

ELGI FINANCE LIMITED

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18TH ANNUAL REPORT

31-03-2001

ELGI FINANCE LIMITED

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| BOARD OF DIRECTORS | : Dr. JAIRAM VARADARAJ Managing Director C.N. SUBRAMANIAN B. BALAKRISHNAN S.A. SUBRAMANIAN |
| BANKERS | : STATE BANK OF INDIA ICICI BANK LIMITED THE LAKSHMI VILAS BANK LIMITED |
| AUDITORS | : M/s. SURI & CO., CHARTERED ACCOUNTANTS COIMBATORE. |
| REGISTERED OFFICE | : "INDIA HOUSE", 1239, TRICHY ROAD, COIMBATORE - 641 018. |
| REGISTRARS AND TRANSFER AGENTS FOR DEMATERIALISATION | : Intime Spectrum Registry (P) Ltd. 260-A, Shanti Industrial Estate Sarojini Naidu Road, Mulund West Mumbai - 400 080 Phone : 91-22-5672716 Fax : 91-22-5672693 E-mail : isrl@vsnl.com |

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

ELGI FINANCE LIMITED**NOTICE OF THE ANNUAL GENERAL MEETING**

Notice is hereby given that the Eighteenth Annual General Meeting of the Members of Elgi Finance Limited will be held on Thursday the 6th day of September 2001 at 10.00 a.m. at Nani Palkhivala Auditorium, Mani Higher Secondary School, Coimbatore - 37, to transact the following business.

ORDINARY BUSINESS

1. To consider and adopt the Balance Sheet as at 31st March, 2001, Profit & Loss Account for the year ended on that date and the Reports of the Board of Directors and Auditors thereon.
2. To appoint a Director in place of Sri. B. Balakrishnan who retires by rotation and being eligible, offers himself for re-appointment.
3. 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

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

"RESOLVED that Sri. S.A. Subramanian who was co-opted as Additional Director of the Company on 25.06.2001 by the Board and who holds office till the ensuing Annual General Meeting and in respect of whom the Company has received a notice in writing from a member proposing his candidature for the office of director be and is hereby appointed as 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 section 31 and other applicable provisions, if any, of the Companies Act, 1956, the Articles of Association of the Company be and is hereby altered in the following manner :

After Article 16, the following new Article 16-A shall be inserted :

"16-A."

1. (a) "Beneficial Owner" shall mean the beneficial owner as defined in clause (a) of sub-section (1) of Section 2 of the Depositories Act, 1996.
- (b) Depositories Act, 1996, shall include any statutory modification or re-enactment thereof.
- (c) "Depository" shall mean a Depository as defined under clause (e) of sub-section (1) of Section 2 of the Depositories Act, 1996.

- II. Nothing contained in the Section 108 of the Companies Act or these Articles shall apply to the transfer of security effected by the transferor and the transferee both of whom are entered as beneficial owners in the records of the Depository (s).

- III. Notwithstanding anything else contained in these Articles of Association of the Company, the Company shall be entitled to dematerialise its shares / security (ies) in accordance with and in pursuance of the provisions of the Depository Act, 1996, and the rules/ by-laws made thereunder and/or in pursuance of any other law applicable in force from time to time.

Notwithstanding anything else contained in these Articles of Association of the Company, where any share (s) / security (ies) are issued and/or held in dematerialised form, the rights and obligations of all parties concerned and all matters connected therewith are incidental thereto shall be governed by the Depositories Act, 1996 and the rules/ by-laws made thereunder and/or in pursuance of any other law applicable in force from time to time.

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

Sri. S.A. Subramanian was appointed as additional Director of the Company on 25.06.2001 by the Board. Pursuant to Section 260 of the Companies Act, 1956, Sri. S.A. Subramanian holds office only upto the date of ensuing Annual General Meeting. The Company has received a notice in writing from a member under Section 257 of the Companies Act, 1956, notifying his intention to propose Sri. S.A. Subramanian as a candidate for the office of Director along with a deposit Rs. 500/-.

Having regard to the background and experience of Sri. S.A. Subramanian, the Board considers it desirable to avail his service and accordingly recommends the acceptance of the resolution set out in item No.4 of the notice.

None of the directors of the company other than Sri. S.A. Subramanian are concerned and interested in this resolution.

ITEM NO.5

With the introduction of Depositories Act, 1996 and the depository system, some of the provisions of the Companies Act, 1956, relating to the issue, holding, transfer, transmission of shares and other securities have been amended to facilitate the implementation of the new system. The Company has already joined the depository system as holding of share(s)/ security (ies) in the electronic form is safer and more convenient for shareholders. It is

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proposed to amend the Articles of Association of the Company in the manner mentioned in item no.4 of the notice in order to reflect the provisions of the Depository Act, 1996 and to deal with the rights and obligations of the parties in the depository system.

The Directors recommend the Special Resolution for approval of the members.

None of the directors are concerned and interested in this resolution.

NOTE:

1. A member entitled to attend and vote at a 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 a 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 30/08/2001 to 06/09/2001 (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, Stock Exchange Building, Trichy Road, Singanailur, Coimbatore - 641 005.
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.

6. All formalities relating to dematerialisation with M/s Central Depository Services (India) Ltd have been completed and the scrip can be traded in dematerialise form.

ISIN Activation allotted for is : INE424D01018.

7. Appointment/Reappointment of Directors

A brief resume, nature of experience in specific functional areas and other Directorship and Membership of Committees in respect of the appointment/reappointment of Directors are given in terms of clause 49 of the Listing Agreement.

Name : Sri. B. Balakrishnan

Age : 37 years

Qualifications : B.Com., FCA.,

Expertise : Finance, Accounts and Administration

Other Directorships : 1. Elgi Securities Limited

2. Darkhorse Portfolio Investment Ltd

3. Premier Industrial Drives Private Ltd

4. Madura Public Conveyance Private Ltd

Name : Sri. S.A. Subramanian

Age : 63 years

Qualifications : B.A., FICWA., FCS., MIMA.

Expertise : Corporate Finance, Accounts and Secretarial functions

Other Directorships : 1. Kooltread Limited

2. Motor Credit Company Limited

3. Geo Renewable Power Ltd

4. Elgitread (International) Ltd

5. Elgitread (India) Ltd

6. Ellargi Investments P Ltd

7. Shambhavi Polymers P Ltd

Member of Committees : 1. Administrative Committee - Elgitread (India) Ltd

2. Investors' Relation Committee - Elgitread (India) Ltd

Coimbatore
25/06/2001

By order of the Board
JAIRAM VARADARAJ
Managing Director

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ELGI FINANCE LIMITED**DIRECTORS' REPORT**

Your Directors present the Eighteenth Annual Report together with the Audited Accounts for the year ended 31st March, 2001.

FINANCIAL RESULTS

| | Year ended 31/03/2001 (Rs. in lacs) | Year ended 31/03/2000 (Rs. in lacs) |
|---|---|---|
| GROSS INCOME | 760.63 | 1299.27 |
| Profit / (Loss) before Interest, Depreciation, Provision for NPA and Tax | (96.37) | 298.03 |
| Less / (Add) : | | |
| a) Interest | (28.70) | (336.93) |
| b) Depreciation and Lease Equalisation | (86.15) | (367.98) |
| c) Provision for NPA | 0.00 | (225.53) |
| d) Provision for NPA withdrawn | 1776.91 | 428.69 |
| Balance Profit / (Loss) | 1565.69 | (203.72) |
| Add : Extra Ordinary Items | 516.76 | 243.28 |
| Balance Profit / Loss after Extra Ordinary Items | 2082.45 | 39.56 |
| Less : Previous Year Loss b/f | (3772.69) | (3812.25) |
| Balance Loss carried over | (1690.24) | (3772.69) |

OPERATIONS

The Company had taken several steps during the year to find an amicable solution with its lenders and also offered innovative settlement schemes for improving collections from its borrowers. Due to extremely fluid market conditions, the collections during the year were slow in coming.

The lenders of the Company had fully supported the proposal of one time settlements with them and had offered concessional terms for the Company. With the support of other corporate(s) the Company was able to raise necessary resources to avail the benefits offered by the lenders.

INCREASE IN PAID UP CAPITAL

During the year, the Company called up the uncalled portion of the partly paid shares of the Company and the same have been fully paid up.

FIXED DEPOSITS

The Company has not accepted any fixed deposits during the year. There are no dues payable on account of fixed deposits at the end of the year.

DIVIDEND

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

OUTLOOK FOR THE CURRENT YEAR

The Company had to sell its receivables debtors to raise resources to pay all the lenders. Agreements have been made with all the assignees with whom the receivables/debtors have been assigned and in accordance with those agreements the Company would continue to use its infrastructure to collect the assigned receivables. The Company proposes to continue to try and realise all the receivables/debtors assigned.

The situation in the financial services industry is quite distressing and low cost players, particularly the nationalised banks, today dominate the markets. The management is still looking out for a suitable business

proposition for offering better returns to the shareholders of the Company.

DIRECTORS

Sri. B. Balakrishnan will retire by rotation at the ensuing Annual General Meeting and is eligible for re-appointment.

Sri. S.A. Subramanian who is professionally qualified has been co-opted as Additional Director who holds office till the ensuing Annual General Meeting. Notice under Section 257 has been received from a member proposing his candidature for the office of directorship. Your Directors recommend his appointment.

CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION, FOREIGN EXCHANGE EARNINGS / OUTGO

Furnishing of details regarding CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION, FOREIGN EXCHANGE EARNINGS / OUTGO are not applicable to the Company.

LISTING

The shares of the company have been listed in Mumbai Stock Exchange, Chennai Stock Exchange and Coimbatore Stock Exchange. The listing fees payable have been duly paid.

CORPORATE GOVERNANCE/AUDIT COMMITTEE

Corporate governance compliance is mandatory for your company for the year ended 31st March, 2002 onwards only.

However the company has taken necessary steps to constitute the Audit committee in terms of sec 292A of the Companies Act, 1956 read with clause 49 of the listing agreement. The audit committee comprises of 3 non executive independent directors viz.

1. Sri. C.N. Subramanian
2. Sri. B. Balakrishnan
3. Sri. S.A. Subramanian

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