



**31<sup>st</sup>**

**ANNUAL REPORT**

**2018-19**



**ESCORTS  
FINANCE  
LIMITED**



## COMPANY INFORMATION

### **Board of Directors**

Mr. Rajeev Khanna, Whole-time Director

Mr. Sumit Raj

Ms. Preeti Chauhan

Mr. Vinod Dixit

### **Registered Office**

SCO-64-65, Third Floor,  
Sector - 17A, Chandigarh - 160017

**CIN:** L65910CH1987PLC033652

**Website:** [www.escortsfinance.com](http://www.escortsfinance.com)

**E-mail:** [escortsfinance@escorts.co.in](mailto:escortsfinance@escorts.co.in)

### **Company Secretary**

Mr. Vicky Chauhan

### **Chief Financial Officer**

Mr. Donald Fernandez

### **Statutory Auditors**

M/s Kapish Jain & Associates

### **Secretarial Auditors**

M/s Jayant Gupta & Associates

### **Internal Auditors**

M/s Jain Aarushi & Associates



**NOTICE**

Notice is hereby given that the **Thirty First Annual General Meeting (AGM)** of Escorts Finance Limited will be held on **Monday, September 30, 2019 at 3.00 P.M.** at Hotel K C Residency, SCO 377- 380, Sector-35 B, Chandigarh-160035 to transact the following business:

**ORDINARY BUSINESS:**

1. To consider and adopt:
  - a. the audited standalone financial statement of the Company for the financial year ended March 31, 2019, the reports of the Board of Directors and Auditors thereon; and
  - b. the audited consolidated financial statement of the Company for the financial year ended March 31, 2019.

**SPECIAL BUSINESS:**

2. **To appoint Mr. Rajeev Khanna (DIN 08471497) as a Whole-time Director and in this regard, to consider and if thought fit, to pass the following resolution as an "Ordinary Resolution":**

**"Resolved That** pursuant to the provisions of Sections 196, 197 read with Schedule V and other applicable provisions, if any, of the Companies Act, 2013 ("the Act") and the Companies (Appointment and Qualification of Directors) Rules, 2014 and SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 {including any Statutory modification(s) or re-enactment(s) thereof for the time being in force} and subject to such approvals as may be necessary, the consent of the Company be and is hereby accorded for the appointment of Mr. Rajeev Khanna (DIN 08471497) as Whole-time Director of the Company, liable to retire by rotation, for a period of 5 (five) years w.e.f. June 4, 2019 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."

3. **To appoint Mr. Vinod Dixit (DIN 01147430) as a Director and in this regard, to consider and if thought fit, to pass the following resolution as an "Ordinary Resolution":**

**"Resolved That** pursuant to the provisions of Sections 152 and other applicable provisions, if any, of the Companies Act, 2013 ("the Act"), the Companies (Appointment and Qualification of Directors) Rules, 2014 and SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 {including any statutory modification(s) or re-enactment(s) thereof for the time being in force}, Mr. Vinod Dixit (DIN 01147430), who was appointed as an Additional Director pursuant to the provisions of Section 161(1) of the Companies Act, 2013 and Articles of Association of the Company and who holds office upto the date of this Annual General Meeting, who qualifies for being appointed as a Director, be and is hereby appointed as a Director of the Company, liable to retire by rotation."

4. **To approve issue and allotment of new Cumulative Redeemable Preference Shares in lieu of redemption of existing Cumulative Redeemable Preference Shares and in this regard, to consider and if thought fit, to pass the following resolution as a "Special Resolution":**

**"Resolved That** pursuant to the provisions of Section 55(3) of the Companies Act, 2013 ("Act") read with Rule 9 of the Companies (Share Capital and Debenture) Rules, 2014 and Regulation 23(4) of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 and other applicable provisions, if any, including any statutory modifications, amendments, re-enactments, thereof for the time being in force, the provisions of the Memorandum and Articles of Association of Escorts Finance Limited ("Company") and subject to the requisite approvals, sanctions, consents, observations, no objections, confirmations, permission from the National Company Law Tribunal ("NCLT") as may be applicable, and the confirmation, permission, sanction, and approval of the other statutory/ regulatory authorities, if any, in this regard and subject to such other conditions or guidelines, if any, as may be prescribed or stipulated by any such authorities, from time to time, while granting such approvals, sanctions, consents, observations, no objections, confirmations, permissions, consent of the equity shareholders of the Company be and is hereby accorded for the issuance and allotment at par value for consideration other than cash of 95,00,000 - 1% (One percent) Cumulative Redeemable Preference Shares ("CRPS") with face value of INR 10 (Rupees Ten only) each fully



paid up aggregating to INR 9,50,00,000 (Rupees Nine Crore and Fifty Lakh only) to Escorts Limited ("EL") redeemable at the expiry of 20 years from the date of allotment in lieu of the unredeemed 95,00,000 - 10% (Ten percent) CRPS with face value of INR 10 (Rupees Ten only) each, aggregating to INR 9,50,00,000 (Rupees Nine Crore and Fifty Lakh only) held by EL, on such terms and conditions as set out under this resolution.

**Resolved Further That** in accordance with the provisions of Section 55 of the Act read with Rule 9 of the Companies (Share Capital and Debenture) Rules, 2014 the particulars in respect of aforesaid issue of new 95,00,000 - 1% (One percent) CRPS with face value of INR 10 (Rupees Ten only) are as under:

- (i) CRPS shall carry a preferential right vis-a-vis equity shares of the Company with respect to payment of dividend or repayment of capital;
- (ii) CRPS shall be non-participating in the surplus funds;
- (iii) CRPS shall be non-participating in the surplus assets and profits which may remain after the entire capital has been repaid, on winding up of the Company;
- (iv) Holders of CRPS shall be paid dividend on a cumulative basis;
- (v) CRPS shall not be convertible into equity shares;
- (vi) CRPS shall carry voting rights as per the provisions of Section 47(2) of the Act;
- (vii) CRPS shall be redeemable at par within a period not exceeding 20 years of the issue; and
- (viii) CRPS shall not be listed.

**Resolved Further That** pursuant to the provisions of Section 55(3) of the Act read with the rules made thereunder, upon the issue of 95,00,000 - 1% (One percent) CRPS with face value of INR 10 (Rupees Ten only) each by the Company to EL, the unredeemed 95,00,000 - 10% (Ten percent) CRPS with face value of INR 10 (Rupees Ten only) each held by EL, shall be deemed to have been redeemed.

**Resolved Further That** the Board of Directors of the Company be and is hereby authorized, empowered and directed to do all such acts, deeds, matters and things, as may be considered requisite, desirable, appropriate or necessary to give effect to aforesaid resolution and to effectively implement the aforesaid resolutions and to accept such modifications, amendments, limitations and/or conditions, if any, which may be required and/or imposed by the NCLT, while sanctioning the petition under Section 55(3) of the Act, or by any other authorities under law, or as may be required for the purpose of resolving any doubts or difficulties that may arise in giving effect to the aforesaid resolution."

**5. To approve waiver of outstanding interest amount on the existing Cumulative Redeemable Preference Shares (CRPS) and in this regard, to consider and if thought fit, to pass the following resolution as a "Special Resolution":**

**"Resolved That** pursuant to the applicable provisions of the Act and Rules made thereunder (including modification or re-enactment thereof), Regulation 23(4) of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 and other applicable acts, rules, regulations, guidelines, notifications, clarifications and circulars and in accordance with the provisions of the Memorandum and Articles of Association of the Company, approval of the Audit Committee of the Board of Directors of the Company vide resolution dated March 27, 2019, and approval of the Board of Directors of the Company vide resolution dated March 27, 2019, the approval of the equity shareholders of the Company be and is hereby accorded for waiver of the entire outstanding interest amount which may be payable by the Company to Escorts Limited (EL) on the unredeemed 95,00,000 - 10% (Ten percent) CRPS with face value of INR 10 (Rupees Ten only) each fully paid up, aggregating to INR 9,50,00,000 (Rupees Nine Crore and Fifty Lakh only) until the date of redemption of the aforesaid unredeemed CRPS pursuant to the provisions of Section 55 (3) of the Act and Rules made thereunder.

**Resolved Further That** the Board of Directors of the Company be and is hereby authorized, empowered and directed to do all such acts, deeds, matters and things, as may be considered requisite, desirable, appropriate or necessary to give effect to aforesaid resolution and to effectively implement the aforesaid resolutions, or as may be required for the purpose of resolving any doubts or difficulties that may arise in giving effect to the aforesaid resolution."



## NOTES:

- 1) **A MEMBER ENTITLED TO ATTEND AND VOTE IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE ON A POLL ON HIS BEHALF AND SUCH PROXY NEED NOT BE A MEMBER OF THE COMPANY. A PROXY MAY BE SENT IN THE ENCLOSED FORM AND IN ORDER TO BE EFFECTIVE MUST REACH AT THE REGISTERED OFFICE OF THE COMPANY DULY COMPLETED AND SIGNED ATLEAST 48 HOURS BEFORE THE COMMENCEMENT OF AGM.**

**A person can act as a proxy on behalf of members not exceeding fifty and holding in aggregate not more than ten percent of the total share capital of the Company carrying voting rights. A member holding more than ten percent of the total share capital of the Company carrying voting rights may appoint a single person as proxy and such person shall not act as a proxy for any other person or shareholder.**

- 2) A copy of Annual Report containing Audited Financial Statements for the financial year ended March 31, 2019 together with the Reports of the Board of Directors and Auditors' thereon are enclosed. Members are requested to bring their copies of Annual Report at the AGM.
- 3) **Green Initiative:** The Ministry of Corporate Affairs (MCA), Government of India has allowed companies to send documents to the shareholders electronically as part of its green initiatives. Accordingly, the Company is sending documents like the Notice of General Meeting, Financial Statements, Directors' Report, Auditors' Report and other Communication etc., to the e-mail address as registered with the Company/ your depositories. We request you to update your e-mail address with your Depository Participant(s) to ensure that the Annual Report and other documents reach you on preferred e-mail address and the shareholders holding shares in physical mode may inform their e-mail address to the Company.
- 4) The Register of Members and Share Transfer Books of the Company will remain closed from September 23, 2019 to September 30, 2019 (both days inclusive).
- 5) Shareholders/ Proxy holders are requested to produce at the entrance attached attendance slip duly completed and signed, for admission to the AGM hall.
- 6) Members are informed that Share Transfer and related activities are being carried out by Alankit Assignments Limited, Registrar and Share Transfer Agent (Alankit RTA), from the following address: -

### **ALANKIT ASSIGNMENTS LIMITED**

Alankit House  
3E/7, Jhandewalan Extension,  
New Delhi – 110 055  
Tel.- +91-11-42541953  
Fax: +91-11-23552001  
E-mail id: rta@alankit.com  
All correspondence may kindly be sent to the above address only.

- 7) The Equity shares of the Company can only be traded in electronic mode w.e.f. June 26, 2000 as per SEBI guidelines. The Company has already entered into agreements with National Securities Depository Ltd. (NSDL) and Central Depository Services (India) Ltd. (CDSL) for the same. Interested members may opt to convert physical shares of the Company in electronic mode after sending request for dematerialisation through their Depository Participant.
- 8) Members of the Company who are holding shares in physical form and 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).
- 9) Section 72 of the Companies Act, 2013 and Rule 19 of the Companies (Share Capital & Debenture) Rules, 2014 has extended nomination facility to individual shareholders holding shares in physical form. Shareholders are requested to avail the above facility by submitting prescribed **Nomination Form SH-13** to the Alankit RTA. This form is also available on the Company's website **www.escortsfinance.com**.



- 10) Please send all correspondence including requests for transfer/ transmission of shares & change of address etc. to Alankit RTA.
- 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 required information 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 May 7, 1995 till the date of payment, through demand draft/ cheque payable at Delhi in favour of the Company, to avoid forfeiture.
- 13) Pursuant to the requirements of the SEBI (Listing Obligation and Disclosure Requirements) Regulations, 2015 (hereinafter referred as "Listing Regulations") on Corporate Governance and Secretarial Standard, the information required to be given in case of appointment or reappointment of Director, is given in the Corporate Governance Report forming part of this Annual Report.
- 14) Electronic copy of the Notice of AGM of the Company inter-alia indicating the process and manner of e-voting along with Attendance Slip and Proxy Form is being sent to all the members whose e-mail IDs are registered with the Company/ Depository Participant(s) for communication purposes unless any member has requested for a hard copy of the same. For members who have not registered their e-mail address, physical copies of the Notice is being sent in the permitted mode.
- 15) Members may also note that the Notice of the AGM and the Annual Report for the financial year ended on March 31, 2019 will also be available on the Company's website **www.escortsfinance.com**. The physical copies of the aforesaid documents along with all documents referred to in the accompanying Notice will also be available at the Company's Registered Office in Chandigarh for inspection during normal business hours on working days between 11.00 A.M. to 3.00 P.M. Even after registering for e-communication, members are entitled to receive such communication in physical form, upon making a request for the same, by post free of cost. For any communication, the shareholders may also send requests to the Company's e-mail id **escortsfinance@escorts.co.in**.
- 16) Non-resident Indian shareholders are requested to inform about the following immediately to the Company or its RTA or the concerned Depository Participant, as the case may be, immediately of:-
  - a. The change in the residential status on return to India for permanent settlement.
  - b. The particulars of the NRE Account with a Bank in India, if not furnished earlier.
- 17) The Corporate Members intending to send their authorised representatives to attend the Meeting are requested to send to the Company/ RTA a certified true copy of the Board Resolution authorising their representative to attend and vote on their behalf at the Meeting.
- 18) **Voting through electronic means:-**
  - I. In compliance with provisions of Section 108 of the Companies Act, 2013 read with Rule 20 of the Companies (Management and Administration) Rules, 2014 as amended by the Companies (Management and Administration) Amendment Rules, 2015 and Listing Regulations {including any statutory modification(s) or re-enactment(s) thereof, for the time being in force}, the Company is pleased to provide to Members facility to exercise their right to vote on resolutions proposed to be considered at the AGM by electronic means i.e. Remote e-voting. The Company has appointed CDSL as the Authorised Agency to provide Remote e-voting facility for casting the votes by the members using an electronic voting system from a place other than venue of the AGM ("Remote e-voting").
  - II. The facility for voting through Ballot Paper shall be made available at the venue of AGM and the Members who have not cast their vote by Remote e-voting shall be eligible to exercise their right at the AGM through Ballot Paper.
  - III. The Members who have already cast their votes by Remote e-voting prior to the AGM may also attend the AGM but shall not be entitled to cast their vote again. It is hereby clarified that it is not mandatory for a Member to vote using the Remote e-voting facility.



IV. The process and manner for Remote e-voting are as under:

**Instructions for Voting:-**

**A. In case of members receiving e-mail:**

- i. Log on to the e-voting website **www.evotingindia.com** during Remote e – voting period.
- ii. Click on “Shareholders” tab.
- iii. Now, select the Electronic Voting Sequence Number – **“EVSN” 190830095** along with “Escorts Finance Limited” from the drop down menu and click on “SUBMIT”.
- iv. Now, enter your User ID:
  - a. For NSDL: 8 Character DP ID followed by 8 digits Client ID
  - b. For CDSL: 16 digits beneficiary ID
  - c. For Members holding shares in Physical Form should enter Folio Number Registered with the Company
- v. Next enter the image Verification as displayed and click on Login.
- vi. In case you are holding shares in Demat form and had logged on **www.evotingindia.com** and voting on an earlier voting of any Company then your existing password is to be used.
- vii. If you are a first time user, please follow the steps given below and fill up the following details in the appropriate boxes.

<b>For Member holding shares in Demat and physical form:</b>	
PAN*	Enter your 10 digit alpha-numeric *Permanent Account Number (PAN) issued by Income Tax Department when prompted by the system while e-voting
DOB#	Enter the Date of Birth as recorded in your demat account or in the Company records for the said demat account or folio in dd/mm/yyyy format.
Bank Details#	Enter the Bank Details as recorded in your demat account or in the Company records for the said demat account or folio.

\*Members who have not updated the PAN with the Company/Depository Participant can enter in the PAN field the 10 characters as First 2 Alphabets of First Holder Name followed by 8 Characters consisting of Folio No. prefix by “0” (or 8 Characters from the right BO-ID) No special characters will be taken from the Name and Folio No.

# Please enter any one of the details in order to login. In case either of the details are not recorded with the depository/ Company, please enter the no. of shares held by you as on September 23, 2019 in the Bank Details field.

- viii. Members holding shares in physical form will then directly reach the EVSN selection screen. However, members holding shares in demat form will now reach ‘Password Creation’ menu wherein they are required to mandatorily enter their login password in the new password field. Kindly note that this password shall be used by the demat holders for voting for resolutions of any other Company on which they are eligible to vote, provided that Company opts for e-voting through CDSL platform. It is strongly recommended not to share your password with any other person and take utmost care to keep your password confidential.
- ix. For members holding shares in physical form, the details can be used for only e-voting on the resolutions contained in this Notice.
- x. Click on the relevant EVSN on which you choose to vote.
- xi. On the voting page, you will see resolution description and against the same the option YES/ NO



for voting. Select the option YES or NO as desired. The option "YES" implies that you assent to the Resolution and option "NO" implies that you dissent to the Resolution.

- xii. Click on the "Resolutions File Link" if you wish to view the entire resolution(s).
  - xiii. After selecting the resolution you have decided to vote on, click on "SUBMIT". A confirmation box will be displayed. If you wish to confirm your vote, click on "OK", else to change your vote, click on "CANCEL" and accordingly modify your vote.
  - xiv. Once you "CONFIRM" your vote on the resolution, you will not be allowed to modify your vote.
  - xv. You can also take out print of the voting done by you by clicking on "Click here to print" option on the Voting page.
  - xvi. If demat account holder has forgotten the changed password then enter the User ID and Captcha Code click on Forgot Password & enter the details as prompted by the system.
  - xvii. Institutional shareholders (i.e. other than individuals, HUF, NRI etc.) are required to log on to **www.evotingindia.com** and register themselves, link their account which they wish to vote on and then cast their vote. They should upload a scanned copy of the Board Resolution and POA in favour of the Custodian who they have authorised to vote on their behalf, in PDF format in the system for the scrutinizer to verify the vote.
- B. In case of Members receiving the **physical copy of Notice of AGM** {for members whose email IDs are not registered with the Company/ Depository Participant(s) or requesting for physical copy}, please follow all steps from sl. no. (i) to sl. no. (xvi) above, to cast vote.
- V. In case you have any queries regarding e-voting, you may refer the Frequently Asked Questions ("FAQs") and e-voting manual available at **www.evotingindia.com** under help section or write an email to **helpdesk.evoting@cDSLindia.com**.
- VI. The e-voting period commences on Friday, **September 27, 2019** (9:00 am IST) and ends on Sunday, **September 29, 2019** (5:00 pm IST). During this period, members of the Company, holding shares either in physical form or in dematerialised form, as on the cut-off date i.e. **September 23, 2019**, may cast their vote electronically and also at the venue of AGM. The name of Escorts Finance Limited shall be disabled by CDSL for voting thereafter from their e-voting module.
- VII. The voting rights of members shall be in proportion to their share in the Paid-up Equity Capital of the Company as on the cut-off date i.e. **September 23, 2019**.
- VIII. **Members can opt for only one mode of voting** i.e. either by Remote e-voting or physically at the AGM venue through Ballot Paper. In case you are opting for Remote e-voting then do not vote by physical mode at AGM venue and vice-versa. In case members cast their vote both via physical as well as e-voting then voting done through physical mode shall not prevail and voting done by e-voting shall be considered as valid vote.
- IX. Mr. Jayant Gupta, Practicing Company Secretary (Membership No. F7288) has been appointed as the Scrutinizer to scrutinize the voting process in a fair and transparent manner.
- X. The Scrutinizer shall, within a period not exceeding 3 (three) working days from the conclusion of the e-voting period unblock the votes in the presence of at least 2 (two) witnesses not in the employment of the Company and make a Consolidated Scrutinizer's Report of the votes cast in favour or against, if any, forthwith to the Chairman of the Company.
- XI. The Results declared alongwith the Scrutinizer's Report shall be placed on the Company's website **www.escortsfinance.com** and on the website of CDSL at **www.evotingindia.com** immediately after the result is declared by the Chairman. The Company shall also simultaneously forward the results to BSE Limited where its shares are listed.
- 19) The Securities and Exchange Board of India (SEBI) has mandated submission of PAN by every participant in securities market. Members holding shares in electronic form are, therefore, requested to submit the PAN to their Depository Participants with whom they are maintaining their demat accounts. Members holding shares in physical form can submit their PAN details to Alankit RTA.





- 20) SEBI has decided that securities of listed companies can be transferred only in dematerialised form from April 1, 2019. In view of the above and to avail various benefits of dematerialisation, members are advised to dematerialise shares held by them in physical form.
- 21) SEBI has vide its Circular No. SEBI/HO/MIRSD/DOP1/CIR/P/ 2018/73 dated April 20, 2018 read with Circular No. SEBI/HO/MIRSD/DOS3/CIR/P/2018/115 dated July 16, 2018, has mandated the Company/ RTA to obtain copy of PAN Card and Bank account details from all the shareholders holding shares in physical form. Shareholders are requested to provide the required details as per above circular in the format provided in the Annual Report.

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

**Place: Faridabad  
Dated: July 26, 2019**

**Sd/-  
Vicky Chauhan  
Company Secretary**

**EXPLANATORY STATEMENT IN RESPECT OF SPECIAL BUSINESS {PURSUANT TO SECTION 102(1) OF THE COMPANIES ACT, 2013 (the "Act")}**

**ITEM NO. 2**

Mr. Rajeev Khanna has been appointed as an additional director of the Company w.e.f June 4, 2019. Based on recommendation of the Nomination and Remuneration Committee (NRC), the Board of Directors have proposed appointment of Mr. Rajeev Khanna as a Director of the Company.

The Company has received a notice in writing from a member under Section 160 of the Act proposing the candidature of Mr. Rajeev Khanna for the office of Director of the Company.

Mr. Rajeev Khanna is not disqualified from being appointed as a Director in terms of Section 164 of the Act and has given his consent to act as a Director. Mr. Rajeev Khanna is not barred from holding the office of Director pursuant to SEBI order.

The Board of Directors of the Company on the recommendation of Nomination and Remuneration Committee had approved the appointment of Mr. Rajeev Khanna as Whole-time Director of the Company w.e.f. June 4, 2019 for a period of 5 years, liable to retire by rotation, subject to approval of shareholders of the Company at nil remuneration. Your Directors feel that his presence and participation in the deliberations of the Board would be beneficial for the Company's business.

Except Mr. Rajeev Khanna, being appointee, none of the Directors/ Key Managerial Personnel of the Company/ their relatives are, in any way, concerned or interested, financially or otherwise, in the resolution set out at Item No. 2 of the Notice.

Particulars of his qualification, brief resume and area of expertise etc. are provided in the Directors' report.

The Board commends the Ordinary Resolution set out at Item No. 2 of the Notice for approval by the members.

**ITEM NO. 3**

In accordance with the provisions of Section 152 of the Companies Act, 2013 ("the Act"), appointment of a Director requires approval of members. Based on the recommendation of the Nomination and Remuneration Committee, the Board of Directors has recommended appointment of Mr. Vinod Dixit as a Director on the Board of the Company. The appointment of Mr. Vinod Dixit shall be effective upon approval by the members of the Company.

The Company has received a notice in writing from a member under Section 160 of the Act proposing the candidature of Mr. Vinod Dixit for the office of Director of the Company.

Mr. Vinod Dixit is not disqualified from being appointed as a Director in terms of Section 164 of the Act and has given his consent to act as a Director. Mr. Dixit is not barred from holding the office of Director pursuant to SEBI order.

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

Particulars of his qualification, brief resume and area of expertise etc. are provided in the Directors' report.

Except Mr. Vinod Dixit, being appointee, none of the Directors, Key Managerial Personnel of the Company or their relatives, is concerned or interested, financial or otherwise, in the resolution set out at Item No. 3.

The Board now commends this resolution for the approval of the equity shareholders of the Company by means of ordinary resolution.



#### ITEM NO. 4

As per the requirements of Section 102(1) of the Companies Act, 2013 ("Act") read with Rule 9(1) and Rule 9(3) of the Companies (Share Capital and Debentures) Rules, 2014, this explanatory statement contains relevant and material information to enable the equity shareholders to consider and approve the special resolution set out at item no. 4 of the annexed notice.

Escorts Finance Limited ("Company") had issued and allotted 95,00,000 - 10% (Ten percent) Cumulative Redeemable Preference Shares ("CRPS") with face value of INR 10 (Rupees Ten only) each, aggregating to INR 9,50,00,000 (Rupees Nine Crore and Fifty Lakh only) to Escorts Limited ("EL") vide resolution of the Committee of Directors of the Company for Banking and Legal Matters dated March 31, 1999.

As per the original terms of the issue, the CRPS had to be redeemed on expiry of 5 (five) years from the date of allotment. Upon the expiry of the aforementioned 5 (five) years, in order to strengthen the capital adequacy of the Company and in view of the unfavourable financial position and huge accumulated losses of the Company, the redemption period of the CRPS was further extended upto March 30, 2019 from time to time, by the Board of Directors ("Board") of the Company and was consented to by EL.

Pursuant to the aforesaid extensions granted by the Board of the Company and EL, the CRPS are liable to be redeemed on or before March 30, 2019. Further, as per Section 55(2) of the Act, which provides for issue and redemption of preference shares, the preference shares issued by a company are liable to be redeemed within a period not exceeding twenty years from the date of their issue. Accordingly, the existing 95,00,000 - 10% (Ten percent) CRPS issued by the Company to EL are liable to be redeemed on or before March 30, 2019. As per Section 55(2)(a) of the Act, the redemption of preference shares can be made only 'out of the profits of the company which would otherwise be available for dividend or out of the proceeds of a fresh issue of shares made for the purposes of such redemption'. However, in light of the accumulated losses incurred by the Company in the previous years and the severe financial crunch faced by the Company, the CRPS cannot be redeemed on its due date i.e. March 30, 2019. In view of the above, issuance of fresh 95,00,000 - 1% (One percent) CRPS under Section 55(3) of the Act is the only way to resolve the present issue of redemption of the existing CRPS.

Therefore, pursuant to the provisions of Section 55(3) and other applicable provisions, if any, of the Act, read with applicable Rules made thereunder, the Company proposes to file an application before the National Company Law Tribunal, Chandigarh Bench ("NCLT") for issue of 95,00,000 - 1% (One percent) CRPS with face value of INR 10 (Rupees Ten only) each (at par value and for consideration other than cash), aggregating to INR 9,50,00,000 (Rupees Nine Crore and Fifty Lakh only) redeemable at the expiry of 20 years from the date of allotment to EL in lieu of redemption of 95,00,000 - 10% (Ten percent) CRPS with face value of INR 10 (Rupees Ten only) each, aggregating to INR 9,50,00,000 (Rupees Nine Crore and Fifty Lakh only) held by EL. The Board of Directors of the Company, at its meeting held on March 27, 2019, has approved the issuance 95,00,000 - 1% (One percent) CRPS with face value of INR 10 (Rupees Ten only) each to EL, subject to (a) receipt of the 'consent letter' from the preference shareholder i.e. EL; (b) the approval of the public shareholders of the Company, who are eligible to vote on the said resolution, by way of special resolution in relation to issue and allotment of the said CRPS; and (c) receipt of requisite approvals and confirmations being obtained from the NCLT pursuant to Section 55(3) of the Act.

EL has, vide its board resolution dated March 22, 2019, approved the issue of 95,00,000 - 1% (One percent) CRPS with face value of INR 10 (Rupees Ten only) each (at par value and for consideration other than cash), aggregating to INR 9,50,00,000 (Rupees Nine Crore and Fifty Lakh only) redeemable at the expiry of 20 years from the date of allotment to EL in lieu of redemption of 95,00,000 - 10% (Ten percent) CRPS with face value of INR 10 (Rupees Ten only) each, aggregating to INR 9,50,00,000 (Rupees Nine Crore and Fifty Lakh only) held by EL. The aforementioned board resolution and the petition filed by the Company with NCLT is available for inspection. The aforementioned documents will also be available for inspection of the shareholders at the general meeting venue.

Further, the Audit Committee of the Board in its meeting held on March 27, 2019 has approved the issue and allotment at par value for consideration other than cash of 95,00,000 - 1% (One percent) CRPS with face value of INR 10 (Rupees Ten only) each fully paid up, aggregating to INR 9,50,00,000 (Rupees Nine Crore and Fifty Lakh only) redeemable at the expiry of 20 years from the date of allotment to EL in lieu of redemption of the unredeemed 95,00,000 - 10% (Ten percent) CRPS with face value of INR 10 (Rupees Ten only) each fully paid up, aggregating to INR 9,50,00,000 (Rupees Nine Crore and Fifty Lakh only) held by EL, due for redemption on March 30, 2019, in accordance with Section 55 of the Act read with Rule 9 of the Companies (Share Capital and Debentures) Rules, 2014 and other applicable laws.