

52nd Annual Report 2011-12

ELECON 

let's preserve our environment

About cover



We at Elecon, firmly believe, that saving the nature has become a scientific movement, embodying the leadership of going beyond the traditional scope of nature conservancy, of protecting the land, water and biodiversity. This has helped in facing the toughest environmental challenge. Knowing the value of nature of what it offers, we are directed towards protecting it.

Here, we commit ourselves in creating a well defined approach, by identifying the conservation issues and finding the tools and resources and resolving them. Each one of us at Elecon, have become a part of perseverance, in assisting the efforts made around the globe, in saving the mother earth. We consider this, to be critical to the vision of healthy and prosperous planet earth. We are sure of making a positive impact around the world.

“Let’s Preserve Our Environment”

And the Environment Will Preserve Us.....

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Elecon at a glance

Elecon Engineering is a leader in industrial gears with a market share of approx. 25% and it also has a dominant presence in the MHE space. Elecon has also proved as leading manufacturer of Material Handling Equipment (MHE) and Power Transmission Solutions for Power, Mining, Steel, Plastic, Sugar, Defense and Cement sectors. With an established set-up and a strong and diversified product portfolio, the company is amongst the key manufacturer of various products that are offered to various industries including Power, Chemicals, Steel, Plastic, Elevators, Palm Oil, Marine Engineering, Cement, Sugar, Mining, Petroleum, Coal Handling and Fertilizers; this helps the company distribute risk well.

Elecon Engineering also has presence in the high-growth wind energy segment. It manufactures and sells wind mills up to 600kw. It is currently involved only in manufacture of the windmill gearbox and outsources the rest of the components required for a wind mill.

In MHE, Elecon Engineering procures orders based on both projects and products. Its gears are considered among the most modern ones in the industry.

Elecon has always kept its finger on the pulse which in turn has converted its challenges into opportunities. This has also help to meet the changing requirement of the industry.

Elecon has proved as one of the major players in the Competitive market over the period of 5 decades. With gained experience and specialization, the Company successfully satisfies all its customers.

Elecon has explored all avenues to use modern technologies and industrial proficiency which inspires the Company to set itself as a milestone for other Companies.

Board of Directors



Shri Prayasvin Patel
Chairman and Managing Director



Shri Prashant Amin
Executive Director



Shri Pradip M. Patel



Shri Chirayu R. Amin



Shri Hasmukhlal Parikh



Late Dr. Amritlal C. Shah
(Upto 16.01.2012)



Shri Jal Patel
(w.e.f 12.05.2012)

Chief Financial Officer

Shri Hemendra C. Shah

Company Secretary

Shri Paresh M. Shukla

Auditors

Thacker Butala Desai
Chartered Accountants
Navsari

Bankers

State Bank of India
Bank of Baroda
EXIM Bank of India
Axis Bank Limited
HDFC Bank Limited
IDBI Bank Limited
Standard Chartered Bank

Registered Office

Anand Sojitra Road
Vallabh Vidyanagar-388120
Gujarat, India

Five years at a glance

(₹ in Mn.)

PARTICULARS	Consolidated#		Standalone#		Consolidated#	Standalone#	Standalone	Standalone	Standalone
	2011-2012		2011-2012		2010-2011		2009-10	2008-09	2007-08
	US \$ Mn.	₹ Mn.	US \$ Mn.	₹ Mn.	₹ Mn.	₹ Mn.	₹ Mn.	₹ Mn.	₹ Mn.
TURNOVER	315.4	16,132	260.3	13,317	12,843	11,739	10,464	9,551	8,264
TOTAL INCOME	316.9	16,212	261.8	13,391	13,129	12,024	10,711	9,646	8,362
EARNING BEFORE DEPRECIATION, INTEREST & TAX	39.1	1,999	39.2	2,004	1,843	1,771	1,496	1,490	1,305
DEPRECIATION & AMORTISATION EXPENSES	9.5	486	8.3	424	416	394	331	221	142
PROFIT AFTER TAX	11.9	611	13.6	696	900	879	662	575	672
EQUITY DIVIDEND	3.3	171	3.3	167	167	167	139	139	139
DIVIDEND%	-	-	-	90%	-	90%	75%	75%	75%
EQUITY SHARE CAPITAL	3.6	186	3.6	186	186	186	186	186	186
RESERVE & SURPLUS	86.0	4,401	83.3	4,262	3,998	3,760	3,075	2,568	2,181
NET WORTH	89.7	4,587	87.0	4,448	4,184	3,946	3,235	2,737	2,358
GROSS FIXED ASSETS	162.1	8,291	135.1	6,912	6,997	5,762	5,273	4,559	3,165
NET FIXED ASSETS	102.1	5,222	87.4	4,469	4,386	3,719	3,622	3,110	1,931
TOTAL ASSETS	375.3	19,198	328.3	16,794	16,968	14,674	12,968	13,320	10,131
NUMBER OF EMPLOYEES(Nos.)				1,290		1,197	1,069	889	801
KEY INDICATORS	US \$		US \$						
BASIC EARNINGS PER SHARE(₹)	0.13	6.58	0.15	7.49	9.69	9.47	7.13	6.19	7.24
DEBT EQUITY RATIO (TOTAL DEBT:EQUITY)	-	1.45	-	1.21	1.55	1.34	1.61	2.16	1.73
EBIDTA*/TURNOVER %	-	12.39	-	15.05	14.35	15.09	14.29	15.61	15.79
NET PROFIT MARGIN%	-	3.79	-	5.23	7.00	7.49	6.32	6.02	8.13
RETURN ON NET WORTH%	-	13.32	-	15.65	21.50	22.28	20.46	20.99	28.39
RETURN ON CAPITAL EMPLOYED%	-	5.65	-	7.23	8.68	9.81	7.52	6.47	10.13

Financial details of FY12 & FY11 are as per Revised Schedule VI format.

Exchange Rate: 1 US\$ = ₹ 51.15 (as on 31-3-2012).

* Extraordinary items and other income are not considered for calculating EBIDTA.

Figures are rounded of to nearest US \$ Mn./₹ in Mn.

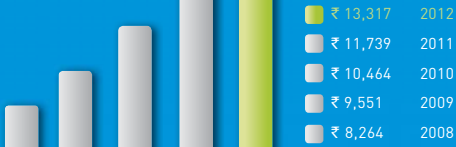
Performance Indicators

Net Sales

₹ in Mn

13.44%

increase from 2011



2008 - 2012

EBIDTA

₹ in Mn

13.13%

increase from 2011



2008 - 2012

Dividend

in %



2008 - 2012

Management Insight

"Our expertise, excellence, and experience of over five decades which reflects in our logo, has given us adequate prudence to strategically consolidate and grow during this highly volatile industrial scenario in India and worldwide.

We are determined to meet these challenges by exploring new horizons with our commitment to business ethics, innovation and modernization."

- Prayasvin Patel

Chairman & Managing Director



"The acquisition of B-R group has given Elecon renewed global aspirations and in next 5 years we expect the International Operations to contribute at least GBP 100 million in the total turnover of Elecon group."

- Prashant Amin

Executive Director



"In the context of uncertain and temperamental financial markets, global economy as well as tackling economic concerns such as galloping inflation, depreciation of rupee and cost saving initiatives, it's paramount that we have been able to add more value in the most challenging times by becoming more strategically focused in our initiatives and actions through consistent turnover, operating margins and good governance practices in aligning interests of stakeholders and investors to generate sustained, long-term shareholders' value as well as maintaining traditional/conservative financial expertise."

- Hemendra Shah -Chief Financial Officer



"New technologies, higher capacity equipment are reshaping the dynamics of material handling industry. The competitive market and rising costs of inputs are reducing the operating margins and it is a major concern for Material Handling Industry. In such scenario, sustainable and profitable revenue growth is critical for meeting our strategic objectives. Power, Ports and Steel sectors are the key growth drivers that trigger demand for material handling equipment. Backed by the rich experience, we are moving towards establishing ourselves as leading OEM and EPC solution provider.

Our efforts are targeted towards institutionalizing standard operating procedures, strengthening project management capabilities, lean manufacturing, value engineering, cycle time reduction and augmenting capabilities to manufacture high capacity equipment in-house. Customer satisfaction has been the focal point of our operations and by implementing continuous improvement processes we ensure timely delivery of the projects, providing innovative and cost-effective solutions to meet their requirements."

- Phani Kumar -CEO, MHE Division



"We Indians need to prepare now for frequent recessions, like western world and also be ready for counter measures such as more and more exports and for that Quality, Fast turn around and good customer relations. Secondly we are Power and Infrastructure hungry nation but early realisation of these needs in to actual work and it's execution should also be our look out, let it be Govt. or Pvt. Sector our motivating efforts can only bring the early fruits, may be for that some political and social intervention by many of us shall be essential.

This only bring us up and increase our rate of growth and economical position which automatically polish our image in the world."

- Vilas Kalyankar -CEO, Gear Division

Corporate Social Responsibility



◀ Shri Prayasvin Patel (CMD Elecon) gave a cheque of Rs 18 lakhs as part of a scholarship fund for bright underprivileged students of Birla Vishwakarma Engineering College, Vallabh Vidyanagar.

At Elecon, we take our Corporate Social Responsibility (CSR) activities more seriously than most. That is because we believe that businesses are based on trust and foresight. To establish and uphold trust of customers, suppliers, regulators and the community seems to be a challenging task. To be successful in the long-term, we need to think beyond what is affecting them today to what is going to happen tomorrow.

With these goals in mind, the Elecon Group of Companies formed ELCARE in 2003 as part of its total CSR activity. The following are some of the activities which the organization has carried out in the year 2011-12.

- Donation of Rs 24 lakhs to the Bhanubhai Patel Dialysis Centre, which is part of the Shri Krishna Hospital in Anand. The Dialysis Centre itself was constructed by Elecon Group in 2006, at a cost of Rs 25 lakhs. The cheque presentation ceremony was held on 7th March 2012, where Shri P.C. Amin (Group Director, Elecon Group of Companies) handed it over to

Shri Jagrut Bhatt (Hon. Sec. Charotar Arogya Mandal).

- Another significant CSR event was organized on 20th March 2012, when Shri Prayasvin Patel (CMD Elecon) gave a cheque of Rs 18 lakhs as part of a scholarship fund for bright underprivileged students of Birla Vishwakarma Engineering College, Vallabh Vidyanagar. The cheque was handed over to Dr. F. S. Umrigar (Principal BVM). The scholarship includes tuition fees, examination and hostel fees, as well as the food bill of the awardee for a period of 10 months. Elecon has endowed this scholarship since 2007.
- Elecon has also committed to donate Rs 10 lakh to the Sankara Eye Hospital in Mogar village (Anand Dist.) for the purpose of conducting free cataract eye surgeries for the rural underprivileged section of society.

In these and many more ways, we are constantly on the way to contribute to the full possible extent to the community at large.



Use internet

&

Save trees



“e-communication, the best way to attain green revolution”

Material Handling Equipment Division



Bucket wheel Stacker cum Reclaimer handling Coal at Chetnad Port having stacking capacity - 3850 MTPH and Reclaiming capacity - 2400MTPH.

The company's MHE division caters to the high-technology equipments of core sectors such as Power, Steel, Cement, and Fertilizers. It has a composite range of almost all types of bulk material handling equipments and related products. All over the globe there are only few companies who provide all types of Material Handling Equipments and Elecon is proud to stand one amongst them.

Through various Technical collaboration like pipe conveyor technology, belt conveyor technology and technology for idler frames, the Company is able to cater the need of various industrial sectors with best quality.

Manufacturing Strength

Elecon has set its highest standard in all the aspects of its functioning. It is covering a wide space of 1,17,000 sq. mts and CNC machine tools for manufacturing equipments for quality control.

Through its modern manufacturing facilities and technical collaborations with leading international players, Elecon is able to supply diversified products with best quality to its customers from various sectors.

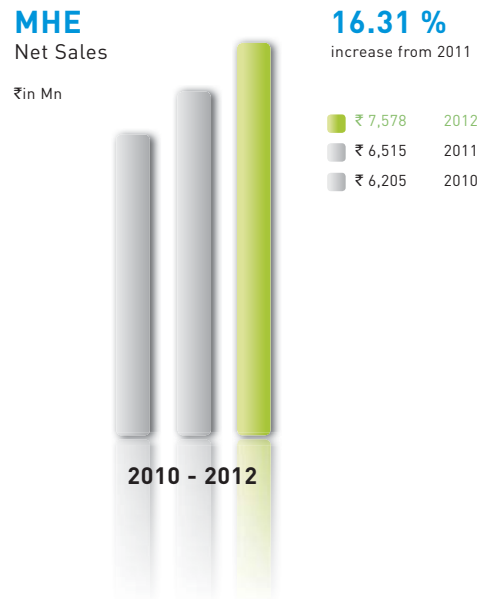
Noteworthy Achievements

- A Prestigious order worth Rs. 1764.9 Mn received from NMDC Limited., Karnataka for supply of Downhill Conveying System Engineering, Design, Manufacturing, Procurement, Testing at works/site, Installation, Erection, Testing, Commissioning as per technical specification, for the Kumaraswamy Iron Ore Project.
- Various orders worth Rs. 2686.7 Mn received from various clients for supply of Stockyard equipments: Stackers/ Reclaimers/ Staker cum Reclaimers, Drive units, Roller Screen, Crushers, Apron Feeders, Wagon Tipper, Side Arm Charger etc.

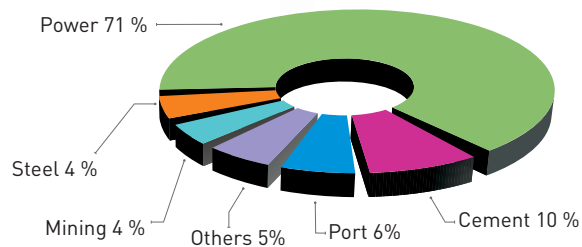
Net Sales for
MHE Division
 increased by
16.30 %
 from
₹ 6,515 Mn
 in 2010-11 to
₹ 7,578 Mn
 in 2011-12

Growth Drivers

The Government has encouraged the development of infrastructure like building roads, dams, ports etc. This will help the economy regain its growth momentum which in turn will be one of the growth drivers for MHE. The importance given to the industries like Power, Port etc. by the Government in its policy will spur the demand which further contributes to the growth of MHE.

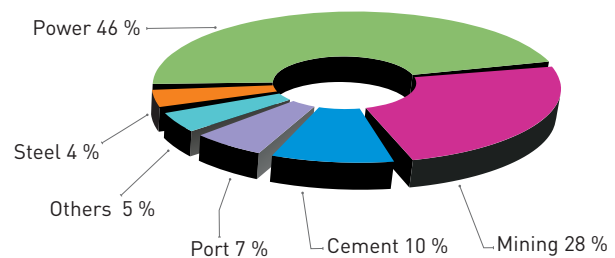


Sales Industrywise



The Power sector was the highest contributor with almost 71 % share followed by Cement with 10 % share

Orderbook Industrywise







Gear Assembly

Gear Division



Sugar Mill Direct Drive Planetary Gear Box

Elecon is a preferred choice for supply of Gears to core sectors like Sugar, Cement, Steel, Fertilizer, Plastic, Extrusion and Rubber. Elecon Engineering is a leader in industrial gears with a market share of approx. 25%. Its gears are considered among the most modern ones in the industry. Elecon has a feather in its own cap of being the first industrial gear manufacturer in India to achieve the ISO 9001:2008 version in 2010.

Manufacturing Strength

Elecon Engineering has expertise and technical know-how on design and manufacture of gearboxes for vertical rolling mills used in the cement and coal industries as well as on design and manufacture the lift gear box.

Elecon Engineering also has presence in the high-growth wind energy segment. It manufactures and sells wind mills up to 600kw.

Elecon has been highly appreciated throughout the

world for using the latest facilities in the manufacture of gears. In India, Elecon is the sole manufacturer to build MW Class Gearboxes. Elecon is one and only Company who manufactures of Vertical Roller Mill Gears for the power and cement Industry.

Growth Drivers

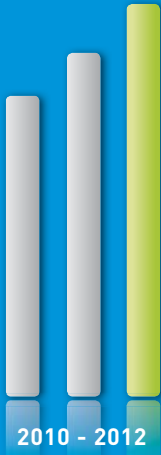
One of the key growth drivers for the industrial gears segment is capex in Power, Mining, Defense, Sugar, and Steel and overall industrial expansion. Capex in these sectors would create robust demand for industrial gears as it forms an important part of a machine.

Elecon, being the market leader, will be one of the major beneficiaries of huge investments by Government of India in core sectors including Power, Steel, Coal, Cement, and Ports.

Increase in industrial capex by Government of India will create strong demand for industrial gears.

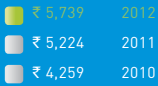
Gear Net Sales

₹ in Mn



9.86%

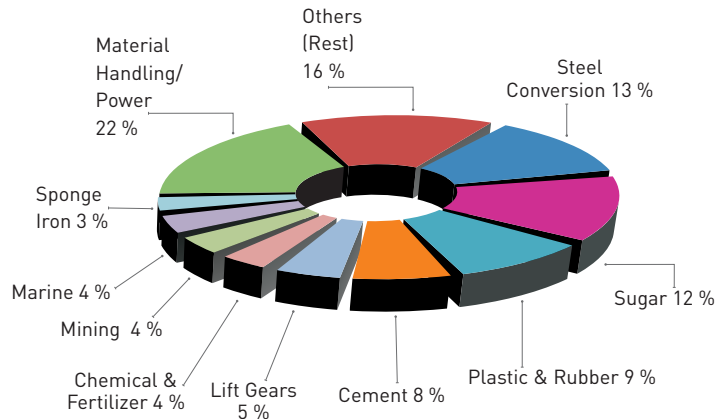
increase from 2011



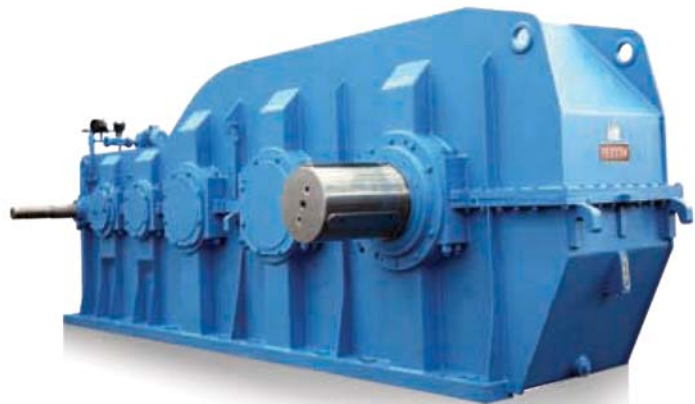
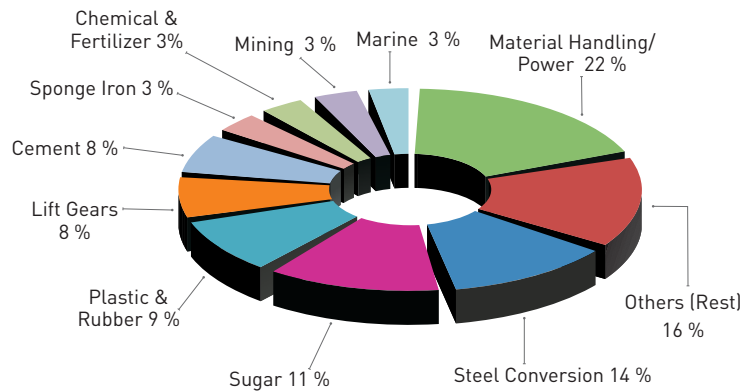
2010 - 2012

Net Sales for
Gear Division
increased by
9.86 %
from
₹ 5,224 Mn
in 2010-11 to
₹ 5,739 Mn
in 2011-12

Sales Industrywise



Orderbook Industrywise



Main Hoist Drive Gear Box for Ladle crane
(with extended centre distance)

Directors' Report



Prayasvin B. Patel -Chairman & Managing Director

Dear Members,

Your Directors have pleasure in presenting this 52nd Annual Report together with the Audited Statements of Accounts for the year ended on March 31, 2012.

Your Directors believe in enhancement of wealth of the shareholders. We have continued with our custom of providing high quality content and services. The custom in no way hinders our capacity for innovations.

As you are our valued partner in the Company, we share our vision of growth with you. Our guiding principles are a blend of realism and optimism which has been and will be the guiding force of all our future endeavors.

The summary of operating results for the year and appropriation of divisible profits is given below:

Review of Operations

~ Standalone financial performance

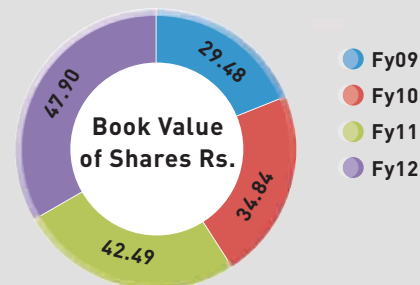
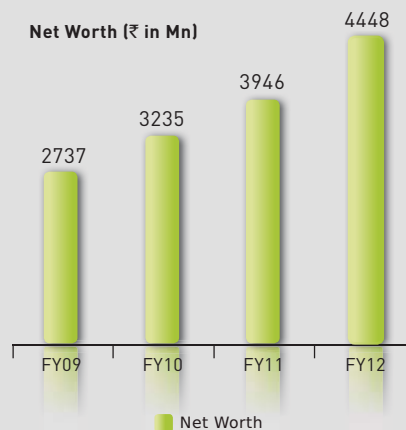
For the year ended on 31st March, 2012, the Company has achieved Turnover of ₹ 13,316.72 Mn. as against the Turnover of ₹ 11,739.43 Mn. during the previous year, representing increase in Turnover of 13.44%

For the year ended on 31st March, 2012, the Company has achieved Earnings Before Interest, Depreciation & Amortization and Tax (EBIDTA) of ₹ 2,003.90 Mn. as against the EBIDTA of ₹ 1,771.40 Mn. during the previous year, representing increase in EBIDTA by 13.13%.

The Company holds total unexecuted orders worth ₹ 12,120.90 Mn. Out of which ₹ 9,130.07 Mn. is for the MHE division and ₹ 2,990.83 Mn. is for the Gear Division as on March 31, 2012. This will help us to continue to have sustainable growth in coming years.

(₹ in Mn)

Year Ended March 31,	Standalone		Consolidated	
	2011-12	2010-11	2011-12	2010-11
Profit Before Tax, Finance cost, Depreciation & Amortization and Adjustment for previous year	2101.74	2098.39	2166.73	2171.41
Less : Finance Cost	579.58	500.94	663.47	527.87
Depreciation & Amortization	423.81	393.53	486.47	416.50
Profit Before Tax	1098.35	1203.92	1016.79	1227.04
Add : Exceptional Items	--	--	14.93	--
Less: Provision for Tax	402.36	324.71	426.37	340.35
Deferred Tax	--	--	--	--
Short/(Excess) Prov. of earlier years	--	--	--	--
Profit After Tax	695.99	879.21	605.35	886.69
Add:				
Adjustment of P. Y. / Share of Profit of Associate	---	---	5.65	12.89
Previous Year Balance Brought Forward	242.88	207.94	241.00	203.75
PROFIT AVAILABLE FOR APPROPRIATION	938.87	1087.15	852.00	1103.33
APPROPRIATIONS:				
Proposed Dividend	167.15	167.15	170.98	167.15
Income Tax on Dividend	27.12	27.12	27.74	27.74
Transfer to General Reserve	500.00	650.00	529.08	667.45
Balance Carried Forward	244.60	242.88	124.20	240.99



Consolidated operations

In compliance with the applicable Clauses of the Listing Agreements with the Stock Exchanges, the Company has prepared Consolidated Financial Statements as per the Accounting Standard on Consolidated Financial Statements (AS 21, AS 23 & AS 27) issued by the Institute of Chartered Accountants of India. The Audited Consolidated Financial Statements along with the Auditors' Report have been annexed to this Annual Report.

Your Company's total consolidated revenue for the year 2011-12 was ₹ 16,132.17 Mn. as against ₹12,843.48 Mn. for previous year, representing an increase of 25.61%.

During the year, EBIDTA was ₹ 1998.94 Mn. as against ₹ 1,843.02 Mn. for the previous year, representing an increase of 8.46%. During the year under review, your Company's consolidated net worth is ₹ 4,586.93 Mn. as against ₹ 4,183.91 Mn. for previous year.

Dividend

Your Directors are pleased to recommend dividend of ₹ 1.80 per share (previous year ₹ 1.80 per share on 9,28,61,510 equity shares of ₹ 2/- each) on 9,28,61,510 equity shares of ₹ 2/- each for the year ended on 31st March, 2012.

Directors' Responsibility Statement

Pursuant to Section 217(2AA) of the Companies Act, 1956, with respect to the Directors' Responsibility Statement, it is hereby confirmed that:

- in the preparation of the annual accounts of the Company for the year ended on March 31, 2012, the applicable accounting standards have been followed;
- the Directors have selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the financial

year and of the profit of the Company for the year ended on that date;

- the Directors have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956, for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities; and
- the accounts have been prepared on a "going concern" basis.

Directors

Retire by rotation

In accordance with the provisions of the Companies Act, 1956 and the Articles of Association of the Company, Shri Hasmukhlal Parikh, Director retires by rotation at the forthcoming Annual General Meeting of the Company and being eligible, offers himself for reappointment.

Your Directors express their profound grief on the sad demise of Dr. A.C. Shah, an Independent Director of the Company on 16th January, 2012. The Board expresses its heartfelt condolence to his family members to bear the irreparable loss. The Board pays glowing tribute to him and puts on record highest appreciation of his association with the Company as a highly respected Director.

New Appointment

Shri Jal Patel, was appointed as an Independent Director of the Company w.e.f. 12th of May 2012 to fill the casual vacancy caused due to sad demise of Dr. A.C. Shah. His experience in the field of financial management, accounting, planning and business development will be an asset to the Company. He holds the office upto the date of the ensuing Annual General Meeting of the Company.

The Board welcomes Shri Jal Patel and expects to avail his expertise in varied areas. Members' approval for his appointment as an Independent Director has been sought in the Notice convening the Annual General Meeting of the Company.

Auditors

The Company's Auditors M/s. Thacker Butala Desai, Chartered Accountants, Navsari retire as Statutory Auditors at the ensuing Annual General Meeting of the Company and being eligible offer themselves for reappointment.

Subsidiary Companies

During the year under review, the Company has been continuously investing in the B-R group to enhance the group's profitability as well as to expand its reach with new offices. Elecon has established UK as the headquarters for the B-R group with a mandate to drive global expansion. Elecon has invested in moving to a new manufacturing area and offices in the UK, while a subsidiary of the UK in USA has started sales in 2011. There are plans to create more entities to expand the reach of the B-R group into newer markets.

Some of the initiatives to expand the B-R operations are:

- Expanding the product portfolio of B-R group to include a range of Special Worm Gear Boxes, Couplings; Planetary Gear Boxes and Vertical Mill Drives
- Shifting the function of procurement, assembly and testing of G series gear boxes from Sweden and UK
- Driving the expansion of operations in South Africa; Russia and South America from UK

A few of these efforts have been given in detail in the following section:

Benzlers Overview for 2011-12

- Despite the tough economic climate in Europe, a steady top-line growth has been maintained

- Focus on expanding the Service Business:

A new Service Center has been started at Orebro (North Sweden) with a special emphasis on the Mining and Paper industries

- Geographic Expansion:

-The Company has entered into the Italian market through its new subsidiary - Benzlers Italia srl, established at Milan

-The Company has also expanded its presence in Germany with the addition of a new sales Key Account Manager

- New Products:

-Benzlers has now started focused selling of Elecon Worm units.

-Other Elecon products are being introduced in a planned manner.



Radicon Transmission UK Ltd.

Radicon UK has shifted old offices in Huddersfield, to a new independent facility for manufacturing; service and sales offices at Elland (West Yorkshire). The total cost of this initiative was about GBP 750,000 and helped established a modern facility measuring about 30,000 sq. ft. facility to enable focused growth in the UK market.



Elecon USA Transmission Ltd.- a Radicon UK subsidiary

Elecon USA has obtained assumed name of Radicon USA Transmission in Michigan. Sales in the US market were done through Cone Drive (in Traverse City, Michigan) on a commission basis in the pre-acquisition and post-acquisition period. However, as Cone Drive had similar products, there was lack of focus on pushing Radicon USA sales leading to a stagnation of growth in the US market. To enable growth from a strong central entity, efforts were initiated to create an independent facility for Radicon USA which would enable it to sell to the US customers directly while also operating from a central location like Chicago. These efforts have already started to bear fruits as Radicon USA is currently on track to cross 10 million USD of sales compared to 8 million USD on average during the Cone Drive era.

Operations:

[Opening new assembly centers across the world]

Elecon group has initiated process to start assembly and sales offices in various largest and fastest growing economies of the world. The group plans to open similar locations in South Africa, Brazil, Ukraine/Russia (CIS) and UAE in the next 2 years. This helps the group to drive sales in new markets.

The Ministry of Corporate Affairs, Government of India, vide General Circular No. 2/2011 dated 8th February, 2011, exempt Companies from attaching to its Balance Sheet, the individual Annual Reports of its subsidiary companies. As per the Circular, the consolidated financial statements of the Company and all its subsidiaries duly audited by its statutory auditors are included in the Annual Report.

Shareholders interested in obtaining the statement of Company's interest in the subsidiaries or stand-alone financial statements of the subsidiary Companies may obtain the same by writing to the Company Secretary of the Company.

The annual accounts of subsidiary Companies are available for inspection by any investor at the registered office of the Company.

Corporate Governance

As per Clause 49 of the Listing Agreement, a report on Corporate Governance, together with Management Discussion and Analysis and a certificate from the Company's Auditors form part of this report.

Your Company, acknowledging its corporate responsibility, has voluntarily obtained a "Secretarial Compliance Report" from Mr. Ashwin Shah, Company Secretary in whole-time practice, which is annexed to this Report.

Your Company is committed to maintain the highest standards of Corporate Governance, reinforcing the valuable relationship between the Company and its Stakeholders.

Fixed Deposits

During the year under review, your Company has not accepted any fixed deposits under the provisions of Section 58A of the Companies Act, 1956 read with Companies (Acceptance of Public Deposits) Rules, 1975. There are no unclaimed deposits as on 31st March, 2012.

Particulars of Employees

Statement as per Section 217(2A) of the Companies Act, 1956 read with the Companies (particulars of employees) Rules, 1975 as amended is annexed to this Report as Annexure A, forming part of this Report.

Foreign Exchange Earnings and Outgo

The particulars required to be furnished under Section 217(1)(e) read with the Companies (Disclosures of particulars in the report of Board of Directors) Rules, 1988 are given in Annexure B, forming part of this report.

Statutory Disclosures

None of the Directors of your Company is disqualified as per provisions of Section 274(1)(g) of the Companies Act, 1956. Your Directors have made necessary disclosures, as required under various provisions of the Act and Clause 49 of the Listing Agreement.

Insurance

The Company takes a very pragmatic approach towards insurance. Adequate cover has been taken for all movable and immovable assets for various types of risks.

Industrial Relations/Personnel

Your Company is committed to upholding its excellent reputation in the field of Industrial relations. Through continuous efforts the Company invests and improvises development programmes for its employees.

Acknowledgement

As trustees of the Company, the Directors acknowledge the unstinted support received from Vendors, Traders, Customers, Banks, Financial Institutions, Shareholders and the Society at large.

The Directors also acknowledges the support of the Auditors, Bankers, State and Central Government Officials, Business Partners, Solicitors, Advisors and Employees of Elecon. The growth of the Company would not have been possible without their unfailing support.

Your Directors look forward to having a long and fruitful relationship with all of them.

For and on behalf of Board of Directors

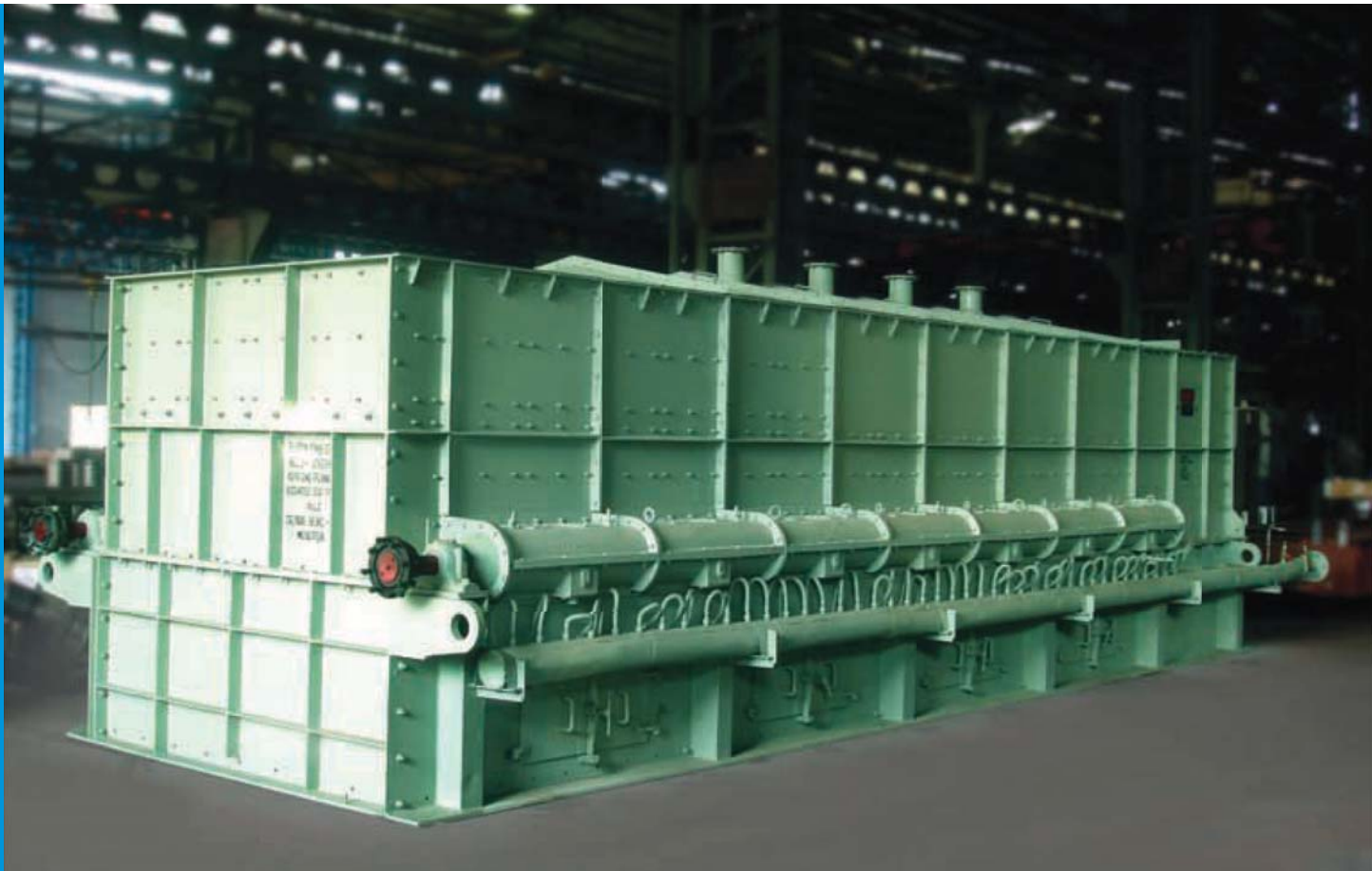


Prayasvin B. Patel

Chairman & Managing Director

Vallabh Vidyanagar, May 12, 2012

Management Discussion & Analysis



Roller Screen having capacity - 1,875 MTPH. for handling lignite at NLC.

Industry Structure and Development

No country in today's globalized world can be fully insulated from what happens in the global economy and India is no exception to the rule. As the country is increasingly integrated into the world, it cannot remain impervious to developments abroad.

The unfolding of the euro zone crisis and uncertainty surrounding the global economy have impacted the Indian economy causing drop in growth, higher current account deficit (CAD) and declining capital inflows. As in 2008, the transmission of the crisis has been mainly through the balance-of-payments (BoP) channel.

Export growth has decelerated in the third quarter of fiscal 2011-12, while imports have remained high, partly because of continued high international oil prices. At the same time, foreign institutional investment flows have declined, straining the capital account and the rupee exchange rate that touched an all-time low.

The manufacturing industry in India, has all the qualities which enhance economic development, increase the productivity of the manufacturing industry and face competition from the global markets. The Manufacturing industry in India is believed to have the potential of improving the economic condition of India.

Indian economy grew at 6.9% during 2011-12, which is less than the estimated growth rate. Except the last month of 2011-12, manufacturing and services sectors have also shown robust growth. Owing respect to the bumper wheat production that would compensate for the decline in manufacturing numbers.

Your Company continued to perform with stability and maintained its growth momentum in the highly volatile market. The Company focused on cost control measures and product mix enrichment to sustain growth and profitability in the challenging year.

Opportunities and Threats

The developments over the last year in major economies of the world have not been encouraging. There is an apprehension that the process of global economic recovery that began after the financial crisis of the 2008 is beginning to stall and the sovereign debt crisis in the eurozone area may persist for a while.

Over the last few years sustained growth of a number of large emerging economies, especially the BRICS economies, has resulted in an increase in their share in the global GDP. As a consequence, the value addition in the world economy has been moving away from advanced countries towards what have been termed emerging economies. The decline in share is particularly marked in the case of the European Union (EU). The shift towards Asia has been significant and, within Asia, away from Japan to China and India. The increase in share of India, though less dramatic, is nevertheless of an order that places her as the fourth largest economy in PPP terms (i.e. purchasing power parity).

Opportunities in the manufacturing industry are in the technology and bio-technology areas. These are growing market segments with higher profit margins. Additionally, they are knowledge-dependent market segments that require highly specialized workers, which makes it difficult for low wage countries to compete in this market segment, thereby providing an edge to more industrialized countries. The strengths of the manufacturing industry are that it is relatively stable. Although the demand for manufacturing tends to fluctuate with the ups and downs of the economy, it is characterized by regular periods of recovery following any downturns.

Underlying the relative decrease in share of advanced economies in the global GDP, there has been a marked shift in the location of manufacturing. Emerging economies, namely China, Brazil, India, Indonesia have moved up in terms of their share in world manufacturing value added.

There is a perceptible decline in the share of developed countries in distribution of manufacturing value added and rise in the importance of emerging economies, like China, India, etc. The share of India in global merchandise exports increased significantly in last decade. It ranks 19th in the global order of exporting countries.

Though India's industrial output unexpectedly slumped in March 2012 as high interest rates stifled expansion, deepening worries of an economic slowdown, India will continue to deliver the performance that will maintain a strong and steady growth momentum throughout the volatile global economic scenario.

India remains one of the fastest growing economies of the world. Country's sovereign credit rating rose substantially over the years. Exports grew by 40.5 per cent in the first half of this fiscal and imports grew by 30.4 per cent. Foreign trade performance will remain key driver of growth.

Agriculture and Services sectors are expected to perform well, while Industrial growth pegged at 4-5 per cent and improve further as economic recovery resumes. In addition to that RBI is expected to lower policy interest rates, as inflationary pressures expected to ease in coming months. A low interest rate regime will encourage investment activity and push forward economic growth.

Segment-wise Performance

During the financial year 2011-2012, the Company has achieved a Turnover of ₹ 13,316.72 Mn. as against ₹ 11,739.43 Mn. in the previous year, which shows a growth of 13.44% over the previous year.

The Turnover of Gear Division has increased to ₹ 5,739.22 Mn. from ₹ 5,224.07 Mn. in the previous year, which shows an increase of 9.86 %.

The Turnover of MHE Division has increased to ₹ 7,577.50 Mn. as against ₹ 6,515.35 Mn. in the previous year, which shows an increase of 16.30 %.

Earnings before Interest, Depreciation & Amortization and Tax (EBIDTA) has increased to ₹ 2,003.90 Mn. from ₹ 1,771.40 Mn. in the previous year resulting into an increase of 13.13 %.

Outlook

The world economy is in a state of flux with the euro rescue package still being implemented. The recent downgrading of 9 nations has further added to the uncertainty with a possibility of further default problems in Greece resurfacing. Assuming that there are no further failures in the euro region and the rescue packages are to be implemented, there would be a tendency for countries to resort to

fiscal austerity which in turn will slow down these economies.

The USA, which will probably continue its upward movement, will not be able to propel the world economy on its own given that the emerging markets will also be under strain especially so on account of high commodity inflation which has invoked stringent monetary measures in these countries. Therefore, the overall global performance, which will have a bearing on trade flows and capital movements, is likely to at best be at present levels with marginal improvement towards the end of the year 2012-13.

The economic conditions in the country in the last fiscal have been challenging with inflation being the major factor driving economic policy. This has had a major impact on other economic variables with official projections being modified downwards along the year. Policy formulation has become even more difficult with the volatility witnessed in the forex market, where the rupee has tended to move downwards.

The Indian economy is expected to recover gradually in 2012-13 which is encouraging. However, the challenges remain on the policy fronts. Given that investment has been slack in 2011-12, it is expected that the government will come up with some big plans in the infrastructure space, so that the growth objective is achieved.

The Engineering Sector is expected to grow in the future and has a positive outlook owing to infrastructure development, favourable Government policies and new investments in Power Projects, Metals, Oil & Gas, and Petrochemicals industries. Further industrial and manufacturing growth will boost growth in the Engineering Sector.

The Material Handling Equipment is a Sub-Sector of Process Plant Equipment Sector which is expected to grow to ₹ 301,180 Mn by 2016-17 with a CAGR of 11%. The domestic production is expected to grow to ₹ 350,000 Mn by 2016-17 at a CAGR of 12% as per 12th Five years plan. The world market for Material Handling Equipment and systems is projected to increase more than 5% per year.

As per 12th Five years plan, the demand in the Engineering Sector will grow at a CAGR of 16% over the next 5 years and will reach ₹ 2,806,040 Mn by the end of year 2016-17. Your Company's Gear Division being a part of this Sector will be benefited.

New Business Strategy Development

Being the largest manufacturer, in India, of Transmission Equipments, your Company has to adhere to the high quality standards to maintain its

market share. The Company is building a new state-of-the-art manufacturing plant as an expansion of the Gear Division at Anand to double the gear box manufacturing capacity using world class quality and to ensure on-time delivery within a short span of time. The new premises is named as "Bhanubhai Memorial Centre of Excellence".

The new plant will produce internal components of the helical gear box and has a capacity of manufacturing 1000 gear boxes per month.

The overall efficiency and condition of the equipment as well as the selection of machines, work holding devices, tool management, swarf management, coolant management and work handling systems will be optimal, thus minimizing labour fatigue. The components will be produced in a dust-free & eco-friendly environment.

Your Company values its customer's business and aspire to create a world class gear business to serve the global needs of the market.

The construction of this modern facility will be another step towards your Company's motto 'Always a step ahead in Technology.

Risk and Concerns

MHE Division

Material Handling Equipment sector (MHE), though not one of the core sectors of the economy, assists almost every sector of the industry and hence contributes tremendously towards the industrial growth of the country. The Indian MHE sector needs major consolidation and economies of scale blended with technology Upgradation.

MHE Sector depends mostly on various projects. A plethora of regulatory issues and policy hurdles may contribute towards the slowdown in both announcement as well as implementation of fresh projects in 2012-13, which in turn may hinder the growth momentum of the Sector. Although admittedly, resolving some of these issues lies in the domain of the State Governments, there are several steps that the Central Government could initiate to ease such barriers. Moreover, ensuring consensus with various stakeholders and political groups prior to announcement of policies would go a long way in creating a stable policy environment.

Additionally, inter-ministerial consensus towards fast-tracking of and environmental clearances for various projects by the Central and State Governments has emerged as a key constraint in recent times. This has been most acutely felt in the mining sector, both for coal and iron ore. Apart from policy measures, making more

investments, facilitating fund flow for infrastructure projects has also assumed critical importance. Gol has taken several steps in this regard, including the functioning of the Infrastructure Debt Funds and the credit enhancement scheme from the India Infrastructure Finance Company Limited (IIFCL). Higher capital spending by the Central and State Governments will boost economic activity and also partially insulate the domestic economy from any externally driven economic slowdown in the coming year.

Cement, Power, Mining and Manufacturing industries are driving up demand for Material Handling systems that enable them to reduce inventory levels and improved order to delivery cycles.

Elecon has strong experience, diversified skills & capabilities in MHE for various sectors like Power, Steel, Minerals & Ports. The Company's revenue has an extremely high exposure to contributions from its coal-handling segment (pertaining to the power sector). At the end of FY2012, it contributed 71% of the total revenues. If all goes well, the Company's MHE business will contribute more in the total revenue of the Company.

Gear Division

Industrial development plays a crucial role in India's development strategy. It aims at achieving various socio-economic objectives such as reducing debt burden, promoting foreign direct investment (FDI) inflow, enhancing self-reliant production and distribution as well as diversifying and modernising the existing economic set up. The industrial base has been widely expanded, covering broadly the entire range of consumer, intermediate and capital goods.

Any sharp rise in commodity prices particularly base metals could adversely Impact Company's operating margins.

The Company caters to variety of industries including Power, Steel, Cement, Sugar, Ports, Mining etc. The capex in each of the sector being interest rate sensitive may be deferred in the current high interest rate regime impacting Company's growth. At the same time, catering to the needs of almost all sectors of industry helps your Company to have balanced growth amidst volatile economic conditions. Therefore, slowdown in one sector can be set off by servicing the other sector.

Internal Control System

Internal Controls are continuously evaluated by the Internal Auditors and Management. Findings from internal audits are reviewed by the Management and by the Audit Committee and corrective actions and controls have been

put in place wherever necessary. Scope of work of Internal Auditors covers review of controls on accounting, statutory and other compliances and operational areas in addition to reviews relating to efficiency and economy in operations.

Development in Human Resources/Industrial front

It has been the tradition of the Company to maintain excellent industrial relations at all levels. This has ensured a very healthy level of enthusiasm within the employees. This has enabled the Company to maintain its growth despite competition and economic slowdown.

The number of employees as on 31st March, 2012 was 1311 as against 1197 as on 31st March, 2011.

Cautionary Note

The statements forming part of this Report may contain certain forward looking remarks within the meaning of applicable laws and regulations. The actual results, performances or achievements of the Company depend on many factors which may cause material deviation from any future results, performances or achievements.

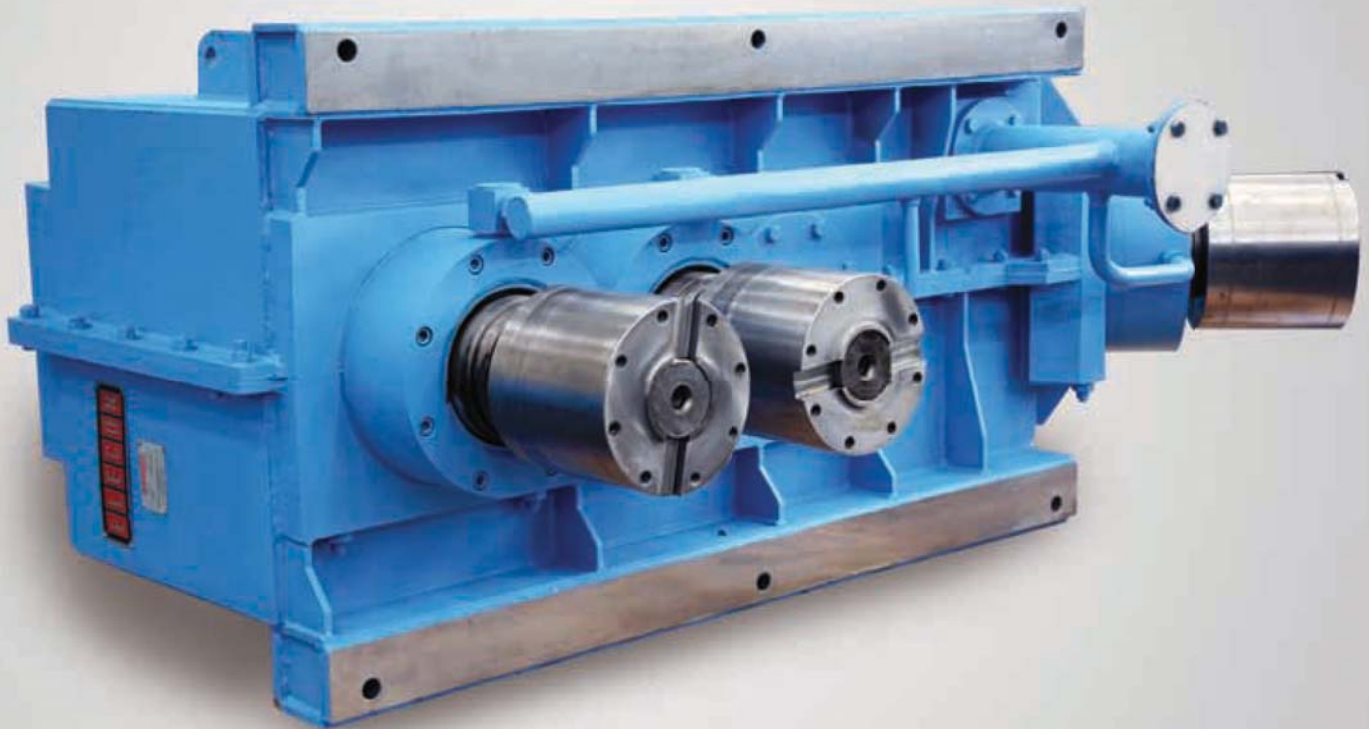
Significant factors which could make a difference to the Company's operations include domestic and international economic conditions, changes in Government regulations, tax regime and other statutes.

The Company assumes no responsibility to publicly amend, modify or revise any forward-looking statements on the basis of any subsequent developments, information or events.

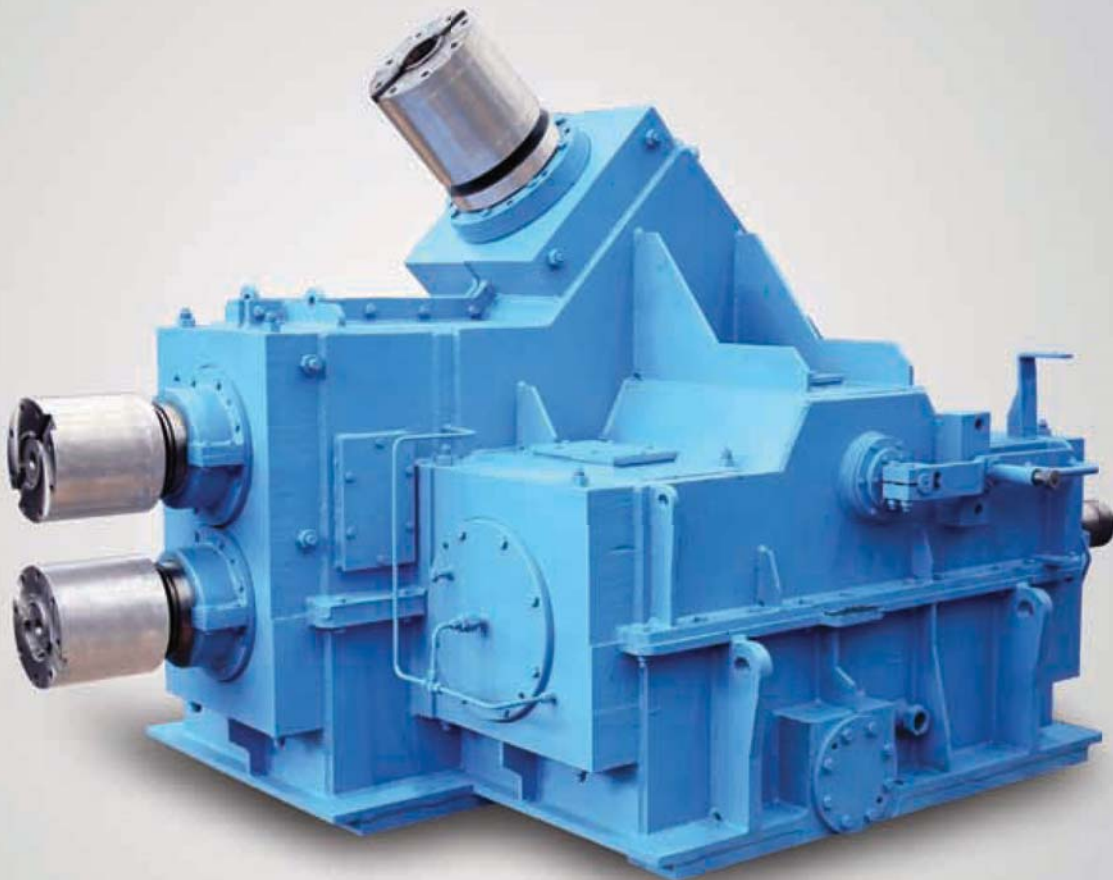


Bevel Planetary Gear Box for Vertical Roller Mill Drive for Cement & Power Industries.

Convertible Pinion Stand gear Box for Rolling Mill - Top



Convertible Pinion Stand gear Box for Rolling Mill - Bottom



ANNEXURE – A TO DIRECTORS' REPORT

- a. Information pursuant to Section 217 (2A)(a)(i) of the Companies Act, 1956 read with the Companies (particulars of employees) Rules, 1975 and forming part of this Directors' Report for the financial year ended on 31st March, 2012.

Name	Age	Qualification	Date of Joining	Designation	Gross Remuneration (₹ in Crores)	Experience in years	Last Employment
Prayasvin B. Patel	54 years	B. E. (Mech.) M.B.A. (U.S.A.)	01/07/83	Chairman and Managing Director	4.95	36	Business
U. V. Phanikumar	41 years	B.E. (Mech.), PGTQM, Advanced Masters' Program in Project Management	05/08/10	CEO (MHE & EPC)	0.79	20	Bateman Engineering India Pvt. Ltd.

- b. Names of employee employed for part of the year and were in receipt of remuneration at a rate of not less than ₹ 5 Lacs p. m. in terms of Section 217 (2A)(a)(ii) of the Companies Act, 1956.

Name	Age	Qualification	Date of Joining	Designation (Nature of duty)	Gross Remuneration (₹ in Crores)	Experience in years	Last Employment
Prashant Amin	56 years	M.B.A. (Finance) (U.S.A.), M.B.A. (Eng. & Mngt.)	01/06/11	Executive Director	0.22	31	Emtici Engineering Limited

Notes :

- The appointment is contractual.
- The gross remuneration received includes Salary, Housing Allowance, Medical Allowance, Commission, and Company's Contribution to Provident Fund, Superannuation and Gratuity Fund. Monetary value of perquisites is in accordance with provision of Income Tax Act, 1961.
- Experience includes number of years of service elsewhere, wherever applicable.
- Shri Prayasvin B. Patel, Chairman and Managing Director of the Company is relative of Mr. P. M. Patel, Director of the Company.

ANNEXURE – B TO DIRECTORS' REPORT

Information required under Section 217(1) (e) of the Companies Act, 1956 read with the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988.

1. CONSERVATION OF ENERGY

Energy conservation with more focus is continuous process through improved maintenance practices.

(a) Energy Conservation measures taken

- (i) The Company has installed 250 KWVFD panel for crusher testing motor. It has been specially designed for Heavy Crusher Testing to reduce the starting torque and this way save the energy.
- (ii) Company has replaced old Electrical Panel of Cranes CR-20, CR-91 and CR-96 with new VFD Panel.
- (iii) Company has continued to use VFD for LT motors for cranes CR-2, CR-31, CR-45 and CR-145.
- (iv) Company has replaced 25 KVAR Capacitors with new capacitors to improve the Power Factor.
- (v) Company has installed New High Efficiency Motors on CR-27 and CR-65.
- (vi) Company has started using translucent sheet at shop floor to provide natural lighting during day time.
- (vii) Company has started using High Pressure Metal Halide Lamp instead of sodium vapor and halogens for factory lighting for energy saving measures, which has been implemented by in house efforts and is continuing in phase manner.
- (viii) Company has continued to replace number of high voltage consuming lighting systems into low voltage consuming and improved lighting systems in the Company's TOB building and other premises to conserve energy and saved total 15KW.
- (ix) Old AC plant has been replaced with energy efficient VRV system at Cellar Building ground floor.
- (x) Company has also installed RTAPFC and active harmonics to improve power factor and power quality.
- (xi) Steps are taken to institutionalize process of identifying and understanding increase or decrease in energy use by monitoring energy consumption trends to determine future energy use when planning future changes in the business and diagnose specific areas of wasted energy.

(b) Additional investments and proposal if any, being implemented for reduction of consumption of energy.

Continuous measures are being adapted in the Company for energy conservation. Renovation of HMBS substation and usage of LED lights for future requirements has been planned. Efforts are being taken to explore the possibilities of further reduction in energy consumption.

(c) Impact of measures at (a) and (b) above for reduction of energy consumption and consequent impact on the cost of production of goods

Significant reductions in energy consumption and cost of production of goods have been observed by the implementation of above referred measures. Implementation of above referred measures have resulted in increased facility reliability as well as improved equipment performance.

2. TECHNOLOGY ABSORPTION

(I) Research and Development

- (a) Since inception of the Company and in pursuit of R&D endeavours, the Company is regularly incurring expenditure on R&D on the following activities.
 - Drawing, Design & Development of new products;
 - Continuous improvement of existing products for enhanced durability and performance;
 - Design optimization using advanced software packages for CAE (Computer Aided Engineering);

- Testing and Adaptation of new materials;
- New processes and Upgradation of existing processes;
- Product engineering for enhanced product quality and reliability;
- Reduction of rejections and warranty returns;
- Improving New Product Development (NPD) lead time;
- Environment compliance by products and processes;
- Testing and validation of new products;

- (b) Benefits derived as a result of R&D: It has resulted in the improvement of quality of the products and reduced operation cost. Upgradation of products to the new requirements has been possible because of R&D done in the Company since inception on a continuous basis & Customers' satisfaction and new business opportunities because of cost, quality and latest technology.

- (c) Future plan of action: Future R&D efforts will continue along similar lines, as at present, but with more focus, thrust and endeavours. The Company has planned for the FEA analysis of the products using various softwares available. The company is developing new design of standard Industrial Gear Reducer.

- (d) Expenditure on R&D: In pursuit of R&D endeavours, the Company is continuously incurring R&D expenditure both on Capital and Revenue, which has not been separately reflected but is being shown as part of regular heads of accounts in Fixed Assets and in Statement of Profit and Loss respectively.

(II) Technology Absorption, Adaptation and Innovation

- (a) Elecon, for the first time has developed high tonnage capacity cranes for in-house production capacity expansion. The crane has also obtained TUV Ratings approval.
- (b) For significant high capacity bulk material handling equipments of capacity ranging from 4500 tph to even more than 13,000 tph, Company has entered into a MOU with EMS-Tech Inc., Canada for technological support.
- (c) Wagon Tippler and Side Arm Charger have been designed as per new RDSO G33- Rev 1 guidelines. These wagon tippers and side arm chargers are designed for handling a gross load of 140 tons.
- (d) Pulley design and FEA analysis including fatigue design as per FEM section II code has been done.
- (e) Benefits derived as a result of the above efforts: Elecon will be the first company in India to indigenously manufacture and supply High speed idlers, giving us an edge over our Competitor in the market.
- (f) The Company has developed Efficient Gearboxes for Hoist drive of Crane with large center distance. The Company has also developed planetary gearboxes for Roller Press drives of Cement Industries to meet today's requirements of high power.
- (g) Technologies imported during the last five years: The technologies so far imported by the Company have been absorbed and adapted/innovated to suit the Indian conditions by the active involvement of our R & D Department.

3. FOREIGN EXCHANGE DETAILS

(₹ in Lacs)

Particulars	2011-2012	2010-2011
Earnings	4,516.67	5,578.44
Outgo	14,275.88	7,576.96

Please refer Notes 35 to 37 in Notes to Financial Statements.

SECRETARIAL AUDIT REPORT

To
The Board of Directors
ELECON ENGINEERING COMPANY LIMITED

1. I have examined the registers, records and documents of Elecon Engineering Company Limited ("the Company") for the financial year ended on March 31, 2012 maintained under the provisions of:-

- The Companies Act, 1956 and the Rules made under the Act;
- The Depositories Act, 1996 and the Regulations and the Bye laws framed under the Act;
- The following Regulations and Guidelines prescribed under the Securities and Exchange Board of India Act, 1992 ("SEBI Act")
 - The Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeover) Regulation, 2011;
 - The Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 1992;
- The Securities Contracts (Regulation) Act, 1956 ('SCRA') and Rules made under the Act; and
- The Equity Listing Agreement with Bombay Stock Exchange Limited and National Stock Exchange of India Limited.
- Compliance with the applicable laws, rules & regulations is the sole responsibility of the Company.

1. Based on my examination and verification of the records for the year ended on 31st March 2012 produced before me and according to the information and explanations given to me by the Company, I report that the Company has, in my opinion, complied with the provisions of the companies Act, 1956 (the Act) and the rules made under the Act and Memorandum and Articles of Association of the Company, with regard to:

- (a) Maintenance of various statutory registers and documents and making necessary entries therein.
- (b) Closure of Register of Members.
- (c) Forms, returns, documents and resolutions required to be filed with the Registrar of companies.
- (d) Service of documents by the Company on its Members.
- (e) Notice of Board Meetings and Committee meetings of Directors.
- (f) The meetings of Directors and Committees of Directors.
- (g) The annual general meeting held on August 29, 2011.
- (h) Minutes of proceedings of General meeting and of Board and other meetings.
- (i) Approvals of shareholders, the Board of Directors, the committee of Directors and competent authorities, wherever required.
- (j) Constitution of the Board of Directors and appointment, retirement and re-appointment of directors.

- (k) Remuneration paid to the Directors other than Managing and Wholetime Directors.
- (l) Appointment and remuneration of Auditors.
- (m) Declaration and payment of dividends.
- (n) Borrowing and registration, modification and satisfaction of charges.
- (o) Investment of Company's fund including inter corporate loans and investments and loans to Directors and others.
- (p) Generally, all other applicable provisions of the Act and the rules made under that Act.

2. I further report that:

- (a) The Company's Directors have complied with the requirements as to Disclosure of interest and concern in contracts and arrangements, shareholding/ debenture holdings and directorships in other companies and interests in other entities.
- (b) The Directors have complied with the disclosure requirements in respect of their eligibility of appointment, their being independent and compliance with the Code of Conduct for Directors and Management Personnel.
- (c) There was no prosecution initiated against or show cause notice received by the Company and no fines or penalties were imposed on the Company under the Act against the Company, its Directors and Officers.
- (d) The Company has obtained all necessary approvals of the Central Government and/or other authorities under the Act.

3. I further report that the Company has complied with the provision of the Depositories Act, 1996 and Bye-laws framed thereunder by the Depositories with regard to dematerialisation / rematerialisation of securities and reconciliation of records of dematerialized securities with all securities issued by the Company.

4. I further report that;

- (a) The Company has complied with the requirement under the listing Agreements entered into with Bombay stock Exchange Limited and National Stock Exchange of India Limited.
- (b) The Company has complied with the provision of the Securities and Exchange Board of India (Substantial Acquisition of shares and takeover) Regulation, 2011 with regard to the disclosures and maintenance of records required under the Regulations.
- (c) The Company has complied with the provision of the Securities and Exchange Board of India (Insider Trading) Regulation 1992 with regard to the disclosure and maintenance of records required under the Regulations.

CS ASHWIN SHAH
COMPANY SECRETARY
C. P. No. 1640

Place : Ahmedabad
Date : 12-05-2012

CORPORATE GOVERNANCE REPORT

INTRODUCTION

Corporate Governance is based on principles such as conducting the business with all integrity and fairness, being transparent with regard to all transactions, making all the necessary disclosures and decisions, complying with all the laws of the land, accountability and responsibility towards the stakeholders and commitment to conducting business in a most ethical and transparent manner and about making a distinction between personal and corporate funds in the management of a company.

Corporate Governance involves a set of systems, principles and processes which creates the relationship between the company's management, its board, its shareholders and other stakeholders. Corporate Governance also provides various means through which objectives laid by the company are attained and performance of the Company is monitored.

The detailed report on implementation by the Company, of the Corporate Governance Code as incorporated in the Clause 49 of the Listing Agreement with the Stock Exchanges is set out below:

A. MANDATORY REQUIREMENTS

(I) Company's Philosophy on the Code of Governance

Our Company's philosophy is to add value to customers' businesses providing materials, equipment, processes and services that allow them to increase efficiency, quality and profitability of their operations while upholding the core values of transparency, integrity, honest, accountability and compliances with laws. Our Company has complied with Code of Conduct which serves as a guide to each employee on the standards and value, ethics and business principles which should govern their conduct and the Group's Policy on internal control which requires a review of all controls including financial, operational, compliances and risk management.

Further, the Company ensures that its Board is accountable to the shareholders. This, in turn, helps to assure that the Company operates for the benefit of society as a whole. While large profits can be made taking advantage of the asymmetry between stakeholders in the short run, balancing the interests of all stakeholders alone will ensure survival and growth in the long run. This includes, for instance, taking into account societal concerns about labor and the environment.

(II) Board of Directors

The Company is managed by the Board of Directors consisting highly qualified and experienced professionals from different fields, which formulates strategies, policies and reviews its performance periodically. The Chairman & Managing Director manages the business of the Company under the overall supervision, guidance and control of the Board.

Composition

The Company has an Executive Chairman. Due to the sad demise of Dr. A. C. Shah, an Independent Director of the Company on 16.01.2012, the number of Non-Executive Independent Directors becomes less than 50% of the total number of Directors. The Board of Directors consists of 5 Directors including one Chairman & Managing Director, one Executive Director, one non-independent non-executives and two independent non-executive Directors. The vacancy caused due to the death of Dr. A.C. Shah has been filled up by the appointment of Shri Jal Patel w.e.f. 12th May, 2012. The Board of Directors thus, has an adequate combination of executive and non-executive Directors.

None of the Directors on the Board is a Member of more than 10 Committees and Chairman of more than 5 Committees (as per Clause 49 (D)(ii) of Listing Agreement) across all the companies in which he is a Director. Necessary disclosures have been made by the Directors.

BOARD MEETINGS AND PROCEDURES

(A) Scheduling and selection of Agenda items for Board Meetings

- i. The meetings are being convened by giving appropriate advance notice after obtaining the approval of the Chairman of the Board. Detailed agenda, management reports and other explanatory statements are circulated in advance amongst the members for facilitating meaningful, informed and focused decisions. To address specific urgent need, meetings are also being called at shorter notice. The Board is also authorized to pass Resolution by circulation for all such matters, which are of utmost urgent nature.
- ii. Where it is not practicable to attach any document or the agenda is of confidential nature, the same is placed on the table with the approval of the Chairman of the Board. In special and exceptional circumstances, additional or supplemental item(s) on the agenda are permitted. Sensitive subject matters are discussed at the meeting without written materials being circulated.
- iii. The agenda papers are prepared by the officials concerned and submitted to the Chairman and Managing Director for his approval. Duly approved agenda papers are circulated amongst the Board members by the Company Secretary.
- iv. As per the convenience of the members of the Board, The Board meetings are usually held at the Company's registered office in Vallabh Vidyanagar, Dist. Anand or at Mumbai.

- v. The members of the Board have complete access to all information of the Company. The Board is also free to recommend inclusion of any matter in agenda for discussion. Senior management officials are called to provide additional inputs to the items discussed by the Board as and when necessary.

(B) Recording minutes of proceedings at the Board Meeting

A minute of the proceedings of each Board meeting is recorded and the same is read in the next Board Meeting. The minutes of the proceedings of the meetings are entered in the Minutes Books and the same are signed by the Chairman as prescribed in the Companies Act, 1956.

(C) Compliance

The Compliance Officer while preparing the agenda notes is responsible for and is required to ensure adherence to all the applicable provisions of law, rules, guidelines etc. The Company Secretary has to ensure compliance to all the applicable provisions of the Companies Act, 1956, SEBI Guidelines, Listing Agreements, and other statutory requirements pertaining to capital market. The Board of Directors reviews a quarterly Compliance Report confirming adherence to all applicable laws, rules, and guidelines.

BOARD MEETINGS

During the year 2011-2012, the Board Meetings were held on 24th May 2011, 2nd August 2011, 4th November, 2011 and 14th February, 2012 and the gap between two Board meetings was well within the limit of four months.

The names and categories of the Directors on the Board, their attendance at Board Meetings held during the year and at the last Annual General Meeting, as also the number of Directorship and Committee positions, as held by them in other Public Limited Companies, as on 31st March, 2012 are given below:

Name of Directors	Nature of Directorship	No. of Board Meetings held during the tenure of Directorship	No. of Board Meetings Attended	Attendance at AGM	No. of other Directorship	No. of Committee Chairmanship/ Membership	
						Chairmanship	Membership
Shri Prayasvin B. Patel (Chairman & Managing Director)	Non-Independent Executive Director	4	4	Yes	11	-	1
Shri Pradip M. Patel	Non-Independent Non-Executive Director	4	4	Yes	6	--	3
Shri Prashant C. Amin	Non-Independent Executive Director	4	4	Yes	8	1	1
Shri Chirayu R. Amin	Independent Non-Executive Director	4	3	Yes	11	1	-
Shri Hasmukhlal S. Parikh	Independent Non-Executive Director	4	4	Yes	3	1	4
Dr. Amritlal C. Shah*	Independent Non-Executive Director	4	2	No	*	*	*
Shri Jal Patel #	Independent Non-Executive Director	4	N.A.	N.A.	6	4	3

* Due to sad demise of Dr. A.C. Shah on 16.01.2012, the details of his Directorship, Membership & Chairmanship is not mentioned.

Shri Jal Patel has been appointed as an Independent Director w.e.f. 12.05.2012 to fill the casual vacancy caused due to death of Dr. A. C. Shah.

Number of other Directorships held by the Directors, as mentioned above, do not include alternate directorships and directorships held in foreign companies, Section 25 of the Companies Act, 1956 and Indian private limited companies and are based on the latest declarations received from the Directors.

The Company did not have any material pecuniary relationship or transactions with the Independent Non-Executive Directors during the year 2011-2012.

Disclosure regarding Directors retiring by rotation and being re-appointed:

Shri Hasmukhlal Parikh, Director retires by rotation at the ensuing Annual General Meeting and being eligible, offers himself for re-appointment.

Shri Jal Patel has been appointed as an independent Director of the Company w.e.f. 12-05-2012 to fill the casual vacancy caused due to death of Dr. A. C. Shah. Shri Jal Patel retires by rotation at the ensuing Annual General Meeting and being eligible, offers himself for re-appointment.

A brief resume and the profile of directors retiring by rotation eligible for re-appointment at the ensuing Annual General Meeting of the Company are given in the notice of Annual General Meeting, annexed to this Annual Report.

Resolution has been proposed for the re-appointment of Shri Hasmukhlal S. Parikh and appointment of Shri Jal Patel at ensuing Annual General Meeting as directors. Shri Hasmukhlal S. Parikh and Shri Jal Patel are not related to any of the Directors of the Company.

(III) Audit Committee

The terms of reference of the Audit Committee is in accordance with the Section 292A of the Companies Act, 1956 and Clause 49 II C, D and E of the Listing Agreement.

Audit Committee comprises of experts specializing in accounting/financial management. The Chairman of the Audit Committee is a Non - Executive and Independent Director. The Composition of the Audit Committee as on 31st March, 2012 is as follows:

Name	Designation	Category
Shri Hasmukhlal S. Parikh	Chairman	Independent & Non-Executive Director
Shri Pradip M. Patel	Member	Non-independent & Non-Executive Director
Shri Chirayu R. Amin	Member	Independent & Non-Executive Director
Shri Jal Patel*	Member	Independent & Non-Executive Director

* Shri Jal Patel has been inducted as a member w.e.f. 12.05.2012 in place of Dr. A. C. Shah, who ceased to be a member of the Audit Committee due to death w.e.f. 16.01.2012.

The Audit Committee met Four times on the following dates during the last financial year:

24.05.2011	02.08.2011	04.11.2011	14.02.2012
------------	------------	------------	------------

Attendance at Audit Committee Meeting:

Name of Directors	No. of Meetings Held	No. of Meetings Attended
Shri Hasmukhlal S. Parikh	4	4
Shri Pradip M. Patel	4	4
Dr. Amritlal C. Shah*	4	2
Shri Chirayu R. Amin	4	3
Shri Jal Patel*	4	N.A.

*Dr. A. C. Shah ceased to be a member of the Audit Committee due to death w.e.f. 16.01.2012 and Shri Jal Patel has been inducted as a member w.e.f. 12.05.2012 in place of Dr. A.C. Shah.

The Vice President (Commercial) & CFO, Statutory Auditors, Internal Auditors are permanent invites to the meeting and attended & participated at the meetings of the Committee. Shri Pares Shukla, Company Secretary of the Company is the Secretary of the Committee and he was present at all the above meetings.

The Chairman of the committee was present at the Annual General Meeting held on 29th August, 2011.

(IV) Shareholders'/Investors' Grievance Committee

Terms of Reference: To look into the Investors' complaints, if any, and to redress the same expeditiously. Besides that the Committee also considers and approves the transactions as may be referred to it by the Share Transfer Committee/ Committee of Directors.

The Shareholders'/Investors' Grievance Committee comprises of the following Directors:

Name	Designation	Category
Shri Chirayu R. Amin*	Chairman	Independent & Non-Executive Director
Shri Hasmukhlal S. Parikh	Member	Independent & Non-Executive Director
Shri Pradip M. Patel	Member	Non-independent & Non-Executive Director

Shri Chirayu R. Amin has been appointed as a member and chairman of the Shareholders's/Investors' Grievance Committee w.e.f. 14.02.2012 in place of Dr. A. C. Shah who expired on 16.01.2012.

Shri Paresh Shukla, Company Secretary is the Compliance Officer and Secretary of the Committee and he was present at above meeting. One Meeting was held, during the financial year on 24th May, 2011.

Attendance of Shareholders' / Investors' Grievance Committee Meeting:

Name of Directors	No. of Meetings Held	No. of Meetings Attended
Dr. Amritlal C. Shah*	1	0
Shri Pradip M. Patel	1	1
Shri Hasmukhlal S. Parikh	1	1
Shri Chirayu R. Amin*	1	-

* Dr. A. C. Shah ceased to be the member and chairman of the Committee due to death w.e.f. 16.01.2012. Shri Chirayu R. Amin has been appointed as a member of the committee w.e.f. 14.02.2012.

Report on Communication received from the Investors during the year 2011-2012.

Nature of Queries (Correspondence)	Total Received	Total Replied	Pending	Remark
Inquiry pertaining to non- receipt of shares	9	9	-	-
Inquiry on Dematerialization of Shares	1	1	-	-
Name Correction/deletion	42	42	-	-
Address correction	111	111	-	-
Letter Received from SEBI/ other Statutory Bodies	3	3	-	-
Loss of Shares & issue of duplicate Shares	32	32	-	-
Split/Consolidation of Shares	1	1	-	-
Transmission of shares	14	14	-	-
Demat	-	-	-	-

(V) Remuneration Committee

Remuneration Committee has been constituted to recommend the remuneration package of the Managing Director based on the performance and defined criteria.

Remuneration Committee of the Company as on 31st March 2012 consists of the following Directors:

Name	Designation	Category
Shri Hasmukhlal S. Parikh	Chairman	Independent & Non-Executive Director
Shri Pradip M. Patel	Member	Non-Independent & Non-Executive Director
Shri Chirayu R. Amin	Member	Independent & Non-Executive Director

Dr. A. C. Shah ceased to be the member and chairman of the Committee due to death w.e.f. 16.01.2012.

Attendance of Remuneration Committee Meeting held during the year:

Name of Directors	No. of Meetings Held	No. of Meetings Attended
Dr. Amritlal C. Shah*	1	-
Shri Pradip M. Patel	1	1
Shri Hasmukhlal S. Parikh	1	1
Shri Chirayu R. Amin	1	1

* Dr. A. C. Shah ceased to be the member and chairman of the Committee due to death w.e.f. 16.01.2012.

Shri Paresh Shukla, Company Secretary of the Company is the Secretary of the Committee and he was also present at above meeting.

(VI) Remuneration of Directors

a. Non-Executive Directors

The Company has paid commission on annual basis ₹ 5,00,000 to each Non-Executive Directors for the year 2011-12. The Non-Executive Directors do not draw any remuneration from the Company other than the aforesaid commission and sitting fees. The Company pays the sitting fees to all the non-executive Directors at the rate of ₹ 20,000/- for each meeting. The sitting fees paid to Non-Executive Directors for attending Board and Committee Meetings during the year 2011-2012 is as follows:

Directors	Sitting fees	Commission on annual basis for the year 2011-12
Shri Prashant C. Amin	20,000	83,000
Shri Pradip M. Patel	2,00,000	5,00,000
Shri Chirayu R. Amin	1,40,000	5,00,000
Shri Hasmukhlal S. Parikh	2,00,000	5,00,000
Dr. Amritlal C. Shah*	80,000	4,17,000

* Dr. A. C. Shah ceased to be the Director of the Company due to death w.e.f. 16.01.2012.

Note: The above Sitting Fees excludes re-imbusement of the expenses incurred by Directors to attend the Meetings.

b. Executive Directors

The Company pays remuneration by way of salary, perquisites, allowances and Commission to the Managing Director and by way of salary, perquisites, allowances to the Executive Director.

The salary paid during the year to the Chairman & Managing Director and Executive Director is within the ceiling prescribed by Section 198, 309 and the Provisions of Schedule XIII of the Companies Act, 1956.

The remuneration paid to the Chairman & Managing Director and Executive Director for the year 2011-2012 is as follow:

(₹ in Lacs)

	Salary	Perquisites	Commission	Total
Shri Prayasvin B. Patel	264.38	5.60	225	494.98*
Shri Prashant C. Amin	200.27	4.82	--	205.09*

* includes the Company's contribution to Provident Fund, Superannuation Fund to the extent not taxable and Gratuity and encashment of leave at the end of tenure, as per the rules of the Company.

(VII) Management Committee

In addition to the above Committees, the Board has constituted a Management Committee comprising of the following Directors as on 31-03-2012 :

Shri Prayasvin B. Patel	Chairman
Shri Prashant C. Amin	Member
Shri Chirayu R. Amin	Member

The Management Committee met on the following dates during the last financial year:

02-05-2011	15-07-2011	30-09-2011	28.12.2011	19.03.2012
15-06-2011	06-08-2011	16-11-2011	28.01.2012	-

Attendance of Management Committee meeting.

Name of Member	No. of Meetings Held	No. of Meetings Attended
Shri Prayasvin B. Patel	9	9
Shri Prashant C. Amin	9	9
Shri Chirayu R. Amin	9	Nil

(VIII) Details of General Meetings

Location, date and time of Annual General Meetings held during last 3 years:

Year	Location	AGM/ EGM	Date	Day	Time	No. of Special Resolution Passed
2008-09	Elecon Engineering Co. Ltd. Audio Visual Hall, Gear Div., Anand Sojitra Road, Vallabh Vidyanagar - 388 120	AGM	30-7-2009	Thursday	11.45 a.m.	NIL
2009-10	Elecon Engineering Co. Ltd. Audio Visual Hall, Gear Division, Anand Sojitra Road, Vallabh Vidyanagar - 388 120.	AGM	30-7-2010	Friday	11.45 a.m.	Nil
2010-11	Elecon Engineering Co. Ltd. Audio Visual Hall, Gear Div., Anand Sojitra Road, Vallabh Vidyanagar - 388 120	AGM	29-08-2011	Monday	11.00 a.m.	1

During the year ended 31st March, 2012, no resolution has been passed by the members through Postal Ballot.

Dividend History

Year	Rate (%)	Per Share (₹)	Amount (in ₹)
2004-2005	25%	2.50	1,41,18,525
2005-2006	50%	5.00	3,06,52,000
2006-2007	75%	1.50	4,63,85,475
2007-2008	75%	1.50	13,92,92,265
2008-2009	75%	1.50	13,92,92,265
2009-2010	75%	1.50	13,92,92,265
2010-2011	90%	1.80	16,71,50,718

Stock Options

The Company has not issued any Stock options to its Directors/Employees.

Equity Shares held by Directors (as on 31-3-2012)

Name of Directors	No. of Shares held
Shri Prayasvin B. Patel	5,41,144
Shri Pradip M. Patel	62,412
Shri Prashant C. Amin	19,300
Shri Chirayu R. Amin	-
Shri Hasmukhlal S. Parikh	11,250
Dr. Amritlal C. Shah*	1,000
Shri Jal Patel	N.A.

* Dr. A.C. Shah ceased to be the Director of the Company due to death w.e.f. 16.01.2012.

(IX) Disclosures on Materially significant related party transactions.

Full disclosure of related party transactions as per Accounting Standard - 18 issued by the Institute of Chartered Accountants of India are given under Note No. 33 of Notes to Financial Statements.

(X) Details of Non-compliance by the Company and penalties, strictures imposed on the Company by the Stock Exchange, SEBI or any Statutory Authorities on any matter related to capital market during the last three years.

The Company has complied with the requirements of the Stock Exchanges, SEBI and Statutory Authorities on all matters related to Capital Market during the last three years.

All Returns/Reports were filed within stipulated time with Stock Exchanges/other authorities.

No penalties or strictures were imposed by SEBI, Stock Exchanges or any Statutory Authorities for any matter relating to Capital Market during the last three years.

(XI) Code of Conduct

i) For prevention of Insider Trading

The Company has a comprehensive code of conduct for its management, staff and directors for prevention of insider trading. The code lays down guidelines and procedures to be followed and disclosures to be made while dealing with the shares of the Company and cautioning them on the consequences of non-compliances. The Company Secretary has been appointed as a Compliance Officer and is responsible for adherence to "Code for Prevention of Insider Trading".

ii) For Board of Directors and Senior Management

The Board of Directors of the Company has laid down a "Code of Conduct" for all Board Members and members of senior management of the Company. The code of conduct is posted on the website of the Company, www.elecon.com. The Board members and Senior Management have affirmed compliance with the "Code of Conduct" for the year ended March 31, 2012.

In the preparation of the financial statements, the Company has followed the Accounting Standards issued by the ICAI. The significant accounting policies applied in preparation and presentation of financial statements has been set out in Note No. 2 of Notes to Financial Statements.

(XII) CEO / CFO Certificate

The Managing Director and the Chief Financial Officer of the Company have furnished the requisite certificate to the Board of Directors under Clause 49 V of the Listing Agreement.

(XIII) Disclosures on Whistle Blower Policy

Though there is no formal Whistle Blower Policy, the Company takes cognizance of complaints made and suggestions given by the employees and others. No employee of the Company has been denied access to the Audit Committee.

Means of communication

a) Quarterly, Half-yearly and Annual Results :

The Board of Directors of the Company approves and takes on record quarterly, half yearly and yearly financial results in the Performa prescribed by Clause 41 of the Listing Agreement within one month of close of the reporting period. In compliance with Clause 41 of the Listing Agreement, the Company sends the quarterly / half-yearly / audited results to the Stock Exchanges within 15 minutes of the end of the Board Meetings at which they are taken on record. These financial statements are normally published in prominent daily newspapers viz. The Economic Times, Financial Express, The Business Standard, The Hindu Business Line, Naya Padkar having wide circulation across the country and also displayed on the website of the Company on www.elecon.com.

b) The Company also informs by way of intimation to the Stock Exchanges all price sensitive matters or such other matters which in its opinion are material and of relevance to the shareholders.

c) The Company's financial results and official news releases and the presentation made to the investors, financial analyst are displayed on the Company's website www.elecon.com.

d) Management Discussion and Analysis Report is attached with the Directors Report in this Annual Report.

Mr. Paresh M. Shukla

Company Secretary & Compliance Officer
Elecon Engineering Company Limited
Anand-Sojitra Road, Vallabh Vidyanagar – 388 120
Tal. & Dist. Anand, Gujarat.
Phone No. : +91 2692 227109, 230166
Email : pmsukla@mhe.elecon.com

(XIV) GENERAL SHAREHOLDERS INFORMATION

- a) **Annual General Meeting**
Date and Time : 31th July, 2012 at 11.00 A.M.
Venue : Audio Visual Hall, Nr. Gear Division,
 Anand-Sojitra Road,
 Vallabh Vidyanagar - 388 120,
 Gujarat.
- b) **Financial Calendar** : April 01 to March 31
- c) **Date of Book Closure** : Wednesday, 25th July, 2012 to Tuesday, 31st July, 2012.
 (both days inclusive)
- d) **Dividend Payment date** : Credit/dispatch of Dividend Warrants on or after 4th August, 2012
- e) **Listing on Stock Exchange** : The Company's securities are listed at the
 Bombay Stock Exchange Limited, Mumbai
 The National Stock Exchange of India Limited, Mumbai
 The Company has paid the annual listing fees to the Stock Exchanges
 for the financial year 2012-2013.
- f) **Stock code** : The Bombay Stock Exchange Limited, Mumbai
 (Physical Segment) : BSE 5700
 The Bombay Stock Exchange Limited, Mumbai
 (Demat Segment) : BSE 505700
 The National Stock Exchange of India Limited
 (Demat Segment) : ELECON

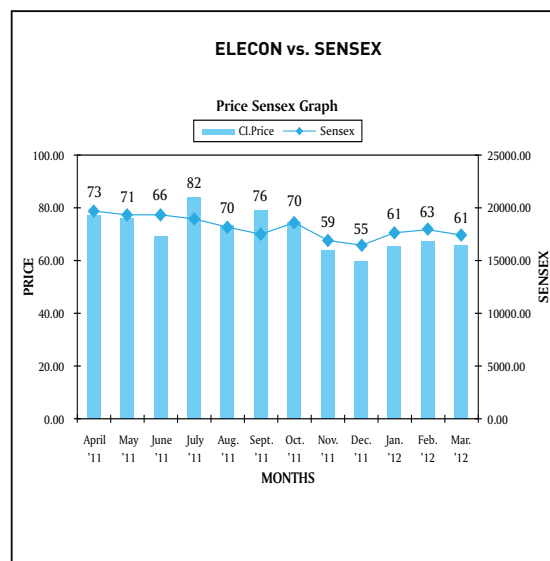
Demat ISIN in NSDL and CDSL for Equity Shares : INE 205B01023

g) Stock Market Price Data :

Monthly share price movement during the year 2011-12 at BSE & NSE

Month	BSE			NSE		
	High	Low	Volume	High	Low	Volume
April - 2011	78.65	67.50	20,00,977	78.95	61.00	2978402
May - 2011	74.10	65.00	6,40,284	74.00	64.30	1270898
June - 2011	71.50	64.70	7,09,456	71.50	64.50	1223659
July - 2011	86.00	66.20	42,75,371	88.50	65.90	5128604
August - 2011	82.40	64.60	10,09,499	81.95	65.00	1938914
September - 2011	77.65	69.05	5,39,903	78.50	68.50	1279891
October - 2011	76.40	68.00	3,43,419	76.30	68.00	1104305
November - 2011	70.65	56.35	3,80,542	71.00	56.20	1111278
December - 2011	62.40	50.00	2,45,874	62.30	50.30	471294
January - 2012	61.35	53.25	6,62,125	61.70	53.15	1523446
February - 2012	70.60	60.55	12,95,467	70.80	60.35	2611808
March - 2012	66.35	55.90	8,81,103	65.00	56.00	1688291

Performance in comparison to broad-based indices such as BSE SENSEX



h) Share Registrar & Transfer Agent :

The Company has appointed following Registrar & Transfer Agent for Physical Transfer & Demat of the Shares:

M/s. Link Intime India Pvt. Ltd.
B-102/103, Shangrila Complex,
First Floor, Opp. HDFC Bank
Near Radhakrishna Char Rasta,
Akota, Vadodara - 390 020.
Email : vadodara@linkintime.co.in
Phone : 0265-2356573, 2356794
Fax. : 0265-2356791

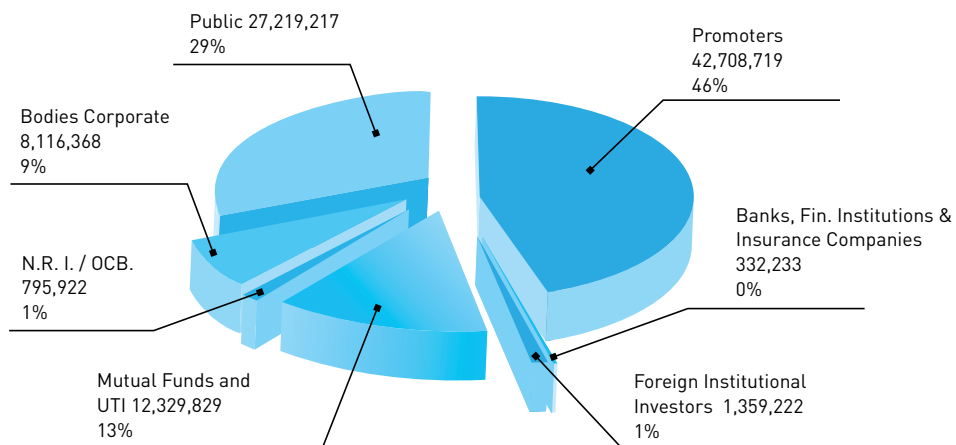
i) Share Transfer System :

The Company's Shares are in compulsory Demat List and are transferable through the Depository system. Depository transfers as well as physical transfers are handled by Link Intime India Pvt. Ltd. having their registered office at C-13, Pannalal Silk Mill's Compound, LBS Marg, Bhandup (West), Mumbai - 400 078.

j) Share holding pattern as on 31-03-2012

Category	No. of Shares held	(%) of total
Promoters	42708719	45.99
Banks, Financial Institutions and Insurance Companies	332233	0.36
Foreign Institutional Investors	1359222	1.46
Mutual Funds and UTI	12329829	13.28
N.R. I. / O.C. B.	795922	0.86
Bodies Corporate	8116368	8.74
Public	27219217	29.31
TOTAL	9,28,61,510	100.00

Shareholding Pattern



k) Distribution of Shareholding as on 31-03-2012

Category	No. of Shareholders	Percentage	No. of shares	Percentage
1 - 500	45193	84.49	7265582	7.82
501 - 1000	4174	7.80	3360650	3.62
1001 - 2000	2081	3.89	3086521	3.32
2001 - 3000	731	1.37	1873060	2.02
3001 - 4000	321	0.60	1142445	1.23
4001 - 5000	242	0.45	1121489	1.21
5001 - 10000	404	0.76	2903241	3.13
Above 10001	344	0.64	72108522	77.65
TOTAL	53490	100.00	92861510	100.00

l) Dematerialization of Shares and Liquidity

As on 31st March 2012, 8,87,87,500 Shares were in dematerialized form representing 95.61% of total shares. The Company's shares are traded on the Bombay Stock Exchange Limited, and The National Stock Exchange of India Limited, Mumbai.

m) Outstanding GDRs/ADRs/Warrants or any other convertible Instruments, conversion date and likely impact on equity as on 31st March, 2012 :

There is no outstanding GDRs/ADRs/Warrants or any other Convertible Instruments as on 31st March, 2012.

n) Unclaimed Dividend

As per the provisions of Section 205A read with Section 205C of the Companies Act, 1956 the Company is required to transfer the unpaid dividend remained unclaimed and unpaid for a period of seven years from the due dates to the Investor Education and Protection Fund (IEPF) set up by the Central Government.

Here below are the proposed dates for transfer of the unpaid dividend to IEPF by the Company.

Financial Year	Date of declaration	Proposed date for transfer to IEPF*
2004-2005	15-09-2005	14-10-2012
2005-2006	12-09-2006	11-10-2013
2006-2007	13-09-2007	12-10-2014
2007-2008	29-07-2008	28-08-2015

* Indicative dates, actual date may vary.

o) ECS/NECS Facilities

The Company uses National Electronic Clearing Services (NECS) which has replaced "Electronic Clearing Services" (ECS) for remitting dividend to shareholder wherever available. The advantage of NECS over ECS including faster credit of remittance to the beneficiary's account, coverage of more bank branches and ease of operations. NECS operates on new and unique bank account number allotted by the banks post implementations of Core Banking Solutions (CBS). Members are requested to provide their new account number allotted to them by their respective banks after implementation of CBS to the Company in case shares are held physically and to the depository participants in respect of shares held by them in dematerialized form.

p) Unclaimed Shares

In compliance with the amended Clause 5A of the Listing Agreement, notices had been issued to the 1,181 Shareholders whose share certificates for 6,41,080 shares remained unclaimed. These shareholders have responded to the notices issued to them and share certificates for the unclaimed shares have been returned to them. As on 31st March, 2012 there were 5,82,520 shares of lying unclaimed with the Company and as per SEBI directions, the Company has opened a suspense account with J. K. Securities for the purpose.

q) Plant Locations	:	Works
		1. Material Handling Equipment Division (MHE-Div.) Anand –Sojitra Road, Vallabh Vidyanagar – 388 120. Gujarat.
		2. Gear Division Anand –Sojitra Road, Vallabh Vidyanagar – 388 120. Gujarat.
		3. Alternate Energy Division Anand –Sojitra Road, Vallabh Vidyanagar – 388 120. Gujarat.
Address of Regd. Office :		Anand –Sojitra Road, Vallabh Vidyanagar – 388 120. Gujarat
Internet Website	:	www.elecon.com

Address for Correspondence :

The Shareholders may address their communications/suggestions/grievances/queries to :

Mr. Paresh Shukla

Company Secretary and Compliance Officer
Elecon Engineering Company Limited
Post Box No.6, Anand-Sojitra Road,
Vallabh Vidyanagar - 388 120
Tal. & Dist. Anand (Gujarat)
Tel No. (02692) 227109, 230166
Fax No. (02692) 236457, 236527

Email address : pshukla@mhe.elecon.com

B. NON-MANDATORY REQUIREMENTS

A) CHAIRMAN OF THE BOARD

The Company has an Executive Chairman and hence, the requirement pertaining to reimbursement of expenses to a non-executive Chairman does not arise.

B) REMUNERATION COMMITTEE

A remuneration committee comprising all non-executive directors is functioning since 2001, the details of which are mentioned elsewhere in this Annual Report.

C) SHAREHOLDER RIGHTS TO RECEIVE FINANCIAL RESULTS

The financial results of the Company for every quarter are extensively published in the newspapers and are also put on the Company's website.

D) POSTAL BALLOT

The provisions relating to Postal Ballot will be complied with in respect of matters where applicable.

E) AUDIT QUALIFICATIONS

During the year under review, there was no audit qualification in the Company's financial statements. The Company continues to adopt best practices to ensure the regime of unqualified financial statements.

F) TRAINING OF BOARD MEMBERS

All the Non-Executive Directors have adequate experience and expertise in functional areas and attend various programmes in their personal capacities that keep them abreast of relevant developments.

G) OFFICE SPACE FOR NON EXECUTIVE CHAIRMAN

The Company has an Executive Chairman and therefore the issue of providing office to non Executive Chairman does not arise.

The Company has no specific tenure specified for Independent Directors.

**AUDITORS' CERTIFICATE ON COMPLIANCE WITH MANDATORY REQUIREMENTS OF
CORPORATE GOVERNANCE TO THE MEMBERS OF ELECON ENGINEERING COMPANY LIMITED**

To,
The Members
Elecon Engineering Company Limited

We have examined the compliance of the conditions of Corporate Governance by **Elecon Engineering Company Limited for the year ended on 31st March, 2012** as stipulated in Clause 49 of the Listing Agreement of the Company with the Stock Exchanges in India.

The compliance of the conditions of Corporate Governance is the responsibility of the management. Our examination was limited to the procedures and implementation thereof, adopted by the company for ensuring the compliance of the conditions of the Corporate Governance. It is neither an audit nor an expression of an opinion on the financial statements of the Company.

In our opinion and to the best of our information and according to the explanation given to us, the Company has complied with the conditions of the Corporate Governance as stipulated in the above Listing Agreement.

We state that in respect of investor grievance received during the year ended on **31st March, 2012**, no investor grievances are pending against the Company as per records maintained by the Company and presented to the Investors'/Shareholders' Grievance Committee of the Company.

We further state that such compliance is neither an assurance as to the future viability of the Company nor the efficiency or the effectiveness with which the management has conducted the affairs of the Company.

For and on behalf of
THACKER BUTALA DESAI
Chartered Accountants

M. T. DESAI
Partner
M. No. : 030911
Firm Regn. No. 110864W

Place : Navsari
Date : 30-05-2012

DECLARATION

To,
The Members
Elecon Engineering Company Limited

I, Prayasvin B. Patel, Chairman and Managing Director and Chief Executive Officer of the Company, do hereby declare that the Directors and Senior Officers of the Company have exercised their authorities and powers and discharged their duties and functions in accordance with the requirement of the Code of Conduct as prescribed by the Company and have adhered to the provisions of the same.

For Elecon Engineering Company Limited

Place: Vallabh Vidyanagar
Date : 12-05-2012

Prayasvin Patel
Chairman and Managing Director
and Chief Executive Officer

Important Communication to Members

The Ministry of Corporate Affairs has taken a "Green Initiative in the Corporate Governance" by allowing paperless compliances by the companies and has issued circulars stating that service of notice/documents including Annual Report can be sent by e-mail to its members. To support this green initiative of the Government, members who have not registered their e-mail addresses, so far, are requested to register their e-mail addresses, in respect of electronic holdings with the Depository through their concerned Depository Participants. Members who hold shares in physical form are requested to fill up the details in the form attached (refer page 109 of the Annual Report) and register the same with M/s. Link Intime India Pvt. Ltd., Baroda. **Postage for sending the form will be borne by the Company.**

AUDITORS' REPORT

To,
The Shareholders of
ELECON ENGINEERING COMPANY LIMITED
Vallabh Vidyanagar

1. We have audited the attached Balance Sheet of **ELECON ENGINEERING COMPANY LIMITED** as at March 31, 2012 and also the Statement of Profit and Loss and Cash Flow Statement of the Company for the year ended on that date annexed thereto. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.
 2. We conducted our audit in accordance with auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
 3. As required by the amended Companies (Auditors' Report) Order, 2003 issued by the Central Government of India in terms of Sub-Section (4A) of Section 227 of the Companies Act, 1956, we annex hereto a statement on the matters specified in paragraphs 4 and 5 of the said Order.
 4. Further to our comments in the Annexure referred to in paragraph (3) above, we report that :
 - (a) We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purpose of our audit;
 - (b) In our opinion, proper books of account, as required by the law have been kept by the Company so far as it appears from our examination of those books;
 - (c) The Balance Sheet, Statement of Profit and Loss and Cash Flow Statement dealt with by this report are in agreement with the books of account;
- (d) In our opinion, the Balance Sheet, Statement of Profit and Loss and Cash Flow Statement dealt with by this report comply with the applicable Accounting Standards referred to in Sub-Section (3C) of Section 211 of the Companies Act, 1956 ;
 - (e) Based on representations made by all the Directors of the Company as on 31st March, 2012 and taken on record by the Board of Directors of the Company and according to the information and explanations made available to us by the Company, none of the Directors of the Company has any disqualification as referred to in Clause (g) of Sub-Section (1) to Section 274 of the Companies Act, 1956; and
 - (f) In our opinion and to the best of our information and according to the explanations given to us, the said accounts read together with the notes thereon, give the information required by the Companies Act, 1956, in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India;
 - (i) In the case of the Balance Sheet, of the state of affairs of the Company as at March 31, 2012;
 - (ii) In the case of the Statement of Profit and Loss, of the Profit of the Company for the year ended on that date; and
 - (iii) In the case of the Cash Flow Statement, of the cash flows for the year ended on that date.

For **THACKER BUTALA DESAI**
Chartered Accountants

M. T. DESAI
Partner

Place: Navsari
Date : 30-05-2012

Membership No. : 030911
Firm Regn. No. 110864W

ANNEXURE TO THE AUDITORS' REPORT

(Referred to in paragraph 3 of our report of even date)

- (i) (a) The Company has maintained proper records showing full particulars including quantitative details and situation of its fixed assets.
- (b) Certain items of Plant and Machineries were physically verified by the management during the year in accordance with a programme of verification, which in our opinion provides for physical verification of all the fixed assets at reasonable intervals. According to the information and explanations given to us no material discrepancies were noticed on such verification.
- (c) The Company has not disposed off a substantial part of the fixed assets during the year under review. Therefore, going concern status of the Company has not been affected.
- (ii) (a) As explained to us, inventories were physically verified by the management during the year.
- (b) In our opinion and according to the information and explanations given to us, the procedures of physical verification of inventories followed by the management were reasonable and adequate in relation to the size of the Company and the nature of its business.
- (c) In our opinion and according to the information and explanations given to us, the Company has maintained proper records of its inventories and discrepancies noticed on physical verification have been properly dealt with in the books of account of the Company.
- (iii) (a) According to the information & explanations given to us, the Company has not granted any secured or unsecured loan to any party listed in the register maintained under Section 301 of the Companies Act, 1956.
- (b) In view of clause (iii) (a) above, this clause regarding interest and other terms and conditions is not applicable.
- (c) In view of clause (iii) (a) above, this clause regarding repayment of loan and interest thereon is not applicable.
- (d) In view of (iii) (a) above, this clause regarding overdue amounts of such loans and interest thereon is not applicable.
- (e) According to the information & explanations given to us, the Company has not taken any loan from any party listed in the register maintained under Section 301 of the Companies Act, 1956.
- (f) In view of clause (iii) (e) above, this clause regarding interest and other terms and conditions is not applicable.
- (g) In view of clause (iii) (e) above, this clause regarding repayment of loan and interest thereon is not applicable.
- (iv) In our opinion and according to the information and explanations given to us, there is adequate Internal Control System commensurate with the size of the Company and the nature of its business for the purchase of inventory and fixed assets and for the sale of goods and services.
- (v) (a) According to the information and explanations given to us, contracts or arrangements with the parties listed in the register maintained under Section 301 of the Companies Act, 1956 have been entered in the register upon ratification of the same by the Board of Directors of the Company.
- (b) We are informed that in case of the transactions with the parties listed in the register maintained under Section 301 of the Companies Act, 1956 no comparison of prices could be made as there was either no alternate source of supply or that the management preferred the suppliers' products and services on quality grounds or peculiarity of the products sold or services rendered.
- (vi) According to the information and explanations given to us, applicable provisions of the directives issued by the Reserve Bank of India and the provisions of Section 58A, 58AA or other relevant provisions of the Companies Act, 1956 and the rules framed thereunder have been complied with in respect of the deposits accepted by the Company during the year under review.
- (vii) The Company has appointed a firm of Chartered Accountants to carry out Internal Audit work. The said Internal Audit system operating in the Company commensurate with the size of the Company and nature of its business.
- (viii) We have broadly reviewed the cost records maintained by the Company pursuant to the Companies (Cost Accounting Records) Rules, 2011 prescribed by the Central Government under Section 209(1)(d) of the Companies Act, 1956 and are of the opinion that prima facie the prescribed cost records have been maintained. We have, however, not made a detailed examination of the cost records with a view to determine whether they are accurate or complete.
- (ix) (a) According to the records of the Company, undisputed statutory dues including Provident Fund, Investor Education & Protection Fund, Employees' State Insurance, Income Tax, Wealth Tax, Sales Tax, Custom Duty, Excise Duty, Service Tax, Cess and other statutory dues have been regularly deposited during the period with appropriate authorities. There was no outstanding statutory dues as at the end of the year outstanding for a period of more than six months from the date they became payable.

- (b) According to information and explanations given to us, the Company has not paid the following statutory dues on account of the demand being disputed by the Company.

Sr. No.	Nature of liability	Amt. (₹ in Lacs)	Pending Before
1.	Excise Duty, Penalties & Interest thereon	102.01	C.E.S.T.A.T.
2.	Excise Duty, Penalties & Interest thereon	131.19	Central Excise Commissioner (Appeal)
3.	Sales Tax, Purchase Tax, Works Contract Tax and Interest & Penalty thereon	347.55	Orissa State Sales Tax Appellate Tribunal
4.	Income Tax	13.02	Commissioner of Income Tax (Appeal)

- (x) According to the records of the Company, it has no accumulated losses. The Company has not incurred cash losses during the financial year under review or during the immediately preceding financial year.
- (xi) According to our audit procedure and on the basis of information and explanations given by the management, the Company has not defaulted in repayment of dues to any Financial Institution or Bank. The Company has not issued any Debentures.
- (xii) According to our audit procedure and on the basis of information & explanations given to us, the Company has not granted any loan on the basis of security by way of pledge of shares, debentures and other securities. Therefore, the question of adequacy or otherwise of maintenance of documents and records in respect thereof does not arise.
- (xiii) According to our audit procedure and on the basis of information & explanations given to us, the Company has not indulged in any chit fund activity during the year under review. Therefore, the question of compliance with provisions of any special statute applicable to chit fund does not arise.
- (xiv) According to our audit procedure and on the basis of information & explanations given to us, the Company has not indulged in dealing or trading in shares, securities, debentures and other investments. In respect of long term investments made by the Company, according to the information and explanations given to us, all the investments have been held in the name of the Company only.
- (xv) In our opinion and according to the information and explanations given to us, the terms and conditions on which the Company has given guarantee for loans taken by others from Banks or Financial Institutions are prima-facie not prejudicial to the interest of the Company.
- (xvi) In our opinion and according to the information & explanations given to us, the term loans obtained during the year under review have been applied for the purpose for which they were raised.
- (xvii) In our opinion and according to the information & explanations given to us, and on an overall examination of the Balance Sheet of the Company, we report that no funds raised on short-term basis have been used for long-term investment.
- (xviii) According to our audit procedure and on the basis of information & explanations given to us, during the year under review, the Company has not made any preferential allotment of shares to the parties or companies listed in the register maintained under Section 301 of the Companies Act, 1956. Therefore, the question of impact of the prices recovered in respect of such shares on the interest of the Company does not arise.
- (xix) According to our audit procedure and on the basis of information & explanations given to us, during the year under review, the Company has not issued any secured or unsecured debentures. Therefore, the question of creation of securities or charge in respect thereof does not arise.
- (xx) According to our audit procedure and on the basis of information & explanations given to us, during the year under review, the Company has not raised any money by way of public issue of shares. Therefore, the question of disclosure and verification of end use of money so raised does not arise.
- (xxi) Based upon the audit procedures performed for the purpose of reporting the true and fair view of the financial statement and as per information and explanations given by the management, no material frauds on or by the Company were noticed or reported during the year under review.

For **THACKER BUTALA DESAI**
Chartered Accountants

M. T. DESAI
Partner

Membership No. : 030911
Firm Regn. No. 110864W

Place : Navsari
Date : 30-05-2012

BALANCE SHEET AS AT 31st MARCH, 2012

(₹ in Lacs)

	Notes	As at 31st March, 2012	As at 31st March, 2011
I. EQUITY AND LIABILITIES			
1) SHAREHOLDERS' FUNDS			
(a) Share Capital	3	1,857.23	1,857.23
(b) Reserves and Surplus	4	42,620.11	37,602.86
		44,477.34	39,460.09
2) NON - CURRENT LIABILITIES			
(a) Long-Term Borrowings	5	10,687.47	8,527.81
(b) Deferred Tax Liabilities	6	4,467.28	4,106.45
(c) Other Long Term Liabilities	7	1,984.05	6,130.68
(d) Long-Term Provisions	8	397.45	499.04
		17,536.25	19,263.98
3) CURRENT LIABILITIES			
(a) Short-Term Borrowings	9	36,603.74	37,528.68
(b) Trade Payables		45,475.05	32,366.29
(c) Other Current Liabilities	10	21,604.41	15,953.80
(d) Short-Term Provisions	11	2,239.46	2,166.98
		105,922.66	88,015.75
		167,936.25	146,739.82
II. ASSETS			
1) NON - CURRENT ASSETS			
(a) Fixed Assets	12		
i) Tangible Assets		39,863.04	35,767.99
ii) Intangible Assets		655.60	344.47
iii) Capital Work-in-Progress		4,171.37	1,077.05
iv) Intangible Assets under development		-	-
		44,690.01	37,189.51
(b) Non-Current Investments	13	3,511.00	3,634.55
(c) Long-Term Loans and Advances	14	2,739.06	2,310.35
(d) Other Non-Current Assets	15	5,979.34	12,298.06
		56,919.41	55,432.47
2) CURRENT ASSETS			
(a) Current Investments		-	-
(b) Inventories	16	28,815.08	31,444.66
(c) Trade Receivables	17	72,829.81	54,759.23
(d) Cash and Bank Balances	18	1,159.55	1,233.12
(e) Short-Term Loans and Advances	19	7,810.67	3,549.23
(f) Other Current Assets	20	401.73	321.11
		111,016.84	91,307.35
		167,936.25	146,739.82

SIGNIFICANT ACCOUNTING POLICIES AND NOTES ON ACCOUNTS 2

The accompanying notes are an integral part of the financial statements

As per our report of even date attached

For and on behalf of

THACKER BUTALA DESAI

Chartered Accountants

M. T. Desai

Partner

M. No. 030911

Firm Regi. No. 110864W

Place : Navsari

Date : 30-05-2012

For and on behalf of the Board of Directors

P. B. Patel

Chairman and
Managing Director

H. S. Parikh

Director

Paresh M. Shukla

Company Secretary

Place : Vallabh Vidyanagar

Date : 12-05-2012

STATEMENT OF PROFIT AND LOSS FOR THE YEAR ENDED 31st MARCH, 2012

(₹ in Lacs)

	Notes	Year Ended 31st March, 2012	Year Ended 31st March, 2011
I. Revenue from operations	21		
a) Sale of Products (Gross)		137,185.19	118,268.05
Less : Excise Duty		(9,820.73)	(8,542.67)
Sale of Products (Net)		127,364.46	109,725.38
b) Sale of Services		4,638.76	6,828.49
c) Other Operating Revenues		1,163.97	840.39
Total (a+b+c)		133,167.19	117,394.26
II. Other Income	22	742.79	2,843.06
III. Total Revenue (I + II)		133,909.98	120,237.32
IV. Expenses:			
a. Cost of Materials Consumed	23	77,713.32	68,413.72
b. Changes in inventories of Finished Goods, Work-in-Progress and Stock-in-Trade	24	707.31	(450.93)
c. Manufacturing expenses and Erection charges	25	9,603.02	11,329.75
d. Employee benefits expense	26	7,308.81	5,639.46
e. Finance Costs	27	5,795.81	5,009.42
f. Depreciation and Amortization expense		4,238.08	3,935.25
g. Other expenses	28	17,560.11	14,321.45
Total Expenses (a to g)		122,926.46	108,198.12
V. Profit Before Tax (III-IV)		10,983.52	12,039.20
VI. Tax Expense :			
(a) Current Tax		3,495.08	3,166.48
(b) Deferred Tax		360.82	80.60
(C) Short/(Excess) provision of earlier years		167.70	-
VII. Profit After Tax (V-VI)		6,959.92	8,792.12
VIII. Earnings per Equity Share :			
(1) Basic		7.49	9.47
(2) Diluted		7.49	9.47
Face Value Per Share (₹)		2.00	2.00

SIGNIFICANT ACCOUNTING POLICIES AND NOTES ON ACCOUNTS 2

The accompanying notes are an integral part of the financial statements

As per our report of even date attached

For and on behalf of

THACKER BUTALA DESAI
Chartered Accountants

M. T. Desai

 Partner
M. No. 030911
Firm Regi. No. 110864W

 Place : Navsari
Date : 30-05-2012

For and on behalf of the Board of Directors
P. B. Patel
Chairman and
Managing Director

Paresh M. Shukla
Company Secretary

 Place : Vallabh Vidyanagar
Date : 12-05-2012

H. S. Parikh
Director

CASH FLOW STATEMENT FOR THE PERIOD ENDED 31st MARCH, 2012

(₹ in Lacs)

	As on 31-03-2012		As on 31-03-2011	
	Amount	Amount	Amount	Amount
[A] CASH FLOW FROM OPERATING ACTIVITIES				
1. Net Profit before Tax		10,983.52		12,039.20
2. Adjustments for:				
(i) Depreciation and Amortisation	4,238.08		3,935.25	
(ii) Finance Cost	5,795.81		5,009.42	
(iii) Profit on Sale of Investments	-		(2,069.60)	
(iv) Profit on Sale of Fixed Assets	(9.42)		(21.64)	
(v) Interest Income	(149.06)		(275.57)	
(vi) Dividend Income	(40.47)		(40.45)	
(vii) Bad Debts Written Off	890.62		974.28	
(viii) Provision for Loans & Advances of Associates	1,005.27		-	
(ix) Provision for Diminution in value of Investments	66.03	11,796.86	-	7,511.69
Operating Profit Before Working Capital Changes (1 + 2)		22,780.38		19,550.89
3. Adjustments for Working Capital changes :				
[i] Trade & Other Receivables				
* Trade Receivables	(12,551.23)		(16,410.77)	
* Loans and Advances	(5,446.59)		(1,590.77)	
[ii] Trade & Other Payables				
* Trade Payables	12,014.44		6,177.75	
* Other Payables	2,684.74		3,257.74	
[iii] Inventories	2,629.60	(669.04)	73.80	(8,492.25)
CASH GENERATED FROM OPERATIONS		22,111.34		11,058.64
4. Less: Direct Taxes Paid		(3,914.71)		(2,165.24)
NET CASH FROM OPERATING ACTIVITIES [A]		18,196.63		8,893.40
[B] CASH FLOW FROM INVESTING ACTIVITIES				
1. Purchase of Fixed Assets	(11,773.53)		(4,906.38)	
2. Sale of Fixed Assets	44.35		285.70	
3. Purchase of Investments	-		(3,122.33)	
4. Sale of Investments	2.52		2,124.95	
5. Return of Share Application Money	55.00		-	
6. Interest Received	149.06		275.57	
7. Dividend Received	40.47		40.45	
NET CASH (USED IN) INVESTING ACTIVITIES [B]	(11,482.14)	(11,482.14)	(5,302.04)	(5,302.04)

CASH FLOW STATEMENT FOR THE PERIOD ENDED 31st MARCH, 2012

(₹ in Lacs)

	As on 31-03-2012		As on 31-03-2011	
	Amount	Amount	Amount	Amount
[C] CASHFLOW FROM FINANCING ACTIVITIES				
1. Proceeds from Long Term borrowings	8,765.47		7,131.91	
2. Repayments against Long Term Borrowings	(7,094.99)		(6,297.26)	
3. Short Term Borrowings (Net)	(798.25)		43.61	
4. Finance Cost Paid	(5,739.43)		(5,343.34)	
5. Dividends Paid (incl. tax thereon)	(1,920.86)		(1,604.54)	
NET CASH FROM FINANCING ACTIVITIES [C]	(6,788.06)	(6,788.06)	(6,069.62)	(6,069.62)
[D] NET INCR./ (DECR.) IN CASH & CASH EQUIVALENTS [A+B+C]		(73.57)		(2,478.26)
[E] Cash & Cash Equivalents at the beginning of the year		1,233.12		3,711.38
[F] Cash & Cash Equivalents at the end of the year		1,159.55		1,233.12

1. Components of Cash & Cash Equivalents :-

Cash on hand	0.53	3.28
Balances with banks		
In Current Accounts	293.90	259.44
In Fixed Deposit Account	775.00	902.09
Unclaimed Dividend Account	90.12	68.31
	1,159.55	1,233.12

2. The above cash flow statement has been prepared under the "Indirect Method" as set out in the Accounting Standard - 3 on Cash Flow Statement issued by the Institute of Chartered Accountants of India.

As per our report of even date attached

For and on behalf of

THACKER BUTALA DESAI

Chartered Accountants

M. T. Desai

Partner

M. No. 030911

Firm Regi. No. 110864W

Place : Navsari

Date : 30-05-2012

For and on behalf of the Board of Directors

P. B. Patel

Chairman and
Managing Director

H. S. Parikh

Director

Paresh M. Shukla

Company Secretary

Place : Vallabh Vidyanagar

Date : 12-05-2012

SIGNIFICANT ACCOUNTING POLICIES & NOTES ON ACCOUNTS TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH, 2012

1. BASIS OF PREPARATION

The Company maintains its accounts on accrual basis following the historical cost convention in accordance with generally accepted accounting principles [“GAAP”] except for the revaluation of certain fixed assets, in compliance with the provisions of the Companies Act, 1956 and the Accounting Standards as specified in the Companies (Accounting Standards) Rules, 2006, prescribed by the Central Government. However, certain escalation and other claims, which are not ascertainable/acknowledged by customers, are not taken into account.

The preparation of financial statements in conformity with GAAP requires that the management of the Company makes estimates and assumptions that affect the reported amounts of income and expenses of the periods, the reported balances of assets and liabilities and the disclosures relating to contingent liabilities as of the date of the financial statements. Examples of such estimates include the useful life of tangible and intangible fixed assets, provision for doubtful debts/advances, future obligations in respect of retirement benefit plans, etc. Difference, if any, between the actual results and estimates is recognized in the periods in which the results are known.

2. SIGNIFICANT ACCOUNTING POLICIES

a) Fixed Assets

- i) Tangible Assets: Fixed Assets are recorded at cost of acquisition / construction less accumulated depreciation and impairment losses, if any. Cost comprises of the purchase price and attributable cost of bringing the assets to its working condition for its intended use, but excludes CENVAT/Service Tax/VAT credit availed.
- ii) Intangible Assets: Intangible Assets are recognised when it is probable that the future economic benefits that are attributable to the asset will flow to the enterprise and the cost of the asset can be measured reliably.

b) Borrowing Cost

Borrowing costs consist of interest and other costs that the Company incurs in connection with the borrowing of funds and exchange differences arising from foreign currency borrowing to the extent that they are regarded as an adjustment to interest costs.

Financing costs relating to borrowed funds attributable to construction or acquisition of fixed assets for the period up to the completion of construction or acquisition of fixed assets are included in the cost of the assets to which they relate.

c) Depreciation & Amortisation

Depreciation on tangible fixed assets is provided, on straight line method on Plant and Machinery and on written down value method on all other fixed assets, on the basis of the depreciation rates prescribed in Schedule XIV of the Companies Act, 1956 or based on useful life of the asset, whichever is higher.

Intangible assets are amortised using the straight-line method over estimated useful life as under:-

- i) Software & Licenses: over a period of six years
- ii) Technical know-how : over a period of six years from the date of actual production.

d) Inventories

Inventories are valued at lower of cost or estimated net realizable value. Cost of inventories comprises all cost of purchase, cost of conversion and other costs incurred in bringing the inventories to their present location and condition.

The cost of inventories is arrived at on the following basis:

Raw Materials and Stores	: Weighted Average Cost
Stock-in-Process	: Raw Materials at Weighted Average Cost & absorption of Labour and Overheads.
Finished Goods	: Raw Materials at Weighted Average Cost & absorption of Labour and Overheads.

e) Investments

Investments are generally of Long Term nature and are stated at cost unless there is other than temporary diminution in their value as at the date of Balance Sheet.

Investments in Overseas Associates / Subsidiary are stated at cost of acquisition.

f) Provisions, Contingent Liabilities and Contingent Assets

Provisions involving substantial degree of estimation in measurement are recognized when there is a present obligation as a result of past events and it is probable that there will be an outflow of resources. Contingent liabilities are not recognized but are disclosed in the notes to the financial statements. Contingent assets are neither recognized nor disclosed in the financial statements.

g) Revenue recognition

i) Revenue from sale of goods is recognised when the significant risks and rewards of ownership of goods are transferred to the customer, which is generally on dispatch of goods. Sales are net of discounts, VAT/sales tax and returns; excise duties collected.

ii) Income on turnkey contracts (including erection charges) is accounted for on the basis of billings made on customers against mutually agreed billing schedules.

Advances received from customers in respect of contracts, which are not in relation to work performed thereon, are shown as "Advance from Customers."

Amounts retained by customers until satisfaction of conditions specified in the contract for release of such amounts are reflected as Sundry debtors.

Credits are taken for claims in respect of cost escalation and extra work as and when and to the extent admitted by customers.

iii) Interest revenues are recognized on a time proportion basis taking into account the amount outstanding and the rate applicable.

iv) Dividend from investments in Shares is accounted for when the right to receive dividend is established.

v) Export incentives are accounted for as and when the claims thereof have been admitted by the authorities.

vi) Revenue in respect of other income is recognised when a reasonable certainty as to its realisation exists.

h) Foreign Currency Transactions

Transactions denominated in foreign currencies are recorded at the exchange rate prevailing at the time of the transaction.

Monetary items denominated in foreign currencies at the year end are restated at the year end rates. In case of items, which are covered by forward exchange contracts, the difference between the year end rate and the rate on the date of contract is recognised as exchange difference and the premium paid on forward contracts is recognised over the life of the contract.

Non-monetary foreign currency items are carried at cost.

Any income or expense on account of exchange difference either on settlement or on translation is recognized in the statement of profit and loss.

i) Retirement Benefits

Defined Contribution Plan : The Company's contributions paid/payable for the year to Provident Fund and ESIC are charged to the statement of profit and loss for the year.

Defined Benefit Plan : The Company's liabilities towards gratuity and leave encashment are determined using the projected unit credit method which considers each period of service as giving rise to an additional unit of benefit entitlement and measures each unit separately to build up the final obligation. Past services are recognised on a straight-line basis over the average period until the amended benefits

become vested. Actuarial gain and losses are recognised immediately in the statement of profit and loss as income or expense. Obligation is measured at the present value of estimated future cash flows using a discounted rate that is determined by reference to market yields at the balance sheet date on Government bonds where the currency and terms of the Government bonds are consistent with the currency and estimated terms of the defined benefit obligation.

j) Impairment of Assets

Fixed Assets are reviewed for impairment losses whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is then recognised for the amount by which the carrying amount of the assets exceeds its recoverable amount, which is the higher of an asset's net selling price and value in use.

k) Accounting for Tax

(a) Current Tax is accounted on the basis of estimated taxable income for the current accounting year and in accordance with the provisions of Income Tax Act, 1961.

(b) Deferred Tax resulting from "timing differences" between accounting and taxable profit for the period is accounted by using tax rates and laws that have been enacted or substantially enacted as at the balance sheet date. Deferred tax assets are recognised only to the extent there is reasonable certainty that the assets can be realized in future. Net deferred tax liability is arrived at after setting off deferred tax assets.

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH, 2012

3. SHARE CAPITAL

(₹ in Lacs)

	As at 31st March 2012	As at 31st March 2011
Authorised Share Capital		
i) 225,000,000 (Previous Year 225,000,000) Equity Shares of ₹ 2/- each	4,500.00	4,500.00
ii) 25,000,000 (Previous Year 25,000,000) Cumulative Redeemable Preference Shares of ₹ 2/- each	500.00	500.00
Issued Subscribed and Paid-up Capital		
92,861,510 Equity Shares of ₹ 2/- each (Previous year 92,861,510 Equity Shares of ₹ 2/- each)	1,857.23	1,857.23
Total	1,857.23	1,857.23

(i) Reconciliation of the number of shares outstanding at the beginning and at the end of the reporting period :

Particulars	31st March 2012	31st March 2011
Outstanding at the beginning of the Year	92,861,510	92,861,510
Add : Issued During the year	-	-
Outstanding at the end of the Year	92,861,510	92,861,510

(ii) Rights preferences and restrictions attached to equity shares :

The company has only one class of Equity Shares having a par value of ₹ 2/- per share. Each shareholder is eligible for one vote per share held. The dividend proposed by the Board of Directors is subject to the approval of the shareholders in the ensuing Annual General Meeting, except in case of interim dividend.

In the event of liquidation, the equity shareholders are eligible to receive the remaining assets of the Company after distribution of all preferential amounts, in proportion to their shareholding.

(iii) Details of Shareholders holding more than 5 percent equity shares :

Particulars	31st March 2012	31st March 2011
Equity Shares of ₹ 2/- each fully paid		
(a) EMTICI Engineering Limited	21,647,677	21,599,177
% Holding	23.31%	23.26%
(b) Prayas Engineering Limited	10,078,471	10,034,714
% Holding	10.85%	10.81%
(c) K. B. Investments Pvt. Ltd.	5,691,265	5,638,765
% Holding	6.13%	6.07%

(iv) Aggregate number of equity shares allotted as fully paid up pursuant to contract without payment being received in cash, Bonus Shares issued and shares bought back during the period of 5 years immediately preceding the financial year:-

Particulars	31st March 2012	31st March 2011
(a) Equity Shares allotted as fully paid up bonus shares by capitalisation of Share Premium and Reserve	61,907,673	61,907,673
(b) Equity Shares allotted as fully paid up on conversion of FCCB of Series 'A' 9,000 nos. of \$ 1,000 each.	2,716,787	2,716,787

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH, 2012

4. RESERVES AND SURPLUS

(₹ in Lacs)

	As at 31st March 2012	As at 31st March 2011
(a) Share Premium Account		
As per Last Financial Statements	2,878.14	2,878.14
Closing Balance	<u>2,878.14</u>	<u>2,878.14</u>
(b) General Reserve		
As per Last Financial Statements	32,295.88	25,795.88
Add : Transferred from Surplus in Statement of Profit and Loss	5,000.00	6,500.00
Closing Balance	<u>37,295.88</u>	<u>32,295.88</u>
(c) Surplus in Statement of Profit and Loss		
As per Last Financial Statements	2,428.84	2,079.39
Add : Transferred during the year from Statement of Profit and Loss	6,959.92	8,792.12
Less : Appropriations		
Proposed Dividend	1,671.51	1,671.51
Tax on Proposed Dividend	271.16	271.16
Transfer to General Reserve	5,000.00	6,500.00
Total Appropriations	<u>6,942.67</u>	<u>8,442.67</u>
Net Surplus in Statement of Profit and Loss	<u>2,446.09</u>	<u>2,428.84</u>
Total	<u><u>42,620.11</u></u>	<u><u>37,602.86</u></u>

5. LONG-TERM BORROWINGS

	As at 31st March 2012	As at 31st March 2011
Secured		
(a) Term loans		
From banks	9,056.15	5,077.21
(b) Corporate Loans		
From banks	1,053.33	3,326.67
(c) Vehicle Loans		
From banks	77.00	123.93
Unsecured		
(a) Other loans and advances	500.99	-
	<u>10,687.47</u>	<u>8,527.81</u>

(a) Nature of Securities

- i) Term Loans [(a) above] obtained from Bank of Baroda, Axis Bank Ltd., ICICI Bank Ltd., Citi Bank N.A., Vijaya Bank, Indusind Bank Limited & DBS Bank Limited is secured by exclusive charge by way of Hypothecation on specific assets for which payments were made out of the term loan.
- ii) Corporate Loans [(b) above] granted by Consortium of Banks consisting of State Bank of India (As Lead Bank), Bank of Baroda, Exim Bank and Axis Bank Ltd. are secured by an equitable mortgage on the immovable properties and hypothecation of movable plant and machinery and assets of the Company's Materials Handling Equipment Division and Gear Division excluding certain assets specifically/ exclusively charged to other banks/ financial institutions but including the whole of the Company's Currents Assets, Inventories, Receivables and Book Debts ranking pari passu inter se in respect of working capital facilities and guarantees issued by them in favour of various clients of the Company.
- iii) Capital assets acquired on HP Loans from Banks [(c) above] are secured by exclusive charge on respective assets purchased through those loans.

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH, 2012

(b) Terms of repayment of term loans and other loans

(₹ in Lacs)

1. Term loans

Lender	31st March, 2012	31st March, 2011	Terms of Repayment
(i) Bank of Baroda	-	15.35	Repayable in equated monthly installments of ₹ 66.67 Lacs, starting from July 2007.
(ii) Axis Bank	-	536.01	Repayable in equated monthly installments of ₹ 76.89 Lacs, starting from December 2008.
(iii) Vijaya Bank	352.68	899.59	Repayable in equated quarterly installments of ₹ 156.25 Lacs, starting from April 2011.
(iv) ICICI Bank	528.13	1,586.26	Repayable in equated half yearly installments of ₹ 528.13 Lacs, starting from Nov. 2009.
(v) Citi Bank N.A.	1,020.00	2,040.00	Repayable in equated half yearly installments of ₹ 510.00 Lacs, starting from February 2010.
(vi) Indusind Bank Ltd.	2,453.78	-	Repayable in equated quarterly installments of ₹ 175.27 Lacs starting from Nov. 2012.
(vii) DBS Bank Ltd.	4,701.56	-	Repayable in equated quarterly installments of ₹ 313.44 Lacs starting from February 2013.
	9,056.15	5,077.21	

2. Corporate Loans

Lender	31st March, 2012	31st March, 2011	Terms of Repayment
(i) Bank of Baroda	-	360.00	Repayable in equated monthly installments of ₹ 30.00 Lacs starting from October 2010.
(ii) State Bank of India	80.00	320.00	Repayable in equated monthly installments of ₹ 20.00 Lacs, starting from February 2011.
(iii) Exim Bank	240.00	960.00	Repayable in equated monthly installments of ₹ 60.00 Lacs, starting from February 2011.
(iv) Axis Bank	733.33	1,686.67	Repayable in equated monthly installments of ₹ 73.33 Lacs, starting from August 2011.
	1,053.33	3,326.67	

3. Vehicle Loans

Lender	31st March, 2012	31st March, 2011	Terms of Repayment
(i) HDFC Bank Ltd.	18.66	75.43	Repayable in equated monthly installments.
(ii) ICICI Bank Ltd.	28.46	48.50	Repayable in equated monthly installments.
(iii) Kotak Mahindra Prime Ltd.	29.88	-	Repayable in equated monthly installments.
	77.00	123.93	

4. Other loans and advances (Unsecured)

Lender	31st March, 2012	31st March, 2011	Terms of Repayment
(i) SREI Equipment Finance Ltd.	500.99	-	Repayable in equated monthly installments.
	500.99	-	

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH, 2012

6. DEFERRED TAX LIABILITIES (NET)

(₹ in Lacs)

	As at 31st March 2012	As at 31st March 2011
(a) Deferred Tax Liabilities		
In respect of difference between book & Tax W. D. V.	4,478.30	4,160.51
(b) Deferred Tax Assets		
In respect of disallowance under the Income Tax Act.	(11.02)	(54.06)
Net Deferred Tax Liability	<u><u>4,467.28</u></u>	<u><u>4,106.45</u></u>

7. OTHER LONG TERM LIABILITIES

	As at 31st March 2012	As at 31st March 2011
(a) Trade Payables	552.77	2,497.78
(b) Deposits	118.68	119.99
(c) Advance from customers	1,312.60	3,512.91
	<u><u>1,984.05</u></u>	<u><u>6,130.68</u></u>

8. LONG-TERM PROVISIONS

	As at 31st March 2012	As at 31st March 2011
(a) Provision for employee benefits :		
Provision for Gratuity	180.06	355.66
Provision for Leave Encashment	217.39	143.38
(b) Others (specify nature).	-	-
	<u><u>397.45</u></u>	<u><u>499.04</u></u>

9. SHORT-TERM BORROWINGS

	As at 31st March 2012	As at 31st March 2011
Secured		
(a) Loans repayable on demand:		
Working Capital Loans		
- From banks	26,906.40	13,339.69
Unsecured		
(a) Working Capital Loans		
- From banks (Including Commercial Paper)	9,697.34	24,062.30
(b) Other Loans		
- From banks	-	126.69
	<u><u>36,603.74</u></u>	<u><u>37,528.68</u></u>

(i) Nature of Securities {(a) Loans repayable on demand}

Working Capital Loans from banks (secured) granted by Consortium of Banks consisting of State Bank of India (As Lead Bank), Bank of Baroda, Exim Bank, HDFC Bank Ltd., IDBI Bank Ltd., Axis Bank Limited and Standard Chartered Bank are secured by an equitable mortgage on the immovable properties and hypothecation of movable plant and machinery and assets of the Company's Materials Handling Equipment Division and Gear Division excluding certain assets specifically/ exclusively charged to other banks/ financial institutions but including the whole of the Company's Currents Assets, Inventories, Receivables and Book Debts ranking pari passu inter se in respect of working capital facilities and guarantees issued by them in favour of various clients of the Company.

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH, 2012

10. OTHER CURRENT LIABILITIES

(₹ in Lacs)

	As at 31st March 2012	As at 31st March 2011
(a) Current maturities of		
Term Loan (Secured)	3,997.10	5,013.69
Corporate Loan (Secured)	2,200.00	1,833.33
Vehicle Loan (Secured)	158.11	130.59
Finance from other (Unsecured)	259.91	-
(b) Advance from Customers	13,247.26	8,333.11
(c) Interest accrued but not due on borrowings	359.03	302.65
(d) Interest accrued and due on borrowings	-	-
(e) Unpaid Dividends	90.12	68.31
(f) Statutory & Other Liabilities	1,292.88	272.12
	<u>21,604.41</u>	<u>15,953.80</u>

11. SHORT-TERM PROVISIONS

	As at 31st March 2012	As at 31st March 2011
(a) Provision for employee benefits:		
Provision for Gratuity	216.54	160.54
Provision for Leave Encashment	37.15	27.77
Provision for Superannuation	43.10	36.00
(b) Proposed Dividend	1,671.51	1,671.51
(c) Dividend Tax on Proposed Dividend	271.16	271.16
	<u>2,239.46</u>	<u>2,166.98</u>

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH, 2012

12. FIXED ASSETS

SR. NO. NATURE OF ASSETS	Gross Block (At Cost)			Depreciation			Net Block		
	AS AT 01-04-2011	ADDITIONS DURING THE YEAR	DEDUCTIONS/ DURING THE YEAR	AS AT 31-03-2012	ON DEDUCTIONS DURING THE YEAR	FOR THE YEAR	AS AT 31-03-2012	AS AT 31-03-2011	AS AT 31-03-2011
I. Tangible Assets									
(a) Land (Freehold)	2,110.24	-	-	2,110.24	-	-	-	2,110.24	2,110.24
(b) Buildings	4,948.79	1,051.89	-	6,000.68	1,469.87	327.71	1,797.58	4,203.10	3,478.92
(c) Plant and Equipments	42,465.98	6,342.69	196.65	48,612.02	188.04	3,068.72	17,885.50	30,726.52	27,461.16
(d) Furniture and Fixtures	425.70	164.48	-	590.18	322.00	25.79	347.79	242.39	103.70
(e) Vehicles	1,475.92	121.39	74.59	1,522.72	394.47	217.91	563.81	958.91	1,081.45
(f) Office Equipments	3,314.06	312.03	0.39	3,625.70	2,420.43	386.11	2,806.45	819.25	893.63
(g) Others :									
(i) Electrical Installations	553.10	93.85	-	646.95	184.79	53.15	237.94	409.01	368.31
(ii) Electrical Fittings	63.18	1.97	-	65.15	55.96	2.28	58.24	6.91	7.22
(iii) Air Conditioning Plant	285.15	178.91	-	464.06	180.82	33.89	214.71	249.35	104.33
(iv) Sundry Equipments	315.32	0.34	-	315.66	156.30	21.99	178.29	137.36	159.02
(v) Site Office Equipments	12.64	-	-	12.64	12.63	0.01	12.64	-	0.01
Total	55,970.08	8,267.55	271.63	63,966.00	20,202.09	4,137.56	24,102.96	39,863.04	35,767.99
Previous Year	50,942.01	5,440.29	412.22	55,970.08	16,507.58	3,842.67	20,202.09	35,767.99	34,434.44
II. Intangible Assets									
(a) Technical Knowhow Fees	572.96	-	-	572.96	228.49	95.63	324.12	248.84	344.47
(b) Software	-	8.74	-	8.74	-	0.57	0.57	8.17	-
(c) Licenses	-	402.91	-	402.91	-	4.32	4.32	398.59	-
Total	572.96	411.65	-	984.61	228.49	100.52	329.01	655.60	344.47
Previous Year	396.39	176.57	-	572.96	135.91	92.58	228.49	344.47	-

(₹ in Lacs)

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH, 2012

13. NON-CURRENT INVESTMENTS (AT COST)

(₹ in Lacs)

	As at 31st March, 2012	As at 31st March, 2011
(A) Trade Investment (at Cost)		
(1) Investment In Equity Instruments (fully paid-up) (Unquoted):		
(i) Investment in Subsidiary Companies :		
(a) 42,09,035 Shares (Previous Year 1,000) of GBP 1 each of Elecon Transmission International Limited - Mauritius The Company has also pledged 42,09,035 shares of Elecon Transmission International Limited, Mauritius with the Bank of Baroda, Dubai towards security.	3,066.05	0.73
(ii) Investment in Associates :		
(a) 4,48,922 Shares (Previous Year 4,48,922) of S\$ 1/- each of Elecon Singapore Pte. Ltd.	124.59	124.59
(b) 1,09,910 Shares (Previous Year 1,09,910) of Aus\$ 1/- each of Elecon Australia Pty. Ltd. Less: Provision made for Diminution in value	31.45 <u>31.45</u> -	31.45
(c) 2,02,750 Shares (Previous Year 2,02,750) of Rand 1/- each of Elecon Africa Pty. Ltd. Less: Provision made for Diminution in value	12.50 <u>12.50</u> -	12.50
(d) 3 Shares (Previous Year 3 Shares) of AED 1,00,000/- each of Elecon Middle East FZCO	36.31	36.31
(e) 49,942 Shares (Previous Year 49,942) of US\$ 1/- each of Elecon Engineering (Suzhou) Co. Ltd, China Less: Provision made for Diminution in value	22.08 <u>22.08</u> -	22.08
(f) Nil Shares (Previous Year 12,500) of ₹ 10/- each of DRA (India) Ltd.	-	1.25
(g) Nil Shares (Previous Year 12,750) of ₹ 10/- each in Elecon Windfarm Developers (Motagunda-Vinzalpur) Ltd.	-	1.27
(h) 1,29,965 Shares (Previous Year Nil Shares) of ₹ 10/- each of Elecon Peripharals Limited	13.00	-
	<u>173.90</u>	<u>229.45</u>
(iii) Investment in Joint Ventures :		
(a) Nil Shares (Previous Year 1,29,965 shares) of ₹ 10/- each of Ringspann Elecon (India) Ltd. (ceased to be J.V w.e.f 1-8-2011)	-	13.00
(2) Investment In Equity Instruments (fully paid-up) (Quoted):		
(i) Investment in Joint Ventures :		
(a) 9,58,426 Shares (Previous Year 9,58,426 Shares) of ₹ 10/- each of M/s. Eimco Elecon (India) Limited (Market Value ₹ 1,583.80 Lacs Previous Year ₹ 2,247.03 Lacs)	217.29	217.29

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH, 2012

(₹ in Lacs)

	As at 31st March 2012	As at 31st March 2011
(3) Share Application Money Pending Allotment		
(i) In Subsidiary Company :		
(a) Elecon Transmission International Limited, Mauritius	-	3,065.32
(ii) In Associate Company:		
(a) DRA (India) Limited	-	55.00
	<u>-</u>	<u>3,120.32</u>
(B) Other Investment (at Cost)		
(1) Investment In Equity Instruments (fully paid-up) (Quoted):		
(a) 2,500 Shares (Previous Year 500 Shares) of ₹ 10/- each of HDFC Bank Ltd. (During the year, the Company has received 2000 Shares on account of Sub-Division of Equity Shares of the nominal Face Value from ₹ 10/- to ₹ 2/- each) (Market Value ₹ 13.00 Lacs Previous Year ₹ 11.73 Lacs)	0.05	0.05
(b) 10,789 Shares (Previous Year 10,789 Shares) of ₹ 10/- each of Bank of Baroda (Market Value ₹ 87.49 Lacs Previous Year ₹ 106.03 Lacs)	21.19	21.19
	<u>21.24</u>	<u>21.24</u>
(2) Investment In Equity Instruments (fully paid-up) (Unquoted):		
(a) 2,00,000 Shares (Previous Year 2,00,000) of ₹10/- each of Eimco Elecon Electricals Ltd.	20.00	20.00
(b) 1,24,500 Shares (Previous Year 1,24,500 shares) of ₹ 10/- each of Wizard Fincap Ltd.	12.45	12.45
(c) 1 Share (Previous Year 1 Share) of ₹ 100/- each of Charotar Gramoddhar Sahakari Mandal Limited	-	-
(d) 80 Shares (Previous Year 80 Shares) of ₹ 10/- each of Karamsad Urban Co-operative Limited	0.01	0.01
(e) 100 Shares (Previous Year 100 Shares) of ₹ 10/- each of Anand Auto Vehicle Owners Co-operative Credit Society Ltd.	0.01	0.01
(f) 1 Share (Previous Year 1 Share) of ₹ 100/- each of Anand Mercantile Co-operative Bank Limited	-	-
(g) 10 Shares (Previous Year 10) of ₹ 500/- each of Charotar Gas Sahakari Mandali Limited	0.05	0.05
	<u>32.52</u>	<u>32.52</u>
	<u><u>3,511.00</u></u>	<u><u>3,634.55</u></u>
(a) Aggregate amount of quoted investments	238.53	238.53
(b) Aggregate amount of unquoted investments	3,338.50	3,396.02
Less : Provision for diminution in Value	<u>66.03</u>	<u>-</u>
(c) Aggregate Market Value of quoted investments	1,684.28	2,364.79

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH, 2012

14. LONG-TERM LOANS AND ADVANCES

(₹ in Lacs)

	As at 31st March 2012	As at 31st March 2011
A. Unsecured, Considered Good		
(a) Capital Advances	1,047.42	294.46
(b) Deposits	374.03	446.12
(c) Advances Recoverable in Cash or Kind	46.51	46.51
(d) Advance Payment of Tax (net of provision for taxation)	423.24	171.30
(e) Loans and Advances to related parties		
i) to Subsidiaries	759.38	388.97
ii) to Associates	88.48	962.99
Total (A)	2,739.06	2,310.35
B. Unsecured, Considered Doubtful		
(a) Loans and Advances to related parties		
i) to Associates	1,005.27	
Less: Provision made for Doubtful	1,005.27	-
Total (B)	-	-
Total (A+B)	2,739.06	2,310.35

15. OTHER NON-CURRENT ASSETS

(₹ in Lacs)

	As at 31st March 2012	As at 31st March 2011
Unsecured, Considered Good		
(a) Long Term Trade Receivables	5,900.00	12,221.81
(b) Loan to Staff	-	4.22
(c) Deposit with Original maturity of more than 12 months	66.34	59.03
(d) Margin Money Deposit	13.00	13.00
	5,979.34	12,298.06

- (i) Long term trade receivables represent retention money not due retained by various customers against big turnkey contracts as per the terms of agreement, and are receivable after satisfactory completion of the respective contracts.

16. INVENTORIES

(₹ in Lacs)

	As at 31st March 2012	As at 31st March 2011
(a) Raw Materials	7,701.89	9,446.91
(b) Raw Materials-in-Transit	41.45	100.06
(c) Semi-Finished Goods	17,486.67	17,987.93
(d) Finished Goods	2,927.41	3,133.45
(e) Stores and Spares	657.66	776.31
(f) Loose Tools	-	-
	28,815.08	31,444.66

- (i) Inventories are as taken, valued and certified by the Management

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH, 2012

17. TRADE RECEIVABLES

(₹ in Lacs)

	As at 31st March 2012	As at 31st March 2011
Unsecured, Considered Good :		
(a) Outstanding for a period exceeding six months from the due date	15,499.48	16,442.90
(b) Others	57,330.33	38,316.33
	<u>72,829.81</u>	<u>54,759.23</u>
(i) of the above, due from subsidiary	242.99	-

18. CASH AND BANK BALANCES

(₹ in Lacs)

	As at 31st March 2012	As at 31st March 2011
Cash and Cash Equivalent		
(a) Balance with Banks:		
In Current Account	293.90	259.44
Deposit with original maturity of less than 3 months	775.00	902.09
Unpaid Dividend Bank Account	90.12	68.31
(b) Cheques, drafts on hand	-	-
(c) Cash on hand	0.53	3.28
	<u>1,159.55</u>	<u>1,233.12</u>
(i) Balances with Banks (Fixed Deposit & Margin money deposit) having original / remaining maturity of more than 12 months from Balance Sheet date shown under Note No.15 "Other Non Current Assets"	79.34	72.03

19. SHORT-TERM LOANS AND ADVANCES

(₹ in Lacs)

	As at 31st March 2012	As at 31st March 2011
Unsecured, Considered Good :		
(a) Loans and advances to related parties :- to Subsidiaries	-	-
(b) Advances Recoverable in Cash/Kind	6,525.78	3,261.74
(c) Balance with Collector of Custom, Port Trust, Excise etc.	1,281.45	285.94
(d) Loan to Staff	3.44	1.55
	<u>7,810.67</u>	<u>3,549.23</u>

20. OTHER CURRENT ASSETS

(₹ in Lacs)

	As at 31st March 2012	As at 31st March 2011
Other receivables		
From Subsidiaries	275.88	107.11
From others	125.85	214.00
	<u>401.73</u>	<u>321.11</u>

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH, 2012

21. REVENUE FROM OPERATIONS

(₹ in Lacs)

	Year ended 31st March 2012	Year ended 31st March 2011
(a) Sale of Products		
Material Handling Equipments	68,744.72	55,608.24
Gear Sales	53,117.97	48,137.49
WTG Sales	985.10	401.20
Export Sales	4,516.67	5,578.45
	127,364.46	109,725.38
(b) Sale of Services		
Erection Charges	4,638.76	6,828.49
(c) Other operating revenues		
Scrap Sales	958.53	672.33
Machinery Hire Charges	181.86	150.76
Duty Drawback	23.58	17.30
	1,163.97	840.39
	133,167.19	117,394.26

a) The sales are shown net of VAT/CST amounting to ₹ 2,735.18 Lacs (Previous Year ₹ 2,525.61 Lacs).

22. OTHER INCOME

(₹ in Lacs)

	Year ended 31st March 2012	Year ended 31st March 2011
(a) Interest Income	149.06	275.57
(b) Dividend Income	40.47	40.45
(c) Profit on Sales of Assets (Net of Losses)	9.42	21.64
(d) Net gain / loss on sale of investments	-	2,069.60
(e) Miscellaneous Income *	543.84	435.80
	742.79	2,843.06

* Includes ₹ 43.94 Lacs as Insurance claim received (Previous Year ₹ 63.00 Lacs)

23. COST OF MATERIALS CONSUMED

(₹ in Lacs)

	Year ended 31st March 2012	Year ended 31st March 2011
Raw Materials Consumed	77,713.32	68,413.72
	77,713.32	68,413.72
a. Raw Materials Consumed in broad heads :		
Iron & Steel	16,432.98	15,207.15
Forgings	5,622.06	5,462.54
Bearings	9,692.17	7,930.86
Electricals	4,746.92	5,160.14
Castings	7,259.58	6,375.13
Other Components	33,959.61	28,277.90
	77,713.32	68,413.72
b. Value of Indigenous and Imported Raw Materials Consumed during the year :		
Imported Value	5,714.58	4,228.80
Percentage	7%	6%
Indigenous Value	71,998.74	64,184.92
Percentage	93%	94%

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH, 2012

24. CHANGES IN INVENTORIES OF FINISHED GOODS, WORK-IN-PROGRESS AND STOCK-IN-TRADE

(₹ in Lacs)

	Year ended 31st March 2012	Year ended 31st March 2011
(a) Opening Stock :		
Semi-Finished Goods (WIP)	17,987.93	19,064.99
Finished Goods	3,133.45	1,605.46
	21,121.38	20,670.45
(b) Closing Stock :		
Semi-Finished Goods (WIP)	17,486.67	17,987.93
Finished Goods	2,927.40	3,133.45
	20,414.07	21,121.38
	707.31	(450.93)

25. MANUFACTURING EXPENSES AND ERECTION CHARGES

(₹ in Lacs)

	Year ended 31st March 2012	Year ended 31st March 2011
(a) Stores, Tools and Spares consumed	2,178.29	1,788.65
(b) Sub-Contracting charges	4,712.37	6,379.61
(c) Power and Fuel	482.50	607.92
(d) Erection and other charges	1,150.42	1,540.55
(e) Other Manufacturing expenses	1,079.44	1,013.02
	9,603.02	11,329.75
a. Value of Indigenous and Imported Stores, Tools and Spares consumed during the year :		
Imported Value	157.70	121.23
Percentage	7%	7%
Indigenous Value	2,020.59	1,667.42
Percentage	93%	93%

26. EMPLOYEE BENEFITS EXPENSE

(₹ in Lacs)

	Year ended 31st March 2012	Year ended 31st March 2011
(a) Salaries and Wages (Incl. Managerial Remuneration)	6,660.42	4,988.66
(b) Contribution to Provident Fund	267.61	221.94
(c) Employees' Welfare Expenses	183.99	220.06
(d) Employees' Retirement Benefits	196.79	208.80
	7,308.81	5,639.46

27. FINANCE COST

(₹ in Lacs)

	Year ended 31st March 2012	Year ended 31st March 2011
(a) Interest Expense	5,560.16	4,582.58
(b) Other Borrowing Cost	173.96	327.65
(c) Applicable Net Gain/Loss on Foreign Currency Transaction/Translation	61.69	99.19
	5,795.81	5,009.42

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH, 2012

28. OTHER EXPENSES

(₹ in Lacs)

	Year ended 31st March 2012	Year ended 31st March 2011
(a) Technical Know how and Design Fees	112.67	109.98
(b) Rent	78.45	37.45
(c) Computer Software Charges	316.66	303.36
(d) Rates & Taxes	227.12	298.71
(e) Excise Duty (excluding duty recovered from Customers)	31.37	168.86
(f) Repairs and Maintenance :		
Buildings	304.90	247.36
Machineries	731.28	690.48
Others	246.13	151.16
(g) Insurance (net of recoveries)	112.47	100.15
(h) Travelling Expenses	526.24	346.25
(i) Bank Charges	431.01	665.78
(j) Directors' Fees	6.60	6.95
(k) Commission to Non Executive Director	20.00	-
(l) Packing, Forwarding & Distribution Expenses (Net of recoveries)	1,381.02	1,092.25
(m) Commission & Brokerage	6,585.34	5,768.97
(n) Warranty Claim Replacement	39.05	42.36
(o) Bad Debts Written Off	890.62	974.28
(p) Liquidated Damages	1,151.16	1,129.70
(q) Advertisements & Sales Promotion Expenses	339.23	314.89
(r) Payment to Auditors	30.51	24.22
(s) Donations	39.31	223.25
(t) Lease Rentals	87.54	67.97
(u) Royalty Paid	142.53	59.74
(v) Technical Inspection Consultancy Fees	0.39	1.06
(w) Other Professional Consultancy Fees	1,655.25	652.74
(x) General Administrative Charges	937.66	745.40
(y) Loss on account of Exchange Variation	64.30	98.13
(z) Provisions for Loans & Investments in Associates	1,071.30	-
	17,560.11	14,321.45

a. Auditors' Remuneration

Auditors' remuneration includes the following amounts paid or adjusted as paid to them during the year :

(i) As Auditors	20.00	15.00
(ii) For Taxation Matters	3.95	2.95
(iii) for Company Law Matters	-	-
(iv) for Management Services	-	-
(v) For Other Services	6.23	5.86
(vi) Re-imbusement of Expenses	0.33	0.41
	30.51	24.22

Over & above the aforesaid payments, an amount of ₹ 4.35 Lacs (Previous Year ₹ 5.06 Lacs) has been paid to a concern of which one of the partners of the statutory auditors is a proprietor.

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH, 2012

29. CONTINGENT LIABILITIES AND COMMITMENTS

(₹ in Lacs)

(to the extent not provided for)

	As at 31st March 2012	As at 31st March 2011
(a) Contingent Liabilities:		
<u>Claims against the Company not acknowledged as debt</u>		
(i) Disputed Excise Duty & Service Tax against Demand Notices received	233.20	269.38
(ii) Disputed Sales Tax/Works Contract Tax	347.55	347.55
(iii) Disputed Income Tax Demand-Disputed by Company	928.54	1,079.65
(iv) Disputed Income Tax Demand-Disputed by Income Tax Authorities	14.89	22.47
(v) Service Tax disputed & paid under Protest	191.92	-
(vi) Sales Bills Discounted under LC with Banks	6,151.32	3,713.74
(vii) NexGen Energy Partners, LLC of USA has filed a case bearing no. 2011 CV 0066, against Reflecting Blue Technologies (RBT) of USA and the company, in the court of Ohio, USA on account of non performing of Wind Mill supplied through Reflecting Blue Technologies (RBT). The matter is pending in the court of Ohio, USA and amount of claim is unascertainable.	Unascertained	Unascertained
(viii) The Company has provided Corporate Guarantee to Bank of Baroda, Dubai to the tune of GBP 7,216,000 and US\$ 282,99,876 as a security for repayment of financial facility availed by Elecon Transmission International Limited, Mauritius, a Wholly-Owned Subsidiary of the Company.	20,280.74	-
<u>Guarantees</u>		
(i) Guarantees issued by Company's Bankers	45,513.10	45,082.46
(ii) Corporate Guarantee provided to Swedish Pension Authority to the tune of SEK 15.00 Million as a security, in replacement of earlier guarantee given by erstwhile owner, for the purchase of pension insurances relating to the pension commitments on behalf of AB Benzlers Sweden, a step-down subsidiary of Elecon Transmission International Limited, Mauritius, a Wholly-Owned Subsidiary of the Company.	1,154.96	1,057.73
(b) Commitments:		
(i) Estimated amount of contracts remaining to be executed on capital account and not provided for	9,549.92	11,897.12
(ii) Liability for Export Obligation under Export Promotion Credit Guarantee	10,171.36	11,544.10

30. RETIREMENT BENEFITS

- i) The Gratuity liability & liability in respect of Leave Encashment is determined based on the Actuarial Valuation done by Actuary as at balance sheet date in context of the Revised AS-15 issued by the ICAI, as follows:-

	Gratuity		Leave encashment	
	As at 31st March 2012	As at 31st March 2011	As at 31st March 2012	As at 31st March 2011
Expense recognized in the Statement of Profit and Loss :-				
Current Service Cost	64.28	61.72	53.98	36.30
Interest Cost	87.79	83.06	13.57	12.01
Employer Contribution	-	-	-	-
Expected Return on Plan Assets	(54.65)	(49.19)	-	-
Net Actuarial (Gains) / Losses	(19.55)	(3.86)	15.84	17.15
Past Service Cost	-	-	-	-
Settlement Cost	-	-	-	-
Total Expenses	77.87	91.73	83.39	65.46

	Gratuity		Leave encashment	
	As at 31st March 2012	As at 31st March 2011	As at 31st March 2012	As at 31st March 2011
Net Asset / (Liability) recognized in the Balance Sheet :-				
Present value of Defined Benefit Obligation	1,152.97	1,107.00	254.55	171.15
Fair value of plan assets	756.37	590.80	-	-
Funded status [Surplus / (Deficit)]	396.60	(516.20)	-	-
Net asset / (liability)	396.60	(516.20)	254.55	171.15
Current Liability	216.54	(160.54)	37.15	27.77
Non Current Liability	180.06	(355.66)	217.40	143.38

Change in Obligation during the Year :-

Present value of Defined Benefit Obligation at beginning of the year	1,107.00	1,047.43	171.15	151.39
Current Service Cost	64.28	61.72	53.98	36.30
Interest Cost	87.79	83.06	13.57	12.01
Settlement Cost	-	-	-	-
Past Service Cost	-	-	-	-
Employer Contributions	-	-	-	-
Actuarial (Gains) / Losses	(18.77)	(8.45)	36.30	17.15
Benefits Payments	(87.33)	(76.76)	(20.46)	(45.70)
Present value of Defined Benefit Obligation at the end of the year	1,152.97	1,107.00	254.54	171.15

Change in Assets during the Year :-

Plan assets at the beginning of the year	590.80	472.86
Settlements	-	-
Expected return on plan assets	54.65	49.19
Contributions by Employer	197.46	150.10
Actual benefits paid	(87.33)	(76.76)
Actuarial (Gains) / Losses	0.79	(4.59)
Plan assets at the end of the year	756.37	590.80
Expected contribution during the year	225.00	195.00

Past four years data for defined benefit obligation and fair value of plan assets are as under:-

(₹ in Lacs)

(i) Gratuity Plan	2007-08	2008-09	2009-10	2010-11
Present value of defined benefit obligation at the end of the year	743.45	973.72	1,047.43	1,107.00
Fair value of plan assets at the end of the year	264.25	293.14	472.86	590.80

Actuarial Assumptions:

Discount Rate	8.50%	7.93%	8.50%	7.93%
Expected rate of return on plan assets	8.50%	9.25%	-	9.25%
Mortality pre retirement	-	-	-	-
Turnover rate	2.00%	3% TO 1%	2.00%	3% TO 1%
Rate of escalation in salary (p.a.)	6.50%	4.50%	6.50%	4.50%

- The rate of escalation in Salary (p.a.) considered in actuarial valuation is worked out after taking into account inflation, seniority, promotion and other relevant factors such as supply and demand in the employment market. Mortality rates are obtained from the relevant data of Life Insurance Corporation of India.
 - The liability for the gratuity ₹ 396.60 Lacs (Previous Year ₹ 516.20 Lacs) as shown in the balance sheet is after adjusting the Fair value of plan assets (Invested with LIC/SBI) as at March 31, 2012 of ₹ 756.37 Lacs (Previous Year ₹ 590.80 Lacs).
- Liability in respect of Superannuation benefits extended to eligible employees is contributed by the Company to Life Insurance Corporation of India against a Master Policy @ 15% of the basic Salary of all the eligible employees subject to Maximum of ₹ 1.00 Lac. The Company is providing for the outstanding Liability amount allocable to the broken period beyond Annual Renewal date of the Scheme.
 - The Company's contributions paid/payable for the year to Provident Fund is charged to the Statement of Profit and Loss for the year of ₹ 157.80 Lacs (Previous Year ₹ 126.37 Lacs).

31. SEGMENT INFORMATION

(₹ in Lacs)

	As at 31st March 2012	As at 31st March 2011
Segment Revenue		
Material Handling Equipment	79,454.94	67,354.15
Transmission Equipment	57,392.19	52,240.72
Total	136,847.13	119,594.87
Less: Inter Segment Revenue	3,679.94	2,200.61
Net Sales / Income from Operation	133,167.19	117,394.26
Segment Profit & Loss Before Tax & Interest		
Material Handling Equipment	10,454.32	8,924.49
Transmission Equipment	8,552.90	8,396.91
Total	19,007.22	17,321.40
Less : a) Finance Costs	5,795.81	5,009.42
b) Unallocated Corporate Expenses (net of un-allocable income)	2,227.89	272.78
Total Profit Before Tax	10,983.52	12,039.20
Capital Employed		
Segment wise Assets		
Material Handling Equipment	109,623.02	90,634.68
Transmission Equipment	58,313.23	56,105.12
Unallocated Assets	-	-
Segment wise Liabilities		
Material Handling Equipment	55,872.47	45,316.81
Transmission Equipment	15,827.95	11,799.96
Unallocated Liabilities	-	-
Segment wise Capital Employed		
Material Handling Equipment	53,750.55	45,317.87
Transmission Equipment	42,485.28	44,305.16
Unallocated Capital Employed	-	-
Total Capital Employed	96,235.83	89,623.03

- Since, the figures of Alternate Energy Division (AED) are not reportable segment, as per the requirements of AS – 17, they are not shown separately.
- The Company has disclosed Business Segment as primary segment.
- Segments have been identified and reported taking into account the nature of products and services, the differing risks and returns, the organization structure and the internal financial reporting systems.
- The Segment Revenue, Results, Assets and Liability include the respective amounts identifiable to each of the segment and amounts allocated on a reasonable basis.
- Inter Segment Transfer Pricing Policy – the Gear supplied to Material Handling Equipment Division is based on cost.

32. EARNING PER SHARE

₹ in Lacs, except per share data

	As at 31st March 2012	As at 31st March 2011
Basic & Diluted Earning Per Share (EPS) computed in accordance with Accounting Standard (AS) 20 "Earning Per Share" (Before and after extraordinary items)		
a) Profit for Basic & Diluted Earning Per Share as per Statement of Profit and Loss	6,959.92	8,792.12
b) Weighted average number of equity shares	92,861,510	92,861,510
c) Earning Per Share (Basic & Diluted)	7.49	9.47
d) Face Value per Share	2.00	2.00

33. RELATED PARTY TRANSACTIONS

Related Party Disclosures as required by Accounting Standard (AS) 18 are given below:

A) Name of the related parties and nature of relationships :

- a) Subsidiary Company**
 (i) Elecon Transmission International Limited, Mauritius
- b) Step Down Subsidiaries**
 (i) Benzlers Systems AB, Sweden
 (ii) Radicon Transmission UK Limited, U.K.
 (iii) AB Benzlers, Sweden
 (iv) Elecon USA Transmission Limited, USA
 (v) Benzlers Transmission A.S., Denmark
 (vi) Benzlers Antriebstechnik GmbH, Germany
 (vii) Benzlers TBA B.V., Netherlands
 (viii) Benzlers Antriebstechnik Gesmbh, Austria
 (ix) OY Benzlers AB, Finland
 (x) Benzlers Malaysia
 (xi) Benzlers Italia s.r.l.
- c) Associates and Joint Ventures**
 (i) Eimco Elecon (India) Limited
 (ii) Elecon Australia Pty. Limited
 (iii) Elecon Africa Pty. Limited
 (iv) Elecon Singapore Pte. Limited
 (v) Elecon Middle East FZCO
 (vi) Elecon Engineering (Suzhou) Co. Ltd., China
 (vii) Elecon Peripharals Limited
- d) Individual having control/ significant influence**
 (i) Shri Prayasvin B. Patel
- e) Key management Personnel**
 (i) Shri Prayasvin B. Patel
 (ii) Shri Prashant C. Amin
- f) Enterprises over which (d) or (e) above have significant influence**
 (i) Bipra Investments & Trusts Private Limited
 (ii) Devkishan Investment Private Limited
 (iii) K. B. Investments Private Limited
 (iv) Elecon Information Technology Limited
 (v) Emtici Engineering Limited
 (vi) Prayas Engineering Limited
 (vii) Specialty Wood Pack Private Limited
 (viii) Power Build Limited
 (ix) Kirtoskar Power Build Gears Limited
 (x) Akaaish Mechatronics Limited
 (xi) Madhuban Prayas Resorts Limited
 (xii) Narmada Travels Limited
 (xiii) Wizard Fincap Limited

B) Nature of transactions :

(₹ in Lacs)

	As at 31st March 2012	As at 31st March 2011
Purchase of Material / fin. Goods		
(i) Prayas Engineering Limited	9,869.42	8,364.75
(ii) Others	2,294.26	2,017.24
Job work Income from other Co.		
(i) Prayas Engineering Limited	25.01	27.41
(ii) Power Build Limited	34.08	43.01
(iii) Others	0.69	6.50
Job work Expenses to other Co.		
(i) Prayas Engineering Limited	3,502.32	3,744.82
(ii) Others	266.14	379.01

B) Nature of transactions :

(₹ in Lacs)

	As at 31st March 2012	As at 31st March 2011
Sale of Fin. Goods/ Consumable Stores		
(i) Eimco Elecon (I) Limited	209.67	327.89
(ii) Prayas Engineering Limited	1,810.09	1,597.81
(iii) Power Build Limited	90.63	285.42
(iv) Elecon Middle East FZCO	380.39	-
(v) Others	297.67	109.22
Purchase of Fixed Assets		
(i) Elecon Information Technologies Limited	6.46	180.01
(ii) Power Build Limited	-	37.27
(iii) Prayas Engineering Limited	31.80	-
(iv) Others	0.88	8.83
Expenses Charged to other Co.		
(i) Ringspann Elecon (I) Limited	-	99.45
(ii) Prayas Engineering Limited	128.75	200.01
(iii) Power Build Limited	45.66	92.27
(iv) Speciality Woodpack Pvt. Ltd.	-	46.34
(v) Elecon Transmission International Limited, Mauritius	139.87	498.28
(vi) Eimco Elecon (I) Ltd.	98.55	-
(vii) Emtici Engineering Limited	56.21	-
(viii) Others	19.76	18.67
Exp. Charged by other Co.		
(i) Akaaish Mechatronics Limited	555.99	504.28
(ii) Elecon Information Technologies Limited	274.18	219.36
(iii) Emtici Engineering Limited	453.19	455.87
(iv) Others	149.74	184.27
Sales Commission		
(i) Emtici Engineering Limited	5,927.79	4,965.88
(ii) Others	130.96	446.67
Deposit/ Loan given		
(i) Elecon Transmission International Limited, Mauritius	370.41	388.97
Int. on above Loan/ Deposit		
(i) Elecon Transmission International Limited, Mauritius	28.91	3.27
(ii) Elecon Singapore Pte. Ltd.	3.90	-
(iii) Others	0.74	-
Subscribe to Share Capital		
(i) Elecon Transmission International Limited, Mauritius	-	0.73
(ii) Elecon Windfarm Developers (Motagunda-Vinjalpur) Limited	-	1.28
Application for Share Capital		
(i) Elecon Transmission International Limited, Mauritius	-	3,065.32
(ii) Others	-	55.00
Sale of Shares of Co.		
(i) Wizard Fincap Limited	-	12.50
(ii) DRA India Ltd	1.25	-
(iii) Elecon Windfarm Developers (Motagunda-Vinjalpur) Limited	1.28	-
Refund of Share Application Money		
(i) DRA India Ltd.	55.00	-
Receipt of Royalty		
(i) DRA India Ltd. (incl. ₹ 43 Lacs received in Advance)	143.00	-
Others		
(i) Elecon Australia Pty. Limited	-	212.45
(ii) Emtici Engineering Limited	17.47	-
(iii) Others	-	39.66

Recovery of Loan

(i) Elecon Middle East FZCO	15.97	-
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Remuneration

(i) Shri Prayasvin B. Patel	494.98	421.84
(ii) Shri Prashant C. Amin	205.09	-

C) Balance at Year End

(₹ in Lacs)

	As at 31st March 2012	As at 31st March 2011
(i) Outstanding Payable		
(a) Associates and Joint Ventures		
(i) Elecon Singapore Pte. Limited	-	139.48
(ii) Elecon Middle East FZCO	-	148.71
(iii) Elecon Peripharals Limited	357.11	502.16
(iv) Others	19.38	127.46
(b) Enterprises over which Note No. 33(A)(d) or 33(A)(e) of above have significant influence		
(i) Emtici Engineering Limited	2,929.79	1,479.48
(ii) Prayas Engineering Ltd.	6,241.90	7,376.55
(iii) Others	573.77	544.90
(ii) Outstanding Receivables:		
(a) Subsidiary Company		
(i) Elecon Transmission International Limited, Mauritius	275.88	107.11
(b) Step down Subsidiaries		
(i) Radicon Transmission UK Limited, U.K.	86.45	-
(ii) AB Benzlers, Sweden	156.53	-
(c) Associates and Joint Ventures		
(i) Eimco Elecon (India) Limited	106.05	86.38
(ii) Elecon Middle East FZCO	101.57	56.20
(iii) Others	29.69	20.14
(d) Enterprises over which Note No. 33(A)(d) or 33(A)(e) of above have significant influence		
(i) Emtici Engineering Limited	46.44	170.40
(ii) Prayas Engineering Ltd.	202.20	180.14
(iii) Others	12.11	13.06
(iii) Investments:		
(a) Subsidiary Company		
(i) Elecon Transmission International Limited, Mauritius	3,066.05	3,066.05
(b) Associates and Joint Ventures		
(i) Eimco Elecon (India) Limited	217.29	217.29
(ii) Elecon Singapore Pte. Limited	124.59	124.59
(iii) Others	49.30	100.34
(c) Enterprises over which Note No. 33(A)(d) or 33(A)(e) of above have significant influence		
(i) Wizard Fincap Limited	12.45	12.45

34. DISCLOSURES SPECIFIED BY THE MSMED ACT

The Company has not received information from vendors regarding their status under the Micro, Small and Medium Enterprises Development Act, 2006 and hence, disclosure relating to amounts unpaid as at the year end together with interest paid/payable under this Act could not be given.

35. CIF VALUE OF IMPORTS

(₹ in Lacs)

	As at 31st March 2012	As at 31st March 2011
a) Raw Material	5,607.26	4,954.90
b) Stores and Spares	358.08	335.11
c) Capital Goods	6,580.51	710.16

36. EXPENDITURE IN FOREIGN CURRENCY (ACCRUAL BASIS)

(₹ in Lacs)

	As at 31st March 2012	As at 31st March 2011
a) Interest	233.61	421.16
b) Technical know how	10.49	111.95
c) Technical Consultancy Fees	218.81	11.06
d) Legal and Professional fees	573.16	161.35
e) Others	693.96	871.27

37. EARNINGS IN FOREIGN EXCHANGE

(₹ in Lacs)

	As at 31st March 2012	As at 31st March 2011
a) Export of goods calculated on F.O.B. basis		
Reduction Gears	3,662.34	3,640.60
Conveying Equipments	854.33	1,937.84
b) Royalty, Know-how, Professional and Consultation fees	-	-
c) Interest and Dividend	-	-

38. PROPOSED DIVIDEND

The Board of Directors have proposed equity dividend of ₹ 1.80 (Previous Year ₹ 1.80) per equity share of ₹ 2.00 each. The aggregate amount of equity dividend proposed to be distributed is ₹ 1942.67 (Previous Year ₹ 1942.67) Including Dividend distribution tax of ₹ 271.16 (Previous Year ₹ 271.16 Lacs).

39. The Ministry of Corporate Affairs, Government of India, vide General Circular No. 2 and 3 dated 8th February 2011 and 21st February 2011 respectively has granted a general exemption from compliance with Section 212 of the Companies Act, 1956, subject to fulfillment of conditions stipulated in the circular. The Company has satisfied the conditions stipulated in the circular and hence is entitled to the exemption. Necessary information relating to the subsidiaries has been included in the Consolidated Financial Statements.

40. PREVIOUS YEAR FIGURES

During the year ended 31st March, 2012, the Revised Schedule VI notified under The Companies Act, 1956 has become applicable to the Company for preparation and presentation of its financial statement. The adoption of Revised Schedule VI does not impact recognition and measurement principles followed for preparation of financial statements. However, it has significant impact on presentation and disclosures made in the financial statement. The Company has also reclassified the previous year's figures in accordance with the requirements applicable in the current year. In view of this reclassification, certain figures of current year are not strictly comparable with those of the previous year.

41. Note 1 to 40 form an integral part of the financial statements.

Signature to Balance Sheet and Statement of Profit and Loss and note 1 to 40.

As per our report of even date attached

For on behalf of
THACKER BUTALA DESAI
Chartered Accountants

M. T. Desai
Partner
M. No. 030911
Firm Regi. No. 110864W

Place : Navsari
Date : 30-05-2012

For and on behalf of the Board of Directors

P. B. Patel
Chairman and
Managing Director

H. S. Parikh
Director

Paresh M. Shukla
Company Secretary

Place : Vallabh Vidyanagar
Date : 12-05-2012

AUDITORS' REPORT ON CONSOLIDATED FINANCIAL STATEMENTS

To,
The Board of Directors of
ELECON ENGINEERING COMPANY LIMITED
Vallabh Vidyanagar.

1. We have audited the attached Consolidated Balance Sheet of ELECON ENGINEERING CO. LIMITED group, as at 31st March 2012, the Consolidated Statement of Profit and Loss and the Consolidated Cash Flow Statement for the year ended on that date annexed thereto. These financial statements are the responsibility of the Company's management and have been prepared by the management on the basis of separate financial statements and other financial information regarding components. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We conducted our audit in accordance with the auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. We did not audit the financial statements of subsidiaries and joint ventures, whose financial statements reflect total assets of ₹ 27,988.60 lacs as at 31st March 2012, the total revenue of ₹ 28,545.54 lacs and cash outflows amounting to ₹ 748.23 lacs for the year then ended, and of certain associate companies whose financial statements reflect the Group's share in the profit / (loss) (net) of such associate companies of ₹ 34.88 lacs for the year ended on 31st March 2012. These financial statements and other financial information have been audited by other auditors whose reports have been furnished to us, and our opinion is based solely on the report of other auditors.
4. We have relied on the unaudited financial statements of five associate companies, namely (i) Elecon Eng. (Suzhou) Co. Limited (ii) Elecon Africa Pty. Limited (iii) Elecon Australia Pty. Limited, (iv) Elecon Windfarm Developers (Motagunda-Vinjalpur) Ltd. & (v) Elecon Peripherals Ltd. which reflect the Group's share in the profit / (loss) (net) of ₹ (4.00) lacs for the year ended on 31st March 2012. These unaudited financial statements have been compiled and certified by the management, and our opinion is based solely on these unaudited financial statements certified by the management.
5. We report that the consolidated financial statements have been prepared by the Company's management in accordance with the requirements of Accounting Standards (AS) 21, Consolidated financial statements, Accounting Standards (AS) 23, Accounting for Investments in Associates in Consolidated Financial Statements and Accounting Standard (AS) 27, Financial Reporting of interests in Joint Ventures issued by the Institute of Chartered Accountants of India.
6. Based on our audit and on consideration of reports of other auditors on separate financial statements, the other financial information of the components and financial statements certified by the management as explained in paragraph 4 above, and to the best of our information and according to the explanations given to us, we are of the opinion that the attached consolidated financial statements give a true and fair view in conformity with the accounting principles generally accepted in India:
 - (a) in the case of the Consolidated Balance Sheet, of the state of affairs of the Group as at 31st March 2012;
 - (b) in the case of the Consolidated Statement of Profit and Loss, of the profit for the year ended on that date;
and
 - (c) in the case of the Consolidated Cash Flow Statement, of the cash flows for the year ended on that date.

For, THACKER BUTALA DESAI
Chartered Accountants

M. T. DESAI
Partner

M. No. : 030911

Firm Regn. No. 110864W

Place : Navsari

Date : 30-05-2012

CONSOLIDATED BALANCE SHEET AS AT 31st MARCH, 2012

(₹ in Lacs)

	Notes	As at 31st March, 2012	As at 31st March, 2011
I. EQUITIES AND LIABILITIES			
(1) Shareholders' Funds			
(a) Share Capital	3	1,857.23	1,857.23
(b) Reserves and Surplus	4	44,012.06	39,981.86
		45,869.29	41,839.09
(2) Non - Current Liabilities			
(a) Long-Term Borrowings	5	19,907.05	20,339.66
(b) Deferred Tax Liabilities	6	4,270.92	3,920.23
(c) Other Long Term Liabilities	7	6,070.46	9,562.00
(d) Long-Term Provisions	8	406.91	503.84
		30,655.34	34,325.73
(3) Current Liabilities			
(a) Short-Term Borrowings	9	38,015.73	37,528.68
(b) Trade Payables		50,901.68	37,274.77
(c) Other Current Liabilities	10	23,771.81	16,165.49
(d) Short-Term Provisions	11	2,763.47	2,544.87
		115,452.69	93,513.81
		191,977.32	169,678.63
TOTAL			
II. ASSETS			
(1) Goodwill on Consolidation		5,084.84	5,084.84
(2) Non-Current Assets			
(a) Fixed Assets	12		
(i) Tangible Assets		41,667.99	37,148.15
(ii) Intangible Assets		6,378.13	5,636.25
(iii) Capital Work-in-Progress		4,172.30	1,077.04
(iv) Intangible Assets under development		-	-
		52,218.42	43,861.44
(b) Non-Current Investments	13	615.26	376.55
(c) Long-Term Loans and Advances	14	2,201.24	1,933.87
(d) Other Non-Current Assets	15	5,979.34	12,349.95
		61,014.26	58,521.81
(3) Current Assets			
(a) Current Investments		737.65	62.40
(b) Inventories	16	36,075.65	38,581.44
(c) Trade Receivables	17	78,327.17	59,999.50
(d) Cash and Bank Balances	18	1,888.77	2,710.56
(e) Short-Term Loans and Advances	19	8,700.72	4,504.08
(f) Other Current Assets	20	148.26	214.00
		125,878.22	106,071.98
		191,977.32	169,678.63
TOTAL			

SIGNIFICANT ACCOUNTING POLICIES & NOTES ON ACCOUNTS 2

The accompanying notes are an integral part of the financial statements

As per our report of even date attached

For and on behalf of

THACKER BUTALA DESAI

Chartered Accountants

M. T. Desai

Partner

M. No. 030911

Firm Regi. No. 110864W

Place : Navsari

Date : 30-05-2012

For and on behalf of the Board of Directors

P. B. Patel

Chairman and
Managing Director

H. S. Parikh

Director

Paresh M. Shukla

Company Secretary

Place : Vallabh Vidyanagar

Date : 12-05-2012

CONSOLIDATED STATEMENT OF PROFIT AND LOSS FOR THE YEAR ENDED 31st MARCH, 2012

(₹ in Lacs)

	Note	Year Ended 31st March, 2012	Year Ended 31st March, 2011
I.			
Revenue from operations (Gross)		171,346.03	136,977.43
Less : Excise Duty		(10,024.34)	(8,542.67)
Revenue from operations (Net)	21	<u>161,321.69</u>	<u>128,434.76</u>
II.			
Other income	22	<u>798.08</u>	<u>2,859.77</u>
III. Total Revenue (I + II)		162,119.77	131,294.53
IV. Expenses:			
a.			
Cost of Materials Consumed	23	91,623.59	77,080.25
b.			
Purchases of Stock-in-Trade		1,212.80	178.69
c.			
Changes in Inventories of Finished Goods, Work-in-Progress and Stock-in-Trade	24	1,144.72	(3,472.52)
d.			
Manufacturing expenses and Erection charges	25	9,609.51	11,543.73
e.			
Employee Benefits expense	26	14,445.22	7,790.44
f.			
Finance Costs	27	6,634.71	5,278.70
g.			
Depreciation and Amortization expense		4,864.71	4,165.00
h.			
Other expenses	28	<u>22,416.65</u>	<u>16,459.86</u>
Total expenses		151,951.91	119,024.15
V. Profit Before Exceptional and Extraordinary Items and Tax (III-IV)		10,167.86	12,270.38
VI.			
Exceptional Items - (Net) (Refer Note No. 37)		<u>149.34</u>	-
VII. Profit Before Extraordinary Items and Tax (V - VI)		10,317.20	12,270.38
VIII.			
Extraordinary Items		-	-
IX. Profit Before Tax (VII- VIII)		10,317.20	12,270.38
X.			
Tax expense:			
(a) Current Tax		3,746.11	3,336.90
(b) Deferred Tax		350.68	63.09
(c) Excess/Short Provision of Taxation in earlier years		<u>166.87</u>	<u>3.48</u>
XI. Profit for the Year (IX-X)		6,053.54	8,866.91
Share of Profit of Associates		30.87	128.88
Profit (Net) on disposal of interest in Associate		<u>25.61</u>	-
XII. Profit After Taxation and Share of Associates		6,110.02	8,995.79
XIII.			
Earnings per Equity Share:			
(1) Basic		6.58	9.69
(2) Diluted		6.58	9.69
Face Value Per Share (₹)		2.00	2.00

SIGNIFICANT ACCOUNTING POLICIES & NOTES ON ACCOUNTS 2

The accompanying notes are an integral part of the financial statements

As per our report of even date attached

For and on behalf of

THACKER BUTALA DESAI

Chartered Accountants

M. T. Desai

Partner

M. No. 030911

Firm Regi. No. 110864W

Place : Navsari

Date : 30-05-2012

For and on behalf of the Board of Directors

P. B. Patel

Chairman and

Managing Director

H. S. Parikh

Director

Paresh M. Shukla

Company Secretary

Place : Vallabh Vidyanagar

Date : 12-05-2012

CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED 31st MARCH, 2012

(₹ in Lacs)

	Year Ended 31st March, 2012	Year Ended 31st March, 2011
[A] CASH FLOW FROM OPERATING ACTIVITIES		
1. Net Profit Before Tax & Share of Profits in Associates	10,317.20	12,270.38
2. Adjustments for:		
i) Depreciation and Amortisation	4,864.71	4,165.00
ii) Finance Cost	6,634.71	5,278.70
iii) Interest Income	(173.95)	(282.68)
iv) Unrealised exchange (gain) / loss (net)	(92.60)	34.38
v) Profit on Sale of Investments	-	(2,069.65)
vi) Dividend Income	(36.18)	(3.30)
vii) Bad Debts Written Off / Provision for Doubtful Debts	937.23	647.36
viii) Sundry Balances Written Off	-	0.46
ix) Provisions for loans given to associates companies considered doubtful	1,005.27	-
x) Profit on Sale of Fixed Assets	(28.53)	(36.13)
Operating Profit Before Working Capital Changes (1 + 2)	<u>23,427.86</u>	<u>20,004.52</u>
3. Adjustments for Working Capital changes:		
[i] Trade & Other Receivables		
(Increase) / decrease in Trade receivables	(19,264.90)	(16,593.51)
(Increase) / decrease in Other receivables	1,399.19	(1,960.18)
[ii] Trade & Other Payables		
Increase / (decrease) in Trade payables	13,626.91	6,816.35
Increase / (decrease) in Other payables	4,232.59	3,624.07
[iii] (Increase) / decrease in Inventories	2,505.79	41.56
Cash Generated From Operations	25,927.44	11,932.81
4. Less: Direct Taxes Paid	(4,344.45)	(2,305.53)
NET CASH FROM OPERATING ACTIVITIES [A]	<u>21,582.99</u>	<u>9,627.28</u>
[B] CASH FLOW FROM INVESTING ACTIVITIES		
1. Purchase of Fixed Assets	(13,370.65)	(5,032.47)
2. Sale of Fixed Assets	177.49	292.77
3. Purchase of Investments	(857.48)	(168.17)
4. Acquisition of Subsidiaries (Net of cash balance of ₹ 518.32 Lacs)	-	(13,856.24)
5. Sale of Investments	-	2,141.97
6. Interest Received	173.31	277.06
7. Dividend Received	36.18	3.30
NET CASH FROM INVESTING ACTIVITIES [B]	<u>(13,841.15)</u>	<u>(16,341.78)</u>

CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED 31st MARCH, 2012

(₹ in Lacs)

	Year Ended 31st March, 2012	Year Ended 31st March, 2011
[C] CASHFLOW FROM FINANCING ACTIVITIES		
1. Proceeds / Repayment from / of borrowings	54.44	12,477.78
2. Finance Cost Paid	(6,691.08)	(5,344.53)
3. Dividends Paid (incl. tax thereon)	(1,926.99)	(1,649.26)
NET CASH FROM FINANCING ACTIVITIES [C]	(8,563.63)	5,483.99
[D] NET INCR./[DECR.] IN CASH & CASH EQUIVALENTS [A+B+C]	(821.79)	(1,230.51)
[E] Cash & Cash Equivalents at the beginning of the year	2,710.56	3,941.07
[F] Cash & Cash Equivalents at the end of the year	1,888.77	2,710.56

(₹ in Lacs)

	Year Ended 31st March, 2012	Year Ended 31st March, 2011
1. Components of Cash & Cash Equivalents		
Cash on hand	0.55	3.35
Balances with banks		
In Current Accounts	1,004.47	1,730.27
In Deposit Accounts	791.62	906.71
Unclaimed Dividend Account	92.13	70.23
	1,888.77	2,710.56

2. The above cashflow statement has been prepared under the "Indirect Method" as set out in the Accounting Standard - 3 on Cash Flow Statement issued by the Institute of Chartered Accountants of India.

As per our report of even date attached

For and on behalf of

THACKER BUTALA DESAI

Chartered Accountants

M. T. Desai

Partner

M. No. 030911

Firm Regi. No. 110864W

Place : Navsari

Date : 30-05-2012

For and on behalf of the Board of Directors

P. B. Patel

Chairman and

Managing Director

H. S. Parikh

Director

Paresh M. Shukla

Company Secretary

Place : Vallabh Vidyanagar

Date : 12-05-2012

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH, 2012.

1. BASIS OF PREPARATION

The Company maintains its accounts on accrual basis following the historical cost convention in accordance with generally accepted accounting principles [‘GAAP’] except for the revaluation of certain fixed assets, in compliance with the provisions of the Companies Act, 1956 and the Accounting Standards as specified in the Companies (Accounting Standards) Rules, 2006, prescribed by the Central Government. However, certain escalation and other claims, which are not ascertainable/acknowledged by customers, are not taken into account.

The preparation of financial statements in conformity with GAAP requires that the management of the Company makes estimates and assumptions that affect the reported amounts of income and expenses of the periods, the reported balances of assets and liabilities and the disclosures relating to contingent liabilities as of the date of the financial statements. Examples of such estimates include the useful life of tangible and intangible fixed assets, provision for doubtful debts/advances, future obligations in respect of retirement benefit plans, etc. Difference, if any, between the actual results and estimates is recognized in the periods in which the results are known.

PRINCIPLES OF CONSOLIDATION

“The consolidated financial statements include the financial statements of Elecon Engineering Company Limited (‘the Company’), its subsidiaries, joint ventures and associate companies as described in Note No. 29 (collectively referred to as ‘the Group’).

The consolidated financial statements have been prepared on the basis of Accounting Standard (AS) 21, ‘Consolidated Financial Statements’, Accounting Standard (AS) 23 ‘Accounting for Investments in Associates in Consolidated Financial Statements’ and Accounting Standard (AS) 27 ‘Financial reporting of Interests in Joint Ventures’ issued by the Institute of Chartered Accountants of India.

The financial statements of the parent Company and its subsidiaries have been combined on a line-by-line basis by adding together the book values of like items of assets, liabilities, income and expenses after eliminating intra-group balances/transactions and resultant unrealized profits/losses in full. The amounts shown in respect of reserves comprise the amount of the relevant reserves as per the balance sheet of the parent Company and its share in the post-acquisition increase in the relevant reserves of the subsidiaries. The excess or deficit of parent’s portion of equity in the subsidiary Company over its cost of investment, if any, is treated as a capital reserve or recognized as goodwill respectively. The goodwill on consolidation is evaluated for impairment annually, unless it indicates a more frequent evaluation.”

The consolidated financial statements are prepared using uniform accounting policies for like transactions and other events in similar circumstances except where it is not practicable to do so. Considering that the financial statements of the foreign subsidiaries have been prepared under the laws and regulations applicable to their respective country of incorporation, these consolidated financial statements have been prepared substantially in the same format adopted by the Company to the extent possible, as required by the Accounting Standard (AS) 21 “Consolidated Financial Statements” issued by the Institute of Chartered Accountants of India.

In case of foreign subsidiaries, revenue items are consolidated at the average rate prevailing during the period. All assets and liabilities are converted at the rates prevailing at the end of the period. Exchange gains/losses arising on conversion are recognized under Foreign Currency Translation Reserve.

Investment in associates where the company directly or indirectly through subsidiaries holds more than 20% of equity, are accounted for using equity method as per Accounting Standard 23 – “Accounting for Investments in Associates in Consolidated Financial Statements” notified by Companies (Accounting Standards) Rules, 2006.

The company accounts for its share of post-acquisition changes in net assets of associates, after eliminating unrealised profits and losses resulting from transactions between the company and its associates to the extent of its share, through its statement of profit and loss, to the extent such change is attributable to the associates statement of profit and loss and through its reserves for the balance based on available information.

The difference between the cost of investment in the associates and the Company’s share of net assets at the time of acquisition of share in the associates is identified in the financial statements as Goodwill or Capital Reserve as the case may be.

Interests in Joint Ventures have been accounted by using the proportionate consolidation method as per Accounting Standard 27 – “Financial Reporting of Interests in Joint Ventures” notified by Companies (Accounting Standards) Rules, 2006.

3. SIGNIFICANT ACCOUNTING POLICIES

a) Fixed Assets

- i) Tangible Assets: Fixed Assets are recorded at cost of acquisition / construction less accumulated depreciation and impairment losses, if any. Cost comprises of the purchase price and attributable cost of bringing the Assets to its working condition for its intended use, but excludes Cenvat / service tax / VAT credit availed.
- ii) Intangible Assets: Intangible Assets are recognised when it is probable that the future economic benefits that are attributable to the asset will flow to the enterprise and the cost of the asset can be measured reliably.

b) Borrowing Cost

Borrowing costs consist of interest and other costs that the Company incurs in connection with the borrowing of funds and exchange differences arising from foreign currency borrowing to the extent that they are regarded as an adjustment to interest costs.

Financing costs relating to borrowed funds attributable to construction or acquisition of fixed assets for the period up to the completion of construction or acquisition of fixed assets are included in the cost of the assets to which they relate.

c) Depreciation & Amortisation

Indian Companies

Depreciation on tangible fixed assets is provided, on straight line method on Plant and Machinery and on written down value method on all other fixed assets, on the basis of the depreciation rates prescribed in Schedule XIV of the Companies Act, 1956 or based on useful life of the asset, whichever is higher.

Intangible assets are amortised using the straight-line method over estimated useful life as under:-

- i) Software & Licenses: over a period of six years
- ii) Technical know-how : over a period of six years from the date of actual production

Foreign Companies

Depreciation and amortisation has been provided by the Foreign Companies on methods and at the rates required / permissible by the local laws so as to depreciate assets over their useful life.

d) Inventories

Inventories are valued at lower of cost or estimated net realizable value. Cost of inventories comprises all cost of purchase, cost of conversion and other costs incurred in bringing the inventories to their present location and condition.

The cost of inventories is arrived at on the following basis:

- Raw Materials and stores : Weighted Average Cost
Stock-in-process : Raw Materials at Weighted Average Cost & absorption of Labour and Overheads
Finished Goods : Raw Materials at Weighted Average Cost & absorption of Labour and Overheads

e) Investments

Investments are generally of Long Term nature and are stated at cost unless there is other than temporary diminution in their value as at the date of Balance Sheet.

Investments in Overseas Associates / Subsidiary are stated at cost of acquisition.

f) Provisions, Contingent Liabilities and Contingent Assets

Provisions involving substantial degree of estimation in measurement are recognized when there is a present obligation as a result of past events and it is probable that there will be an outflow of resources. Contingent liabilities are not recognized but are disclosed in the notes to the financial statements. Contingent assets are neither recognized nor disclosed in the financial statements.

g) Revenue recognition

- i) Revenue from sale of goods is recognised when the significant risks and rewards of ownership of goods are transferred to the customer, which is generally on dispatch of goods. Sales are net of discounts, VAT/sales tax and returns; excise duties collected.
- ii) Income on turnkey contracts (including erection charges) is accounted for on the basis of billings made on customers against mutually agreed billing schedules.

Advances received from customers in respect of contracts, which are not in relation to work performed thereon, are shown as "Advance from Customers".

Amounts retained by customers until satisfaction of conditions specified in the contract for release of such amounts are reflected as Sundry debtors.

Credits are taken for claims in respect of cost escalation and extra work as and when and to the extent admitted by customers.

- iii) Interest revenues are recognized on a time proportion basis taking into account the amount outstanding and the rate applicable.
- iv) Dividend from investments in Shares is accounted for when the right to receive dividend is established.
- v) Export incentives are accounted for as and when the claims thereof have been admitted by the authorities.
- vi) Revenue in respect of other income is recognised when a reasonable certainty as to its realisation exists.

h) Foreign Currency Transactions

Transactions denominated in foreign currencies are recorded at the exchange rate prevailing at the time of the transaction.

Monetary items denominated in foreign currencies at the year-end are restated at the year-end rates. In case of items, which are covered by forward exchange contracts, the difference between the year-end rate and the rate on the date of contract is recognised as exchange difference and the premium paid on forward contracts is recognised over the life of the contract.

Non-monetary foreign currency items are carried at cost.

Any income or expense on account of exchange difference either on settlement or on translation is recognized in the statement of profit and loss.

i) Retirement Benefits

Defined Contribution Plan: The Company's contributions paid/payable for the year to Provident Fund and ESIC are charged to the statement of profit and loss for the year.

Defined Benefit Plan: The Company's liabilities towards gratuity and leave encashment are determined using the projected unit credit method which considers each period of service as giving rise to an additional unit of benefit entitlement and measures each unit separately to build up the final obligation. Past services are recognised on a straight-line basis over the average period until the amended benefits become vested. Actuarial gain and losses are recognised immediately in the statement of profit and loss as income or expense. Obligation is measured at the present value of estimated future cash flows using a discounted rate that is determined by reference to market yields at the balance sheet date on Government bonds where the currency and terms of the Government bonds are consistent with the currency and estimated terms of the defined benefit obligation.

j) Impairment of Assets

Fixed Assets are reviewed for impairment losses whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is then recognised for the amount by which the carrying amount of the assets exceeds its recoverable amount, which is the higher of an asset's net selling price and value in use.

k) Accounting for Tax

Indian Companies

- (a) Current Tax is accounted on the basis of estimated taxable income for the current accounting year and in accordance with the provisions of Income Tax Act, 1961.
- (b) Deferred Tax resulting from "timing differences" between accounting and taxable profit for the period is accounted by using tax rates and laws that have been enacted or substantially enacted as at the balance sheet date. Deferred tax assets are recognised only to the extent there is reasonable certainty that the assets can be realized in future. Net deferred tax liability is arrived at after setting off deferred tax assets.

Foreign Companies

Foreign Companies recognise tax liabilities and assets in accordance with the applicable local laws.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH, 2012

3. SHARE CAPITAL

(₹ in Lacs)

	As at 31st March 2012	As at 31st March 2011
Authorised Share Capital		
i) 225,000,000 (Previous Year 225,000,000) Equity Shares of ₹ 2/- each	4,500.00	4,500.00
ii) 25,000,000 (Previous Year 25,000,000) Cumulative Redeemable Preference Shares of ₹ 2/- each	500.00	500.00
	<u>5,000.00</u>	<u>5,000.00</u>
Issued Subscribed and Paid-up Capital		
92,861,510 Equity Shares of ₹ 2/- each (Previous Year 92,861,510 Equity Shares of ₹ 2/- each)	1,857.23	1,857.23
Issue but not Subscribed	-	-
Total	<u>1,857.23</u>	<u>1,857.23</u>

(i) Reconciliation of the number of shares outstanding at the beginning and at the end of the reporting period :

Particulars	31st March 2012	31st March 2011
Outstanding at the beginning of the Year	92,861,510	92,861,510
Add : Issued During the year	-	-
Outstanding at the end of the Year	92,861,510	92,861,510

(ii) Rights, Preferences and Restrictions attached to equity shares :

The Company has only one class of Equity Shares having a par value of ₹ 2/- per share. Each shareholder is eligible for one vote per share held. The dividend proposed by the Board of Directors is subject to the approval of the shareholders in the ensuing Annual General Meeting, except in case of interim dividend.

In the event of liquidation, the equity shareholders are eligible to receive the remaining assets of the Company after distribution of all preferential amounts, in proportion to their shareholding.

(iii) Details of Shareholders holding more than 5 percent equity shares:

Particulars	31st March 2012	31st March 2011
Equity Shares of ₹ 2/- each fully paid		
(a) EMTICI Engineering Limited	21,647,677 23.31%	21,599,177 23.26%
(b) Prayas Engineering Limited	10,078,471 10.85%	10,034,714 10.81%
(c) K. B. Investments Pvt. Ltd.	5,691,265 6.13%	5,638,765 6.07%

(iv) Aggregate number of equity shares allotted as fully paid up pursuant to contract without payment being received in cash Bonus Shares issued and shares bought back during the period of 5 years immediately preceding the financial year:-

Particulars	31st March 2012	31st March 2011
(a) Equity Shares allotted as fully paid up bonus shares by capitalisation of Share Premium and Reserve	61,907,673	61,907,673
(b) Equity Shares allotted as fully paid up on conversion of FCCB of Series A' 9,000 nos. of \$ 1,000 each.	2,716,787	2,716,787

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH, 2012

4. RESERVES AND SURPLUS

(₹ in Lacs)

	As at 31st March 2012	As at 31st March 2011
(a) Capital Reserve		
As per Last Financial Statements	0.48	0.48
Closing Balance	<u>0.48</u>	<u>0.48</u>
(b) Share Premium Account		
As per Last Financial Statements	2,881.94	2,881.94
Closing Balance	<u>2,881.94</u>	<u>2,881.94</u>
(c) General Reserve		
As per Last Financial Statements	34,531.74	27,857.28
Add : Transferred from Surplus in Statement of Profit and Loss	5,290.77	6,674.46
Closing Balance	<u>39,822.51</u>	<u>34,531.74</u>
(d) Surplus in Statement of Profit and Loss		
As per Last Financial Statements	2,409.95	2,037.51
Add : Transferred during the year from Statement of Profit and Loss	6,110.02	8,995.79
Less : Appropriations		
Proposed Dividend	1,709.84	1,671.51
Tax on Proposed Dividend	277.38	277.38
Transfer to General Reserve	5,290.77	6,674.46
Net Surplus in Statement of Profit and Loss	<u>1,241.98</u>	<u>2,409.95</u>
(e) Foreign Currency Translation Reserve	65.15	157.75
Total	<u><u>44,012.06</u></u>	<u><u>39,981.86</u></u>

5. LONG-TERM BORROWINGS

	As at 31st March 2012	As at 31st March 2011
Secured		
(a) Term loans		
From banks	18,275.73	16,889.07
(b) Corporate Loans		
From banks	1,053.33	3,326.67
(c) Vehicle Loans		
From banks	77.00	123.92
Unsecured		
(a) Other loans and advances	500.99	-
	<u>19,907.05</u>	<u>20,339.66</u>

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH, 2012

6. DEFERRED TAX LIABILITIES (NET)

(₹ in Lacs)

	As at 31st March 2012	As at 31st March 2011
(a) Deferred Tax Liabilities		
In respect of difference between book & Tax W. D. V.	4,539.79	4,200.74
(b) Deferred Tax Assets		
In respect of disallowance under the Income Tax Act.	(268.87)	(280.51)
Net Deferred Tax Liability	<u><u>4,270.92</u></u>	<u><u>3,920.23</u></u>

7. OTHER LONG TERM LIABILITIES

	As at 31st March 2012	As at 31st March 2011
(a) Trade Payables	552.77	2,504.85
(b) Deposits	118.68	119.99
(c) Advance from Customers	1,312.60	3,512.90
(d) Pension Liability	4,086.41	3,424.24
	<u><u>6,070.46</u></u>	<u><u>9,561.98</u></u>

8. LONG-TERM PROVISIONS

	As at 31st March 2012	As at 31st March 2011
(a) Provision for Employee Benefits :		
Provision for Gratuity	180.06	355.66
Provision for Leave Encashment	226.85	143.38
(b) Warranty Provisions	-	3.30
(c) Royalty Payable	-	1.50
	<u><u>406.91</u></u>	<u><u>503.84</u></u>

9. SHORT-TERM BORROWINGS

	As at 31st March 2012	As at 31st March 2011
Secured		
(a) Loans repayable on demand:		
Working Capital Loans		
- From Banks	28,318.39	13,339.69
Unsecured		
(a) Working Capital Loans		
- From Banks (Including Commercial Paper)	9,697.34	24,062.30
(b) Other Loans		
- From Banks	-	126.69
	<u><u>38,015.73</u></u>	<u><u>37,528.68</u></u>

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH, 2012

10. OTHER CURRENT LIABILITIES

(₹ in Lacs)

	As at 31st March 2012	As at 31st March 2011
(a) Current maturities of		
Term Loan (Secured)	5,932.46	5,013.69
Corporate Loan (Secured)	2,200.00	1,833.33
Vehicle Loan (Secured)	158.11	130.59
Finance from others (Unsecured)	259.91	-
(b) Advance from Customers	13,418.48	8,467.79
(c) Interest accrued but not due on borrowings	359.03	302.66
(d) Interest accrued and due on borrowings	0.14	0.14
(e) Unpaid Dividends	92.13	70.23
(f) Statutory & Other Liabilities	1,314.26	276.36
(g) Unpaid matured deposits and interest accrued thereon.	0.09	0.17
(h) Other Payable	37.20	70.53
	<u>23,771.81</u>	<u>16,165.49</u>

11. SHORT-TERM PROVISIONS

	As at 31st March 2012	As at 31st March 2011
(a) Provision for Employee Benefits:		
Provision for Leave Encashment	38.37	38.25
Provision for Gratuity	216.54	160.54
Provision for Superannuation	43.10	36.00
(b) Proposed Dividend	1,709.84	1,671.51
(c) Dividend Tax on Proposed Dividend	277.38	277.38
(d) Other Provisions	478.24	361.19
	<u>2,763.47</u>	<u>2,544.87</u>

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH, 2012

12. FIXED ASSETS

Sr No.	Nature of Assets	Gross Block (At Cost)				Depreciation			Net Block			
		As at 1st April 2011	Additions during the Year	Deductions during the Year	Exchange Rate Movements	As at 31st March 2012	As at 1st April 2011	On Deductions during the Year	For the year	Exchange Rate Movements	As at 31st March 2012	As at 31st March 2011
I. Tangible Assets												
(a)	Land (Freehold)	2,345.10	-	-	21.29	2,366.39	-	-	-	-	2,366.39	2,345.10
(b)	Buildings	6,331.26	1,102.92	-	34.41	7,468.59	-	337.97	7.25	3,047.08	4,421.51	3,629.40
(c)	Plant and Equipments	47,686.62	6,525.92	(408.07)	424.32	54,228.79	(307.75)	3,209.10	117.62	22,299.29	31,929.50	28,406.30
(d)	Furniture and Fixtures	467.21	226.76	(13.19)	-	680.78	(0.72)	34.06	-	386.76	294.02	113.79
(e)	Vehicles	1,521.02	130.21	(86.67)	-	1,564.56	(55.78)	223.85	-	583.68	980.88	1,105.40
(f)	Office Equipments	3,314.89	314.77	(6.07)	20.41	3,644.00	(4.21)	387.81	12.30	2,816.55	827.45	894.24
(g)	Others :											
(i)	Electrical Installations	553.10	93.85	-	-	646.95	-	53.14	-	237.93	409.02	368.30
(ii)	Electrical Fittings	74.67	2.55	-	-	77.22	-	2.70	-	67.24	9.98	10.14
(iii)	Air Conditioning Plant	309.70	178.91	-	(24.56)	464.05	-	33.89	(16.80)	214.70	249.35	112.08
(iv)	Sundry Equipments	327.40	95.80	(7.22)	(21.44)	394.54	(3.80)	124.36	(27.06)	257.51	137.03	163.39
(v)	Site Office Equipments	12.64	55.62	-	(8.18)	60.08	-	12.23	(7.64)	17.22	42.86	0.01
Total		62,943.61	8,727.31	(521.22)	446.25	71,595.95	(372.26)	4,419.11	85.67	29,927.96	41,667.99	37,148.15
Previous Year		50,942.02	12,471.96	(470.37)	-	62,943.61	-	4,012.05	(205.55)	25,795.44	37,148.15	-
II. Intangible Assets												
(a)	Technical Knowhow Fees	623.03	-	-	-	623.03	-	101.17	-	360.93	262.10	363.27
(b)	Software	-	34.88	-	-	34.88	-	3.92	-	3.92	30.96	-
(c)	Goodwill on Acquisition	3,253.51	-	-	460.17	3,713.68	-	225.39	-	225.39	3,488.29	3,253.51
(d)	Licenses	-	402.91	-	-	402.91	-	4.32	-	4.32	398.59	-
(e)	Others - IPR	2,071.26	-	-	292.73	2,363.99	-	110.80	3.20	165.80	2,198.19	2,019.47
Total		5,947.80	437.79	-	752.90	7,138.49	-	445.60	3.20	760.36	6,378.13	5,636.25
Previous Year		623.03	5,324.77	-	-	5,947.80	-	51.80	-	311.56	5,636.25	-

(₹ in Lacs)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH, 2012

13. NON-CURRENT INVESTMENTS (AT COST)

(₹ in Lacs)

	As at 31st March 2012	As at 31st March 2011
(A) Trade Investment (at Cost)		
(1) Investment in Associates : (In Equity Instruments) (Unquoted)		
Cost of Investment	441.69	277.88
Add : Share of Post Acquisition Profit (Net of Accumulated Losses)	30.87	3.29
	<u>472.56</u>	<u>281.17</u>
(B) Other Investment (at Cost)		
(1) Investment In Equity Instruments (fully paid-up) (Quoted):	97.56	50.24
(2) Investment In Equity Instruments (fully paid-up) (Unquoted):	45.14	45.14
	<u>615.26</u>	<u>376.55</u>
(a) Aggregate amount of quoted investments	97.56	50.24
(b) Aggregate amount of unquoted investments	517.70	326.31
(c) Aggregate Market Value of quoted investments	251.66	203.55

14. LONG-TERM LOANS AND ADVANCES

(₹ in Lacs)

	As at 31st March 2012	As at 31st March 2011
(A) Unsecured, Considered Good		
(a) Capital Advances	1,069.86	294.57
(b) Deposits	386.40	446.12
(c) Advances recoverable in Cash or Kind	46.51	51.58
(d) Prepaid Expenses	-	0.10
(e) Advance Payment of Tax (Net of Provision for Taxation)	609.99	178.51
(f) Loans and advances to related parties		
i) to Associates	88.48	962.99
	<u>2,201.24</u>	<u>1,933.87</u>
(B) Unsecured, Considered Doubtful		
(a) Loans and advances to related parties		
i) to Associates	1,005.27	-
Less : Provision for doubtful advances	(1,005.27)	-
	<u>-</u>	<u>-</u>
	<u>2,201.24</u>	<u>1,933.87</u>

15. OTHER NON-CURRENT ASSETS

(₹ in Lacs)

	As at 31st March 2012	As at 31st March 2011
Unsecured, Considered Good		
(a) Long Term Trade Receivables	5,900.00	12,273.70
(b) Loan to Staff	-	4.22
(c) Deposit with original maturity of more than 12 months	66.34	59.03
(d) Margin Money Deposit	13.00	13.00
	<u>5,979.34</u>	<u>12,349.95</u>

(i) Long Term Trade Receivables represent retention money not due retained by various customers against big turnkey contracts as per the terms of agreement, and are receivable after satisfactory completion of the respective contracts.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH, 2012

16. INVENTORIES

(₹ in Lacs)

	As at 31st March 2012	As at 31st March 2011
At lower of cost or net realisable value		
(a) Raw Materials	11,217.00	12,063.67
(b) Raw Materials-in-Transit	41.45	622.77
(c) Semi-Finished Goods	17,813.79	18,293.29
(d) Finished Goods	5,324.93	5,933.10
(e) Stores and Spares	1,460.37	1,393.45
(f) Loose Tools	-	-
(g) Stock-in-Trade	218.11	275.16
	<u>36,075.65</u>	<u>38,581.44</u>

(Inventories are as taken, valued and certified by the Management)

17. TRADE RECEIVABLES

(₹ in Lacs)

	As at 31st March 2012	As at 31st March 2011
Unsecured, Considered Good		
(a) Outstanding for a period exceeding six month from the Due date	15,570.38	20,526.63
(b) Others	62,756.79	39,472.87
Considered Doubtful	66.60	6.91
Less : Provision for Doubtful Debts	(66.60)	(6.91)
	<u>78,327.17</u>	<u>59,999.50</u>

18. CASH AND BANK BALANCES

(₹ in Lacs)

	As at 31st March 2012	As at 31st March 2011
Cash and Cash Equivalent		
(a) Balance with Banks:		
In Current Account	1,004.47	1,730.27
In Deposit Accounts	791.62	906.71
Unpaid Dividend Bank Account	92.13	70.23
(b) Cheques, Drafts on hand	-	-
(c) Cash on hand	0.55	3.35
	<u>1,888.77</u>	<u>2,710.56</u>

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH, 2012

19. SHORT-TERM LOANS AND ADVANCES

(₹ in Lacs)

	As at 31st March 2012	As at 31st March 2011
Unsecured, Considered Good :		
(a) Advances Recoverable in Cash/Kind	7,228.82	4,189.80
(b) Balance with Collector of Custom, Port Trust, Excise etc.	1,409.09	310.36
(c) Loan to Staff	16.47	3.92
(d) Advance Income Tax	32.73	-
(e) Prepaid Expenses	6.72	-
(f) Gratuity Paid in advance	6.26	-
(g) Interest Receivable	0.64	-
	8,700.73	4,504.08

20. OTHER CURRENT ASSETS

(₹ in Lacs)

	Year Ended 31st March 2012	Year Ended 31st March 2011
Other receivables from others	148.26	214.00
	148.26	214.00

21. REVENUE FROM OPERATIONS

(₹ in Lacs)

	Year Ended 31st March 2012	Year Ended 31st March 2011
(a) Sale of Products		
Material Handling Equipments	74,178.87	57,546.08
Gear Sales	87,194.07	59,693.16
WTG Sales	985.11	394.52
Machinery, Spares and Others	3,107.40	3,062.96
Free Wheels, Shrink Disc, Innerring/ Outerring	48.68	70.28
	165,514.13	120,767.00
(b) Sale of Services		
Erection Charges	4,639.71	6,827.37
(c) Other operating revenues		
Miscellaneous Sales	958.53	672.33
Scrap Sales	181.86	150.76
Machinery Hire Charges	23.58	17.30
Others	28.22	-
	1,192.19	840.39
	171,346.03	128,434.76

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH, 2012

22. OTHER INCOME

(₹ in Lacs)

	Year Ended 31st March 2012	Year Ended 31st March 2011
(a) Interest Income	173.95	282.68
(b) Dividend Income	36.18	3.30
(c) Profit on Sales of Assets (Net of Losses)	28.53	36.13
(d) Net gain / loss on sale of investments	-	2,069.65
(e) Gain on account of Exchange Variation	-	4.73
(f) Excess/Short Provision of Earlier Year Written Back	-	10.31
(g) Miscellaneous Income	559.42	452.97
	798.08	2,859.77

23. COST OF MATERIALS CONSUMED

(₹ in Lacs)

	Year Ended 31st March 2012	Year Ended 31st March 2011
Raw Materials Consumed	91,623.59	77,080.25
	91,623.59	77,080.25

24. CHANGES IN INVENTORIES OF FINISHED GOODS, WORK-IN-PROGRESS AND STOCK-IN-TRADE

(₹ in Lacs)

	Year Ended 31st March 2012	Year Ended 31st March 2011
(a) Opening Stock :		
Semi-Finished Goods (WIP)	18,293.29	19,396.51
Finished Goods	5,933.10	1,632.52
Stock-in-Trade	275.16	-
	24,501.55	21,029.03
(b) Closing Stock :		
Semi-Finished Goods (WIP)	17,813.79	18,293.29
Finished Goods	5,324.93	5,933.10
Stock-in-Trade	218.11	275.16
	23,356.83	24,501.55
	1,144.72	(3,472.52)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH, 2012

25. MANUFACTURING EXPENSES AND ERECTION CHARGES

(₹ in Lacs)

	Year Ended 31st March 2012	Year Ended 31st March 2011
(a) Stores, Tools and Spares Consumed	2,178.29	1,825.97
(b) Sub-Contracting Charges	4,711.03	6,408.40
(c) Power and Fuel	490.26	609.22
(d) Erection and Other Charges	1,150.42	1,540.55
(e) Other Manufacturing Expenses	1,079.51	1,159.59
	<u>9,609.51</u>	<u>11,543.73</u>

26. EMPLOYEE BENEFITS EXPENSE

(₹ in Lacs)

	Year Ended 31st March 2012	Year Ended 31st March 2011
(a) Salaries and Wages (Incl. Managerial Remuneration)	11,170.51	6,418.39
(b) Contribution to Provident Fund	283.11	229.55
(c) Employees' Welfare Expenses	2,207.37	801.41
(d) Employees' Retirement Benefits	784.23	341.09
	<u>14,445.22</u>	<u>7,790.44</u>

27. FINANCE COST

(₹ in Lacs)

	Year Ended 31st March 2012	Year Ended 31st March 2011
(a) Interest Expense	5,605.57	4,854.62
(b) Other Borrowing Cost	887.07	327.64
(c) Applicable Net Gain/Loss on Foreign Currency Transaction/Translation	142.07	96.44
	<u>6,634.71</u>	<u>5,278.70</u>

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH, 2012

28. OTHER EXPENSES

(₹ in Lacs)

	Year Ended 31st March 2012	Year Ended 31st March 2011
(a) Technical Know how and Design Fees	152.41	109.98
(b) Rent	468.31	171.71
(c) Computer Software Charges	678.09	393.81
(d) Rates & Taxes (Incl. Wealth Tax)	255.19	303.96
(e) Excise Duty (excluding duty recovered from Customers)	20.24	178.38
(f) Repairs and Maintenance :		
Buildings	316.99	284.16
Machineries	923.44	763.22
Others	258.57	159.72
(g) Insurance (Net of Recoveries)	208.34	124.61
(h) Travelling Expenses	825.34	481.21
(i) Bank Charges	582.20	736.41
(j) Directors' Fees	8.43	7.66
(k) Commission to Non Executive Director	22.08	-
(l) Packing, Forwarding & Distribution Expenses (Net of Recoveries)	2,551.11	1,358.62
(m) Commission & Brokerage	6,886.53	6,322.47
(n) Warranty, Claim, Replacement	317.65	102.87
(o) Bad Debts Written Off / Provision for Doubtful Debts	937.23	647.36
(p) Provisions for loans given to associates companies considered doubtful	1,005.27	-
(q) Liquidated Damages	1,151.16	1,137.63
(r) Advertisements & Sales Promotion Expenses	512.88	345.90
(s) Auditors' Remuneration	130.87	43.28
(t) Donations	42.45	241.89
(u) Lease Rentals	579.97	261.48
(v) Royalty Paid	142.63	75.02
(w) Technical Inspection Consultancy Fees	0.39	1.06
(x) Other Professional Consultancy Fees	2,054.69	1,250.29
(y) General Administrative Charges	1,251.73	803.62
(z) Loss on account of Exchange Variation	64.31	98.13
(aa) Provision for Warranty	-	31.72
(ab) Misc. Labour Charges	27.07	23.23
(ac) Research & Development	28.68	-
(ad) Miscellaneous Expenses	12.41	-
(ae) Sundry debit balance written off	-	0.46
	22,416.66	16,459.86

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH, 2012

29. DESCRIPTION OF THE GROUP

The consolidated financial statements comprise the financial statements of the Parent Company, Elecon Engineering Company Limited and the following Subsidiaries / Step-Down Subsidiaries / Joint Ventures / Associate Companies :

(₹ in Lacs)

Name of the Company	Country of Incorporation	% of Holding either directly or indirectly through a subsidiary	
		as at 31st March 2012	as at 31st March 2011
(a) Subsidiary Companies			
Elecon Transmission International Limited	Mauritius	100	100
(b) Step Down Subsidiary Companies			
Benzlers Systems AB (Formerly known as David Brown Systems Sweden Limited)	Sweden	100	100
Radicon Transmission UK Limited	United Kingdom	100	100
AB Benzlers	Sweden	100	100
Elecon US Transmission Limited	USA	100	100
Benzler Transmission A.S.	Denmark	100	100
Benzler Antriebstechnik GmbH	Germany	100	100
Benzler TBA B.V.	Netherlands	100	100
Benzler Antriebstechnik Gesmbh	Austria	100	100
OY Benzler AB	Finland	100	100
Benzlers SDN BDH	Malaysia	100	100
Benzlers Italia s.r.l.	Italy	100	-
(c) Joint Ventures			
Eimco Elecon (India) Limited	India	16.62	16.62
Ringspann Elecon (I) Limited (refer note (i) below)	India	-	24.99
(d) Associate Companies			
Elecon Singapore Pte. Limited	Singapore	49.99	49.99
Elecon Middle East FZCO	UAE	50	50
Elecon Eng. (Suzhou) Co. Limited	China	50	50
Elecon Africa Pty. Limited	South Africa	50	50
Elecon Australia Pty. Limited	Australia	50	50
DRA (India) Limited (refer note (ii) below)	India	-	25
Elecon Windfarm Developers (Motagunda & Vinjalpur) Limited (refer note (ii) below)	India	-	25.50
Elecon Peripherals Limited (refer note (i) below)	India	24.99	-

Note :

- (i) With effect from 1st August 2011, by virtue of cessation of the joint venture agreement, Elecon Peripherals Limited (Formerly known as Ringspann Elecon (I) Limited) ceased to be a Joint Venture and became an Associate Company.
- (ii) The interest in the Associate Company was disposed off during the year."

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH, 2012

30. CONTINGENT LIABILITIES AND COMMITMENTS

(to the extent not provided for)

(₹ in Lacs)

	As at 31st March 2012	As at 31st March 2011
(a) Contingent Liabilities :		
<u>Claims not acknowledged as debt</u>		
(i) Disputed Excise Duty against Demand Notices received	233.20	269.38
(ii) Disputed Sales Tax/Works Contract Tax	347.55	347.55
(iii) Disputed Income Tax Demand-Disputed by Company	928.54	1,079.65
(iv) Disputed Income Tax Demand-Disputed by Income Tax Authorities	14.89	22.47
(v) Sales Bills Discounted under LC with Banks	6,151.32	3,713.74
(vi) NexGen Energy Partners, LLC of USA has filed a case bearing No. 2011 CV 0066, against Reflecting Blue Technologies (RBT) of USA and the Company, in the court of Ohio, USA on account of non performing of Wind Mill supplied through Reflecting Blue Technologies (RBT). The matter is pending in the court of Ohio, USA and amount of claim is unascertainable.	Unascertained	Unascertained
<u>Guarantees</u>		
(i) Guarantees issued by Company's Bankers	45,886.10	45,082.46
(ii) Corporate Guarantee provided to Swedish Pension Authority to the tune of SEK 15.00 Million as a security, in replacement of earlier guarantee given by erstwhile owner, for the purchase of pension insurances relating to the pension commitments on behalf of AB Benzlers Sweden, a Step-Down Subsidiary of Elecon Transmission International Limited, Mauritius, a Wholly-Owned Subsidiary of the Company.	1,154.96	1,057.73
(iii) The Company has provided Corporate Guarantee to Bank of Baroda, Dubai to the tune of GBP 7,216,000 and US\$ 28,299,876 as a security for repayment of financial facility availed by Elecon Transmission International Limited, Mauritius, a Wholly-Owned Subsidiary of the Company.	20,280.74	-
(b) Commitments :		
(i) Estimated amount of contracts remaining to be executed on capital account and not provided for	9,549.92	11,897.12
(ii) Liability for Export Obligation under Export Promotion Credit Guarantee	10,171.36	11,544.10
(c) The share in contingent liabilities and capital commitments in relation to its interests in joint ventures is as follows :		
<u>Contingent Liabilities</u>		
Disputed demands of Income Tax / Sales Tax / Excise Duty	292.22	261.65
Letters of credit outstanding	60.96	41.42
Guarantees given by the bankers on behalf of the Company	328.81	306.08

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH, 2012

31. SHARE IN JOINT VENTURES

The Group's share in respect of the assets, liabilities, reserves, income and expenses, related to the joint ventures, incorporated in the consolidated financial statements are :-

(₹ in Lacs)

	As at 31st March 2012	As at 31st March 2011
LIABILITIES		
Reserves and Surplus	2,444.85	2,346.96
Non - Current Liabilities		
(a) Deferred Tax Liabilities	18.45	33.08
(b) Long-Term Provisions	9.46	8.18
Current Liabilities		
(a) Trade Payables	259.36	286.87
(b) Other Current Liabilities	62.40	54.21
(c) Short-Term Provisions	81.74	89.83
ASSETS		
Non-Current Assets		
(a) Fixed Assets	367.40	429.68
(b) Non-Current Investments	88.94	41.64
(c) Long-Term Loans and Advances	34.81	5.07
Current Assets		
(a) Current Investments	737.65	62.43
(b) Inventories	702.19	1,208.25
(c) Trade Receivables	840.75	835.31
(d) Cash and Bank Balances	72.47	40.06
(e) Short-Term Loans and Advances	220.69	194.80
REVENUE		
Revenue from operations (Net)	2,923.91	3,133.30
Other Income	37.22	45.92
Exceptional items	149.34	-
EXPENSES		
Cost of Materials consumed	1,188.50	1,229.46
Purchases of Stock-in-Trade	376.45	480.62
Changes in inventories of Finished Goods, Work-in-Progress and Stock-in-Trade	186.26	112.69
Manufacturing expenses and Erection Charges	7.42	-
Employee Benefits expense	167.45	143.98
Finance Costs	8.20	11.31
Depreciation and Amortization expense	88.23	105.70
Other expenses	657.23	705.70
Tax expense	86.89	103.20

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH, 2012

32. RETIREMENT BENEFITS

- i) The Liability in respect of Gratuity and Leave Encashment is determined based on the Actuarial Valuation done by Actuary as at balance sheet date in context of the Revised AS-15 issued by the ICAI, and the liability for pension pertains to foreign subsidiaries, as accounted by them in their financial statements :-

(₹ in Lacs)

Gratuity | Leave Encashment | Pension Liability

Expense recognized in the Statement of Profit and Loss :-

		Gratuity	Leave Encashment	Pension Liability
Current Service Cost	2011-12	65.98	53.98	(32.93)
	2010-11	63.99	36.30	21.26
Interest Cost	2011-12	91.24	13.57	154.84
	2010-11	86.00	12.01	10.63
Employer Contribution	2011-12	-	-	93.35
	2010-11	-	-	62.38
Expected Return on Plan Assets	2011-12	(58.59)	-	-
	2010-11	(52.05)	-	-
Net Actuarial (Gains) / Losses	2011-12	(16.12)	15.84	-
	2010-11	(1.41)	17.15	-
Past Service Cost	2011-12	-	-	-
	2010-11	-	-	-
Settlement Cost	2011-12	-	-	-
	2010-11	-	-	-
Total Expenses	2011-12	82.52	83.40	215.25
	2010-11	96.53	65.45	94.27

Net Asset / (Liability) recognized in the Balance Sheet :-

		Gratuity	Leave Encashment	Pension Liability
Present value of Defined Benefit Obligation	2011-12	1,198.20	254.55	4,086.41
	2010-11	1,148.92	171.15	3,424.24
Fair value of Plan Assets	2011-12	807.85	-	-
	2010-11	638.57	-	-
Funded status [Surplus / (Deficit)]	2011-12	(390.35)	(254.55)	-
	2010-11	(510.35)	(171.15)	-
Net Asset / (Liability)	2011-12	(390.35)	(254.55)	4,086.41
	2010-11	(510.35)	171.15	3,424.24

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH, 2012

(₹ in Lacs)

Gratuity | Leave Encashment | Pension Liability

Change in Obligation during the Year :-

Present value of Defined Benefit Obligation at beginning of the year	2011-12	1,148.92	171.15	3,424.24
	2010-11	1,083.10	151.39	2,722.12
Current Service Cost	2011-12	65.98	53.98	37.33
	2010-11	63.99	36.30	21.26
Interest Cost	2011-12	91.24	13.57	117.95
	2010-11	86.00	12.01	10.63
Settlement Cost	2011-12	-	-	-
	2010-11	-	-	607.86
Past Service Cost	2011-12	-	-	-
	2010-11	-	-	-
Employer Contributions	2011-12	-	-	140.62
	2010-11	-	-	62.38
Actuarial (Gains) / Losses	2011-12	(15.01)	36.30	-
	2010-11	(5.65)	17.15	-
Benefits Payments	2011-12	(92.93)	(20.46)	-
	2010-11	(78.52)	(45.69)	-
Increase / (Decrease) in obligation due to fluctuation in exchange rates	2011-12	-	-	366.27
	2010-11	-	-	-
Present value of Defined Benefit Obligation at the end of the year	2011-12	1,198.20	254.55	4,086.41
	2010-11	1,148.92	171.15	3,424.24

Change in Assets during the Year :-

Plan Assets at the Beginning of the Year	2011-12	638.57	-	-
	2010-11	507.54	-	-
Settlements	2011-12	-	-	-
	2010-11	-	-	-
Expected return on Plan Assets	2011-12	58.59	-	-
	2010-11	52.05	-	-
Contributions by Employer	2011-12	202.51	-	-
	2010-11	161.74	-	-
Actual benefits paid	2011-12	(92.92)	-	-
	2010-11	(78.52)	-	-
Actuarial (Gains) / Losses	2011-12	1.11	-	-
	2010-11	(4.24)	-	-
Plan Assets at the end of the year	2011-12	807.85	-	-
	2010-11	638.57	-	-

Actuarial Assumptions:

Discount Rate	2011-12	8.50%	8.50%	5.00%
	2010-11	7.93%	7.93%	5.00%
Expected Rate of Return on Plan Assets	2011-12	8.50%	-	-
	2010-11	9.25%	-	-
Mortality pre retirement	2011-12	-	-	-
	2010-11	-	-	-
Turnover rate	2011-12	2.00%	2.00%	-
	2010-11	3% TO 1%	3% TO 1%	-
Rate of escalation in salary (p.a.)	2011-12	6.50%	6.50%	3.00%
	2010-11	4.50%	4.50%	3.00%

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH, 2012

- a. The rate of escalation in Salary (p.a.) considered in actuarial valuation is worked out after taking into account inflation, seniority, promotion and other relevant factors such as supply and demand in the employment market. Mortality rates are obtained from the relevant data of Life Insurance Corporation of India.
- ii) Liability in respect of Superannuation benefits extended to eligible employees is contributed by the Company to Life Insurance Corporation of India against a Master Policy @ 15% of the basic salary of all the eligible employees. The Company is providing for the outstanding liability amount allocable to the broken period beyond the Balance Sheet date.

33. SEGMENT INFORMATION

(₹ in Lacs)

	As at 31st March 2012	As at 31st March 2011
I. Business Segments		
Segment Revenue		
Material Handling Equipment	79,454.94	67,354.15
Transmission Equipment	82,859.03	60,204.48
Others	3,013.95	3,214.79
Total	165,327.92	130,773.42
Less: Inter Segment Revenue	4,006.23	2,338.66
Net Sales / Income from Operation	161,321.69	128,434.76
Segment Profit & Loss Before Tax & Interest		
Material Handling Equipment	10,454.32	8,924.49
Transmission Equipment	8,366.39	8,265.80
Others	344.77	300.35
Total	19,165.49	17,490.64
Less : a) Finance Cost	6,634.71	5,278.70
b) Unallocated Corporate Expenses (Net of Un-allocable Income)	2,362.92	(58.44)
Total Profit Before Tax	10,167.86	12,270.38
Capital Employed		
Segment wise Assets		
Material Handling Equipment	109,623.02	90,401.11
Transmission Equipment	79,098.03	76,484.20
Others	3,064.90	2,901.18
Unallocated Assets	-	-
Segment wise Liabilities		
Material Handling Equipment	55,870.62	45,297.55
Transmission Equipment	27,439.38	20,430.36
Others	412.96	430.91
Unallocated Liabilities	-	-
Segment wise Capital Employed		
Material Handling Equipment	53,752.40	45,103.56
Transmission Equipment	51,658.65	56,053.83
Others	2,651.94	2,470.27
Unallocated Capital Employed	-	-
Total Capital Employed	108,062.99	103,627.66

- a) Since, the figures of Alternate Energy Division (AED) are not reportable segment, as per the requirements of AS - 17, they are not shown separately.
- b) The Company has disclosed Business Segment as primary segment.
- c) Segments have been identified and reported taking into account the nature of products and services, the differing risks and returns, the organization structure and the internal financial reporting systems.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH, 2012

- d) The Segment Revenue, Results, Assets and Liability include the respective amounts identifiable to each of the segment and amounts allocated on a reasonable basis.
- e) Inter Segment Transfer Pricing Policy – the Gear supplied to Material Handling Equipment Division is based on cost.

II. Geographical Segments

Information about Geographical Segments

Particulars		India	Europe	ROW	Total
Revenue	2011-12	131,349.83	20,781.00	9,190.86	161,321.69
	2010-11	114,981.92	6,255.83	7,197.02	128,434.77
Carrying amounts of Segment Assets	2011-12	166,890.32	22,683.95	2,403.05	191,977.32
	2010-11	152,559.47	12,726.43	4,392.73	169,678.63
Capital Expenditure	2011-12	11,773.52	486.84	-	12,260.36
	2010-11	7,097.81	10,698.95	-	17,796.76

34. EARNING PER SHARE

₹ in Lacs, except per share data

	As at 31st March 2012	As at 31st March 2011
Basic & Diluted Earning Per Share (EPS) computed in accordance with Accounting Standard (AS) 20 "Earning Per Share" (Before and after extraordinary items)		
a) Profit for Basic & Diluted Earning Per Share as per Statement of Profit and Loss	6,110.02	8,995.79
b) Weighted average number of equity shares	92,861,510	92,861,510
c) Earning Per Share (Basic & Diluted)	6.58	9.69
d) Face Value per Share	2.00	2.00

35. RELATED PARTY TRANSACTIONS

Related Party Disclosures as required by Accounting Standard (AS) 18 are given below:

A) Name of the related parties and nature of relationships :

- a) Associates
- Ringspann Elecon (I) Limited (Up to 1st August, 2011)
 - DRA (India) Limited
 - Elecon Australia Pty. Limited
 - Elecon Africa Pty. Limited
 - Elecon Singapore Pte. Limited
 - Elecon Middle East FZCO
 - Elecon Engineering (Suzhou) Co. Ltd., China
 - Elecon Windfarm Developers (Motagunda-Vinjalpur) Limited
 - Elecon Pheripharals Limited (Formerly known as Ringspann Elecon (I) Limited) (Since 1st August, 2011)
- b) Individual having control/significant influence
- Shri Prayasvin B. Patel
- c) Collaborators
- Ringspann GmbH
 - Sandvik Mining & Const. S.E.A. Pte. Ltd.
 - Sandvik Asia Pvt. Limited.
- d) Key management Personnel
- Shri Prayasvin B. Patel
 - Shri Prashant C. Amin
 - Shri A. M. Deshpande
 - Shri M. G. Rao
- e) Enterprises over which (b) or (d) above have significant influence
- Bipra Investments & Trusts Private Limited
 - Devkishan Investment Private Limited

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH, 2012

- (iii) K. B. Investments Private Limited
- (iv) Elecon Information Technology Limited
- (v) Emtici Engineering Limited
- (vi) Prayas Engineering Ltd.
- (vii) Specialty Wood Pack Private Limited
- (viii) Power Build Limited
- (ix) Kirloskar Power Build Gears Limited
- (x) Akaaish Mechatronics Limited
- (xi) Madhuban Prayas Resorts Limited
- (xii) Narmada Travels Limited
- (xiii) Wizard Fincap Limited
- (xiv) Eimco Elecon Electricals Ltd.

B) Nature of transactions :

(₹ in Lacs)

	As at 31st March 2012	As at 31st March 2011
Purchase of Material / Finished Goods		
From Enterprise over which significant influence can be exercised		
(i) Prayas Engineering Limited	9,974.83	8,449.12
(ii) Others	2,121.34	1,710.50
From Collaborators		
(i) Ringspann GmbH	-	24.33
(ii) Sandvik Mining & Const. S.E.A. Pte. Limited	-	2.86
Job Work Income		
From Enterprise over which significant influence can be exercised		
(i) Prayas Engineering Limited	25.01	27.41
(ii) Power Build Limited	34.69	44.69
(iii) Eimco Elecon Electricals Ltd.	0.12	0.62
Job Work Expenses		
From Enterprise over which significant influence can be exercised		
(i) Prayas Engineering Limited	3,504.30	3,778.39
(ii) Others	236.67	325.31
Sale of Finished Goods / Consumable Stores		
To Enterprise over which significant influence can be exercised		
(i) Prayas Engineering Limited	1,813.96	1,600.30
(ii) Power Build Limited	90.63	293.34
(iii) Others	278.86	4.32
To Associates		
(i) DRA (India) Ltd.	-	24.19
(ii) Elecon Middle East Fzco	380.39	60.04
(iii) Elecon Singapore Pte Ltd.	-	17.86
(iv) Elecon Africa Pty Ltd.	-	1.86
Purchase of Fixed Assets		
To Enterprise over which significant influence can be exercised		
(i) Elecon Information Technologies Limited	14.29	185.34
(ii) Power Build Limited	-	37.27
(iii) Prayas Engineering Limited	31.80	-
(iv) Others	0.88	8.83
Sale of Fixed Assets		
To Enterprise over which significant influence can be exercised		
(i) Prayas Engineering Limited.	4.61	3.12
(ii) Others	0.05	-

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH, 2012

Sale of Surface product line

To Collaborators		
(i) Sandvik Asia Pvt. Limited	275.06	-

Expenses Charged

To Enterprise over which significant influence can be exercised		
(i) Emtici Engineering Limited	56.21	50.63
(ii) Prayas Engineering Limited	132.72	209.14
(iii) Power Build Limited	45.66	92.27
(vi) Others	17.98	10.26
To Associates		
(i) DRA (India) Ltd.	-	8.64

Expenses Charged

By Enterprise over which significant influence can be exercised		
(i) Akaash Mechatronics Limited	571.46	521.54
(ii) Elecon Information Technologies Limited	284.33	236.41
(iii) Emtici Engineering Limited	460.42	464.33
(iv) Others	140.42	140.46

Sales Commission

To Enterprise over which significant influence can be exercised		
(i) Emtici Engineering Limited	6,263.82	5,359.04
To Associates		
(i) Elecon Middle East Fzco	70.32	226.49
(ii) Elecon Singapore Pte. Ltd.	60.64	220.18

Subscription to Share Capital

In Associates		
(i) Elecon Windfarm Developers (Motagunda-Vinjalpur) Limited	-	1.28

Commission Earned

From Collaborators		
(i) Ringspann GmbH	-	0.45

Royalty Paid

To Collaborators		
(i) Ringspann GmbH	-	1.96

Royalty Received

From Associates		
(i) DRA (India) Ltd.	143.00	-

Interest on Loan / Deposit

From Associates		
(i) Elecon Singapore Pte. Ltd.	3.90	-
(ii) Others	0.74	-

Sale of Shares of Co.

(i) Wizard Fincap Limited	-	12.50
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Others

(i) Elecon Australia Pty. Limited	-	212.45
(ii) Emtici Engineering Limited	17.47	-
(iii) Others	-	39.66

Remuneration

(i) Shri Prayasvin B. Patel	510.39	437.69
(ii) Shri Prashant C. Amin	205.09	-
(iii) Shri A. M. Deshpande	5.02	8.99
(iv) Shri M. G. Rao	6.11	-

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH, 2012

C) Balance at the year end :

(₹ in Lacs)

	As at 31st March 2012	As at 31st March 2011
(i) Outstanding Payables:		
(a) Associates		
(i) Elecon Singapore Pte. Limited	-	139.48
(ii) Elecon Middle East FZCO	-	148.71
(iii) Elecon Peripharals Limited	357.11	502.16
(iv) Others	19.38	127.46
(b) Enterprises over which KMP have significant influence		
(i) Emtici Engineering Limited	2,991.98	1,479.48
(ii) Prayas Engineering Ltd.	6,247.45	7,376.55
(iii) Others	574.92	544.90
(ii) Outstanding Receivables:		
(a) Associates		
(i) Elecon Middle East FZCO	101.57	56.20
(ii) Others	29.69	20.14
(b) Enterprises over which KMP have significant influence		
(i) Emtici Engineering Limited	46.44	170.40
(ii) Prayas Engineering Ltd.	202.58	180.14
(iii) Others	12.30	13.06

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH, 2012

36. FINANCIAL INFORMATION OF SUBSIDIARY COMPANIES

(₹ in Lacs)

Name of the Subsidiary Company	Currency	Paid up Capital	Reserves & Surplus	Total Assets (Including Investment in Subsidiary)	Total Liability	Investments (excluding investments in subsidiaries)	Turnover	Profit/ (Loss) Before Tax	Provision for Taxation	Profit/ (Loss) After Tax	Proposed Dividend
Elecon Transmission International Limited	GBP	3,442.57	(1,100.36)	16,443.93	14,101.73	-	645.95	(322.41)	-	(322.41)	-
Benzler System AB	SEK	7.75	3,925.86	6,479.66	2,546.05	-	(0.37)	(88.87)	-	(88.87)	-
Radicon Transmission UK Limited	GBP	1,763.41	(165.02)	9,353.98	7,755.59	-	9,710.58	(163.06)	72.64	(235.70)	-
AB Benzlers	SEK	1,007.50	2,344.28	9,712.21	6,360.43	-	13,043.17	(762.52)	-	(762.52)	-
Radicon US	USD	255.75	(74.20)	2,401.81	2,220.25	-	4,251.72	(98.27)	-	(98.27)	-
Benzler Transmission A.S.	DKK	138.30	65.17	264.31	60.85	-	672.43	63.22	15.98	47.25	-
Benzler Antriebstechnik GmbH	EURO	69.71	245.54	496.69	181.45	-	1,550.70	141.64	44.49	97.14	-
Benzler TBA B.V.	EURO	139.62	418.47	898.80	340.71	-	3,035.51	8.18	0.79	7.39	210.87
Benzler Antriebstechnik Gesmbh	EURO	-	-	-	-	-	0.00	(0.06)	-	(0.06)	-
OY Benzler AB	EURO	103.45	79.94	292.90	109.52	-	1,042.25	107.89	27.95	79.94	55.18
Benzlers SDN BDH	MYR	-	-	-	-	-	-	(0.57)	-	(0.57)	-
Benzlers Italia s.r.l.	EURO	6.83	(0.93)	20.92	15.02	-	9.29	(0.93)	-	(0.93)	-

As on 31.03.2012: 1 GBP = 81.79 INR, 1 SEK = 7.75 INR, 1 USD = 51.15 INR, 1 DKK = 9.22 INR, 1 EURO = 68.34 INR, 1 MYR = 16.82 INR.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH, 2012

37. EXCEPTIONAL ITEMS

The exceptional item represents the group's share in the profit on sale of surface drilling product line to Sandvik Asia Private Limited by its Joint Venture Company - Eimco Elecon (I) Limited.

38. PREVIOUS YEAR FIGURES

During the year ended 31st March, 2012, the Revised Schedule VI notified under The Companies Act, 1956 has become applicable to the Company for preparation and presentation of its financial statements. The adoption of Revised Schedule VI does not impact recognition and measurement principles followed for preparation of financial statements. However, it has significant impact on presentation and disclosures made in the financial statement. The Company has also reclassified the previous year's figures in accordance with the requirements applicable in the current year. In view of this reclassification, certain figures of current year are not strictly comparable with those of the previous year.

As per our report of even date attached

For and on behalf of

THACKER BUTALA DESAI
Chartered Accountants

M. T. Desai

Partner

M. No. 030911

Firm Regi. No. 110864W

Place : Navsari

Date : 30-05-2012

For and on behalf of the Board of Directors

P. B. Patel

Chairman and

Managing Director

H. S. Parikh

Director

Paresh M. Shukla

Company Secretary

Place : Vallabh Vidyanagar

Date : 12-05-2012

NOTICE

NOTICE IS HEREBY GIVEN THAT the 52nd Annual General Meeting of members of Elecon Engineering Company Limited will be held at Audio Visual Hall, Near Gear Division of the Company, Anand-Sojitra Road, Vallabh Vidyanagar - 388 120 Gujarat on Tuesday, the 31st day of July, 2012 at 11.00 a. m. to transact the following business:

ORDINARY BUSINESS

1. To receive, consider and adopt the Audited Balance Sheet as at 31st March 2012, Profit & Loss Account for the year ended on that date and Cash Flow Statements (Both Stand alone and Consolidated) along with the Report of Board of Directors and Auditors thereon.
2. To declare Dividend on Equity Shares.
3. To appoint a Director in place of Shri Hasmukhlal Parikh, who retires by rotation and being eligible, offers himself for re-appointment.
4. To consider and if thought fit, to pass with or without modifications, the following resolution as an Ordinary Resolution:

“RESOLVED THAT pursuant to the provisions of the Companies Act, 1956 and other applicable provisions, M/s. Thacker Butala Desai, Chartered Accountants, (Firm Regn. No. 110864W) be and are hereby appointed as Auditors of the Company to hold office from the conclusion of this Annual General Meeting until the conclusion of next Annual General Meeting of the Company at such remuneration plus Service tax at the applicable rate, from time to time, plus traveling and out-of-pocket expenses incurred by them for the purpose of audit of the Company's accounts, exclusive of any remuneration, fees or charges payable to them for rendering any other services that may be rendered by them to the Company from time to time other than in the capacity of Auditors, as may be fixed by the Chairman and Managing Director of the Company.”

SPECIAL BUSINESS

5. To consider and if thought fit to pass, with or without modification(s) following Resolution as an Ordinary Resolution:
“RESOLVED that Shri Jal Patel, who was appointed as an Independent Director liable to retire by rotation of the Company with effect from 12.05.2012 to fill up the casual vacancy caused due to sad demise of Dr. A.C. Shah and holds office upto the

date of this Annual General Meeting under Section 262 of the Companies Act, 1956 and in respect of whom the Company has received a notice in writing from a Member proposing his candidature for the office of the Director, be and is hereby appointed as a Director of the Company”.

By order of Board of Directors

Registered office:

Anand Sojitra Road
Vallabh Vidyanagar – 388 120
Gujarat

Date : 12-05-2012

Paresh M. Shukla
Company Secretary

NOTES

1. A member entitled to attend and vote at the meeting is entitled to appoint a proxy to attend and vote instead of himself. The proxy need not be a member.
2. The instruments appointing proxy should however be deposited at the Registered Office of the Company not less than 48 hours before the commencement of the meeting.
3. Information under clause 49 of the listing agreement(s) regarding re-appointment of Directors (Item No.3 & 4) are annexed hereto.
4. The Register of Members and Share Transfer books will remain closed from Wednesday, 25th July, 2012 to Tuesday, 31st July, 2012 (both days inclusive).
5. Shareholders seeking any information with regard to accounts are requested to write to the Company at least 10 days before the meeting so as to enable the management to keep the information ready.
6. All documents referred to in the accompanying notice and explanatory statement are open for inspection at the registered office of Company on all working days between 11.00 a.m. to 1.00 p.m. prior to date of Annual General Meeting.
7. Members are requested to bring their copy of Annual Report at the meeting. Spare copies will not be available.
8. Members who have not encashed their dividend warrants may approach the Company at its registered office for revalidating the warrants or for obtaining duplicate warrants.
9. The annual listing fees of all the stock exchanges where Company's shares are listed for the year 2012-2013 have been paid.

10. Members who hold the shares in dematerialised form are requested to bring their Client ID and DP ID for easier identification of attendance at the AGM.
11. Members holding the shares in physical mode are requested to notify immediately for change of their address and bank particulars to the Company or its Registrar and Share Transfer Agent.
In case the shares are held in dematerialized form, then information should be furnished directly to their respective depository participant only.
12. Any request by share holders for change of bank particulars after dispatch of dividend warrant should be accompanied by copy of Client Master list showing the changed bank details.
13. In terms of Section 109A of the Companies Act, 1956, nomination facility is available to individual shareholders. The shareholders who are desirous of availing this facility, may kindly write to Company's Registrar and Share Transfer Agent, M/s. Link Intime India Pvt. Ltd., B-102/103, Shangrila Complex, 1st Floor, Opp. HDFC Bank, Nr. Radhakrishna Char Rasta, Akota, Vadodara - 390 015, for nomination form quoting their folio number.
14. The payment of dividend on equity shares as recommended by the Directors for the year ended 31st March, 2012 when declared at the meeting will be paid:
 - (i) to those members whose names appear in the Register of Members of the Company on Tuesday, the 31st day of July, 2012.
 - (ii) in respect of shares held in electronics form, to those "deemed members" whose names appear on the statement of beneficial ownership furnished by National Securities Depository Limited (NSDL) and Central Depository Services (India) Ltd, (CDSL) at the end of business hours on Tuesday, the 24th day of July, 2012.
15. Members are requested to notify change in address, if any, to the Company's Registrar and Share Transfer Agent at the address mentioned herein above in Note 13 quoting their folio number.
16. The Company has designated an exclusive email ID called pmsbukla@mhe.elecon.com for Redressal of shareholders'/investors' complaints/grievances. Hence, please write to us at pmsbukla@mhe.elecon.com.

By order of Board of Directors

Registered Office :
Anand-Sojitra Road
Vallabh Vidyanagar - 388 120.
Gujarat.

Date : 12-05-2012

Paresh M. Shukla
Company Secretary

EXPLANATORY STATEMENT PURSUANT TO SECTION 173(2) OF THE COMPANIES ACT, 1956

Item No. 5

Shri Jal Patel was appointed as an Independent Director of the Company on 12/05/2012, by the Board of Directors of the Company to fill the casual vacancy caused due to sad demise of Dr. A.C. Shah. According to the provisions of Section 262 of the Companies Act, 1956, he holds office as a Director only upto the date of ensuing Annual General Meeting. As required by Section 257 of the Companies Act 1956, a notice has been received from a member signifying his intention to propose the appointment of Shri Jal Patel as a Director at the forthcoming Annual General Meeting. The Board also considers it desirable that the Company should continue to avail his services. The Directors recommend the resolution to the members for their approval.

Except Shri Jal Patel, no other Director is interested in the resolution.

By order of Board of Directors

Registered Office :
Anand-Sojitra Road
Vallabh Vidyanagar - 388 120
Gujarat

Date : 12-05-2012

Paresh M. Shukla
Company Secretary

**Details of the Directors seeking appointment/re-appointment at the forthcoming Annual General Meeting
(Pursuant to Clause 49 of the Listing Agreement)**

Name of Director	Shri H. S. Parikh	Shri Jal Patel
Date of Birth	16-03-1927	17-09-1937
Date of Appointment	29-06-1998	12-05-2012
Expertise in specific Functional areas	Senior Chartered Accountant with Accounting, Finance & audit background. He is partner in Parikh & Shah, Chartered, Accountants, Mumbai	Senior Chartered Accountant and Company Secretary with Legal, Accounting, Finance & audit background. He had been Chairman of FAG Bearing India Ltd.
Qualifications	B. Com, F.C.A	B.Com, ACA, ACS
List of Public/Private Companies in which outside Directorship held as on 31st March, 2012	- Eimco Elecon (India) Limited. - The Supreme Industries Limited. - Simplex Castings Limited.	- Gujarat Gas Co. Ltd. - FAG Bearings India Ltd - Shri Dinesh Mills Ltd. - ABC Bearings Ltd. - Styrolution ABS (India) Ltd. - Munjal Auto Ind. Ltd. - Eimco Elecon (India) Ltd. - Jewel Consumer Care Pvt. Ltd.
Chairman/Member of the Committees of the Public Companies on which he is a Director as on 31st March 2012	- Supreme Industries Limited Audit Committee - Chairman Remuneration Committee - Chairman - Simplex Castings Limited Audit Committee - Member Shareholders'/Grievance Com. - Member Remuneration Committee - Member - Eimco Elecon (India) Limited Audit Committee - Member Remuneration Committee - Member Investors Grievance Committee - Member	- Gujarat Gas Co. Ltd. Audit Committee - Chairman Shareholders'/Grievance Com. - Member Remuneration Committee - Chairman - Shri Dinesh Mills Ltd. Shareholders'/Grievance Com. - Member - ABC Bearings Ltd. Audit Committee - Chairman Remuneration Committee - Member - Styrolution ABS (India) Ltd. Audit Committee - Member Shareholders'/Grievance Com. - Chairman - Eimco Elecon (India) Ltd. Audit Committee - Chairman



ELECON ENGINEERING COMPANY LIMITED

Anand-Sojitra Road,
Vallabh Vidyanagar – 388 120
Tal. & Dist. Anand, Gujarat.
Tel No. (02692) 227109, 230166
Fax No. (02692) 236457, 236527
Website : www.elecon.com

Dear Shareholder,

RE : Electronic Credit of Dividendd

The Reserve Bank of India has introduced National Electronic Clearing Service (NECS) in banking system to bring in further efficiency and uniformity in electronic credit. NECS has wider coverage than ECS and has no limitations of location in India. NECS ensures quick credit and no rejections. NECS is operational for banks / bank branches leveraging on Core Banking System (CBS), which provide more than ten digit bank account number to its customers.

As per our records, there is no mandate registered either with us or with your DP. To take advantage of the NECS facility and to enable us to route all your future dividend payments electronically, please return the NECS mandate form, given overleaf.

ADVANTAGES OF REGISTERING NECS MANDATE

- No limitations of location in India.
- Quick remittance of dividend.
- Avoid loss of dividend warrants in Postal transit.
- Avoid fraudulent encashment of dividend.
- Avoid revalidation of unencashed dividend warrants.
- Avoid transfer of unclaimed dividend to Investor Education and Protection Fund (IEPF).

PLEASE HURRY UP & FILL IN THE FORM OVERLEAF AND ENSURE ELECTRONIC CREDIT.

Kindly return the completed mandate from given overleaf latest by 30th September, 2012.

Best Regards,
For, Elecon Engineering Company Limited

Paresh M. Shukla
Company Secretary

NOTE : For shares held in physical form, please submit this form to our Registrars and Share Transfer Agents viz., M/s. Link Intime India Pvt. Ltd. at the address mentioned overleaf and for shares held in demat form, please submit the form to your Depository Participant (DP).

NECS MANDATE FORM

PLEASE FILL UP THIS FORM AND ARRANGE TO SEND IT TO :

The following address if shares are held in physical form

 OR To your DP if shares are held in demat form

To,

M/s. Link Intime India Pvt. Ltd.
B-102 & 103, Shangrila Complex,
First Floor, Opp. HDFC Bank
Near Radhakrishna Char Rasta,
Akota, Vadodara - 390 020.

1. Name of 1st Registered holder (in Block Letters) :
2. Folio No. / DPID & Client ID No. :
3. Name of the Bank :
4. Name of the Branch :
5. Account Number (As appearing on your Cheque Book) :

6. Account Type (Saving Bank A/c. Current A/c. or Cash Credit) with code :

S.B.	Current	Cash Credit

7. 9-Digit MICR Code Number of the Bank & Branch appearing on the MICR cheque issued by the Bank :

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(Please attach a photocopy of a cheque or cancelled cheque for verifying the accuracy of the MICR code Number)

8. *11-Digit IFSC Code :

--	--	--	--	--	--	--	--	--	--	--

(Optional - Can be obtained from your banker)

Signature of the First Registered Shareholder
(As per the specimen signature with the Company / DP)

Name : _____

Address : _____

Phone No.: _____

Date : _____

Email Id : _____

* The Company, its Registrars and Bankers will make best endeavors to remit dividend through NECS. However, for non CBS branches of the banks, the IFSC Code will be utilized to remit the dividend either by National Electronic Funds Transfer (NEFT) or Real Time Gross Settlement (RTGS). The branch where you operate your bank account will assist you to provide the IFSC, a 11-digit code to enable the remittance through NEFT or RTGS.

Proxy Form
ELECON ENGINEERING COMPANY LIMITED

Registered Office : Anand Sojitra Road, Vallabh Vidyanagar 388 120, Gujarat, India

Folio No. _____ DP ID NO. _____ Client ID No. _____

No. of Shares held _____

I/We _____

_____ of member/members of the above

named Company hereby appoint Mr./Mrs. _____

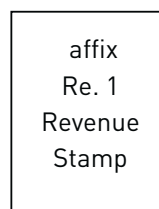
of _____ or _____ failing

him/her, Mr./Mrs. _____ of _____

as my/our proxy to vote for me/us and on my/our behalf at 52nd Annual Meeting of the Company to be held on Tuesday, 31st day of July, 2012 at 11.00 a.m. or any adjournment thereof.

Address _____

Signature



This form is to be used in favour of/against* the Resolution. Unless otherwise instructed, the proxy will act as he thinks fit.

* Please Strike out whichever is not desired.

Note : The proxy form duly signed across the Revenue Stamp of One Rupee should reach at the Company's Registered Office at least 48 hours before the date of the meeting.



ELECON ENGINEERING COMPANY LIMITED

Anand-Sojitra Road, Vallabh Vidyanagar – 388 120 Tal. & Dist. Anand, Gujarat.
Tel No. (02692) 227109, 230166, Fax No. (02692) 227020, Website : www.elecon.com

Dear Shareholder,

Sub: Green Initiative

Ministry of Corporate Affairs ("MCA") has launched a "Green Initiative in the Corporate Governance" by allowing paperless compliances by the Companies. MCA has issued circular nos. 17/2011 dt. 21-04-2011 & 18/2011 dt. 29-04-2011 stating that the service of a notice / document by a Company to its shareholders can now be made through electronic mode. In view of the above, your Company proposes to henceforth send Annual Report (Audited Financial Statements, Directors' Report, Auditors' Report, etc.,) and all communications/documents such as the Notice of the Annual General Meeting, to the shareholders in Electronic Form to the email address registered with their Depository Participants.

In order to join the initiative and to receive the documents in electronic form, kindly comply with the following:

For Shareholders holding shares in Demat Form

In case you desire to receive the aforesaid documents in electronic mode, kindly update your e-mail ID in the Demat account by contacting your Depository Participant. E-mail updated in the demat account would be used to send documents through electronic mode. If you have already registered you e-mail ID earlier, please ignore this request.

TO BE SENT DIRECTLY TO DEPOSITORY PARTICIPANT		
(i.e. Address where you have opened your Demat Account)		
DP ID / Client ID :	Name :	
E-mail ID :	Signature : _____	PAN :

For Shareholders holding shares in Physical form

In case you desire to receive the aforesaid documents in electronic mode in lieu of Physical mode, kindly update your e-mail ID with our Registrar and Share Transfer Agent, Link Intime India Private Limited by mailing your E-mail ID with the following details to vadodara@linkintime.co.in

TO BE SENT TO US BY USING BUSINESS REPLY ENVELOPE AS PRINTED ON REVERSE		
Folio No. :	Name :	
E-mail ID :	Signature : _____	PAN :

For registering your e-mail address with us, you are requested to forward us this page duly filed up along with self attested copy of your PAN Card in attached pre-paid Business Reply Envelope. You are not required to affix/pay any postage expense for dispatch of the said envelope to us.

Members who have not yet dematerialized their shares are requested to get their shares dematerialized at the earliest.

You may also send your consent in writing to our Registrar and Share Transfer Agents to the following address:

Link Intime India Private Ltd.,

Unit: **Elecon Engineering Company Ltd.,**
B- 102 and 103, Shangrila Complex, First Floor,
Opp. HDFC Bank, Near Radhakrishna Char Rasta,
Akota, Vadodara 390 020.

We at 'Elecon' appreciate the "Green Initiative" taken by MCA and trust you would help implementing the e-governance initiatives of the Government.

Thanking you,

Yours faithfully,

For Elecon Engineering Company Limited

Paresh Shukla
Company Secretary



BUSINESS REPLY ENVELOPE

**POSTAGE
WILL BE
PAID BY
ADDRESSEE**

BR-PERMIT NO. L2/And./BRP-7
V.V.NAGAR. P.O.

No
Postage
necessary
if posted
in India

To,
Company Secretary
Elecon Engineering Company Ltd.
Anand-Sojitra Road,
Vallabh Vidyanagar - 388 120,
Gujarat.

FOLD



MODEL STRUCTURE OF BHANUBHAI MEMORIAL CENTRE OF EXCELLENCE



ELECON 

Always a step ahead in technology

ELECON ENGINEERING COMPANY LIMITED
Post Box#6, Vallabh Vidyanagar 388 120, Gujarat, India
Ph. : +91 2692 237016, 236521, 236469 Fax : +91 2692 236457, 236527
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