

Chairman's Speech At 47th Annual General Meeting

Ladies and Gentlemen

It gives me much pleasure to welcome you to the 47th Annual General Meeting of your Company. The Notice convening this meeting, Balance Sheet and Directors' Report for the year ended 31st March 2007 are already with you and with your kind permission, I shall take them as read.

I consider it my privilege to be addressing this August gathering and sharing my views on the economic scenario and discussing the highlights of your Company's performance and various initiatives, the Company has taken during the year. While doing this, I am particularly encouraged by the support and trust we have all along received from all of you towards our endeavours.

The year 2006-07 was the year of enormous achievements. The Company has grown over the years and this year, its growth has broken all its previous records.

I am glad to share those achievements like :-

- Highest ever turnover
- Highest ever production
- Highest ever profit
- Highest ever earnings per share

DIVIDEND AND BONUS ISSUE

The outstanding performance of the Company has given your Directors an opportunity to recommend a dividend as high as 75% on equity shares, which is 50% higher than previous year and this is not

all, your Directors have also proposed a handsome reward in nature of 2 (two) bonus shares for every 1 (one) equity share.

ECONOMIC SCENARIO

The Indian economy has recorded a high growth rate for the fourth successive year, compared to 8.5% growth in 2005 – 06. In 2006 – 07, GDP growth was 9.4%. Savings were at an all time high of 32.4% of GDP and investments were at 33.8% of GDP. The World Bank has ranked India as one of the top reformers in the world in one of its recent reports.

India's manufacturing sector accounts for 75% of its industrial output and approximately 15% of the GDP. The manufacturing sector grew by 12.3% during 2006 – 07 and has registered a record growth of 11.9% during the first quarter of the financial year 2007-08 as compared to 11.7% during the corresponding period of the previous financial year.

The investments in the infrastructure for Eleventh Five Year Plan is estimated to be US \$ 320 billion. This will result into very favourable order book position for our Company.

Since the present infrastructure of India is poor and with the economic growth almost nearing 10%, nation will have to invest substantially in infrastructure building. This would give our Company great opportunity to get more orders and sustain the growth rate that we have been able to achieve in the last few years.

COMPANY'S PERFORMANCE

I am happy to inform you that your Company's strategic business initiatives and robust business model have delivered a healthy performance. I am delighted that Elecon's ongoing empowerment and transformation initiatives have translated into impressive growth during the year and with our powerful and well-proven management

methods, the Company is well positioned to grow strongly in our carefully chosen business lines with increased optimism for the foreseeable future. Your Company has sustained its growth in the local markets while accelerating its businesses in various overseas markets. Investments in technology and creation of additional state-of-the-art facilities have acted as growth engines. Through on-going innovation and investments, your Company has transformed itself in many important ways, successfully positioning itself as a preferred choice in Material Handling Equipment Technology and Power Transmission Solutions.

Your Company performed remarkably during the year 2006–2007. Our Annual Report is with you, I am sure you would have gone through it in detail. I would however like to highlight the key aspects of your Company's performance during the year.

- Net Sales increased by 63% - from Rs. 4,424 Mn to Rs. 7,231 Mn
- Profit Before Tax increased by 106% - from Rs. 409 Mn to Rs. 844 Mn
- Profit After Tax increased by 97% - from Rs. 278 Mn to Rs. 549 Mn
- EBIDTA increased by 87% - from Rs. 596 Mn to Rs. 1,117 Mn

Our performance on every parameter reflects significant improvement.

FUTURE OUTLOOK

Your Company is optimistic about carrying its success at the same pace. To fulfill the promise of same growth rate, your Company has initiated following actions:

1. The Company has entered into technical collaboration with Renk AG of Germany to avail technology for designing and manufacturing of Vertical Roller Mill Gear Box to be used in Cement and Coal Mills.

2. The Company has also entered into technical collaboration with Haisung Industrial Systems Company Limited of South Korea to avail technology for designing and manufacturing of high speed and high capacity Gear Box to be used in lift/elevators.
3. Your Company is at a negotiation stage to acquire technology for manufacturing of Gear Boxes for Wind Mills between 1 MW to 2 MW Capacity.

All the above products are presently being imported from abroad. It will substitute the import market. The commercial production is expected to commence from the current financial year or by the beginning of the next financial year.

4. In order to pursue the global business trend and accordingly to form business strategies, your Company has incorporated a Company in China during the year with 50% equity participation.
5. Commercial production of Wind Mill for 600 KW capacity will be started during the current financial year.

PERFORMANCE DURING THE CURRENT YEAR

The turnover of the Company upto August 2007 is Rs. 2,371 Mn as against Rs. 2,070 Mn during the corresponding period of previous year 2006 – 07, representing remarkable growth of 15%. The Company is aiming to reach the milestone of Rs. 1,000 Crores during the Current year.

CORPORATE GOVERNANCE

Your Company's commitment to strong values and business ethics, coupled with its article of faith to augment shareholder value, is at the core of its Corporate Governance Policy. The Company believes that good governance is not just rule-driven, but involves voluntary adoption of best practices. This is done in the Company through

ensuring compliance of all statutory and regulatory requirements, transparency in corporate disclosures, high quality of accounting practices and adhering to the best level of business ethics.

SOCIAL CONTRIBUTION

Your Company is driven by the core belief that the pursuit of shareholder value creation and contribution to enhancing social capital can be achieved simultaneously. Against the grain of conventional thought, your Company believes: that there is no inherent contradiction between improving competitive ability and making a sincere commitment to bettering society; that it is possible to create business models which enmesh these goals in a synergistic manner; that the uniqueness of strategy lies in conceiving such integrated business models; that linking business purpose with a larger societal purpose serves to align the human resource in a multi-dimensional organization like yours; And, most importantly, that such an approach can be consciously designed to induce competitiveness across the value chain, thus creating a much higher order of value for all stakeholders, including for you, the shareholders.

The value of your Company's unique initiatives that have been contributing impactfully to the betterment of rural India, such as generous contributions for Cardiac Centre in the name of late Shri B. I. Patel at Shree Krishna Hospital, Karamsad and construction of second floor in the existing building of I. B. Patel English Medium School in Vallabh Vidyanagar, maintaining three public gardens and extending help/charity to the needy.

ACKNOWLEDGEMENT

Our shareholders have been our partners in progress. They have continued to repose their trust and confidence in the Company. The Company is committed to work for augmenting shareholder value.

In our quest to become a customer-centric Company and in our journey towards excellence in manufacturing various equipments, our customers, patrons and well-wishers around the globe have stood by us all through. We are grateful for their continued patronage and encouragement.

In the rapidly changing industrial environment and in the ever-evolving uncertainties, success in any business endeavor can be achieved only with a highly committed, dedicated and competent work force. The Company is fortunate to be blessed with such a work force.

The Board is also thankful to the Government, RBI, SEBI, other regulatory authorities, various financial/investment institutions, banks and correspondents in India and abroad for their support and guidance to the Company from time to time as well as thankful to all the stakeholders including staff, workers, shareholders, banks, our suppliers and our customers.

In the end, I would like to thank the shareholders for their attendance and continued interest in the Company.

Thank you again,

PRAYASVIN PATEL
Chairman & Managing Director

Date : 13-09-2007

Place: Vallabh Vidyanagar