board of Directors



Shri Prayasvin Patel

Chairman and Managing Director



Shri Prashant Amin

Executive Director



Shri Pradip M. Patel



Shri Chirayu R. Amin



Shri Hasmukhlal Parikh



Late Dr. Amritlal C. Shah
(Upto 16.01.2012)



Shri Jal Patel
(w.e.f 12.05.2012)

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.)

	Consolidated#		Standalone#		Consolidated#	Standalone#	Standalone	Standalone	Standalone
PARTICULARS	2011-2012		2011-2012		2010-2011		2009-10	2008-09	2007-08
	US \$ Mn.	₹ Mn.	US \$ Mn.	₹ Mn.	₹ Mn.	₹ Mn.	₹ Mn.	₹ Mn.	₹ Mn.
TURNOVER	315.4	16,132	260.3	13,317	12,843	11,739	10,464	9,551	8,264
TOTAL INCOME	316.9	16,212	261.8	13,391	13,129	12,024	10,711	9,646	8,362
EARNING BEFORE DEPRECIATION, INTEREST & TAX	39.1	1,999	39.2	2,004	1,843	1,771	1,496	1,490	1,305
DEPRECIATION & AMORTISATION EXPENSES	9.5	486	8.3	424	416	394	331	221	142
PROFIT AFTER TAX	11.9	611	13.6	696	900	879	662	575	672
EQUITY DIVIDEND	3.3	171	3.3	167	167	167	139	139	139
DIVIDEND%	-		-	90%		90%	75%	75%	75%
EQUITY SHARE CAPITAL	3.6	186	3.6	186	186	186	186	186	186
RESERVE & SURPLUS	86.0	4,401	83.3	4,262	3,998	3,760	3,075	2,568	2,181
NET WORTH	89.7	4,587	87.0	4,448	4,184	3,946	3,235	2,737	2,358
GROSS FIXED ASSETS	162.1	8,291	135.1	6,912	6,997	5,762	5,273	4,559	3,165
NET FIXED ASSETS	102.1	5,222	87.4	4,469	4,386	3,719	3,622	3,110	1,931
TOTAL ASSETS	375.3	19,198	328.3	16,794	16,968	14,674	12,968	13,320	10,131
NUMBER OF EMPLOYEES(Nos.)				1,290		1,197	1,069	889	801

KEY INDICATORS	US \$		US \$						
BASIC EARNINGS PER SHARE(₹)	0.13	6.58	0.15	7.49	9.69	9.47	7.13	6.19	7.24
DEBT EQUITY RATIO									
(TOTAL DEBT:EQUITY)	-	1.45	-	1.21	1.55	1.34	1.61	2.16	1.73
EBIDTA*/TURNOVER %	-	12.39	-	15.05	14.35	15.09	14.29	15.61	15.79
NET PROFIT MARGIN%	-	3.79	-	5.23	7.00	7.49	6.32	6.02	8.13
RETURN ON NET WORTH%	-	13.32	-	15.65	21.50	22.28	20.46	20.99	28.39
RETURN ON CAPITAL EMPLOYED%	-	5.65	-	7.23	8.68	9.81	7.52	6.47	10.13

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

Exchange Rate: 1 US\$ = ₹ 51.15 (as on 31-3-2012).

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

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

Performance Indicators

Net Sales

₹ in Mn

13.44%

increase from 2011

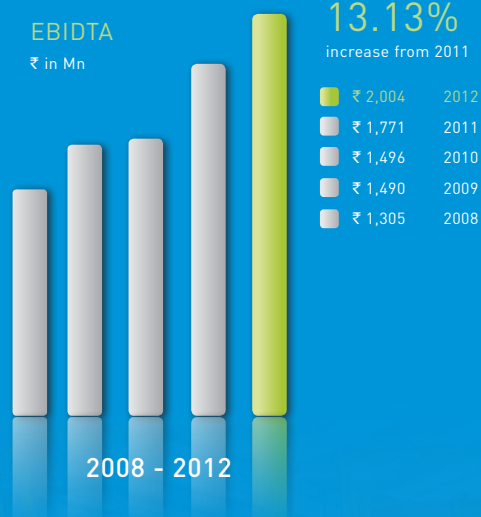


EBIDTA

₹ in Mn

13.13%

increase from 2011



Dividend

in %



Management Insight

"Our expertise, excellence, and experience of over five decades which reflects in our logo, has given us adequate prudence to strategically consolidate and grow during this highly volatile industrial scenario in India and worldwide.

We are determined to meet these challenges by exploring new horizons with our commitment to business ethics, innovation and modernization."

- Prayasvin Patel

Chairman & Managing Director



"The acquisition of B-R group has given Elecon renewed global aspirations and in next 5 years we expect the International Operations to contribute at least GBP 100 million in the total turnover of Elecon group."

- Prashant Amin

Executive Director



"In the context of uncertain and temperamental financial markets, global economy as well as tackling economic concerns such as galloping inflation, depreciation of rupee and cost saving initiatives, it's paramount that we have been able to add more value in the most challenging times by becoming more strategically focused in our initiatives and actions through consistent turnover, operating margins and good governance practices in aligning interests of stakeholders and investors to generate sustained, long-term shareholders' value as well as maintaining traditional/conservative financial expertise."

- Hemendra Shah -Chief Financial Officer



"New technologies, higher capacity equipment are reshaping the dynamics of material handling industry. The competitive market and rising costs of inputs are reducing the operating margins and it is a major concern for Material Handling Industry. In such scenario, sustainable and profitable revenue growth is critical for meeting our strategic objectives. Power, Ports and Steel sectors are the key growth drivers that trigger demand for material handling equipment. Backed by the rich experience, we are moving towards establishing ourselves as leading OEM and EPC solution provider.

Our efforts are targeted towards institutionalizing standard operating procedures, strengthening project management capabilities, lean manufacturing, value engineering, cycle time reduction and augmenting capabilities to manufacture high capacity equipment in-house. Customer satisfaction has been the focal point of our operations and by implementing continuous improvement processes we ensure timely delivery of the projects, providing innovative and cost-effective solutions to meet their requirements."

- Phani Kumar -CEO, MHE Division



"We Indians need to prepare now for frequent recessions, like western world and also be ready for counter measures such as more and more exports and for that Quality, Fast turn around and good customer relations. Secondly we are Power and Infrastructure hungry nation but early realisation of these needs in to actual work and it's execution should also be our look out, let it be Govt. or Pvt. Sector our motivating efforts can only bring the early fruits, may be for that some political and social intervention by many of us shall be essential.

This only bring us up and increase our rate of growth and economical position which automatically polish our image in the world."

- Vilas Kalyankar -CEO, Gear Division

Corporate Social Responsibility



Shri Prayasvin Patel (CMD Elecon) gave a cheque of Rs 18 lakhs as part of a scholarship fund for bright underprivileged students of Birla Vishwakarma Engineering College, Vallabh Vidyanagar.

At Elecon, we take our Corporate Social Responsibility (CSR) activities more seriously than most. That is because we believe that businesses are based on trust and foresight. To establish and uphold trust of customers, suppliers, regulators and the community seems to be a challenging task. To be successful in the long-term, we need to think beyond what is affecting them today to what is going to happen tomorrow.

With these goals in mind, the Elecon Group of Companies formed ELCARE in 2003 as part of its total CSR activity. The following are some of the activities which the organization has carried out in the year 2011-12.

- Donation of Rs 24 lakhs to the Bhanubhai Patel Dialysis Centre, which is part of the Shri Krishna Hospital in Anand. The Dialysis Centre itself was constructed by Elecon Group in 2006, at a cost of Rs 25 lakhs. The cheque presentation ceremony was held on 7th March 2012, where Shri P.C. Amin (Group Director, Elecon Group of Companies) handed it over to

Shri Jagrut Bhatt (Hon. Sec. Charotar Arogya Mandal).

- Another significant CSR event was organized on 20th March 2012, when Shri Prayasvin Patel (CMD Elecon) gave a cheque of Rs 18 lakhs as part of a scholarship fund for bright underprivileged students of Birla Vishwakarma Engineering College, Vallabh Vidyanagar. The cheque was handed over to Dr. F. S. Umrigar (Principal BVM). The scholarship includes tuition fees, examination and hostel fees, as well as the food bill of the awardee for a period of 10 months. Elecon has endowed this scholarship since 2007.

- Elecon has also committed to donate Rs 10 lakh to the Sankara Eye Hospital in Mogar village (Anand Dist.) for the purpose of conducting free cataract eye surgeries for the rural underprivileged section of society.

In these and many more ways, we are constantly on the way to contribute to the full possible extent to the community at large.





Use internet

&

Save trees



“e-communication, the best way to attain green revolution”

Material Handling Equipment Division



Bucket wheel Stacker cum Reclaimer handling Coal at Chetnad Port having stacking capacity - 3850 MTPH and Reclaiming capacity - 2400MTPH.

The company's MHE division caters to the high-technology equipments of core sectors such as Power, Steel, Cement, and Fertilizers. It has a composite range of almost all types of bulk material handling equipments and related products. All over the globe there are only few companies who provide all types of Material Handling Equipments and Elecon is proud to stand one amongst them.

Through various Technical collaboration like pipe conveyor technology, belt conveyor technology and technology for idler frames, the Company is able to cater the need of various industrial sectors with best quality.

Manufacturing Strength

Elecon has set its highest standard in all the aspects of its functioning. It is covering a wide space of 1,17,000 sq. mts and CNC machine tools for manufacturing equipments for quality control.

Through its modern manufacturing facilities and technical collaborations with leading international players, Elecon is able to supply diversified products with best quality to its customers from various sectors.

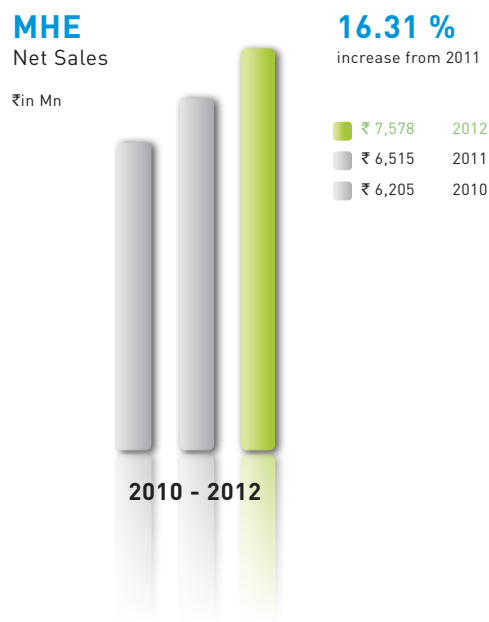
Noteworthy Achievements

- A Prestigious order worth Rs. 1764.9 Mn received from NMDC Limited., Karnataka for supply of Downhill Conveying System Engineering, Design, Manufacturing, Procurement, Testing at works/site, Installation, Erection, Testing, Commissioning as per technical specification, for the Kumaraswamy Iron Ore Project.
- Various orders worth Rs. 2686.7 Mn received from various clients for supply of Stockyard equipments: Stackers/ Reclaimers/ Staker cum Reclaimers, Drive units, Roller Screen, Crushers, Apron Feeders, Wagon Tipper, Side Arm Charger etc.

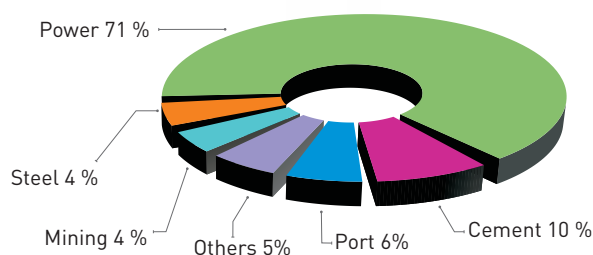
Net Sales for
MHE Division
increased by
16.30 %
from
₹ 6,515 Mn
in 2010-11 to
₹ 7,578 Mn
in 2011-12

Growth Drivers

The Government has encouraged the development of infrastructure like building roads, dams, ports etc. This will help the economy regain its growth momentum which in turn will be one of the growth drivers for MHE. The importance given to the industries like Power, Port etc. by the Government in its policy will spur the demand which further contributes to the growth of MHE.

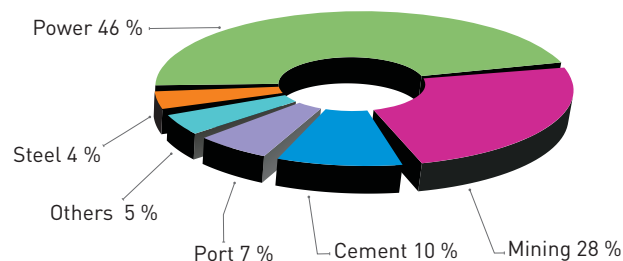


Sales Industrywise



The Power sector was the highest contributor with almost 71 % share followed by Cement with 10 % share

Orderbook Industrywise







Gear Assembly

Gear Division



Sugar Mill Direct Drive Planetary Gear Box

Elecon is a preferred choice for supply of Gears to core sectors like Sugar, Cement, Steel, Fertilizer, Plastic, Extrusion and Rubber. Elecon Engineering is a leader in industrial gears with a market share of approx. 25%. Its gears are considered among the most modern ones in the industry. Elecon has a feather in its own cap of being the first industrial gear manufacturer in India to achieve the ISO 9001:2008 version in 2010.

Manufacturing Strength

Elecon Engineering has expertise and technical know-how on design and manufacture of gearboxes for vertical rolling mills used in the cement and coal industries as well as on design and manufacture the lift gear box.

Elecon Engineering also has presence in the high-growth wind energy segment. It manufactures and sells wind mills up to 600kw.

Elecon has been highly appreciated throughout the

world for using the latest facilities in the manufacture of gears. In India, Elecon is the sole manufacturer to build MW Class Gearboxes. Elecon is one and only Company who manufactures of Vertical Roller Mill Gears for the power and cement Industry.

Growth Drivers

One of the key growth drivers for the industrial gears segment is capex in Power, Mining, Defense, Sugar, and Steel and overall industrial expansion. Capex in these sectors would create robust demand for industrial gears as it forms an important part of a machine.

Elecon, being the market leader, will be one of the major beneficiaries of huge investments by Government of India in core sectors including Power, Steel, Coal, Cement, and Ports.

Increase in industrial capex by Government of India will create strong demand for industrial gears.

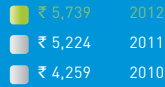
Gear Net Sales

₹ in Mn



9.86%

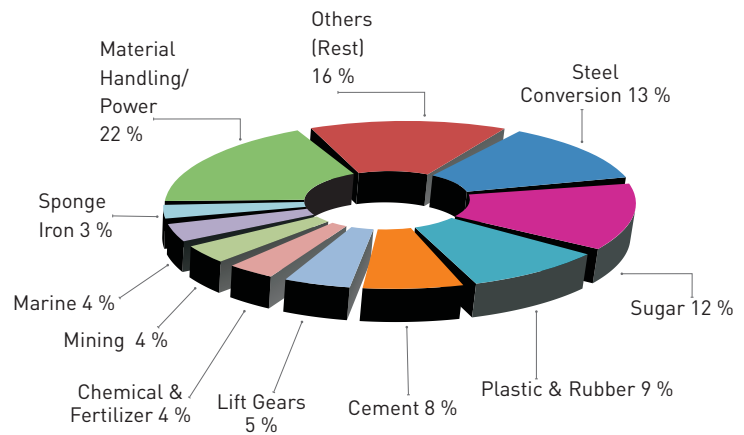
increase from 2011



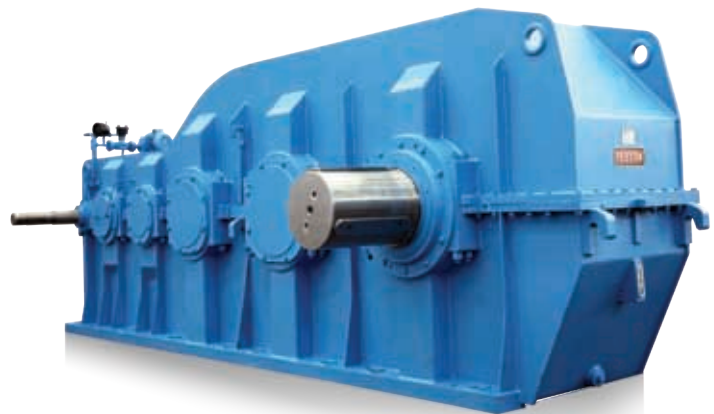
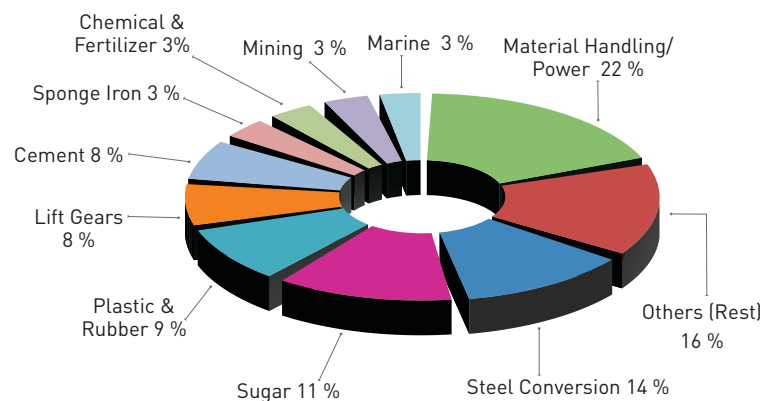
2010 - 2012

Net Sales for
Gear Division
increased by
9.86 %
from
₹ 5,224 Mn
in 2010-11 to
₹ 5,739 Mn
in 2011-12

Sales Industrywise



Orderbook Industrywise



Main Hoist Drive Gear Box for Ladle crane
(with extended centre distance)

Directors' Report



Prayasvin B. Patel –Chairman & Managing Director

Dear Members,

Your Directors have pleasure in presenting this 52nd Annual Report together with the Audited Statements of Accounts for the year ended on March 31, 2012.

Your Directors believe in enhancement of wealth of the shareholders. We have continued with our custom of providing high quality content and services. The custom in no way hinders our capacity for innovations.

As you are our valued partner in the Company, we share our vision of growth with you. Our guiding principles are a blend of realism and optimism which has been and will be the guiding force of all our future endeavors.

The summary of operating results for the year and appropriation of divisible profits is given below:

Review of Operations

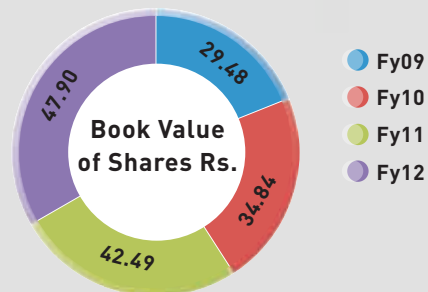
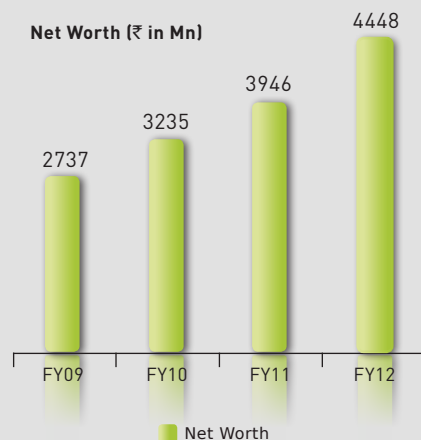
~ Standalone financial performance

For the year ended on 31st March, 2012, the Company has achieved Turnover of ₹ 13,316.72 Mn. as against the Turnover of ₹ 11,739.43 Mn. during the previous year, representing increase in Turnover of 13.44%

For the year ended on 31st March, 2012, the Company has achieved Earnings Before Interest, Depreciation & Amortization and Tax (EBIDTA) of ₹ 2,003.90 Mn. as against the EBIDTA of ₹ 1,771.40 Mn. during the previous year, representing increase in EBIDTA by 13.13%.

The Company holds total unexecuted orders worth ₹ 12,120.90 Mn. Out of which ₹ 9,130.07 Mn. is for the MHE division and ₹ 2,990.83 Mn. is for the Gear Division as on March 31, 2012. This will help us to continue to have sustainable growth in coming years.

[₹ in Mn]				
Year Ended March 31,	Standalone		Consolidated	
	2011-12	2010 -11	2011-12	2010-11
Profit Before Tax, Finance cost, Depreciation & Amortization and Adjustment for previous year	2101.74	2098.39	2166.73	2171.41
Less : Finance Cost	579.58	500.94	663.47	527.87
Depreciation & Amortization	423.81	393.53	486.47	416.50
Profit Before Tax	1098.35	1203.92	1016.79	1227.04
Add : Exceptional Items	--	--	14.93	--
Less: Provision for Tax	402.36	324.71	426.37	340.35
Deferred Tax	--	--	--	--
Short/(Excess) Prov. of earlier years	--	--	--	--
Profit After Tax	695.99	879.21	605.35	886.69
Add:				
Adjustment of P. Y. / Share of Profit of Associate	---	---	5.65	12.89
Previous Year Balance Brought Forward	242.88	207.94	241.00	203.75
PROFIT AVAILABLE FOR APPROPRIATION	938.87	1087.15	852.00	1103.33
APPROPRIATIONS:				
Proposed Dividend	167.15	167.15	170.98	167.15
Income Tax on Dividend	27.12	27.12	27.74	27.74
Transfer to General Reserve	500.00	650.00	529.08	667.45
Balance Carried Forward	244.60	242.88	124.20	240.99



Consolidated operations

In compliance with the applicable Clauses of the Listing Agreements with the Stock Exchanges, the Company has prepared Consolidated Financial Statements as per the Accounting Standard on Consolidated Financial Statements (AS 21, AS 23 & AS 27) issued by the Institute of Chartered Accountants of India. The Audited Consolidated Financial Statements along with the Auditors' Report have been annexed to this Annual Report.

Your Company's total consolidated revenue for the year 2011-12 was ₹ 16,132.17 Mn. as against ₹12,843.48 Mn. for previous year, representing an increase of 25.61%.

During the year, EBIDTA was ₹ 1998.94 Mn. as against ₹ 1,843.02 Mn. for the previous year, representing an increase of 8.46%. During the year under review, your Company's consolidated net worth is ₹ 4,586.93 Mn. as against ₹ 4,183.91 Mn. for previous year.

Dividend

Your Directors are pleased to recommend dividend of ₹ 1.80 per share (previous year ₹ 1.80 per share on 9,28,61,510 equity shares of ₹ 2/- each) on 9,28,61,510 equity shares of ₹ 2/- each for the year ended on 31st March, 2012.

Directors' Responsibility Statement

Pursuant to Section 217(2AA) of the Companies Act, 1956, with respect to the Directors' Responsibility Statement, it is hereby confirmed that:

- in the preparation of the annual accounts of the Company for the year ended on March 31, 2012, the applicable accounting standards have been followed;
- the Directors have selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the financial

year and of the profit of the Company for the year ended on that date;

- the Directors have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956, for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities; and
- the accounts have been prepared on a “going concern” basis.

Directors

Retire by rotation

In accordance with the provisions of the Companies Act, 1956 and the Articles of Association of the Company, Shri Hasmukhlal Parikh, Director retires by rotation at the forthcoming Annual General Meeting of the Company and being eligible, offers himself for reappointment.

Your Directors express their profound grief on the sad demise of Dr. A.C. Shah, an Independent Director of the Company on 16th January, 2012. The Board expresses its heartfelt condolence to his family members to bear the irreparable loss. The Board pays glowing tribute to him and puts on record highest appreciation of his association with the Company as a highly respected Director.

New Appointment

Shri Jal Patel, was appointed as an Independent Director of the Company w.e.f. 12th of May 2012 to fill the casual vacancy caused due to sad demise of Dr. A.C. Shah. His experience in the field of financial management, accounting, planning and business development will be an asset to the Company. He holds the office upto the date of the ensuing Annual General Meeting of the Company.

The Board welcomes Shri Jal Patel and expects to avail his expertise in varied areas. Members' approval for his appointment as an Independent Director has been sought in the Notice convening the Annual General Meeting of the Company.

Auditors

The Company's Auditors M/s. Thacker Butala Desai, Chartered Accountants, Navsari retire as Statutory Auditors at the ensuing Annual General Meeting of the Company and being eligible offer themselves for reappointment.

Subsidiary Companies

During the year under review, the Company has been continuously investing in the B-R group to enhance the group's profitability as well as to expand its reach with new offices. Elecon has established UK as the headquarters for the B-R group with a mandate to drive global expansion. Elecon has invested in moving to a new manufacturing area and offices in the UK, while a subsidiary of the UK in USA has started sales in 2011. There are plans to create more entities to expand the reach of the B-R group into newer markets.

Some of the initiatives to expand the B-R operations are:

- Expanding the product portfolio of B-R group to include a range of Special Worm Gear Boxes, Couplings; Planetary Gear Boxes and Vertical Mill Drives
- Shifting the function of procurement, assembly and testing of G series gear boxes from Sweden and UK
- Driving the expansion of operations in South Africa; Russia and South America from UK

A few of these efforts have been given in detail in the following section:

Benzlers Overview for 2011-12

- Despite the tough economic climate in Europe, a steady top-line growth has been maintained
- Focus on expanding the Service Business:

A new Service Center has been started at Orebro (North Sweden) with a special emphasis on the Mining and Paper industries

- Geographic Expansion:

-The Company has entered into the Italian market through its new subsidiary – Benzlers Italia srl, established at Milan

-The Company has also expanded its presence in Germany with the addition of a new sales Key Account Manager

- New Products:

-Benzlers has now started focused selling of Elecon Worm units.

-Other Elecon products are being introduced in a planned manner.



Radicon Transmission UK Ltd.

Radicon UK has shifted old offices in Huddersfield, to a new independent facility for manufacturing; service and sales offices at Elland (West Yorkshire). The total cost of this initiative was about GBP 750,000 and helped established a modern facility measuring about 30,000 sq. ft. facility to enable focused growth in the UK market.



Elecon USA Transmission Ltd.– a Radicon UK subsidiary

Elecon USA has obtained assumed name of Radicon USA Transmission in Michigan. Sales in the US market were done through Cone Drive (in Traverse City, Michigan) on a commission basis in the pre-acquisition and post-acquisition period. However, as Cone Drive had similar products, there was lack of focus on pushing Radicon USA sales leading to a stagnation of growth in the US market. To enable growth from a strong central entity, efforts were initiated to create an independent facility for Radicon USA which would enable it to sell to the US customers directly while also operating from a central location like Chicago. These efforts have already started to bear fruits as Radicon USA is currently on track to cross 10 million USD of sales compared to 8 million USD on average during the Cone Drive era.

Operations:

[Opening new assembly centers across the world]

Elecon group has initiated process to start assembly and sales offices in various largest and fastest growing economies of the world. The group plans to open similar locations in South Africa, Brazil, Ukraine/Russia (CIS) and UAE in the next 2 years. This helps the group to drive sales in new markets.

The Ministry of Corporate Affairs, Government of India, vide General Circular No. 2/2011 dated 8th February, 2011, exempt Companies from attaching to its Balance Sheet, the individual Annual Reports of its subsidiary companies. As per the Circular, the consolidated financial statements of the Company and all its subsidiaries duly audited by its statutory auditors are included in the Annual Report.

Shareholders interested in obtaining the statement of Company's interest in the subsidiaries or stand-alone financial statements of the subsidiary Companies may obtain the same by writing to the Company Secretary of the Company.

The annual accounts of subsidiary Companies are available for inspection by any investor at the registered office of the Company.

Corporate Governance

As per Clause 49 of the Listing Agreement, a report on Corporate Governance, together with Management Discussion and Analysis and a certificate from the Company's Auditors form part of this report.

Your Company, acknowledging its corporate responsibility, has voluntarily obtained a "Secretarial Compliance Report" from Mr. Ashwin Shah, Company Secretary in whole-time practice, which is annexed to this Report.

Your Company is committed to maintain the highest standards of Corporate Governance, reinforcing the valuable relationship between the Company and its Stakeholders.

Fixed Deposits

During the year under review, your Company has not accepted any fixed deposits under the provisions of Section 58A of the Companies Act, 1956 read with Companies (Acceptance of Public Deposits) Rules, 1975. There are no unclaimed deposits as on 31st March, 2012.

Particulars of Employees

Statement as per Section 217(2A) of the Companies Act, 1956 read with the Companies (particulars of employees) Rules, 1975 as amended is annexed to this Report as Annexure A, forming part of this Report.

Foreign Exchange Earnings and Outgo

The particulars required to be furnished under Section 217(1)(e) read with the Companies (Disclosures of particulars in the report of Board of Directors) Rules, 1988 are given in Annexure B, forming part of this report.

Statutory Disclosures

None of the Directors of your Company is disqualified as per provisions of Section 274(1)(g) of the Companies Act, 1956. Your Directors have made necessary disclosures, as required under various provisions of the Act and Clause 49 of the Listing Agreement.

Insurance

The Company takes a very pragmatic approach towards insurance. Adequate cover has been taken for all movable and immovable assets for various types of risks.

Industrial Relations/Personnel

Your Company is committed to upholding its excellent reputation in the field of Industrial relations. Through continuous efforts the Company invests and improvises development programmes for its employees.

Acknowledgement

As trustees of the Company, the Directors acknowledge the unstinted support received from Vendors, Traders, Customers, Banks, Financial Institutions, Shareholders and the Society at large.

The Directors also acknowledges the support of the Auditors, Bankers, State and Central Government Officials, Business Partners, Solicitors, Advisors and Employees of Elecon. The growth of the Company would not have been possible without their unfailing support.

Your Directors look forward to having a long and fruitful relationship with all of them.

For and on behalf of Board of Directors



Prayasvin B. Patel

Chairman & Managing Director

Vallabh Vidyanagar, May 12, 2012

Management Discussion & Analysis



Roller Screen having capacity - 1,875 MTPH. for handling lignite at NLC.

Industry Structure and Development

No country in today's globalized world can be fully insulated from what happens in the global economy and India is no exception to the rule. As the country is increasingly integrated into the world, it cannot remain impervious to developments abroad.

The unfolding of the euro zone crisis and uncertainty surrounding the global economy have impacted the Indian economy causing drop in growth, higher current account deficit (CAD) and declining capital inflows. As in 2008, the transmission of the crisis has been mainly through the balance-of-payments (BoP) channel.

Export growth has decelerated in the third quarter of fiscal 2011-12, while imports have remained high, partly because of continued high international oil prices. At the same time, foreign institutional investment flows have declined, straining the capital account and the rupee exchange rate that touched an all-time low.

The manufacturing industry in India, has all the qualities which enhance economic development, increase the productivity of the manufacturing industry and face competition from the global markets. The Manufacturing industry in India is believed to have the potential of improving the economic condition of India.

Indian economy grew at 6.9% during 2011-12, which is less than the estimated growth rate. Except the last month of 2011-12, manufacturing and services sectors have also shown robust growth. Owing respect to the bumper wheat production that would compensate for the decline in manufacturing numbers.

Your Company continued to perform with stability and maintained its growth momentum in the highly volatile market. The Company focused on cost control measures and product mix enrichment to sustain growth and profitability in the challenging year.

Opportunities and Threats

The developments over the last year in major economies of the world have not been encouraging. There is an apprehension that the process of global economic recovery that began after the financial crisis of the 2008 is beginning to stall and the sovereign debt crisis in the eurozone area may persist for a while.

Over the last few years sustained growth of a number of large emerging economies, especially the BRICS economies, has resulted in an increase in their share in the global GDP. As a consequence, the value addition in the world economy has been moving away from advanced countries towards what have been termed emerging economies. The decline in share is particularly marked in the case of the European Union (EU). The shift towards Asia has been significant and, within Asia, away from Japan to China and India. The increase in share of India, though less dramatic, is nevertheless of an order that places her as the fourth largest economy in PPP terms (i.e. purchasing power parity).

Opportunities in the manufacturing industry are in the technology and bio-technology areas. These are growing market segments with higher profit margins. Additionally, they are knowledge-dependent market segments that require highly specialized workers, which makes it difficult for low wage countries to compete in this market segment, thereby providing an edge to more industrialized countries. The strengths of the manufacturing industry are that it is relatively stable. Although the demand for manufacturing tends to fluctuate with the ups and downs of the economy, it is characterized by regular periods of recovery following any downturns.

Underlying the relative decrease in share of advanced economies in the global GDP, there has been a marked shift in the location of manufacturing. Emerging economies, namely China, Brazil, India, Indonesia have moved up in terms of their share in world manufacturing value added.

There is a perceptible decline in the share of developed countries in distribution of manufacturing value added and rise in the importance of emerging economies, like China, India, etc. The share of India in global merchandise exports increased significantly in last decade. It ranks 19th in the global order of exporting countries.

Though India's industrial output unexpectedly slumped in March 2012 as high interest rates stifled expansion, deepening worries of an economic slowdown, India will continue to deliver the performance that will maintain a strong and steady growth momentum throughout the volatile global economic scenario.

India remains one of the fastest growing economies of the world. Country's sovereign credit rating rose substantially over the years. Exports grew by 40.5 per cent in the first half of this fiscal and imports grew by 30.4 per cent. Foreign trade performance will remain key driver of growth.

Agriculture and Services sectors are expected to perform well, while Industrial growth pegged at 4-5 per cent and improve further as economic recovery resumes. In addition to that RBI is expected to lower policy interest rates, as inflationary pressures expected to ease in coming months. A low interest rate regime will encourage investment activity and push forward economic growth.

Segment-wise Performance

During the financial year 2011-2012, the Company has achieved a Turnover of ₹ 13,316.72 Mn. as against ₹ 11,739.43 Mn. in the previous year, which shows a growth of 13.44% over the previous year.

The Turnover of Gear Division has increased to ₹ 5,739.22 Mn. from ₹ 5,224.07 Mn. in the previous year, which shows an increase of 9.86 %.

The Turnover of MHE Division has increased to ₹ 7,577.50 Mn. as against ₹ 6,515.35 Mn. in the previous year, which shows an increase of 16.30 %.

Earnings before Interest, Depreciation & Amortization and Tax (EBIDTA) has increased to ₹ 2,003.90 Mn. from ₹ 1,771.40 Mn. in the previous year resulting into an increase of 13.13 %.

Outlook

The world economy is in a state of flux with the euro rescue package still being implemented. The recent downgrading of 9 nations has further added to the uncertainty with a possibility of further default problems in Greece resurfacing. Assuming that there are no further failures in the euro region and the rescue packages are to be implemented, there would be a tendency for countries to resort to

fiscal austerity which in turn will slow down these economies.

The USA, which will probably continue its upward movement, will not be able to propel the world economy on its own given that the emerging markets will also be under strain especially so on account of high commodity inflation which has invoked stringent monetary measures in these countries. Therefore, the overall global performance, which will have a bearing on trade flows and capital movements, is likely to at best be at present levels with marginal improvement towards the end of the year 2012-13.

The economic conditions in the country in the last fiscal have been challenging with inflation being the major factor driving economic policy. This has had a major impact on other economic variables with official projections being modified downwards along the year. Policy formulation has become even more difficult with the volatility witnessed in the forex market, where the rupee has tended to move downwards.

The Indian economy is expected to recover gradually in 2012-13 which is encouraging. However, the challenges remain on the policy fronts. Given that investment has been slack in 2011-12, it is expected that the government will come up with some big plans in the infrastructure space, so that the growth objective is achieved.

The Engineering Sector is expected to grow in the future and has a positive outlook owing to infrastructure development, favourable Government policies and new investments in Power Projects, Metals, Oil & Gas, and Petrochemicals industries. Further industrial and manufacturing growth will boost growth in the Engineering Sector.

The Material Handling Equipment is a Sub-Sector of Process Plant Equipment Sector which is expected to grow to ₹ 301,180 Mn by 2016-17 with a CAGR of 11%. The domestic production is expected to grow to ₹ 350,000 Mn by 2016-17 at a CAGR of 12% as per 12th Five years plan. The world market for Material Handling Equipment and systems is projected to increase more than 5% per year.

As per 12th Five years plan, the demand in the Engineering Sector will grow at a CAGR of 16% over the next 5 years and will reach ₹ 2,806,040 Mn by the end of year 2016-17. Your Company's Gear Division being a part of this Sector will be benefited.

New Business Strategy Development

Being the largest manufacturer, in India, of Transmission Equipments, your Company has to adhere to the high quality standards to maintain its

market share. The Company is building a new state-of-the-art manufacturing plant as an expansion of the Gear Division at Anand to double the gear box manufacturing capacity using world class quality and to ensure on-time delivery within a short span of time. The new premises is named as "Bhanubhai Memorial Centre of Excellence".

The new plant will produce internal components of the helical gear box and has a capacity of manufacturing 1000 gear boxes per month.

The overall efficiency and condition of the equipment as well as the selection of machines, work holding devices, tool management, swarf management, coolant management and work handling systems will be optimal, thus minimizing labour fatigue. The components will be produced in a dust-free & eco-friendly environment.

Your Company values its customer's business and aspire to create a world class gear business to serve the global needs of the market.

The construction of this modern facility will be another step towards your Company's motto 'Always a step ahead in Technology.

Risk and Concerns

MHE Division

Material Handling Equipment sector (MHE), though not one of the core sectors of the economy, assists almost every sector of the industry and hence contributes tremendously towards the industrial growth of the country. The Indian MHE sector needs major consolidation and economies of scale blended with technology Upgradation.

MHE Sector depends mostly on various projects. A plethora of regulatory issues and policy hurdles may contribute towards the slowdown in both announcement as well as implementation of fresh projects in 2012-13, which in turn may hinder the growth momentum of the Sector. Although admittedly, resolving some of these issues lies in the domain of the State Governments, there are several steps that the Central Government could initiate to ease such barriers. Moreover, ensuring consensus with various stakeholders and political groups prior to announcement of policies would go a long way in creating a stable policy environment.

Additionally, inter-ministerial consensus towards fast-tracking of and environmental clearances for various projects by the Central and State Governments has emerged as a key constraint in recent times. This has been most acutely felt in the mining sector, both for coal and iron ore.

Apart from policy measures, making more

investments, facilitating fund flow for infrastructure projects has also assumed critical importance. Gol has taken several steps in this regard, including the functioning of the Infrastructure Debt Funds and the credit enhancement scheme from the India Infrastructure Finance Company Limited (IIFCL). Higher capital spending by the Central and State Governments will boost economic activity and also partially insulate the domestic economy from any externally driven economic slowdown in the coming year.

Cement, Power, Mining and Manufacturing industries are driving up demand for Material Handling systems that enable them to reduce inventory levels and improved order to delivery cycles.

Elecon has strong experience, diversified skills & capabilities in MHE for various sectors like Power, Steel, Minerals & Ports. The Company's revenue has an extremely high exposure to contributions from its coal-handling segment (pertaining to the power sector). At the end of FY2012, it contributed 71% of the total revenues. If all goes well, the Company's MHE business will contribute more in the total revenue of the Company.

Gear Division

Industrial development plays a crucial role in India's development strategy. It aims at achieving various socio-economic objectives such as reducing debt burden, promoting foreign direct investment (FDI) inflow, enhancing self-reliant production and distribution as well as diversifying and modernising the existing economic set up. The industrial base has been widely expanded, covering broadly the entire range of consumer, intermediate and capital goods.

Any sharp rise in commodity prices particularly base metals could adversely Impact Company's operating margins.

The Company caters to variety of industries including Power, Steel, Cement, Sugar, Ports, Mining etc. The capex in each of the sector being interest rate sensitive may be deferred in the current high interest rate regime impacting Company's growth. At the same time, catering to the needs of almost all sectors of industry helps your Company to have balanced growth amidst volatile economic conditions. Therefore, slowdown in one sector can be set off by servicing the other sector.

Internal Control System

Internal Controls are continuously evaluated by the Internal Auditors and Management. Findings from internal audits are reviewed by the Management and by the Audit Committee and corrective actions and controls have been

put in place wherever necessary. Scope of work of Internal Auditors covers review of controls on accounting, statutory and other compliances and operational areas in addition to reviews relating to efficiency and economy in operations.

Development in Human Resources/Industrial front

It has been the tradition of the Company to maintain excellent industrial relations at all levels. This has ensured a very healthy level of enthusiasm within the employees. This has enabled the Company to maintain its growth despite competition and economic slowdown.

The number of employees as on 31st March, 2012 was 1311 as against 1197 as on 31st March, 2011.

Cautionary Note

The statements forming part of this Report may contain certain forward looking remarks within the meaning of applicable laws and regulations. The actual results, performances or achievements of the Company depend on many factors which may cause material deviation from any future results, performances or achievements.

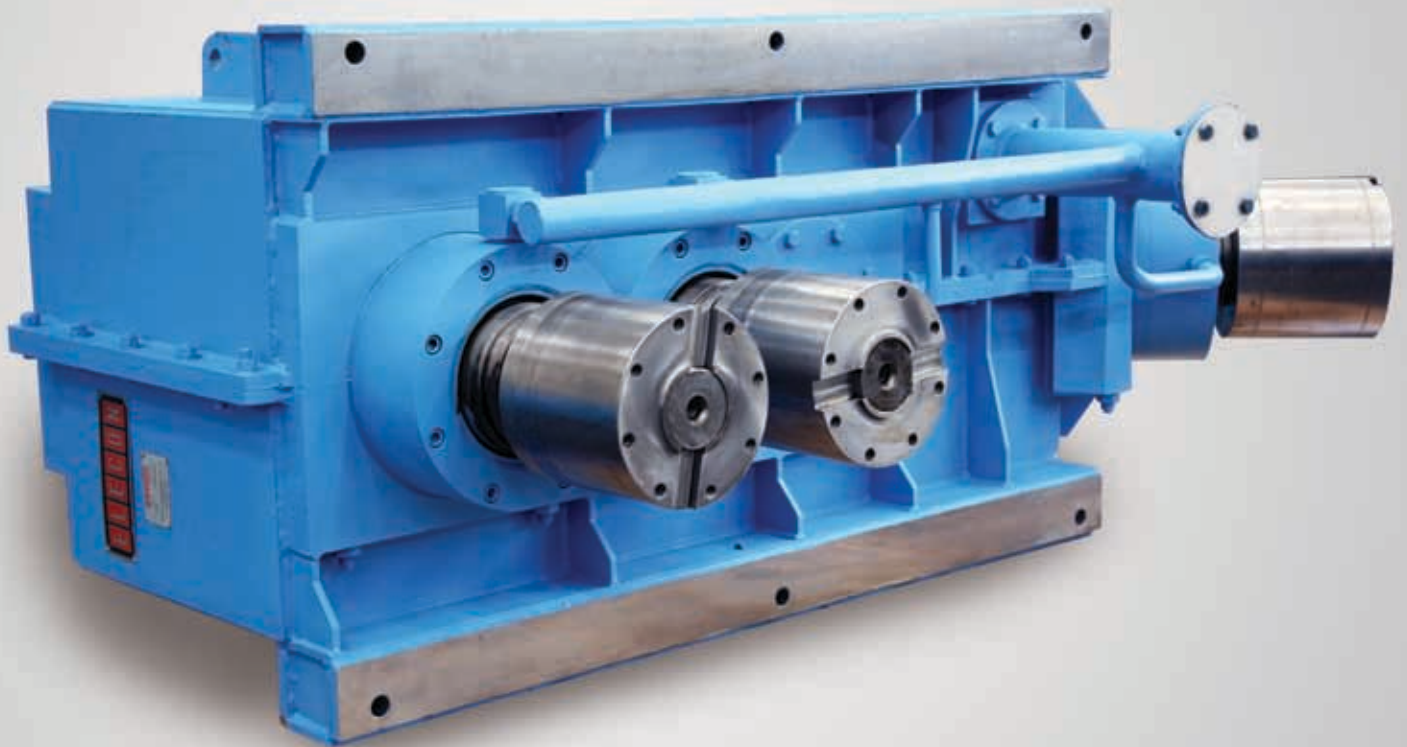
Significant factors which could make a difference to the Company's operations include domestic and international economic conditions, changes in Government regulations, tax regime and other statutes.

The Company assumes no responsibility to publicly amend, modify or revise any forward-looking statements on the basis of any subsequent developments, information or events.

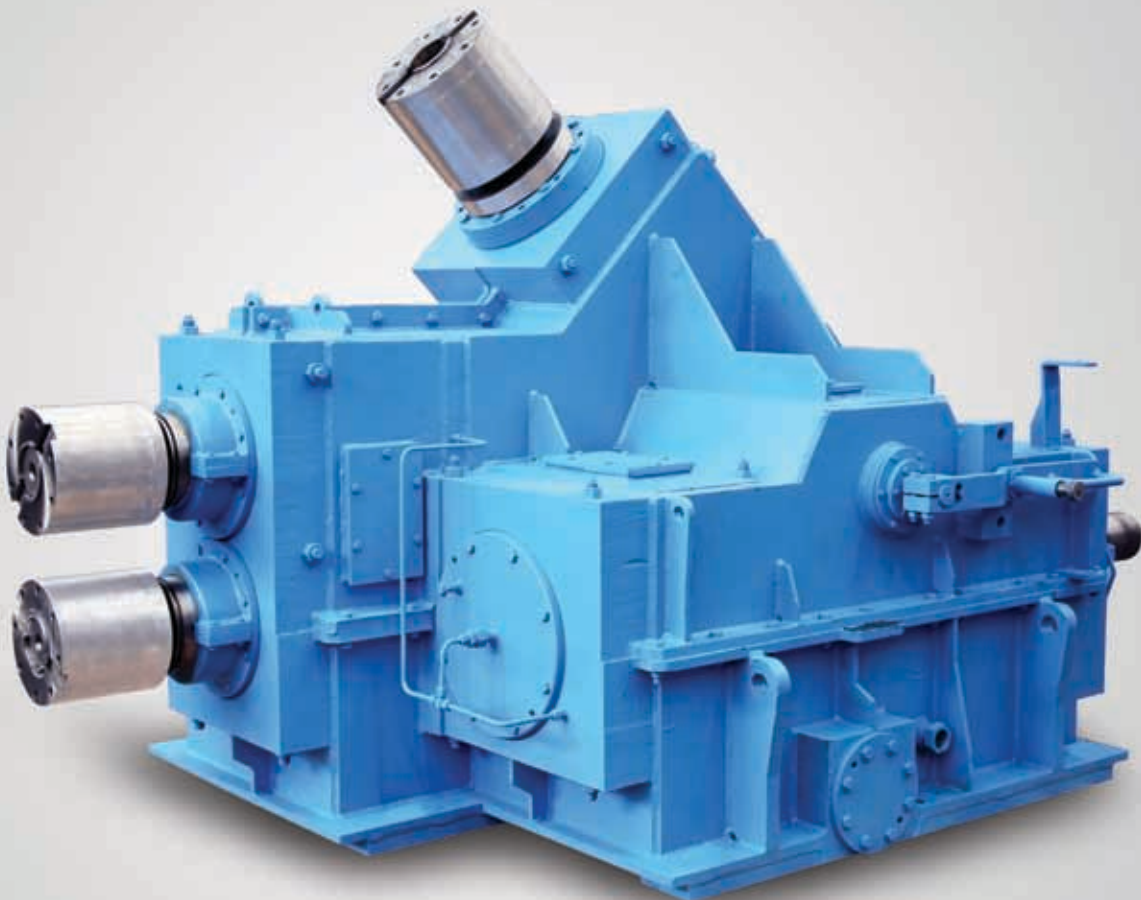


Bevel Planetary Gear Box for Vertical Roller Mill Drive for Cement & Power Industries.

Convertible Pinion Stand gear Box for Rolling Mill - Top



Convertible Pinion Stand gear Box for Rolling Mill - Bottom





MODEL STRUCTURE OF BHANUBHAI MEMORIAL CENTRE OF EXCELLENCE



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