

ELGI FINANCE LIMITED



17TH ANNUAL REPORT

31-03-2000

ELGI FINANCE LIMITED

BOARD OF DIRECTORS : DR. JAIRAM VARADARAJ
Managing Director
C.N. SUBRAMANIAN
B. BALAKRISHNAN

BANKERS : STATE BANK OF INDIA
THE DHANALAKSHMI BANK LTD
GLOBAL TRUST BANK LTD
THE LAKSHMI VILAS BANK LTD
THE CATHOLIC SYRIAN BANK LTD
BANK OF BARODA
THE FEDERAL BANK LTD
THE SANGLI BANK LTD
STATE BANK OF MYSORE
KARUR VYSYA BANK LTD
STATE BANK OF TRAVANCORE

AUDITORS : M/S. SURI & CO.,
CHARTERED ACCOUNTANTS
COIMBATORE.

REGISTERED OFFICE : "INDIA HOUSE", 1239, TRICHY ROAD,
COIMBATORE - 641 018.

*Members are requested to bring their
copy of the Annual Report to the
Annual General Meeting*

17th ANNUAL REPORT**NOTICE OF THE ANNUAL GENERAL MEETING**

Notice is hereby given that the Seventeenth Annual General Meeting of the Members of Elgi Finance Limited will be held on Friday the 29th day of September 2000 at 10.00 a.m. at Kalaiaragam Hall, Hotel Sri Annapoorna, Arokyasamy Road, R.S.Puram, Coimbatore - 641 002, to transact the following business.

ORDINARY BUSINESS:

1. To consider and adopt the Balance Sheet as at 31st March, 2000, Profit & Loss Account for the year ended on that date and the Reports of the Board of Directors and Auditors thereon.
2. To appoint Auditors to hold office from the conclusion of this Meeting till the conclusion of the next Annual General Meeting and to fix their remuneration.

SPECIAL BUSINESS:

3. To consider and if thought fit to pass with or without modifications, the following resolution as an Ordinary Resolution:

RESOLVED that Sri.C.N.Subramanian who was appointed by the Board as a Director against a casual vacancy on the Board and who holds office upto the date of this Annual General Meeting and in respect of whom the Company has received a notice under section 257 of the Companies Act, 1956 from a member proposing his candidature for the office of Director be and is hereby appointed as a Director of the Company.

4. To consider and if thought fit to pass with or without modifications, the following resolution as an Ordinary Resolution:

RESOLVED that Sri. B. Balakrishnan who was appointed by the Board as a Director against a casual vacancy on the Board and who holds office upto the date of this Annual General Meeting and in respect of whom the Company has received a notice under section 257 of the Companies Act, 1956 from a member proposing his candidature for the office of Director be and is hereby appointed as a Director of the Company.

5. To consider and if thought fit to pass with or without modifications, the following resolution as a Special Resolution:

RESOLVED that pursuant to the provisions of Section 81 (1A) and other applicable provisions, if any, of the Companies Act, 1956, and subject to the guidelines of Securities and Exchange Board of India (SEBI), Memorandum of Association and Articles of Association of the Company and such approvals as may be necessary and subject to such conditions and modifications as may be prescribed to issue and allot upto 65,00,000 Equity

Shares of Rs. 10/- each at par value to the persons/ companies detailed below on preferential allotment basis at such time or times and in one or more tranches as the Board may in its absolute discretion think fit:

1. Elgi Securities Limited
2. Premier Industrial Drives P. Ltd.
3. Salem Services P. Ltd.
4. Elgi Ultra Industries Ltd.
5. Madura Public Conveyance P. Ltd.
6. Dr. Jairam Varadaraj

Resolved further that the Equity shares issued and allotted as aforesaid shall rank pari passu in all respects with the existing equity shares of the Company.

Resolved further that for the purpose of giving effect to the above resolution the Board be and is hereby authorised to do all such things and acts as may be necessary and expedient and to settle any matter that may arise in connection therewith.

EXPLANATORY STATEMENT UNDER SECTION 173(2) OF THE COMPANIES ACT, 1956.**ITEM NO. 3 & 4**

Sri. C.N. Subramanian and Sri. B. Balakrishnan were appointed as Directors on 23rd March, 2000 in the casual vacancy caused by the resignation of Sri. L.G. Varadarajulu & Sri. L.G. Ramamurthi respectively. Pursuant to section 260 of the Companies Act, 1956, they hold office only upto the date of this Annual General Meeting. The Company has received a notice in writing under Section 257 of the Companies Act, 1956, along with a deposit of Rs.500/- from a member(s) proposing Sri. C.N. Subramanian and Sri. B. Balakrishnan as a candidate(s) for the office of the Director(s) of the Company. Accordingly the resolution as set out in Item No.3 & 4 is submitted to the meeting.

None of the Directors, other than Sri. C.N. Subramanian and Sri. B. Balakrishnan are interested in the resolutions as set out in Item No. 3 & 4 of the notice.

Your Directors commend the resolution for your approval.

ITEM NO. 5

The Board of Directors of the Company at their meeting held on 26.8.2000 have decided to issue upto 65,00,000 Equity shares of Rs.10/- each at par value in accordance with the guidelines for preferential allotment issued by SEBI. The issue of shares on Private Placement has been necessitated to reduce/repay borrowings of the Company.

In terms of Section 81 (1A) of the Companies Act, 1956, issue of equity shares as aforesaid, shall require consent of the shareholders by a special resolution as

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ELGI FINANCE LIMITED

set out in Item No. 5 of the notice.

We give below the disclosures which are required to be given in the notice of the General Meeting in accordance with the 3(1)(c)(ii) of the Securities and Exchange Board of India (Substantial Acquisition of shares and Take overs) Regulations, 1997.

Identity of the proposed Allottee(s) :

1. Elgi Securities Limited
India House, Trichy Road,
Coimbatore - 641 018
2. Premier Industrial Drives P. Ltd.
India House, Trichy Road,
Coimbatore - 641 018
3. Salem Services P. Ltd.
India House, Trichy Road,
Coimbatore - 641 018
4. Elgi Ultra Industries Ltd.
India House, Trichy Road,
Coimbatore - 641 018
5. Madura Public Conveyance P. Ltd.
India House, Trichy Road,
Coimbatore - 641 018
6. Dr. Jairam Varadaraj
Elgi Industrial Complex
Singanailur
Coimbatore - 641 005

Price at which Allotment is proposed

The shares are to be issued at Rs. 10/- per share (at par).

Purpose of and reason for allotment

The resolution is proposed to enable the Company to raise the necessary resources needed to settle the Bankers, Financial Institutions/ Creditors of the Company.

Consequential changes, if any, in control over the Company or in the Board of Directors of the Company and in voting rights.

There is no consequential change in the control over the Company or in the Board of Directors and these shares have voting rights in pari passu with existing shares of the Company. It is further clarified, as a result of the allotment, the controlling interest of the promoters group will increase from the present 19.27% to 69.63%

Shareholding Pattern of the Company

The Shareholding Pattern of the company shall change as under :-

	Pre- Allotment Holding %	Post- Allotment Holding %
Promoters	19.27	69.63
Public (including Financial Institutions & Mutual Funds)	80.73	30.37

The Directors are deemed to be interested to the extent of allotment of equity shares to them or to the Companies in which they are Directors.

NOTE

1. A Member entitled to attend and vote at the Meeting, is entitled to appoint a Proxy to attend and vote instead of himself and the Proxy need not be a Member.
2. The instrument appointing the Proxy should be deposited at the Registered office of the Company not less than 48 hours before the commencement of the Meeting.
3. The Register of Members and Share Transfer Register of the Company will remain closed from 16.09.2000 to 26.09.2000 (both days inclusive).
4. The Company has already transferred all unclaimed dividend declared upto the financial year ended 31st March, 1995 to the General Revenue Account of the Central Government as required by the Companies Unpaid Dividend (Transfer to the General Revenue Account of the Central Government) Rules, 1978. Those Shareholders who have so far not claimed or collected their dividend upto the aforesaid financial year may claim their dividend from the Registrar of Companies, Bank of Baroda Building, V Floor, 82, Bank Street, Coimbatore - 641 018.
5. Pursuant to the provision of section 205A of the Companies Act, 1956, as amended, dividend for the financial year ended 31st March, 1996 and 30th September, 1997 which remain unpaid or unclaimed for a period of 7 years will be transferred to the Investor Education and Protection Fund of the Central Government. Shareholders who have not encashed the dividend warrant(s) so far for the financial year ended 31st March, 1996 and for 30th September, 1997 are requested to make their claim to the Company. It may also be noted that once the unclaimed dividend is transferred to the Central Government, as above, no claim shall lie in respect thereof.

Coimbatore
26/08/2000

By order of the Board
JAIRAM VARADARAJ
Managing Director

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17th ANNUAL REPORT**DIRECTORS' REPORT**

Your Directors present the Seventeenth Annual Report together with the Audited Accounts for the year ended 31st March, 2000.

FINANCIAL RESULTS

	12 Months ended 31/03/2000 (Rs. in lacs)	18 Months ended 31/03/1999 (Rs. in lacs)
GROSS INCOME	1727.95	2376.74
Profit before Interest, Depreciation, Provision for NPA and Tax	726.72	1431.85
Less / (Add) :		
a) Interest	(336.93)	(3123.34)
b) Depreciation and Lease Equalisation	(367.98)	(947.65)
c) Provision for NPA	(225.53)	(1780.79)
d) Provision for Tax	--	--
Balance (Loss)/Profit	(203.72)	(4419.93)
(Add)/Less Lease Equalisation for the year	--	(306.88)
(Add)/Less Extra Ordinary Items	243.28	--
(Less)/Add Previous year surplus c/f	(3812.25)	108.98
(Loss)/Profit available for appropriation	(3772.69)	(4617.83)

OPERATIONS

The Company's activities were focused on collections and recoveries during the year. Various steps were taken to improve the collection process and legal steps were taken wherever possible to speed up collection. Your Directors submit that, the protection available to manufacturing companies under BIFR and lengthy legal procedures have made collection process very difficult. Also, the various loopholes available to borrowers and the overloading of the judiciary have also limited the scope for quick collection. Even so, the Company interacted with its customers to find a solution to the problems and has been reasonably successful in the same.

With the support received from the Elgi Group and its Associates, the Company has discharged all its commitments towards its depositors and a portion of its commitments to the Financial Institutions during the year. The Company has submitted one-time settlement offers to its Bankers and 5 members of the consortium of 11 Bankers of the Company have accepted the settlement and the Directors are confident that the rest of the bankers would also rally around to help the Company in its time of need. The reduction in liability consequent to the settlements has been considered in the accounts that have been presented to the Members.

DIVIDEND

Due to losses incurred by the Company, the Board of Directors do not recommend any dividend for the year.

ISSUE OF CAPITAL

During the year, your Company has allotted 12% Cumulative Redeemable Preference Shares of Rs.10/- each at par amounting to Rs. 5.50 Crores to ICICI Limited on a private placement basis. This issue was made as a part of the settlement of the Company's dues to ICICI Limited.

FIXED DEPOSITS

The liability on account of Fixed Deposits that stood at Rs. 8.86 Crores as on 31st March, 1999 has been fully discharged. The repayment was facilitated by the

generous support from the Elgi Group and also the supportive stand to allow repayments taken by the Bankers and Institutions.

Since the Company does not have any deposits and has no plans for raising any deposits in the near future, it is not seeking review of Credit Rating from ICRA. Considering its negative net worth and lack of capital adequacy as per RBI norms, the registration under the RBI rules is yet to be received by the Company.

OUTLOOK FOR THE CURRENT YEAR

The Company continues to focus its attention on recoveries during the current year also. The Company has not made any fresh disbursements till date. The Company has made good progress in finding an amicable settlement with the Bankers of the Company and is confident of completing the settlement with the Bankers during the year.

In order to raise the funds to pay the bankers, the Directors have put forward a resolution for raising Capital through the issue of Equity Shares on a private placement basis. This route has been preferred after considering the fact that the current share prices are well below par and there are no avenues for raising debt. The funds are to be brought in by the Elgi Group and will be used to pay the Bankers, Financial Institutions and Creditors of the Company. For this purpose suitable resolutions are being placed before the shareholders for their approval.

Considering the less than satisfactory business scenario in and around Coimbatore, the Directors submit, that there is no immediate plans to make disbursements. The lack of availability of funds also hampers entry into any other business venture. The Directors are scouting for a business proposition to improve the value to the shareholders.

YEAR 2000 STATUS

Your Company did not face any problems at the time of transition to year 2000.

DIRECTORS

Considering the dilution in the activities of the Company, the expertise of the various Board Members

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