



CHAIRMAN SPEECH

Ladies & Gentlemen,

It gives me immense pleasure to welcome all of you to our 53rd Annual General Meeting. At the outset, I express my gratitude to you all for your continued support and patronage.

Since we last met, your company has undergone a major transformation. During the last year, we have completed the Business restructuring exercise to de-leverage our balance sheet significantly, to have more focus on our core business.

I trust you would have gone through the annual report and so I will not repeat the figures already before you and with your consent, I shall take it as read.

I will take you through our financial and business performance in the year 2012-13 and share our thoughts for the future. While doing this, I am particularly encouraged by your continuous support and trust towards our endeavors.

DIVIDEND

In the testing time of economic slowdown, your directors have thought fit to build shareholders' fund and recommended dividend of R 1.00 per share i.e. 50% for the year under review. I trust all of you will agree with our decision on maintaining the reserve and our recommendation for a lower dividend at the rate of 50% or R 1.00 per share.



ECONOMIC SCENE

Global growth has been uneven and slower than initially expected. Global economic activity remains subdued with still elevated downside risks. In the US, it shows a slower recovery in domestic demand and weak export activity. In the UK, recovery is gradually gathering momentum on the back of consumer spending. The euro area continues to be in recession with high unemployment. Japan's economy is returning to positive growth with improved industrial production and retail sales.

Among the BRICS countries, although retail sales in China have maintained the impetus of recent months, the manufacturing Purchasing Managers' Index (PMI) and industrial production has declined in June, 2013. Growth has clearly lost momentum in Brazil, Russia and South Africa. World GDP grew at 2.16 per cent during 2012 as against the projections of 3.5 per cent in 2012.

The Indian economy grew at its slowest pace in a decade in 2012-13, posing another fresh challenge for the UPA coalition to revive growth and boost sentiment ahead of the general elections next year.

Data released by the Central Statistical Organization (CSO) showed that the economy grew 5% in 2012-13, compared to 6.2% expansion in the previous year. It was in line with the advanced estimates released earlier.



The economy grew 4.8% in the January-March period, marginally above the upwardly revised 4.7% expansion in the previous quarter, providing some hope of a tentative turnaround. But the overall economic scenario still remains challenging and the GDP data should come as a wake-up call for the government.

What has been most disappointing is that industrial output growth in 2012-13 has been a mere 1%, posing a threat to job creation and overall growth.

COMPANY'S PERFORMANCE & NEW BUSINESS STRATEGY

Your Company was able to maintain unhampered business operations during this volatile time. The turnover for the year 2012-13 was R 595.21 Crores as against R 573.92 Crores during the Previous Year. The Consolidated turnover for the year 2012-13 was R 1526.85 Crores as against R 1613.22 Crores despite turbulent conditions prevailing all over the world, which adversely impacted some of the major sectors in which the Company operates its business.

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 & carrying out various studies, analysis and implementation.



New Business Strategy

Your Company has expanded 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 for production of internal components of the helical gear box. It has a capacity of manufacturing 1000 gear boxes per month. The components will be produced in a dust-free & eco-friendly environment. 'Lean and Cellular Manufacturing' system with different types of lean tools including TPM, Kanban, and Kaizen is being implemented at the plant.

During F. Y. 2012-13, the Company invested in shareholding of Elecon EPC Projects Ltd. (EPC) (formerly known as Aakaish Projects Ltd.), a closely held unlisted Group Company by purchasing its entire capital. By virtue of the acquisition of shares, the Elecon EPC Projects Ltd. became a Wholly-Owned Subsidiary of the Company. However, pursuant to the Scheme of Arrangement, MHE businesses of Emtici Eng. Ltd. and Prayas Eng. Ltd. have been transferred to Elecon EPC. As a consideration for such transfer of business Elecon EPC, on 01.04.2013, allotted 1,76,439 equity shares to the shareholders of Emtici Eng. Ltd. and Prayas Eng. Ltd., by virtue of which the shareholding of the Company in EPC was reduced from 100% to 60.49%. At present Elecon Eng. Co. Ltd. is holding 60.49% and other promoters are holding 39.51% shares in Elecon EPC Projects Ltd.



FUTURE OUTLOOK

In Advanced Economies (AEs), activity has weakened. Emerging and Developing Economies (EDEs) are slowing, and are also experiencing sell-offs in their financial markets, largely due to the safe haven flight of capital. Market expectations of Quantitative Easing (QE) decrease and the consequent increase in real interest rates in the US have translated into a rapid appreciation of the US dollar and consequent depreciation of EDE currencies, which is likely to affect cost of import significantly as well as increase the inflation affecting every sector.

Here at home, economic activity weakened in the first quarter of this year. Lead indicators point to continuing headwinds facing manufacturing and services sector activity.

Industrial production remained subdued at 0.1 per cent during April-May; in May, there was an absolute decline of 1.6 per cent spread across all constituent sub-sectors, barring electricity generation. Capital goods production continues to contract, reflecting deteriorating investment conditions. Fortunately, the monsoon arrived on time and rainfall to date has been above the long period average. Consequently, *kharif* sowing has been significantly higher than a year ago.

In the May Policy, the Reserve Bank projected GDP growth for 2013-14 of 5.5 per cent. Moreover, global growth has been tepid, with consequent adverse spillovers on India's exports, manufacturing and services.



Over the last one year, the Government has taken several policy initiatives to improve the investment environment. As these initiatives work through the system and are further built upon, the current slowdown could be reversed, returning the economy to a higher growth trajectory.

PERFORMANCE DURING THE CURRENT YEAR

In spite of various hurdles due to globally spread quivering economic situation, the turnover of the Company upto June 2013 was R 105 Crores as against R 125 Crores during the corresponding quarter of previous year. The Company is confident that through the transformational initiatives in operations and focus on cost control and continuous improvement across our businesses, we will end current FY 13-14 with comfortable position in terms of turnover and sustaining margins amidst prevailing industrial scenario.

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.



CORPORATE SOCIAL RESPONSIBILITY

Way before the introduction of CSR provisions in the recently passed Companies Bill, Corporate Social Responsibility is continuing commitment by Elecon to contribute towards economic development while improving the quality of life of the people, customers as well as the community and society at large.

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 poor 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.

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 in the best way in this turbulent time and in overall sluggish economic growth.

Thank you for your attention!

PRAYASVIN PATEL
CHAIRMAN & MANAGING DIRECTOR

Date : 26.08.2013

Place : Vallabh Vidyanagar