

Date: 27th July, 2016

To,

The Manager (Listing),
BSE Limited
Mumbai

The Manager (Listing),
National Stock Exchange of India Limited
Mumbai

Sub: Submission of Chairman's Speech of the Company

Dear Sir,

Pursuant to Regulation 30 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, we submit herewith Chairman's Speech of the 56th Annual General Meeting of the Company to be held on 26th July, 2016 at Audio-Visual Hall, Anand-Sojitra Road, Vallabh Vidyanagar - 388 120, Gujarat.

Kindly acknowledge the receipt of the same.

Thanking You.

Yours faithfully,
For Elecon Engineering Company Limited


Parthiv Parikh
Company Secretary



Encl: a/a.



Cranes



Rubber Industry



Marine Industry



Plastic Industry



Power Industry



Steel Industry



Sugar Industry



Mining



Cement Industry

Gearing industries. Gearing economies.



Elecon Engineering Company Limited

Chairman's Speech

At

56th Annual General Meeting

Time : 5.00 p.m.

Date : 26-07-2016

Dear Shareholders, Ladies & Gentlemen

At the outset I welcome you all on behalf of Board of Directors, the Management and the Employees of the Company.

Before I begin my speech, I would like you all join me in a moment of silence for Mr. Hasmukhlal S. Parikh, an Independent Director of the Company for 18 Years, who left for his heavenly abode on 8th May, 2016. This is truly a great loss of Elecon and will be profoundly missed by everyone whose lives he touched. May his soul rest in peace.

Coming to the proceedings of the 56th Annual General Meeting of your Company, I am sure that all of you are in receipt of the Annual Report for the fiscal 2016. We have tried to detail the business performance and future outlook of the Company; we believe that would help you in understanding the direction that we have set for the future.

With your kind permission, I take the Board's Report and Audited Accounts for FY16 as read and would therefore take you through some of the key highlights of the fiscal in terms of economy, business environment, our performance over the year and lastly the key decisions that we have taken to prepare us for a profitable growth.

ECONOMIC OUTLOOK

The year 2015 was a quiet year for global Economy. Despite the lower commodity prices, the growth was muted on account of demand deficiency and excess global supply. The growth rates have also been disappointing for emerging markets that not only witnessed demand issues, but also went through currency depreciation (against USD) and capital flight from them to developed markets. Also, a faster-than-expected slowdown in imports and exports reflected weakness in manufacturing activity.

These developments had spill overs to almost every nation through trade channels, resulting in diminishing confidence and increasing volatility in financial markets. Overall, the Manufacturing activity and trade stayed weak globally and the demand also remained subdued.

From an Indian context, while our growth numbers appear to have bottomed, we see a lot of potential for the prosperity in years to come. The government has front loaded capital expenditure to help drive economic activity with a focus on infrastructure-based-sectors, which tend to have a multiplier effect on the economy. The growth should continue to steadily improve in 2016 and is likely to be led by public sector capex and urban consumption. The improvement in India's economic fundamentals coupled with strong government reforms, RBI's inflation focus supported by benign global commodity prices should be pivotal in the success of engineering industry and our business of gears.

The engineering sector, being closely associated with the manufacturing and infrastructure sectors, is of strategic importance to India's economy. The capital goods & engineering turnover in India is expected to reach US\$ 125.4 billion by FY17 and India is likely to continue its journey on the comparative advantage in terms of manufacturing costs, market knowledge, technology and creativity.

YEAR AT A GLANCE – COMPANY PERFORMANCE

Let me turn my attention now to the performance of the year gone by.

Elecon Engineering closed FY16 on a mixed operating performance. While the year was challenging from a business point of view, the Company made significant headway in terms of order booking and sustaining operational activity at the plant level.

On the business front, the Company's gears business continued its robust performance of order booking and execution. It also booked two very large scale orders in the naval defence space. The gear business's standalone order book now is about ₹ 722 Crore. These were the prestigious orders for Elecon given the strategic importance of the defence sector in India. Elecon supplied Codog gear boxes for stealth frigate battle ships namely Shivalik, Satpura and Sahyadri. These gear boxes have been performing extremely well and considering that the Navy has added confidence in the performance of the Company. In the Navy business, the Company dominantly placed and with the defence plans that the country has, it gives a very healthy outlook towards the business.

The Material Handling business, however, remains sluggish owing to macro factors which the Company believe would be taken care of by the government's ongoing measures across sectors. This seems to be an industry level issue as the year saw less number of projects in the market. The Company had a reasonable order inflow, but execution at the level of client resulted in muted financial performance. However, as a counter measure and for the long term gain, we have already turned our strategy more towards our product business and less on the EPC terms. When we look at topline in MHE around 25-30% was contributed from EPC business and 70-75% came from Products and going forward, we envisage EPC business to go down further and the product business will keep on increasing.

Further, pending the approval from Shareholders, the Board of Directors of the Company have unanimously recommended the proposed combination of Elecon Engineering Company Limited with Elecon EPC Projects Limited. The merger of Elecon EPC into Elecon Engineering was necessitated as some of the advantages that we envisaged in the earlier demerger of 2012 did not percolate

down to both the divisions. While the Company did see some momentum in the gear business, the material handling business was down due to multiple factors beyond Company's control. The Company believes that merger of the EPC business back into Elecon Engineering would deliver economies of scale and financial benefits that would benefit both the Companies and the Shareholders. The Shareholders approval will be taken at the Court Convened Meeting of the Shareholders on Friday, 19th August, 2016 as well as by Postal Ballot, for which notices have already been sent to you.

DIVIDEND

The Board of Directors of the Company has also recommended a Dividend of 55% (₹ 1.10 per share) for its Shareholders. You will appreciate that this is against a backdrop of some tough and trying conditions and hence we would request your co-operation and support as we work towards getting maximum value for our Shareholders in the coming years.

OUTLOOK

The Indian Economic growth is projected to remain robust in the years to come. The Public investment has picked up and we also envisage faster clearance of key projects; better infrastructure and greater ease of doing business. We believe that the government's fiscal policy will remain supportive and investments in the energy, transport, infrastructure and core areas would be promoted. Going into the future, with the merger of two entities, the consolidated Elecon entity would be able to utilize its full potential and leverage on the combined financial strength as well as optimize the use of resources for the purpose of future growth.

The Company remains confident on the prospects of the business however an upside to its performance would directly correlate to the way overall economy performs. If the overall capex activity

picks up in India, the Company may have a quicker translation of orders into sales and thus a better performance. For Elecon, the key catalysts to a better performance would be an increased economic activity including the revival of core sectors such as power, steel, cement and mining. The Company believes that the government is taking effective measures to take care of economic activity revival. Sooner than later, it should see the momentum coming back in the economy.

ACKNOWLEDGEMENT

On behalf of the Board of Directors and on my personal behalf, I convey my sincere thanks to all the Shareholders, Vendors, Customers, Dealers and Business Associates and other Stakeholders namely; Central and State Governments, Financial Institutions, Public and Private Sector Banks, Government Agencies and Non-Government Institutions and above all our Employees for their unstinting support in the growth of the Company's business.

I express my sincere appreciation to all my colleagues on the Board and the Management Team for their invaluable contribution in guiding your Company towards greater heights of excellence in the volatile economic environment.

Thank you for your attention!

PRAYASVIN PATEL

Chairman & Managing Director

Date : 26-07-2016

Place : Vallabh Vidyanagar