

evolving industry. The complexity of working across both regulated and deregulated industry structures ensures that we maintain the ability to react, respond and adapt quickly.

Your company is having substantial unexecuted orders as on June 30, 2010 to the tune of Rs. 1582 Crores, which will turn out to be significant invoicing in FY 2010-11. 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 2010 has increased to Rs. 246 Crores from Rs. 212 Crores during the corresponding period of previous year, representing a growth of 16%. The Company is aiming to reach the milestone of Rs. 1250 - 1300 Crores during the Current year.

CORPORATE GOVERNANCE

The concept of Corporate Governance primarily emphasis on complete Fairness, Transparency, and Accountability of the management, with an increasingly greater focus on investor protection and public interest.

Corporate Governance is about ethical conduct in business. Corporate Governance helps firms control and direct its operations.

The recent events in India have caused the development of awareness about the Corporate Governance.

Your Company always believes in implementing good Corporate Governance practices with emphasis on ensuring fairness, transparency, accountability, compliance of all statutory and regulatory requirements and adhering to the best level of business ethics.

CORPORATE SOCIAL RESPONSIBILITY

Your company has always believed in giving back to the society in which it operates. We believe that the development of India can be enhanced by empowering the youth of today through world class education and then preserving the current talents through enhanced medicinal facilities. We believe that this combination of youth and experience can propel India to newer heights.

Our yearly commitments include contributing in a positive way to 4 schools including one school for the differently able children, providing scholarships to meritorious students as well as financially challenged people to pursue their dreams, promoting talents by sponsoring various educational events, etc. We also organize regular blood donation camps to contribute in our own little way to lower the scarcity of blood that India is facing.

We promote various sporting and creative talents and hold events to bring out the creative best in people while giving them a platform to display their talents. Understanding the fact that sustainable development is the only kind of development that the world can afford, we have incorporated environmentally safe policies and try to spread the message of preserving our environment by keeping it as the theme of our Annual Report.

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.

I also 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!

Date : 30-07-2010
Place : Vallabh Vidyanagar

PRAYASVIN PATEL
Chairman & Managing Director



ELECON 

**Elecon Engineering
Company Limited**

Chairman's Speech

**At
50th Annual General
Meeting**

Time : 11.00 a.m.

Date : 30-07-2010

Ladies and Gentlemen,

On behalf of the Board of Directors, I welcome you all and take immense pride and pleasure in addressing this 50th Annual General Meeting. Successful completion of more than 5 decades of serving this nation with relevant products, adding momentum to its economic progress and touching, though often invisibly, the lives of its people is a matter of joy and pride.

The Financial Results of the Company for the year 2009-10 have been with you for sometime and with your kind permission, I take them as read.

It would be my privilege to briefly take you through our financial and business performance in the year 2009-10 and share our thoughts for the future. While doing this, I am particularly encouraged by your continuous support and trust towards our endeavours.

Recovery in the global economy picked up momentum in the fourth quarter of 2009. The speed of recovery, however, remains significantly divergent. The Indian economy exhibited clear momentum in recovery, and despite the impact of a deficient monsoon on agricultural production, GDP growth for 2009-10 was 7.4 per cent, compared to 6.7 per cent recorded in 2008-09.

The uptrend in industrial activity continues. The Index of Industrial Production (IIP) expanded by 13.5% in year-on-year (y-o-y) terms in March 2010 points to the revival of industrial activity. However, the developments on the inflation front are worrisome.

During the year, your Company created a history in its journey up till now and reached a milestone of achieving the turnover of more than Rs. 1000 Crores.

DIVIDEND

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

ECONOMIC SCENE

The global economy continues to recover amidst ongoing policy support and improving financial market conditions. The global economy also continues to face several challenges such as high levels of unemployment. Despite signs of renewed activity in manufacturing and initial improvement in retail sales, the prospects of economic recovery in Europe are clouded by the acute fiscal strains in some countries.

Three major factors that have contributed to the improved global outlook are the massive monetary and fiscal support, improvement in confidence and a strong recovery in emerging market economies (EMEs).

The Indian economy is firmly on the recovery path. The industrial sector recovery is increasingly becoming broad-based and is expected to continue. The quick rebound of growth during 2009-10 despite failure of monsoon rainfall suggests that the Indian economy has become resilient.

The improved performance of the industrial sector is also reflected in the improved profitability in the corporate sector. Service sector activities have shown buoyancy, especially during the latter half of 2009-10. A sustained increase in bank credit and in the financial resources raised by the commercial sector from non-bank sources also suggest that the recovery is gaining momentum.

COMPANY'S PERFORMANCE

ELECON recorded a healthy financial performance with the company recording a growth in turnover. The turnover for the year 2009-10 at Rs.1046.37 Crores recorded an increase of 10% over that of the Previous Year. Both the business segments - MHE and GEAR performed very well during the year under review despite somewhat difficult conditions prevailing in the early part of 2009, which adversely impacted some of the end user segments such as power, steel, fabrication, infrastructure, etc.

We have taken several steps to improve operating efficiencies, enhance productivity and reduce costs, delivered cost savings for the business, strengthened our balance sheet and allowed us to reduce debt.

We remain committed to delivering the highest quality products to meet and exceed, industry standards and consumer expectations, which helps your Company to remain the most preferred choice in Material Handling Technology and Power Transmission Solutions.

Staying closely in tune with market demand, international and domestic financial indicators and innovative industry initiatives, allows us to maintain the growth momentum.

I would however like to highlight the key aspects of your Company's performance during the year.

- Net Sales increased by almost 9.56% - from Rs. 955.06 Crores to Rs. 1046.37 Crores
- Profit After Tax increased by 15% - from Rs. 57.45 Crores to Rs. 66.17 Crores
- PBIDTA has gone up by almost 10% - from Rs. 159 Crores to Rs. 174 Crores.

FUTURE OUTLOOK

The global economy seems to be recovering after the recent economic slowdown. It is expected that the global economies will continue to sustain in the short-term, as the effect of stimulus programs is yet to bear fruit and tax cuts are working their way through the system.

Through a strict credit policy and stringent fiscal arrangements, India could somewhat evade the recession. However, inflation has been a cause of concern. The May 2010 figure confirmed inflation at around 10.5%. With industrial growth at 10.4% in 2010, India ranked as the twelfth most progressive country in the world.

The Reserve Bank of India has placed the baseline projection of real GDP growth for 2010-11 at 8 per cent. This growth would largely be driven by robust industrial growth backed by improvement in consumption demand, increase in infrastructure spending, substantial growth in investment activity, recuperating external demand conditions and stability and improvement in financial markets.

The Indian economy has experienced considerable growth in the infrastructure segment in the past few years; however lack of adequate infrastructure is still one of the major impediments in country's development. For facilitating economic growth it is essential that the India overcomes the infrastructure bottlenecks in terms of road connectivity, insufficient power supply, underdeveloped ports, lack of irrigation facilities, etc. Infrastructure development would also be an instrumental factor for achieving inclusive growth. The development of infrastructure will help engineering industry to grow further.

Your Company's expertise in customize products has proved its usefulness even in this volatile environment.

We will continue to work closely with our customers, suppliers and other business associates to map the future path for the industry and hence our own business. We operate in a competitive and rapidly