



23rd

ANNUAL REPORT

2010-2011



**ESCORTS
FINANCE
LIMITED**



COMPANY INFORMATION

Board of Directors

Mr. Inder Mohan Sakhuja
Chairman

Mr. Pritam Narang

Mr. Hans Raj Sachdeva

Ms. Babita Tewari

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

C-30, Friends Colony (East)
New Delhi - 110 065



NOTICE

Notice is hereby given that the Twenty Third Annual General Meeting of Escorts Finance Limited will be held on Friday, 15th July, 2011 at 4.00 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, 2011, 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. Hans Raj Sachdeva who retires by rotation and being eligible, offers himself for re-appointment.
3. To appoint M/S N.M. Rajji 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 without modification(s), the following resolution as an Ordinary Resolution:
"RESOLVED THAT Ms. Babita Tewari be and is hereby appointed as a Director of the Company, liable to retire by rotation."
5. To consider and if thought fit, to pass, with or without modification(s), the following resolution as a Special Resolution:

"RESOLVED THAT pursuant to the provisions of Section 17 and all other applicable provisions, if any, of the Companies Act, 1956 ("the Act"), and subject to the confirmation of the Hon'ble Company Law Board, Northern Region Bench, New Delhi, the consent of the Company be and is hereby accorded for shifting of the Registered Office of the Company from the National Capital Territory (NCT) of Delhi to the Union Territory of Chandigarh.

RESOLVED FURTHER THAT Clause II of the Memorandum of Association of the Company be altered by substitution of the existing clause by the following clause:

"II. The Registered Office of the Company will be situated in the Union Territory of Chandigarh."

RESOLVED FURTHER THAT the Board of Directors (which term include any committee thereof) be and are hereby authorized to take all such steps as may be deemed expedient or necessary to give effect to the above resolution."

By Order of the Board,
For Escorts Finance Limited

Place: Faridabad
Dated: 4th May, 2011

Sd/-
Suresh Kumar Meher
(Company Secretary)

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 in respect of resolutions set out under items no. 4 & 5 is annexed hereto.
3. The Register of Members and Share Transfer Books of the Company will remain closed from 9th July, 2011 to 15th July, 2011 (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, 42514234 Fax: 23552001, 42541201
E-mail : alankit@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. The Ministry of Corporate Affairs ("MCA") has taken a "Green Initiative in the Corporate Governance" by allowing paperless compliances by companies and has issued a circular on April 21, 2011 stating that the service of document by a company can be made through electronic mode. In view of this, members are requested to provide their e-mail Addresses to the Company Secretary at Escorts Corporate Centre, 15/5, Mathura Road, Faridabad-121003, Haryana or by sending an email at e-mail id escortsfinance@escortscorporate.com.
10. Members are requested to notify immediately any change in their address (with pin code) to Alankit Assignments Limited, quoting their folio numbers.
11. 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.
12. 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.
13. Members are requested to bring their copy of Annual Report to the meeting. No extra copy would be available for distribution at the meeting.
14. 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 the Corporate Governance report forming part of this Annual Report.

By Order of the Board,
For Escorts Finance Limited

Place: Faridabad
Dated: 4th May, 2011

Sd/-
Suresh Kumar Meher
(Company Secretary)



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

Item No. 4

During the period under review, Ms. Babita Tewari was co-opted as Additional Director on 10th March, 2011. Pursuant to Section 260 of the Companies Act, 1956, Ms. Tewari holds office only upto the date of the ensuing Annual General Meeting. A notice in writing under Section 257 of the said Act, proposing her candidature as a Director of your Company, liable to retire by rotation, has been received.

Particulars of her qualification, brief resume and area of expertise etc. are included in Corporate Governance Report annexed to the Directors' Report.

Your Directors feel that her presence and participation in the deliberations of the Board would be beneficial for the Company's business.

None of the Directors except Ms. Tewari may be deemed to be concerned or interested in the proposed resolution.

The Board commends this resolution for your approval.

Item No. 5

Since the inception, the Company is having its Registered Office in NCT of Delhi. It is proposed to shift the Registered Office of the Company to Union Territory of Chandigarh, where the Regional Office of the flagship Company of the group viz. Escorts Ltd. is situated, which will enable the Company to carry on the business more economically / efficiently.

The above proposal requires the approval of the members by a Special Resolution together with a concurrence of the Company Law Board.

None of the director is concerned or interested in this resolution.

The Board recommends the resolution for approval.

Copies of the Memorandum & 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 upto the date of the meeting.

By Order of the Board,
For Escorts Finance Limited

Sd/-
Suresh Kumar Meher
(Company Secretary)

Place: Faridabad
Dated: 4th May, 2011

DIRECTORS' REPORT



Your Directors are pleased to present the Twenty Third Annual Report, together with the Audited Accounts of the Company for the Financial Year ended 31st March 2011, and the Auditors' Report thereon.

FINANCIAL RESULTS

(Rs. In Lacs)

	Financial Year ended March 31, 2011	Financial Year ended March 31, 2010
Gross Income	256.51	166.15
Profit/(Loss) before write off, provisions & tax	147.27	2.24
Write offs/Provisions/Reversals etc.	26.50	(39.85)
Provision for taxation	-	-
Profit/(Loss) after Tax	120.77	(37.61)

DIVIDEND

In order to conserve the resources of the company no dividend has been considered for the year.

SCHEME OF ARRANGEMENT AND COMPROMISE

The Scheme of Arrangement and Compromise filed by the Company and Escorts Limited before the Hon'ble High Court of Delhi (the Court) to bail out fixed deposit holders and creditors of the Company, stands disposed-off by the Court vide its Order dated 4th March, 2011. On the interim directions of the Court, a total payment of Rs. 130.25 Crores have already been made under the overall control & supervision of the erstwhile Hardship Committee (constituted by the Court) to the fixed deposit holders towards the maturity value of their fixed deposits in full & final settlement. In terms of the Order dated 4th March, 2011, 24,01,050 shares of Escorts Limited (EL) worth Rs. 31 Crores, as per the then current market price, have already been transferred by the Members of the erstwhile Hardship Committee in favour of trustees of Escorts Benefit Trust ("Trust") for the purpose of discharging the unclaimed fixed deposits liability amounting to Rs. 33.23 Crores (unclaimed fixed deposits liability as on 31st March, 2011 is Rs. 32.45 crores). The said shares would be sold by the trustees of the Trust in the open market as and when payment claims are received upon furnishing of the discharge certificate by the fixed deposit holders. The said Court also directed EL that in the event the realized value of the said shares falls short of the unclaimed Fixed Deposit liability (as stated hereinbefore) then EL shall further place its shares to make good such shortfall to this Trust for discharging the liability in the manner stated above.

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.

Opportunities and Threats

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

As the substantial liability towards outstanding fixed deposit stands liquidated under the Scheme of Arrangement and Compromise filed before the Hon'ble Delhi High Court and for the balance liability funds have been earmarked and kept aside in a trust as per the direction of Hon'ble Court, the Company would now look into the possibility of the expansion of existing businesses and entry into new areas would also 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

High interest regime in the economy may act as a dampener in the business of financing. There is also stiff competition with entry of large players in the market.

Financial Performance

The profit for the year after write offs/provisions etc. and tax, amounts to Rs 120.77 Lacs. The total accumulated losses at the end of the year amounted to Rs. 24939.58 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

In terms of the provisions of the Companies Act, 1956 and of the Articles of Association of the Company, Mr. Hans Raj Sachdeva, Director retires by rotation at the ensuing Annual General Meeting of your Company, and being eligible, offers himself for re-appointment.

Mr. Janak Sachdeva has resigned from the Directorship of the Company with effect from 10th February, 2011. The Board places on record its appreciation for the valuable services rendered and contribution made by him for the growth of the Company during his tenure as Director.

Mr. Suchita Koley had been appointed as Additional Director with effect from 10th February, 2011 but ceased to be a Director of the Company due to his resignation with effect from 10th March, 2011. The Board places on record its appreciation for the valuable services rendered during his tenure as Director.

Ms. Babita Tewari was appointed as Additional Director of the Company w.e.f. 10th March, 2011 pursuant to Section 260 of the Companies Act, 1956, and accordingly she holds office upto the ensuing Annual General Meeting. The Company has received a notice pursuant to Section 257 of the said Act from a member of the Company proposing candidature of Ms. Babita Tewari for appointment as Director, whose period of office shall be liable to determination by retirement of director by rotation, at the forthcoming Annual General Meeting of the Company. The Board recommends the 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 reappointment. The Company has received a written Certificate from them to the effect that their reappointment as statutory auditors for the financial year 2011-2012, 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 14 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, 2011, 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, 2011 and of the Profit or 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, 2011 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

I. Conservation of Energy

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

II. Research & Development (R&D)

Specific R&D Activities: There is no Research and Development activity in the Company.

Benefits derived as a result of above R&D: N.A.

Future Plan of Action: NIL

Expenditure on 'R & D': NIL

III. Technology Absorption, Adaptation and Innovation:

- Efforts in brief made towards Technology absorption etc.: NIL
- Benefits derived as a result of above: N.A
- Technology imported, years of Import, Has technology been fully absorbed? If not fully absorbed, areas where this has not taken place, reasons therefor and future plans of action: N.A

IV. Foreign exchange earnings and outgo

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

ACKNOWLEDGEMENT

Your Directors wish to thank and acknowledge the co-operation and assistance extended by the Banks, Financial Institutions, Government Agencies, Customers and Depositors, and members of the hardship committee.

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

Sd/-
Inder Mohan Sakhuja
Chairman

Place: Faridabad
Date: 4th May, 2011



A detailed report on Corporate Governance practices followed at Escorts Finance Limited for the period April 1, 2010 to March 31, 2011 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 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.

Your Company is committed to transparency in all its dealings and places high emphasis on business ethics. The Company's philosophy of good Corporate Governance is reflected in its commitment to achieve a balance between Stakeholder's Interest and Corporate Goals through the efficient conduct of its business guided by transparency, accountability and integrity. Your Company has always believed that an independent Board following transparent disclosures and empowerment of shareholders are as necessary as its financial results for creating and sustaining shareholder value.

II. BOARD OF DIRECTORS

Composition and Category of Directors

The composition of the Board is in conformity with Clause 49 of the Listing Agreement. The Board of Directors alongwith its Committees provide leadership and guidance to the Company's management and direct, supervises and controls the performance of the Company. As on March 31, 2011, the Company's Board comprised of Two Independent Non-Executive Directors. Chairman of the Board is also non-executive. All Independent Non-Executive Directors are compliant with the requirements of the Listing Agreement for being an Independent Director and have confirmed that they meet the 'Independence' criteria as mentioned under the above Clause 49 of the Listing Agreement. Apart from reimbursement of expenses incurred in the discharge of their duties and the payment of sitting fees, none of these Directors has any other material pecuniary relationships or transactions with the Company, its Directors or its Senior Management, which in their judgment would affect their independence.

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	2	2	NIL
Mr. Hans Raj Sachdeva	Director	Non-Executive & Independent	1	2	2
Mr. Janak Sachdeva [^]	Director	Non-Executive & Independent	NA	NA	NA
Mr. Suchitta Koley [#]	Director	Non-Executive & Independent	NA	NA	NA
Ms. Babita Tewari ^{^ ^}	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.
- ^ Resigned from the Directorship w.e.f. 10th February, 2011.
- # Appointed as Additional Director w.e.f. 10th February, 2011 and Ceased to be a Director, due to his resignation w.e.f. 10th March, 2011.
- ^^ Appointed as Additional Director w.e.f. 10th March, 2011.

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

In compliance with Clause 49 of the Listing Agreement, the Board of Directors met 5 (Five) times during the year on 14.05.2010, 11.08.2010, 12.11.2010, 10.02.2011, 10.03.2011

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	5	5	YES
Mr. Pritam Narang	5	5	YES
Mr. Hans Raj Sachdeva	5	5	YES
Mr. Janak Sachdeva*	4	3	NO
Mr. Suchitta Koley**	1	-	NA
Ms. Babita Tewari^	1	-	NA

* Resigned from the Directorship, w.e.f. 10.02.2011.

** Appointed as Additional Director w.e.f. 10.02.2011 and ceased to be a Director due to his resignation w.e.f. 10.03.2011.

^ Appointed as Additional Director w.e.f. 10.03.2011

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's code of conduct has been posted on Company's website www.escortsfinance.com.

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 ended on 31st March, 2011.

Place: Faridabad
Date: 4th May, 2011

Sd/-
P.K. Marwah
(Manager)

III. AUDIT COMMITTEE

Composition

In compliance with Clause 49 of the Listing Agreement, your Company's Audit Committee was originally constituted on 18.11.1996.