



**ELECON** 

**Elecon Engineering  
Company Limited**

**Chairman's Speech**

**At  
49<sup>th</sup> Annual General  
Meeting**

**Time : 11.45 a.m.**

**Date : 30-07-2009**



Ladies and Gentlemen,

I have great pleasure in welcoming you to the 49th Annual General Meeting.

The Annual Report for 2008-09, 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 2008-09, as read.

I would like to briefly take you through our financial and business performance in the year 2008-09 and share our thoughts for the future. While doing this, I am particularly encouraged by the support and trust we received from you towards our endeavours.

The engineering industry faced a lot of challenges this year like low consumer sentiment, retail finance availability, commodity inflation and huge fluctuation in the prices of raw material as well as foreign currencies.

During the year of global economic crisis and the slowdown in the industrial and engineering sector in India, your Company has managed to close the year with a growth of 15.56% over the previous year becoming our highest ever turnover.

### **DIVIDEND**

As per our dividend policy, your directors recommend a dividend of Rs. 1.50 per share i.e. 75% for the year under review.

### **ECONOMIC SCENE**

The entire world is going through a severe financial crisis that has led to a global meltdown. The crisis in global financial markets deepened since mid-September 2008, triggered by the collapse of a number of financial firms across the Globe. The pressure on financial markets mounted with the credit spreads widening to record levels and equity prices crashing to historic lows leading to widespread volatility across the market spectrum.

The intensification of global financial turmoil and its knock-on effect on the domestic financial market and downturn in headline inflation, necessitated the Reserve Bank of India to ease its monetary policy since mid-September 2008.

As per the Review of Macroeconomic and Monetary Developments during 2008-09 made by RBI, the cumulative position reveals that the



real GDP growth was 6.9 per cent during 2008-09 (April-December) as compared with 9.0 per cent during the corresponding period of 2007-08. Although India's growth trajectory has been impacted both by the financial crisis and the global economic downturn, the structural drivers of the Indian economy continue to remain intact, sustaining the overall growth at a level much higher than most of the economies in rest of the world.

This downturn also offers an opportunity for companies to strengthen themselves and emerge from the other side stronger than their competitors. It also brings new opportunities for companies to plan their strategy through Merger & Acquisitions and business restructuring exercise & implementing drastic cost cutting measures effectively.

### **COMPANY'S PERFORMANCE**

Your Company's business model has proved its versatility even in this tough environment. Some of our clients have reduced their budgets, which in a way will impact our growth during the current year. We have taken several steps to mitigate the impact of the current crisis and we are confident that we will be stronger when the economic uncertainties end.

Every time when trust was laid on us, we have worked towards delivering better than what is expected from us. Our quick adaptability to the new technologies and thirst for innovation are the major key factors which makes us stand out amongst our competitors in this world of head to head competition. Your company has not only sustained its growth in the domestic market but has also taken noteworthy steps in the overseas market. It's a matter of pride for your company that today it has become the most preferred choice in Material Handling Technology and Power Transmission Solutions.

During the year 2008–2009, your Company has performed well still not upto the mark due to various external reasons emerging from global meltdown. The 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 16% - from Rs. 826 Crores to Rs. 955 Crores
- Profit After Tax declined by 14.51% - from Rs. 67 Crores to Rs. 57 Crores
- EBIDTA has gone up by almost 14.19% - from Rs. 112 Crores to Rs. 131 Crores



## **FUTURE OUTLOOK**

We are now more focused on new opportunities to organize our core operations and supply chain to optimize production. Constant efforts are being made to control cost by streamlining use of technology, equipment and other scarce resources.

To mitigate the impact of the recent global slowdown on Indian Economy, Government of India has announced three stimulus packages in December '08, January '09 and March '09 worth Rs. 1,86,000 Crores. RBI also took a number of monetary easing and liquidity enhancing measures to facilitate flow of funds from the financial system to meet the needs of productive sectors. As per the Annual Policy Statement 2009-10 of RBI, these measures taken by RBI have resulted in augmentation of actual/potential liquidity of over Rs. 4,22,000 Crores.

In the Union Budget presented by our Finance Minister on July 6, 2009, Government of India aims to increase Investment in infrastructure to above 9% of GDP by 2014, which in turn will also help engineering industry to regain its growth momentum.

Withdrawal of Fringe Benefit Tax by Finance Minister will marginally increase the profit of the Company.

Your Company has initiated exercise of business restructuring. This will involve the study of the business profiles and the identification of potential synergies between businesses across various parameters. This will lead to the development of the initial high-level business structure for the Elecon Group and give strength to the Company to tackle any economical downturn in future.

Your company is having substantial unexecuted orders as on June 30, 2009 to the tune of Rs. 1492 Crores, which will turn out to be significant invoicing in FY 2009-10. In addition to that order inflow during remaining period of current financial year will strengthen our order book position significantly.

## **PERFORMANCE DURING THE CURRENT YEAR**

In spite of various challenges due to economic slowdown world over, the turnover of the Company upto June 2009 has increased to Rs. 212 Crores from Rs. 169 Crores during the corresponding period of previous year, representing a growth of 25%. The Company is aiming to reach the milestone of Rs. 1150 Crores during the Current year.

## **CORPORATE GOVERNANCE**

The recent events in India have raised various questions on the corporate governance followed by Indian Inc.





The modern business defines corporate governance as the framework of rules and practices by which board of directors ensures accountability, fairness and transparency in the firm's relationship with its various stakeholders.

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.

### **CORPORATE SOCIAL RESPONSIBILITY**

Your Company believes that when we grow, it becomes our moral responsibility to do something for the betterment of the society. Even a small effort made in this direction is a big contribution to humanity.

We believe that to create a strong and stable future, we need to strengthen the roots today. Today's youth is tomorrow's future and keeping this in mind your company has been providing scholarship to children and young adults by providing them learning aids and sponsoring educational events at various educational institutions.

We have always put our best foot forward to help create all possible opportunities for nurturing the talents of the capable students. Your company has agreed in principal to extend contribution to Charotar Vidhya Mandal for the setting up of an Engineering College for Women at New Vallabh Vidyanagar. Apart from this, preserving the environment, which is the main theme of our Annual Report, is something we at Elecon strongly believe in. This year Elecon organized a mega blood donation camp in which a record breaking 1054 units of blood were collected.

### **ACKNOWLEDGEMENT**

I take this opportunity, to express my thanks to all the shareholders for their continued trust in the Board of Directors and the Management of the Company.

On behalf of the Company, I would also like to thank all our Vendors, Customers, Dealers and Business Associates who have extended their support in the development and growth of your Company.

Before I conclude, I wish to thank all other stakeholders namely; Central and State governments, financial institutions, public and private sector banks, government agencies and non-government institutions for their co-operation and support in successfully managing the organization.

It is true that the employees form the strong pillars of any company.





I acknowledge the significant unfailing support provided by the employees in growth of the Company's business even in this trying time.

I express my sincere appreciation to my colleagues on the Board and the Management Team for their invaluable contribution in driving your Company towards greater heights of excellence.

I look forward to your continued support in the Company's exciting journey into the future.

Thank you for your attention!

**PRAYASVIN PATEL**  
**Chairman & Managing Director**