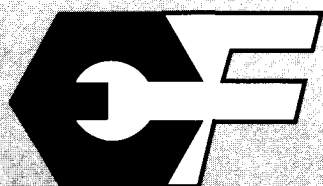




**21<sup>st</sup>**

**ANNUAL REPORT**

**2008-2009**



**ESCORTS  
FINANCE  
LIMITED**



## COMPANY INFORMATION

### **Board of Directors**

Mr. Inder Mohan Sakhuja  
Chairman

Mr. Pritam Narang

Mr. Hans Raj Sachdeva

Mr. Janak Sachdeva

### **Manager**

Mr. P. K. Marwah

### **Company Secretary**

Mr. Gaurish Garg

### **Chief Financial Officer**

Mr. Donald Fernandez

### **Auditors**

M/s N.M. Raiji & Co.  
E-7/14, IIInd Floor,  
Vasant Vihar,  
New Delhi- 110057

### **Registered Office**

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

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

Notice is hereby given that the **Twenty First Annual General Meeting** of Escorts Finance Limited will be held on Wednesday, **30<sup>th</sup> September 2009 at 12.00 noon** at 'The Executive Club', 439, Village Shahoorpur, P.O. Fatehpur Beri, New Delhi - 110 074 to transact the following business:

**ORDINARY BUSINESS:**

1. To receive, consider and adopt the Audited Balance Sheet as at 31<sup>st</sup> March, 2009 and the Profit and Loss Account for the year ended on that date alongwith the Reports of Auditors' and Directors' thereon.
2. To appoint a Director in place of Mr. Pritam Narang who retires by rotation and being eligible, offers himself for re-appointment.
3. To appoint M/s N.M. Raiji and Company, Chartered Accountants, New Delhi as Statutory Auditors of the Company to hold office from the conclusion of this Annual General Meeting till the conclusion of the next Annual General Meeting and to fix their remuneration.

**SPECIAL BUSINESS:**

4. To consider and if thought fit, to pass with or with out modification(s) the following resolution as a **Special Resolution**:

**"RESOLVED THAT** pursuant to Section 31 and other applicable provisions, if any, of the Companies Act, 1956 (including any statutory modification or re-enactment thereof for the time being in force) the Articles of Association of the Company be and are hereby altered in the following manner:

The existing Article 3 be substituted by the following new Article 3 :

<b>Article 3</b> <b>Authorized Capital</b>	<p>The Authorized share capital of the Company shall be of such amount and be divided in to such shares as may be provided in clause V of the Memorandum of Association of the Company, from time to time. The Board of Directors shall have the power to classify them in to any class of shares and/or any denomination, as the Board of Directors may decide.</p> <p>The Company has the power from time to time to increase or reduce its share capital. Any of the existing shares and new shares to be created may, from time to time, be divided into shares of several classes in such manner as may be provided hereinafter.</p>
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The existing Article 5A be substituted by the following new Article 5A.

<b>Article 5A</b> <b>Increase in Capital, Consolidation, Conversion, Division, Sub-division and Cancellation of Shares</b>	<p>Subject to the provisions of Section 94 of the Act, the Company in general meeting may by an ordinary resolution alter the conditions of its Memorandum as follows, that is to say, the Company may:-</p> <p>(a) increase its share capital by such amount as it thinks expedient by issuing new shares;</p> <p>(b) consolidate and divide all or any of its Share Capital into shares of larger amount than its existing shares;</p> <p>(c) convert, all or any of its fully paid-up shares into stock, and re-convert that stock into fully paid-up shares of any denomination;</p> <p>(d) sub-divide its shares or any of them into shares of smaller amount than is fixed by the Memorandum, so however, that in the sub division the proportion between the amount paid and the amount, if any, unpaid on each reduced share shall be the same as it was in the case of the share from which the reduced share is derived;</p> <p>(e)cancel, shares which, at the date of passing of the resolution in that behalf, have not been taken or agreed to be taken by any person, and diminish the amount of its share capital by the amount of the shares so cancelled.</p>
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The existing Article 5B be substituted by the following new Article 5B:

<b>Article 5(B) Reduction of Capital</b>	<p>The Company may (subject to the provisions of Sections 78, 80 and 100 to 105, of the Act) from time to time by Special Resolution, reduce its capital and any Capital Redemption Reserve Fund or Premium Account in any manner for the time being authorized by law and in particular without prejudice to the generality of the foregoing power may ;</p> <p>(a) extinguish or reduce the liability on any of its shares in respect of Share Capital not paid-up;</p> <p>(b) either with or without extinguishing or reducing liability on any of its shares, cancel any paid-up share capital which is lost or is unrepresented by available assets; or</p> <p>(c) either with or without extinguishing or reducing liability on any of its shares, pay off any paid-up share capital which is in excess of the wants of the Company;</p> <p>and may, if and so far as is necessary, alter its Memorandum, by reducing the amount of its share capital and of its shares accordingly.</p>
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Following Article 12 (A) be inserted after existing Article 12:

<b>Article 12 (A) Power of the Company to purchase its own securities</b>	<p>Notwithstanding anything contained in Article 12 above, the Company may purchase its own shares and other specified securities in the manner and to the extent provided in Section 77A of the Act as amended from time to time.</p>
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Following Article 17 (A) be inserted after existing Article 17 :

<b>Article 17 (A) Interest out of Capital</b>	<p>Where any shares in the Company are issued for the purpose of raising money to defray the expenses of the construction of any work or building, or the provisions of any plant, which cannot be made profitable for a lengthy period, the Company may pay interest on so much of that share capital as is for the time being paid-up, for the period and at the rate and subject to the conditions and restrictions provided by Section 208 of the Act, and may charge the same to capital as part of the cost of construction of the work or building, of the provisions of plant.</p>
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By Order of the Board,  
For **Escorts Finance Limited**

**Sd/  
Gaurish Garg  
Company Secretary**

**Place: Faridabad  
Date: 29<sup>th</sup> June, 2009**

#### **NOTES:**

- 1. A MEMBER ENTITLED TO ATTEND AND VOTE IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE ON A POLL 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. The Explanatory Statement pursuant to Section 173(2) of the Companies Act, 1956, which sets out details relating to special business, is annexed hereto.
3. The Register of Members and Share Transfer Books of the Company will remain closed from 24/09/2009 to 30/09/2009 (both days inclusive).
4. Shareholders / Proxy holders are requested to produce at the entrance attached admission slip duly completed and signed, for admission to the meeting hall.
5. Members are informed that Share Transfer and related activities are being carried out by Alankit Assignments Limited, Registrar and Share Transfer Agents, from the following address: -



**ALANKIT ASSIGNMENTS LIMITED,**  
**Alankit House,**  
**2E/21, Jhandewalan Extension,**  
**New Delhi - 110 055**  
**Tel.: 23541234, 42541234 Fax: 23552001, 42541201**  
**E-mail : rta@alankit.com**

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

6. The Equity shares of the company can only be traded in electronic mode w.e.f.26.06.2000 as per SEBI guidelines. The company has already entered into agreements with National Securities Depository Ltd. and Central Depository Services (I) Ltd. for the same. Interested members may opt to convert physical shares of the company in the electronic mode after sending request for dematerialisation through their Depository Participant.
7. Members of the Company(s) who have multiple accounts in identical name(s) or are holding more than one share certificate in the same name under different ledger folio(s) are requested to apply for consolidation of such folio(s) and send the relevant share certificate to the Alankit Assignment Limited, Registrar and Share Transfer Agent of the Company.
8. 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 the above facility by furnishing to the Company, particulars of their nominees. Shareholders may please write to the Company Secretary for the prescribed Nomination Form 2B.
9. Members are requested to notify immediately any change in their address (with pin code) to Alankit Assignments Limited, quoting their folio numbers.
10. 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.
11. Members who have not yet paid their "Allotment Money" are advised to send the same along with 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 are requested to bring their copy of Annual Report to the meeting. No extra copy would be available for distribution at the meeting.
13. Pursuant to the requirements of the Listing agreement with the Stock Exchanges on Corporate Governance the information required to be given in case of appointment of new Director or re-appointment of a Director, are given in Corporate Governance Report annexed to the Annual Report.

#### **EXPLANATORY STATEMENT UNDER SECTION 173(2) OF THE COMPANIES ACT, 1956**

##### **Item No.4**

It is proposed to alter the Articles of Association of the Company by amending certain provisions and inserting some new Articles in line with the Companies Act, 1956 as amended up to date.

In terms of Section 31 of the Companies Act, 1956 any alteration of Articles of Association requires the approval of the members by way of Special Resolution. Hence the Board commends the resolution for the approval of the members.

None of the Directors of the Company are, in anyway concerned or interested in the said resolution.

##### **INSPECTION OF DOCUMENTS**

Copies of the Memorandum and Articles of Association of the Company will be available for inspection at the registered office of the Company from 11.00 am to 1.00 pm on all working days up to the date of the meeting.

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

Place: Faridabad  
 Date: 29<sup>th</sup> June, 2009

Sd/  
**Gaurish Garg**  
 Company Secretary

**DIRECTORS' REPORT**

Your Directors are pleased to present the Twenty First Annual Report, together with the Audited Accounts of the Company for the Financial Year ended 31<sup>st</sup> March 2009, and the Auditors' Report thereon.

**FINANCIAL RESULTS****(Rs. in Lacs)**

	<b>Financial Year ended March 31, 2009</b>	<b>Financial Year ended March 31, 2008</b>
Gross Income	<b>421.80</b>	<b>291.36</b>
Profit/(Loss) before write off, provisions & tax	<b>76.18</b>	<b>(262.56)</b>
Write offs/Provisions/Reversals etc.	<b>(387.21)</b>	<b>1650.24</b>
Provision for taxation	<b>(2.36)</b>	<b>(7.16)</b>
Profit/(Loss) after Tax	<b>(313.39)</b>	<b>1380.52</b>

**DIVIDEND**

In view of the losses suffered by the Company, no dividend has been considered for the year.

**SCHEME OF ARRANGEMENT AND COMPROMISE**

Your Company had filed scheme of Arrangement and Compromise in the Hon'ble High Court of Delhi to bail out Fixed Deposit Holders and Creditors. The scheme has already been approved by the Fixed Deposit Holders, Secured and Unsecured Creditors of your company in their Court convened meeting held on 5<sup>th</sup> May 2006. The approval of the Scheme by the Hon'ble High Court of Delhi is still awaited.

**MANAGEMENT DISCUSSION AND ANALYSIS****Industry Structure and Development**

Non Banking Finance Companies (NBFC) sector in India is represented by a mix of a few large companies with nationwide presence and a few small and medium sized companies with regional focus, primarily engaged in hire purchase financing, investments, corporate loans, IPO funding, venture capital and other non-fund based activities etc. The Reserve Bank of India (RBI) regulates and supervises these NBFCs.

The NBFCs are facing stiff competition from banks and financial institutions, due to the ability of Banks & FII's to raise low cost funds which enables them to provide funds at much cheaper rate. More stringent capital adequacy norms have been stipulated by RBI for NBFCs which is making difficult for them to give cheaper finance.

**Segment-wise or Product-wise Performance**

The Company is primarily engaged in the business of hire purchase, leasing and bill discounting and non-fund based activities. Since the risk and returns in these businesses are similar, therefore, these are grouped as a single segment. This is in accordance with the guiding principle enunciated in the Accounting Standard on Segment Reporting (AS- 17) issued by The Institute of Chartered Accountants of India.

**Future Outlook**

The cost reduction programme undertaken by the company have yielded good results. Once the Scheme of Arrangement and Compromise is approved by the Court and is successfully implemented, the expansion of existing businesses and entry into new areas would be considered.

Your Company sees suitable opportunities in these business areas based on the expected growth rate of the economy and in particular high growth rate in the construction, infrastructure and agricultural areas which are your Company's areas of competence and involvement.

**Risks and Concerns**

The initiatives taken by the company in newer areas of business will take time to yield results. The operating expenses are being met by collection from existing outstandings recoverable and non-fund based income.



### **Financial Performance**

The loss for the year after write offs/provisions etc. and tax, amounts to Rs 313.39 Lacs.  
The total accumulated losses at the end of the year amounted to Rs. 24998.54 Lacs.

### **Internal Control Systems and Their Adequacy**

The Company's internal control systems are in place to serve the existing operations of the Company.

### **Human Resource and Industrial Relations**

Your Directors relation at all levels with employees were cordial.

### **Cautionary Statement**

Statements in this management discussion and analysis describing the Company's objectives, projections, estimates and expectations may be 'forward looking statements' within the meaning of applicable laws and regulations. Actual results may differ substantially or materially from those expressed or implied. Important developments that could affect the Company's operations are significant changes in political and economic environment in India, Tax laws, RBI regulations, Exchange rate fluctuation and other costs.

### **DIRECTORS**

Mr. Pritam Narang, Director retires by rotation at the ensuing Annual General Meeting of your Company, and being eligible, offers himself for reappointment.

### **CORPORATE GOVERNANCE**

Pursuant to Clause 49 of the listing agreement with Stock Exchanges, a Report on Corporate Governance along with a certificate from M/s N. M. Raiji & Co., Chartered Accountants, confirming compliance of conditions of corporate governance are enclosed as '**Annexure A**'.

### **AUDITORS**

M/s N.M. Raiji & Co., Auditors of the Company, retire at the ensuing Annual General Meeting and are eligible for reappointment. The Company has received letter from them to the effect that their reappointment as statutory auditors for the financial year 2009-2010, if made, would be within the limits prescribed under Section 224 (1B) of the Companies Act, 1956.

### **AUDITORS OBSERVATIONS AND COMMENTS THEREON**

The observations made by the Statutory Auditors in the Auditors' Report are dealt with separately in the Notes to the Profit & Loss Account and the Balance Sheet, forming Schedule 15 of the Accounts. These are self-explanatory and do not call for any further comments.

### **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, 2009, 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, 2009 and of the loss 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 fraud and other irregularities;
4. That the Directors have prepared the annual accounts for the financial year ended 31<sup>st</sup> March 2009 on a going concern basis.

### **PARTICULARS OF EMPLOYEES**

None of the employees of your Company is in receipt of remuneration requiring disclosure 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

Your Company being engaged in financing business does not have any activity relating to conservation of energy and technology absorption

- b. Foreign Exchange Earning and Outflow

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

- c. Amount due to small-scale industries

There was no amount due to any small-scale industry.

### **ACKNOWLEDGEMENT**

Your Directors wish to thank and acknowledge the co-operation and assistance extended by the Banks, 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, in particular those who continued with the Company and extended their full support during this difficult period. We also convey our thanks to our esteemed shareholders for their continued support and encouragement.

For and on behalf of the Board

**Place: Faridabad**  
**Date: 29<sup>th</sup> June, 2009**

**Sd/**  
**Inder Mohan Sakhuja**  
**Chairman**



**REPORT ON CORPORATE GOVERNANCE**

Annexure A



A detailed report on Corporate Governance practices followed at Escorts Finance Limited for the period April 1, 2008 to March 31, 2009 is given below:

**I. COMPANY'S PHILOSOPHY ON CORPORATE GOVERNANCE**

"Corporate Governance" refers to a combination of laws, regulations, procedures, implicit rules and voluntary practices that enable companies to attract financial and human capital, perform efficiently and thereby maximize long term value for shareholders, while respecting the aspect of multiple stakeholders, including society at large.

Corporate Governance is not a matter of just complying with the checklists; it is integral to the very existence of the Company. It strengthens investors' trust and ensures long term partnership that help in fulfilling the Company's quest for higher growth and profits. Corporate Governance rests upon the four pillars of: **Transparency, Full Disclosure, Independent Monitoring and Fairness** to all, especially to minority shareholders. A good Corporate Governance policy should also ensure the following:

- A competent management team is at the helm of affairs;
- The Board is strong with an optimum combination of executive and non-executive (including independent) Directors, who represent the interest of all stakeholders;
- The Board effectively monitors the management's progress, takes all corporate decisions;
- The Board is aware of the concerns of the Company's Shareholders;
- The management and employees have a stable environment; and
- The Company's policies benefit all its shareholders.

In sum, the essence of Corporate Governance lies in the phrase "**Your Company**". It is "Your" Company because it belongs to you, the shareholders. The Chairman and Directors are "Your" fiduciaries and trustees. The objective is to take the business forward to maximize "Your" long-term value / wealth.

**II. BOARD OF DIRECTORS****Composition and Category of Directors**

The Board should have an optimum combination of Executive and Non-Executive Directors with not less than fifty percent of the Board comprising of Non-Executive Directors. Further, at least one-third of the Board should comprise of Independent Directors if the Chairman is Non-Executive and at least half of the Board should comprise of Independent Directors in case of an Executive Chairman. Further, where the non-executive Chairman is a promoter of the company or is related to any promoter or person occupying management positions at the Board level or at one level below the Board, at least one-half of the Board of the company shall consist of Independent Directors.

As on March 31, 2009, the Company's Board comprised of two Non-Executive Independent Directors. The composition of the Board is in conformity with the Listing Agreement.

The details of directors with regard to their directorships and committee positions are as follows:

Name	Designation	Category	Other Directorships Held*	Committee Positions held**	
				Membership	Chairmanship
Mr. Inder Mohan Sakhuja	Chairman	Non-Executive & Non Independent	1	1	NIL
Mr. Pritam Narang	Director	Non-Executive & Non Independent	4	2	NIL
Mr. Hans Raj Sachdeva	Director	Non-Executive & Independent	1	2	2
Mr. Janak Sachdeva	Director	Non-Executive & Independent	1	1	NIL



- \* Excluding Directorships in private limited companies, foreign companies and companies under Section 25 of the Companies Act, 1956 but including Escorts Finance Limited.
- \*\* For this purpose only two committees viz. the Audit Committee and Shareholders'/Investors' Grievance Committee of Public Companies have been considered including Escorts Finance Limited.

Note: 1) None of the Directors is representing a Lender or Equity Investor.  
2) None of the Directors hold any shares in the Company.

### **Attendance of Directors at Board Meetings and the last Annual General Meeting**

According to Clause 49 of the Listing Agreement, the Board shall meet at least four times in a year, with a maximum gap of four months between any two meetings.

During the year 2008-09 the Board of Directors met 9 (Nine) times on 30.04.2008, 31.05.2008, 30.06.2008, 14.07.2008, 31.07.2008, 22.08.2008, 30.08.2008, 23.10.2008 and 29.01.2009.

The directors' attendance at the Board Meetings and the last Annual General Meeting are as follows:

Name	No. of Board meetings held during tenure	No. of Board meetings attended	Attendance at the last AGM
Mr. Munendra Kumar Singh*	3	3	N.A.
Mr. S.K. Maini**	4	1	N.A.
Mr. Pritam Narang	9	8	YES
Mr. Inder Mohan Sakhuja ***	7	7	YES
Mr. Hans Raj Sachdeva@	5	5	YES
Mr. Janak Sachdeva@	5	5	YES

\* resigned w.e.f. 30.06.2008

\*\* resigned w.e.f. 14.07.2008

\*\*\* appointed as director w.e.f. 30.06.2008

@ appointed as director w.e.f. 14.07.2008

### **Code of Conduct**

In terms of Clause 49 of the Listing Agreement, the Board has laid down a code of conduct for all Board Members and Senior Management of the Company. All Board Members and Senior Management personnel affirm compliance with the code on an annual basis. The Annual Report of the Company contains a declaration to this effect signed by the Manager.

The Company is not having website to post the code of conduct.

### **Declaration by CEO**

The Manager of the Company has given the Certificate as below as per the requirement of Clause 49 of the Listing Agreement:

*I hereby confirm that:*

The Company has obtained from all the members of the Board and Senior Management, affirmation that they have complied with the code of conduct for Directors and Senior Management in respect of the Financial Year 2008-09 ended on 31<sup>st</sup> March, 2009.

**Place: Faridabad**

**Date: 29<sup>th</sup> June, 2009**

**Sd/  
P.K. Marwah  
Manager**

## **III. AUDIT COMMITTEE**

### **Composition**

According to Clause 49 of the Listing Agreement, a qualified and independent Audit Committee shall be set up with minimum three directors as members and two-thirds of the members of the committee shall be Independent Directors. All members of the Audit Committee shall be financially literate and at least one member shall have accounting or related financial management expertise. The Chairman of the Audit Committee shall be an Independent Director and shall be present at Annual General Meeting to answer shareholders' queries. The Company Secretary shall act as the Secretary of the committee.

Your Company's Audit Committee was originally constituted on 18.11.1996. As on March 31, 2009, the composition of the Audit Committee was as under: