

EIMCO ELECON (INDIA) LIMITED

**ANNUAL REPORT
2005-2006**

tribute

a t r i b u t e



Late Shri Bhanubhai I. Patel

17-03-1928 • 31-01-2006

The Patriarch has left for the ultimate abode, yet his memories will nestle in eternity.

May his life and legacy remain a guiding principle to everyone subscribing to a mission that is Life.

The passing away of our Chairman and mentor Shri Bhanubhai Patel has created a vacuum that shall take time to fill.

We'll always miss him for the values he instilled in all of us in managing our affairs with the highest standards of business ethics and social responsibilities.

His vision, integrity, dynamism and passion for perfection along with perpetual awareness towards all-round development were exemplary.

His passing away is a loss that can only be recovered, by following his footsteps.

All achievements begin with an idea!

*The soul can never be cut to pieces by any weapon,
nor burned by fire, nor moistened by water, nor withered by the wind.*

-The Gita



Society First: A man of empowerment

A perspective look at the lifespan of late Shri Bhanubhai I. Patel the founder of Elecon, will reveal a remarkable personality that created history in the national and global technosphere with an unrelenting commitment to exploit state-of-the-art technology while navigating Elecon through 55 glorious years of incessant achievements. The result; Elecon is today, India's largest manufacturer of Material Handling Equipment and Power Transmission Products. A dream that was envisaged in 1951 has blossomed in full glory.

Take a closer look and one is absorbed into the magical charm of this dynamic veteran who was a sheer source of pure energy. Even though an Arts graduate by education, he walked the technology path and strived for excellence while staying a step ahead in technology. Ahead of his time, Shri Bhanubhai not only introduced state-of-the-art technologies but also best manufacturing practices with a new approach towards total customer satisfaction.

Baptised with his love for innovative technologies and remarkable willpower Shri Bhanubhai started his career as a Sales Director in Milling Trading Company Private Limited, during which he learned the business and nurtured a dream, to one day

make it big in the industrial arena. Foremost in his mind was 'self-reliance' considering the Indian industry in context. For his pioneering spirit, it was reason enough to venture ahead with a mission to realize his dream. This was just the beginning for an individual who loved to challenge the challenge. This committed drive helped him foray into unexplored areas in the engineering world.

A noble and caring human being under a hard shell, he was a true role model for all who worked with him. A sport and art lover, he believed in doing all he did in totality and that life was nothing but an endless process to excel.

This tribute highlights some achievements of Shri Bhanubhai during his captivating years of excellence, experience, expertise and eminence, collectively; ELECON.

The Genesis

Cira 1951.

Shri Bhanubhai was born on the 17th of March 1928 and graduated in Arts from Bombay University in 1950. He joined Milling Trading Company Private Limited as Sales Director due to his affinity with technology. Before long, he realised the importance of self-reliance in the engineering industry



First ever Stacker Reclaimer installation by Elecon in India at Santaldih, West Bengal in 1960



At conference celebrating India's largest MHE contract then Neyveli Lignite Corp. in 1975

One who was always game for sport

नैनं छिन्दन्ति शस्त्राणि नैनं दहति पावकः ।
न चैनं कलेदयन्तापो न शोष्यति मारुतः ॥
भगवद् गीता



and shaped a plan to achieve the same. A moderate start for Elecon with marketing activities for equipment and accessories for Power Plants, Steel and Sugar Mills, Fertilizer Plants, Cement and the Mining industry. These primal years contained therein, infinite promises for the time to come.

In 1962, Elecon shifted its base to a thriving industrial locale of Vallabh Vidyanagar in Gujarat upon an invitation by Shri H. M. Patel (ex. Finance Minister, Government of India). The commitment to excel only grew stronger through each achievement and challenge.

Shri Bhanubhai became the Managing Director in 1968 and took rapid strides that turned Elecon into a brilliant organization in the manufacture of bulk Material Handling Equipment and Power Transmission solutions. Sales zoomed from Rs. 2.5 million in 1962 to exceed Rs. 4,400 million by the year 2005-06.

Radical Vision

The initiatives undertaken by Shri Bhanubhai made progressive impact across the Indian and overseas industry by the use of innovative solutions to heavy application industries such as Thermal Power Stations, Fertilizer Plants, Steel & Cement Plants, Mining Industry, Defence industry and more, which ultimately offered an unprecedented competitive advantage to the Indian Economy as Elecon emerged as a robust element for the growth.

The Drive

Shri Bhanubhai believed in the old adage of "If you think you can, you will" and navigated Elecon through the maze of time with dedication, drive and determination.

Incorporated at a time of uncertainty, Elecon made its mark by continuously engaging in the exploration of new horizons. Then, the

recent independence of the nation meant a time for jubilation, but was just as much, a testing time for those who dared to achieve the unachievable. For young Elecon it was a formidable task.

However, the resolute spirit in Elecon helped achieve a series of landmarks and began offering a wide gamut of engineering products like Conveyors, Material Handling Plants, Gear Transmission Products to core industry sectors including Steel, Fertilizer, Cement, Mining, Power, Ports and Defence.

Today after 55 years of relentless efforts, Elecon has established itself to be an industrial power house contributing its time, energy and skills to building India's backbone in industrial infrastructure and defence. Figuratively, there will always be a bit of Elecon across India.

First Among Equals

Over time, under the able guidance of Shri Bhanubhai, Elecon evolved into a 'one stop shop' for bulk Material Handling Equipment and Power Transmission Products. From concept to commissioning, Elecon provides the best in technology, service and quality.

With constant innovation in technology and razor sharp understanding of industry needs, it is little wonder that today, Elecon is the largest manufacturer of a composite range of bulk Material Handling Equipment and Power Transmission products in India.

Conveying systems designed, manufactured and erected to work at the rate of 20,000 tons per hour for the Neyveli Lignite Corporation is the second largest conveying system in the world.

Always A Step Ahead

Graduation in Arts made him love painting, music and sculpture, but responsibilities

of running an engineering conglomerate added the love for technology. A passion for perfection translated into constant adoption and deployment of new technology to produce better products in shorter timeframes with near-zero rejection.

Shri Bhanubhai's drive for perfection further brought about novel methods in business management. Code of ethics was introduced along with new marketing and sales practices and business process re-engineering methods.

Global Vision

With the global industry in sight, Shri Bhanubhai inculcated a perfection oriented thought process in all endeavors at Elecon; from raw material procurement to production infrastructure, manufacturing practices, adherence to quality standards and stringent quality control, commitment to research & development, marketing and total customer satisfaction.

An ISO 9001:2000 certification for the Gear Division by world renowned accreditation agency stands as a testimony to Elecon's adherence to globally accepted quality norms. Elecon's growth plan confirms to its organizational belief that excellence is a never ending marathon.

Human Resources - The Force

Shri Bhanubhai truly believed that no sword is mightier than the spirited resolve that wields it. At the heart of Elecon is a



Strategising in office



Late Shri B.I. Patel with CMD Prayasvin Patel at workshop

remarkable aspect of people bonding. Career building, constant learning and support, employee mentoring, were some of the essentials introduced and implemented in the Elecon HR policy. In the development of its people lies the motivating force that will propel Elecon into the future.

Community Initiatives

Shri Bhanubhai's efforts and contributions are beyond the confinement of corporate excellence, which find their noble presence in millions of transformed lives and social developments benefitting one and all. Being a dynamic visionary, he subscribed to the notion of absolute empowerment, which is quite axiomatic in all his community contributions. Some of the compassionate efforts he endeavoured are:

Education: Knowing that education plays a crucial role to help achieve democratic objectives, he religiously donated to building and caring such institutions including schools, collages, academic trusts and others to pave a better tomorrow.

Healthcare: To heal innocent and needy lives, Shri Bhanubhai helped establish centres with advanced facilities in hospitals and medical institutions to serve people in a caring environment.

Environment: Shri Bhanubhai remained quite emphatic on rewarding the community for the civil good and betterment as he did never limit reforms to corporate board rooms. He has played a significant role in gifting a new charm and feel to the environment by sponsoring the development of gardens, parks and environment friendly plantation drives.

Aids for National Calamities / Disasters: Needless to say, Shri Bhanubhai always remained at the forefront in aid efforts

whenever a natural calamity hit the nation by funding national aids for reconstruction and rehabilitation and unflinchingly contributed his patriotic dues.

Triumphing Chapters

In heralding an ever contemporary Elecon and to enable the organization flower into an immaculate success story, Shri Bhanubhai consistently endeavored to do more.

Established a sophisticated Gear manufacturing facility with Computerised Numerically Controlled (CNC) machines, to boost production. This CNC technology helped make Elecon a leading manufacturer of Power Transmission products including Codog Marine gearboxes for the Indian Navy.

Employment of more than 2000 people in Elecon and its associate group companies.

Promotion of joint venture companies viz. Ringspann Elecon (India) Limited in collaboration with M/s. Ringspann of Germany and Power Build Elecon Gears Limited in collaboration with M/s. SKK of Japan. Strategic alliances with multiple engineering companies in Europe across multiple product lines.

Establishment of Eimco Elecon (India) Limited by collaborating with Eimco (G.B) Limited - A division of Sandvik Mining & Construction of Sweden to manufacture state-of-the-art mining equipment.

Earning the national pride by being selected to serve national interests such as the Indian Navy and Indian Space Research Organisation.

Accomplished global heights of excellence by earning the distinct accolades of ISO 9001:2000 Certification by TUV Rheinland.

Formation of new age information technology company, Elecon Information Technology Limited to cater to Elecon group's constant drive for advanced technology.

A fact, to keep him embraced in immortality is the heritage of organisations Shri Bhanubhai brought to life. Hand picked from his genius foresightedness, he nurtured them into bright vistas able to meet every premonition he could foresee, which shall now progress as the living tribute.

The Phenomenal Era:

Elecon Engineering Company Limited - associates and group Companies:-

- Emtici Engineering Limited, Eimco Elecon (India) Limited, Power Build Limited, Prayas Castings Limited, VVN Mfg & Investa Limited, Power Build Elecon Gears Limited, Ringspann Elecon (India) Limited, Kirloskar Power Build Gears Limited, Elecon Information Technology Limited, Akaaish Mechatronics Limited, Woodpack Corporation, Elecon Singapore Pte. Limited, Elecon Africa (Pty) Limited, Elecon Australia (Pty) Limited, Elecon Middle East FZCO.

The Future

The new millennium means new challenges to be met, new horizons to be explored, new heights to be scaled and new depths to be fathomed. It's a time to brace for change and have the will to metamorphose in a new 'Avatar', as an even more progressive enterprise.

It is this time of constant change that this insurmountable loss of Shri Bhanubhai will be felt the most. But, just as most visionaries leave behind legacies, so has Shri Bhanubhai. The two legacies are, Elecon the enterprise and an able navigator in Shri Prayasvin B. Patel to lead the group in its new Avatar.

BOARD OF DIRECTORS

Mr. P.M. Patel	—	Chairman
Mr. P.B. Patel	—	Managing Director
Mr. Werner Kraher		
Mr. Hans Gass		
Mr. Hakan Kingstedt		
Mr. H.S. Parikh		
Mr. N.S. Patel		
Mr. U.M. Patel		
Mr. A.M. Deshpande	—	Wholetime Director

COMPANY SECRETARY

Mr. Nilesh D. Shelat

AUDITORS

Messrs. Talati & Talati
Chartered Accountants
Ahmedabad

BANKERS

State Bank of India
Anand

REGD. OFFICE & WORKS

Vallabh Vidyanagar
Gujarat - Pin 388 120

REGISTRAR & SHARE TRANSFER AGENTS

Mumbai Office

M/s. Intime Spectrum Registry Ltd.
C-13, Pannalal Silk Mills Compound
LBS Marg, Bhandup (W)
Mumbai - 400 078

Vadodara Office

M/s. Intime Spectrum Registry Ltd.
1st Floor, 308, Jaldhara Complex
Opp. Manisha Society
Off Old Padra Road, Vasna Road
Vadodara - 390 015

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the 32nd Annual General Meeting of EIMCO ELECON (INDIA) LTD. will be held on Tuesday, the 12th September 2006 at 11.00 a.m. at the Registered Office of the company at Vallabh Vidyanagar 388120, Gujarat state to transact the following business:

ORDINARY BUSINESS

1. To receive, consider and adopt the Audited Balance Sheet as at 31st March 2006 and Profit & Loss Account for the year ended on that date and the reports of the Directors & Auditors.
2. To declare dividend.
3. To appoint a Director in place of Mr. Hakan Kingstedt who retires by rotation and being eligible, offers himself for re-appointment.
4. To appoint a Director in place of Mr. H.S. Parikh who retires by rotation and being eligible, offers himself for re-appointment.
5. To appoint Auditors and to fix their remuneration.

SPECIAL BUSINESS

6. To consider and if thought fit, to pass, with or without modification, the following Resolution as an Ordinary Resolution.
“Resolved That Mr. A. M. Deshpande, who was co-opted as an Additional Director of the company by the Board of Directors, and who holds office under Section 260 of the Companies Act, 1956, upto the date of forthcoming Annual General Meeting, be and is hereby appointed as Director of the Company, whose period of office will be liable to retirement by rotation.”
7. To consider and if thought fit, to pass, with or without modification, the following Resolution as an Ordinary Resolution.
“Resolved That Mr. Upendrabhai Patel, who was co-opted as an Additional Director of the company by the Board of Directors, and who holds office under Section 260 of the Companies Act, 1956, upto the date of forthcoming Annual General Meeting, be and is hereby appointed as Director of the Company, whose period of office will be liable to retirement by rotation.”
8. To consider and if thought fit, to pass, with or without modification, the following Resolution as an Ordinary Resolution.
“RESOLVED THAT pursuant to the provisions of section 198, 269, 309, 310, Schedule XIII and other applicable provisions, if any, of the Companies Act, 1956, the

Company hereby approves the appointment of Mr. A.M. Deshpande as Wholetime Director of the Company for a period of 3 years with effect from 1st January 2006 on the terms and conditions, including remuneration, as are set out in the draft Agreement to be entered into by the Company with him, which agreement is hereby specifically sanctioned with authority to the Board of Directors to alter and vary the terms and conditions of the said appointment and/or Agreement in accordance with Schedule XIII to the Companies Act, 1956, and/or any amendments and/or modifications including any guidelines or notifications on managerial remuneration which may be issued or any rules that may be prescribed by the Central Government from time to time or as may be varied by the General Meeting and as may be acceptable to the appointee.

RESOLVED FURTHER THAT the Board of Directors of the Company be and is hereby authorized to take such steps as may be necessary to give effect to this resolution.”

9. To consider and if thought fit, to pass, with or without modification, the following Resolution as an Ordinary Resolution.

“RESOLVED THAT pursuant to the provisions of section 198, 269, 309, 310, Schedule XIII and other applicable provisions, if any, of the Companies Act, 1956, the Company hereby approves the appointment of Mr. P.B.Patel as Managing Director of the Company for a period of 3 years with effect from 1st April 2006 on the terms and conditions, including remuneration, as are set out in the draft Agreement to be entered into by the Company with him, which agreement is hereby specifically sanctioned with authority to the Board of Directors to alter and vary the terms and conditions of the said appointment and/or Agreement in accordance with Schedule XIII to the Companies Act, 1956, and/or any amendments and/or modifications including any guidelines or notifications on managerial remuneration which may be issued or any rules that may be prescribed by the Central Government from time to time or as may be varied by the General Meeting and as may be acceptable to the appointee.

RESOLVED FURTHER THAT the Board of Directors of the Company be and is hereby authorized to take such steps as may be necessary to give effect to this resolution.”

Registered office :
Anand-Sojitra Road
Vallabh Vidyanagar
Gujarat-388120

By order of the Board

Dated : 27th June 2006

Nilesh D.Shelat
Company Secretary

NOTES:

- A. A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT A PROXY/PROXIES TO ATTEND AND VOTE INSTEAD OF HIMSELF. THE PROXY NEED NOT BE A MEMBER OF THE COMPANY. THE PROXY/ PROXIES FORM/S IN ORDER TO BE EFFECTIVE SHOULD BE DEPOSITED WITH THE COMPANY NOT LESS THAN 48 HOURS BEFORE THE MEETING.
- B. The Register of members & Share transfer Books of the Company will be closed From 18-8-2006 to 29-8-2006. (both days inclusive).
- C. The payment of dividend on equity shares as recommended by the directors for the Year ended 31st March, 2006 when declared at the meeting will be paid:
1. to those members whose names appear in the Register of Members of the Company on 18-8-2006.
 2. in respect of shares held in electronics form, to those "deemed members" whose

names appear on the statements of beneficial ownership furnished by National Securities Depository Limited (NSDL) and Central Depository Services (India) Ltd. (CDSL) at the end of business hours on 17-8-2006.

- D. The members desiring to have any information on accounts are requested to write to the Company Secretary atleast one week in advance of the meeting to enable the Company to keep the information ready.
- E. The members are requested to bring with them their copy of Balance Sheet as no arrangement has been made to distribute additional copies as a measure of economy.

Registered office :
Anand-Sojitra Road
Vallabh Vidyanagar
Gujarat-388120

By order of the Board

Dated : 27th June 2006

Nilesh D. Shelat
Company Secretary

ANNEXURE TO THE NOTICE

Explanatory Statement pursuant to section 173(2) of the Companies Act,1956.

1. Item No. 6

Mr.A.M.Deshpande was appointed as an Additional Director with effect from 1st January, 2006 pursuant to Section 260 of the Companies Act,1956. Mr.A.M.Deshpande holds office upto the date of the ensuing Annual General Meeting. The Company has received notice under section 257 of the Companies Act, 1956 together with requisite deposit, signifying the intention to propose the name of Mr.A.M.Deshpande for appointment as director liable to retire by rotation.

Considering his extensive knowledge, business skills and managerial experience, the Board considers that the appointment of Mr.A.M.Deshpande will be in the interest of the Company and therefore, recommends the proposed resolution for approval.

Except Mr. A. M. Deshpande none of the Directors shall be deemed to be concerned or interested in the proposed resolution.

2. Item No.7

Mr.Upendrabhai Patel was appointed as an Additional Director with effect from 1st January, 2006 pursuant to Section 260 of the Companies Act,1956. Mr.Upendrabhai Patel holds office upto the date of the ensuing Annual General Meeting. The Company has received notice under section 257 of the Companies Act, 1956 together with requisite deposit, signifying the intention to propose the name of Mr. Upendrabhai Patel for appointment as director liable to retire by rotation.

Considering his extensive knowledge, business skills and managerial experience, the Board considers that the appointment of Mr.Upendrabhai Patel will be in the interest of the Company and therefore, recommends the proposed resolution for approval. Mr. Upenrabhai Patel was not holding any Equiry Share of the Company prior to his appointment.

Except Mr. Upendrabhai Patel none of the Directors shall be deemed to be concerned or interested in the proposed resolution.

3. Item No. 8

The Board of Directors of the Company at its Meeting held on 23rd December 2005, appointed Mr. A. M. Deshpande as Wholetime Director of the Company subject to the approval of the Company in General Meeting and subsequently, the Remuneration Committee at its Meeting held on 30-01-2006 has also approved the remuneration package of Mr. A. M. Deshpande.

The terms and conditions of Mr. A.M. Deshpande's appointment, including remuneration, are as follows:

Tenure:

For a period of 3 years with effect from 1st January, 2006 to 31st December 2008.

Remuneration:

- (a) Salary : Rs. 2,00,000/- per month.
- (b) Commission: In addition to salary, one percent commission on the net profits of the Company computed in the manner laid down in Section 309(5) of the Companies Act, 1956 subject to a ceiling of Rs.7 Lacs per annum whichever is less.
- (c) Perquisites:
 - (1) Company's contribution to provident Fund, Superannuation Fund, Gratuity payable at the rate not exceeding half a month's salary for each completed year of service and encashment of earned leave shall not be included in computation of perquisites.
 - (2) Car for use on Company's business and telephone and other communication

facilities at residence will not be considered as perquisites.

Minimum Remuneration: Notwithstanding anything herein contained, where in any financial year during the currency of tenure of the Wholetime Director, the Company has no profits or the profits are inadequate, the Company will pay remuneration by way of salary and perquisites as stated above but shall not exceed the limits prescribed under Schedule XIII to the Companies Act, 1956 and other provisions thereof or any amendments, variations, modifications or enactment.

All other terms and conditions remain unchanged.

The Wholetime Director so long as he functions as such, shall not be paid any sitting fees for attending meeting of the Board of Directors or Committees thereof.

None of the Directors of the Company is in any way deemed to be concerned or interested in the aforesaid resolution except Mr. A.M.Deshpande.

Mr. A. M. Deshpande holds Directorship in Eimco Elecon Electricals Ltd.

This explanation together with the accompanying notice may be treated as an abstract of the terms of appointment of Wholetime Director under Section 302 of the Companies Act, 1956.

Approval of the shareholders under Section 269 read with Schedule XIII to the Companies Act, 1956, is required for appointment of a Wholetime Director and payment of remuneration to him. Hence, the Board of Directors recommends Resolution No.8 for your approval.

4. Item No.9

Mr. P.B. Patel born on 3rd April 1958, had his education in Vallabh Vidyanagar and obtained Bachelor of Mechanical Engineering Degree from Sardar Patel University, Vallabh Vidyanagar in First Class with Distinction. Thereafter, he obtained Master of Business Administration Degree from Loyala University, USA.

Mr. P.B. Patel has started his career as a Sales Director of Prayas Castings Pvt. Ltd. Thereafter, he joined Elecon Engineering Co. Ltd. as Joint Managing Director on 1st July 1983. From 1st July 1993, he has taken over the responsibility of Managing Director of the Company. He has 30 years of experience in Engineering Industry.

Mr. P.B. Patel holds Directorship in Power Build Limited, Power Build Elecon Gears Limited, VVN Mfg. & Investa Limited, Prayas Castings Limited, PWH Materials Handling Limited, Narmada Travels Limited, Ringspann Elecon (India) Limited, Kirloskar Power Build Gears Limited, Akaash Mechatronics Limited, Elecon Information Technology Limited, Maduban Prayas Resorts Limited and Marck Parenterals India Limited.

The Directors have at their Meeting held on 28th March, 2006 appointed Mr. P B. Patel as Managing Director, for a period 3 years with effect from 1st April, 2006, on the following terms and conditions, subject to the approval of the Company in General Meeting. Subsequently, the Remuneration Committee at its Meeting held on 28th March 2006 has also approved the remuneration package of Mr. P.B. Patel.

Tenure:

For a period of 3 years with effect from 1st April, 2006 to 31st March, 2009.

Remuneration:

- (a) Salary : Rs. 2,50,000/- per month.
- (b) Commission : As may be decided by the Board of Directors at the end of each year calculated with reference to the net profit of the Company during the financial year, subject to overall ceiling as prescribed in Section 198 and 309 of the Companies Act, 1956.
- (c) Perquisites & Allowances : In addition to salary, the Managing Director shall be entitled to perquisites and benefits like accommodation (furnished or otherwise) or House Rent Allowance in lieu thereof,

maintenance and upkeep, payment of actual expenses for gas, electricity, water, reimbursement of actual expenditure on medical treatment for self and family, leave travel for self and family, club fees, medical/accident insurance and such other perquisites subject to overall ceiling of remuneration stipulated in Sections 198 and 309 of the Companies Act, 1956.

Company's contribution to Provident Fund, Superannuation Fund, Gratuity payable at the rate not exceeding half a month's salary for each completed year of service and encashment of earned leave at the end of tenure shall not be included in computation of perquisites.

Car for use on Company's business and telephone and other communication facilities at residence will not be considered as perquisites.

Minimum Remuneration: Notwithstanding anything herein contained, where in any financial year during the currency of tenure of the Managing Director, the Company has no profits or the profits are inadequate, the Company will pay remuneration by way of salary and perquisites as stated above but shall not exceed the limits prescribed under Schedule XIII to the Companies Act, 1956 and

other provisions thereof or any amendments, variations, modification or re-enactment.

All other terms and conditions remain unchanged.

The Managing Director shall not be paid any sitting fees for attending meetings of the Board of Directors or Committees thereof.

Mr. P.B.Patel is concerned or interested in the resolution as it relates to him.

Mr. P.M.Patel, Director of the company, being relative of Mr. P. B. Patel is interested or concerned in the resolution. None of other Directors is interested or concerned in the aforesaid resolution.

This explanation together with the accompanying notice may be treated as an abstract of the terms of appointment of Managing Director under Section 302 of the Companies Act, 1956.

Registered Office
Anand-Sojitra Road
Vallabh Vidyanagar
Gujarat-388120

Date: 27th June 2006

By order of the Board

Nilesh D. Shelat
Company Secretary

DIRECTORS' REPORT

To:
The Members of EIMCO ELECON (INDIA) LTD.

The Directors have pleasure in presenting their 32nd Annual Report together with the Audited Statement of Accounts of the company for the year ended 31st March 2006.

1. FINANCIAL RESULTS

	31-03-2006	31-03-2005
	(Rs.)	(Rs.)
Profit before Depreciation, & Provision for Taxation	191,254,311	199,235,744
Less: Depreciation	67,021,536	59,314,109
PROFIT BEFORE TAX	124,232,775	139,921,635
Less: Provision for Taxation and Deferred Tax and Fringe Benefit Tax	41,827,601	52,406,673
PROFIT AFTER TAX	82,405,174	87,514,962
Add: Balance brought forward from last year	22,747,936	28,302,658
	105,153,110	115,817,620
APPROPRIATED AS		
Proposed DIVIDEND	20,189,348	20,189,348
Tax on distributed Profit	2,831,556	2,880,336
Transfer to General Reserve	60,000,000	70,000,000
Balance Carried Forward	22,132,206	22,747,936
Total	105,153,110	115,817,620

2. PERFORMANCE

During the year under review, the Company has achieved the turnover of Rs. 931.71 million (previous year Rs. 1008.20 million). The net profit stood at Rs.82.40 million (previous year Rs. 87.51 million).

3. DIVIDEND

Your directors recommend for your consideration a dividend of 35% for the year ended 31st March, 2006.

4. INSURANCE

The whole of the properties of the company have been suitably insured.

5. FIXED DEPOSITS

Thirteen Deposits aggregating to Rs.147,000 though matured were not claimed as on 31st March 2006.

6. DIRECTORS

Your Directors express their profound grief on the sad demise of Shri Bhanubhai I.Patel, the beloved Chairman of the Company, on 31st January, 2006 and pay glowing tributes to his vision and entrepreneurial spirit and for the immense contribution made by him for the Company.

Shri Hakan Kingstedt and Shri H. S. Parikh retire by rotation and, being eligible, offer themselves for reappointment. A brief profile of these Directors is appearing in Annexure 4 to this Report.

Shri Upendrabhai M. Patel was appointed as Additional Director on 23rd December 2005. Shri A.M. Deshpande was appointed as Additional Director on 1st January 2006. As per the provisions of Section 260 of the Companies Act, 1956, these Directors hold office only upto to the date of the forthcoming Annual General Meeting of the Company. The Company has received notices proposing the above persons as candidates for the office of Director.

7. DELISTING FROM AHMEDABAD AND VADODARA STOCK EXCHANGES

The Equity shares of the Company have been voluntarily delisted from the Ahmedabad Stock Exchange Limited with effect from 2nd January, 2006 and from Vadodara Stock Exchange Ltd with effect from 27th February, 2006 pursuant to the approval received from the Exchanges, in accordance with the SEBI (Delisting of Securities) Guidelines, 2003.

8. DISCONTINUATION OF SEGMENT REPORTING

The company was doing trading activities of imported undercarriage parts. However, since this trading activity was not so remunerative, the company has stopped this business. Accordingly, the Board of Directors have decided to discontinue this business segment reporting with effect from 1st April 2005.

9. DIRECTORS' RESPONSIBILITY STATEMENT

The Board of Directors of your Company state:

1. that in the preparation of the annual accounts, the applicable accounting standards have been followed along with proper explanation relating to material departures;
2. that the directors have selected such accounting policies and applied them consistently and made judgements 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 or loss of the Company for that period;
3. that the directors have taken proper and sufficient care of the maintenance of adequate accounting records in accordance with the provisions of this Act for safeguarding the assets of the company and for preventing and detecting fraud and other irregularities;
4. that the directors have prepared the annual accounts on a going concern basis.

10. MANAGEMENT'S DISCUSSION AND ANALYSIS

A detailed review of the operations, performance and future outlook of the Company is given in the Management's Discussion and Analysis appearing as Annexure 5 to this Report.

11. CORPORATE GOVERNANCE

Your Company has always striven to incorporate appropriate standards for good Corporate Governance. It has taken adequate steps to ensure that the provisions of Corporate Governance as prescribed under the Listing Agreements with the Stock Exchanges, are complied with.

A detailed report on Corporate Governance is appearing as Annexure 3 to this Report along with the Auditors' Certificate on its compliance by the Company.

12. PERSONNEL

Industrial relations in the Company were cordial throughout the year under review. The Board of Directors of the Company wishes to place on record its sincere appreciation for the continued support and good work of all employees.

As required by the provisions of Section 217 (2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules, 1975, as amended, the names and other particulars of the employees are set out in the Annexure 1 to the Directors' Report.

13. CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION AND FOREIGN EXCHANGE EARNING & OUTGO

The particulars required to be disclosed in this report pursuant to the provision of Section 217(1)(e) of the Companies Act, 1956 and the Companies (Disclosure of particulars in the Report of Board of Directors) Rules, 1988 are given in Annexure 2 forming part of this report.

14. AUDITORS

The Company's Auditors, Messrs Talati & Talati, retire and being eligible, offer themselves for reappointment. The members are requested to appoint Auditors for the current year and fix their remuneration.

15. ACKNOWLEDGEMENT

The Board records its thanks to the Company's Bankers, Financial Institutions, Government, Collaborators and other agencies for their support extended to the Company and look forward to their continued support.

For and on behalf of the Board

P.B. Patel
Managing Director

A.M. Deshpande
Wholetime Director

Place : Mumbai

Date : 27th June 2006

ANNEXURE –1 TO DIRECTORS’ REPORT- ITEM NO.12

Information pursuant to Section 217 (2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules 1975 and forming part of the Directors’ Report for the financial year ended 31st March 2006.

(A) Name of employee employed throughout the year

Sr No	Name	Age Yrs	Qualification	Date Of Joining	Designation	Nature Of Duty	Remuneration Received		Experience (yrs)	Last Employment & Designation
							Gross	Net		
1.	Mr.A.M Deshpande	56	BE (Mechanical) ME (Machine Design)	10-10-03	Whole time Director	Overall Management	2,897,947	2,171,271	33	L & T Case Equipment Pvt. Ltd (Sr. Deputy General Manager - Engg.)

(B) Name of employee employed for part of the year

2.	Mr. B.I. Patel	78	B.A.	1-9-93	Chairman & Managing Director	Overall Management	6,983,873	4,588,071	59	Elecon Engg. Co. Ltd. Chairman & Managing Director
----	----------------	----	------	--------	------------------------------	--------------------	-----------	-----------	----	---

Notes:

1. The appointment of both the above Directors are contractual.
2. Gross remuneration received includes Salary, Commission, House Rent Allowance/rent paid, Medical Expenses, Company’s contribution to Provident Fund, Superannuation and Gratuity Fund, Retirement Benefits, monetary value of perquisites in accordance with the provision of the Income Tax Act, 1961.
3. Experience includes number of years service elsewhere, wherever applicable.
4. Mr. B.I. Patel was a relative of Mr. P.B. Patel & Mr. P. M. Patel.

ANNEXURE – 2 TO DIRECTORS’ REPORT-ITEM NO.13

Particulars required to be disclosed in the report of Board of Directors pursuant to section 217(1)(e) of the Companies Act, 1956 and the Companies (Disclosure of Particulars in the Report of Board of Directors) rules 1988, and forming part of the Directors’ report for the year ended 31st March, 2006.

[A] Conservation of energy :

The steps taken in respect of energy conservation are, provision of capacitors for electric supply system to improve power factors, replacement of sodium vapour lamps in place of mercury vapour lamps, reduction in ceiling height by providing false ceiling and insulation with thermocole wherever required, preventive maintenance, switching off power supplies during recess/lunch time. These continuous & cautious efforts have saved energy cost to the company.

[B] Technology absorption :

Form B (rule 2)

Research & Development (R&D)

The Company has a Government recognized R & D Department. It is manned with well qualified personnel and equipped with Computer Aided Design System.

1. Benefit derived as a result of the above R&D:

R&D efforts have helped bring out improvements in processes, product design and operating efficiencies. Indigenous development & supply of the underground mining machinery saved the country a sizable amount of foreign exchange, besides availability of machines at shorter notice.

2. Future plan of action:

Continuous measures are being taken to achieve indigenisation of existing machines and efforts are put to introduce new models suitable to Indian mining conditions.

3. Expenditure :

- 1. Capital : Rs. Nil
 - 2. Recurring : Rs 4,902,435
 - 3. Total R & D expenditure
- Percentage of total turnover : 0.53%

[C] Technology absorption, adaptation & innovation:

1. Efforts, in brief, made towards technology absorption, adaptation & innovation:

The technologies so far imported by the Company have been absorbed and adapted/ innovated to suit them to the Indian mining conditions by the active involvement of our R & D Department.

2. Benefits derived as a result of above efforts:

Absorption, adaptation & innovation of imported technology have lead to less dependence on imports of these products. This has saved a considerable amount of foreign exchange & cost of production.

3. Technology imported:

[a] Year of Imports: The company has signed one Collaboration Agreement in 2004 as mentioned below:

Agreement dated 2-7-2004 with Voest-Alpine Bergtechnik Ges.m.b.H., Austria for manufacture of ACM-10-continuous miner.

[b] Whether technology fully absorbed:

Transfer of Technology for the above mentioned product is in progress.

[D] Foreign exchange earning & outgo:

1. During the year the Company has exported goods worth Rs 39,176,103 and continues to make efforts to push up exports. The Company has also earned commission to the extent of Rs. 223,995.

2. Foreign Exchange used & earned:

<u>Used</u>	<u>Earned</u>
Rs. 366,123,477	Rs. 39,400,098

For and on behalf of the Board

1. Capital : Rs. Nil

P.B. Patel

A.M. Deshpande

2. Recurring : Rs 4,902,435

Managing Director

Wholetime Director

3. Total R & D expenditure

Place : Mumbai

Percentage of total turnover : 0.53%

Date : 27th June 2006

Corporate Governance Report

Annexure 3 to the Directors' Report - Item No. 11

1. Company's philosophy

The Company is committed to good Corporate Governance. The mandatory requirement of Clause 49 of the Listing Agreement with the Stock Exchanges have been fully implemented by your Company. The Company firmly believes in the rights of its stakeholders to information regarding the Company's business and financial performance.

2. Board of Directors (the Board)

During the year 2005-2006, 7 Board Meetings were held i.e. on

22nd April 2005

15th June 2005

30th July 2005

22nd October 2005

23rd December 2005

30th January 2006

28th March 2006

Sr. No	Name of the Director	Category of Director-ship	No. of Board Meetings attended out of 7 held	Attendance at last AGM held on 28th Sep.05	No. of other Director-ships in other companies (excluding Directorships in foreign and private companies)	No. of Committee positions held in other public companies	
						Member	Chairman
1.	Mr. B.I. Patel	CMD-P	6	Yes	Nil	Nil	Nil
2.	Mr. P.B. Patel	NED-P	7	Yes	14	Nil	Nil
3.	Mr. H.S. Parikh	NED (I)	7	Yes	3	4	4
4.	Mr. P.M. Patel	NED (P)	4	No	2	4	Nil
5.	Mr. N.S. Patel	NED (I)	6	Yes	1	Nil	Nil
6.	Mr. Hans Gass	NED (P)	2	No	Nil	Nil	Nil
7.	Mr. Werner Kraher	NED (P)	1	No	Nil	Nil	Nil
8.	Mr. Hakan Kingstedt	NED(P)	3	No	2	Nil	Nil
9.	Mr. U.M. Patel	NED(I)	2	No	4	1	Nil
10.	Mr. A.M. Deshpande	WTD	2	No	1	Nil	Nil

CMD : Chairman & Managing Director

P : Promoter

NED (I) : Non Executive Director (Independent)

WTD : Wholetime Director

Personal Shareholding of Non-Executive Directors is as follows:

No. of Equity shares as at the year end

Mr. P.B. Patel	3630 Shares
Mr. P.M. Patel	150 Shares
Mr. H.S. Parikh	300 Shares
Mr. Hans C. Gass	NIL
Mr. Werner Kraher	NIL
Mr. Hakan Kingstedt	NIL
Mr. N.S. Patel	NIL
Mr. U.M. Patel	NIL

3. Audit Committee

At the meeting held on 31st January 2001, the Board of Directors have appointed an Audit Committee comprising of following Directors :

Mr. H.S. Parikh (Chartered Accountant)	Chairman	Non-Executive and Independent Director
Mr. P.B. Patel	Member	NED-P
Mr. N.S. Patel	Member	NED-I

The Wholetime Director, Company Secretary, Head of Accounts, Internal Auditors and Statutory Auditors are invitees to the Meetings.

Meetings and attendance during the year :

Members	Attendance at Committee Meeting held on			
	11 th June 2005	22 nd October 2005	30 th January 2006	28 th March 2006
Mr. H.S. Parikh	Yes	Yes	Yes	Yes
Mr. N.S. Patel	Yes	Yes	Yes	Yes
Mr. P.B. Patel	Yes	Yes	Yes	Yes

4. Remuneration Committee

With effect from 21st July 2001, the Board of Directors has appointed a Remuneration Committee comprising of following Directors :

Mr. H.S. Parikh (Chartered Accountant)	Chairman	Non-Executive and Independent Director
Mr. P.B. Patel	Member	NED-P
Mr. N.S. Patel	Member	NED-I

Meetings and attendance during the year :

Members	Attendance at Committee Meeting held on		
	11 th June 2005	30 th January 2006	28 th March 2006
Mr. H.S. Parikh	Yes	Yes	Yes
Mr. N.S. Patel	Yes	Yes	Yes
Mr. P.B. Patel	Yes	Yes	Yes

The details of remuneration paid to Managing Director and Wholetime Director are as under :

Name	Salary (Rs.)	Perquisites (Rs.)	Commission	Total (Rs.)	Period of contract
Mr. B.I. Patel Managing Director	Rs. 200,000 p.m. upto 31-12-2005	To be determined by the Remuneration Committee at the end of each financial year subject to overall ceiling of the Companies Act, 1956	To be determined by the Remuneration Committee at the end of each financial year subject to overall ceiling of the Companies Act, 1956	1,800,000+ 574,874+ <u>1,850,000</u> 4,224,874	3 years from 01-09-05 to 31-08-08
Mr. A.M. Deshpande Wholetime Director	Rs. 200,000 p.m. from 01-01-2006	Nil	1% of net profit of the company or Rs.700,000 which ever is lower	600,000+ <u>175,000</u> <u>775,000</u>	3 years from 01-01-06 to 31-12-08
Bonus				Nil	
Stock Options				Nil	
Pension				Nil	
Others				Nil	

The Non-Executive Directors do not draw any remuneration from the Company other than sitting fees for attending Board/Committee Meetings.

The details of remuneration paid to Non-Executive Directors are as under :

Name	Sitting Fees		Total (Rs.)
	Board Meeting	Committee Meeting	
Mr.B.I.Patel	10,000	Nil	10,000
Mr. P.B. Patel	70,000	70,000	140,000
Mr. N.S. Patel	60,000	70,000	130,000
Mr. P.M. Patel	40,000	Nil	40,000
Mr. H.S. Parikh	70,000	70,000	140,000
Mr. Hans Gass	20,000	Nil	20,000
Mr. Werner Kraher	10,000	Nil	10,000
Mr.Hakan Kingstedt	30,000	Nil	30,000
Mr.U.M. Patel	20,000	Nil	20,000

5. Investors Grievance Committee / Shareholders Committee

With effect from 21st July 2001, the Board of Directors has appointed an Investors Grievance Committee/ Shareholders Committee comprising of following Directors :

Mr. H.S. Parikh	Member	Non-Executive and Independent Director
Mr. P.B. Patel	Member	NED-P
Mr. N.S. Patel	Chairman	NED-I
Mr. N.D. Shelat	Secretary & Compliance Officer	Company Secretary
i.	No. of shareholders complaints received so far	Nil
ii.	No. of complaints not solved to the satisfaction of the shareholders	Nil
iii.	No. of pending share transfers	Nil

6. General Body Meetings

Year	Venue	Date	Time
2004-2005	Registered Office at Vallabh Vidyanagar, Gujarat	28-09-2005	03.00 p.m.
2003-2004	-do-	03-09-2004	03.00 p.m.
2002-2003	-do-	27-09-2003	03.00 p.m.

In any of the above three years, no special resolution was put through voting or postal ballot.

7. Disclosures

	Disclosures	
i.	Materially significant related party transactions.	There are no materially significant transactions made by the Company with its promoters, directors or the management, their subsidiaries or relatives, etc. which have potential conflict with the interests of the company at large.
ii.	Details of non compliance by the company, penalties, strictures imposed on the company by the Stock Exchange or SEBI or any authority on any matter related to capital markets during last 3 years.	Nil
iii.	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.
iv.	Compliance of mandatory and non- mandatory Requirement of Clause 49	The Company has complied with all the mandatory requirements of Clause 49 and has also complied with one of the non-mandatory requirement viz, setting up of Remuneration Committee.

8. CEO/CFO Certification

The Managing Director and the Chief Financial Officer of the company has certified to the Board as required.

9. Means of Communication

i.	Half yearly report sent to each shareholders residence.	No
ii.	In which newspapers quarterly results were normally published.	Asian Age(English) Janasatta (Gujarati)
iii.	Any website where results or official news are displayed.	www.eimcoelecon.co.in
iv.	The presentation made to institutional investors or to the analysts.	No.
v.	Whether Management Discussion and Analysis is part of Annual Report or not	Yes, contained in the Directors' Report

10. General Shareholder Information

i.	AGM – date, time and venue	12 th September, 2006 at 11.00 a.m. at Regd. Office Vallabh Vidyanagar
ii.	Financial year	2005-2006 (year ending 31-3-2006)
iii.	Book Closure Date	18-8-2006 to 29-8-2006
iv.	Dividend payment date	16-9-2006

v. Listing on Stock Exchanges

The company's shares are listed on the following stock exchanges :

Vadodara Stock Exchange Ltd. (Regional)
Fortune Towers
Dalal Street
Sayagi Gunj
Vadodara – 390 005 (delisted w.e.f. 27-02-2006)

Bombay Stock Exchange Limited
P.J. Towers
25th Floor
Dalal Street
Mumbai – 400 001

The Stock Exchange, Ahmedabad
Kamdhenu Complex
Opp. Sahajanand College
Near Polytechnic
Panjara Pole
Ahmedabad – 380 015 (delisted w.e.f 2-01-2006)

The National Stock Exchange of India Ltd.
Exchange Plaza, 5th floor
Plot No. C/1, G Block
Bandra-Kurla Complex
Bandra (E)
Mumbai - 400 051

The listing fee for the year 2005-2006 for all the above Stock Exchanges have been paid in time and there being neither de-listing nor suspension of company's shares from trading during the period under review.

vi. Stock Code

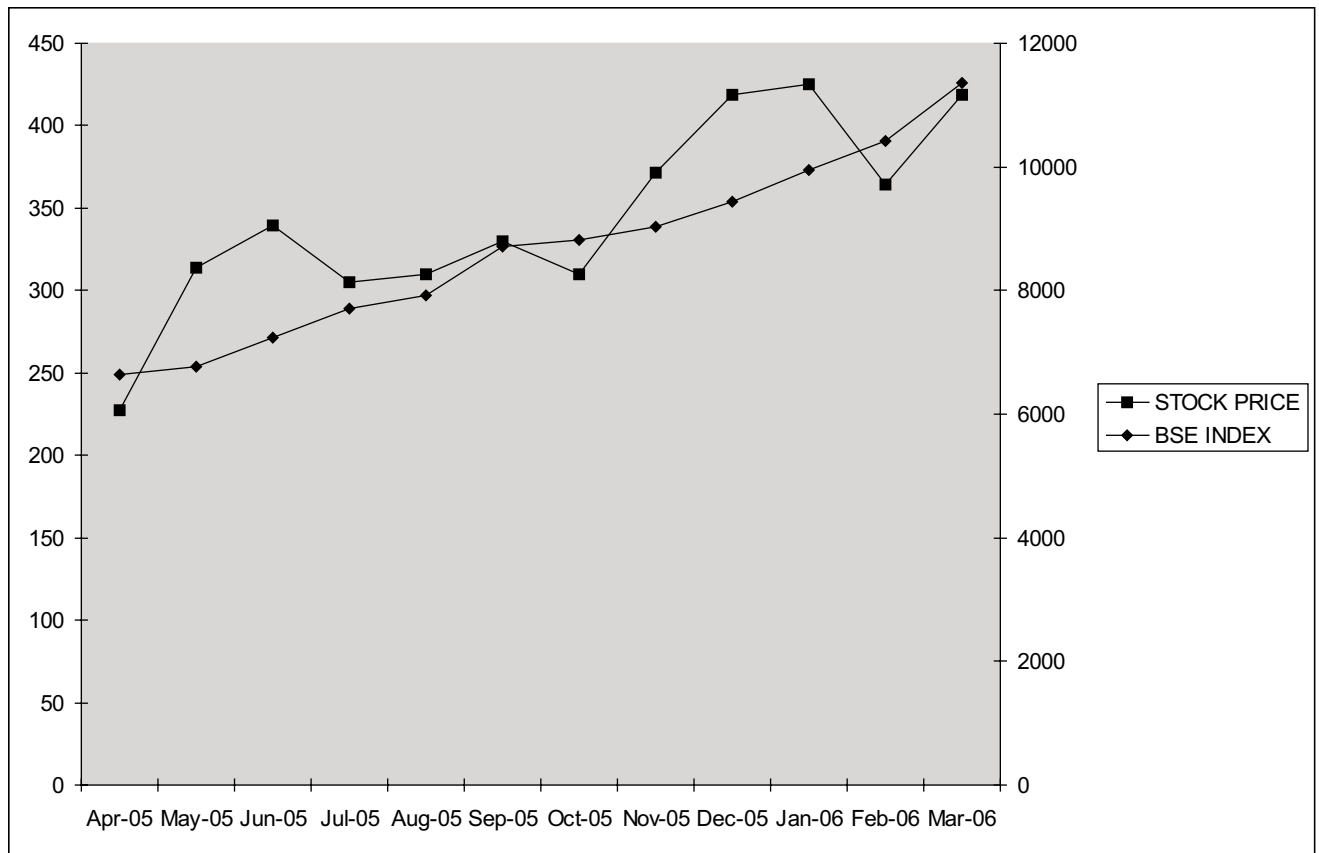
The Stock Code of company's shares is as follows :

Name of the Stock Exchange	Code No.
Vadodara Stock Exchange Ltd.	23708
Ahmedabad Stock Exchange	15370
Bombay Stock Exchange Ltd.	523708
National Stock Exchange of India Ltd.	EIMCOELECO EQ
ISIN No. for Shares in Demat mode	INE 158B01016

vii. Market Price Data

Month	Bombay Stock Exchange Ltd.			BSE Index		National Stock Exchange of India Ltd.		
	High (Rs.)	Low (Rs.)	Volume	High	Low	High (Rs.)	Low (Rs.)	Volume
Apr 2005	227.80	180.50	36810	6649.42	6118.42	224.70	181.00	40820
May 2005	314.00	201.00	124281	6772.74	6140.97	315.00	201.00	97994
Jun 2005	339.70	261.10	95405	7228.21	6647.36	341.00	265.00	66982
Jul 2005	305.25	254.10	36072	7708.59	7123.11	306.45	259.50	27538
Aug 2005	309.75	253.25	49465	7921.39	7537.50	308.90	265.00	39300
Sep 2005	330.00	265.00	62257	8722.17	7818.90	329.00	266.50	40931
Oct 2005	309.80	260.00	31623	8821.84	7656.15	313.00	262.10	10596
Nov 2005	371.25	285.00	65400	9033.99	7891.23	370.00	274.10	54938
Dec 2005	419.00	325.00	69309	9442.98	8769.56	416.00	325.25	42405
Jan 2006	425.00	350.00	28447	9945.19	9158.44	425.00	362.05	7896
Feb 2006	364.00	302.00	35856	10422.65	9713.51	364.00	298.10	17991
Mar 2006	419.00	327.00	176119	11356.95	10344.26	405.80	330.00	53172

viii. Index graph



ix. Share Transfer System

No. of transfers during the year : 142
 No. of shares transferred : 15100

x. Distribution of shareholding as on 31-03-2006 :

Shares held	No. of Share holders	% of share holders	No. of Shares held	% of Share holding
1-250	4141	89.36	457467	7.93
251-500	236	5.09	88818	1.54
501-1000	110	2.37	90732	1.57
1001-2000	72	1.55	105298	1.83
2001-3000	24	0.52	58717	1.02
3001-4000	10	0.22	35271	0.61
4001-5000	9	0.19	41352	0.72
5001-10000	10	0.22	69122	1.19
10001 & above	22	0.48	4821608	83.59
Total	4634	100.00	5768385	100.00

xi. Shareholding Pattern as at 31st March 2006

	Category	No. of shares held	% of Shareholding
A	Promoter's holding		
1.	-Indian promoters	2756965	47.79
	-Foreign Promoters	1447875	25.10
2.	-Persons acting in concert	9030	0.16
	Sub-total	4213870	73.05
B.	Non-Promoters Holding		
3.	Institutional investors		
a.	Mutual Funds and UTI Banks, Financial Institutions, Insurance companies (Central/State Government Institutions /Non-Government Institutions)	32097	0.56
b.	Foreign Institutional Investors	374448	6.49
	Sub-total	406545	7.05
4.	Others		
a.	Private corporate bodies	62218	1.08
b.	Indian Public	1055600	18.30
c.	Non-Resident Indians	23656	0.41
d.	Any other (clearing members)	6496	0.11
	Sub-total	1147970	19.90
	GRAND TOTAL	5768385	100.00

xii. Dematerialization of shares and liquidity.

As directed by SEBI, trading in the shares of the company have compulsorily to be in dematerialized form for all the investors with effect from 26-6-2000.

As on 31st March 2006, 70.78% (40,83,245 Shares) have been dematerialized.

xiii. Outstanding GDR/ADR/Warrants or convertible instruments :

Nil

xiv. Plant location : Eimco Elecon (India) Ltd.
Anand-Sojitra Road
Vallabh Vidyanagar – 388 120
Dist. Anand, Gujarat

xv. Address for correspondence: As above

xvi. Registrar & Share Transfer Agents

Mumbai Office:
M/s. Intime Spectrum Registry Ltd.
C-13, Pannalal Silk Mills Compound
LBS Marg, Bhandup (W)
Mumbai-400 078

Vadodara Office
M/s. Intime Spectrum Registry Ltd.
1st floor, 308, Jaldhara Complex
Opp. Manisha Society
Off Old Padra Road, Vasna Road
Vadodara – 390 015

Note on appointment or reappointment of Directors :

Annexure 4 to the Directors' Report - Item No. 6

1. Mr.Hakan Kingstedt

The Board had appointed Mr. Hakan Kingstedt as a Director of the company with effect from 13th October 2003, liable to retire by rotation. Mr. Hakan Kingstedt is due to retire by rotation at the forthcoming Annual General Meeting of the Company and, being eligible, offers himself for re-appointment. His other Directorships and Committee Memberships of other companies are as under:

Company	Position	Committee Memberships	Chairman/Member
Sandvik Asia Ltd.	Managing Director	NIL	NIL
Sandvik Smith Asia Ltd.	Director	NIL	NIL

2. Mr. H.S. Parikh

The Board had appointed Mr. H.S. Parikh as a Director of the company with effect from 9th May 1992, liable to retire by rotation. Mr. H.S. Parikh is due to retire by rotation at the forthcoming Annual General Meeting of the Company and, being eligible, offers himself for re-appointment.

Mr. H.S. Parikh is Chartered Accountant and 79 years of age. His other Directorships and Committee Memberships of other companies are as under:

Company	Position	Committee Memberships	Chairman/Member
Elecon Engg. Co. Ltd.	Director	Audit Committee Remuneration Committee Shareholders/Investors' Grievance Committee	Chairman Chairman Member
Simplex Castings Ltd.	Director	Audit Committee Remuneration Committee Transfer –cum–Shareholders'/Investors' - Grievance Committee	Member Member Member
Supreme Industries Ltd.	Director	Audit Committee Remuneration Committee	Chairman Chairman

3. Mr. Upendrabhai M. Patel

Mr. Upendrabhai M. Patel was appointed as an additional Director of the Company with effect from 23-12-2005. He is B.SC & M.B.A. His other Directorships and Committee Memberships of other companies are as follows:

Company	Position	Committee Memberships	Chairman/Member
Shri Dinesh Mills Ltd.	Managing Director	Nil	-
Elecon Engineering Co. Ltd.	Director	Nil	-
Gujarat JHM Hotels Ltd.	Director	Audit Committee	Member
Dinesh Remedies Ltd.	Director	Nil	-

4. Mr. A.M.Deshpande

Mr. A.M.Deshpande was appointed as Wholetime Director of the company with effect from 1st January, 2006. He is BE (Mechanical) ME (Machine Design). He is also Director in Eimco Elecon Electricals Ltd.

Declaration regarding affirmation of Code of Conduct

In terms of the requirement of the amended Clause 49 of the Listing Agreement, this is to confirm that all the members of the Board and senior management personnel have affirmed Compliance with the Code of Conduct for the year ended 31st March, 2006.

Mumbai
27th June, 2006

P.B. Patel
Managing Director

**AUDITOR'S CERTIFICATE ON COMPLIANCE WITH THE CONDITIONS OF CORPORATE GOVERNANCE
UNDER CLAUSE 49 OF THE LISTING AGREEMENT(S).**

TO,
The Members of
EIMCO ELECON (I) LTD.
Anand-Sojitra Road
Vallabh Vidyanagar – 388 120
Dist. Anand, Gujarat

We have examined the compliance of conditions of corporate governance by EIMCO ELECON (I) LTD. for the year ended 31st March, 2006, as stipulated in Clause 49 of the Listing Agreement of the said company with the Stock Exchanges.

The compliance of conditions of corporate governance is the responsibility of the management. Our examination has been limited to a review of the procedures and implementations thereof, adopted by the Company for ensuring compliance with the conditions of Corporate Governance. It is neither an audit nor an expression of opinion on the financial statements of the Company.

In our opinion and to the best of our information and according to the explanations given to us, and the representations made by the directors and the management, we certify that the Company has complied with the conditions of Corporate Governance as stipulated in Clause 49 of the above mentioned Listing Agreement.

As required by the Guidance Note on Certification of Corporate Governance issued by the Institute of Chartered Accountants of India, we have to state that based on the report given by the Registrars of the Company as on March 31, 2006, there were no investor grievance matters against the company remaining unattended/pending for more than 30 days.

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

For and behalf of
TALATI & TALATI
Chartered Accountants

Umesh H. Talati
Partner

Date : 27th June, 2006
Place : Ahmedabad

MANAGEMENT'S DISCUSSION AND ANALYSIS**Annexure 5 to Directors' Report - Item No. 10****INDUSTRY STRUCTURE AND DEVELOPMENT****A) COAL MINING**

The Indian Economy has recorded higher growth as per the revised annual estimates, showing 8.4% gross domestic product (GDP) growth in 2005-06, surpassing the advance estimate of 8.1%. The growth is significantly higher compared to previous year's 7.5%. In order to sustain the increased growth, as mentioned above, more reforms in the government policies may be necessary in the coming years. The growth during 2005-06 in the mining and quarrying sector recorded a sharp decline to 0.9% from the previous year's level of 5.8%. The above decline in growth can also be attributed to poor fund utilization by various coal companies. It was reported that during the current 5 year plan the fund utilization against the budgetary allocation has been only 37.3%.

The annual coal production has reached a level of 379.6 million tones, indicating an increase of 15% over the previous year. The captive coal mining blocks to private companies produced approximately 17 million tones of coal. Therefore the total coal produced in India during the year 2005-06 is around 397 million tones. While steel, cement, fertilizers, paper and many small & medium industries depend on coal for their energy requirements, the power sector dominates the scene accounting for almost 75% of the consumption of thermal coal. It is, at present, the main driver of the coal demand in the country. The increased requirement of coal from the power sector has left a gap of almost 50 million tones between the demand & supply. The above gap was partially created by the fact that the plant load factor for the power plants has improved from 75 per cent to 80-85 percent due primarily to increased demand from all other power dependent segment of the economy.

It is expected that in 2006-07, coal requirement for power generation would reach a level of 330 million tones.

FUTURE SCENARIO

This has been envisaged based on available

statistics that there will be a wide gap between production and demand of coal in the country in time to come. As per present estimates demand of coal is expected to be around 473.18 MT by end of 10th five year plan (March 31, 2007) and 710 MT by end of 11th plan (March 31, 2012) whereas indigenous production is likely to be around 400 MT only by end of 10th five year plan (March 31, 2007). Even if production during 2006-07 i.e. by end of 10th plan is taken to be roughly 400 MT (Estimated to be 350 MT but Coal Cos. have been directed to increase same by 25 MT) there will be need to produce more coal to meet future demand and as such tremendous scope to push present range of equipment manufactured by your company as well as Equipment involving New Technologies being adopted world wide. Ministry of Coal, Government of India is planning massive investments in the coal Sector during balance of current 10th - 5 year plan ending March 2007 and also during 11th - 5 year plan ending March 2012 to increase production to minimize gap between production and demand in years to come. Coal Vision 2025 team formulated by TERI as per the directions of Coal Ministry has estimated a demand of 1.26 billion tones of coal in 2025 with an anticipated GDP growth of 8%. In fact it was announced recently by Coal India Limited – an arm of Govt. of India and major coal producer – that an investment of Rs. 21,000 Cr. is expected to be made by them to develop 99 new Coal Projects. Apart from above Ministry has initiated allotment of the coal blocks to private entrepreneurs such as power plants or steel and cement producing organizations for development which were originally reserved for Coal India Limited, which accounts for 90 percent of the country's coal out put, to increase production to meet demand of coal in future in the country. Mines containing estimated reserves of around 17-18 billion tones have already been allotted to 94 companies in both the public & private sectors. It is expected that these private & public sectors would produce 300 – 400 million tones of coal from above mines for their captive use by 2010-11. In view of above developments on coal production growth in coming years it is clear

that more Mining equipment will be required to be deployed to meet increased target of production.

Present scenario indicates the production from Opencast Mines is contributing to nearly 80% of the Total Production with the balance 20% coming from Underground Mines and as such enhanced mechanization of Open Cast as well as Underground Mines would be required to sustain the production at targeted levels to tap our largest reserves of coal (approx. 197 billion tones).

At present, intermediate technology of SDL/LHD is being used successfully, with LHDs gradually replacing SDLs wherever possible. The SDL/LHDs are fast replacing the Manual-Loading labour who are declining in numbers steadily, over the years. However, since the SDLs/LHDs have reached their peak productivity levels and since skilled manpower is getting scarcer, alternative mining methods such as Continuous Mining Equipment which are less manpower intensive and return higher productivity are being explored for the future. The issue of mechanization is being addressed seriously by coal producing organizations due to the declining trend in manpower over the years.

Keeping in view above it has been felt the Continuous Miner Technology for Underground Mining would provide the solution. In case of Underground Mining the Continuous Mining holds the potential for attaining far greater productivity as compared to that of SDL/LHD.

Our Company being pioneer in Underground Mining Equipment and first to introduce intermediate technology in Indian Mines long back with established market for present range of products took a timely decision to meet challenges of future for Mechanization of Coal Mines in India for higher productivity by adding various State-of-the-Art Mining Equipment such as Continuous Miners, Face and Roof Drills, Coal Haulers etc. for Mechanization of Underground Mines and 160 mm and 250 mm self propelled crawler mounted Blast Hole Drills for Opencast Mines to enhance production of coal to meet demand of future. Our Company is expected to reap the benefits of above product introductions in the future. It is expected that the new products would result in increased business commensurate with the growth of related segment.

OPPORTUNITIES & THREATS

In the current financial year it is expected that ACM-10 Continuous Miner will be deployed in a coal mine. The above will open-up a new range of applications for our products.

The 250 mm Blast Hole Drill is likely to be approved for regular use in coal mines. Apart from above deployment of 160 mm Blast Hole Drill is expected to create opportunities in open cast mine applications.

During the previous year the Company has successfully integrated the Welding Robot & Laser Cutting machines in the new production process. The new manufacturing process implemented, utilizing welding robot, has reduced the throughput time at the same time has also generated additional machining capacity out of existing machine tools without any additions. The alternate sources of procurement for standard brought-out parts have also resulted in optimizing our manufacturing cost of some of our models.

- B) As anticipated the prices of Copper & Zinc over the last one year have appreciated considerably. In the process earlier non-viable projects are seeing the light of the day. It is expected that both the above segments along with Gold, Uranium & Manganese should do well in the current financial year.

OUTLOOK FOR THE COMPANY

With the revival of investment climate in coal companies, your Company is expected to do better in the coming years.

RISKS AND CONCERNS

The main risk and concern of the company remains that it is almost entirely dependent virtually on one Govt. client and few products. While the company cannot do much to substantially increase its client base, being entirely dependent on Government's Minerals Policies.

INTERNAL CONTROL SYSTEM

The Company's internal control systems are adequate, considering size and nature of operation of the company, to meet regulatory/statutory requirements.

**DEVELOPMENTS ON HUMAN RESOURCE/
INDUSTRIAL RELATIONS FRONT**

Company attaches utmost priority to human resource development with focus on regular upgradation of the knowledge and skills of all employees and equipping them with the necessary expertise to meet the challenges of change and growth successfully. The company continuously monitors its manpower requirement to ensure that it has adequate human skills commensurate with its needs. Industrial relations of the company continue to be cordial.

**DISCUSSION ON FINANCIAL PERFORMANCE WITH
RESPECT TO OPERATIONAL PERFORMANCE AND
OUTLOOK.**

Sales & Other income for the year ended 31st March, 2006 were Rs.931.71 million as compared to Rs.1008.20

million on 31st March, 2005. The net profit stood at Rs. 82.40 million (previous year Rs. 87.51 million).

CAUTIONARY STATEMENT

Statements in this report on Management's Discussion and Analysis describing the company's objectives, expectations or predictions may be forward looking statements within the meaning of applicable security laws or regulations. These statements are based on certain assumptions and expectations of future events. Actual results could however differ materially from those expressed or implied.

The company assumes no responsibility in respect of forward-looking statements herein which may undergo changes in future on the basis of subsequent developments, information or events.

AUDITORS' REPORT

The Members

Eimco Elecon (India) Ltd.
Vallabh Vidyanagar – 388 120
Gujarat

1. We have audited the attached Balance Sheet of **Eimco Elecon (India) Ltd.** as at 31st March 2006, and also the Profit and Loss Account and the cash flow statement 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 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. As required by the Companies (Auditor's 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 enclose in the Annexure, 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 above, we report that:
 - i. 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;
 - ii. In our opinion, proper books of account as required by law have been kept by the company

so far as appears from our examination of those books;

- iii. The Balance Sheet and Profit and Loss Account and Cash Flow Statement dealt with by this Report are in agreement with the books of account;
- iv. In our opinion, the Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with this report comply with the Accounting Standards referred to in sub-section (3C) of section 211 of the Companies Act, 1956;
- v. On the basis of written representations received from the directors, as on 31st March 2006 and taken on record by the Board of Directors, we report that none of the Directors is disqualified as on 31st March 2006 from being appointed as a Director in terms of Clause (g) of Sub-Section (1) of Section 274 of the Companies Act, 1956.
- vi. In our opinion and to the best of our information and according to the explanations given to us, the said accounts 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;
 - (a) In the case of the Balance Sheet, of the state of affairs of the Company as at 31st March 2006;
 - (b) In the case of the Profit and Loss Account, of the Profit for the year ended on that date;
 - (c) In the case of Cash Flow Statement, of the cash flows for the year ended on that date.

For TALATI & TALATI

Chartered Accountants

Ahmedabad
27th June, 2006

Umesh H. Talati
Partner
Mem. No. 34834

ANNEXURE

RE : Eimco Elecon (India) Ltd.
Vallabh Vidyanagar – 388 120
Gujarat

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 fixed assets.
- (b) All the assets have not been physically verified by the management during the year but there is a regular programme of verification which, in our opinion, is reasonable having regard to the size of the company and the nature of its assets. No material discrepancies were noticed on such verification.
- (c) During the year, the company has not disposed off any major part of the Fixed Assets.
- (ii) (a) The inventory has been physically verified during the year by the management. In our opinion, the frequency of verification is reasonable.
- (b) The procedures of physical verification of inventories followed by the management are reasonable and adequate in relation to the size of the company and the nature of its business.
- (c) On the basis of our examination of the records of the company, we are of the opinion that the company is maintaining proper records of inventory. The discrepancies noticed on verification between the physical stocks and the book records were not material.
- (iii) (a) There was one company covered in the register maintained u/s 301 to whom the company has granted unsecured loans. The maximum amount outstanding during year was Rs.1,60,00,000/- and the year end balance of loans granted to such parties was Rs.1,60,00,000/-.
- (b) In our opinion the rate of interest and other terms and conditions on which loans have been granted to companies listed in the register maintained under section 301 of the Companies Act, 1956 are not, prima facie, prejudicial to the interest of the company.
- (c) The company is regular in repaying the principal amounts as stipulated and has been regular in the payment of interest.
- (d) There is no overdue amount of loans granted to companies listed in the register maintained u/s 301 of the Companies Act, 1956.
- (e) The Company has not taken any loans, secured or unsecured from companies, firms or other parties covered in the register maintained under section 301 of the Companies Act, 1956.
- (iv) In our opinion and according to the information and explanations given to us, there are adequate internal control procedures commensurate with the size of the company and the nature of its business with regard to purchase of inventory, fixed assets and with regard to the sale of goods. During the course of our audit, no continuing failure to correct major weaknesses have been noticed in the internal controls.
- (v) (a) Based on the audit procedures applied by us and according to the information and explanations provided by the management, we are of the opinion that the transactions that need to be entered into the register maintained under Section 301 have been so entered.
- (b) In our opinion and according to the information and explanations given to us, the transactions made in pursuance of such contracts or arrangements have been made at prices which are reasonable having regard to prevailing market prices at the relevant time.
- (vi) In our opinion and according to the information and explanations given to us, the company has complied with the provisions of Section 58A, 58AA or any other relevant provisions of the Act. No order has been passed by the Company Law Board or National Company Law Tribunal or Reserve Bank of India or any Court or any other Tribunal.

<p>(vii) In our opinion, the company has an internal audit system commensurate with the size and nature of its business.</p> <p>(viii) The Central Government has not prescribed maintenance of cost records under section 209(1)(d) of the Companies Act, 1956.</p> <p>(ix) (a) According to the records of the company, the company is regular in depositing with appropriate authorities undisputed statutory dues including provident fund, investor education protection fund, income-tax, sales-tax, wealth-tax, service tax, custom duty, excise duty cess and other material statutory dues applicable to it. According to the information and explanations given to us, no undisputed arrears of statutory dues were outstanding as at 31st March, 2006 for a period of more than six months from the date they became payable.</p> <p>(b) According to the records of the company, there are no dues of sales tax, income-tax, custom duty, wealth tax, service tax, excise duty/cess, which have not been deposited on account of any dispute except in the case of Income Tax Act of Rs. 59,07,556/- has not been paid as the same is under dispute. This dispute is pending with CIT (Appeals), and in case of Sales-tax, the company has obtained a stay from High Court against demand of Rs. 3,04,37,143/- by the Sales Tax Department against interest on sales tax deferment availed by the company.</p> <p>(x) The company does not have any accumulated losses. The company has not incurred cash losses during the financial year covered by our audit and in the immediately preceding financial year.</p> <p>(xi) Based on our audit procedures and on the information and explanations given by the management, we are of the opinion that the company has not defaulted in repayment of dues to the banks.</p> <p>(xii) The company has not granted any loans against security by way of pledge of shares, debentures and other securities.</p> <p>(xiii) The company is not a chit fund or a nidhi mutual benefit fund/society. Therefore, the provisions of this clause of the Companies (Auditor's</p>	<p>Report) Order, 2003 are not applicable to the company.</p> <p>(xiv) The company is not dealing in or trading in shares, securities, debentures and other investments. Accordingly, the provisions of this clause of the Companies (Auditor's Report) Order, 2003 are not applicable to the Company.</p> <p>(xv) In our opinion the terms and conditions on which the company has given guarantee for loans taken by others from financial institution is not prejudicial to the interest of the company.</p> <p>(xvi) The term loans have been applied for the purpose for which they were raised.</p> <p>(xvii) Based on the information and explanations given to us and on an overall examination of the balance sheet of the company, we report that no significant funds raised on short-term basis have been used for long-term investment by the company.</p> <p>(xviii) The company has not made any preferential allotment of shares to any parties and companies covered under the register maintained u/s 301 of the Act.</p> <p>(xix) During the period covered by our audit report, the company has not issued any debentures.</p> <p>(xx) The company has not raised any money out of public issue. However, the company has received public deposit and the end use of such money received from public deposit as disclosed has been verified.</p> <p>(xxi) We report that no fraud on or by the company has been noticed or reported during the course of our audit.</p>	<p style="text-align: right;">For TALATI & TALATI <i>Chartered Accountants</i></p> <p style="text-align: right;">Umesh H. Talati Partner Mem. No. 34834</p>
<p>Ahmedabad 27th June, 2006</p>		

BALANCE SHEET AS AT 31ST MARCH, 2006

	Schedule	Amount Rupees	As on 31.3.2006 Rupees	As on 31.3.2005 Rupees
SOURCES OF FUNDS				
Shareholders' Funds				
Share Capital	1	57,683,850		57,683,850
Reserves and Surplus	2	<u>840,658,600</u>		<u>781,274,330</u>
			898,342,450	838,958,180
Loan Funds				
Secured Loans	3	287,967,181		243,608,962
Unsecured Loans	4	<u>103,662,398</u>		<u>204,618,762</u>
			391,629,579	448,227,724
Deferred Tax Liability (Net)			<u>62,774,750</u>	<u>54,476,708</u>
	Total ...		<u><u>1,352,746,779</u></u>	<u><u>1,341,662,612</u></u>
APPLICATION OF FUNDS				
Fixed Assets	5	877,892,805		757,727,421
Less: Depreciation		<u>360,747,214</u>		<u>306,300,650</u>
Net Block		517,145,591		451,426,771
Capital Work in Progress		<u>4,523,521</u>		<u>3,206,218</u>
Net Block			521,669,112	454,632,989
Investments	6		20,996,914	19,996,914
Current Assets, Loans and Advances				
Inventories		571,083,686		455,549,388
Sundry Debtors		359,177,949		453,673,500
Cash and Bank Balances		71,465,133		187,336,001
Loans and Advances		<u>61,413,302</u>		<u>71,571,088</u>
		1,063,140,070		1,168,129,977
Less : Current Liabilities and Provisions	8			
Current Liabilities		221,550,840		273,776,050
Provisions		<u>31,508,477</u>		<u>27,321,218</u>
		253,059,317		301,097,268
Net Current Assets			<u>810,080,753</u>	<u>867,032,709</u>
	Total ...		<u><u>1,352,746,779</u></u>	<u><u>1,341,662,612</u></u>
Notes to the Accounts	12			

As per our report of even date attached
For TALATI & TALATI
Chartered Accountants

UMESH H. TALATI
Partner

Ahmedabad
27th June, 2006

Nilesh D. Shelat
Company Secretary

For and on behalf of the Board

Mr. P.B. Patel
Mr. H.S. Parikh
Mr. A.M. Deshpande

Managing Director
Director
Wholetime Director

Mumbai
27th June, 2006

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH, 2006

	Schedule	Amount Rupees	As on 31.3.2006 Rupees	As on 31.3.2005 Rupees
INCOME				
Sales and Other Income	9		931,715,532	1,008,206,227
EXPENDITURE				
Manufacturing and other expenses	10	720,677,313		784,827,084
Miscellaneous Expenses	11	19,783,908		24,143,399
Depreciation		67,021,536		59,314,109
			807,482,757	868,284,592
PROFIT BEFORE TAX			124,232,775	139,921,635
Provision for taxation(Including Rs 50,000/-for Wealth Tax)			32,500,000	43,000,000
Provision for Deferred Tax			8,298,042	9,406,673
Fringe Benefit Tax			1,029,559	-
PROFIT AFTER TAX			82,405,174	87,514,962
Balance brought forward			22,747,936	28,302,658
PROFIT AVAILABLE FOR APPROPRIATION			105,153,110	115,817,620
APPROPRIATIONS				
Proposed Dividend			20,189,348	20,189,348
Tax on distributed profits			2,831,556	2,880,336
Transfer to General Reserve			60,000,000	70,000,000
Balance Carried forward			22,132,206	22,747,936
			105,153,110	115,817,620
Notes to the Accounts	12			
Earnings per share(Rs.) Basic & Diluted (Face value of Rs.10 each)			14.29	15.18

As per our report of even date attached
For TALATI & TALATI
Chartered Accountants

UMESH H.TALATI
Partner

Ahmedabad
27th June, 2006

Nilesh D. Shelat
Company Secretary

For and on behalf of the Board

Mr. P.B. Patel
Mr. H.S. Parikh
Mr. A.M. Deshpande

Managing Director
Director
Wholetime Director

Mumbai
27th June, 2006

SCHEDULES FORMING PART OF THE ACCOUNTS

	As on 31.3.2006 Rupees	As on 31.3.2005 Rupees
SCHEDULE - 1		
SHARE CAPITAL		
Authorised :		
10,000,000 Equity shares of Rs.10 each	100,000,000	100,000,000
Issued :		
5,768,386 Equity shares of Rs.10 each	57,683,860	57,683,860
Subscribed and Paid up :		
5,768,385 Equity shares of Rs.10 each	57,683,850	57,683,850
Total ..	57,683,850	57,683,850

(Of the above shares 4,187,786 shares are allotted as fully paid Bonus shares by capitalisation of General Reserve)

SCHEDULE - 2

RESERVES AND SURPLUS

Capital Reserve

As per last Balance Sheet	291,000	291,000
---------------------------	---------	---------

Share Premium

As per last Balance Sheet	75,383,000	75,383,000
---------------------------	------------	------------

General Reserve

As per Last Balance Sheet	682,852,394	612,852,394
---------------------------	-------------	-------------

Add : Transferred from Profit & Loss Account	60,000,000	70,000,000
--	------------	------------

	742,852,394	682,852,394
--	--------------------	--------------------

Surplus in Profit and Loss Account	22,132,206	22,747,936
------------------------------------	------------	------------

Total ..	840,658,600	781,274,330
-----------------	--------------------	--------------------

SCHEDULES FORMING PART OF THE ACCOUNTS (Contd.)

	As on 31.3.2006 Rupees	As on 31.3.2005 Rupees
SCHEDULE - 3		
SECURED LOANS		
S.B.I Anand		
Working Capital Demand Loan	150,000,000	100,000,000
Cash Credit	–	7,597,782
Foreign Currency Term Loan	–	99,352,200
 Term Loan	 137,967,181	 36,658,980
Total ..	287,967,181	243,608,962
 SCHEDULE - 4		
UNSECURED LOANS		
Fixed Deposits	60,239,025	59,524,245
Buyer's credit from Banks	43,328,856	–
Sales Tax Deferment Account - Wind Mill	94,517	94,517
Short Term Loans from Banks	–	145,000,000
Total ..	103,662,398	204,618,762

SCHEDULES FORMING PART OF THE ACCOUNTS (Contd.)											
SCHEDULE - 5											
FIXED ASSETS											
A S S E T S	GROSS BLOCK (AT COST)				DEPRECIATION				NET BLOCK		
	As at 1st April 2005	Additions during the year	Deduction during the year	As at 31st March 2006	As at 1st April 2005	For the year	On Deduction/ Adjust-ment	As at 31st March 2006	As at 31st March 2005	Rupees	Rupees
	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees
Freehold Land	10,993,916			10,993,916					10,993,916	10,993,916	
Buildings	41,739,918	68,260	-	41,808,178	15,263,696	2,222,015	-	17,485,711	24,322,467	26,476,222	
Plant & Machinery	644,274,660	130,485,312	1,858,294	772,901,678	258,000,864	59,526,277	1,765,380	315,761,761	457,139,917	315,740,010	
Plant & Machinery (Leased)	13,785,280		10,000,000	3,785,280	12,775,878	391,848	9,500,000	3,667,726	117,554	71,543,188	
Electric Fittings	5,928,210	392,172	-	6,320,382	2,993,499	439,829	-	3,433,328	2,887,054	2,934,711	
Office Equipment and Airconditioners	10,760,551	963,494	-	11,724,045	5,475,098	773,082	-	6,248,180	5,475,865	5,285,453	
Furniture and Fixtures	22,494,337	242,120	-	22,736,457	7,911,201	2,654,208	-	10,565,409	12,171,048	14,583,136	
Vehicles	7,750,549	1,522,169	1,649,849	7,622,869	3,880,414	1,014,277	1,309,592	3,585,099	4,037,770	3,870,135	
TOTAL	757,727,421	133,673,527	13,508,143	877,892,805	306,300,650	67,021,536	12,574,972	360,747,214	517,145,591	451,426,771	
Previous Year	644,280,222	118,027,033	4,579,834	757,727,421	250,689,216	59,314,109	3,702,675	306,300,650			
Capital Work - in - Progress									4,523,521	3,206,218	
									521,669,112	454,632,989	

SCHEDULES FORMING PART OF THE ACCOUNTS (Contd.)

	As on 31.3.2006 Rupees	As on 31.3.2005 Rupees
SCHEDULE - 6		
INVESTMENTS (AT COST)		
(Long term, unless otherwise stated)		
Trade Investments:		
— 249500 Equity Shares (249500) of Rs.10 each fully paid of Wizard Fincap Ltd. (Unquoted)	2,495,000	2,495,000
— 570000 Equity Shares (570000) of Rs.10 each fully paid of Power Build Elecon Gears Ltd. (Unquoted)	5,700,000	5,700,000
— 100000 Equity Shares of Rs.10 each fully paid of Eimco Elecon Electricals Ltd. (Unquoted)	1,000,000	—
Other Investments :		
Quoted		
— Bank of Baroda (700 shares of Rs.10 each)	59,500	59,500
— G.E.Shipping Ltd (5000 shares of Rs. 10 each)	507,100	507,100
— Grasim Industries Ltd (1000 shares of Rs.10 each)	1,083,728	1,083,728
— Infosys Ltd(928 shares of Rs. 5 each)	1,118,225	1,118,225
— Mahindra & Mahindra Ltd (2200 shares of Rs. 10 each)	895,291	895,291
— Reliance Industries Ltd (2200 shares of Rs.10 each)	966,115	966,115
— State Bank of India (2500 shares of Rs. 10 each)	1,206,925	1,206,925
— Tata Chemicals Ltd (10000 shares of Rs.10 each)	1,128,848	1,128,848
— Tata Iron and Steel Co. Ltd (7500 shares of Rs.10 each)	1,433,657	1,433,657
— Tata Power Ltd (5000 shares of Rs.10 each)	1,410,000	1,410,000
— Reliance Capital Ventures Ltd (2200 shares of Rs.10 each)	—	—
— Reliance Communication Ventures Ltd (2200 shares of Rs.10 each)	—	—
— Reliance Energy Ventures Ltd (2200 shares of Rs.10 each)	—	—
— Reliance Natural Resources Ltd (2200 shares of Rs.10 each)	—	—
— 6.75% Tax free 19900 Bonds in US-64 Scheme of Unit Trust of India	1,990,000	1,990,000
UnQuoted		
— Charotar Gas Sahakari Mandali	2,525	2,525
	20,996,914	19,996,914
Aggregate amount of Quoted investments [Market value Rs.23,684,744/-(Rs.16,574,729/-)]	11,799,389	11,799,389
Aggregate amount of Unquoted investments	9,197,525	8,197,525
	20,996,914	19,996,914

SCHEDULES FORMING PART OF THE ACCOUNTS (Contd.)

SCHEDULE - 7

CURRENT ASSETS, LOANS AND ADVANCES

	As on 31.3.2006 Rupees	As on 31.3.2005 Rupees
A. CURRENT ASSETS		
Inventories (As certified by a Director) (Valued at cost or realisable value whichever is lower)		
Stock and Stores	–	3,888,574
Raw Materials	12,655,980	21,470,168
Spares and Components	438,033,684	355,787,442
Work in progress	115,955,989	70,427,746
Finished Goods	4,438,033	3,975,458
	<u>571,083,686</u>	<u>455,549,388</u>
Sundry Debtors (Unsecured considered good)		
Exceeding six months	53,121,009	54,625,858
Other Debts	306,056,940	399,047,642
	<u>359,177,949</u>	<u>453,673,500</u>
Cash and Bank Balance		
Cash on Hand	167,767	582,250
Remittances in Transit	–	122,970,000
With Scheduled Banks		
In Current Accounts	47,095,984	58,542,643
On Short Term Deposit Account	24,200,000	5,239,726
With Non-Scheduled Banks		
With Karamsad Urban Co-op.Bank Ltd. [Maximum during the year Rs.1,382 (Rs.1,382)]	1,382	1,382
	<u>71,465,133</u>	<u>187,336,001</u>
B. LOANS AND ADVANCES (Unsecured, considered good)		
Advances recoverable in cash or in kind or for value to be received	51,917,479	55,574,669
Balance with Excise, Customs Authorities	9,495,823	7,043,944
Advance Tax (Net of Provisions)	–	8,952,475
	<u>61,413,302</u>	<u>71,571,088</u>

SCHEDULES FORMING PART OF THE ACCOUNTS (Contd.)

	As on 31.3.2006 Rupees	As on 31.3.2005 Rupees
SCHEDULE - 8		
CURRENT LIABILITIES AND PROVISIONS		
Current Liabilities		
Sundry Creditors		
Small Scale Industrial Undertaking	6,129,714	13,801,960
Others	214,135,816	258,634,946
	220,265,530	272,436,906
Unclaimed dividend	1,138,310	1,232,144
Unclaimed Deposits	147,000	107,000
	221,550,840	273,776,050
Provisions		
Proposed Dividend (including tax on dividend)	23,020,904	23,069,684
Provision for Leave Encashment	4,159,798	4,251,534
Income Tax Provision (Net of Advance Tax)	4,327,775	–
	31,508,477	27,321,218
 SCHEDULE - 9		
SALES AND OTHER INCOME		
Sales	911,725,894	972,231,606
Other Income	10,545,813	8,576,638
Interest		
On Deposits (Tax deducted at source Rs. 645,990 previous year Rs. 4,277,935)	3,999,166	20,674,625
Commission	348,421	1,981,107
Dividend on Non-Trade Investments (Tax deducted at source Rs.Nil previous year Rs. Nil)	365,704	105,513
Refund of Sales Tax	188,591	10,955
Sundry Creditors written off	–	16,515
Profit on foreign exchange	3,063,029	4,609,268
Profit on sale of assets	1,478,914	–
	931,715,532	1,008,206,227

SCHEDULES FORMING PART OF THE ACCOUNTS (Contd.)

SCHEDULE - 10

MANUFACTURING AND OTHER EXPENSES

	As on 31.3.2006 Rupees	As on 31.3.2005 Rupees
Consumption of Raw Material, Spares & Components	452,233,433	533,026,610
Machining and Labour Charges	29,322,028	35,057,800
Consumption of Stores	15,728,161	13,422,743
Power and Lighting (Net of Wind Turbine Generator income Rs. 9,438,180 P.Y. (Rs. 4,646,448))	3,217,806	1,274,387
Machinery rent	-	-
Repairs & Maintenance		
Plant and Machinery	9,959,092	5,112,893
Building	1,678,007	1,255,804
Others	2,612,808	2,894,941
Computer	4,744,472	4,304,364
	18,994,379	13,568,002
Salaries, Wages and Bonus	41,395,960	30,197,727
Contribution to Provident and other Funds	3,062,970	2,468,644
Contribution to Gratuity Fund	1,779,825	948,640
Contribution to Superannuation Fund	1,698	1,904,471
Workers and Staff Welfare	1,834,901	1,767,014
	48,075,354	37,286,496
Insurance	4,060,759	4,026,075
Rates and Taxes	1,004,783	850,961
Central Excise borne by us	1,676,501	950,526
Provision for excise duty on finished goods at factory	64,901	3,965
Provision for Warranties	4,558,629	4,861,158
Rent	1,905,500	1,890,800
Freight	3,962,316	2,778,192
Compensation to distributors	132,248,903	130,830,056
Computer Expense	145,931	49,050
Travelling and Conveyance	6,599,725	10,479,274
Advertisement	2,583,110	1,548,170
Directors Fees	540,000	155,000
Auditors Remuneration		
Audit Fees	120,000	129,600
Fees for certification work	18,500	10,400
Tax Audit Fees	25,000	27,000
Reimbursement of out of pocket expense	83,900	71,901
	247,400	238,901
Lease Rent	3,886,200	3,332,000
Bank charges	6,982,821	6,632,180
Interest		
On Loans for fixed period	5,552,205	6,066,487
Other (including on deferred payment)	21,877,517	18,102,987
	27,429,722	24,169,474
Bad Debts written off	339,160	2,499,416
Loss on sale of assets	-	65,792
LD charges	860,609	643,606
(Increase)/Decrease in stock		
Opening Stock - Finished Goods	3,975,458	4,015,062
work in progress	70,427,746	25,574,592
	74,403,204	29,589,654
Less: Closing Stock - Finished Goods	4,438,033	3,975,458
work in progress	115,955,989	70,427,746
	120,394,022	74,403,204
	-45,990,818	-44,813,550
	720,677,313	784,827,084

SCHEDULES FORMING PART OF THE ACCOUNTS (Contd.)**SCHEDULE - 11**

	As on 31.3.2006 Rupees	As on 31.3.2005 Rupees
Miscellaneous Expenses		
Professional Fees	5,483,374	3,500,935
Works & Office Expenses	1,413,508	1,935,731
Miscellaneous Labour Charges	4,439,903	3,752,357
E.mail & Internet Expenses	1,512,864	1,520,704
Garden Expense	861,079	6,580,987
Training Expense	1,168,302	–
Donation	150,000	1,329,352
Others	4,754,878	5,523,333
	<u>19,783,908</u>	<u>24,143,399</u>

SCHEDULES FORMING PART OF THE ACCOUNTS (Contd.)

SCHEDULE - 12

NOTES FORMING PART OF ACCOUNTS

1 SIGNIFICANT ACCOUNTING POLICIES

[A] BASIS OF ACCOUNTING

The financial statements are prepared under historical cost convention and comply with accounting principles, the accounting standards issued by the Institute of Chartered Accountants of India and the relevant provisions of the Companies Act, 1956.

[B] FIXED ASSETS AND DEPRECIATION

Fixed assets are stated at cost of acquisition, including any attributable cost of bringing the asset to its working condition for its intended use, less accumulated depreciation.

Depreciation has been provided on Plant & Machinery on the straight-line method at the rates specified in Schedule XIV of the Companies Act, 1956.

For all other assets depreciation has been provided on written down value method at the rates specified in Schedule XIV of the Companies Act, 1956.

An asset purchased on or after 1st April 1993 and where the actual cost does not exceed Rs.5000/- is depreciated at the rate of 100%.

[C] INVESTMENTS

Long Term investments are stated at cost unless there is permanent fall in their value as at the date of the Balance Sheet.

[D] INVENTORIES

Inventories are stated at Cost or realisable value whichever is lower.

Cost of Raw-material, Spares and Components is determined on weighted average basis.

Cost of work in progress and finished goods include cost of raw material, appropriate share of labour and manufacturing overheads.

[E] REVENUE RECOGNITION

Sales are recorded net of excise duty, sales tax and trade discount.

All the items of expenses and income are accounted on accrual basis, except insurance claims & commission received which are accounted on cash basis.

[F] OPERATING LEASE

Lease revenue under operating Lease are recognised as income on accrual basis, in accordance with the respective Lease agreements.

[G] RETIREMENT BENEFITS

[I] The company has various schemes of retirement benefits such as provident fund, superannuation and gratuity recognised by Income-tax authorities. The Company's contributions are charged against revenue each year. The gratuity liability is determined based on percentage of the annual wage bill specified by Life Insurance Corporation of India under the Group Gratuity Scheme. Liability in respect of Superannuation benefits extended to certain employees is contributed by the company to Life Insurance Corporation of India against a Master Policy.

[II] Voluntary Retirement Scheme
Voluntary Retirement compensation payments are charged to the Profit & Loss Account during the year in which they are incurred.

[III] Unutilised leave
The liability on account of encashment of unavailed accumulated privilege leave of employees as at the balance sheet date is determined based on an actuarial valuation conducted by an independent actuary.

[H] EXCISE DUTY

Excise duty payable on production and custom duty payable on imports are included in the value of finished goods inventory/ material lying in Bonded warehouse.

[I] FOREIGN CURRENCY TRANSACTIONS

Transactions in foreign currencies are recorded at the exchange rates prevailing at the date of the transactions. However where Forward Exchange Contracts are entered in to, the forward rates specified in the related Forward Exchange Contracts have been used as the basis of measuring and reporting the transactions.

Current assets and current liabilities are translated at year end exchange rates. The resulting gains and losses are appropriately recognised in the Profit and Loss account.

Gains or Losses on settlement, in a subsequent period of transactions (other than Fixed Assets) entered in to in an earlier period are credited or charged to Profit and Loss account.

Exchange differences related to fixed assets are adjusted in the cost of the asset.

[J] THE LOANS REFERED TO IN SCHEDULE 3 HAVE BEEN SECURED AS UNDER

Cash Credit, Working capital demand loan and Term loan are secured by first charge on the whole of stock of Raw materials, receivables and book debts and a first charge on whole of immovable properties and plant and machinery, respectively.

[K] BORROWING COST

Other cost in connection with the borrowing of the funds to the extent related/attribution to the acquisition/ construction of qualifying fixed assets are capitalised upto the date when such assets are ready for its intended use and other borrowing costs are charged to Profit and Loss account.

[L] PROVISION FOR WARRANTY

A provision of Rs.45,58,629/- has been recognised for expected warranty claims on products sold during the current Financial Year. The warranty claims are for a period of 12 months and hence it is expected that the expenditure towards warranty will be incurred in the next Financial Year.

[M] DEFERRED TAX

Current tax is determined as the amount of tax payable in respect of taxable income for the period. Deferred tax is recognised subject to the consideration of prudence in respect of deferred tax assets on timing differences being the difference between the taxable income and accounting income that originate in, one period and are capable of reversal in one or more subsequent periods.

The Deferred Tax Assets & Liabilities for the current year comprises of Tax effect of the following timing differences.

	Current Year Rupees	Previous Year Rupees
<u>DEFERRED TAX ASSETS:</u>		
PROVISION FOR LEAVE ENCASHMENT VRS	1,400,188	1555636
	36469	582090
	<u>1,436,657</u>	<u>2,137,726</u>
<u>DEFERRED TAX LIABILITY:</u>		
DEPRECIATION	64,211,407	56614434
	64,211,407	56,614,434
NET DEFERRED TAX LIABILITY	<u>62,774,750</u>	<u>54,476,708</u>

[N] INFORMATION ABOUT SEGMENT REPORTING

Company has discontinued the trading business from 1st April, 2005 and accordingly Board of Directors in its meeting held on 15th June, 2005 has decided to discontinue separate segment reporting

[O] EARNINGS PER SHARE

	Current Year	Previous Year
(a) Net Profit available to equity shareholders	82,405,174	87,514,962
(b) Weighted Average number of equity shares used as denominator for calculating EPS	5,768,385	5,768,385
(c) Basic and Diluted Earning Per Share (Rs.) (Equity share of face value of Rs.10 each)	14.29	15.18

2 Sales Tax Deferment Accounts

[i] Rs. 94,517 (Rs. 1,926,852) being Sales tax deferment received on account of Windmills

	Current Year Rupees	Previous Year Rupees
--	--------------------------------	-------------------------

3 Contingent liabilities not provided for

[i] Guarantees issued by Banks	48,861,904	112,105,831
[ii] L/C opened but goods yet to be received	13,490,518	2,777,840
[iii] Corporate guarantees given	30,000,000	20,000,000
[iv] Income tax Demand disputed by the Company	5,907,556	3,969,562
[v] Notified Area Tax	3,325,828	2,692,564

4 [i] The Gujarat Sales Tax Dept. has raised a demand of Rs. 30,437,143 on the Company towards interest on sales tax deferment in respect of Windmills which were destroyed in a cyclone in 1998. The company has obtained a stay order from the Gujarat High Court of the recovery proceedings initiated by the Sales Tax Dept.

5 A RELATED PARTY DISCLOSURE FOR THE YEAR ENDING 31-03-06

- [i] Associate: Elecon Engineering Company Ltd
Wizard FinCap Ltd
Power Build Elecon Gears Ltd
- [ii] Enterprise indirectly controlled: Emtici Engineering Ltd
VVN Mfg. & Investa Ltd
Power Build Ltd
Bhatru Holding Pvt. Ltd
Narmada Travel Services Ltd
Elecon Information Technology Limited
Akkaish Mechatronics Ltd
Akkaish Printing & Stationary
Eimco Elecon Electricals Ltd
- [iii] Collaborators: Sandvik Tamrock-France
Sandvik Asia Ltd-Pune
Sandvik Mining & Construction-Singapore
Sandvik Mining & Construction-UK
Sandvik Mining & Construction-USA
- [iv] Key Management Personnel: Shri B.I. Patel
Shri A.M. Deshpande
- [v] Relatives of Key Management Personnel: Shri P.M. Patel
Shri P.B. Patel

PARTICULARS												
NATURE OF RELATIONSHIP	ASSOCIATE		KEY MANAGEMENT PERSONNEL		RELATIVE OF KEY MANAGEMENT PERSONNEL		ENTERPRISE INDIRECTLY CONTROLLED		COLLABORATORS		GRAND TOTAL	
	2005-06	2004-05	2005-06	2004-05	2005-06	2004-05	2005-06	2004-05	2005-06	2004-05	2005-06	2004-05
SALES	3,582,350	997,386					45,935	76,985			3,628,285	1,074,371
PURCHASES	4,773,437	5,451,822					49,468,094	56,338,414	8,500,908	9,349,104	62,742,439	71,139,340
PROVI./RECEIPT OF MGT/ OTH SERV.	6,936,190	6,213,148					139,237,572	150,195,158			146,173,762	156,408,306
LOANS GIVEN	45,000,000	27,000,000						45,000,000			45,000,000	72,000,000
INTEREST RECEIVED	1,929,054	15,353,952						372,582			1,929,054	15,726,534
SALES OF FIXED ASSETS.	151,792	52,104					62,965	40,810			214,757	92,914
PURCHASE OF FIXED ASSETS	31,872,171						2,709,994	234,000			34,582,165	234,000
REMUNERATION- MD&Wholetime Director			4,999,874	8,760,655	180000	35000					4,999,874	8,760,655
SITTING FEES											180,000	35,000
RENT INCOME		6,584									60,000	700,768
RENT EXPENSES	924,000	860,400					60,000	694,184			1,832,400	1,768,800
JOB-WORK INCOME	4,753,285	391,430					194,375	37,490			4,947,660	428,920
OTHER EXPENSES(NET)	1,088,044						(91,608)				996,436	-
ASSETS LEASE EXP	4,236,559	3,465,110									4,236,559	3,465,110
ASSETS LEASE INCOME							979,055				979,055	-
GUARANTEE GIVEN/TAKEN	30,000,000	20,000,000									30,000,000	20,000,000
BALANCE O/S AT THE YEAR END	(942,563)	1,584,651					75,811,852	(8,818,788)	389,020	2,307,436	75,258,309	(4,926,701)

EIMCO ELECON (INDIA) LIMITED

		Current Year		Previous Year	
5	B Disclosure of Loans & Advances to Associates/ Companies in which Directors are interested	Amount outstanding as on 31.03.2006	Maximum amount outstanding during the year	Amount outstanding as on 31.03.2005	Maximum amount outstanding during the year
	Elecon Engineering Company Ltd		45,000,000		209,100,000
	Wizard Fincap Ltd		–		1,000,000
	Power Build Limited	16,000,000	16,000,000	16,000,000	16,000,000
	Power Build Elecon Gears Limited		–		2,500,000
	VVN Mfg.& Investa Ltd		–		45,000,000
	As at the year end,the company				
	a) has no Subsidiaries				
	b) has no loans,wherein there is no repayment schedule or repayment is beyond seven years				
6	Computation of Net Profit in accordance with Sec. 349 read with Sec. 309(5) & Sec. 198 of the Companies Act, 1956 for Managerial Remuneration.			Current Year Rupees	Previous Year Rupees
	Net Profit as per Profit and Loss Account			82,405,174	87,514,962
Add :	[i] Depreciation as provided in books			67,021,536	59,314,109
	[ii] Provision for Taxation			32,500,000	43,000,000
	[iii] Provision for Deferred Taxation			8,298,042	9,406,673
	[iv] Fringe Benefit Tax			1,029,559	–
	[v] Wholetime Director's remuneration			775,000	–
	[vi] Managing Director's remuneration			4,224,874	6,455,295
	[vii] Directors' Fees			540,000	155,000
	[viii] Loss on sale of Fixed Assets			–	65,792
				196,794,185	205,911,831
Less :	[i] Profit on sale of Fixed Assets as per Profit and Loss Account.			1,478,914	–
	(ii) Excess provision written back				
Less :				195,315,271	205,911,831
	[ii] Depreciation as per Section 350 of the Companies Act, 1956			67,021,536	59,314,109
Add:	[i] Profit/Loss on sale of Fixed Assets as per Section 350.				
	Net Profit			128,293,735	146,597,722
	Commission to Wholetime Director			175,000	–
	Commission to Managing Director			1,850,000	2,500,000
	provided as per rules				

7	Licensed & installed capacity & production Class of Products	Current year			Previous Year		
		Licensed Capacity	Installed Capacity*	Actual Production	Licensed Capacity	Installed Capacity	Actual Production
I	Tunnelling Loaders with various attachments other than Road Headers	Nos. 400	350	102	400	350	114
II	Drilling & Roof Bolting Jumbo for mining	Nos. 55	30	–	55	30	–
III	Mining Machinery viz., Off-The Highway Dumpers of various types including Articulated profile	Nos. 50	30	–	50	30	–
IV	Air Motors	Nos. 500	300	157**	500	300	158**
V	Spares for above	1400 lacs	2500 lacs	6,040.82 (sales value)	1400 lacs	2500 lacs	5,674.52 (sales value)
VI	Hydraulic Cylinders	Nos. 3000	2000	934***	3000	2000	1105***
VII	Blasthole & Water well drilling rigs	Nos. 50	10		50	10	

*Installed capacity is as certified by a Director and accepted by the Auditors, being a technical matter.

**Includes 44 (61) numbers for captive consumption.

***Includes 366 (705) numbers for captive consumption.

8	Stock	Current Year				Previous Year			
		Opening Stock		Closing Stock		Opening Stock		Closing Stock	
		Nos.	Value	Nos.	Value	Nos.	Value	Nos.	Value
I	Tunnelling Loaders with various attachments other than Road Headers	–	–	–	–	–	–	–	–
II	Drilling & Roof Bolting Jumbo for mining	–	–	–	–	–	–	–	–
III	Mining Machinery viz., Off-The Highway Dumpers of various types including Articulated profile	–	–	–	–	–	–	–	–
IV	Air Motors *	–	–	–	–	–	–	–	–
V	Spares for above	–	448,334,932	–	559,605,363	–	232,480,419	–	448,334,932
VI	Hydraulic Cylinders*	156	3,325,882	772	11,478,323	235	3,437,351	156	3,325,882

* Figures for opening and closing stock include figures in respect of Air Motors, Spares and Hydraulic Cylinder for captive consumption.

9	Turnover	Current Year		Previous Year		
		Nos.	Value Rupees	Nos.	Value Rupees	
I	Tunnelling Loaders with various attachments other than Road Headers	102	296,169,067	114	390,396,397	
II	Mining Machinery viz., Off-The Highway Dumpers of various types including Articulated profile	-	-	-	-	
III	Air Motors	109	5,508,388	101	5,540,202	
IV	Spares for above.	----	604,081,574	----	567,451,909	
V	Hydraulic Cylinders	406	5,966,865	479	8,843,098	
			911,725,894		972,231,606	
	Note: Sales includes stock writtenoff					
10	Consumption of Raw Material	Quantity		Previous Year		
	Spares & Components :	Value Rupees		Quantity	Value Rupees	
	Casting	Nos.	17689	17,707,127	20030	17,485,085
	Forgings	Nos.	2373	2,442,682	3232	4,322,086
	Bearings	Nos.	16488	8,491,045	14835	10,628,455
	Round Bars and Plates	Tons	758	30,226,080	958	41,165,196
	Other Raw Materials, Spares & Components			393,366,499		459,425,788
				452,233,433		533,026,610
11	Value of raw materials, spares and components consumed	Value Rupees		Previous Year		
	Imported	% of Total		Value Rupees	% of Total	
	Indigenous	210,528,454	46	251,731,852	47	
		246,566,137	54	281,294,758	53	
		457,094,591	100	533,026,610	100	
12	Value of Stores Consumed :					
	Imported					
	Indigenous	-		-		
		15,728,161	100	13,422,743	100	

	Current year Rupees	Previous year Rupees
13 CIF value of Imports in respect of :		
Components and spares	284,882,213	294,777,914
Capital Goods	74,353,888	75,578,952
14 Earning in Foreign exchange on account of exports calculated on FOB basis :		
Sales	39,176,103	732,650
Commission	223,995	1,981,107
15 Expenditure in Foreign currency :		
Travelling	2,109,388	4,413,211
16 Amount remitted during the year in foreign currency on account of dividend :		
Number of Non-resident shareholders	1	1
Number of shares held on which dividend was due	1,447,875	1,447,875
Year to which dividend relates	<u>2004-05</u>	<u>2003-04</u>
Amount remitted (net of tax)	4,777,988	4,777,988
17 INFORMATION REGARDING ASSETS TAKEN ON OPERATING LEASE		
Lease Rent outstanding as on 31st March 2006 payable as under		
Not later than one year	2,137,600	2,280,000
later than one year not later than five years	885,000	2,655,000
later than five years	-	-
INFORMATION REGARDING ASSETS GIVEN ON OPERATING LEASE		
Lease Rent outstanding as on 31st March 2006 Receivable as under		
Not later than one year	-	5,500
later than one year not later than five years	-	-
later than five years	-	-
18 Total Outstanding Dues of Small Scale Industrial Undertaking.	6,129,714	13,801,960
Total Outstanding Dues of Creditors other than Small Scale Industrial Undertaking	214,135,816	258,634,946
A small scale industrial undertaking has the same meaning as assigned to it under clause (j) of section 3 of the Industries (Development and Regulation) Act, 1951.		
19 Figures of the Previous Year have been regrouped wherever necessary to confirm to current year's classifications.		

Annexure I

The names of the Small Scale Industrial Undertaking to whom the Company owes a sum which is outstanding for more than 30 days:

No.	Vendor Name	Amount (Rs.)
1	AIR TOOLS INDUSTRIES	678,958.80
2	AKVIM INDUSTRIES	1,008.00
3	BARODA CAP LINERS	2,355.48
4	BHAGWATI FILTERS PVT. LTD.	143,053.00
5	ENGINEMATES HEAT TRANSFER PVT. LTD.	71,074.00
6	EKO RUBBER INDUSTRIES	13,052.00
7	INDTECH ENGINEERS	21,381.15
8	JASHPARAM ENGINEERING PVT. LTD.	102,940.20
9	KENT INDUSTRIES	126,876.60
10	K.B.ENGINEERS PVT. LTD.	2,646.51
11	LUCKY STEEL INDUSTRIES	30,178.01
12	MICROFINE PRODUCT	41,055.00
13	MODERN ENGINEERING & SPRING CO.	6,335.00
14	MULTI METALS	121,580.69
15	MACHINE TOOLS ENGINEERING	11,694.80
16	METAL TREAT INDUSTRIES	261,626.25
17	MICRO SYSTEM	53,457.80
18	NILKANTH ENGINEERING WORKS	38,936.00
19	PRITESH INDUSTRIES	685,973.00
20	RAJ ENGINEERING WORKS	768,560.72
21	RUPKALA ENGINEERING WORKS	609,517.00
22	SHREE NATHJI ENGINEERING CO.	9,801.00
23	SAFEX (INDIA)	676,325.35
24	SPECTRAM ENGINEERS	41,860.00
25	SHREE ENGG. WORKS	180,368.20
26	SAIT MINE LINE PVT. LTD.	72,386.00
27	TORK FASTNERS (I) PVT. LTD.	28,240.59
28	UNIVERSAL GASKET MFG. CO.	75,873.00
29	VIN-FAB INDUSTRIES	176,145.00
		5,053,259.15

SCHEDULES FORMING PART OF THE ACCOUNTS (Contd.)
SCHEDULE-13

21 Balance Sheet Abstract and Company's General Business Profile

I. Registration Details

Registration No.

0 2 5 7 4

State Code

0 4

Balance Sheet Date

3 1 - 0 3 - 2 0 0 6

II. Capital raised during the year (Amount in Rs. Thousands)

Public issue

N I L

Rights issue

N I L

Bonus issue

N I L

Private placement

N I L

III. Position of mobilisation and deployment of funds (Amount in Rs. Thousands)

Total Liabilities

1 6 0 5 8 0 6

Total Assets

1 6 0 5 8 0 6

Sources of Funds

Paid-up Capital

5 7 6 8 3

Reserve & Surplus

8 4 0 6 5 9

Secured Loans

2 8 7 9 6 7

Un secured Loans

1 0 3 6 6 2

Application of Funds

Net Fixed Assets

5 2 1 6 6 9

Investments

2 0 9 9 7

Net Current Assets

8 1 0 0 8 1

Misc. Expenditure

N I L

Accumulated Losses

N I L

Deferred Tax Liability

6 2 7 7 5

Deferred Tax Asset

N I L

IV. Performance of the Company (Amount in Rs. Thousands)

Turnover

9 3 1 7 1 6

Total Expenditure

8 0 7 4 8 3

Profit/Loss Before Tax

1 2 4 2 3 3

Profit/Loss After Tax

8 2 4 0 5

Earnings per Shares

1 4 . 2 9

Dividend Rate

3 5 %

V. Generic names of Three Principal products/Services of the Company (As per monetary terms)

Item Code No. (ITC Code)

8 4 3 0 2 0 . 0 0

Product Description

Side Dump Loaders (SDL)

8 4 3 0 5 0 . 0 1

Load Haul Dumpers (LHD)

8 4 3 0 6 9 . 0 0

Blast hole & water well drilling rigs

As per our report of even date attached
For TALATI & TALATI
Chartered Accountants

UMESH H. TALATI
Partner

Ahmedabad
27th June, 2006

Nilesh D. Shelat
Company Secretary

For and on behalf of the Board

Mr. P.B. Patel
Mr. H.S. Parikh
Mr. A.M. Deshpande

Managing Director
Director
Wholetime Director

Mumbai
27th June, 2006

CASH FLOW STATEMENT FOR THE YEAR ENDED ON 31ST MARCH 2006

A CASH FLOW FROM OPERATING ACTIVITIES	AMOUNT Rs. 31.03.2006	AMOUNT Rs. 31.03.2005
Net profit before Interest, Tax and extra ordinary items	151,662,497	164,156,901
Adjustment for :		
1. Depreciation/misc. expenses written off	67,021,536	59,314,109
2. Profit on sale of Fixed Assets	-1,478,914	-
3. Dividend	-365,704	-105,513
4. Interest	-3,999,166	-20,674,625
Operating profit before working capital change	212,840,249	202,690,872
Adjustments for :		
Trade and other receivables	95,700,862	-15,224,556
Inventories	-115,534,298	-218,247,715
Trade Payables	-48,037,951	103,973,131
	-67,871,387	-129,499,140
Cash generated from operations	144,968,862	73,191,732
Interest paid	27,429,722	24,098,460
Direct Taxes paid	24,577,084	45,376,283
	52,006,806	69,474,743
Cash Flow before extra ordinary items	92,962,056	3,716,989
Extra ordinary items	-	-
NET CASH FROM OPERATIONS	92,962,056	3,716,989
B CASH FLOW FROM INVESTING ACTIVITIES		
Purchases of fixed assets	134,990,830	117,479,225
Sale of fixed assets	-2,412,085	-811,367
Acquisition of companies	-	-
Purchase of Investments	1,000,000	9,749,889
Sale of Investments	-	-
Interest Received	-3,999,166	-20,323,023
Dividend received	-365,704	-105,513
NET CASH USED IN INVESTING ACTIVITIES	129,213,875	105,989,211

CASH FLOW STATEMENT FOR THE YEAR ENDED ON 31ST MARCH 2006(Contd.)

	AMOUNT	AMOUNT
	Rs.	Rs.
	31.03.2006	31.03.2005
C CASH FLOW FROM FINANCING ACTIVITIES		
Proceeds from Issue of Share Capital	-	-
Proceeds from Long term borrowings	-	-
Repayment of finance lease liabilities	-	-
Dividend Paid	-23,020,904	-21,474,616
Increase in borrowing for working capital	-56,598,145	166,135,942
NET CASH USED IN FINANCING ACTIVITIES	-79,619,049	144,661,326
NET INCREASE IN CASH OR CASH EQUIVALENTS	-115,870,868	42,389,104
CASH OR CASH EQUIVALENTS AS AT 01-04-2005 (Opening balance)	187,336,001	144,946,897
CASH OR CASH EQUIVALENTS AS AT 31-03-2006 (Closing balance)	71,465,133	187,336,001

As per our report of even date attached
For TALATI & TALATI
Chartered Accountants

UMESH H. TALATI
Partner

Ahmedabad
27th June, 2006

Nilesh D. Shelat
Company Secretary

For and on behalf of the Board

Mr. P.B. Patel
Mr. H.S. Parikh
Mr. A.M. Deshpande

Managing Director
Director
Wholetime Director

Mumbai
27th June, 2006

AUDITORS' CERTIFICATE

We have verified the above cash flow statement of Eimco Elecon (India) Limited derived from the audited annual financial statements for the years ended March 31, 2006 and March 31, 2005, and found the same to be drawn in accordance therewith and also with the requirements of Clause 32 of the listing agreements with stock exchanges.

For TALATI & TALATI
Chartered Accountants

Ahmedabad
27th June, 2006

(UMESH H. TALATI)
Partner

EIMCO ELECON (INDIA) LIMITED

Registered office : Vallabh Vidyanagar, Anand, Gujarat, Pin 388 120

FOR MEMBERS' IMMEDIATE ATTENTION

In order to ensure that the dividend warrant is not encashed by any person other than the members, it is proposed to indicate the Account No. of the member on the dividend warrant itself. Members are therefore requested to please return this form immediately duly filled in :

- 1. Name of the Member _____
 - 2. Register Folio No. _____
 - 3. No. of shares held _____
 - 4. Name of the Bank and branch where the shareholder operates his account _____

 - 5. A/c No. _____
- Date _____ Sign _____

EIMCO ELECON (INDIA) LIMITED

Registered office: Vallabh Vidyanagar, Anand, Gujarat, Pin 388 120

PROXY FORM

I, We _____ of _____ in the district of _____ being a Member/s of EIMCO ELECON (I) LTD.

hereby appoint Mr./Mrs. _____ of _____ in the district of _____ or failing him/her, Mr./Mrs. _____ of _____ in the district of _____ as my/our proxy to attend and vote for me/us and on my/our behalf at the 32nd Annual General Meeting of the Company to be held on Tuesday, the 12th September 2006, at 11.00 a.m. at the Registered Office at Vallabh Vidyanagar 388 120, and at any adjournment thereof.

Signed this _____ day of _____ 2006 Sign : _____

DP. Id	_____
--------	-------

Client Id/ Folio No.	_____
-------------------------	-------

No. of Shares	_____
---------------	-------

Affix 15 p.
Revenue
Stamp

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

Note: The Proxy Form must be deposited at the Registered Office of the Company not less than 48 hours before the time fixed for holding the Meeting.

* strike out whichever is not desired

BOOK - POST

IF UNDELIVERED PLEASE RETURN TO :

**EIMCO ELECON (INDIA) LIMITED,
VALLABH VIDYANAGAR - 388 120,
GUJARAT.**