

ELGI FINANCE LIMITED



20TH ANNUAL REPORT

31-03-2003

ELGI FINANCE LIMITED

BOARD OF DIRECTORS

: Dr. JAIRAM VARADARAJ
Managing Director
C.N. SUBRAMANIAN
B. BALAKRISHNAN
S.A. SUBRAMANIAN

AUDITORS

: M/s. SJRI & CO.,
CHARTERED ACCOUNTANTS
COIMBATORE.

REGISTERED OFFICE

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

REGISTRARS AND TRANSFER AGENTS

Intime Spectrum Registry Limited
C-13, Pannalal Silk Mills Compound
L.B.S. Marg, Bhandup West,
Mumbai - 400 078.
Phone : 91-022-25923837
Fax : 91-022-25672693
E-mail : isrl@vsnl.com

Intime Spectrum Registry Limited
Investor Relation Centre
Surya, 35 May Flower Avenue
(Behind Senthil Nagar)
Sowripalayam Road
Coimbatore - 641 028.
Phone : 91-0422-2310552
91-0422-2316755
Fax : 91-0422-2318780
E-mail : coimbatore@intimespectrum.com

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

20th ANNUAL REPORT**NOTICE OF THE ANNUAL GENERAL MEETING**

Notice is hereby given that the Twentieth Annual General Meeting of the Members of Elgi Finance Limited will be held on Wednesday, the 10th day of September 2003 at 3.30 P.M. at Ardra, No.9, North Huzur Road, Coimbatore - 641 018, to transact the following business.

ORDINARY BUSINESS :

1. To consider and adopt the Balance Sheet as at 31st March, 2003, Profit and Loss Account for the year ended on that date and the Reports of the Board of Directors and Auditors there on.
2. To appoint a Director in place of Shri. 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.

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 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 01/09/2003 to 10/09/2003 (both days inclusive).
4. The Company has already transferred all unclaimed dividend up to 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 up to 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. Shareholder who have not encashed the dividend warrant(s) so far for the financial year ended 31st March, 1996 and 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) Limited have been completed and the scrip can be traded in dematerialised form.

ISIN ACTIVATION CODE ALLOTTED : 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 / re appointment of Directors are given in terms of clause 49 of the Listing Agreement.

Name	:	B.Balakrishnan
Age	:	39 Years
Qualification	:	B.Com., F.C.A.
Experience	:	Finance, Accounts and Administration
Other Directorships	:	1.Elgi Securities Limited 2.Dark Horse Portfolio Investments Limited 3.Premier Industrial Drives (P) Ltd., 4.Madura Public Conveyance (P) Ltd.,

By Order of the Board

Coimbatore
30/06/2003

JAIRAM VARADARAJ
MANAGING DIRECTOR

ELGI FINANCE LIMITED**DIRECTORS' REPORT**

Your Directors present the Twentieth Annual Report together with the Audited Accounts for the year ended 31st March, 2003.

FINANCIAL RESULTS :

	Year Ended 31/03/2003 (Rs. In lacs)	Year Ended 31/03/2002 (Rs. In lacs)
GROSS INCOME	<u>35.27</u>	<u>35.00</u>
Loss before Depreciation, Provision for NPA	7.14	49.27
Add / (Less) :		
a) Depreciation and Lease Equalisation	1.76	2.66
b) Provision for NPA withdrawn	(0.00)	(2.77)
Loss for the year	8.90	49.16
Add : Previous Years Loss B/F	2544.98	2495.82
Balance Loss Carried Over	2553.88	2544.98

OPERATIONS :

The company could not do any fresh business due to cancellation of its Registration by Reserve Bank of India as a Non-banking Finance Company, which prevented the company from accessing the funds from Banking System or Depositors. The company had during the year taken various steps to find compromise settlement on assigned receivables.

FIXED DEPOSITS :

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

DIVIDEND :

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

GROUP COMPANIES :

As per SEBI (Substantial Acquisition of Shares and Takeover) regulation, 1997, as amended by SEBI (Substantial Acquisition of Shares and Takeover) (Second Amendment) Regulations, 2002, the following are the group companies falling within the Regulation 3(1)(e)(i) :

1. Elgi Equipments Limited, 2. Elgi Ultra Industries Limited, 3. Elgitread (India) Limited, 4. Elgi Securities Limited, 5. Dark Horse Portfolio Investment Limited, 6. Premier Industrial Drives (P) Limited, 7. Salem Services (P) Limited, 8. Madura Public Conveyance (P) Limited

OUTLOOK FOR THE CURRENT YEAR :

The financial market is facing a sea change with interest rate dropping down and the Banks jumping into the small lending bandwagon. This has resulted the small and regional players being sidelined from the market. The management is looking out to leverage the company's knowledge of the market into any suitable business.

DIRECTORS :

Sri. B. Balakrishnan retires by rotation at the ensuing Annual General Meeting and is eligible for re-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 Stock Exchange, Mumbai, Madras Stock Exchange and Coimbatore Stock Exchange. The listing fees payable have been duly paid.

20th ANNUAL REPORT**REPORT ON CORPORATE GOVERNANCE :**

A detailed report on Corporate Governance is annexed to this Annual Report. The Company has complied with the conditions of corporate governance as stipulated in clause 49 of the listing agreement. The certificate obtained from the auditors of the company regarding compliance of conditions is annexed to this report.

DIRECTORS' RESPONSIBILITY STATEMENT :

In compliance of Section 217 (2AA) of the Companies Act, 1956, as amended by the Companies (Amendment) Act, 2000, the Directors of your Company confirm:

- That all applicable Accounting Standards have been followed in the preparation of annual accounts and that there are no material departures.
- That such Accounting Policies have been selected and applied consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company as on 31st March, 2003 and of the Loss of the Company for the year ended on that date.
- That proper and sufficient care has been taken for the maintenance of adequate accounting records in accordance with the Provisions of the Companies Act for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities.
- That the Annual Accounts have been prepared on a going concern basis.

AUDITORS :

M/s. Suri & Co., Chartered Accountants, will retire at the ensuing Annual General Meeting and being eligible offer themselves for reappointment.

PERSONNEL :

There are no employees covered by the particulars required to be disclosed under Section 217 (2A) of the Companies Act, 1956.

ACKNOWLEDGEMENTS :

Your Directors wish to thank and place on record their appreciation to the employees of the Company, who have supported, contributed and have put in their fullest co-operation in the day-to-day operations of the Company

Coimbatore
30/06/2003

By Order of the Board
JAIRAM VARADARAJ
MANAGING DIRECTOR
B.BALAKRISHNAN
DIRECTOR

MANAGEMENT DISCUSSION AND ANALYSIS REPORT**INDUSTRY STRUCTURE AND DEVELOPMENT**

The year saw the industry shrinking further and consolidation in the sector by the Bankers. The reduction in the Cash Reserve Ratio by Reserve Bank of India resulted in the substantial liquidity with Banks who have aggressively been lending to the transport, cars and housing sector. Overall industrial growth has also been slack.

OPPORTUNITIES AND THREATS

The low interest regime has come to stay and this has put paid to the aspirations of many players in the industry. The management does not foresee any significant growth potential in this business.

SEGMENT-WISE OR PRODUCT-WISE PERFORMANCE

The company did not have any financing activities or any other activity other than collections during the year.

OUTLOOK

The financial market is facing a sea change with interest rate dropping down and the Banks jumping into the small lending bandwagon. This has resulted in the small and regional players being sidelined from the market. The management is looking out to leverage the company's knowledge of the market into any suitable business.

ELGI FINANCE LIMITED**RISK AND CONCERNS**

Since the company is only acting as a collection entity there are no significant risks associated with this operation.

INTERNAL CONTROL SYSTEMS AND THEIR ADEQUACY

The company has a proper and adequate internal control system to ensure that all assets are safeguarded and protected against loss from unauthorised use or disposition and that transactions are authorised, recorded and reported correctly.

DISCUSSION ON FINANCIAL PERFORMANCE WITH RESPECT TO OPERATIONAL PERFORMANCE

Please refer Director's Report on Operations.

MATERIAL DEVELOPMENTS IN HUMAN RESOURCES / INDUSTRIAL RELATIONS FROM, INCLUDING NUMBER OF PEOPLE EMPLOYED

There has been no material developments in human resources / industrial relations front. As on 31st March, 2003, the Company has 11 employees

ANNEXURE TO DIRECTOR'S REPORT**REPORT ON CORPORATE GOVERNANCE :**

The mandatory requirements of corporate governance in all material aspects.

A report on corporate governance in the format prescribed in the Listing Agreement is given below :

1) Company's Philosophy on Code of Governance :

Your company firmly believes in transparency in its dealings and lays emphasis on integrity and regulatory compliance. The Elgi Group considers good corporate governance a prerequisite for meeting the needs and aspirations of its shareholders of the company. With this end in view, this year's Annual Report has made substantial disclosures on the Board, Board Committees as also on the financial and stock performance.

2) Board of Directors :

The Board of Directors consists of 4 Directors.

a) Composition and category of Directors and attendance of each Director at the Board Meetings, last Annual General Meeting and Number of other Directorship and Chairmanship/Membership of Committee of each Director in various Companies

Director	Category	Attendance Particulars		No. of Directorship in Public Companies	No. of Committee positions	
		Board Meeting	Last AGM		Member	Chairman
Shri.Jairam Varadaraj (Managing Director)	Executive - Promoter	5	Yes	7	3	—
Shri. S.A. Subramanian	Independent Non-Executive	5	Yes	4	2	—
Shri. C.N.Subramanian	Independent Non-Executive	5	Yes	2	2	—
Shri.B.Balakrishnan	Independent Non-Executive	5	Yes	2	2	2

b) Board Meetings and Annual General Meeting :

During the year under review , 5 Board Meetings were held, the dates being 8th April 2002, 10th July 2002, 31st July 2002, 30th October 2002 and 29th January 2003. The Annual General Meeting was held on 9th September 2002.

3) AUDIT COMMITTEE :**Composition, name of members and Chairpersons, meetings and attendance during the year**

Name of the member	Category	No. of meetings held	Attendance
Shri. B.Balakrishnan - Chairman	Independent - Non Executive	4	4
Shri. S.A.Subramanian	Independent - Non Executive	4	4
Shri. C.N.Subramanian	Independent - Non Executive	4	4

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The Chairman of the Audit Committee is Shri. B.Balakrishnan, Chartered Accountant

The terms of reference of this Committee are as required by SEBI under clause 49 of the Listing Agreement. Besides having access to all the required information from within the Company, the Committee can obtain external professional advice whenever required. The Committee acts as a link between the statutory and internal auditors and the Board of Directors of the Company. It is authorised to select and establish accounting policies, review reports of the Statutory and Internal Auditors and meet with them to discuss their finding, suggestions and other related matters. The Committee is empowered to recommend the appointment and remuneration payable to the Statutory Auditors.

During the year under review, 4 Meetings of the Audit Committee were held, the dates being 10th July 2002, 31st July 2002, 30th October 2002 and 29th January 2003.

4) REMUNERATION COMMITTEE :

The Directors of the Company including the Managing Director are not drawing any remuneration and hence no such Remuneration Committee has been constituted.

5) SHARE TRANSFER AND SHAREHOLDERS' GRIEVANCE COMMITTEE :

The following Non-Executive Independent Directors, Shri. B.Balakrishnan, Shri. S.A.Subramanian, Shri. C.N.Subramanian are the members of the Share Transfer and Shareholders' Grievance Committee. The Chairman of the Committee is Shri. B. Balakrishnan. Shri. R.Rajendran, Deputy Manager – Secretarial is the Compliance Officer.

The functions of the Shareholders' Grievance Committee are to review and redress shareholders' / investors' query / grievance / complaint on matters relating to transfer of shares, non-receipt of dividend warrants, etc., and to approve transfers, transmissions consolidation and splitting of share certificates and to authorise officials to make necessary endorsements on the share certificates.

The Company has during the year received 2 complaints directly from the shareholders. All the complaints were redressed to the fullest satisfaction of the shareholders. The Company has not received any complaints from the Stock Exchanges, Investors Association, SEBI and Department of Company Affairs.

The shares of the Company was demated through Central Depository Services (I) Limited (CDSL).

The total number of shares demated : 42,265

The total number of shares rematted : Nil

The Company has also been taking steps to ensure that shareholders' related activities are given due priority and matters are resolved at the earliest.

6) GENERAL BODY MEETINGS :

The dates, time and venue of the three previous Annual General Meetings held during the last three years are given below :

Date	Time	Location
29.9.2000	10.00 A.M.	Hotel Sri Annapurna, R.S.Puram, Coimbatore – 2.
06.9.2001	10.00 A.M.	Mani Higher Secondary School, Coimbatore – 37.
09.9.2002	4.00 P.M.	Mani Higher Secondary School, Coimbatore – 37.

No special resolutions were put through postal ballot in the last Annual General Meeting.

7) DISCLOSURES :

- a) Disclosure on materially significant related party transactions of the Company of material nature, with its promoters, the directors or the management, their subsidiaries or relative etc. that may have potential conflict with the interests of the Company at large :

None of the transactions with any of the related parties were in conflict with the interests of the Company at large.

- b) Details of non-compliance by the Company, penalties, strictures imposed on the Company by Stock