



## CHAIRMAN SPEECH

Ladies & Gentlemen,

“Coming together is a beginning. Keeping together is progress. Working together is success”.

It is my privilege to address the 52<sup>nd</sup> Annual General Meeting (AGM) of the shareholders of Elecon Engineering Company Limited. On behalf of the Board of Directors, the Management and the Employees of the Company, I welcome all of you to this 52<sup>nd</sup> Annual General Meeting. At the outset, I express my gratitude to you all for your continued support and patronage.

I am delighted to report to you the good performance of the Company for the year 2011-12. Many of the initiatives taken by the Company for achieving competitiveness and sustainable growth have begun yielding encouraging results helping the Company to manage its operations steadily. Though the business environment is not conducive, your Company was able to sustain its growth momentum.

The Annual Report, including the Audited Accounts of the Company for the year ended March 31, 2012, has been in your hands for some time now. With your consent, I shall take it as read.

Before I present the highlights of your company’s performance during the financial year 2011-12 (FY12), it would not be out of place to share with you briefly the details of the global and domestic economic environment that prevailed during the year as these had strong implications on the business performance.

The problems stalking the global economy are multiple and interconnected. The financial turmoil following the August 2011 political wrangling in the United States regarding the debt ceiling and the deepening of the euro zone debt crisis caused a contagious sell-off in equity markets in several major developing countries like India, leading to sudden withdrawals of capital and pressure on their currencies.

Despite the impact of a deficient monsoon on agricultural production and delay in policy reforms by Government, India has maintained its GDP growth for 2011-12 at 6.5 per cent.

I take the privilege of taking you through our financial and business performance in the year 2011-12 and share our thoughts for the future. While doing this, I am particularly encouraged by your continuous support and trust towards our endeavors.



## DIVIDEND

As per our dividend policy, your directors have recommended dividend of ₹ 1.80 per share i.e. 90% for the year under review. I trust all of you are pleased with the results for the year ended March 2012 and our recommendation for a dividend at the rate of 90% or ₹ 1.80 per share.

## ECONOMIC SCENE

The IMF's latest World Economic Outlook (WEO) points to ongoing uncertainty in the global economy, particularly flowing from further turbulence in Europe.

The IMF's global growth projections have been lowered slightly over the forecast period. The IMF expects the global economy to grow by 3.5 per cent in 2012 and 3.9 per cent in 2013. The measures announced at the June EU leaders' summit are also encouraging.

Global growth is expected to continue to be led by our region. While growth forecasts have been revised down slightly, developing Asia is expected to grow by 7.1 per cent in 2012 and 7.5 per cent in 2013. The IMF expects that growth in many emerging economies will be supported by the policy easing of recent months.

India's economic growth fell to a nine-year low of 6.5% in 2011-12 fiscal. Last month, the World Bank had projected Indian economy to grow at 6.5% in the current fiscal, at the same level of last year.

Monetary policy easing has begun but further action will be constrained by inflationary pressures and limited spare capacity. Fiscal slippage caused the Central Government budget deficit to rise in the 2011-12 fiscal year. The government plans modest fiscal consolidation this year, which would help reduce inflation, narrow the current account deficit and promote more balanced growth. However, spending pressures, notably on subsidies, are again likely to result in overruns.

The engineering sector is one of the largest segments in emerging markets. The sector accounts for approx. 12% of the GDP and it is also one of the leading sectors of exports. In the recent past, many engineering MNCs have set up business in India taking advantage of the huge pool of skilled labour in the country. The industry has also managed to successfully develop advanced manufacturing technology over the years.

India is one of the major exporters of heavy and light engineering goods, producing a wide range of items.



## COMPANY'S PERFORMANCE & BUSINESS DEVELOPMENT

Elecon has proved its performance in every sphere of Challenges. The turnover for the year 2011-12 was ₹ 1331.67 Crores as against ₹ 1173.94 Crores during the Previous Year. Both the business segments - MHE and GEAR performed well during the year under review despite turbulent conditions prevailing all over the world, which adversely impacted some of the major sectors in which the Company operates its business.

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

- Net Sales increased by almost 13.44% - from ₹ 1173.94 Crores to ₹ 1331.672 Crores
- EBIDTA has been maintained at 15.05% from 15.09% of previous year

Your Company has already initiated steps to improve its operating efficiencies, enhance its productivity, deliver cost savings for the business by implementing necessary transformation strategy and carrying out various studies and analysis which resulted in-

- Improvement in efficiency in manufacturing methodology
- Effective management control to increase productivity

### *Business Development*

Your Company is in process of expanding its Gear manufacturing facility by establishing a new state-of-the-art manufacturing plant in the name of "Bhanubhai Memorial Centre of Excellence" at Vallabh Vidyanagar to double the manufacturing capacity in small and medium size helical Gear Boxes to cope up the future demand.

## FUTURE OUTLOOK

Employing over 4 million skilled and semi-skilled workers, the engineering sector is by far the largest sector of the overall industrial segments in India. Highly structured and technology-driven, this sector accounts for 12 per cent of India's economy.

The sector's future outlook is promising. New power projects, infrastructure development activities, industrial growth and favorable policy regulations will drive growth in manufacturing engineering products.

The Indian engineering industry has been witnessing a significant level of capability enhancement over the years. As export markets open up, this will help India develop a strong presence in global engineering exports.



Emerging trends such as outsourcing of engineering services can provide new opportunities for quantum growth with new product designing, product improvement, maintenance and designing manufacturing systems increasingly getting outsourced to countries like India and China.

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

In spite of various hurdles due to globally spread wobbling economic situation, your Company has managed to attract new clients. Even in the regime of high rate of interest, increase in cost of raw material, economic slowdown, the Company is hopeful to grow by at least 7-8% during the Current year.

### **CORPORATE GOVERNANCE**

"Corporate Governance refers to a set of systems and processes to ensure that the Company is managed to suit the best interest of all the stakeholders".

Your Company is taking all measures to ensure the strict compliance of all mandatory or non-mandatory requirements of Corporate Governance by Board, Managers and other stakeholders.

### **CORPORATE SOCIAL RESPONSIBILITY**

Your Company has given special importance to the principles of Corporate Social Responsibility (CSR). It has also given priorities to make sure that the safety of environment, people and their belongings is provided.

Our strong commitments include contributing towards community welfare, educational support to the bright students by way of scholarships, healthcare support to the physically challenged, adoption of backward villages and working towards their upliftment, further development and also contributing on a positive note to schools and parks that we maintain in and around Vallabh Vidyanagar, Gujarat.

As part of Elecon's Corporate Social Responsibility, the Company provided attractive scholarships to bright under-privileged students of Birla Vishwakarma Engineering College, Vallabh Vidyanagar. The Scholarships include tuition fees, examination fees and hostel fees as well as food bill. The Company has been providing this Scholarship since 2007.

Elecon has donated ₹ 24 Lacs to Bhanubhai Patel Dialysis Center, which is a part of Shri Krishna Hospital, Anand. The Company has also decided to give donation to Akshay Patra Foundation, Gandhinagar to set up of a centralised kitchen to feed the children of Government school in Anand District.



Through our social service foundations i.e. EL CARE and Elecon Ladies Forum (ELF), we contribute to the noble causes in form of blood donation camps, health check up camps, scholarship to meritorious students, adoption of backward villages, educating villagers about their social and civil rights, etc.

### **ACKNOWLEDGEMENT**

On behalf of the Board of Directors and on my behalf, I convey my sincere thanks to all the Shareholders, Vendors, Customers, Dealers and Business Associates and other stakeholders namely; Central and State Governments, Financial Institutions, Public and Private Sector Banks, Government agencies and Non-Government Institutions and at last our employees for their unstinting support in the growth of the Company's business.

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

Thank you for your attention!

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

Date : 31.07.2012

Place : Vallabh Vidyanagar