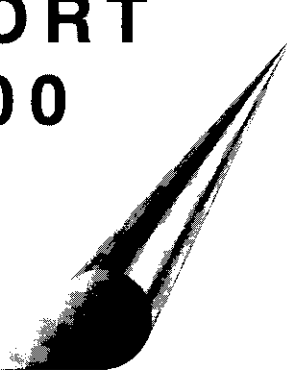


13TH ANNUAL REPORT 2000



We make relationships for life



ESCORTS FINANCE LIMITED

BOARD OF DIRECTORS

Chairman
Mr. Rajan Nanda

Vice Chairman
Mr. Anil Nanda

Directors

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

Company Secretary
Mr. Paresh Kumar

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 Thirteenth Annual General Meeting of the Company will be held on Saturday, 29th July, 2000 at 10.00 A.M. at Air Force Auditorium, Subroto Park, Near Dhaula 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, 2000, the Balance Sheet as at that date and the Reports of Auditors and Directors thereon.
- 2) To approve payment of interim dividend on equity shares as final dividend.
- 3) To appoint a Director in place of Mr. Lalit Bhasin who retires by rotation and being eligible, offers himself for re-appointment.
- 4) To appoint a Director in place of Mr. A. K. Mahindra who retires by rotation and being eligible, offers himself for re-appointment.
- 5) To appoint a Director in place of Ms. Nitasha Nanda who retires by rotation and being eligible, offers herself 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 resolutions :

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, consent of the Company be and is hereby accorded for appointing Mr. Lalit K. Khanna as Manager of the Company w.e.f. 1st August, 1999, on the terms and conditions as set out in the Explanatory Statement attached to this Notice."

8) **(AS ORDINARY RESOLUTION)**

"RESOLVED THAT Mr. Lalit K. Khanna, who was appointed as an additional director and who in terms of Section 260 of the Companies Act, 1956, holds such office until this Annual General Meeting, be and is hereby appointed as a director of the Company eligible for retiring by rotation."

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

Sd/-

Place : New Delhi
Dated: 13.06.2000

(PARESH KUMAR)
AVP (Legal) & Company Secretary

NOTES :

- 1) A MEMBER ENTITLED TO ATTEND AND VOTE IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF/HERSELF. 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.
- 3) Members are informed that Share Transfer and related activities are being carried out by the Company In-house from the Registered Office address i.e.:-

'ESCORTS FINANCE LIMITED
N-6, Pratap Building,
Connaught Circus,
New Delhi-110 001.
Tel.: 3313027/3354736 Extn.: 330/363
Fax: 3311715 E-mail : paresh@efl.co.in

All future correspondence may kindly be sent to the above address only.

NOTICE CONTD.....

- 4) SEBI has made it mandatory that the Equity shares of the Company can only be traded in electronic form w.e.f. June 26, 2000. The Company has already entered into agreements with National Securities Depository Ltd. and Central Depository Services (I) Ltd. Interested members may opt to hold their shares in the Company in the electronic mode after dematerialising the same through their respective Depository Participant.
- 5) The Board of Directors has declared Interim Dividend of Re. 1/- per Equity Share for the year 1999-2000 which has been paid to the shareholders whose names appeared on the Register of Members as on 29.05.2000, being the Record Date for the purpose. At the board meeting held on 13.06.2000, the Board has decided to treat the Interim Dividend as Final Dividend. Accordingly, shareholders may please approve the payment of Interim Dividend made on equity shares of the Company as the Final Dividend for the year 1999-2000 (refer to item no. 2 of the notice).
- 6) The Register of Members and Share Transfer Books of the Company will remain closed on 29.07.2000 (one day only).
- 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 at least 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 the Company, to avoid forfeiture.
- 13) Members who have not encashed their earlier Dividend Warrants, may write to the Company Secretary for revalidation/ duplicate warrants. Unclaimed dividend for the year up to 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 year 1995-96 and onwards, may please immediately write to the Company.
- 14) Members are requested to bring copies of Annual Report to the meeting.

EXPLANATORY STATEMENT PURSUANT TO SECTION 173(2) OF THE COMPANIES ACT, 1956**ITEM NOS. 7 & 8**

Consequent to the resignation of Managing Director, Board of Directors appointed Mr. Lalit K. Khanna as Manager of the Company w.e.f. 01.08.1999 for the purpose of Section 269 of the Companies Act, 1956, at nil remuneration. He is looking after the day-to-day affairs of the Company as Chief Executive Officer. Mr. Lalit K. Khanna is MBA (IIM Ahmedabad) and has been associated with the Escorts Group since 1976. He has rich experience in financial services sector and was directly looking after the functions of the Company from 1991 to 1996.

Further, with a view to broaden the Board, Mr. Lalit K. Khanna was appointed as an additional director of the Company w.e.f. 29.01.2000. In terms of Section 260 of the Companies Act, 1956, he vacates the office at this Annual General Meeting and is eligible for appointment as a director. The Company has received Notice in writing from a Member under Section 257 of the Companies Act, 1956, proposing his appointment as a director of the Company.

Your directors commend the resolutions for approval.

None of the Directors except Mr. Lalit K. Khanna is concerned or interested in the resolutions.

DIRECTORS' REPORT**TO THE MEMBERS**

Your Directors are pleased to present the Thirteenth Annual Report, together with the Audited Accounts of the Company for the year ended 31st March, 2000.

FINANCIAL RESULTS

	1999-2000 (Rs. In Crores)	1998-1999 (Rs. In Crores)
Gross Income	61.46	107.77
Profit before write offs, provisions & tax	5.61	10.36
Bad debts written off	(5.02)	(10.77)
Provisions/Income reversals as per RBI norms (Net)	3.64	1.19
Provision for Taxation	(1.00)	(0.16)
Profit after Tax	3.23	0.62
Surplus from last year	14.90	16.64
Profit available for appropriation	18.13	17.26

APPROPRIATIONS

Transfer to :

Special Reserve	0.64	0.12
Dividend on Preference Shares	0.95	—
Tax on Preference Shares	0.10	—
Interim Dividend on Equity Shares	2.02	—
Tax on Interim Dividend	0.22	—
Final Dividend on Equity Shares	—	2.02
Tax on Dividend	—	0.22
Surplus carried forward	14.20	14.90
	18.13	17.26

DIVIDEND

An Interim Dividend of Re. 1/- per Equity/Preference Share (10%) was paid for the year 1999-2000 absorbing Rs. 3.29 Crores (inclusive of tax on dividend distributed) to the members whose names appeared on the Register of Members as on 29.05.2000. As no Final Dividend has been recommended, the Interim Dividend be fully adjusted as Final Dividend for the financial year ended 31.03.2000.

RBI REGISTRATION

Your directors are pleased to inform you that the Company has been granted a Certificate of Registration by Reserve Bank of India vide Certificate No. A-14.01690 dated 23.05.2000 to carry on the business of Non-Banking Financial Company.

OPERATIONS

The year 1999-2000 witnessed an uptrend on the economic front. The Industrial production grew by 8% compared to 4% in the previous year. Growth was witnessed in sectors such as Construction, Infrastructure and Heavy Machinery. The spurt of demand in these sectors had its impact on the Non-Banking Finance Companies, in turn providing opportunities for financing these sectors; the trend is expected to continue in the future.

The Company during the year changed its focus from financing traditional products i.e., Cars and HCVs to becoming a Sales Aid Company for the ESCORTS group products and booked considerable business in the Construction Equipment and Two Wheeler range of products. The decision to focus in these products was based on our assessment of business synergies and good payment track record in the past.



DIRECTORS' REPORT CONTD.....

During 1999-2000, Company achieved a 5 fold growth in the net profits. Capital adequacy ratio stands at 26% against the norms of 12% prescribed by Reserve Bank of India. The Company recorded a growth of 59.82% in total disbursements (from Rs.117 Crores to Rs.187 Crores) and the group products constituted 68% of the total disbursements.

Your Company continued its efforts to bring down the delinquent and non performing assets by aggressive legal actions resulting in substantial reduction.

FINANCIAL RESOURCES

a) Public Deposits:

During the year, Company reduced its aggregate fixed deposits by Rs. 47 Crores to Rs. 159 Crores as of 31st March, 2000. The Company's permissible limit as per the RBI guidelines of four times net owned fund is Rs. 275.57 Crores.

5249 deposits aggregating to Rs.804.04 Lakhs had matured for payment but remained unclaimed as on 31st March, 2000. Reminders were sent to the depositors and ongoing efforts are being made to obtain consent for 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. We have also shifted to securitising our assets obtaining a better maturity match with lower costs.

DISINVESTMENT IN SUBSIDIARY COMPANIES

Due to part disinvestment effected during the year by your Company in its subsidiaries i.e. Escorts Securities Limited and Escorts Asset Management Limited with a view to increase its liquidity and focus on its own business, both the companies have ceased to be subsidiaries of Escorts Finance Limited. Consequently, the Audited Statement of Accounts of both the above companies are not being annexed to the Annual Accounts of the Company as per the provisions of Section 212 of the Companies Act, 1956.

INVESTORS' SERVICES

Your Company has been efficiently providing In-house Share Transfer and other investors' related services since 01.04.99 from the Registered Office of the Company.

SEBI has made it mandatory that the shares of the Company can only be traded in electronic form w.e.f. 26th June, 2000. Your Company has entered into agreements with National Securities Depository Limited and Central Depository Securities (I) Limited. The shareholders may contact their respective Depository Participant for facilitating dematerialisation of their share certificates.

DIRECTORS

In accordance with the Articles of Association of the Company, Mr. Lalit Bhasin, Mr. A. K. Mahindra and Ms. Nitasha Nanda retire by rotation and being eligible, offer themselves for re-appointment.

During the year, Mr. Jayant K. Dang and Mr. K. M. Mammen resigned respectively as Managing Director and Director of the Company. The directors placed on record appreciation of the valuable services rendered by them during their tenure.

AUDITORS

M/S N.M. Rajji & Co., Chartered Accountants of the Company hold office until the conclusion of the ensuing Annual General Meeting. The Company has received letter from them to the effect that their appointment, if made, would be within the prescribed limits under Section 224(1-B) of the Companies Act, 1956.

AUDITORS' OBSERVATIONS

The observations of Auditors are explained wherever necessary in the appropriate notes to the accounts.

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 incurred foreign exchange expenses on business travel abroad amounting to Rs. 19.31 Lacs.

ANNEXURE TO DIRECTORS' REPORT**STATUS OF Y2K COMPLIANCE**

Transition to Y2K was smooth and no problem was encountered. The Company did not spend any major amount in preparing for tackling Y2K issue.

INFORMATION PURSUANT TO LISTING AGREEMENT WITH STOCK EXCHANGES

The names and addresses of the Stock Exchanges where the Company's shares are listed are :-

- | | | |
|--|--|--|
| 1. The Delhi Stock Exchange Association Ltd.
DSE House, Asaf Ali Road,
New Delhi-110 001 | 2. The Stock Exchange - Mumbai
1st Floor, New Trading Ring
Routunga Building,
P J Towers, Dalal Street,
Fort, Mumbai - 400 001 | 3. The Stock Exchange-Ahmedabad
Kamdhenu Complex,
Near Polytechnic, Punjara Pole,
Ahmedabad - 380 015 |
|--|--|--|

The listing fee for 1999-2000 for all the above Stock Exchanges have been paid in time and there has been neither delisting nor suspension of shares from trading during the period under review.

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 difficult year for the industry. We also convey our thanks to our esteemed shareholders for their continued support and encouragement.

for and on behalf of the Board

New Delhi
June 13, 2000

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, 2000.

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/-							
Sudhir Gupta	B.Tech MBA(IIMA)	40	Vice President Asset Finance	8,64,231	16	12-Jul-93	Manager-Business Development HCL, New Delhi
B. Employed for the part of the year and in receipt of remuneration of not less than Rs. 50,000 per month.							
Jayant Dang	B.Tech MBA (AIM- Manila)	50	Managing Director	8,65,874	27	01-Feb-95	Portfolio & Risk Mgr. CITIBANK, London
B.N. Shridhar	CA	38	Vice-President	1,36,765	17	11-Feb-97	Mgr. (Projects & Planning) TIPCO GROUP
Capt. V.K.Bhardwaj	B.E. (Elect.) M.Tech (Computers)	47	Asst. Vice-President	3,59,024	24	01-Apr-99	Head (Marketing) SMART CHIP LIMITED

Notes:

- 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.
- None of the above employees are related to any of the Directors of the Company.