



## **ELECON ENGINEERING COMPANY LIMITED**

### **CHAIRMAN'S SPEECH**

#### **Dear Members**

It is my privilege to welcome you all to the 46<sup>th</sup> Annual General Meeting of your company. We appreciate your interest in the Company and are pleased to have you with us today.

At the outset, I would like to place on record the appreciation of valuable services, advice, guidance, suggestions, inspiration and motivation given by the visionary and powerful leader, our most beloved former Chairman and Managing Director Shri Bhanubhai I. Patel.

The Notice convening this meeting, the Board of Directors' Report and the Audited Statement of Accounts of the company for the year ended on 31<sup>st</sup> March, 2006 have been with you and with your permission, I shall take them as read.

You will be glad to know that your company in his history has achieved the:-

- highest ever turnover
- highest ever production
- highest ever profits
- highest ever earnings per share
- highest ever market cap during the financial year 2005 – 2006.

#### **DIVIDEND**

Keeping in view the significantly improved performance of your Company, your Directors have recommended a dividend of 50% on equity shares, which is double than previous year.

## **THE ECONOMIC SCENARIO**

The Indian economy recorded robust growth for the third successive year during 2005–2006 backed by sustained manufacturing activity and impressive performance of service sector. Growth in real GDP accelerated from 7.5% in 2004-2005 to 8.4% in 2005-2006. It has further consolidated India's position as one of the fastest growing economies in the world.

The Macro Economic performance of the Indian economy was stronger as anticipated with both the Manufacturing and Service sector showing robust growth. The pick up in manufacturing sector, began three years back, sustained its momentum during 2005-2006. The Industrial Production recorded a growth of 8.1% during 2005-2006, led by manufacturing activity.

The process of continuing reforms has gained acceptance amongst all segments of the country's polity and is evident by the large infusion of funds in many sectors, most notable being infrastructure, which will add lots to the order book position of the Company.

I will now deal in detail about the growth and business opportunities.

## **COMPANY'S PERFORMANCE**

The Company performed impressively during the year 2005–2006.

Our Annual Report is with you, I am sure you would have perused it in detail. I would however like to highlight the key aspects of your Company's performance during the year.

- Turnover increased by 59% - from Rs. 277.72 Crores to Rs. 442.48 Crores



- Profit Before Tax by 135% - from Rs. 17.41 Crores to Rs. 40.98 Crores
- Profit After Tax by 178% - from Rs. 10.04 Crores to Rs. 27.88 Crores
- Basic earnings per share increased by 178% - from Rs. 17.78 to Rs. 49.37

Our performance on every parameter therefore, reflects significant improvement.

### **FUTURE PLANS**

The Company is optimistic about the business prospects and about its capabilities to leverage them for your benefit.

1. Your Company has entered into an Exclusivity Agreement with Pipavav Shipyard Limited to provide fabrication of block components to its shipbuilding requirement.
2. Company has signed License Agreement with Turbowinds N. V. of Belgium, to provide technology to manufacture Wind Electric Generators of 600 KW rating. Your Company is having an experience of manufacturing and installing of Windmills. So far the Company has installed 51 Nos. of 300 KW Windmills and 5 Nos. of 600 KW Windmills in the state of Gujarat and Tamilnadu. The Company has also signed an Agreement with C-WET (Centre for Wind Energy Technology) for certification of 600 KW windmills. Company expects to supply at least 50 Nos. of windmills in the next financial year.

3. Company continues to focus on exports as a strategy to expand its presence in the international markets. The Company has during the previous financial year explored Middle East countries market and during the current year, Company has initiated steps to access the Chinese market.
4. The turnover of the Company up to August 2006 is Rs. 196 Crores as against Rs. 109 Crores during the corresponding period of previous year 2005-2006, representing remarkable growth of 79%. Having good order backlog position, the Company expects to continue to improve its revenue, growth and profitability substantially for the current year and year to come.

### **CORPORATE SOCIAL RESPONSIBILITY (CSR)**

Your Company together with other Companies in the group has voluntarily committed to render social and welfare services for the society and the nation. It is a continuous CSR activity. The major being generous contributions for Dialysis Centre and upcoming Cardiac Centre providing required facilities for angiography, angioplasty and by-pass surgery in the name of late Shri B. I. Patel at Shree Krishna Hospital, Karamsad.

### **ACKNOWLEDGEMENT**

The Directors would like to record their appreciation for the contributions made by employees at all levels. On behalf of Board of Directors and on my own behalf, I offer sincere thanks to our Customers, Suppliers, Govt. Authorities, Financial Institutions, Bankers, other business associates, other stake holders and Shareholders, for their continuous co-operation and support extended to the Company.

Thanking You

**PRAYASVIN PATEL**

**CHAIRMAN**

Date : 12-09-2006

Place : Vallabh Vidyanagar

1. Point regarding Windmill has already been elaborated in Chairman Speech. If you have any specific questions, I would be glad to reply.
2. Elecon China will be 50% equity participant Company.
3. Conservation of energy : WE APPRECIATE YOUR SUGGESTION AND IMPLEMENT.
4. R & D department
5. Foreign Exchange Earning and Outgo; WE APPRECIATE YOUR SUGGESTION AND IMPLEMENT.
6. Out of seven Directors, Six Directors are present at AGM.
7. We have already applied for NSE Listing. However, since the FCCB Bonds worth US\$ 1 mn are pending for conversion, as per NSE guidelines, it can be listed only after all bonds gets converted. We expect conversion at any moment.
8. Details of secured loans
  - Packing Credit in Foreign Currency to finance export orders. Rate of interest is LIBOR plus 150 basis point.
  - Loan from HDFC is short term, and the rate of interest is 9% p.a.
  - Loan from Bharat Overseas Bank was mainly to finance imported plant and machinery. The rate of interest is 9% p. a.
9. Company has raised FCCB worth US\$ 9 mn. This funds can not be brought into India except for permitted use at the time of payment. Since the payment is due, it has to be parked out of India. The funds were parked with SBI London in the form of short term Fixed deposits for a period not exceeding



1 month. The rate of interest availed on these FD is average 5%.

10. EPS



- 1. PROSPECTS OF WIND MILL BUSINESS**
- 2. TO ELABORATE ON ELECON CHINA BUSINESS ACTIVITY AND  
FUTURE PLAN**
- 3. RESEARCH AND DEVELOPMENT ACTIVITY**
- 4. DIVIDEND**