



MD	✓		BKC	✓
CS	✓		DPY	NA
RO	✓		DIV	✓
TRA	✓		AC	✓
AGM	✓	✓	SHI	✓
YE	✓	✓		✓

FIFTY THIRD ANNUAL REPORT **1997-98**



ESCORTS LIMITED**REGISTERED OFFICE**

A-36, Mohan Co-operative Industrial Estate, Mathura Road, New Delhi - 110 044

NOTICE

Notice is hereby given that the 53rd Annual General Meeting of ESCORTS LIMITED will be held at the Air Force Auditorium, Subroto Park, Near Dhaula Kuan, New Delhi - 110 010, at 9.30 A.M. on Friday, September 4, 1998, to transact the following business :-

1. To receive, consider and adopt the Audited Balance Sheet as at March 31, 1998, the Profit and Loss Account for the year ended on that date and the Reports of the Auditors and Directors thereon.
2. To declare dividend.
3. To appoint a Director in place of Mr. Jahar Sengupta, who retires by rotation and, being eligible, offers himself for re-appointment.
4. To appoint a Director in place of Mr. K M Mammen, who retires by rotation and, being eligible, offers himself for re-appointment.
5. To appoint a Director in place of Mr. Arun Bharat Ram, who retires by rotation and, being eligible, offers himself for re-appointment.
6. To appoint a Director in place of Dr. M G K Menon, who retires by rotation and, being eligible, offers himself for re-appointment.
7. To appoint Auditors and fix their remuneration by passing the following resolution as Special Resolution with or without modification(s):-

"RESOLVED that pursuant to Section 224A of the Companies Act, 1956, Messrs. S. N. Dhawan & Company, Chartered Accountants, C-37, Connaught Place, New Delhi-110001 be and are hereby appointed as Auditors of the Company for the year ending 31st March, 1999 and to hold office from the conclusion of this Annual General Meeting till the conclusion of the next Annual General Meeting at a remuneration of Rupees fifteen lacs fifty thousand only plus reimbursement of out-of-pocket expenses, incurred in connection with the Audit work of the Company."

SPECIAL BUSINESS

To consider and, if thought fit, to pass, with or without modification(s), the following Resolutions:-

8. (AS ORDINARY RESOLUTION)

"RESOLVED that Dr. P S Pritam be and is hereby appointed a Director of the Company."

9. (AS ORDINARY RESOLUTION)

"RESOLVED that pursuant to provisions of Section 372 and other applicable provisions, if any, of the Companies Act, 1956 and subject to such approvals/sanctions as may be required, consent be and is hereby accorded to the Board of Directors of the Company (hereinafter referred to as "Board") for investing a sum upto US Dollars nine million to acquire upto 49% of the Share Capital of "Long Agribusiness

LLC", USA, in one or more tranches, notwithstanding that such investment together with the Company's existing investments in all other bodies corporate shall be in excess of any or all of the percentages prescribed under Section 372(2) of the Companies Act, 1956.

RESOLVED FURTHER that the Board be and is hereby authorised to agree to any modifications or conditions that may be prescribed by the concerned authorities while granting their approval to the proposed investment, and to settle all matters arising out of and incidental thereto, including determining the actual time and manner of such investment from time to time, and generally to take all such steps as may be necessary to give effect to this resolution."

10. (AS ORDINARY RESOLUTION)

"RESOLVED that pursuant to provisions of Section 372 and other applicable provisions, if any, of the Companies Act, 1956 and subject to such approvals/sanctions as may be required, consent be and is hereby accorded to the Board of Directors of the Company (hereinafter referred to as "Board") for investing a sum not exceeding Rs. 14,40,53,000 by subscribing to 1,44,05,300 Equity Shares of Rs.10 each for cash at par in Escorts Finance Limited (EFL), by way of additional Equity Shares (over and above the rights entitlement of 38,19,700 Equity Shares offered by EFL on Rights basis in the ratio of 1:1) notwithstanding that such investment together with the Company's existing investments in all other bodies corporate shall be in excess of any or all of the percentages prescribed under Section 372(2) of the Companies Act, 1956.

RESOLVED FURTHER that the Board be and is hereby authorised to agree to any modifications or conditions that may be prescribed by the concerned authorities while granting their approval to the proposed investment, and to settle all matters arising out of and incidental thereto, including determining the actual time and manner of such investment from time to time, and generally to take all such steps as may be necessary to give effect to this resolution."

11. (AS ORDINARY RESOLUTION)

"RESOLVED that pursuant to provisions of Section 372 and other applicable provisions, if any, of the Companies Act, 1956 and subject to such approvals/sanctions as may be required, consent be and is hereby accorded to the Board of Directors of the Company (hereinafter referred to as "Board") for investing in one or more tranches, a sum upto US Dollars five million in the Share Capital of a Company to be promoted in Turkey in Joint Venture with "TRAKSAN TRACTOR SANAYI VE TICARET A.S., Turkey," notwithstanding that such investment together with the Company's existing investments in all other bodies corporate

ESCORTS LIMITED

shall be in excess of any or all of the percentages prescribed under Section 372(2) of the Companies Act, 1956.

RESOLVED FURTHER that the Board be and is hereby authorised to agree to any modifications or conditions that may be prescribed by the concerned authorities while granting their approval to the proposed investment, and to settle all matters arising out of and incidental thereto, including determining the actual time and manner of such investment from time to time, and generally to take all such steps as may be necessary to give effect to this resolution."

12. (AS ORDINARY RESOLUTION)

"RESOLVED that pursuant to provisions of Section 372 and other applicable provisions, if any, of the Companies Act, 1956 and subject to such approvals/sanctions as may be required, consent be and is hereby accorded to the Board of Directors of the Company (hereinafter referred to as "Board") for investing an aggregate sum upto US Dollars fifteen million in one or more tranches in the Share Capital of one or more Companies abroad, notwithstanding that such investment(s) together with the Company's existing investments in all other bodies corporate shall be in excess of any or all of the percentages prescribed under Section 372(2) of the Companies Act, 1956.

RESOLVED FURTHER that the Board be and is hereby authorised to agree to any modifications or conditions that may be prescribed by the concerned authorities while granting their approval to the proposed investment(s), and to settle all matters arising out of and incidental thereto, including determining the actual time and manner of such investment(s) from time to time, and generally to take all such steps as may be necessary to give effect to this resolution."

13. (AS ORDINARY RESOLUTION)

"RESOLVED that pursuant to Section 372 and other applicable provisions, if any, of the Companies Act, 1956 and subject to such approvals / sanctions as may be required, the Board of Directors of the Company (hereinafter referred to as "Board") be and is hereby authorised to invest funds of the Company in Shares or such other securities / instruments which may be convertible into Shares, of other bodies corporate, including Companies under the same management, notwithstanding that any such investment(s) together with the Company's existing investments in other bodies corporate may exceed any or all of the percentages prescribed under Section 372(2) of the Companies Act, 1956, provided however, that the aggregate of such investments at any time shall not exceed Rs.500 crores (Rupees five hundred crores), excluding investments in the capital of subsidiary Companies.

RESOLVED FURTHER that the Board be and is hereby authorised to agree to any modifications or conditions that may be prescribed by the concerned authorities while granting their approval to the proposed investment(s), and to settle all matters arising out of and incidental thereto,

including determining the actual time and manner of such investment(s) from time to time, and generally to take all such steps as may be necessary to give effect to this resolution."

14. (AS ORDINARY RESOLUTION)

"RESOLVED that in terms of the provisions of Section 293(1)(a) and other applicable provisions of the Companies Act, 1956, if any, consent of the Company be and is hereby accorded to the Board of Directors of the Company to create mortgages, charges, pledge and hypothecation on the assets of the Company, both movable and immovable, whether in existence or to be acquired in future, to secure any Debentures/Bonds or any other instruments or Loans (including foreign currency loans) received or to be received from Financial Institutions/Banks, Finance Companies or others, including additional interest, liquidated damages, commitment charges, premia on prepayment or any other charges payable by the Company to such Banks/Financial Institutions, Finance Companies, Debentures/bond-holders or any other instrument holders from whom the Company has/would have received loans, not exceeding Rs. 1500 crores, being the borrowing powers delegated by the members to the Board of Directors."

15. (AS SPECIAL RESOLUTION)

"RESOLVED that subject to the provisions of Section 314(1) (b) and other applicable provisions, if any, of the Companies Act, 1956, the appointment of Ms. Nitasha Nanda as General Manager, Corporate Finance at an all inclusive remuneration of Rs. 19,900 per month w.e.f. 1st April, 1998, be and is hereby ratified."

"FURTHER RESOLVED that pursuant to Section 314 (1B)(a) and other applicable provisions of the Companies Act, 1956 and subject to the approval of the Central Government, if required, consent be and is hereby accorded to the revision in the remuneration of Ms. Nitasha Nanda, General Manager, Corporate Finance of the Company w.e.f. 15th September, 1998 to a salary of Rs. 30,000/- per month (in the grade of Rs. 25,000 - Rs. 50,000 per month) plus other allowances and perquisites as per the rules of the Company from time to time, with power to the Board of Directors to sanction at their discretion, increments within the grade as they may deem fit from time to time."

16. (AS SPECIAL RESOLUTION)

"RESOLVED that pursuant to Section 100 and other applicable provisions, if any, of the Companies Act, 1956, Articles of Association of the Company and subject to the confirmation of the High Court at Delhi and subject to such other requisite and necessary approvals, consents, permissions and/or sanctions of any appropriate authority, body or institution (hereinafter collectively referred to as "the concerned authorities") and subject to such conditions or guidelines, if any, as may be prescribed/ stipulated in this regard by the concerned authorities or any of them, from time to time while granting such approvals, consents, permissions and/or sanctions, the subscribed and paid-up



equity capital of the company be reduced from Rs. 72,23,22,400, divided into 7,22,32,240 equity shares of Rs.10/- each to Rs. 36,11,61,200 divided into 7,22,32,240 equity shares of Rs. 5/- each by transferring Rs. 5/- each aggregating to Rs. 36,11,61,200 to the credit of the Capital Reserve.

FURTHER RESOLVED THAT after such reduction is effected, the company shall issue 7,22,32,240 12% Cumulative Redeemable Preference Shares (hereinafter referred to as 'CRPS') of the face value of Rs 45 each, aggregating to Rs. 325,04,50,800 in the ratio of 1 (one) CRPS for 1 (one) equity share, to persons who, on a date to be hereinafter fixed by the Board of Directors (hereinafter referred to as "the Board", which term shall be deemed to include a Committee(s) of the Board of Directors), shall be the holders of the existing equity share capital of the Company by transferring a sum of Rs. 3,25,04,50,800 standing to the credit of General/Amalgamation/Share Premium/Debt Redemption/such other Reserve(s) of the Company as may be permitted under law, from the said account(s) to the CRPS capital account.

FURTHER RESOLVED THAT on such reduction the equity share capital be consolidated and divided into equity shares of Rs.10/- each by consolidating 2 (two) equity shares of Rs.5/- each, into 1 (one) equity share of Rs. 10/- each, fully paid-up, and that the CRPS capital be consolidated and divided into CRPS of Rs. 90/- each by consolidating 2 (two) CRPS of Rs. 45/- each into 1 (one) CRPS of Rs. 90/- each, fully paid up.

FURTHER RESOLVED THAT the CRPS shall be redeemable in three equal instalments at the end of 5th, 6th and 7th year from the date of allotment and that the Board shall have the right, without any further consent of the members, to advance, prepone or accelerate the time for and/or frequency of redemption of CRPS as specified hereinabove after giving due notice in such form and manner as the Board may decide.

FURTHER RESOLVED THAT upon such reduction and consolidation as aforesaid, if any member comes to hold any fractional equity share and/or fractional CRPS, no fractional coupons/ certificates shall be issued and all such fractional equity share(s) and/or CRPS shall be held by a Trust to be constituted by the Company and to be operated in accordance with such guidelines as may be approved by the Board.

FURTHER RESOLVED THAT upon reduction and consolidation as aforesaid, members who come to hold equity Share(s) and/or CRPS in an odd lot of the Company, may at their discretion, opt to sell their such odd lot equity share(s) and /or CRPS to a Trust to be constituted by the Company and to be operated in accordance with the SEBI guidelines, as may be in force from time to time.

FURTHER RESOLVED THAT for the purpose of giving effect to the above, the Board be and is hereby authorized to take such steps and to do all such acts, deeds, and things as it may deem fit and proper including filing petitions, replies or applications before any Court or the

concerned authorities and to make and/or consent to, or accept any alteration(s) or modification(s) that the Court or the concerned authorities may deem fit to direct or impose or which may otherwise be considered necessary, desirable or appropriate by the Board.

FURTHER RESOLVED THAT the Board be and is hereby authorized to delegate all or any of the powers herein conferred upon it, to any Managing Director(s) or any Director(s) or any other Officer(s) of the Company to give effect to the aforesaid resolution."

17. (AS ORDINARY RESOLUTION)

"RESOLVED that pursuant to Section 94 and other applicable provisions, if any, of the Companies Act, 1956, consent be and is hereby accorded for increasing the Authorised Share Capital of the Company from Rs.300 crores to Rs.410 crores by :-

- i. Cancellation of various series of the unissued Preference Shares aggregating to Rs.3 crores ,
- ii. Cancellation of 22,00,00,000 unissued Equity Shares of Rs.10/- each aggregating to Rs.220,00,00,000 (Rupees two hundred and twenty crores) and
- iii. Creation of 3,70,00,000 12% Cumulative Redeemable Preference Shares of Rs. 90/- each, aggregating to Rs. 333,00,00,000 (Rupees three hundred and thirty three crores)."

18. (AS ORDINARY RESOLUTION)

"RESOLVED that Clause (V) of the Memorandum of Association of the Company be substituted as follows:

'The Authorised Share Capital of the Company is Rs.410 crores divided into 7,70,00,000 Equity Shares of Rs.10/- each, aggregating to Rs. 77,00,00,000 (Rupees seventy seven crores) and 3,70,00,000 12% Cumulative Redeemable Preference Shares of Rs.90/- each, aggregating to Rs. 333,00,00,000 (Rupees three hundred and thirty three crores), with rights, privileges and conditions attaching thereto as are provided by the terms of issue or the regulations of the Company for the time being. The Company shall have powers to increase and reduce the share capital of the Company and to divide the share in the capital for the time being, whether original or increased, into several classes and to attach thereto respectively such preferential, deferred, qualified or special rights, privileges or conditions whether in regard to dividend, voting, return of capital or otherwise, as may be determined by or in accordance with the terms of issue or the regulations of the Company. The Company shall also have powers to vary, modify or abrogate any such rights, privileges or conditions attached to any share in such manner as may for the time being be provided by the regulations of the Company or by law.'

RESOLVED FURTHER that the Board of Directors of the Company be and is hereby authorised to do all such acts, deeds and things as are necessary for the purpose of giving effect to this resolution."

ESCORTS LIMITED

19. (AS SPECIAL RESOLUTION)

"RESOLVED that Article 3 of the Articles of Association of the Company be substituted as follows:

"The Authorised Share Capital of the Company is Rs.410 crores divided into 7,70,00,000 Equity Shares of Rs.10/- each, aggregating to Rs. 77,00,00,000 (Rupees seventy seven crores) and 3,70,00,000 12% Cumulative Redeemable Preference Shares of Rs.90/- each, aggregating to Rs. 333,00,00,000 (Rupees three hundred and thirty three crores), with rights, privileges and conditions attaching thereto as are provided by the terms of issue or the regulations of the Company for the time being. The Company shall have powers to increase and reduce the share capital of the Company and to divide the share in the capital for the time being, whether original or increased, into several classes and to attach thereto respectively such preferential, deferred, qualified or special rights, privileges or conditions whether in regard to dividend, voting, return of capital or otherwise, as may be determined by or in accordance with the terms of issue or the regulations of the Company. The Company shall also have powers to vary, modify or abrogate any such rights, privileges or conditions attached to any share in such manner as may for the time being be provided by the regulations of the Company or by law."

RESOLVED FURTHER that the Board of Directors of the Company be and is hereby authorised to do all such acts, deeds and things as are necessary for the purpose of giving effect to this resolution."

NOTES

1. Explanatory Statement, pursuant to Section 173(2) of the Companies Act, 1956, in respect of resolutions set out under item nos. 7 to 19 above, is annexed.
2. 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 FORM ENCLOSED AND IN ORDER TO BE EFFECTIVE MUST REACH THE REGISTERED OFFICE OF THE COMPANY AT LEAST 48 HOURS BEFORE THE COMMENCEMENT OF THE MEETING.
3. A copy of the Balance Sheet as at March 31, 1998 and the Profit and Loss Account for the year ended on that date together with the Auditors' and Directors' Reports are enclosed.
4. The Register of Members and Share Transfer Books of the Company remain closed from 1st August, 1998 to 14th August, 1998, (both days inclusive) for the purpose of determining entitlement of dividend as may be declared by the Company for the year ended March 31, 1998.
Dividend, if declared at the Annual General Meeting on September 4, 1998, will be payable to those members whose names appear on the Register of Members of the Company as on 14th August, 1998.

5. Members are requested to notify change in their address, if any, quoting their Folio Number to the Corporate Secretariat of the Company.
6. Members, who are holding Securities in identical order of names in more than one folio, are requested to write to the Corporate Secretariat of the Company at 15/5, Mathura Road, Faridabad 121003, enclosing the relevant certificates to enable the Company to consolidate their holdings in one folio.
7. Security holders are requested to send their correspondence including for transfers/transmissions of securities to the Company's Corporate Secretariat at 15/5, Mathura Road, Faridabad - 121003.
8. The amount of unclaimed dividend for and upto the financial year ended 31st March, 1994 and Interim Dividend 1994-95 (in respect of erstwhile Escorts Tractors Limited) has already been transferred to the General Revenue Account of the Central Government in terms of the provisions of Section 205A of the Companies Act, 1956. Those members (including members of erstwhile Escorts Tractors Limited), who have not so far claimed their dividends for the said periods may claim the same by submitting an application in the prescribed Form II to the Registrar of Companies, NCT of Delhi and Haryana, Paryavaran Bhawan, Block B, CGO Complex, Lodhi Road, New Delhi - 110003.

Members (including members of erstwhile Escorts Tractors Limited), who have not encashed the dividend warrant(s) pertaining to subsequent period(s) are requested to contact the Company's Corporate Secretariat at 15/5, Mathura Road, Faridabad - 121003.

9. With a view to providing protection against fraudulent encashment of dividend warrants, members were requested in the past to provide their bank account numbers, names of the banks and addresses of the branches to enable the Company to incorporate the said details in the dividend warrants. Those members who have not yet provided such information are again requested to provide the details quoting their folio numbers, to reach the Company latest by 31st August, 1998 to enable the Company to incorporate this information in the dividend warrants. Members will appreciate that the Company will not be responsible for any loss arising out of such fraudulent encashment of dividend warrants.
10. Members are requested to bring their copies of Annual Report to the meeting.

By Order of the Board
for ESCORTS LIMITED



(G B MATHUR)
ASSOCIATE VICE PRESIDENT &
COMPANY SECRETARY

Dated : 4th August, 1998



EXPLANATORY STATEMENT

[Pursuant to Section 173(2) of the Companies Act, 1956]

Item No. 7

Public Financial Institutions hold in the aggregate, more than 25% of the subscribed capital of your Company. Thus, in terms of the provisions of Section 224 A of the Companies Act, 1956, the appointment of Statutory Auditors can be made only by passing a Special Resolution.

Messrs S. N. Dhawan & Co., Chartered Accountants, have intimated that their re-appointment, if made, will be within the limits specified in Section 224 (1 B) of the Companies Act, 1956.

The Board commends the resolution for approval.

Item No. 8

Dr. P S Pritam was appointed as a Director on 30th July, 1997, in the casual vacancy caused by the resignation of Mr. P K Pandit. In terms of Article 106 of the Articles of Association of the Company, he holds office upto the date of the ensuing Annual General Meeting.

Dr. Pritam is Executive Director, Marketing, with Life Insurance Corporation of India.

Notice in writing has been received from a member signifying his intention to propose Dr. Pritam's candidature for the office of Director of the Company.

The Board commends the resolution for approval.

Dr. P S Pritam may be deemed to be interested in his appointment as Director of the Company.

Item No. 9

Long Manufacturing (N.C.) Inc. located in Tarboro, North Carolina, USA (Long), is a Company incorporated in the United States of America engaged in the business of, inter-alia, imports, assembly and marketing of various agricultural equipments including tractors. Long, over the years, has established a good brand equity. Your Company is already exporting tractors to Long under a five year Distributorship Agreement and during 1997-98, exported over 500 tractors. It has been felt that your Company can expand its exports and establish a long term presence in international markets through a part equity ownership and management participation.

With this end in view, a Memorandum of Understanding (MoU) dated 5th February, 1998 was signed with Long for incorporation of a new Joint Venture Company in USA under the name and style of "Long Agribusiness LLC", for manufacture / assembly and sale of tractors in which your Company would hold upto 49% of the Equity Capital. The current tractor operations of Long will be transferred to the new company.

The approval of the members is sought to make investment in the Share Capital of the Long Agribusiness LLC, USA, in one or more tranches upto US Dollars 9 million.

Your Board feels that this arrangement would firmly establish your Company in international markets.

The Board commends the resolution for approval.

Item No. 10

Escorts Finance Limited (EFL) - a Non-Banking Finance Company (NBFC), was promoted by your company in the year 1986. Your

Company presently holds 18.87 % of the share capital of EFL. Together, Escorts group companies hold 48.63 % of EFL's share capital.

After the recent amendments in the guidelines/ stipulations pertaining to the functioning of NBFCs by the Reserve Bank of India, EFL is planning to strengthen its Net Owned Funds, Capital Adequacy Ratio and other relevant parameters, inter-alia by making a Rights Issue of Equity Shares of Rs.10 each for cash at par in the ratio of one share for every one share held. Your Company is expected to be offered 38,19,700 Equity Shares of Rs.10 each. It is proposed to subscribe to these shares.

In addition, it is proposed to apply for upto 1,44,05,300 additional Equity Shares in the above Rights Issue.

The proposal is considered in the interest of your Company as the financial services sector is likely to play an important role in the overall growth of the economy.

Mr. Rajan Nanda, Mr. Anil Nanda, Mr. Mantosh Sondhi and Mr. K M Mammen, being Directors of EFL maybe deemed to be interested in the resolution.

The Board commends the resolution for approval.

Item No. 11

TRAKSAN TRACTOR SANAYI VE TICARET A.S., (TRAKSAN) is a Company incorporated in Turkey, engaged in importing, assembly and distribution of tractors and spare parts. Turkey is one of the important and growing markets for tractors. Your Company has entered into an Exclusive Distributorship Agreement with TRAKSAN for sale of the Company's FARMTRAC-60 tractors in Turkey. Certain vital components will be supplied by your Company whereas other components would be procured locally by TRAKSAN and the FARMTRAC tractors assembled in Turkey.

The agreement also provides for establishing a Joint Venture Company in Turkey after conducting necessary feasibility study. The Joint Venture Company would undertake the business of assembly, marketing, selling and distribution of tractors for expanding the operations.

Approval of members is sought to make investment upto US Dollars 5 million in the Share Capital of the Joint Venture Company proposed to be set up in Turkey.

Your Board feels that this arrangement would be in the interest of your Company.

The Board commends the resolution for approval.

Item No. 12

Keeping in tune with the liberalised policy of Government to encourage Indian Multinationals and with a view to be globally competitive, your Company is exploring possibility of establishing manufacturing, trading, joint venture(s) and/or other business operations overseas.

It is accordingly proposed to establish one or more Companies abroad with initial aggregate investment upto US Dollars 15 million.

Approval of members is sought to make investments in the proposed Companies.

The Board commends the resolution for approval.

ESCORTS LIMITED

Item No. 13

Your Company's investments in the group, associate and other companies as at March 31, 1998 stand at Rs. 350 crores approximately.

To support the expansion, modernization and diversification programmes of associate companies, promotion of new companies and development of business globally, your Company would be required to make substantial investments in other companies from time to time. In the current business scenario, trends have emerged for equity and/or technical Joint Ventures to be promoted as associate companies and not as subsidiaries. Further, your Company may have opportunities for investment of its surplus funds in shares/ other securities of other companies. As such, your consent is being sought for the Board of Directors (Board) to make investments upto Rs.500 crores (exclusive of investments in subsidiary companies), as the Board may consider in the best interest of your Company. Convening a General Meeting for seeking approval for each proposal/opportunity is a time consuming process and at present speed is the essence of every business opportunity. Hence the need to authorise Board to take decisions on urgent basis.

The Board commends the resolution for approval.

Item No. 14

The members in the Annual General Meeting held on 30th July, 1997, had authorised the Board of Directors (Board) to borrow moneys from time to time not exceeding Rs.1500 crores, to meet your Company's business needs. For securing the said borrowings, your Company may be required to create a mortgage in favour of the lenders which again requires the prior approval of the members under Section 293(1)(a) of the Companies Act, 1956. Many a time, the transaction gets delayed because convening of a General Meeting is a time consuming and expensive proposition.

Members' approval is therefore sought to authorise the Board to create security on the assets of the Company up to the extent of the borrowing powers delegated to them by the members. This would help to speed up the whole process.

The Board commends the resolution for approval.

Item No. 15

Ms. Nitasha Nanda, was appointed as General Manager, Corporate Finance, by the Board of Directors in their meeting held on 23rd March, 1998 at an all inclusive remuneration of Rs. 19,900 per month. Ms. Nitasha Nanda is a Graduate in Commerce from the University of Delhi. She has undergone intensive training with A F Ferguson & Co., Grindlays Bank, National Insurance Company and other organisations in the areas of Business Strategies, International Operations, Operational Research, Managerial Techniques etc.

Ms. Nitasha Nanda has undergone training in Escorts Group for the last about one year, particularly in Corporate Finance and Management of Operations.

This resolution seeks your:

- i) ratification of the appointment of Ms. Nitasha Nanda w.e.f. 1st April, 1998 as General Manager, Corporate Finance, and
- ii) approval for revision in her remuneration w.e.f. 15th September, 1998 as follows:-

- a. Salary Rs. 30,000/- per month (in the grade of Rs. 25,000 - Rs. 50,000 per month)
- b. Perquisites
 - i) Company Leased Accommodation may be provided, the rent for which shall not exceed 75% of the Salary. Alternatively, House Rent Allowance @ 40% of the Salary will be given.
 - ii) Company's contribution towards Provident Fund and Superannuation Fund, as per rules of the Company, butso that such contributions do not exceed the limits laid down in the Income-Tax Rules, 1962.
 - iii) Reimbursement of medical expenses actually incurred for self and family, the total cost of which to the Company shall not exceed one month's salary in any year or three months' salary in a period of three years.
 - iv) Leave travel concession for self and family once a year as per rules of the Company.
 - v) Leave on full pay and allowances as per rules of the company, but not exceeding one month's leave for every eleven months of service.
 - vi) Free use of car with driver, the monetary value of which to be evaluated as per Income-Tax Rules, 1962.
 - vii) Personal Accident Insurance: As per the Rules of the Company.
 - viii) Free telephone facility at residence.
 - ix) Gratuity as per rules of the Company from time to time.
 - x) Other allowances, benefits, amenities and facilities as are provided by the Company or may be introduced in future and applicable to other senior executives.

Your Board feels that the appointment of Ms. Nitasha Nanda will be in the interest of the Company.

Mr. Rajan Nanda, Chairman and Managing Director and Mr. Nikhil Nanda, Director of the Company, being relatives of Ms. Nitasha Nanda, are interested in the resolution.

The Board commends the resolution for approval.

Item No. 16

This resolution seeks your consent to the proposal for reduction in equity capital of your Company.

A. BACKGROUND

The restructuring of businesses by your Company about 4 years ago, by spinning off the Motorcycles, Communications and Construction Equipment divisions, had resulted in independently capitalised companies, with independent fund raising capabilities to finance their operations. While the businesses were spun off, the post restructuring Equity Capital almost doubled on account of merger of Escorts Tractors Limited with your company and conversion into



shares of Equity Warrants issued to NCD& SPN holders and Promoters. The Equity Capital of your Company which was Rs. 33.90 crores as on 31st March, 1995, has now become Rs. 72.23 crores.

The above restructuring also resulted in generation of surplus on account of divestment of businesses at market values. Part of this surplus has been realized in cash and invested in the share capital of companies taking over the divested businesses as also in the new venture of cellular phones. A part of the surplus is to be received over the next few years.

B. PROPOSAL

It is proposed to return a part of the cash surplus to the members of Escorts Limited (EL). This will simultaneously bring the Equity Capital base to a level commensurate to the businesses retained and reward the members of EL by giving them a higher return on their investments. EL plans, therefore, to reduce 50% of its Equity Capital held by its members by transferring the same to capital reserve and allot 12% Cumulative Redeemable Preference Share Capital of Rs. 90 each (CRPS), to its members, aggregating Rs. 325.05 crores.

The proposal is illustrated below:

(On the basis that a member holding 100 Equity Shares of Rs.10/- each will get 50 equity shares of Rs 10 each and 50 CRPS)

	Existing	After reduction
Equity Shares held(Nos.)	100	50
No. of CRPS held (Nos.)	0	50
Face value of Equity Shares held(Rs.)	1000	500
Face value of CRPS held(Rs.)	0	4500
Total Face Value (Rs.)	1000	5000

C. MAIN FEATURES OF THE CRPS

Name of the Instrument	- Cumulative Redeemable Preference Share (CRPS)
Face Value	- Rs.90/- each fully paid up, redeemable at par.
Dividend Rate	- 12% p.a. payable annually
Tenor of CRPS	- 7 years (average 6 years)
Terms of Redemption	- Each CRPS is redeemable at par in 3 equal instalments at the end of 5th, 6th and 7th year from the date of allotment.
Call Option	- The company will have a "Call Option" viz. to redeem the CRPS at any time after the expiry of 4 years from the date of allotment of CRPS or such other period as may be specified.
Listing	- The Company proposes to list the CRPS on the stock exchanges where the Company's existing securities are listed.

Odd Lot Incidence

- An odd lot trust shall be created in accordance with SEBI guidelines to reduce the impact of the odd lot incidence.

Fractional entitlement

- Fractional entitlements will be consolidated and sold by the Trust and net sale proceeds distributed pro rata to the concerned members. Should any member by virtue of his fractional entitlement, cease to be a member, he shall get a preference to purchase share(s) from the Trust, subject to availability.

D. LIKELY BENEFITS OF THE PROPOSAL TO MEMBERS

(i) GROWTH IN DIVIDEND INCOME

A growth of approximately 70% in the dividend return of the members, as is illustrated below (assuming equity dividend at the present rate viz.45%) :

	Existing	Impact on Reduction
Equity Shares held (nos.)	100	50
CRPS held (nos.)	0	50
Face value of Equity Shares (Rs.)	1000	500
Face Value of CRPS (Rs.)	-	4500
Equity dividend @ 45% (Rs.)	450	225
12% CRPS dividend (Rs.)	0	540
Total dividend received (Rs.)	450	765
GROWTH IN DIVIDEND		70%

(ii) EARNINGS PER SHARE(EPS) AND MARKET PRICE

A likely growth in EPS of approximately 33.9% and corresponding improvement in market price of the Equity Shares as is illustrated below :-

	Existing (Rs. Crores)	Impact on Reduction (Rs. Crores)
Profit After Tax (PAT)(97-98)	129.84	129.84
Less CRPS dividend (including dividend tax)	0	42.91
Adjusted PAT	129.84	86.93
Fully diluted Equity Capital	72.23	36.12
EPS (Rs.)	17.98	24.07
Assumed Market Price (Rs.)	90	120*
P/E Multiple	5	5
GROWTH IN EPS		33.9%
LIKELY GROWTH IN MARKET PRICE		33.3%

*assuming constant P/E multiple

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(iii) MEMBERS' WEALTH

Based on the assumption of share price taken above, a likely growth of approximately 16.7% in the wealth of the members, as is illustrated below :-

	Existing	Impact on Reduction
Equity Shares held (nos)	100	50
CRPS held (nos)	0	50
Face Value of shares held:		
Equity Shares (Rs.)	1000	500
CRPS (Rs.)	0	4500
Total (Rs.)	1000	5000
Likely Market value of shares held -		
Equity Shares (Rs.)	9000	6000
CRPS (Rs.)	0	4500
Total (Rs.)	9000	10500
GROWTH IN MARKET VALUE		16.7%

(iv) IMPROVEMENT IN LIQUIDITY

A likely higher cash flow from reduction without dilution in percentage holding. For example, on reduction, a member holding 100 equity shares would be entitled to receive 50 CRPS of face value of Rs. 90 each and thus would receive Rs. 4500 in terms of cash flow. At the same time the equity shareholder would not suffer a dilution in his percentage equity share holding. In comparison if there is no reduction, a member holding 100 equity shares would be required to sell 50 equity shares at a price of say Rs. 90 per share in order to receive a cash flow of Rs. 4500, but would also suffer a dilution in his percentage equity share holding.

E. FACE VALUE OF THE CRPS

The face value of CRPS has been arrived at on the basis of average of the weekly high and low of the quotation of the Company's Equity Share on the Mumbai Stock Exchange during the 26 weeks preceding the date of the Board Meeting i.e. June 5, 1998, rounded off to the next higher multiple of 10; i.e. Rs.90.

F. INCOME TAX IMPLICATIONS

YOUR COMPANY HAS BEEN ADVISED BY AN EMINENT TAX COUNSEL THAT AS PER PREVAILING TAX LAWS :

- there would not be any liability to capital gains upon the allotment of CRPS for the Equity Share since the same does not involve any 'sale', 'exchange', 'relinquishment', 'extinguishment of any right in the share' or 'surrender'.
- the redemption of the CRPS would not result in a capital gain to the holder of the CRPS since the redemption of the CRPS would result in dividend distribution under section 2(22)(d) and according to the prevailing Income tax law,

your Company would be liable to pay tax under section 115 (o) of the Income Tax Act, 1961. The same transaction cannot give rise to a liability both to capital gains as well as dividend.

However, the members are advised to seek independent advice on these matters and your Company does not wish to take any responsibility in this regard.

G. DIVIDENDS

Upon the court confirming the Equity Capital reduction proposal, the dividend on CRPS shall be payable from the date of their allotment. Till the said date of CRPS allotment, the members shall be entitled to receive dividend on the Equity Shares held by them.

Dividend on CRPS for a particular financial year shall be deemed to be due for payment on the expiry of 42 days from the day on which Annual General Meeting for that particular financial year is held; and if for a particular financial year no Annual General Meeting is held, then on the expiry of 42 days from the last day on which Annual General Meeting for that particular financial year should have been held.

Since the proposal contained in the Resolution would result in reduction of Equity Share Capital, the Board proposes this resolution to be passed as Special Resolution to be confirmed by the High Court of Delhi under Section 100 of the Companies Act, 1956.

The Board commends the resolution for approval.

Item Nos. 17 - 19

The present Authorised Share Capital of your Company is Rupees 300 crores divided into Equity Share Capital of Rs.297 crores and Preference Share Capital of Rs. 3 crores.

To implement the reduction of Equity Share Capital and issue of Preference Share Capital, it is proposed to restructure the Authorised Share Capital of the Company by cancelling unissued Preference Shares of Rs.3 crores and Equity Shares of Rs.220 crores and creating 3,70,00,000-12% Cumulative Redeemable Preference Shares of Rs.90/- each aggregating Rs.333 crores. Thus, Authorised Share Capital would be Rs.410 crores, comprising Equity Share Capital of Rs.77 Crores and Preference Share Capital of Rs.333 Crores.

Accordingly, the Memorandum & Articles of Association of the Company are proposed to be amended.

The Board commends the resolutions for approval.

MEMORANDUM OF INTEREST

Except as indicated above and except as members to the extent of their shareholding in the Company, none of the Directors of the Company are interested in the proposed resolutions.

INSPECTION

Copies of the Memorandum and Articles of Association of the Company and all other material documents referred to hereinabove will be available for inspection at the Registered Office of the Company between 11.00 a.m. and 1.00 p.m. on all working days. These documents will also be available at the meeting.