

ELGI FINANCE LIMITED



**21st Annual
Report**
31-3-2004

ELGI FINANCE LIMITED

Board of Directors

Dr. Jalram Varadaraj

Managing Director

C.N. Subramanian

B. Balakrishnan

S.A. Subramanian

Auditors

M/s. Suri & Co.,

Chartered Accountants

Coimbatore

Registered Office

"INDIA HOUSE",
1239, Trichy Road,
Coimbatore - 641 018.

Report Junction.com

Registrars and Transfer Agents

Intime Spectrum Registry Limited
C-13, Pannalal Silk Mills Compound
L.B.S. Marg, Bhandup West,
Mumbai - 400 078.
Phone : 91-022-55555454
Fax : 91-022-55555353
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 : 91-0422-2314792
91-0422-2316755
E-mail : coimbatore@intimespectrum.com

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

NOTICE OF THE ANNUAL GENERAL MEETING

Notice is hereby given that the Twenty First Annual General Meeting of the Members of Elgi Finance Limited will be held on Friday, the 27th day of August, 2004 at 5.00 P.M. at Ardra Convention Centre, No. 6, 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, 2004, 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 Sri. S.A. Subramanian 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 modification the following Resolution as an Ordinary Resolution.

RESOLVED that pursuant to Section 269, 310, 309, 198 read with Schedule XIII and other applicable provisions of the Companies Act, 1956, Dr. Jairam Varadaraj who is already a Managing Director of M/s. Elgi Equipments Limited be and is hereby re-appointed as Managing Director of the Company for a period of five years from 1st September 2004 without any remuneration and perks.

Further Resolved that during his tenure of office as Managing Director he shall not be liable to retire by rotation.

EXPLANATORY STATEMENT PURSUANT TO SECTION 173(2) OF THE COMPANIES ACT, 1956**Item No. 4**

The term of Office of Dr. Jairam Varadaraj as Managing Director of the Company expires on 31st August 2004. Dr. Jairam Varadaraj is already Managing Director of M/s. Elgi Equipments Limited. The remuneration committee and the Board of Directors have re-appointed Dr. Jairam Varadaraj as Managing Director of the Company for a period of five years with effect from 1st September 2004 without any remuneration and perks.

Your Directors recommend the passing of the resolution.

Dr. Jairam Varadaraj is interested in this resolution.

MEMORANDUM OF INTEREST

Dr. Jairam Varadaraj, the Appointee Director is interested in the proposed resolution under item No. 4.

None of the Directors except Dr. Jairam Varadaraj are interested or concerned in this resolution.

This is to be treated as an abstract of Memorandum of Interest pursuant to Section 302 of the Companies Act, 1956.

ELGI FINANCE LIMITED**NOTES :**

Particulars about the Directors proposed for Reappointment / Appointment as per Clause 49(VI)(A) of the Listing agreement.

Name/Age	Qualification	Experience	Other Directorship in Public Limited Companies and Membership in Committees
Dr. Jairam Varadaraj (43 years)	M.B.A., Ph.D., (USA)	17 Years	<p>Elgi Equipments Limited Elgi Ultra Industries Limited Elgitread (India) Limited Adisons Precision Instruments Manufacturing Co. Ltd. Elgitread Ltd. Precot Mills Limited Thermax Limited</p> <p>COMMITTEE MEMBERSHIPS :</p> <p>Elgi Equipments Limited - Share Transfer and Investors Grievance Committee</p> <p>Elgi Ultra Industries Limited - Share Transfer Committee</p> <p>Precot Mills Limited - Audit Committee</p>
Sri. S.A. Subramanian (66 years)	B.A., FICWA., FCS., MIMA	45 Years Experience in Corporate Finance, Accounts & Secretarial Function	<p>Elgitread Limited Geo Renewable Power Limited Kooltread Limited</p> <p>COMMITTEE MEMBERSHIPS :</p> <p>Elgi Finance Limited - Audit Committee, Remuneration Committee & Share Transfer and Shareholders Grievance Committee</p>

- 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.**
- 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
- The Register of Members and Share Transfer Register of the Company will remain closed from 16/8/2004 to 27/8/2004 (both days inclusive).
- As required under the provisions of Section 205A of the Companies Act, 1956, the Company has transferred unclaimed dividends up to the Financial year 1994-95 to the General Revenue Account of the Central Government and in respect of unclaimed dividend for the Financial year ended 31.03.1996 to the Investors Education and Protection Fund constituted by the Central Government. In respect of

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the amounts remaining in the unpaid dividend accounts for the Financial year ended 30th September 1997, the Company would transfer at the expiry of 7 years to the aforesaid fund. Upon such a transfer a Member would have no claim against the Fund or the Company regarding his unpaid dividend. Members may therefore promptly lodge their claims for unpaid dividend, if any, in respect of the Financial year ended 30th September 1997 to the Company.

5. Members can avail the nomination facility, under Section 109A of the Companies Act, 1956, by filing up Form No. 2B with the Share Transfer Agent and by execution of the relevant form with the Depository Participants concerned.
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.

Coimbatore
14/07/2004

By Order of the Board

JAIRAM VARADARAJ
Managing Director

DIRECTORS' REPORT

Your Directors present the Twenty First Annual Report together with the Audited Accounts for the year ended 31st March, 2004.

FINANCIAL RESULTS :

	Year Ended 31/03/2004 (Rs. in lacs)	Year Ended 31/03/2003 (Rs. in lacs)
GROSS INCOME	29.03	35.27
Profit / (Loss) before Interest, Depreciation and Provision for Tax	1.14	(1.82)
Add / (Less):		
a) Interest	(7.82)	(5.32)
b) Depreciation	(1.12)	(1.76)
c) Provision no longer required withdrawn	0.54	0.00
Balance Loss	7.26	8.90
Add : Previous Years Loss B/F	1748.30	1739.40
Balance Loss Carried Over	1755.56	1748.30

OPERATIONS :

The Company continued the process of realising the receivables on behalf of the Companies to whom the receivables have been assigned.

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.

ELGI FINANCE LIMITED

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 Company is still scouting to identify a different business plan and upon finalisation of the plan will seek to take-up the business.

DIRECTORS :

Sri. S.A. Subramanian will retire 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.

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, 2004 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 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.

By Order of the Board

JAIRAM VARADARAJ
Managing Director

Coimbatore
14/07/2004

B. BALAKRISHNAN
Director

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

The NBFC industry has shrunk further and only a few large players are continuing in business.

OPPORTUNITIES AND THREATS

There are no fresh opportunities in the Financing Industry. The Company has to identify a different business plan for its sustenance.

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 Company is still scouting to identify a different business plan and upon finalisation of the plan will seek to take-up the business.

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.

The Audit Committee meets periodically with the Management and the Statutory Auditors to review the internal control systems.

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, 2004, the Company has 2 employees.

ELGI FINANCE LIMITED**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
Dr. Jairam Varadaraj Managing Director	Executive - Promoter	5	Yes	7	3	—
Sri. S.A. Subramanian	Independent Non-Executive	5	Yes	4	3	—
Sri. C.N.Subramanian	Independent Non-Executive	5	Yes	2	3	—
Sri. B.Balakrishnan	Independent Non-Executive	5	Yes	2	—	3

Board Meetings and Annual General Meeting :

During the year under review, 5 Board Meetings were held, the dates being 3rd April 2003, 30th June 2003, 30th July 2003, 30th October 2003 and 28th January 2004. The Annual General Meeting was held on 10th September 2003.

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
Sri. B.Balakrishnan Chairman	Independent - Non Executive	4	4
Sri. S.A.Subramanian,	Independent - Non Executive	4	4
Sri. C.N.Subramanian	Independent - Non Executive	4	4

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