



**ELECON ENGINEERING COMPANY LIMITED**  
**CHAIRMAN'S SPEECH AT 48<sup>TH</sup> ANNUAL GENERAL MEETING**

Ladies and Gentlemen,

On behalf of the Board of Directors, I welcome you all and take immense pride and pleasure in addressing this 48<sup>th</sup> Annual General Meeting.

The Annual Report for 2007-08, which has now been with you, discusses in detail, the business performance and financial position of your Company. With your kind permission, I take the Directors' Report and Audited Accounts for the year 2007-08, as read.

I am proud of 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 you towards our endeavours.

The year 2007-08 was the year of maintaining the achievements, we grabbed in the recent past. The Company has grown over the years and this year also its growth has broken all its previous records.

I am highly delighted to inform you that the turnover of the Company has grown by 5.24 times from Rs. 158 Crores in 2002-03 to Rs. 826 Crores in 2007-08, while PAT has jumped by 38.62 times from Rs. 1.74 Crores in 2002-03 to Rs. 67.20 Crores in 2007-08.

**DIVIDEND**

Because of the uninterrupted sound performance of the Company, your directors were pleased to recommend dividend at the same rate i.e. 75% as previous year on the increased share capital resulting due to issue of Bonus Shares last year. Though the percentage of Dividend has remained unchanged, Dividend Pay-Out Ratio has increased from 8.20% for previous year to 20.72% for the year under review.

**ECONOMIC SCENE**

As per the **Review of Macroeconomic and Monetary Developments during 2007-08 made by RBI**, Economic activity in 2007-08 has evolved in consonance with policy expectations set out in April 2007, *albeit* with some moderation as compared with 9.6 per cent in 2006-07. Real GDP average growth was 8.75 per cent for the year 2007-08 as against 9.62 per cent in the corresponding year 2006-07. Real GDP originating in



industry rose by 8.6 per cent in 2007-08 as compared with 10.6 per cent in the previous year.

Overall, the medium term outlook remains favourable. Foreign Direct Investment will continue to pour in, while infrastructure investment will benefit the burgeoning manufacturing sector.

### **COMPANY'S PERFORMANCE**

It gives me a great pleasure to share with you that your Company's well-planned business initiatives and strong Corporate Strategy have delivered a reasonably good performance and the same will continue with our potential and professional management methods as well as with our carefully preferred business lines.

Your Company has sustained its growth in the domestic market and has taken a step ahead in various overseas markets. Your Company's innovative approach and thirst to adapt new technologies has made your Company more competitive compared to other players in the same industry. Successful positioning made your Company a better-preferred choice in Material Handling Equipment Technology and Power Transmission Solutions.

Today, I can proudly say that, days are not far away when your Company will leave no milestone untouched to be the top most in this Industrial sector, as I believe - "Sky is the only limit".

Your Company has performed reasonably well during the year 2007-2008. 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 almost 15% - from Rs.721 Crores to Rs. 8,26 Crores
- Profit After Tax rose by 22.41% - from Rs. 55 Crores to Rs. 67 Crores
- EBIDTA has gone up by almost 17% - from Rs. 112 Crores to Rs. 131 Crores

Our performance on every parameter therefore, reflects persistent improvement.

### **FUTURE OUTLOOK**

Elecon is continuously looking for opportunities to de-bottleneck its operations and supply chain to optimize production. The efforts to control cost by introduction of latest technology, equipment is continuously on.

As per the 11<sup>th</sup> 5 Year Plan for Power Sector, National Electric Policy (NEP) envisages "Power for All" by 2012. The 11<sup>th</sup> Plan projects a capacity addition of 1,00,000 MW for which necessary investments will be made in phased manner. The budgeted investment for the current fiscal year is likely to be Rs. 23,850 Crores, out of which Coal



Handling Plants is assured to have an investment of Rs. 5,900 Crores. Your Company will be one of the key players in this sector who will be benefited significantly by more business opportunities.

Your Company is optimistic about carrying its success at the same pace. To fulfill the promise of same growth rate, your company has already initiated number of actions, some of them are:-

- Continuous endeavor to upgrade its technology as well as enhance its capacities. In this pursuit, the Company is planning to incur total Capex of Rs. 235 Crores in the current and next fiscal year.
- Exploring the possibilities in SEZ-based engineering facilities in Gujarat and other States, provided this will give logistical advantage.

Your company is having substantial unexecuted orders as on June 30, 2008 to the tune of Rs. 1398.80 Crores, which will turn out to be significant invoicing in FY 09. This will be further strengthened with significant order inflow during remaining period of current financial year.

In order to follow the growth business model, your Company has outlined certain key success factors.

### **PERFORMANCE DURING THE CURRENT YEAR**

The turnover of the Company upto June 2008 is around Rs. 167 Crores as against Rs. 129 Crores during the corresponding period of previous year, representing a growth of 29%. The Company is aiming to reach the milestone of Rs. 1100 Crores during the Current year.

### **CORPORATE GOVERNANCE**

Corporate Governance, as we know, is the method by which a corporation is directed, administered or controlled. It includes the laws and customs affecting this direction, as well as the goals for which the corporation is governed. But most important of all, a corporate entity is composed of people. However, your Company is blessed with committed, dedicated and ethical key managerial personnel and this is the reason your Company grew up with its enduring spotless image.

Your Company's Corporate Governance Philosophy is based on imbibing best practices in the area with emphasis on ensuring transparency, accountability, compliance of all statutory and regulatory requirements and adhering to the best level of business ethics. Risk identification and mitigation exercises are constantly reviewed and implemented.



## SOCIAL INITIATIVES

Your Company believes that society and business goes hand in hand. It believes that no business can flourish with either – or's suppression. I can proudly put these words that your Company is also rich in Social Capital.

The following chant is very well applicable to the association of **business with society**:

“ॐ सह नावतु सह नौ भुनक्तु सह वीर्यम् करवावहे  
तेजस्वीनावधीतमस्तु मा विद्विशावहेद्भ ।  
ॐ शान्तिः शान्तिः शान्तिः ।”

- “Means let both of us be sheltered, let both of us have the fruits, lets endeavour together and let both of us develop knowledge through bright education without harming others to achieve the ultimate goal of Financial, Physical, Mental and Spiritual growth and peace.”

Again, it is true that no single organ of society will be able to make a significant difference based on their individual action. However, the efforts made by your Company by providing scholarship to children and young adult, by sponsoring learning aids and educational programmes at various educational institutions and by supporting business events and industrial exhibitions demonstrate that with innovation, commitment and by forging enduring partnerships, we can all make a difference. **It is indeed heartening to witness a growing corporate consciousness to ensure that the future generations are more secure.**

By giving generous contribution for Cardiac Centre at Shree Krishna Hospital, Karamsad for the welfare of Common people, your Company gives an example of its belief in maintaining good common health and also in preserving the environment, which is the main theme of the Annual Report.

## **ACKNOWLEDGEMENT**

In conclusion, I wish to thank all the stakeholders namely; Central and State governments, financial institutions, public and private sector banks, government agencies and non-government institutions, Vendors, Customers, Business Associates who have extended their support in the development and growth of your Company.

I acknowledge the critical role played by the employees in contributing to the growth of the Company's business even in the rapidly changing industrial environment and in the ever-evolving uncertainties.



On behalf of the Board, I would also like to thank all the shareholders for their unstinted support, trust and confidence in the Company. The Company is committed to work for enhancing shareholders' value.

I look forward to your continued support at every step of this journey.

Thank you for your attention!

**PRAYASVIN PATEL**  
**CHAIRMAN & MANAGING DIRECTOR**

Date : 29-07-2008

Place : Vallabh Vidyanagar

