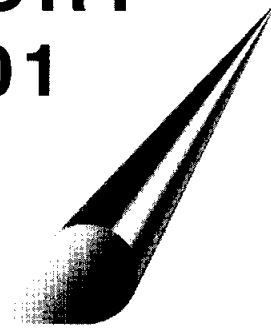


14TH ANNUAL REPORT 2001



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ESCORTS FINANCE LIMITED

BOARD OF DIRECTORS

Chairman

Mr. Rajan Nanda

Vice Chairman

Mr. Anil Nanda

Directors

Mr. Rakesh Chopra

Mr. Umesh Banerji

Ms. Nitasha Nanda

Mr. Lalit K. Khanna

Chief Executive Officer

Mr. Partha Sarkar

AVP (Legal) & 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

Bank of Baroda

Bombay Mercantile Co-Op. Bank Ltd.

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

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ESCORTS FINANCE LIMITED**REGISTERED OFFICE : N-6, PRATAP BUILDING, CONNAUGHT CIRCUS, NEW DELHI - 110 001**

NOTICE

Notice is hereby given that the Fourteenth Annual General Meeting of the Company will be held on Thursday, 9th August, 2001 at 10.00 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, 2001, the Balance Sheet as at that date and the Reports of Auditors and Directors thereon.
- 2) To appoint a Director in place of Mr. Rajan Nanda who retires by rotation and being eligible, offers himself for re-appointment.
- 3) To appoint a Director in place of Mr. Anil Nanda who retires by rotation and being eligible, offers himself for re-appointment.
- 4) To appoint Auditors and fix their remuneration. M/s N. M. Rajji & Co., Chartered Accountants, New Delhi retire at the ensuing Annual General Meeting and are eligible for re-appointment.

SPECIAL BUSINESS

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

5) (AS ORDINARY RESOLUTION)

"RESOLVED THAT Mr. Partha Sarkar, 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 liable to retire by rotation."

6) (AS ORDINARY RESOLUTION)

"RESOLVED THAT pursuant to the provisions of Sections 198, 269, 309 and 310 and all other applicable provisions, if any, of the Companies Act, 1956, consent of the Company be and is hereby accorded for appointing Mr. Partha Sarkar as Managing Director of the Company for a period of 5 years w.e.f. 22.06.2001 at nil remuneration."



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

Sd/-

(PARESH KUMAR)

AVP (Legal) & Company Secretary

New Delhi
22.06.2001

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.: 363

Fax: 3311715, E-mail : paresh@efl.co.in

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

NOTICE CONTD... / EXPLANATORY STATEMENT

- 4) SEBI has made it mandatory that the Equity shares of the Company can only be traded in electronic mode from 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 materialising the same through their respective Depository Participant.
- 5) The Register of Members and Share Transfer Books of the Company will remain closed from 03.08.2001 to 04.08.2001 (both days inclusive).
- 6) Members are requested to notify immediately any change in their address (with pin code) to the Company stating their folio numbers.
- 7) Shareholders/Proxyholders are requested to produce at the entrance the attached admission card duly completed and signed, for admission to the meeting hall.
- 8) 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.
- 9) Copies of Memorandum & Articles of Association of the Company and all other material documents referred to here in above 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.
- 10) 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.
- 11) 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.
- 12) 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 and earlier years, 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.
- 13) 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. 5 & 6**

Board of Directors in its meeting held on 22.06.2001 co-opted Mr. Partha Sarkar as an Additional Director of the Company. 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.

Board of Directors also appointed Mr. Partha Sarkar as Managing Director of the Company for a period of 5 years w.e.f. 22.06.2001, at nil remuneration in compliance with Section 269 of the Companies Act, 1956. He was looking after the day to day affairs of the Company as Chief Executive Officer. Mr. Partha Sarkar is a B. Tech. from IIT Delhi and PGDBA (IIM Ahmedabad) and has over 26 years of rich experience in various organisations such as Hindustan Lever Ltd., Tata Finance Ltd. and RPG Itochu Finance Ltd.

The Explanatory Statement together with the accompanying notice should be treated as an abstract of the terms of the appointment and memorandum of concern or interest under Section 302 of the Companies Act, 1956.

The Board commends the resolutions for approval.

None of the Directors except Mr. Partha Sarkar is concerned or interested in the resolutions.

DIRECTORS' REPORT**TO THE MEMBERS**

Your Directors are pleased to present the Fourteenth Annual Report, together with the Audited Accounts of the Company for the year ended 31st March, 2001.

FINANCIAL RESULTS

	2000-2001 (Rs. In Crores)	1999-2000 (Rs. In Crores)
Gross Income	55.59	60.98
Profit before write offs, provisions & tax	6.02	5.61
Bad debts written off	(4.09)	(5.02)
Provisions/Income reversals as per RBI norms (Net)	1.73	3.64
Provision for Taxation	(0.50)	(1.00)
Profit after Tax	3.16	3.23
Surplus from last year	14.19	14.90
Profit available for appropriation	17.35	18.13
APPROPRIATIONS		
Transfer to :		
Special reserve	0.63	0.64
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	—	—
Tax on Dividend	—	—
Surplus carried forward	16.72	14.20
	<u>17.35</u>	<u>18.13</u>

DIVIDEND

In view of current slow down of the economy, there is a need to conserve resources and the Board recommends that no dividend be paid for this year.

OPERATIONS

During the year 2000-2001 Company consolidated its core business activity i.e. construction equipment financing while maintaining its presence in two wheeler finance. It also entered the agri-machinery finance business. This is in keeping with its role of being a sales-aid to ESCORTS Group products having an all-India distribution network comprising over 1300 dealers and marketing offices/branches. In accordance with this direction the Company is withdrawing from car finance and commercial vehicle finance activities.

The Company also focussed on cost control all across and as a result it was able to reduce its interest and administration costs. An exercise in rationalising the branch networking is also under way. The Company also initiated its construction equipment plant hiring activity and revenues of Rs.262.05 Lacs were generated for the year. The Plant Hiring activity has synergy with Construction Equipment financing and the Company is considering giving it a major thrust. Company is also examining suitable avenues for diversification, given the limited scope for growth of its financial services business.

In spite of 2000-2001 being a difficult year for the NBFCs and the downturn in industry, Company sustained its net profits. Capital Adequacy Ratio stands at 29.09% against the norms of 12% prescribed by Reserve Bank of India. The Company has recorded a growth of 7.48% in total disbursements (from Rs.187 Crores to Rs. 201 Crores) and the group products constituted 80% of the total disbursements.

FINANCIAL RESOURCES**a) Public Deposits:**

During the year the total public deposits have grown up from Rs. 159 crores to Rs. 194 Crores registering a growth of 22% as on 31st March, 2001. The Company's permissible limit as per the RBI guidelines of four times of its net owned fund is Rs 285.88 Crores. In keeping with the market, the company has progressively reduced interest rates on its public deposits.

DIRECTORS' REPORT CONTD...

7333 deposits aggregating to Rs. 806.91 Lakhs had matured for payment but remained unclaimed as on 31st March, 2001. Reminders were sent to the depositors and ongoing efforts are being made to obtain consent for enabling expedient refund/renewal of these deposits.

The Company has also maintained its rating on public deposits of "MA" by ICRA.

b) Institutional Funds:

Your Company continues to enjoy the support of Commercial Banks who have renewed our limits. We have also continued to securitising our assets as a source of lower cost funds for fresh business disbursements.

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 who have not dematerialised their shares 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. Rajan Nanda and Mr. Anil Nanda retire by rotation, and being eligible, offer themselves for re-appointment.

During the year, Mr. A.K. Mahindra, Mr. Lalit Bhasin and Mr. Mantosh Sondhi resigned from the Directorship of the Company. The Board placed on record appreciation of the valuable services rendered by them during their tenure.

Mr. Lalit K. Khanna resigned as Manager of the Company. Mr. Partha Sarkar was co-opted on the Board as an Additional Director of the Company w.e.f. 22.06.2001 and also appointed as Managing Director with effect from the same date. He holds office upto the ensuing Annual General Meeting. Notice under Section 257 of the Companies Act, 1956, from a member, proposing his candidature as a Director has been received.

CORPORATE GOVERNANCE

Though the provisions of Corporate Governance pursuant to Clause 49 of the Listing Agreement(s) with the Stock Exchange(s) are required to be implemented upto 31st March, 2002, the Company has already initiated steps for its compliance.

Pursuant to Clause 49 of the Listing Agreement(s) with the Stock Exchange(s) and Section 292A of the Companies Act, 1956, Mr. Rakesh Chopra, Mr. Umesh Banerji and Mr. Lalit K. Khanna, all being non-executive Directors of the Company constitute the Audit Committee of the Board of Directors.

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.

DIRECTORS' RESPONSIBILITY STATEMENT

As required under Section 217(2AA) of the Companies Act, 1956 your Directors state that :-

1. In the preparation of the annual accounts, the applicable accounting standards have been followed along with proper explanation relating to material departures;
2. The Directors have selected such accounting policies and applied them consistently and made judgement and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the financial year ending 31st March, 2001 and of the profit of the Company for that period;
3. The Directors have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956, for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities to the best of their knowledge and ability;
4. The Directors have prepared the annual accounts on a going concern basis.

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.

ANNEXURE TO DIRECTORS' 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 neither incurred any foreign exchange expenses nor any income during the year.

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,
Rotunga Building, P J Towers, Dalal
Street, Fort, Mumbai – 400 001. | 3. The Stock Exchange
Ahmedabad, Kamdhenu
Complex, Near Polytechnic,
Panjara Pole,
Ahmedabad – 380 015. |
|--|---|---|

The listing fee for 2000-2001 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 22, 2001

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, 2001.

Name of the Employee	Age	Qualification	Experience (Years)	Date of Employment	Designation & Nature of Duties	Gross Remuneration (Rs.)	Last Employment held
A. Employed throughout the year and in receipt of remuneration not less than Rs. 12,00,000/-							
NIL							
B. Employed for the part of the year and in receipt of remuneration of not less than Rs. 1,00,000/- per month							
Partha Sarkar	50	B.Tech.-IIT Delhi PGDBA (IIM-Ahd.)	26	07.08.2000	Chief Executive Officer	12,06,756/-	President-RPG Itochu Finance Limited

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, companies 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 employees fall under sub-clause (iii) of clause (a) of sub-section (2A) of Section 217 of the Companies Act, 1956.
3. The employee named above is a wholtime employee of the Company as per terms & conditions of the Company.
4. The employee named above is not related to any of the Directors of the company.