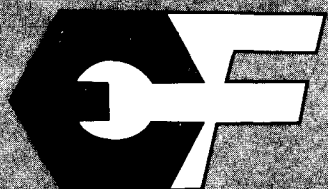




24<sup>th</sup>

**ANNUAL REPORT**

**2011-2012**



**ESCORTS  
FINANCE  
LIMITED**



## COMPANY INFORMATION

### **Board of Directors**

Mr. Inder Mohan Sakhuja  
Chairman

Mr. Pritam Narang

Mr. Rochak Puri

Ms. Babita Tiwari

### **Manager**

Mr. P.K. Marwah

### **Company Secretary**

Mr. Vicky Chauhan

### **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**

SCO – 198-200, Second Floor,  
Sector – 34A, Chandigarh – 160022

**NOTICE**

Notice is hereby given that the **Twenty Fourth Annual General Meeting** of Escorts Finance Limited will be held on **Friday, 28<sup>th</sup> September, 2012 at 3.00 P.M.** at Hotel K C Residency, SCO - 377-380, Sector – 35 B, Chandigarh - 160022 to transact the following business:

**ORDINARY BUSINESS:**

1. To receive, consider and adopt the Audited Balance Sheet as at 31<sup>st</sup> March, 2012, 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. 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, as Statutory Auditors (Firm Registration No. 108296W) to hold office from the conclusion of this Annual General Meeting till the Conclusion of the next Annual General Meeting of the Company 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** Mr. Rochak Puri 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 an **Ordinary Resolution**:

**"RESOLVED THAT** pursuant to the provisions of Sections 198, 269 read with schedule XIII, 309, 349, 350, 385, 386 and 388 and all other applicable provisions, if any, of the Companies Act, 1956, consent of the members of the Company be and is hereby accorded for appointment of Mr. P.K. Marwah as Manager of the Company for a period of five years w.e.f. 30<sup>th</sup> November, 2012 at nil remuneration.

**RESOLVED FURTHER THAT** the Board of Directors of the Company be and are hereby authorised to take all necessary steps in this regard."


By order of the Board  
For **Escorts Finance Limited**

**Place: Faridabad**  
**Dated: 13<sup>th</sup> August, 2012**

Sd/-  
**Vicky Chauhan**  
**(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 22<sup>nd</sup> September, 2012 to 28<sup>th</sup> September, 2012 (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](mailto:alankit@alankit.com)**

All correspondence may kindly be sent to the above addresses 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 Assignments 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@escorts.co.in](mailto:escortsfinance@escorts.co.in).
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: 13<sup>th</sup> August, 2012**

Sd/-  
**Vicky Chauhan**  
**(Company Secretary)**

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

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

During the period under review, Mr. Rochak Puri was co-opted as Additional Director on 31.08.2011. Pursuant to Section 260 of the Companies Act, 1956, Mr. Puri holds office only upto the date of the ensuing Annual General Meeting. A notice in writing under Section 257 of the said Act, proposing his candidature as a Director of your Company, liable to retire by rotation, has been received.

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

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

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

The Board recommends this resolution for your approval.

##### **Item No. 5**

Mr. P.K. Marwah was appointed as Manager for a period of 5 years w.e.f. 30.11.2007. His current tenure as Manager is expiring on 29.11.2012.

The Board of Directors have appointed Mr. P.K. Marwah as Manager of the Company for further period of 5 years with effect from 30.11.2012 under section 269 read with schedule XIII of the Companies Act, 1956, at nil remuneration.



Mr. P.K. Marwah is a Post Graduate in Commerce and has 39 years of rich experience in the financial service sector. He has been associated with the Escorts Group nearly for 30 years. Considering his expertise in the financial service sector, the Board of Directors at their meeting held on 13.08.2012 have appointed Mr. P.K. Marwah as Manager of the Company for a further period of 5 years w.e.f. 30.11.2012 to 29.11.2017 at nil remuneration subject to approval of shareholders.

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

The Board recommends the resolution for approval.

By order of the Board  
For **Escorts Finance Limited**

**Place: Faridabad**  
**Dated: 13<sup>th</sup> August, 2012**

Sd/-  
**Vicky Chauhan**  
**(Company Secretary)**

## DIRECTORS' REPORT



Your Directors are pleased to present the Twenty Fourth Annual Report, together with the Audited Accounts of the Company for the Financial Year ended 31st March, 2012, and the Auditors' Report thereon.

### **FINANCIAL RESULTS**

	<b>(Rs. In Lacs)</b>	
	<b>Financial Year ended March 31, 2012</b>	<b>Financial Year ended March 31, 2011</b>
Gross Income	<b>45.01</b>	<b>384.51</b>
Profit/(Loss) before write off, provisions & tax	<b>(22.20)</b>	<b>120.77</b>
Tax adjustment for earlier years	<b>533.62</b>	<b>-</b>
Profit/(Loss) after Tax	<b>(555.82)</b>	<b>120.77</b>

### **DIVIDEND**

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

### **FIXED DEPOSITS**

In terms of the Order of Delhi High Court dated 4th March, 2011, the Hardship Committee was dissolved and 24,01,050 equity shares of Escorts Limited (EL) held by the Hardship Committee were transferred to Escorts Benefit Trust ("Trust") for discharging the unclaimed fixed deposits. 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 then EL shall further place its shares to make good such shortfall to the Trust for discharging the liability in the manner stated above. During the year ended 31.03.2012, the said trust has settled unclaimed deposits of Rs. 11.53 crores. The balance unclaimed fixed deposit liability as on date of this report amounts to Rs. 19.37 crores.

### **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 loss for the year after tax adjustment for earlier years, amounts to Rs. 555.82 Lacs. The total accumulated losses at the end of the year amounted to Rs. 25495.40 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 the Articles of Association of the Company, Mr. Pritam Narang, Director retires by rotation at the ensuing Annual General Meeting of your Company, and being eligible, offers himself for re-appointment.

Mr. Hans Raj Sachdeva has resigned from the directorship of the Company with effect from 31<sup>st</sup> August, 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. Rochak Puri was appointed as Additional Director of the Company w.e.f. 31<sup>st</sup> August, 2011 pursuant to Section 260 of the Companies Act, 1956, and accordingly he 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 Mr. Rochak Puri 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 2012-2013, 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. 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 31<sup>st</sup> March, 2012, 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 31<sup>st</sup> March, 2012 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 31<sup>st</sup> March, 2012 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**

##### **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, Depositors and Trustees of the Escorts Benefit Trust.

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**

**Dated: 13<sup>th</sup> August, 2012**



A detailed report on Corporate Governance practices followed at Escorts Finance Limited for the period April 1, 2011 to March 31, 2012 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, 2012, 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 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	NA	NA	NA
Mr. Rochak Puri^^	Director	Non-Executive & Independent	1	2	2
Ms. Babita Tewari	Director	Non-Executive & Independent	1	1	NIL