

ESCORTS FINANCE LIMITED

TWELFTH ANNUAL REPORT

1998-99

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BOARD OF DIRECTORS

Chairman
Mr. Rajan Nanda

Vice Chairman
Mr. Anil Nanda

Managing Director
Mr. Jayant Dang

Company Secretary
Mr. Paresh Kumar

Directors

Mr. Ashok Kumar Mahindra
Mr. Lalit Bhasin
Mr. Mantosh Sondhi
Mr. K.M. Mammen
Mr. Umesh Banerji
Mr. Rakesh Chopra
Ms. Nitasha Nanda

Registered Office

N-6, Pratap Building,
Connaught Circus,
New Delhi - 110 001.

Auditors

M/s N.M. Rajji & Co.

Bankers

ABN Amro Bank NV
Bank of Baroda
Bank of Punjab Ltd.
Bombay Mercantile Co-Op. Bank Ltd.
Credit Lyonnais
Dena Bank
Indian Overseas Bank
State Bank of India
State Bank of Indore
The Bank of Rajasthan Ltd.
The Jammu & Kashmir Bank Ltd.
The Federal Bank Ltd.
Vijaya Bank

ESCORTS FINANCE LIMITED

REGISTERED OFFICE : N-6, PRATAP BUILDING, CONNAUGHT CIRCUS, NEW DELHI - 110 001.

**NOTICE**

Notice is hereby given that the Twelfth Annual General Meeting of the Company will be held on Friday, 23rd July, 1999 at 9:30 A.M. at Air Force Auditorium, Subroto Park, Near Dhaura Kuan, New Delhi - 110 010 to transact the following business:

ORDINARY BUSINESS

- 1) To receive, consider and adopt the audited Profit and Loss Account for the year ended March 31, 1999, the Balance Sheet as at that date and the Reports of Auditors and Directors thereon.
- 2) To declare dividend.
- 3) To appoint a Director in place of Mr. Rajan Nanda who retires by rotation and being eligible, offers himself for re-appointment.
- 4) To appoint a Director in place of Mr. Rakesh Chopra who retires by rotation and being eligible, offers himself for re-appointment.
- 5) To appoint a Director in place of Mr. Umesh Banerji who retires by rotation and being eligible, offers himself for re-appointment.
- 6) To appoint Auditors and fix their remuneration. M/s N. M. Raiji & Co., Chartered Accountants, New Delhi retire at the ensuing Annual General Meeting and being eligible, offer themselves for re-appointment.

SPECIAL BUSINESS

To consider and, if thought fit, to pass with or without modification(s), the following resolution :

7) (AS ORDINARY RESOLUTION)

"RESOLVED THAT pursuant to the provisions of Sections 198, 269, 309, 310, 349 and 350 and all other applicable provisions if any, of the Companies Act, 1956 and subject to the requisite approval of Central Government, consent of the Company be and is hereby accorded for revising the remuneration payable to Mr. Jayant Dang, Managing Director of the Company w.e.f. 01.04.98 for the remaining period of his tenure till 31.01.2000, on the terms and conditions as set out in the Explanatory Statement attached to this Notice."

By Order of the Board,
for **Escorts Finance Limited**

Place : New Delhi
Dated: 05.06.99

(PARESH KUMAR)
AVP & Company Secretary

NOTES :

- 1) A MEMBER ENTITLED TO ATTEND AND VOTE IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF. SUCH PROXY NEED NOT BE A MEMBER OF THE COMPANY. PROXIES MAY BE IN THE FORM ANNEXED HERETO AND TO BE EFFECTIVE MUST BE LODGED AT THE REGISTERED OFFICE OF THE COMPANY NOT LATER THAN 48 HOURS BEFORE THE COMMENCEMENT OF THE MEETING.
- 2) Explanatory Statement pursuant to Section 173(2) of the Companies Act, 1956, in respect of Special Business is annexed hereto.

NOTICE CONTD...

- 3) Members are informed that Share Transfer and related activities are being carried out by the Company In-house from the following address:-

ESCORTS FINANCE LIMITED
BMC House, 4th Floor
N-1, Connaught Circus
New Delhi-110 001
Tel.: 3313027/3354736
Extn.: 330/363
Fax: 3311715
E-mail : arora@efidel.ccmil.gndel.globalnet.ems.vsnl.net.in

All future correspondence may kindly be sent to the above address or Registered Office address of the Company only.

- 4) Company has already entered into an agreement with National Securities Depository Ltd. Interested shareholders may opt to hold their shares in the Company in the electronic mode after dematerialising the same through their respective Depository Participant.
- 5) The Register of Members and Share Transfer Books of the Company will remain closed from 19.07.99 to 23.07.99 (both days inclusive).
- 6) Payment of dividend, if declared, will be made to those members whose names appear in the Register of Members of the Company on 23.07.99.
- 7) Members are requested to notify immediately any change in their address (with pin code) to the Company, quoting their folio numbers.
- 8) Shareholders / Proxyholders are requested to produce at the entrance the attached admission card duly completed and signed, for admission to the meeting hall.
- 9) Members desirous of obtaining any information concerning the accounts and operations of the Company are requested to address their questions in writing to the Company Secretary atleast ten days before the date of the meeting, so that the information required may be made available at the meeting.
- 10) Copies of Memorandum & Articles of Association of the Company and all other material documents referred to hereinabove will be available for inspection at the Registered Office of the Company between 11.00 A.M. and 1.00 P.M. on all working days except Saturdays, Sundays and other holidays and will also be available at the Meeting.
- 11) Members, who are holding shares in identical order of names in more than one folio, are requested to write to the Company, enclosing their share certificates to enable the Company to consolidate their holdings in one folio.
- 12) Members who have not yet paid their "Allotment Money" are advised to send the same alongwith interest calculated @ 17% p.a. for delayed period i.e. from 07.05.95 till the date of payment, through demand draft / cheque payable at Delhi in favour of "ESCORTS FINANCE LIMITED", to avoid forfeiture.
- 13) Members who have not encashed their earlier Dividend Warrants, may write to the Company Secretary for revalidation. Unclaimed dividend for the year upto 1994-95 has already been transferred to the General Revenue Account of the Central Government in terms of Section 205A of the Companies Act, 1956, and shareholders who have not received dividend for that year, may write to the Registrar of Companies, Delhi & Haryana. Members who have not encashed their dividend warrants for the year 1995-96 and onwards, may please immediately write to the Company.
- 14) The shareholders may furnish particulars of their Bank Account with the name and address of the Bank in which Dividend Warrant may be sent.
- 15) Members are requested to bring copies of Annual Report to the meeting.

EXPLANATORY STATEMENT**EXPLANATORY STATEMENT PURSUANT TO SECTION 173(2) OF THE COMPANIES ACT, 1956****ITEM NO. 7**

Appointment of Mr. Jayant Dang was approved at the Annual General Meeting held on 09.09.1995 as Managing Director of the Company for a period of five years w.e.f. 1st February, 1995, on the terms and conditions including salary, perks and commission as mentioned therein subject to an overall limit of 5% of the Net Profits. The Central Govt. had also approved his appointment and payment of remuneration to him as per Section I or Section II of Part II, as the case may be, of Schedule XIII to the Companies Act, 1956.

Shareholders in the Annual General Meeting held on 23.09.98, further authorised the Board of Directors to reschedule the structure of remuneration payable to him as it may deem fit from time to time, however, within the overall limit of 5% of the Net Profits as already approved. Accordingly the Board of Directors at its meeting held on 29th January, 1999, had decided to revise the basic salary and perquisites of Mr. Jayant Dang, Managing Director, with effect from April 1, 1998 for the remaining period of his tenure till 31.01.2000 subject to the requisite approval of Central Government, as given below :-

- a) Basic Salary Rs. 75,000/- p.m.
- b) Contribution to P.F. / Superannuation - As per rules of the Company - not exceeding 25% of salary is eligible for this purpose.
- c) Perquisites :
 - i) House Rent - Company leased house.
 - ii) Gas, Electricity, Water - At actuals.
 - iii) Medical Expenses - At actuals - for self and family
 - iv) Leave Travel Assistance - Once a year - for self and family on actual basis.
 - v) Entertainment expenses - actually and properly incurred in the course of legitimate business of the Company.
 - vi) Personal Accident Policy - Of an amount / annual premium as permissible under the provisions of the Companies Act, 1956.
 - vii) Earned / Privilege Leave - On full pay and allowances, as per rules of the Company, but not exceeding one month's leave for every 11 months of service. However, leaves can be encashed at the end of tenure which will not be included in calculation of overall limits.
 - viii) Clubs - Membership of two clubs. However, entrance fee, and / or life subscription not to be borne by the Company.

PROVIDED that total amount of perquisites shall be as per the rules of the Company applicable to senior officer but not exceeding an amount equal to the basic salary in a year.

Other terms :

1. Where profits are available, Mr. Jayant Dang, Managing Director, be paid commission upto @ 3% of net profits within the overall remuneration of 5% of the net profits as calculated in terms of the provisions of the Companies Act, 1956 as may be decided by Mr. Rajan Nanda, Chairman.
2. In case of inadequacy of profits, Mr. Jayant Dang, Managing Director, be paid the abovementioned remuneration of salary and perquisites (except commission) as the minimum remuneration and approval of the Central Government be sought for the managerial remuneration and their decision shall be binding on the Company and him.

The board commends the resolution for approval.

None of the Directors except Mr. Jayant Dang is concerned or interested in the resolution.

DIRECTORS' REPORT**TO THE MEMBERS**

Your Directors are pleased to present the Twelfth Annual Report, together with the Audited Accounts of the Company for the year ended 31st March, 1999.

FINANCIAL RESULTS

	1998-99 (Rs. in Crores)	1997-98 (Rs. in Crores)
Gross Income	107.77	148.66
Operating Profit	10.36	19.06
Profit before tax & write offs	11.55	10.93
Provision for taxes	0.16	0.25
Bad debts written off (net)	10.77	9.53
Surplus from last year	16.64	17.94
Profit available for appropriation	17.26	19.09

APPROPRIATIONS

Transfer to :

Special reserve	0.12	0.23
Dividend	2.02	2.02
Tax on Dividend	0.22	0.20
Surplus carried forward	14.90	16.64
	17.26	19.09

DIVIDEND

Your Directors recommend a payment of dividend of Re. 1/- per share (10%) for the year ended on 31st March, 1999 absorbing Rs. 2.24 Crores (inclusive of tax on dividend distributed).

OPERATIONS

The year 1998-99 was another difficult year for the industry. Although with a good monsoon agricultural growth was robust, industrial production suffered because of demand recession in most sectors. The expected turn around in the commercial vehicle segment did not happen till April 1999. Major construction projects had difficulties in financial closure constraining demand growth in construction equipment. Our focus, therefore, continued to be on quality borrowers and getting the delinquent account current rather than on business growth. Through this effort the net non-performing assets (after write-offs and provisions) were brought down to Rs. 9.3 Crores representing 2.6% of the risks assets.

Total disbursements this year reduced to Rs. 117 Crores. Car disbursements were mainly in smaller towns, as price competition from the foreign banks/NBFCs has reduced our share in the Metros. It constituted 32% of business done as compared to 47% in the prior year. We still see commercial vehicles and construction equipment as important segments that are picking up this year with the investment in the infrastructure sector. The share of construction equipment business went up to 29% as compared to 14% in the prior year. Commercial vehicle share was maintained at around 30%. Using the wide network of Escorts dealers, disbursement in motorcycles segment was doubled from Rs. 6 Crores to Rs. 12 Crores.

In the year 1999/2000 our disbursement target is around Rs. 200 Crores with share of cars coming down further to around 20%. This will be substituted by increasing motorcycle disbursement to Rs. 20 Crores. The new initiatives this year have been the trading and financing of second hand cars in our "AutoMart" operation at Noida and getting into plant hiring activity at large construction sites. Equipment worth Rs. 360 Lakhs was successfully deployed with Reliance Petroleum at Jamnagar and your company expects to grow this asset base by Rs. 10 Crores this year.



FINANCIAL RESOURCES

a) Public Deposits:

During the year the Company reduced its aggregate fixed deposits by Rs. 93.78 crores to Rs. 206 crores as of 31st March 1999. The Company's permissible limit as per the RBI guidelines of four times net owned funds is Rs. 305 Crores.

3693 deposits aggregating to Rs. 479.29 Lakhs had matured for payment but remained unclaimed as on 31st March 1999. Reminders were sent to the depositors and ongoing efforts are made to obtain consent enabling expeditious refund / renewal of these deposits.

b) Institutional Funds:

Your Company continues to enjoy the support of Commercial Banks who have renewed our limits. In order to reduce our dependence on retail fixed deposits we have shifted to securitizing our portfolio which provides a better maturity match and lower costs. The Company received sanctions for securitizing its auto portfolio amounting to Rs. 60 Crores. Auto portfolio of Rs. 30 Crores was done in the financial year to match our fund requirements. Balance securitization would be done in fiscal 1999/2000 and would cover all products including commercial vehicles and construction equipment.

c) Preference Capital:

In order to boost capital adequacy of your Company and lower cost of funds, Rs. 9.5 Crores Redeemable Cumulative Preference Shares were issued which were fully subscribed by the promoter companies. With this infusion the capital adequacy as of March 31, 1999 is nearly 20% as compared to the statutory requirement of 12%.

SUBSIDIARY COMPANIES

Escorts Securities Limited

During the year under review, Escorts Securities Ltd. (ESL), a subsidiary of your Company, increased brokerage revenues 61% to Rs. 1.09 Crores with the expanding customer base in Delhi, Calcutta, Bangalore, Ludhiana, and Ahmedabad. Net profit grew marginally to Rs. 5.72 Lakhs as compared to Rs. 3.28 Lakhs for the corresponding period of the previous year. Provision of Rs. 23 Lakhs was made for bad debts pertaining to previous year. During the year ESL became a member of National Securities Depository Ltd. As a Depository Participant (DP), the Company is now providing comprehensive services both as a broker and DP under one roof to its clients. As retail interest in equity markets is reviving and lower operational risks for brokers with a large volume being traded in demat mode, the Company is expected to perform even better during the coming year.

Escorts Asset Management Limited

During the year under review, Escorts Asset Management Ltd., a subsidiary of your Company, achieved a near break even during its second full year of operations. Escorts Mutual Fund's maiden scheme Escorts Income Bond has performed well and has provided a return to unit holders of 16% p.a. (on realised and annualised basis) and a growth in net asset value of nearly 18% since its inception. Escorts Mutual Fund's second scheme Escorts Income PLUS launched during the year under review has shown a growth in net asset value of over 14% since its inception.

INVESTORS' SERVICES

In order to provide better / prompt services to the investors and fully utilise the infrastructure, the Company has undertaken the share transfer and other investors' related services In-house w.e.f. 01.04.99.

Further, the shares of your Company have become eligible for dematerialisation w.e.f. March' 99. SEBI has made Financial Institutions to compulsorily trade in Company's shares in dematerialised form w.e.f. 31.05.99.

STATUS ON Y2K COMPLIANCE

Your Company initiated action to address the Y2K problem in the last quarter of 1998 itself. The inhouse as well as outsourced developed application software is Y2K compliant. All the Hardware, Networking and Communication equipments have been tested for Y2K compliance and wherever necessary the equipment will be made Y2K compliant by September 1999. Similarly the RDBMS software, Operating Systems and the Mailing Software will again be made Y2K compliant by September 1999. Any contingency would be taken care of immediately with the help of experts. The cost of Y2K compliance is expected to be approx. Rs. 25 Lacs.

DIRECTORS' REPORT CONTD...**DIRECTORS**

In accordance with the Articles of Association of the Company, Mr. Rajan Nanda, Mr. Rakesh Chopra and Mr. Umesh Banerji retire by rotation, and being eligible, offer themselves for re-appointment.

AUDITORS

M/S N.M. Raiji & Co., Chartered Accountants, retire and being eligible, offer themselves for re-appointment.

PARTICULARS OF EMPLOYEES

Particulars of employees in terms of Section 217(2A) of the Companies Act, 1956 read with Companies (Particulars of Employees) Rules, 1975 are annexed to and form part of this Report.

INFORMATION UNDER SECTION 217(1)(e) OF THE COMPANIES ACT, 1956

Being a financial services entity, your Company has no activity relating to conservation of energy and technology absorption. The Company has not incurred any foreign exchange expenses during the year on business travel abroad.

ACKNOWLEDGEMENT

Your Directors acknowledge the support received from Bankers, Financial Institutions, Government Agencies, Customers and Depositors. They also take this opportunity to record their appreciation of the contribution made by all employees to the operations of the Company during a testing year. Lastly our thanks to our esteemed shareholders for their continued support and encouragement.

for and on behalf of the Board

New Delhi
June 05, 1999

RAJAN NANDA
Chairman



ANNEXURE TO DIRECTORS' REPORT

Information as per Section 217(2A) of the Companies Act, 1956, as amended, read with the Companies (Particulars of Employees) Rules, 1975 and forming part of Directors' Report for the year ended 31st March, 1999

Name	Qualification	Age (Years)	Designation	Gross Remuneration (Rs.)	Experience (Years)	Date of Commencement of Employment	Last Employment
A. Employed throughout the year and in receipt of remuneration not less than Rs. 6,00,000/-							
Jayant Dang	B.Tech. MBA (Asian Institute of Management, Manila)	49	Managing Director	13,35,400	26	01-Feb-95	Portfolio & Risk Manager CITIBANK, London
B.N. Shridhar	CA	37	Vice-President	6,18,269	16	11-Feb-97	Man. (Projects & Planning)-TIPCO Group
Sudhir Gupta	B.Tech. MBA (IIMA)	39	Vice President - Asset Finance	9,65,520	15	12-Jul-93	Manager-Business Development HCL Limited, N. Delhi
B. Employed for the part of the year and in receipt of remuneration of not less than Rs. 50,000/- per month.							
Alok Chopra	MBA	39	Vice President Asset Finance	3,73,488	16	17-Apr-95	Mgt. Consultant Scotia Mcleod Inc Canada
Sandeep Wanchoo	MBA	33	Asst. Vice-President North Zone	3,98,222	11	15-Feb-93	Manager Sales & Mktg.-ANZ Grindlays Bank
Mukul Harmilapi	CA	34	Asst. Vice President Finance	2,65,877	12	10-Jun-97	Asst. Vice President Escorts Securities Ltd.

Notes:

1. Remuneration received includes salary, incentive, commission, leave encashment, house rent allowance, actual expenses incurred for provision of rent free accommodation, benefits or amenities, Company's contribution to Provident Fund, Family Pension Fund, Leave Travel Assistance and Medical Reimbursement but excludes contribution to Gratuity Fund since provisions/payment made to such funds are not to individual accounts.
2. None of the above employees are related to any of the Directors of the Company.

AUDITORS' REPORT

To The Members
ESCORTS FINANCE LIMITED

We have audited the attached Balance Sheet of Escorts Finance Limited as at 31st March, 1999 and also the Profit and Loss Account of the Company for the year ended on that date, annexed thereto, and report that:-

1. As required by the Manufacturing and Other Companies (Auditors' Report) Order, 1988, issued by the Company Law Board in terms of Section 227(4A) of the Companies Act, 1956, we annex hereto a statement on the matters specified in paragraphs 4 and 5 of the said order.
2. Further to our comments in the annexure referred to in paragraph 1 above:-
 - (a) we have obtained all the information and explanations which, to the best of our knowledge and belief were necessary for the purposes of our audit;
 - (b) in our opinion, proper books of account as required by law have been kept by the Company, so far as appears from our examination of the books;
 - (c) the Balance Sheet and Profit and Loss Account dealt with by this report are in agreement with the books of account;
 - (d) in our opinion, the profit and loss account and balance sheet comply with the accounting standards referred to in Sub-section (3C) of Section 211;
 - (e) In our opinion and to the best of our information and according to the explanations given to us, the said accounts read with the notes thereon, give the information required by the Companies Act, 1956, in the manner so required and give a true and fair view:
 - (i) in the case of the Balance Sheet, of the state of affairs of the Company as at 31st March, 1999 and
 - (ii) in the case of the Profit and Loss Account of the profit for the year ended on that date.



for N.M. Raiji & Co.
 Chartered Accountants

New Delhi
 June 05, 1999

S.N. Shivakumar
 Partner