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ESCORTS FINANCE LIMITED

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BOARD OF DIRECTORS

Chairman

Mr. Rajan Nanda

Managing Director

Mr. Partha Sarkar

Directors

Mr. Rakesh Chopra

Mr. Umesh Banerji

Mr. Lalit K. Khanna

VP (Legal) & Company Secretary

Mr. Paresh Kumar

Registered Office

N-6, Pratap Building,
Connaught Circus,
New Delhi-110001

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.
UTI 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 Fifteenth Annual General Meeting of the Company will be held on Monday, 30th December, 2002 at 10.00 A.M. at Sapru House, Barakhamba Road, New Delhi - 110 001 to transact the following business:

ORDINARY BUSINESS

- 1) To receive, consider and adopt the audited Profit and Loss Account for the period ended September 30, 2002, the Balance Sheet as at that date and the Reports of Auditors and Directors thereon.
- 2) To appoint a Director in place of Mr. Rakesh Chopra who retires by rotation and being eligible, offers himself for re-appointment.
- 3) To appoint a Director in place of Mr. Umesh Banerji 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.

By Order of the Board,
For **ESCORTS FINANCE LIMITED**

New Delhi
November 26, 2002

Sd/-
(PARESH KUMAR)
(VP - Legal & Company Secretary)

NOTES :

- i) 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.
- ii) 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.: 8523650 Extn.: 330/361
Fax: 23311715 E-mail : paresh@efl.co.in

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

- iii) 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.
- iv) Section 109A of the Companies Act, 1956 has extended nomination facility to individuals holding shares in Companies. Shareholders, in particular those holding shares in single name, are requested to avail of the above facility by furnishing to the Company the particulars of their nominations. Shareholders may please write to the Company Secretary for the prescribed Nomination Form 2B.
- v) The Register of Members and Share Transfer Books of the Company will remain closed from 20.12.2002 to 30.12.2002 (both days inclusive).
- vi) Members are requested to notify immediately any change in their address (with pin code) to the Company, quoting their folio numbers.
- vii) Shareholders/Proxyholders are requested to produce at the entrance the attached admission card duly completed and signed, for admission to the meeting hall.
- viii) 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.

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- (ix) 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.
- x) 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.
- xi) 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.
- xii) 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, NCT of Delhi & Haryana. Members who have not encashed their dividend warrants for the year 1995-96 and onwards, may please immediately write to the Company.
- xiii) Members are requested to bring copies of Annual Report to the meeting.
- xiv) Appointment/Reappointment of Directors:

At the ensuing Annual General Meeting, Mr. Rakesh Chopra and Mr. Umesh Banerji, retire by rotation and being eligible offer themselves for reappointment. The information/details to be provided for the aforesaid Directors under corporate governance code are as under:

Name	Qualification	Brief Resume and Area of Expertise	Other Directorships in Public Ltd. Companies	Committee Memberships	
				Company	Committee
Mr. Rakesh Chopra	FCA (Eng. & Wales) MBA (Cranfield, UK)	Mr. Chopra has an experience of over 20 years with the Escorts group at various senior Management positions and is presently looking after the entire Tractor business which includes Manufacturing, Marketing, R&D etc. In addition, he has been holding offices in various other Corporate bodies as Chairman, Director, Member etc.	<ul style="list-style-type: none"> Escorts Employees Welfare Ltd. Escorts Securities Ltd. Diamond Leasing & Finance Ltd. Escorts Automotives Ltd. Escorts JCB Limited Carraro India Ltd. Escorts Research & Development Ltd. Escorts Dealers Development Association Ltd. 	<ul style="list-style-type: none"> Carraro India Ltd. Escorts JCB Ltd. Escorts Finance Ltd. 	<ul style="list-style-type: none"> - Audit - Audit - Audit and Shareholders' Grievance
Mr. Umesh Banerji	B. Sc FCA	Mr. Banerji has an experience of over 33 years with the Escorts group at senior management positions. With his vast knowledge in the area of finance and leadership he has been instrumental in the growth of the group. He is also on the Board of various other group companies.	<ul style="list-style-type: none"> Escorts Heart Institute & Research Centre Ltd. Escorts Automotives Ltd. Cellnext Solutions Ltd. Escorts Hospital & Research Centre Ltd. Hughes Escorts Communications Ltd. Escotel Telecommunications Ltd. Escorts Telecommunications Ltd. Escorts Employees Welfare Ltd. Esconet Services Limited 	<ul style="list-style-type: none"> Hughes Escorts Communication Ltd. Escorts Telecommunications Ltd. Escorts Hospital & Research Centre Ltd. Escorts Finance Ltd. Esconet Services Ltd. 	<ul style="list-style-type: none"> - Audit and Remuneration - Audit - Audit and Remuneration - Audit and Shareholders' Grievance - Audit

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REPORT TO THE MEMBERS

TO THE MEMBERS

Your Directors are pleased to present the Fifteenth Annual Report, together with the Audited Accounts of the Company for the period ended 30th September, 2002, alongwith the report of auditors thereon.

FINANCIAL RESULTS

(Rs. in Crores)

	2001-02 (18 mths.)	2000-01 (12 mths.)
Gross Income	69.09	55.59
Profit before write off, provisions & tax	8.00	6.02
Bad debts written off	(2.99)	(4.09)
Provisions/Income reversals as per RBI norms (Net)	(0.23)	1.73
Provision for Taxation	(0.82)	(0.50)
Profit after Tax	3.96	3.16
Surplus from last year	16.72	14.19
Profit available for Appropriation	20.68	17.35
APPROPRIATIONS		
Transfer to:		
Special reserve	0.79	0.63
General Reserve	4.00	—
Surplus carried forward	15.89	16.72
	20.68	17.35

DIVIDEND

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

MANAGEMENT DISCUSSION AND ANALYSIS

• Industry Structure/Outlook and Development

The period under review was one of the most difficult ones for NBFC sector. At a time of economic depression, a number of banks with large amounts of low cost funds entered the business areas of car, truck, consumer durable and construction equipment finance. Both spreads and volumes took a beating for NBFCs. Despite these adverse conditions, your Company held its ground by adding assets very selectively to its portfolio and managing credit risks more industriously.

• Initiatives Taken/Risk & Concerns

Falling interest rates and availability of large funds for competing Institutions/Banks have created a serious threat to the survival of NBFCs. Therefore, in order to maintain its viability, your Company has undertaken a strategic shift of business during the period under review and has:

- restructured the mix of its portfolio by shifting emphasis from 'Construction Equipment' to 'Agri Machinery'. This is to utilise the distribution and the dealership network of Escorts Limited's Agri - Machinery Division

(Escorts Limited being among the four largest manufacturer of Agri - Machinery in India) and obtain better spreads.

- commenced generation of moderate income from 'Service/Fee based Activities' by acting as franchisee for sourcing business of Construction Equipment for a large bank client without taking the concomitant financial risks.

• Segment-wise or Product-wise Performance

The Company is engaged primarily in the business of financing and accordingly there are no separate reportable segments as per the Accounting Standard - 17.

• Internal Control Systems And Their Adequacy

Towards its commitment to transparency, your Company had established an independent Internal Audit Department much before the same was made mandatory by the requirements of Corporate Governance. The Internal Audit Department functions directly under the Audit Committee of the Board of Directors thereby ensuring complete independence. The Internal Audit Department carries out extensive audit of Company's various branches on a concurrent basis thereby ensuring, interalia, adherence to Company's laid down policies.

• Human Resource Development

Your Company believes in people power. It recognizes the fact that people are the key to its sustainable success. Consequently, HR vision forms an integral part of your Company's larger Vision and Strategy. Your Company is fully committed to people development. We, therefore, strive to create a working environment that is challenging and motivates people to be performance oriented and customer focussed.

As at the close of the period, 122 employees were on the rolls of the Company.

OPERATIONS

During the period under review, as stated above, your Company decided to restructure the mixture in the financial portfolio by shifting from 'Construction Equipment Portfolio' to 'Agri Machinery Portfolio' and also to focus on generation of some modest income from 'Service/Fee based Activities' like acting as franchisee for sourcing of Construction Equipment Finance business for a large bank. Therefore, to take advantage of the impact of the above activities and to align our financial year with the agricultural cycle and farm machinery sales, your directors decided to extend the financial year of the Company till 30.09.2002 (18 months).

The Company also focussed on the cost control all across the board, and as a result it was able to reduce its interest and administration costs. An exercise in rationalising the branch network is also under way.

In spite of 2001-2002 being another difficult year for the NBFCs and downturn in industry, the Company sustained its

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DIRECTORS' REPORT CONTD.

profitability. The Capital Adequacy Ratio stands at 25.72% against the norms of 12% prescribed by the Reserve Bank of India. A total of Rs. 251.50 Crores has been disbursed during the eighteen months period ending 30th September, 2002.

FINANCIAL RESOURCES

a) Public Deposits:

Your Company continues to enjoy the confidence of investors despite the fall in the interest rates. The total deposits as on 30th September, 2002 were Rs. 188.04 crores. The Company's permissible limit as per the RBI guidelines of four times of its net owned fund is Rs. 267.84 Crores.

5923 deposits aggregating to Rs.8.43 Crores had matured for payment but remained unclaimed as on 30th September, 2002. Reminders were sent to the depositors and ongoing efforts are being made to obtain consent for enabling expeditious 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 securitise 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

Mr. Anil Nanda, Vice Chairman and Ms. Nitasha Nanda, Director resigned from the Board of Directors with effect from 20th November, 2002. The Board of Directors place on record their appreciation of the valuable advice and counsel rendered by them during their tenure as directors.

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

CORPORATE GOVERNANCE

Pursuant to Clause 49 of the listing agreement with Stock Exchanges, a report on Corporate Governance alongwith a certificate from auditors confirming compliances of conditions of Corporate Governance is enclosed as Annexure A.

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.

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

DIRECTORS' RESPONSIBILITY STATEMENT

Pursuant to the requirement of Section 217(2AA) of the Companies Act, 1956, the Board of Directors hereby confirm:

1. that in the preparation of the annual accounts for the period ended 30th September, 2002, the applicable Accounting Standards have been followed along with proper explanation relating to material departures;
2. that 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 30th September, 2002 and of the profit of the Company for that period;
3. that the Directors have taken proper & 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 frauds and other irregularities to the best of their knowledge and ability;
4. that the Directors have prepared the annual accounts for the period ended 30th September, 2002 on a going concern basis.

PARTICULARS OF EMPLOYEES

None of the employees of your Company is in receipt of remuneration requiring disclosures pursuant to the provisions of Section 217(2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules, 1975, hence no such particulars are annexed.

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. During the period under review, the total foreign exchange outflow of your Company was Rs.12.12 lacs and it had no foreign exchange earnings.

INFORMATION PURSUANT TO LISTING AGREEMENT WITH STOCK EXCHANGES

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

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REPORT ON CORPORATE GOVERNANCE

1. The Delhi Stock Exchange Association Limited,
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, 8,
Near Polytechnic, Panjara Pole,
Ahmedabad – 380 015.

The listing fee for 2001-2002 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 wish to thank and acknowledge the co-operation and assistance extended by the Bankers, Financial Institutions, Government Agencies, Customers and Depositors.

The Directors also wish to convey their deep appreciation of the contribution made by all employees to the operations of the Company during a difficult period 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
November 26, 2002

Sd/-
RAJAN NANDA
Chairman

REPORT ON CORPORATE GOVERNANCE

ANNEXURE A

1. Company's philosophy on Corporate Governance

Your Company being a part of the esteemed 'Escorts Group' has always kept the objectives of good corporate governance and its commitment towards its investors above everything else. Company has always laid emphasis on the principle values of transparency, efficiency and fair dealings. Infact, these values have aided the Company to emerge unscathed even during the troubling times that NBFCs had to face.

2. Board of Directors

Name	Designation	Category	No. of Board Meetings attended during 2001-02	Whether attended last AGM	No. of Directorships in Public Cos.*	No. of Committee Memberships / (Chairmanships) in Public Cos.**
Mr. Rajan Nanda	Chairman	NENI	7	Yes	12	1
Mr. Partha Sarkar	Managing Director	ENI	6	Yes	3	1
Mr. Rakesh Chopra	Director	NEI	7	Yes	9	2(2)
Mr. Umesh Banerji	Director	NEI	7	Yes	10	5(3)
Mr. Lalit K. Khanna	Director	NEI	6	Yes	8	2(2)

NENI : Non Executive - Non Independent

ENI : Executive - Non Independent

NEI : Non Executive - Independent

* including Escorts Finance Limited

** for this purpose only Audit Committees, Remuneration Committees and Shareholders' Grievance Committees are considered (including in Escorts Finance Limited)

During the financial year 2001-02, Board Meetings were held on :

22.06.01 09.08.01 25.10.01 31.01.02 30.03.02 24.04.02 30.07.02

3. Audit Committee

• Composition

The Audit Committee consists of 3 Directors - Mr. Umesh Banerji, Mr. Rakesh Chopra and Mr. Lalit K. Khanna.

The committee is chaired by Mr. Umesh Banerji, an independent director.

• Terms of Reference

The role of the audit committee is to review the Accounting practices/standards followed by the Company; any changes in accounting policies; compliance with accounting standards; adequacy of internal control/audit systems; any related party transactions and unaudited quarterly/half yearly financial statements.

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• Meeting & Attendance during the year

During the year 2001-02, the Committee met on 6 occasions. The following table summarises the date of each meeting and attendance of members thereof :

Name of Director	21 st Jun. 2001	6 th Aug. 2001	25 th Oct. 2001	30 th Jan. 2002	24 th Apr. 2002	30 th Jul. 2002
Mr. Umesh Banerji	✓	✓	✓	✓	✓	✓
Mr. Rakesh Chopra	✓	✓	✓	✓	✓	✓
Mr. Lalit K. Khanna	X	✓	✓	X	✓	✓

4. Remuneration Committee

No Remuneration Committee is constituted since no remuneration is payable to Directors.

5. Shareholders Grievance Committee

• Constitution

The Shareholders Grievance Committee consists of 3 Directors - Mr. Rakesh Chopra, Mr. Umesh Banerji and Mr. Partha Sarkar.

The committee is chaired by Mr. Rakesh Chopra, a non-executive director.

• Compliance Officer

The compliance officer for this Committee is Mr. Paresh Kumar, VP (Legal) & Company Secretary.

• Terms of Reference

This committee looks into redressing of Shareholders' complaints like delay in transfer/demat of shares, non-receipt of earlier dividends/Annual Reports etc..

• Complaints received/resolved

During the year under review, 6 complaints were received from investors, which were replied/resolved to the satisfaction of the investors.

• Pending Share Transfer

15 requests for transfer and 20 requests for dematerialisation were pending for approval on 30th September, 2002. These requests were cleared on 10.10.2002.

6. General Body Meetings

- Location and time where last three Annual General Meetings were held:

Year	Venue	Date	Time
1998-99	Airforce Auditorium, Subroto Park, Near Dhaula Kuan, New Delhi	23.07.1999	9:30 a.m.
1999-00	-do-	29.07.2000	10:00 a.m.
2000-01	-do-	09.08.2001	10:00 a.m.

No resolution(s) was put through postal ballot since the last Annual General Meeting.

7. Disclosures

There was no material transactions with related parties which were in conflict with the interests of the Company. The Company has received sufficient disclosures from promoters, directors or management wherever applicable.

The Company complied with the statutory rules and regulations including those of SEBI, Reserve Bank of India, the Stock Exchanges and other statutory regulatory authorities. There has been no default on any related issue during the last three years.

8. Means of communication

- The half-yearly report was not sent to the household of each shareholder as the same was not mandatory.
- The Company has published its quarterly/half yearly/ audited financial results in the following newspapers:-

Quarter ended 30.06.01 (unaudited)	Financial Express (English) Rashtra Ka Vidhan (Hindi)
Quarter/half year ended 30.09.01 (unaudited)	Financial Express (English) Rashtra Ka Vidhan (Hindi)
Quarter ended 31.12.01 (unaudited)	Financial Express (English) Rashtra Ka Vidhan (Hindi)
Quarter/half year ended 31.03.02 (unaudited)	Pioneer (English) Rashtra Ka Vidhan (Hindi)
Quarter ended 30.06.02 (unaudited)	Pioneer (English) Rashtra Ka Vidhan (Hindi)
Year ended 30.09.02 (audited)	Pioneer (English) Rashtra Ka Vidhan (Hindi)

- The Company has no website.
- No presentations were made to institutional investors or to the analysts.
- Management Discussion and Analysis has been carried in detail and forms a part of the Directors' Report.

9. General Shareholder Information

• Annual General Meeting

Date : 30.12.2002 Time : 10.00 a.m.
Venue : Sapru House, Barakhamba Road, New Delhi – 110 001

• Financial Calender 2002-03 (tentative) :

Board meeting to take on record financial results for :
the quarter ended 31.12.02 End Jan. 03
the quarter ended 31.03.03 End Apr. 03
the quarter ended 30.06.03 End Jul. 03
the quarter/year ended End Oct. 03 (unaudited or within 3 months, if audited)

- Book closure: 20.12.02 to 30.12.02 (both days inclusive)
- No dividend recommended.
- Listing of Shares : The shares of the Company are listed at (with stock code) :-

- 1) The Delhi Stock Exchange Association Ltd. (05068)
- 2) The Stock Exchange, Mumbai (11716)
- 3) The Stock Exchange, Ahmedabad (16412/ ESCORTSFIN)