



## CHAIRMAN'S SPEECH

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Dear Valued Shareholders, Guests, Ladies & Gentlemen, Friends & Colleagues,

It is a privilege to address this 54<sup>th</sup> annual general meeting of your Company. I am glad to extend a warm welcome to you all on behalf of the Board of Directors, the Management and the Employees of the Company.

The Annual Report for 2013-14 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 2013-14, as read.

However, I will take you through the highlights of our financial and business performance in the year 2013-14 and share our thoughts for the future. While doing this, I am particularly encouraged by your continuous support and patronage towards our endeavors.

### **DIVIDEND**

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

### **THE ECONOMIC SCENARIO**

The economic downdraft of recent years is considered to have bottomed out last year, though; the recovery is likely to be slower than previously expected. The advanced economies have encountered a few structural bottlenecks that hinder external demand, more investment and faster productivity growth, making the medium-term outlook for a

significantly faster path of global growth more uncertain. Most of the BRICS economies have lost over 4% off their peak GDP growth rates experienced until 2010.

The International Monetary Fund (IMF) cut its growth forecast for the global economy to 3.6% this year and 3.9% in 2015.

India's economy or GDP had expanded at 4.7% in 2013-14 and 4.6% in the fourth quarter (January-March period). The growth was less than the Central Statistics Office's advance estimate of 4.9%. Persistent inflation, weakening rupee, fiscal imbalances, bottlenecks to investment and dim employment had a dented effect on the economy.

The growth was held back by poor performance of the mining, manufacturing, construction and trade, hotels, transport, storage & communication services sectors. While the size of the mining sector has shrunk on supply constraints, the others have suffered due to poor domestic demand, both consumption and investment.

However, the fiscal deficits had witnessed a improvement of 4.5% of GDP in 2013-14 as against 4.8% in 2012-13. The improvement was a result of reduction in expenditure rather than by the way of realization of higher revenues.

The Engineering Equipment industry encountered growth hindrance on account of delays in project execution, high import growth and depreciating rupee.

Mild recovery in investment and stronger export growth will help in gradual GDP pick-up which will ultimately help in the growth of Engineering Equipment Industry.

## **THE YEAR AT A GLANCE – COMPANY’S PERFORMANCE**

I would like to address the questions that I am sure are uppermost in your mind with respect to the challenges your Company has been facing in the light of recent events.

The economic downturn has however been viewed as an opportunity to evaluate our operational momentum and focused on various initiatives including cost control/reduction measures and product mix enrichment to become lean and efficient in the challenging year.

We ended up with a turnover of ₹ 501.23 Crores during the year under review as compared to ₹ 595.21 Crores in the previous year. This is disappointing as this is our first fall since the year 1998-99 i.e after almost 15 years.

The Company has however achieved EBIDTA of ₹ 117.62 Crores as against the EBIDTA of ₹ 113.82 Crores during the previous year, representing an increase of 3.34%.

### ***Business Development***

The Company has built a new state-of-the-art manufacturing plant as an expansion of the Elecon Gear manufacturing facilities. This modern engineering plant has been built to double the gear box manufacturing capacity, provide world class quality and ensure timely delivery within a short span of time.

The EON/EOS series of Catalogue Gears has recently been launched which are more cost competitive in the market. It is being supported by the state of the art Bhanubhai Memorial Centre of Excellence (BMCE) facility, which improves the total throughput time and also brings down the costs.



New reforms viz. Total Productive Maintenance (TPM) along with few more steps have been taken to counter recession, which in turn will provide more thrust to stability in the price and production through improved efficiency resulting into lower cost of production and lower wastage of man hour thereby increasing our ability to compete globally.

## **OUTLOOK**

The conducive tax regime and emphasize on Infrastructure, Iron & Steel and Mining sectors introduced in the Union Budget presented by our Finance Minister on July 10, 2014 is likely to attract investment, increase the demand of engineering equipments and machineries. Measures to promote investment in manufacturing sector and rationalize tax provisions are introduced so as to reduce litigation and to address the problem of inverted duty structure in certain areas.

Such steps are likely to boost the manufacturing activities in Engineering Industry which will help your Company to continue the momentum in its business activities.

The Company is looking forward to penetrate extensively in the Sugar Planetary Gear Boxes and Marine Gear boxes business. The Company is also exploring new segments for higher growth viz. Defense, Navy; High Speed Gears; Gears for Plastic Industry and Vertical Roller Mill Drive in Power and Cement industries. Robust efforts are taken in modernizing existing capacity to augment increased demand.

Your company has created adequate infrastructure facilities over several years. We are poised to take a quantum leap in terms of growth without any further significant capital expenditure once the economic environment in the country is improved in real terms.

## **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. The Company has achieved a turnover of ₹ 96 Crores upto June 2014 as against ₹ 105 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 business, we will end current FY 14-15 with comfortable position in terms of turnover and sustaining margin amidst prevailing industrial scenario.

## **CORPORATE GOVERNANCE**

Corporate Governance has been a burning issue in most of the major economies across the world.

Corporate Governance, as we know, refers to a set of systems and processes to ensure that the Company is managed to suit the best interest of all the stake holders.

Good corporate governance involves a commitment and dedication of a company to run its businesses in a legal, ethical and transparent manner.

However, your Company is blessed with committed, dedicated and ethical key managerial personnel who imbibe best practices in the area with emphasis on ensuring transparency, accountability, compliance of all mandatory and non-mandatory requirements and adhering to the best level of business ethics. Risk identification and mitigation exercises are constantly reviewed and implemented.



## **CORPORATE SOCIAL RESPONSIBILITY**

***“Thousands of candles can be lit from a single candle and it loses nothing while doing so.”***

Your Company is continuing to embrace its commitment towards Corporate Social Responsibility related activities under its ambit and is expanding its social stewardship to a broader group of stakeholders in addition to their customary obligations towards its Stockholders.

Our CSR activities are propelled by imparting quality life to the people, 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 contributing on a positive note to schools and parks we maintain in and around Vallabh Vidyanagar, Gujarat.

Your Company believes that society and business goes hand in hand. I can proudly put these words that your Company is also rich in Social Capital. Although it's never enough as Dalai Lama has rightly said, “Be kind wherever possible. It is always possible.”

## **ACKNOWLEDGEMENT**

On behalf of the Board of Directors and on my behalf, I express my sincere appreciation at all levels to all the Shareholders, Vendors, Customers, Dealers, and Business Associates and other Stakeholders viz. Central and State Governments, Financial Institutions, Public and Private Sector Banks, Government Agencies and Non-Government Institutions and at last but not the least, our employees for their unstinted support in the growth of the Company's business.

I also acknowledge the kind support of my colleagues on the Board and the Management team through their invaluable contribution in guiding your Company in the best way in this tested time and in overall sluggish economic growth.

Thank you for your attention.