



22nd

ANNUAL REPORT

2009-2010



**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. Suresh Kumar Meher

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



NOTICE

Notice is hereby given that the **Twenty Second Annual General Meeting** of Escorts Finance Limited will be held on **Thursday, 30th September, 2010 at 3.00 P.M.** 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 31st March, 2010, the Profit and Loss Account for the year ended on that date and the Reports of Auditors' and Directors' thereon.
2. To appoint a Director in Place of Mr. Inder Mohan Sakhuja 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.

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

Sd/
Suresh Kumar Meher
Company Secretary

Place: Faridabad
Date: 11th August, 2010

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 Register of Members and Share Transfer Books of the Company will remain closed from 24th September, 2010 to 30th September, 2010 (both days inclusive).
3. Shareholders / Proxy holders are requested to produce at the entrance attached admission slip duly completed and signed, for admission to the meeting hall.
4. 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, 42514234 Fax: 23552001, 42541201
E-mail : rta@alankit.com

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

5. 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.
6. 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 Assignments Limited, Registrar and Share Transfer agent of the Company.

7. 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.
8. Members are requested to notify immediately any change in their address (with pin code) to Alankit Assignments Limited, quoting their folio numbers.
9. Members desirous of obtaining any information concerning the accounts and operations of the Company are requested to address their questions in writing to the Company Secretary at least ten days before the date of the meeting, so that the information required may be made available at the meeting.
10. 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.
11. Members are requested to bring their copy of Annual Report to the meeting. No extra copy would be available for distribution at the meeting.
12. 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, is given in Annexure to the Corporate Governance Report forming part of this Annual Report.

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

Sd/
Suresh Kumar Meher
Company Secretary

Place: Faridabad
Date: 11th August, 2010

DIRECTORS' REPORT



Your Directors are pleased to present the Twenty Second Annual Report, together with the Audited Accounts of the Company for the Financial Year ended 31st March 2010, and the Auditors' Report thereon.

FINANCIAL RESULTS

(Rs. in Lacs)

	Financial Year ended March 31, 2010	Financial Year ended March 31, 2009
Gross Income	103.31	421.80
Profit/(Loss) before write off, provisions & tax	2.24	76.18
Write offs/Provisions/Reversals etc.	(39.85)	(387.21)
Provision for taxation	-	(2.36)
Profit/(Loss) after Tax	(37.61)	(313.39)

DIVIDEND

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

SCHEME OF ARRANGEMENT AND COMPROMISE

The Scheme of Arrangement and Compromise filed by your company JOINTLY with M/s Escorts Limited before the Hon'ble Delhi High Court to bail out the fixed deposit holders and creditors of your Company is still pending. The Hon'ble High Court, Delhi had constituted a Hardship Committee to settle payments to fixed deposit holders who are facing hardship such as medical, marriage, education and others. On 24th May, 2010 the High Court has directed the Hardship Committee to offer maturity value of fixed deposit amount as stated in the face of fixed deposit receipt in full and final settlement of the fixed deposit liability of the Company towards the FD Holders. Accordingly Hardship Committee had sent Letters to all FD Holders on 7th June, 2010 and also reminder letter on 20th July, 2010. Till date Hardship Committee has already received the request from large number of FD Holders for payment and on that basis payment is being released to the said FD Holders.

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 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 could be considered.

Your Company sees 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

Any delay in approval /implementation of the Scheme of Arrangement & Compromise, may result in delaying the new business initiatives.

Financial Performance

The loss for the year after write offs/provisions etc. and tax, amounts to Rs 37.61 Lacs . The total accumulated losses at the end of the year amounted to Rs. 25036.15 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. Inder Mohan Sakhuja, Director retires by rotation at the ensuing Annual General Meeting of your Company, and being eligible, offers himself for re-appointment.

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 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 re-appointment. The Company has received letter from them to the effect that their re-appointment as statutory auditors for the financial year 2010-2011, 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 requirements 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 31st March, 2010, 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 judgements 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 31st March, 2010 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 31st March, 2010 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 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: 11th August, 2010

Sd/
Inder Mohan Sakhuja
Chairman



A detailed report on Corporate Governance practices followed at Escorts Finance Limited for the period April 1, 2009 to March 31, 2010 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 an 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, 2010, 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 Directors hips held*	Committee Positions held**	
				Membership	Chairman- ship
Mr. Inder Mohan Sakhujia	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 2009-10 the Board of Directors met 6 (Six) times on 19.05.2009, 29.06.2009, 30.07.2009, 28.08.2009, 26.10.2009, 29.01.2010.

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. Inder Mohan Sakhuja	6	6	YES
Mr. Pritam Narang	6	6	YES
Mr. Hans Raj Sachdeva	6	6	YES
Mr. Janak Sachdeva	6	6	YES

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 Chief Executive Officer.

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 2009-10 ended on 31st March, 2010.

Place: Faridabad
Date: 11th August, 2010

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 shareholder 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, 2010, the composition of the Audit Committee was as under:

Director	Designation	Category
Mr. Hans Raj Sachdeva	Chairman	Independent Director
Mr. Janak Sachdeva	Member	Independent Director
Mr. Pritam Narang	Member	Non Independent Director

Terms of Reference

The Audit Committee is performing in terms of Clause 49 of the Listing Agreement and Section 292A of the Companies Act, 1956. The role of the Audit Committee includes the following:

1. Oversight of the Company's financial reporting process and the disclosure of its financial information to ensure that the financial statement is correct, sufficient and credible.
2. Recommending to the Board, the appointment, re-appointment and, if required, the replacement or removal of the statutory auditor and the fixation of audit fees.
3. Approval of payment to statutory auditors for any other services rendered by the statutory auditors.
4. Reviewing, with the management, the annual financial statements before submission to the board for approval, with particular reference to:
 - a. Matters required to be included in the Director's Responsibility Statement to be included in the Board's report in terms of clause (2AA) of section 217 of the Companies Act, 1956;
 - b. Changes, if any, in accounting policies and practices and reasons for the same;
 - c. Major accounting entries involving estimates based on the exercise of judgment by management;
 - d. Significant adjustments made in the financial statements arising out of audit findings;
 - e. Compliance with listing and other legal requirements relating to financial statements;
 - f. Disclosure of any related party transactions ; and
 - g. Qualifications in the draft audit report.
5. Reviewing, with the management, the quarterly financial statements before submission to the board for approval.
- 5A. Reviewing, with the management, the statement of uses / application of funds raised through an issue (public issue, rights issue, preferential issue, etc.), the statement of funds utilized for purposes other than those stated in the offer document/prospectus/notice and the report submitted by the monitoring agency monitoring the utilization of proceeds of a public or rights issue, and making appropriate recommendations to the Board to take up steps in this matter.
6. Reviewing, with the management, performance of statutory and internal auditors, adequacy of the internal control systems.
7. Reviewing the adequacy of internal audit function, if any, including the structure of the internal audit department, staffing and seniority of the official heading the department, reporting structure coverage and frequency of internal audit.
8. Discussion with internal auditors any significant findings and follow up there on.
9. Reviewing the findings of any internal investigations by the internal auditors into matters where there is suspected fraud or irregularity or a failure of internal control systems of a material nature and reporting the matter to the board.
10. Discussion with statutory auditors before the audit commences, about the nature and scope of audit as well as post-audit discussion to ascertain any area of concern.
11. To look into the reasons for substantial defaults in the payment to the depositors, debenture holders, shareholders (in case of non payment of declared dividends) and creditors.