



Press Release

Business Consolidation and Elecon Group Restructuring

Creation of consolidated and focused MHE and PT business entities

Vallabh Vidyanagar, July 31, 2012: The Boards of Directors of Elecon Engineering Company Limited (“Elecon”), Prayas Engineering Limited (“Prayas”), EMTICI Engineering Limited (“EMTICI”) and Aakaish Projects Limited (“Aakaish”), in their respective meetings held today, considered and approved Scheme of Arrangement under sections 391 to 394 of the Companies Act, 1956 between with Elecon, Prayas, EMTICI and Aakaish and their respective shareholders and creditors (“Scheme”)

Key highlights of the restructuring

- Creation of focused and separate Material Handling Equipment (“MHE”) and Power Transmission (“PT”) entities
 - Consolidation of PT related activities of Elecon Group in Elecon Engineering; and
 - Consolidation of MHE related activities of Elecon Group in Aakaish Projects (a wholly owned subsidiary of Elecon Engineering)

Transaction Rationale

- Elecon Engineering is the No.1 player in the power transmission gears space in India. Elecon, post restructuring, would include in-house sales and marketing, foundries and fabrication units that is a fully vertically integrated
- Aakaish Projects (Elecon-MHE) will be the No.3 player in the MHE space in India. Aakaish, post restructuring, would include in-house sales and marketing, fabrication units and component manufacturing shops that is a fully vertically integrated
- The restructuring would -
 - Simplify the Group structure that is consolidated and focused on separate businesses of MHE and PT; and eliminate majority of intra-group transactions ;
 - Facilitate deleveraging the balance sheet by raising funds at appropriate valuations for both the businesses;
 - Management focus enhancing operational and managerial efficiency;
 - Greater visibility on the performance of individual businesses;
 - Cost saving in terms of economies of scale, standardization and simplification of business processes and productivity improvements; and
 - Business integration, stronger financial position to enhance capabilities to face competition more effectively



Transaction Summary

- Appointed Date of the Scheme will be April 1, 2012
- Transfer of MHE business from Elecon to Aakaish for a cash consideration
- Transfer of PT & MHE business of Prayas into Elecon & Aakaish respectively; Elecon & Aakaish to issue fresh equity shares to the shareholders of Prayas as consideration
- Transfer of EMTICI's Gear and MHE related marketing and servicing business to Elecon and Aakaish respectively; Elecon & Aakaish to issue fresh equity shares to the shareholders of EMTICI as consideration
- Scheme will be subject to approval of High Court of Gujarat, shareholders and creditors of the companies and statutory approvals
- Proposed restructuring likely to be completed by end of this financial year

Share Swap ratio

- The swap ratio recommended by the valuers and approved by the boards of all 4 companies are:
 - 49 shares of Elecon (face value of Rs. 2/- each) for every 4 shares of Prayas (face value of Rs. 10/- each)
 - 39 shares of ELECON (face value of Rs. 2/- each) for every 4 shares of EMTICI (face value of Rs. 10/- each)
 - 14 shares of Aakaish (face value of Rs. 10/- each) for every 143 shares of Prayas (face value of Rs. 10/- each)
 - 3 shares of Aakaish (face value of Rs. 10/- each) for every 19 shares of EMTICI (face value of Rs. 10/- each)
- On a pro-forma basis, the Promoter Group will own 53.96% in Elecon and public shareholders will own the balance 46.04%. Elecon will own 60.49% in Aakaish and Promoters will own the balance 39.51% in Aakaish

Commenting on the restructuring, Mr. Prayasvin Patel, Group Chairman, Elecon said “MHE and PT businesses of Elecon are market leaders in their independent spheres contributing to Infrastructure and core-Industry needs of the country. Both face different economic challenges and need independent focus and therefore this step is a logical evolution. This transaction is a milestone event for Elecon Group that will significantly accelerate the pace of growth for the separate MHE and PT businesses.”

Mr. Prashant Amin, Executive Director, Elecon Engineering said “MHE and PT divisions have grown significantly in the last few years and need business streamlining to face competitive challenges in future. Simplifying the group structure is a huge advantage to drive productivity improvements. Additionally, the businesses require capital to sustain growth. This transaction creates separate businesses entities that will enable fund raising and unlock shareholder value”.



About Elecon Engineering (www.elecon.com)

Elecon Engineering Company Limited, headquartered in Vallabh Vidyanagar, (Gujarat) India and led by Shri Prayasvin Patel is a flagship company of the Elecon Group. It primarily operates via two divisions, MHE and PT. The Company operates two state-of-the-art manufacturing facilities, both located at Vallabh Vidyanagar, for manufacturing MHE and PT products respectively.

The MHE division is involved in manufacturing Bulk MHE and executing turnkey projects primarily in Steel, Power, Cement and Mining industries; it is the 3rd largest branded player in Indian MHE sector. The PT division manufactures transmission equipment and is the largest manufacturer of Industrial Gears in Asia and commands the largest market share in India.

About Prayas Engineering (www.prayasengineering.com)

Prayas Engineering Limited, headquartered in Vallabh Vidyanagar, (Gujarat) India is a leading manufacturer of steel and non-ferrous castings, and engaged in manufacturing and fabrication of Couplings, Gearbox Components and MHE products like Idler, Pulley, automatic weighing, bagging machines etc. It operates two manufacturing facilities located in Vallabh Vidyanagar, (Gujarat) India and Savli, (Gujarat) India.

The MHE business is involved in manufacturing and fabrication of MHE products like Idler, Pulley, automatic weighing, bagging machines etc, servicing both Elecon and external customers

The PT business includes ferrous, non-ferrous & steel foundry, coupling & machining shops which primarily derive their revenues from PT division of Elecon Engineering

About EMTICI Engineering (www.emtici.co.in)

EMTICI Engineering Limited, headquartered in Vallabh Vidyanagar, (Gujarat) India is primarily involved in conducting sales, marketing and servicing related activities for the Elecon Group. It operates 18 branch offices along with country-wide sub-dealer network.

The MHE and PT business of EMTICI primarily involves marketing and servicing related activities for Elecon Engineering Company Limited and investment in foreign entities Elecon Middle East and Elecon Singapore Pte.

About Aakaish Projects

Aakaish Projects Limited, headquartered in Vallabh Vidyanagar, (Gujarat) India is 100% subsidiary of Elecon Engineering Company Limited. Aakaish proposes to engage in manufacture of Material Handling Equipments.



Advisors

- SSPA & Co. Chartered Accountants submitted report on the swap ratios to the Boards of Elecon, Prayas, EMTICI and Aakaish
- Keynote Corporate Services Private Limited provided a fairness opinion to the Boards of Elecon, Prayas, EMTICI and Aakaish
- PricewaterhouseCoopers Private Limited acted as tax and regulatory advisors
- Ambit Corporate Finance Private Limited acted as financial advisors to Elecon

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Conference call for analysts and shareholders including dial in details

A presentation will be shortly available online for download at www.elecon.com

Conference call details:

Date: July 31, 2012
Time: 1730 hours (IST)
Primary Number: +91 22 6629 0386 / +91 22 3065 0160

Represented by:-

Mr Prayasvin Patel, Chairman & Managing Director
Mr Prashant Amin, Executive Director
Mr H C Shah, Chief Financial Officer



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