

ELGI FINANCE LIMITED

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22nd Annual
Report
31-3-2005

ELGI FINANCE LIMITED

Board of Directors

Dr. Jairam 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.

Registrars and Transfer Agents

Registered Office :

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

Branch Office :

Intime Spectrum Registry Limited
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.*

22nd ANNUAL REPORT**NOTICE OF THE ANNUAL GENERAL MEETING**

Notice is hereby given that the Twenty Second Annual General Meeting of the Members of Elgi Finance Limited will be held on Monday, the 5th day of September, 2005 at 3.45 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, 2005, 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 the place of Sri. C.N.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 94(1) and all other applicable provisions if any, of the Companies Act, 1956, that the Authorised Share Capital of the Company be and is hereby altered by converting the unissued 30,00,000 equity shares of Rs.10/- each into 30,00,000 (Thirty Lakhs only) 5% Redeemable Preference Shares of Rs.10/- each and accordingly the Authorised Share Capital be altered as Rs. 20,00,00,000/= (Rupees Twenty Crores only) divided into 1,15,00,000 (One Crore Fifteen Lakhs only) equity shares of Rs. 10/- each and 55,00,000 (Fifty Five Lakhs only) Cumulative Redeemable Preference Shares of Rs.10/- each and 30,00,000 (Thirty Lakhs only) 5% Redeemable Preference Shares of Rs.10/- each.

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

Resolved that Clause V of the Memorandum of Association be and is hereby altered in the following manner

The existing clause V of the Memorandum of Association be deleted and the following new Clause V be substituted thereof.

V. The Authorised Share Capital of the Company is Rs.20,00,00,000 (Rupees Twenty Crores only) consisting of 1,15,00,000 (One Crore Fifteen Lakhs only) equity shares of Rs.10/- each (Rupees Ten only) and 55,00,000 (Fifty Five Lakhs only) Cumulative Redeemable Preference Shares of Rs.10/- each (Rupees Ten only) and 30,00,000 (Thirty Lakhs only) 5% Redeemable Preference Shares of Rs.10/- (Rupees Ten only) each with power to increase or reduce the Capital and with liberty to issue any shares and to attach thereto such rights including preferential rights, privileges or conditions and to subject the same to any restrictions, limitations or conditions and to vary, modify or abrogate any such rights, privileges, restrictions, limitations or conditions as the company deem necessary in accordance with provisions of the Companies Act, 1956 or any statutory modification or substitution thereof for the time being in force.

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

Resolved that Article 3 of the Articles of Association be and is hereby altered in the following manner

The existing Article 3 of the Articles of Association be deleted and the following new Article 3 be substituted thereof.

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3. The Authorised Share Capital of the Company is Rs.20,00,00,000/- (Rupees Twenty Crores only) consisting of 1,15,00,000 (One Crore Fifteen Lakhs only) equity shares of Rs.10/- each (Rupees Ten only) and 55,00,000 (Fifty Five lakhs only) Cumulative Redeemable Preference Shares of Rs.10/- each (Rupees Ten only) and 30,00,000 (Thirty Lakhs only) 5% Redeemable Preference Shares of Rs.10/- each (Rupees Ten only) with power to increase or reduce the Capital and with liberty to issue any shares and to attach thereto such rights including preferential rights, privileges or conditions and to subject the same to any restrictions, limitations or conditions and to vary, modify or abrogate any such rights, privileges, restrictions, limitations or conditions as the company deem necessary in accordance with provisions of the Companies Act, 1956 or any statutory modification or substitution thereof for the time being in force.
7. To consider and if thought fit, to pass with or without modification 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 Articles of Association of the Company and all other applicable laws and regulations, the consent and approval of the Company be and is hereby accorded to the Board to offer, issue and allot upto 20,00,000 5% Redeemable Preference Shares of Rs.10/- each at par to promoters and their associates on a preferential basis on such terms and conditions and in such manner as the Board may think fit, without offering the same to any member who on the date of offer is holder of equity/preference shares in the Company.
- Resolved further that for the purpose of giving effect to this resolution, the Board be and is hereby authorised, on behalf of the Company to do all such acts, deeds, matters and things as the Board may, in its absolute discretion, deem necessary, for such purpose and take all steps which are incidental, consequential, relevant or ancillary in this connection.
8. To consider and if thought fit, to pass with or without modification the following resolution as a Special Resolution.

Resolved that subject to the provisions of the Companies Act, 1956, Securities Contract (Regulation) Act, 1956 and Securities and Exchange Board of India (De-listing of Securities) Guidelines 2003, Listing Agreement and all other applicable laws, the consent of the company be and is hereby accorded to the Board to get the equity shares of the company delisted from the Madras Stock Exchange Limited.

EXPLANATORY STATEMENT PURSUANT TO SECTION 173 OF THE COMPANIES ACT 1956**Item No. 4,5 & 6**

The present Authorised Capital of the Company is Rs.20,00,00,000/- (Rupees Twenty Crores only) divided into 1,45,00,000 (One Crore Forty Five Lakhs only) equity shares of Rs.10/- each and 55,00,000 (fifty Five Lakhs only) Cumulative Redeemable Preference Shares of Rs.10/- each. It is considered desirable that a portion of the unissued equity shares of the company be converted into 5% Redeemable Preference Shares. Accordingly, the unissued 30,00,000 equity shares of Rs.10/- each in the Authorised Share Capital is proposed to be converted into 30,00,000 5% Redeemable Preference Shares of Rs.10/- each.

Accordingly the Authorised Share Capital of the Company be altered as Rs.20,00,00,000/- (Rupees Twenty Crores only) divided into 1,15,00,000 (One Core Fifteen Lakhs only) Equity shares of Rs.10/- each and

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55,00,000 (Fifty Five Lakhs only) Cumulative Redeemable Preference Shares of Rs.10/- each (Rupees Ten only) and 30,00,000 (Thirty Lakhs only) 5% Redeemable Preference Shares of Rs.10/- (Rupees Ten only) each.

Consequent upon the above alteration(s) in the Authorised Capital of the company, the Memorandum and Articles of Association will require alteration so as to reflect the conversion of a portion of the unissued equity shares into 5% Redeemable Preference Shares. Hence the resolution proposed in item no. 5 of the notice is to alter clause V of the Memorandum of Association and the special resolution set out in item No.6 is to alter Article 3 of the Articles of Association.

A copy of the Memorandum and Articles of Association together with proposed alterations are available for inspection at the registered office of the Company on any working day during the usual business hours.

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

Item No. 7

To meet the statutory dues, the promoter group companies and others have brought in funds which is proposed to be converted into 5% Redeemable Preference Shares of Rs.10/- each. In accordance with the provisions of section 81(1A) of the Companies Act, 1956 issue of 5% Redeemable Preference Shares to the Promoter and their associates requires the consent of the shareholders by a special resolution. The shareholders are requested to authorize the Board of Directors to deal with any matter that may arise in connection with the issue of said 20,00,000 – 5% Redeemable Preference Shares of Rs.10/- each.

The Memorandum and Articles of Association of the Company is available for inspection of any member of the company at the Registered Office on any working day during usual business hours.

No other director other than Dr.Jairam Varadaraj may deemed to be concerned or interested in this resolution.

Item No. 8

The Company's Equity Shares are presently listed in The Stock Exchange, Mumbai, Madras Stock Exchange and Coimbatore Stock Exchange. The Company proposes to delist the equity shares of the Company from Madras Stock Exchange in view of no trading at the exchange. It is also felt that continued listing in Madras Stock Exchange does not provide any significant tangible advantages to the shareholders of the Company.

As the Company's Equity Share continue to be listed in The Stock Exchange, Mumbai having nationwide trading terminals, the shareholders of the Company have access to online trading in the Company's securities across the country.

The proposed voluntary de-listing of the Company's Equity Shares from the Madras Stock Exchange will not adversely effect any investors including the shareholders located in the regions where the Madras Stock Exchange is situated.

The Board recommends the passing of the resolution set out in Item No. 8 of the notice convening the meeting.

None of the directors of the company is concerned or interested in the said resolution.

ELGI FINANCE LIMITED**Particulars about the directors proposed for reappointment as per Clause 49(vi)(a) of the Listing Agreement.**

| | |
|-----------------------|---|
| Name | : Sri. C.N. Subramanian |
| Age | : 52 years |
| Qualification | : B.Com., F.C.A. |
| Expertise | : Finance & Accounts |
| Other Directorships | : 1. Elgi Securities Ltd 2. Darkhorse Portfolio Investment Ltd. 3. Salem Services Pvt Ltd 4. Premier Industrial Drives Pvt Ltd 5. Madura Public Conveyance Pvt Ltd. |
| Committee Memberships | : Elgi Finance Limited - Audit Committee, Remuneration Committee and Share Transfer and Shareholders Grievance Committee. |

NOTES

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 01.09.2005 to 05.09.2005 (both days inclusive).
4. As required under the provisions of section 205A of the Companies Act, 1956, the Company has transferred unclaimed dividends upto the financial year ended 30.09.1997 to the Investor Education and Protection Fund of the Central Government. There after the Company has not declared Dividend.
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.

ISIN ACTIVATION CODE ALLOTTED : INE424D01018 (WITH M/S.CDSL)

Coimbatore
27/07/2005

By Order of the Board
JAIRAM VARADARAJ
Managing Director

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DIRECTORS' REPORT

Your Directors present the Twenty Second Annual Report together with the Audited Accounts for the year ended 31st March, 2005.

FINANCIAL RESULTS :

| | Year Ended 31/03/2005 (Rs. in lacs) | Year Ended 31/03/2004 (Rs. in lacs) |
|---|---|---|
| GROSS INCOME | 106.43 | 29.03 |
| Profit / (Loss) before Interest, Depreciation and Provision for Tax | 96.90 | 1.14 |
| Add / (Less): | | |
| a) Interest | (7.56) | (7.82) |
| b) Depreciation | (0.83) | (1.12) |
| c) Provision no longer required withdrawn | — | 0.54 |
| d) Provision for Taxation | 421.90 | — |
| Balance Loss | 333.39 | 7.26 |
| Add : Previous Years Loss B/F | 2561.14 | 2553.88 |
| Balance Loss Carried Over | 2894.53 | 2561.14 |

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.

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. C.N. Subramanian will retire by rotation at the ensuing Annual General Meeting and is eligible for re-appointment.

ELGI FINANCE LIMITED**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, 2005 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

B. BALAKRISHNAN
Director

Coimbatore
28/06/2005