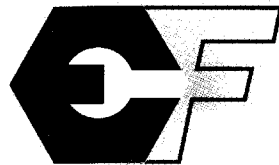


17<sup>TH</sup>  
ANNUAL  
REPORT  
2005

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**ESCORTS FINANCE LIMITED**



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## BOARD OF DIRECTORS

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### Chairman & Managing Director

Mr. Rajan Nanda

---

### Managing Director

Mr. Partha Sarkar

---

### Directors

Mr. Rakesh Chopra

Mr. H.S. Malik

Mr. P.K. Gupta

Mr. Munendra Kumar Singh

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### Statutory Auditors

M/s. N.M. Raiji & Co.  
E-7/14, Vasant Vihar,  
New Delhi-110 057

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### Registered Office

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

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### Bankers

Bank of Baroda

UTI Bank Ltd.

The Jammu & Kashmir Bank Ltd.

Dena Bank

Indian Overseas Bank

State Bank of India

State Bank of Indore

The Bank of Rajasthan Ltd.

Vijaya Bank

The Federal Bank Ltd.

Bombay Mercantile Co-Op. Bank Ltd.

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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 **Seventeenth Annual General Meeting** of the Company will be held on **Monday, the 14<sup>th</sup> November, 2005 at 10:30 A.M.** at Sri Satya Sai International Centre and School, Pragati Vihar, Lodhi Road, New Delhi - 110 003 to transact the following business:

## ORDINARY BUSINESS

- 1) To receive, consider and adopt the audited Balance Sheet as at 31st March, 2005 and Profit and Loss Account for the year ended 31st March, 2005 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 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

- 4) **Appointment of Mr. Rajan Nanda as Managing Director of the Company**

To consider and, if thought fit, to pass with or without modification(s), the following resolution as an **Ordinary Resolution**

**"RESOLVED THAT** pursuant to the provisions of Sections 198, 269, 309 & 316 read with Schedule - XIII of the Companies Act, 1956, as amended from time to time, and other applicable provisions, if any, of the Companies Act, 1956 and the provisions of the Articles of Association of the Company, appointment of Mr. Rajan Nanda as Managing Director of the Company, for a period of 5 (Five) years from 30<sup>th</sup> June, 2005 to 29<sup>th</sup> June 2010, at nil remuneration and on such other terms and conditions as decided by the Board of Directors at its meeting held on 30<sup>th</sup> June 2005, be and are hereby approved."

- 5) **Appointment of Mr. Harpreet Singh Malik as Director of the Company**

To consider and, if thought fit, to pass with or without modification(s) the following resolution as an **Ordinary Resolution**

**"RESOLVED THAT** Mr. Harpreet Singh Malik, who was appointed as an Additional Director of the Company w.e.f. 29.10.2004 under Section 260 of the Companies Act, 1956 (the Act), and applicable provisions of Articles of Association, and holds office upto the date of this Annual General Meeting and in respect of whom the Company has received a notice under Section 257 of the Act, in writing from a member proposing his candidature for the office of Director, be and is hereby appointed as a Director of the Company whose office is subject to retirement by rotation."

- 6) **Appointment of Mr. Pradeep Kumar Gupta as Director of the Company**

To consider and, if thought fit, to pass with or without modification(s) the following resolution as an **Ordinary Resolution**

**"RESOLVED THAT** Mr. Pradeep Kumar Gupta, who has been appointed as an Additional Director of the Company w.e.f. 27.1.2005 under Section 260 of the Companies Act, 1956 (the Act), and applicable provisions of Articles of Association, and

holds office upto the date of this Annual General Meeting and in respect of whom the Company has received a notice under Section 257 of the Act, in writing from a member proposing his candidature for the office of Director, be and is hereby appointed as a Director of the Company whose office is subject to retirement by rotation."

- 7) **Appointment of Mr. Munendra Kumar Singh as Director of the Company**

To consider and, if thought fit, to pass with or without modification(s) the following resolution as an **Ordinary Resolution**

**"RESOLVED THAT** Mr. Munendra Kumar Singh, who was appointed as an Additional Director of the Company w.e.f. 30.06.2005 under Section 260 of the Companies Act, 1956 (the Act), and applicable provisions of Articles of Association and holds office upto the date of this Annual General Meeting and in respect of whom the company has received a notice under Section 257 of the Act, in writing from a member proposing his candidature for the office of director, be and is hereby appointed as a Director of the Company whose office is subject to retirement by rotation."

- 8) **Alteration of Articles of Association of the Company**

To consider and if thought fit, to pass with or without modification(s), the following resolution as a **Special Resolution**

**"RESOLVED THAT** in accordance with the provisions of Section 31 and all other applicable provisions, if any, of the Companies Act, 1956 including any statutory modification(s) and re-enactment thereof, for the time being in force, the Articles of Association of the Company, be and is hereby altered as follows:

**A That at the end of Interpretation clause, the following sub-clauses shall be inserted :**

"Beneficial Owner" shall mean the beneficial owner as defined in clause (a) of sub-section (1) of Section 2 of the Depositories Act, 1996.

"Depositories Act" means the Depositories Act, 1996 and shall include any statutory modifications or re-enactment thereof for the time being in force.

"Depository" shall mean a Depository as defined under clause (e) of sub-section (1) of Section 2 of the depositories Act, 1996.

"Shareholder" or "Member" means the duly registered holder of the shares from time to time and includes the subscribers to the Memorandum of Association of the Company and the beneficial owner(s) as defined in clause(a) of sub-section (1) of Section 2 of the Depositories Act, 1996.

**B That after the existing Article 14, the following sub clauses shall be inserted:**

**14 (a)** The Shares in the Capital shall be numbered progressively according to their several denominations, provided however, that the provisions relating to progressive numbering shall not apply to the shares of the Company which are dematerialized or may be dematerialized in future or issued in future in dematerialized form. Nothing contained in the Act or under these articles regarding the



necessity of having distinctive numbers for securities issued by the Company shall apply to the securities held in Depository mode.

**14 (b)** The Company shall be entitled to dematerialize its existing shares held in the Depositories and / or to offer its fresh shares, debentures and other securities, in a dematerialized form pursuant to the Depositories Act, 1996 and the rules framed thereunder, if any.

**14 (c)** The Company shall cause to be kept a Register and Index of members in accordance with all applicable provisions of the Companies Act, 1956 and the Depositories Act, 1996, with details of shares held in material and dematerialized forms in electronic media or any media as may be permitted by law. The Company shall be entitled to keep in any state or country outside India, a Branch Register of Members resident in that state or country.

**14 (d) Right of Depositories and Beneficial Owner :**

- (i) Notwithstanding anything to the contrary contained in the Act or these articles, a depository shall be deemed to be registered owner for the purpose of effecting transfer of ownership of security on behalf of the beneficial owner.
- (ii) Save as otherwise provided in 14(d)(i) above, the depository as the registered owner of the securities shall not have other membership rights to be entitled to the corporate benefits that may accrue to the members of the Company.
- (iii) Every person holding securities of the Company and whose name is entered as the beneficial owner in the register maintained by a depository shall be deemed to be a member of the Company. The beneficial owner of securities shall alone be entitled to all the rights and benefits and be subject to all the liabilities like payment of unpaid call monies and furnishing of such information as may be necessary to enable the Company to enter his name in the register and index of beneficial owners and other records as applicable, in respect of the securities held in the depository mode of which he is the beneficial owner.

**C That the following sub-clause be inserted after the existing Article 48 :**

**48 (a)** In case of transfer or transmission of shares or other marketable securities where the Company has not issued any certificates and where such shares or securities are being held in any electronic and fungible form, the provision of the Depositories Act, 1996 shall apply.

**48 (b) Right of Nomination**

- (i) Every individual shareholder of the Company, may at any time, nominate a person to whom his shares shall vest in the event of his death in such manner as may be prescribed under the Act.
- (ii) Where the shares of the Company are held by more than one person jointly, jointholders may together nominate a person to whom all the rights in the shares, as the case may be, shall vest in the event of death of all the joint holders in such manner, as may be prescribed under the Act.

- (iii) Notwithstanding anything contained in any other law for the time being in force or in any disposition, whether testamentary or otherwise, where a nomination made in the manner aforesaid purports to confer on any person the right to vest the shares, the nominee shall, on the death of the shareholder or as the case may be on the death of jointholders, become entitled to all the rights in relation to such shares, to the exclusion of all other person(s) unless the nomination is varied or cancelled in the manner as may be prescribed under the Act.

- (iv) Where the nominee is a minor, it shall be lawful for the holder(s) of the shares, to make the nomination to appoint any person to become entitled to shares in the Company in the manner prescribed under the Act, in the event of his/ their death, during the minority.

**48 (c) Transmission of shares to Nominee**

- (i) A nominee, upon production of such evidence as may be required by the Board and subject to the provisions, as hereinafter provided, may elect, either:
  - (a) To register himself as holder of the shares or to make such transfer of the shares, as the deceased shareholders, could have made.
  - (b) If the nominee elects to be registered as holder of the shares himself, he shall deliver or sent to the Company, a notice in writing signed by him stating that he so elects. Such notice shall be accompanied with the death certificate of the deceased shareholder(s).
- (ii) A nominee shall be entitled to the shares, interests and other advantages to which he would be entitled if he were the registered holder of the shares. However, he shall not, before being registered as a member, be entitled to exercise any right conferred by membership in relation to meetings of the Company.

Provided that the Board may, at any time, give notice requiring any such person to elect either to be registered himself or to transfer the shares, and if the notice is not complied with, within ninety days, the Board may thereafter withhold payment of all dividends, bonuses, interest or other moneys payable in respect of the share, until the requirements of the notice have been complied with.

**D That after the existing Article 113, the following sub clauses shall be inserted :**

**113 (a)** "Subject to the provisions of Section 255 of the Companies Act, 1956, Chairman shall be permanent director of the Company and shall not be liable to retire by rotation".

- 9) To consider and if thought fit, to pass, with or without modification (s), the following resolution as a **Special Resolution**  
 "RESOLVED THAT subject to the provisions of the Companies Act, 1956, (including any statutory modification(s) or re-enactments thereof for the time being in force), Securities Contracts (Regulations) Act, 1956 and the Rules framed there under, Securities and Exchange Board of India (Delisting of Securities) Guidelines, 2003, Listing Agreements and all other applicable Laws, Rules, Regulations and Guidelines and subject to such approvals, permissions and sanctions, as may be



necessary and subject to such conditions and modifications as may be prescribed or imposed by any authority while granting such approvals, permissions and sanctions, which may be agreed to by the Board of Directors of the Company (herein after referred to as 'the Board' which term shall be deemed to include any Committee thereof for the time being exercising the powers conferred on the Board by the resolution), the consent of the Company be and is hereby accorded to the Board, to voluntarily delist the equity shares of the Company from The Delhi Stock Exchange Association Limited and The Stock Exchange, Ahmedabad."

"RESOLVED FURTHER THAT the Board be and is hereby authorised to take all necessary steps in this regard and to do all such acts, deeds, matters and things as it may in its absolute discretion deem necessary, proper or desirable and to settle any question, difficulty, doubt that may arise in regard to delisting of the equity shares and to execute all such deeds, documents, writings as may be necessary, desirable or expedient as may be deemed fit, and for this purpose to delegate the authority vested in it by virtue hereof to the Managing Director or the Company Secretary or any other officer or person whom the Managing Director may consider fit and proper person in this behalf."

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

Sd/-

(S. PRABHAKAR)

AVP - Legal, HR & Company Secretary

Place : New Delhi

Dated : 4th October, 2005

#### 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) Members are informed that Share Transfer and related activities are being carried out by Alankit Assignments Limited, Registrar and Transfer Agents, from the following address :-  
**ALANKIT ASSIGNMENTS LIMITED**  
205-208, Anarkali Complex,  
Jhandewalan Extension, New Delhi - 110 055  
Tel.: 5154 0060 Fax: 5154 0064  
E-mail : alankit@alankit.com  
All correspondence may kindly be sent to the above address only.
- 3) SEBI has made it mandatory that the Equity shares of the company can only be traded in electronic mode 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 of the Company in the electronic mode after sending requests for dematerialisation through their respective Depository Participant.

- 4) 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.
- 5) The Register of Members and Share Transfer Books of the Company will remain closed from 8th November, 2005 to 14th November, 2005 (both days inclusive).
- 6) Members are requested to notify immediately any change in their address (with pin code) to Alankit Assignments Limited, quoting 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 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.
- 10) 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.
- 11) Members who have not encashed their earlier Dividend Warrants, subsequent to 1998-99 may write to the Company Secretary for revalidation/duplicate warrants. Unclaimed dividend for the year up to 1996-97 has already been transferred to the Investor Education and Protection Fund in terms of Section 205C of the Companies Act, 1956 and for the year 1997-98 shall be transferred on or before 24th October, 2005.
- 12) Members are requested to bring copies of Annual Report to the meeting.
- 13) Appointment/Reappointment of Directors:  
The details/information about the Directors proposed to be appointed/re-appointed to be provided as per Clause 49 of the Listing Agreement is furnished in the Corporate Governance Report

#### Explanatory Statement under Section 173 (2) of the Companies Act, 1956

##### Item No. 4

Mr. Rajan Nanda is on the Board and has been the Chairman of the Company since inception.

To give new impetus and a new strategic direction, the Board of Directors of your Company at its meeting held on June 30<sup>th</sup> 2005, has appointed Mr. Rajan Nanda as Managing Director of the





Company for a period of 5 (Five) years w.e.f. 30<sup>th</sup> June 2005, at nil remuneration subject to the approval of the shareholders.

Mr. Nanda is an Industrialist and has been associated with Escorts Group since 1965. Under his dynamic leadership the group has expanded its business activities and commenced new ventures in and outside the country. He has been holding offices in various corporate bodies as Chairman, Managing Director and Director.

The aforesaid appointment is in terms of provisions of Section 198, 269, 309 & 316 read with Schedule XIII of the Companies Act, 1956 and other applicable provisions of the Act, and, is subject to approval of the members.

The Articles of Association of the Company permits the above and can be inspected by the members of the Company at its Registered Office on any working day during business hours and at the Annual General Meeting.

Your Directors recommend passing of the proposed resolution given in item no. 4 as an **Ordinary Resolution**.

Mr. Rajan Nanda may be deemed to be interested in the resolution. None of the other Directors are interested in the proposed resolution.

#### Item No. 5

Mr. Harpreet Singh Malik was appointed as an Additional Director of the Company w.e.f. 29.10.2004 under Section 260 of the Companies Act, 1956 (the Act), and applicable provisions of Articles of Association. Mr. Malik will hold office upto the date of this Annual General Meeting. The Company has received a notice under Section 257 of the Act, in writing along with requisite deposit, proposing Mr. Malik's candidature for the office of Director whose office shall be liable for retirement by rotation.

Mr. Malik is a FCA from England & Wales, ACA from ICAI and MBA, having 34 years of professional experience in Corporate Finance, Accounts and Internal Audit Departments of reputed companies. Considering his vast experience it will be in the interest of the Company to appoint him as a Director.

Your Directors recommend passing of the proposed resolution given in item no. 5 as an **Ordinary Resolution**.

Mr. Harpreet Singh Malik may be deemed to be interested in the resolution. None of the other Directors are interested in the proposed resolution.

#### Item No. 6

Mr. Pradeep Kumar Gupta was appointed as an Additional Director of the Company w.e.f. 27.1.2005 under Section 260 of the Companies Act, 1956 (the Act), and applicable provisions of Articles of Association, and holds office upto the date of this Annual General Meeting. The Company has received a notice under Section 257 of the Act, in writing along with requisite deposit, proposing Mr. Malik's candidature for the office of Director whose office shall be liable for retirement by rotation.

Mr. Gupta is a FCA from ICAI and having 25 years of professional experience at very senior levels with reputed corporates. Considering his vast experience it will be in the interest of the company to appoint him as a Director.

Your Directors recommend passing of the proposed resolution given in item no. 6 as an **Ordinary Resolution**.

Mr. Pradeep Kumar Gupta may be deemed to be interested in the resolution. None of the other Directors are interested in the proposed resolution.

#### Item No. 7

Mr. Munendra Kumar Singh was appointed as an Additional Director of the Company w.e.f. 30.06.2005 under Section 260 of the Companies Act, 1956 (the Act), and applicable provisions of Articles of Association. Mr. Munendra Kumar Singh will hold office upto the date of this Annual General Meeting. The Company has received a notice under Section 257 of the Act, in writing from a member along with requisite deposit, proposing Mr. Singh's candidature for the office of director whose office shall be liable for retirement by rotation.

Mr. Munendra Kumar Singh is a post graduate in Political Science & graduate in a Laws from Allahabad University. He is a member of Bar Association of Supreme Court of India & Delhi High Court. He is practicing as Advocate for the last 15 years and at present practicing as Advocate in Supreme Court of India.

Your Director recommend passing of the proposed resolution given in item no. 7 as an **Ordinary Resolution**.

Mr. Munendra Kumar Singh may be deemed to be interested in the resolution. None of the other Directors are interested in the proposed resolution.

#### Item No. 8

Alteration under clause A & B of item no. 8 is proposed, to bring the Articles of Association in line with the provisions of Depositories Act, 1996 relating to transfer, transmission and dealing of shares.

Alteration under clause C of item no. 8 is proposed, to bring the Articles of Association in line with the provisions of Companies Act, 1956 in respect of nomination facility of shareholders.

Alteration under clause D of item no. 8 is proposed, to make the Chairman a permanent director of the Company.

As per the existing Articles of Association Chairman is a rotational director, liable to retire by rotation. Considering the need for the continuing guidance and expertise of the Chairman, it is in the interest of the Company to make him the permanent director of the Company.

Your directors recommend passing of the proposed resolution given in item no. 8 as a **Special Resolution**.

Mr. Rajan Nanda may be deemed to be interested in respect of clause D of resolution no. 8. None of the other Directors are interested in the proposed Resolution.

#### Item No. 9

At present the Company's shares are listed at The Delhi Stock Exchange Association Limited (DSE), The Stock Exchange, Mumbai (BSE) The Stock Exchange, Ahmedabad (ASE). For very long time, the shares of the company are traded only in BSE and virtually there was no trading in DSE and ASE. The company is paying high listing fee and incurring other related costs without realizing any benefits for the Company and its shareholders or investors.

As a part of cost reduction measures, the company has proposed this special resolution to get the shares delisted from DSE and ASE, subject to compliance with SEBI regulations and approvals, required, if any. The Company's shares will continue to be listed with BSE which has terminals all across the country as a result of which the shareholders will not have any problem in trading in the shares of the Company.

Your Directors recommend passing of the proposed resolution given in item no. 9 as a **Special Resolution**.

None of the Directors of the Company are interested in the resolution.

**Inspection of Documents:** The documents pertaining to the special businesses are available for inspection at the registered office of the Company between 11.00 a.m. & 1.00 p.m. on all working days prior to the meeting & also at the Annual General Meeting.

## DIRECTORS' REPORT



## DIRECTORS' REPORT

## TO THE MEMBERS

Your Directors are pleased to present the Seventeenth Annual Report, together with the Audited Accounts of the Company for the Financial Year ended 31<sup>st</sup> March 2005, along with the report of Auditors thereon.

## FINANCIAL RESULTS

(Rs. in Crores)

	Financial Year ended 31 <sup>st</sup> March, 2005	18 months period ended 31 <sup>st</sup> March, 2004
Gross Income	36.66	64.09
Profit before write off, provisions & tax	7.54	14.28
Bad debts written off	2.40	2.94
Provisions/Income reversals as per RBI norms (Net)	2.18	4.76
Provision for Taxation	2.71	(2.90)
Profit after Tax	0.25	9.47
Surplus from last year	23.47	15.89
Profit available for Appropriation	23.72	25.36
<b>APPROPRIATIONS</b>		
Transfer to:		
Special Reserve	0.05	1.89
General Reserve	Nil	Nil
Surplus carried forward	23.67	23.47
	23.72	25.36

## DIVIDEND

In view of the limited amount of profits and the need to conserve funds, the Board recommends that no dividend be paid for the financial year under review.

## MANAGEMENT DISCUSSION AND ANALYSIS

## Industry Structure and Development:

In the present environment, the fortunes of Non Banking Financial Companies are dependent on their ability to raise low cost funds and to diversify into the non-fund based business. Banks have aggressively muscled into all the areas previously handled by NBFCs. Therefore, only those NBFCs which have sources of funds independent of banks and at lower cost than that of the banks' own cost of funds are in a position to prosper in fund-based businesses. On the other hand, NBFCs have had to cut their operating costs, resort to more securitisation of their receivables and to look at non-fund based businesses riding on their distribution networks to manage their viability.

NBFCs have also entered into many partnerships with banks and insurance companies, for generating more business and earning income without deploying their own funds.

## Opportunities &amp; Threats:

The expansion of the economy in the rural areas and particularly in the agricultural infrastructure sector continues to present opportunities of growth for NBFCs with a rural network. NBFCs here will have to rely on their partnership with banks and insurance companies and their own access to rural distribution networks to exploit such opportunities.

Apart from the threat posed by banks, the Reserve Bank of India has also advised NBFCs to reduce dependence on

deposits in the next few years. This will have an adverse impact on NBFCs.

## 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.

## Outlook:

The outlook for your company continues to be difficult, particularly in the fund-based business and while tractor loans and construction equipment loans still bring some returns but this becomes viable only because of the additional non-fund based income generated by the company through the same distribution channels by way of issuance of insurance policies and franchisee business. The steps taken by your company in the past are bearing results and hopefully will keep the company's businesses going.

## Risks and Concerns:

Dependence on purely fund-based business continues to be difficult for NBFCs unless they are able to reduce their cost of funds very substantially. The ability of the company to significantly expand its non-fund based activities would remain an area of concern.

## Financial Performance:

As can be seen from the accounts despite considerable reduction in operating costs and administrative expenses the margins have continuously been squeezed and profits have come down. The company also has to make significant write-downs of bad debts and provide for higher taxation, including provision for earlier years, with the result that



## DIRECTORS' REPORT CONTD...

profit after tax has declined to Rs.24.89 lakhs as against Rs.9.47 crores for the previous 18 months period.

The company is, however, able to sustain its non-fund based business and is hopeful of improving this in the years to come so as to sustain its profitability.

### Internal Control Systems and their Adequacy:

Your company continues to maintain high levels of internal control through the establishment and maintenance of adequate internal control system. The internal audit work has been assigned to an independent and experienced Audit firm thereby ensuring complete independence and autonomy. The internal auditors carry out extensive audit of the company and suggest various methods of cost control and cost reduction to bring about better financial efficiency and effectiveness.

### Human Resource Development:

Employees are your company's most valued resource. Operating in the service industry, your company's performance is heavily dependent on the knowledge and expertise of its employees. It has always been the endeavour of your company to continuously improve the skill sets of each employee. Employee relations continue to be cordial at all locations of the company.

As at the close of the period, 170 employees were on the rolls of the company.

### OPERATIONS:

During the previous year, your Company continued to streamline its operation and increase its focus on the construction equipment and tractor finance business. It maintained its thrust on non-fund based businesses in insurance and bank franchisee activity. The Company is exploring other avenues for non-fund based businesses which can exploit its rural finance network. The Company also continued the drive to reduce costs and operating expenses. The Company is seeking additional bank finance to enable it to replace its fixed deposits.

### FINANCIAL RESOURCES

#### a) Fixed Deposits:

Credit Analysis & Research Limited (CARE) has downgraded the credit rating for the Fixed deposit Programme of the Company from 'CARE BBB (FD)' to 'CARE (BB) +' with effect from January 2005. As per the provisions of NBFCs Acceptance of Public Deposits (Reserve Bank) Directions 1998, your company has stopped accepting the public deposits forthwith and shall continue to do so in future till the rating is restored as an Investment Grade.

Fixed Deposits as on 31.03.2005 stood at Rs. 142.10 Crores as against Rs. 158.54 Crores in the previous year. 5,593 deposits aggregating to Rs. 9.13 crores had matured for payment but remained unclaimed and unpaid as on 31<sup>st</sup> March, 2005. Reminders were sent to

the depositors and ongoing efforts are being made to expedite repayments.

#### 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.

### INVESTORS' SERVICES

In terms of SEBI circular dated 27.12.2002, the share transfer work in both physical as well as electronic modes is being carried on by Alankit Assignments Ltd., Category I Registrar and Transfer Agents with their office at 205-208, Anarkali Complex, Jhandewalan Extension, New Delhi -110 055.

SEBI has made it mandatory that the shares of the Company can only be traded in electronic mode w.e.f. 26<sup>th</sup> June 2000. Your company has entered into agreements with National Securities Depository Limited and Central Depository Securities (I) Limited. The shareholders who have not dematerialized their shares may contact their respective Depository Participants for facilitating dematerialization of their share certificates.

### DIRECTORS

Mr. Lalit K. Khanna and Mr. Umesh Banerji, Directors resigned from the Board of Directors w.e.f. 10.07.2004 and 27.01.2005, respectively. The Board of Directors place on record their appreciation for 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 retires by rotation and being eligible, offers himself, for re-appointment.

Mr. Rajan Nanda was appointed as Managing Director of the Company w.e.f. 30.06.2005, subject to the approval of the shareholders of the Company. A resolution proposing his appointment as Managing Director is proposed to be passed at the ensuing Annual General Meeting.

Mr. Harpreet Singh Malik, Mr. Pradeep Kumar Gupta and Mr. Munendra Kumar Singh were co-opted on the Board as Additional Directors of the Company w.e.f. 29.10.2004, 27.01.2005 and 30.06.2005 respectively. They hold their respective office(s) upto the date of ensuing Annual General Meeting. Company has received notices under Section 257 of the Act, in writing from members along with requisite deposit, proposing their candidatures for the office of Directors whose office shall be liable for retirement by rotation.

### CORPORATE GOVERNANCE

Pursuant to Clause 49 of the listing agreement with Stock Exchanges, a Report on Corporate Governance along with a certificate from auditors confirming compliance of conditions of corporate governance are enclosed as Annexure A.





## AUDITORS

M/s N.M. Raiji & Co., Chartered Accountants of the Company hold office until the conclusion of the ensuing Annual General Meeting. Company has received letter from them to the effect that their appointment as statutory auditors for the financial year 2005-2006, 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 financial year ended 31<sup>st</sup> March, 2005, 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 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 at the end of the financial year ended 31<sup>st</sup> March, 2005 and of the profit of the Company for that period;
3. that 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 frauds and other irregularities;
4. that the Directors have prepared the annual accounts for the financial year ended 31<sup>st</sup> March, 2005 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

- a) Conservation of energy and technology absorption

Being a financial services entity, your Company has no activity relating to conservation of energy and technology absorption.

- b) Foreign Exchange Earning and Outgo

During the period under review, there was no foreign exchange outgo from your company and it had no foreign exchange earnings.

- c) Amount due to small scale industries

There was no amount due to small scale industries

## 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 Limited,  
DSE House,  
3/1, Asaf Ali Road,  
New Delhi-110 002.
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 2005-2006 to 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. We also convey our thanks to our esteemed shareholders for their continued support and encouragement.

For and on behalf of the Board

Sd/-

**Rajan Nanda**

Chairman & Managing Director

Place : New Delhi

Date : 4<sup>th</sup> October 2005

**REPORT ON CORPORATE GOVERNANCE**

Annexure - A

**1. Company's philosophy on Corporate Governance**

Your Company being a part of the prestigious and esteemed 'Escorts Group' has always kept the objectives of good corporate governance and its commitment towards its investors above everything else. The Company has constantly laid emphasis on the values of transparency, efficiency and fair dealings. These values have aided the Company to carry on its business smoothly even during the troubled times that NBFCs had to face.

**2. Board of Directors**

More than 50% of the Board consists of non-executive independent directors.

**a) Composition of Board of Directors as on 30.06.2005**

Name	Designation	Category	No. of Directorships*	No. of Committee Memberships / Chairmanships in Public Companies**	
				As Member only	As Member & Chairman
Mr. Rajan Nanda	Chairman & Managing Director	ENI	9	-	2
Mr. Partha Sarkar	Managing Director	ENI	4	2	-
Mr. Rakesh Chopra	Director	NEI	8	2	3
Mr. Harpreet Singh Malik #	Director	NEI	1	2	-
Mr. Pradeep Kumar Gupta ##	Director	NEI	2	1	-
Mr. Munendra Kumar Singh ###	Director	NEI	Nil	-	-

NENI: Non Executive-Non Independent ENI: Executive-Non Independent NEI: Non-Executive Independent

# appointed as additional director w.e.f. 29.10.2004

## appointed as additional director w.e.f. 27.01.2005

### appointed as additional director w.e.f. 30.06.2005

\* including directorship in Escorts Finance Ltd. and excluding directorships in Private limited companies and Foreign companies.

\*\* for this purpose only Audit Committees, Remuneration Committees and Shareholders' Grievance Committees are considered including that of Escorts Finance Ltd.

**b) Change in composition of Board of Directors since last Annual General Meeting**

- Mr. Lalit K. Khanna, 51 years of age, was appointed as director in the Annual General Meeting held on 29.07.2000 and was last re-appointed at the Annual General Meeting held on 30.06.2004 resigned from the Board w.e.f. 10.07.2004.
- Mr. Umesh Banerji, 62 years of age, was appointed as director in the Annual General Meeting held on 9.08.1993 and was last re-appointed at the Annual General Meeting held on 30.12.2002 resigned from the Board w.e.f. 27.01.2005.
- Mr. Harpreet Singh Malik, 58 years of age, a Chartered Accountant from Institute of Chartered Accountants of India, FCA from England and Wales and MBA with over 34 years of professional experience in Corporate Finance, Accounts and Internal Audit Departments of reputed companies, has been appointed as additional director on the Board w.e.f. 29.10.2004
- Mr. Pradeep Kumar Gupta, 54 years of age, a Chartered Accountant with over 25 years professional experience at very senior level with reputed corporates, has been appointed as additional director on the Board w.e.f. 27.01.2005.
- Munendra Kumar Singh 45 years of age, an Advocate with over 15 years of professional experience at the Bar of the Supreme Court of India and the Delhi High Court, has been appointed as additional Director on the Board w.e.f. 30.06.2005.