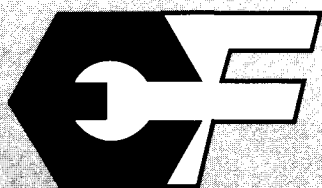




**21<sup>st</sup>**

**ANNUAL REPORT**

**2008-2009**



**ESCORTS  
FINANCE  
LIMITED**



## COMPANY INFORMATION

### **Board of Directors**

Mr. Inder Mohan Sakhuja  
Chairman

Mr. Pritam Narang

Mr. Hans Raj Sachdeva

Mr. Janak Sachdeva

### **Manager**

Mr. P. K. Marwah

### **Company Secretary**

Mr. Gaurish Garg

### **Chief Financial Officer**

Mr. Donald Fernandez

### **Auditors**

M/s N.M. Rajji & Co.  
E-7/14, IInd Floor,  
Vasant Vihar,  
New Delhi- 110057

### **Registered Office**

N-6, Pratap Building,  
Connaught Circus,  
New Delhi - 110 001



**NOTICE**

Notice is hereby given that the **Twenty First Annual General Meeting** of Escorts Finance Limited will be held on Wednesday, **30<sup>th</sup> September 2009 at 12.00 noon** at 'The Executive Club', 439, Village Shahoorpur, P.O. Fatehpur Beri, New Delhi - 110 074 to transact the following business:

**ORDINARY BUSINESS:**

1. To receive, consider and adopt the Audited Balance Sheet as at 31<sup>st</sup> March, 2009 and the Profit and Loss Account for the year ended on that date alongwith 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, New Delhi as Statutory Auditors of the Company to hold office from the conclusion of this Annual General Meeting till the conclusion of the next Annual General Meeting and to fix their remuneration.

**SPECIAL BUSINESS:**

4. To consider and if thought fit, to pass with or with out modification(s) the following resolution as a **Special Resolution**:

**"RESOLVED THAT** pursuant to Section 31 and other applicable provisions, if any, of the Companies Act, 1956 (including any statutory modification or re-enactment thereof for the time being in force) the Articles of Association of the Company be and are hereby altered in the following manner:

The existing Article 3 be substituted by the following new Article 3 :

<p><b>Article 3</b> <b>Authorized Capital</b></p>	<p>The Authorized share capital of the Company shall be of such amount and be divided in to such shares as may be provided in clause V of the Memorandum of Association of the Company, from time to time. The Board of Directors shall have the power to classify them in to any class of shares and/or any denomination, as the Board of Directors may decide.</p> <p><i>The Company has the power from time to time to increase or reduce its share capital. Any of the existing shares and new shares to be created may, from time to time, be divided into shares of several classes in such manner as may be provided hereinafter.</i></p>
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The existing Article 5A be substituted by the following new Article 5A.

<p><b>Article 5A</b> <b>Increase in Capital, Consolidation, Conversion, Division, Sub-division and Cancellation of Shares</b></p>	<p>Subject to the provisions of Section 94 of the Act, the Company in general meeting may by an ordinary resolution alter the conditions of its Memorandum as follows, that is to say, the Company may:-</p> <p>(a) increase its share capital by such amount as it thinks expedient by issuing new shares;</p> <p>(b) consolidate and divide all or any of its Share Capital into shares of larger amount than its existing shares;</p> <p>(c) convert, all or any of its fully paid-up shares into stock, and re-convert that stock into fully paid-up shares of any denomination;</p> <p>(d) sub-divide its shares or any of them into shares of smaller amount than is fixed by the Memorandum, so however, that in the sub division the proportion between the amount paid and the amount, if any, unpaid on each reduced share shall be the same as it was in the case of the share from which the reduced share is derived;</p> <p>(e)cancel, shares which, at the date of passing of the resolution in that behalf, have not been taken or agreed to be taken by any person, and diminish the amount of its share capital by the amount of the shares so cancelled.</p>
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The existing Article 5B be substituted by the following new Article 5B:

<b>Article 5(B) Reduction of Capital</b>	<p>The Company may (subject to the provisions of Sections 78, 80 and 100 to 105, of the Act) from time to time by Special Resolution, reduce its capital and any Capital Redemption Reserve Fund or Premium Account in any manner for the time being authorized by law and in particular without prejudice to the generality of the foregoing power may ;</p> <p>(a) extinguish or reduce the liability on any of its shares in respect of Share Capital not paid-up;</p> <p>(b) either with or without extinguishing or reducing liability on any of its shares, cancel any paid-up share capital which is lost or is unrepresented by available assets; or</p> <p>(c) either with or without extinguishing or reducing liability on any of its shares, pay off any paid-up share capital which is in excess of the wants of the Company;</p> <p>and may, if and so far as is necessary, alter its Memorandum, by reducing the amount of its share capital and of its shares accordingly.</p>
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Following Article 12 (A) be inserted after existing Article 12:

<b>Article 12 (A) Power of the Company to purchase its own securities</b>	<p>Notwithstanding anything contained in Article 12 above, the Company may purchase its own shares and other specified securities in the manner and to the extent provided in Section 77A of the Act as amended from time to time.</p>
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Following Article 17 (A) be inserted after existing Article 17 :

<b>Article 17 (A) Interest out of Capital</b>	<p>Where any shares in the Company are issued for the purpose of raising money to defray the expenses of the construction of any work or building, or the provisions of any plant, which cannot be made profitable for a lengthy period, the Company may pay interest on so much of that share capital as is for the time being paid-up, for the period and at the rate and subject to the conditions and restrictions provided by Section 208 of the Act, and may charge the same to capital as part of the cost of construction of the work or building, of the provisions of plant.</p>
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By Order of the Board,  
For **Escorts Finance Limited**

**Sd/  
Gaurish Garg  
Company Secretary**

**Place: Faridabad  
Date: 29<sup>th</sup> June, 2009**

**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, which sets out details relating to special business, is annexed hereto.
3. The Register of Members and Share Transfer Books of the Company will remain closed from 24/09/2009 to 30/09/2009 (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, 42541234 Fax: 23552001, 42541201**  
**E-mail : [rta@alankit.com](mailto:rta@alankit.com)**

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

6. The Equity shares of the company can only be traded in electronic mode w.e.f.26.06.2000 as per SEBI guidelines. The company has already entered into agreements with National Securities Depository Ltd. and Central Depository Services (I) Ltd. for the same. Interested members may opt to convert physical shares of the company in the electronic mode after sending request for dematerialisation through their Depository Participant.
7. Members of the Company(s) who have multiple accounts in identical name(s) or are holding more than one share certificate in the same name under different ledger folio(s) are requested to apply for consolidation of such folio(s) and send the relevant share certificate to the Alankit Assignment Limited, Registrar and Share Transfer Agent of the Company.
8. Section 109A of the Companies Act, 1956 has extended nomination facility to individuals holding shares in Companies. Shareholders, in particular those holding shares in single name, are requested to avail the above facility by furnishing to the Company, particulars of their nominees. Shareholders may please write to the Company Secretary for the prescribed Nomination Form 2B.
9. Members are requested to notify immediately any change in their address (with pin code) to Alankit Assignments Limited, quoting their folio numbers.
10. 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.
11. 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.
12. Members are requested to bring their copy of Annual Report to the meeting. No extra copy would be available for distribution at the meeting.
13. 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, are given in Corporate Governance Report annexed to the Annual Report.

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

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

It is proposed to alter the Articles of Association of the Company by amending certain provisions and inserting some new Articles in line with the Companies Act, 1956 as amended up to date.

In terms of Section 31 of the Companies Act, 1956 any alteration of Articles of Association requires the approval of the members by way of Special Resolution. Hence the Board commends the resolution for the approval of the members.

None of the Directors of the Company are, in anyway concerned or interested in the said resolution.

##### **INSPECTION OF DOCUMENTS**

Copies of the Memorandum and Articles of Association of the Company will be available for inspection at the registered office of the Company from 11.00 am to 1.00 pm on all working days up to the date of the meeting.

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

**Place: Faridabad**  
**Date: 29<sup>th</sup> June, 2009**

**Sd/**  
**Gaurish Garg**  
**Company Secretary**

## DIRECTORS' REPORT



Your Directors are pleased to present the Twenty First Annual Report, together with the Audited Accounts of the Company for the Financial Year ended 31<sup>st</sup> March 2009, and the Auditors' Report thereon.

### **FINANCIAL RESULTS**

(Rs. in Lacs)

	Financial Year ended March 31, 2009	Financial Year ended March 31, 2008
Gross Income	421.80	291.36
Profit/(Loss) before write off, provisions & tax	76.18	(262.56)
Write offs/Provisions/Reversals etc.	(387.21)	1650.24
Provision for taxation	(2.36)	(7.16)
Profit/(Loss) after Tax	(313.39)	1380.52

### **DIVIDEND**

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

### **SCHEME OF ARRANGEMENT AND COMPROMISE**

Your Company had filed scheme of Arrangement and Compromise in the Hon'ble High Court of Delhi to bail out Fixed Deposit Holders and Creditors. The scheme has already been approved by the Fixed Deposit Holders, Secured and Unsecured Creditors of your company in their Court convened meeting held on 5<sup>th</sup> May 2006. The approval of the Scheme by the Hon'ble High Court of Delhi is still awaited.

### **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 (RBI) regulates and supervises these NBFCs.

The NBFCs are facing stiff competition from banks and financial institutions, due to the ability of Banks & FII's to raise low cost funds which enables them to provide funds at much cheaper rate. More stringent capital adequacy norms have been stipulated by RBI for NBFCs which is making difficult for them to give cheaper finance.

#### **Segment-wise or Product-wise Performance**

The Company is primarily engaged in the business of hire purchase, leasing and bill discounting and non-fund based activities. Since the risk and returns in these businesses are similar, therefore, these are grouped as a single segment. This is in accordance with the guiding principle enunciated in the Accounting Standard on Segment Reporting (AS- 17) issued by The Institute of Chartered Accountants of India.

#### **Future Outlook**

The cost reduction programme undertaken by the company have yielded good results. Once the Scheme of Arrangement and Compromise is approved by the Court and is successfully implemented, the expansion of existing businesses and entry into new areas would 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**

The initiatives taken by the company in newer areas of business will take time to yield results. The operating expenses are being met by collection from existing outstandings recoverable and non-fund based income.



## **Financial Performance**

The loss for the year after write offs/provisions etc. and tax, amounts to Rs 313.39 Lacs.  
The total accumulated losses at the end of the year amounted to Rs. 24998.54 Lacs.

## **Internal Control Systems and Their Adequacy**

The Company's internal control systems are in place to serve the existing operations of the Company.

## **Human Resource and Industrial Relations**

Your Directors relation at all levels with employees were cordial.

## **Cautionary Statement**

Statements in this management discussion and analysis describing the Company's objectives, projections, estimates and expectations may be 'forward looking statements' within the meaning of applicable laws and regulations. Actual results may differ substantially or materially from those expressed or implied. Important developments that could affect the Company's operations are significant changes in political and economic environment in India, Tax laws, RBI regulations, Exchange rate fluctuation and other costs.

## **DIRECTORS**

Mr. Pritam Narang, Director retires by rotation at the ensuing Annual General Meeting of your Company, and being eligible, offers himself for reappointment.

## **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 are 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 letter from them to the effect that their reappointment as statutory auditors for the financial year 2009-2010, if made, would be within the limits prescribed under Section 224 (1B) of the Companies Act, 1956.

## **AUDITORS OBSERVATIONS AND COMMENTS THEREON**

The observations made by the Statutory Auditors in the Auditors' Report are dealt with separately in the Notes to the Profit & Loss Account and the Balance Sheet, forming Schedule 15 of the Accounts. These are self-explanatory and do not call for any further comments.

## **DIRECTORS' RESPONSIBILITY STATEMENT**

Pursuant to the requirement 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, 2009, 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 judgments 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, 2009 and of the loss of the Company for that period;



3. That the Directors have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act 1956, for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
4. That the Directors have prepared the annual accounts for the financial year ended 31<sup>st</sup> March 2009 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**

- a. Conservation of energy and technology absorption

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

- b. Foreign Exchange Earning and Outflow

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

- c. Amount due to small-scale industries

There was no amount due to any small-scale industry.

### **ACKNOWLEDGEMENT**

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

The Directors also wish to convey their deep appreciation of the contribution made by all employees to the operations of the Company, in particular those who continued with the Company and extended their full support during this difficult period. We also convey our thanks to our esteemed shareholders for their continued support and encouragement.

For and on behalf of the Board

**Place: Faridabad**  
**Date: 29<sup>th</sup> June, 2009**

**Sd/**  
**Inder Mohan Sakhuja**  
**Chairman**





A detailed report on Corporate Governance practices followed at Escorts Finance Limited for the period April 1, 2008 to March 31, 2009 is given below:

## I. **COMPANY'S PHILOSOPHY ON CORPORATE GOVERNANCE**

"Corporate Governance" refers to a combination of laws, regulations, procedures, implicit rules and voluntary practices that enable companies to attract financial and human capital, perform efficiently and thereby maximize long term value for shareholders, while respecting the aspect of multiple stakeholders, including society at large.

Corporate Governance is not a matter of just complying with the checklists; it is integral to the very existence of the Company. It strengthens investors' trust and ensures long term partnership that help in fulfilling the Company's quest for higher growth and profits. Corporate Governance rests upon the four pillars of: **Transparency, Full Disclosure, Independent Monitoring and Fairness** to all, especially to minority shareholders. A good Corporate Governance policy should also ensure the following:

- A competent management team is at the helm of affairs;
- The Board is strong with an optimum combination of executive and non-executive (including independent) Directors, who represent the interest of all stakeholders;
- The Board effectively monitors the management's progress, takes all corporate decisions;
- The Board is aware of the concerns of the Company's Shareholders;
- The management and employees have an stable environment; and
- The Company's policies benefits all its shareholders.

In sum, the essence of Corporate Governance lies in the phrase "**Your Company**". It is "Your" Company because it belongs to you, the shareholders. The Chairman and Directors are "Your" fiduciaries and trustees. The objective is to take the business forward to maximize "Your" long- term value / wealth.

## II. **BOARD OF DIRECTORS**

### **Composition and Category of Directors**

The Board should have an optimum combination of Executive and Non-Executive Directors with not less than fifty percent of the Board comprising of Non-Executive Directors. Further, at least one-third of the Board should comprise of Independent Directors if the Chairman is Non-Executive and at least half of the Board should comprise of Independent Directors in case of an Executive Chairman. Further, where the non-executive Chairman is a promoter of the company or is related to any promoter or person occupying management positions at the Board level or at one level below the Board, at least one-half of the Board of the company shall consist of Independent Directors.

As on March 31, 2009, the Company's Board comprised of two Non-Executive Independent Directors. The composition of the Board is in conformity with the Listing Agreement.

The details of directors with regard to their directorships and committee positions are as follows:

Name	Designation	Category	Other Directorships Held*	Committee Positions held**	
				Membership	Chairmanship
Mr. Inder Mohan Sahuja	Chairman	Non-Executive & Non Independent	1	1	NIL
Mr. Pritam Narang	Director	Non-Executive & Non Independent	4	2	NIL
Mr. Hans Raj Sachdeva	Director	Non-Executive & Independent	1	2	2
Mr. Janak Sachdeva	Director	Non-Executive & Independent	1	1	NIL



\* Excluding Directorships in private limited companies, foreign companies and companies under Section 25 of the Companies Act, 1956 but including Escorts Finance Limited.

\*\* For this purpose only two committees viz. the Audit Committee and Shareholders'/Investors' Grievance Committee of Public Companies have been considered including Escorts Finance Limited.

Note: 1) None of the Directors is representing a Lender or Equity Investor.

2) None of the Directors hold any shares in the Company.

### **Attendance of Directors at Board Meetings and the last Annual General Meeting**

According to Clause 49 of the Listing Agreement, the Board shall meet at least four times in a year, with a maximum gap of four months between any two meetings.

During the year 2008-09 the Board of Directors met 9 (Nine) times on 30.04.2008, 31.05.2008, 30.06.2008, 14.07.2008, 31.07.2008, 22.08.2008, 30.08.2008, 23.10.2008 and 29.01.2009.

The directors' attendance at the Board Meetings and the last Annual General Meeting are as follows:

<b>Name</b>	<b>No. of Board meetings held during tenure</b>	<b>No. of Board meetings attended</b>	<b>Attendance at the last AGM</b>
Mr. Munendra Kumar Singh*	3	3	N.A.
Mr. S.K. Maini**	4	1	N.A.
Mr. Pritam Narang	9	8	YES
Mr. Inder Mohan Sakhuja ***	7	7	YES
Mr. Hans Raj Sachdeva@	5	5	YES
Mr. Janak Sachdeva@	5	5	YES

\* resigned w.e.f. 30.06.2008

\*\* resigned w.e.f. 14.07.2008

\*\*\* appointed as director w.e.f. 30.06.2008

@ appointed as director w.e.f. 14.07.2008

### **Code of Conduct**

In terms of Clause 49 of the Listing Agreement, the Board has laid down a code of conduct for all Board Members and Senior Management of the Company. All Board Members and Senior Management personnel affirm compliance with the code on an annual basis. The Annual Report of the Company contains a declaration to this effect signed by the Manager.

The Company is not having website to post the code of conduct.

### **Declaration by CEO**

The Manager of the Company has given the Certificate as below as per the requirement of Clause 49 of the Listing Agreement:

*I hereby confirm that:*

The Company has obtained from all the members of the Board and Senior Management, affirmation that they have complied with the code of conduct for Directors and Senior Management in respect of the Financial Year 2008-09 ended on 31<sup>st</sup> March, 2009.

**Place: Faridabad**  
**Date: 29<sup>th</sup> June, 2009**

**Sd/**  
**P.K. Marwah**  
**Manager**

### **III. AUDIT COMMITTEE**

#### **Composition**

According to Clause 49 of the Listing Agreement, a qualified and independent Audit Committee shall be set up with minimum three directors as members and two-thirds of the members of the committee shall be Independent Directors. All members of the Audit Committee shall be financially literate and at least one member shall have accounting or related financial management expertise. The Chairman of the Audit Committee shall be an Independent Director and shall be present at Annual General Meeting to answer shareholders' queries. The Company Secretary shall act as the Secretary of the committee.

Your Company's Audit Committee was originally constituted on 18.11.1996. As on March 31, 2009, the composition of the Audit Committee was as under:



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

### **Terms of Reference**

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

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

The Audit Committee is endowed with the following powers:

1. To investigate any activity within its terms of reference.
2. To seek information from any employee.



3. To obtain outside legal or other professional advice.
4. To secure attendance of outsiders with relevant expertise, if it considers necessary.
5. To invite such of the executives, as it considers appropriate (and particularly the head of the finance function) to be present at the meetings of the committee.

#### **Meeting & Attendance during 2008-09**

According to Clause 49 of the Listing Agreement, the Audit Committee should meet at least four times in a year and not more than four months shall elapse between two meetings. The quorum shall be either two members or one third of the members of the Audit Committee whichever is higher, but there should be a minimum of two independent members present.

During 2008-09, Audit Committee met 7 (Seven) times on 30.04.2008, 31.05.2008, 31.07.2008, 22.08.2008, 30.08.2008, 23.10.2008 and 29.01.2009.

The details of members' attendance at the Audit Committee Meetings are as follows:

<b>Name</b>	<b>No. of meetings held during tenure</b>	<b>No. of meetings attended</b>
Mr. M K Singh*	2	2
Mr. S.K. Maini**	2	2
Mr. Pritam Narang	7	6
Mr. Hans Raj Sachdeva@	5	5
Mr. Janak Sachdeva@	5	5

\* resigned w.e.f. 30.06.2008

\*\* resigned w.e.f. 14.07.2008

@ appointed as director w.e.f. 14.07.2008

Mr. Gaurish Garg, Company Secretary acts as Secretary to the Audit Committee. The Chairman of the Audit Committee was present at the Annual General Meeting of the Company held on September 29, 2008.

#### **IV. REMUNERATION COMMITTEE**

There is no remuneration committee of Directors constituted in the Company.

##### **Remuneration of Directors**

The details of sitting fees paid to Directors during the period April 01, 2008 to March 31, 2009 are as under:

<b>S.No.</b>	<b>Name</b>	<b>Relationship with other Directors</b>	<b>Sitting Fees (in Rs.)</b>
1	Mr. Munendra Kumar Singh @	**	10000
2	Mr. S. K. Maini@@	**	6000
3	Mr. Inder Mohan Sakhuja#	**	14000
4.	Mr. Pritam Narang	**	28000
5	Mr. Hans Raj Sachdeva##	**	20000
6	Mr. Janak Sachdeva ##	**	20000
	<b>Total</b>		<b>98000</b>

\*\* There is no relationship between any of these directors.

@ resigned w.e.f. 30.06.2008

@@ resigned w.e.f. 14.07.2008

# appointed as director w.e.f. 30.06.2008

## appointed as director w.e.f. 14.07.2008

##### **Shareholding of Non Executive Directors of Company**

As on 31<sup>st</sup> March, 2009, None of the Directors of the Company held any share in the Company.

#### **V. SHAREHOLDERS GRIEVANCE COMMITTEE**

##### **Constitution**

According to Clause 49 of the Listing Agreement, a Shareholders' Grievance Committee under the Chairmanship of a Non- Executive Director shall be formed to specifically look into the redressal of Shareholder and investor complaints like transfer of shares, non-receipt of balance sheet, non-receipt of declared dividends etc.

Your Company's Shareholders' Grievance Committee was originally constituted on 31.01.2002. As on March 31, 2009, the composition of the Shareholders' Grievance Committee was as under:



<b>Director</b>	<b>Designation</b>	<b>Category</b>
Mr. Hans Raj Sachdeva	Chairman	Independent Director
Mr. Inder Mohan Sakhuja	Member	Non Independent Director
Mr. Pritam Narang	Member	Non Independent Director

### **Terms of Reference**

This committee looks into redressing of Shareholders' complaints relating to delay in transfer/demat of shares, issue of duplicate shares, non-receipt of Balance Sheet, non-receipt of dividends etc.

### **Meetings and Attendance**

During 2008-09, 4 (Four) meetings of the Shareholders' Grievance Committee were held on 30<sup>th</sup> April, 2008; 31<sup>st</sup> July, 2008; 22<sup>nd</sup> October, 2008; 15th January, 2009.

The details of members' attendance at the Shareholders' Grievance Committee Meetings are as follows:

<b>Name</b>	<b>No. of meetings held during tenure</b>	<b>No. of meetings attended</b>
Mr. Munendra Kumar Singh*	1	1
Mr. S. K. Maini**	1	1
Mr. Inder Mohan Sakhuja@	3	3
Mr. Hans Raj Sachdeva@@	3	3
Mr. Pritam Narang	3	2

\* resigned w.e.f. 30.06.2008

\*\* resigned w.e.f. 14.07.2008

@ appointed as director w.e.f. 30.06.2008

@@ appointed as director w.e.f. 14.07.2008

### **Compliance Officer**

Mr. Gaurish Garg, Company Secretary acts as the Compliance Officer of the Company.

### **Complaints received/resolved**

During the period under review, 8 (Eight) complaints were received from investors, which were replied/resolved to the satisfaction of the investors. No complaints are pending for the year 2008-09.

### **Pending Share Transfer**

No share transfer requests were pending for approval as on March 31, 2009.

## **VI. OTHER COMMITTEES OF BOARD**

### **SHARE TRANSFER COMMITTEE**

Board of Directors constituted a Share Transfer Committee to approve, issue of duplicate share certificates and to review matters connected with transfer/ transposition/ transmission of Shares, Dematerialisation/ Rematerialisation/ Split of Shares, etc. The Board has delegated the power of approving transfer of securities to the Company's Registrar's under the supervision and control of Company Secretary, subject to placing of a summary statement of transfer/transmission/split/ Demat / Remat etc. of securities of the company at the meeting of the Committee.

As on 31.03.2009 the Committee comprised of three Directors namely Mr. Inder Mohan Sakhuja, Mr. Pritam Narang and Mr. Hans Raj Sachdeva. The Committee meets twice in a month.

### **COMMITTEE OF BANKING AND LEGAL MATTERS**

Board of Directors constituted the Committee of Banking and Legal Matters to facilitate and monitor issues relating to dealings with the Banks and other Legal authorities in accordance with powers delegated by the Board.

As on 31.03.2009 the Committee comprised of three Directors namely Mr. Inder Mohan Sakhuja, Mr. Pritam Narang and Mr. Hans Raj Sachdeva.



## **VII. GENERAL BODY MEETINGS**

Location, day and time of Annual General Meetings held during the last three years and special resolution passed thereat are given below:

<b>Year</b>	<b>Venue</b>	<b>Date</b>	<b>Time</b>	<b>No. of Special Resolution passed at AGM</b>
2007-08	'The Executive Club', 439, Village Shahoorpur, P.O. Fatehpur Beri, New Delhi - 110074	September 29, 2008	11.00 A.M.	One
2006-07	Sri Sathya Sai International Centre and School, Pragati Vihar, Lodhi Road, New Delhi-110003	September 25, 2007	10.30 A.M	None
2005-06	Sri Sathya Sai International Centre and School, Pragati Vihar, Lodhi Road, New Delhi-110003	December 27, 2006	10.30 A.M	None

### **Postal Ballot**

No resolution was put through postal ballot since the last Annual General Meeting and there is no Special resolution proposed to be passed through postal ballot.

## **VIII. DISCLOSURES**

### **Disclosure on materially significant related party transactions:**

None of the transactions with any of the related parties were in conflict with the interest of the Company. The Company has received sufficient disclosures from promoters, directors or management wherever applicable.

### **Details of any non-compliance by the Company:**

The Company has complied with the statutory rules and regulations of SEBI and Stock Exchanges. However, the Company has not been able to comply with the Prudential Norms Direction relating to maintenance of liquid assets and Capital Adequacy Ratio, provisioning of additional interest on fixed deposits, doubtful stock on hire and debtors and advances, reversal on income as required by the Reserve Bank Of India's Rules and Regulations as Company has filed the Scheme of Arrangement & Compromise with Hon'ble High Court of Delhi.

### **Whistle Blower Policy and confirmation that no personnel were denied access to the audit committee**

The Company has not adopted any Whistle Blower Policy. However, no personnel were denied access to the audit committee.

### **Compliance with the requirements of Clause 49**

The company is complying with all the mandatory requirements of Clause 49 of the Listing Agreement.

## **IX. MEANS OF COMMUNICATION**

### **Quarterly Results**

The company is publishing its audited and un-audited results and related matters in Jansatta (Hindi) and Financial Express (English) newspapers generally.

Financial results are also posted at EDIFAR site of SEBI. No presentation of Financial Results has been made to Financial Institutions/analysts during the year.

## **X. GENERAL SHAREHOLDER INFORMATION**

### **A. Annual General Meeting**

Day & Date : Wednesday, 30<sup>th</sup> September, 2009  
Time : 12.00 noon  
Venue : 'The Executive Club', 439, Village Shahoorpur, P.O. Fatehpur Beri, New Delhi-110074



**B. Financial year:** April 1, 2008 to March 31, 2009

**C. Appointment/ Reappointment of Directors**

At the ensuing Annual General Meeting, Mr. Pritam Narang retires by rotation and is proposed to be re-appointed as Director of the Company.

The information/details to be provided for the aforesaid director are as under:

Name	Pritam Narang
Qualification	B.Com (Hons) from Delhi University, M.Com from Rajasthan University, Intermediate (Group-I) of ICWA
Brief Resume and Area of Expertise	41 Years of work Experience in Accounts & Finance, Exports & Imports, Third Country International Trade, Corporate Aviation Management, Corporate Administration, Projects
Other Directorships	Escorts Consumer Credit Limited First Consumer Factors Limited Escorts Automotive Limited Sumatri Bima and Distributors Private Limited
Committee Directorships	<b>Escorts Finance Limited</b> <ul style="list-style-type: none"><li>▪ Audit Committee- Member</li><li>▪ Share holder's Greivance Committee - Member</li><li>▪ Share Transfer Committee - Member</li><li>▪ Committee of Banking and Legal Matter - Member</li></ul>
No. of Shares held in the Company	Nil

**D. Financial Calendar 2009-10 (tentative)**

Board meeting to take on record financial results:

for the quarter ended 30.06.2009	:	July 30, 2009
for the quarter ended 30.09.2009	:	end of October, 2009
for the quarter ended 31.12.2009	:	end of January, 2010
for the quarter ended 31.03.2010	:	end of April, 2010

**E. Dates of Book Closure**

The Company will close its register of members and share transfer books from 24.09.2009 to 30.09.2009 (both days inclusive) for the purpose of Annual General Meeting.

**F. Dividend**

The Board recommends no dividend for the year.

**G. Listing :** The Securities of the Company are listed on the following Stock Exchanges

Stock Exchange	Stock Code
Delhi Stock Exchange Limited	05068
Bombay Stock Exchange Limited	511716
Ahemdabad Stock Exchange Limited	16412/ESCORTSFIN

Demat ISIN no. in NSDL & CDSL	INE359A01012
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The listing fee for the year 2009-2010 have been paid to the respective Stock Exchanges except to the **Delhi Stock Exchange Limited and Ahemdabad Stock Exchange Limited with whom the Company has made an application for Delisting of Securities.**

**H. Registrar & Share Transfer Agent**

In terms of SEBI circular dated 27.12.2002, the share transfer work in both physical as well as electronic modes was entrusted to and carried on by Alankit Assignments Ltd., Category I Registrar and Share Transfer Agents with their office at Alankit House, 2E/21, Jhandewalan Extension, New Delhi 110 055.



## I. Share Transfer System

The Company has appointed Alankit Assignments Ltd. as Share Transfer Agents and all work relating to share transfers is executed by them. Requests from shareholders holding shares in physical form, received by the Company and Share Transfer Agents are processed by Registrar and Share Transfer Agents and subject to all documents being in order are put up for approval to the Share Transfer Committee.

## J. Market price data

Monthly high and low prices of Company's Shares at BSE during each month between April 01, 2008 to March 31, 2009 are given in the table below: -

Month	High		Low	
	BSE Sensex	Share price (in Rs.)	BSE Sensex	Share price (in Rs.)
April 2008	17480.74	9.74	15297.96	6.55
May 2008	17735.70	9.71	16196.02	7.24
June 2008	16632.72	8.08	13405.54	5.75
July 2008	15130.09	6.50	12514.02	4.97
August 2008	15579.78	7.50	14002.43	5.71
September 2008	15107.01	6.80	12153.55	4.64
October 2008	13203.86	5.38	7697.39	2.37
November 2008	10945.41	3.15	8316.39	2.53
December 2008	10188.54	3.68	8467.43	2.49
January 2009	10469.72	3.90	8631.60	2.76
February 2009	9724.87	3.36	8619.22	2.66
March 2009	10127.09	3.51	8047.17	2.42

## K. Distribution of share holding as on 31.03.2009: -

### a) On the basis of shares held:

No. of shares	No. of share-holders	% to total share-holders	No. of shares held	% to total shares held
Upto 100	22776	82.387	1973601	4.903
101 to 500	3620	13.095	1081847	2.688
501 to 1000	727	2.630	621072	1.543
1001 to 5000	436	1.577	970643	2.412
5001 to 10000	49	0.177	368298	0.915
10001 to 20000	19	0.069	252881	0.628
20001 to 30000	3	0.011	80446	0.200
30001 to 40000	0	0.000	0	0.000
40001 to 50000	2	0.007	90987	0.226
50001 to 100000	2	0.007	123755	0.307
100001 to 500000	1	0.004	360282	0.895
500001 and above	10	0.036	34326188	85.282
<b>TOTAL</b>	<b>27645</b>	<b>100</b>	<b>40250000</b>	<b>100</b>

### b) On the basis of category

Category	No. of Share-holders	No. of Shares held	%
<b>Promoter &amp; Promoter Group</b>			
a) Indian			
b) Foreign	16 NIL	30154500 NIL	74.918 NIL
<b>Public Shareholding</b>			
Institutions :			
a) Mutual Funds & UTI	1	200	0.00
b) Banks / FIIs	2	962200	2.391
c) FIIs / VCs etc.	NIL	NIL	NIL
<b>Non Institutions :</b>			
a) Private Bodies Corporate	229	3984856	9.9
b) Indian Public	27380	5128391	12.741
c) NRIs / OCBs etc.	16	19853	0.049
<b>TOTAL</b>	<b>27645</b>	<b>40250000</b>	<b>100</b>





**L. Dematerialisation of Shares**

The Equity shares of the Company are compulsorily traded and settled only in demat mode. As on 31.03.2009, approximately 85.66% of the shares of the company are held in demat form.

**M. Outstanding GDRs/ADRs/Warrants etc.**

The Company has not issued any GDRs/ADRs/Warrants.

**N. Plant Location**

The Company is not a Manufacturing Company, therefore, there is no plant.

**O. Address for correspondence**

The Company Secretary,  
Escorts Finance Limited,  
N-6, Pratap Building, Connaught Circus,  
New Delhi- 110 001  
Tel: (011) 43528616 Fax:(011) 43598478

**P. Registrar and Share Transfer Agents**

Alankit Assignments Limited,  
Alankit House, 2E/21,  
Jhandewalan Extension, New Delhi - 110 055  
Tel.: 23541234, 42541234, Fax: 42541967  
E-mail: rta@alankit.com

**XI. CEO/CFO CERTIFICATION**

The Manager and the Chief Financial Officer of the Company give certification on financial reporting and internal controls to the Board in terms of Clause 49 of the Listing Agreement.

**On behalf of the Board**

**Place: Faridabad  
Date: 29<sup>th</sup> June, 2009**

**Sd/  
Inder Mohan Sakhua  
Chairman**

**AUDITORS' CERTIFICATE REGARDING COMPLIANCE WITH THE CONDITIONS OF CORPORATE GOVERNANCE UNDER CLAUSE 49 OF THE LISTING AGREEMENT.**

To the Members of  
**Escorts Finance Limited,**

We have examined the compliance of the conditions of Corporate Governance by Escorts Finance Limited ("The Company") for the year ended 31<sup>st</sup> March, 2009 as stipulated in Clause 49 of the Listing Agreement of the company with Stock Exchanges in India.

The compliance of conditions of Corporate Governance is the responsibility of the management. Our examination was limited to the procedures and implementation thereof, adopted by the company for ensuring the compliance of the conditions of Corporate Governance. It is neither an audit nor an expression of the opinion on financial statements of the company.

In our opinion and to the best of our information and according to explanations given to us and the representation made by the Management, we certify that the Company has complied with the conditions of Corporate Governance as stipulated in the above-mentioned clause of the Listing Agreement.

We further state that such compliance is neither an assurance as to the future viability of the Company nor the efficiency or effectiveness with which management has conducted the affairs of the Company.

**For N.M. Raiji & Co.**  
Chartered Accountants

**Place: New Delhi  
Date: 29<sup>th</sup> June, 2009**

**Sd/  
S.N. Shivakumar  
Partner  
M.No. 88113**

## AUDITOR'S REPORT



To the members of  
**ESCORTS FINANCE LIMITED**

1. We have audited the attached Balance Sheet of Escorts Finance Limited, as at March 31, 2009 and also the Profit and Loss Account and the Cash Flow Statement for the year ended on that date annexed thereto. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We conducted our audit in accordance with auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material mis-statement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. As required by the Companies (Auditor's Report) Order, 2003 (as amended) issued by the Central Government of India in terms of sub-section (4A) of section 227 of the Companies Act, 1956, we enclose in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said Order.
4. **Attention is invited to:**
  - (i) **Note 3b of Schedule 15 Part B, regarding non-maintenance of investments in Government Securities as liquid assets in terms of Section 45-B(1) of Reserve Bank of India Act, 1934;**
  - (ii) **Note 4 of Schedule 15 Part B, regarding non-maintenance of minimum Capital Adequacy Ratio required to be maintained in terms of Non-Banking Financial Companies requirements;**
  - (iii) **Note 6 of Schedule 15 Part B, regarding the Company's credit rating;**
  - (iv) **Note 8 of Schedule 15 Part B regarding non-provision of interest for overdue period on matured unpaid fixed deposits;**
  - (v) **Note 15 of Schedule 15 Part B regarding reconciliation of advance tax/ provision/TDS.**
5. Further to our comments in the Annexure referred to in paragraph 3 above, we report that:
  - (i) we have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purposes of our audit,
  - (ii) in our opinion, proper books of account as required by law have been kept by the Company so far as appears from our examination of those books,
  - (iii) the Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report are in agreement with the books of accounts,
  - (iv) in our opinion, the Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report comply with the accounting standards referred to in sub-section (3C) of Section 211 of the Companies Act, 1956.
  - (v) on the basis of written representations received from the directors as on March 31, 2009 and taken on record by the Board of Directors, we report that none of the directors is disqualified from being a Director in this Company. However, the Directors of the Company are disqualified from being appointed as Director in other companies in terms of Clause (g) of sub-section (1) of Section 274 of the Companies Act, 1956 and
  - (vi) **subject to our observations in paragraph 4(iv) and 4(v) above**, in our opinion and to the best of our information and according to the explanations given to us, the said accounts give the information required by the Companies Act, 1956, in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:
    - (a) in the case of the Balance Sheet, of the state of affairs of the Company as at 31<sup>st</sup> March, 2009,
    - (b) in the case of the Profit and Loss Account, of the Loss for the year ended on that date, and
    - (c) in the case of the Cash Flow Statement, of the cash flows for the year ended on that date.

For **N.M. Raiji & Co.**,  
Chartered Accountants

**S. N. Shivakumar**  
Partner

M.No. 88113

Place: Faridabad  
Date: 29<sup>th</sup> June, 2009



**ANNEXURE TO THE AUDITOR'S REPORT OF EVEN DATE TO THE MEMBERS OF ESCORTS FINANCE LIMITED**

1. (a) The Company **needs to update** its fixed assets register to show full particulars, including quantitative details and the situation of its fixed assets;
- (b) Fixed assets **have not been physically verified** by the management during the year;
- (c) The assets disposed off during the year were not material and do not affect the going concern assumption;
2. In view of the nature of the operations of the Company, the Company does not hold any inventory other than stock of repossessed assets, which have been verified by the management during the year. Provision has been made in respect of discrepancies/ diminution in the value of such stock as at the year end;
3. (a) During the year, the Company has not granted any loans, secured or unsecured, to Companies, firms or parties covered in the register maintained under Section 301 of the Companies Act, 1956. In view of the above, clause 4(iii) (b), (c) and (d) of the Order are not applicable to the Company;
- (b) During the year, the Company has not taken any loans, secured or unsecured, from companies, firms or parties covered in the register maintained under Section 301 of the Companies Act, 1956. In view of the above, clause 4(iii) (f) and (g) of the Order are not applicable to the Company;
4. In our opinion and according to the information and explanations provided to us there are adequate internal control procedures commensurate with the size of the Company and the nature of its business with regard to purchase of fixed assets. In our opinion, **internal controls need to be strengthened in relation to other areas.**
5. In our opinion and according to the information and explanations given to us, there are no contracts or arrangements that need to be entered in the register required to be maintained under Section 301 of Companies Act, 1956. Accordingly clause (v)(a) of the Order is not applicable to the Company;
6. In respect of deposits accepted, in our opinion and according to the information and explanation given to us, the directives issued by Reserve Bank of India and the provisions of Section 58A, 58AA or any other relevant provisions of the Companies Act, 1956 **the Company has not complied with the said norms in relation to repayment of deposits on their respective maturity dates and interest thereon.** We are informed by the management that a scheme of compromise and arrangement has been filed with the Hon'ble Delhi High Court, where the matter is sub-judice. As per the interim order of the Court, partial repayments have been made to certain depositors in hardship cases determined by independent committee set up by the Court. The Scheme is pending final approval of the Hon'ble Delhi High Court. No order has been passed by the Company Law Board or National Company Law Tribunal or Reserve Bank of India or any Court or any other Tribunal;
7. **The internal audit system of the Company, in our opinion, needs to be strengthened;**
8. In view of nature of business of the Company, the maintenance of cost records under clause (d) of sub-section (1) of Section 209 of the Companies Act, 1956 has not been prescribed by the Central Government;
9. (a) According to the records, information and explanations provided to us, the Company is generally regular in depositing with appropriate authorities undisputed amount of provident fund, investor education protection fund, employee's state insurance, income-tax, sales-tax, wealth-tax, service tax, customs duty, excise duty, cess and other statutory dues applicable to it and no undisputed amounts payable were outstanding as at 31<sup>st</sup> March, 2009 for a period of more than six months from the date they became payable;

**SCHEDULE TO THE BALANCE SHEET OF A NON-BANKING FINANCIAL COMPANY**

- (b) The following are the details of disputed Income Tax and Sales Tax that have not been paid to the concerned authorities:

	Nature of Statutory Dues	Forum where Dispute is Pending	Unpaid Amount (in Rs. Lacs)
1	Income Tax	CIT (Appeals)	295.83
2	Sales Tax	AC, Anti Evasion, Jaipur AC Appeal, Kolkata DC Appeal, Noida	12.43 2.26 0.67

10. The Company has accumulated losses at the end of the financial year and also has incurred losses during the year. ***The net worth of the Company continues to stand fully eroded as at the end of the financial year;***
11. Based on our audit procedures and as per the information and explanations given by the management, the Company has not defaulted in repayment of dues to any financial institution or bank;
12. Based on our examination and according to the information and explanations given to us, the Company has not granted loans and advances on the basis of security by way of pledge of shares, debentures and other securities;
13. As explained to us, the provisions of any special statute applicable to Chit Fund, Nidhi or Mutual Benefit Fund/ Societies are not applicable to the Company;
14. The Company is not dealing or trading in shares, securities, debentures and other investments;
15. On the basis of the information and explanations given to us the Company has not given any guarantee for loans taken by others from bank or financial institutions;
16. Based on information and explanations given to us by the management, there were no term loans that were taken during the year;
17. On the basis of our examination of the books of accounts and as per information and explanations given to us, in our opinion, the funds raised on short-term basis have not been used for long-term investment;
18. During the year, the Company has not made any preferential allotment of shares to parties and companies covered in the Register maintained under Section 301 of the Act;
19. The Company did not have any outstanding debentures during the year;
20. The Company has not raised any money by public issues during the year;
21. During the course of our examination of the books and records of the Company, carried out in accordance with the generally accepted auditing practices in India and according to the information and explanation given to us, we have neither come across any instance of fraud on or by the Company noticed or reported during the year, nor have we been informed of such case by the management.

For **N.M. Raiji & Co.**  
Chartered Accountants

Place: Faridabad  
Date: 29<sup>th</sup> June, 2009

**S. N. Shivakumar**  
Partner  
M.No. 88113

# BALANCE SHEET AS AT 31ST MARCH 2009



				Rs. in Lacs	
		SCHEDULE		As at	As at
				31.3.2009	31.3.2008
<b>SOURCES OF FUNDS</b>					
<b>Shareholder's Funds</b>					
Share Capital	1	4,967.25		4,967.25	
Reserves and Surplus	2	3,756.30		3,756.30	
			8,723.55		8,723.55
<b>Loan Funds</b>					
Secured Loans	3	52.66		58.44	
Unsecured Loans	4	12,812.40		13,625.61	
			12,865.06		13,684.05
<b>TOTAL</b>			<b>21,588.61</b>		<b>22,407.60</b>
<b>APPLICATION OF FUNDS</b>					
<b>Fixed Assets</b>					
Gross Block	5	1,999.54		2,000.04	
Less : Depreciation		1,623.93		1,608.29	
Net Block			375.61		391.75
<b>Investments</b>					
	6		338.02		392.47
<b>Current Assets, Loans &amp; Advances</b>					
Current Assets		176.82		505.62	
Loans & Advances		442.73		820.04	
		<u>619.55</u>		<u>1,325.66</u>	
<b>LESS:</b>					
<b>Current Liabilities &amp; Provisions</b>					
Current Liabilities	8	4,735.25		4,363.70	
Provisions		7.86		23.73	
		<u>4,743.11</u>		<u>4,387.43</u>	
<b>Net Current Assets</b>			(4,123.56)		(3,061.77)
<b>Profit &amp; Loss Account (Dr Balance)</b>			24,998.54		24,685.15
<b>TOTAL</b>			<b>21,588.61</b>		<b>22,407.60</b>

Significant Accounting policies and Notes to the accounts 15

The Schedules referred to above form an integral part of the Balance Sheet

**As per our report attached**  
**For N.M. Rajji & Co**  
 Chartered Accountants

**For and on Behalf of the Board of Directors**

**S.N. Shivakumar**  
**Partner**  
**M.No. 88113**

Sd/  
 Manager  
 P.K. Marwah

Sd/  
 Director  
 Pritam  
 Narang

Sd/  
 Chairman  
 Inder Mohan  
 Sakhuja

**Place: Faridabad**  
**Date: 29<sup>th</sup> June, 2009**

**PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH 2009**



		Rs. in Lacs	
	SCHEDULE	Year ended 31.3.2009	Year ended 31.3.2008
<b>INCOME</b>			
Income from Financing Operations	9	79.90	138.93
Other Income	10	177.16	152.43
Liability no longer required written back		164.74	-
<b>Total Income</b>		<b>421.80</b>	<b>291.36</b>
<b>EXPENDITURE</b>			
Personnel	11	64.12	138.81
Operating and Administration	12	188.78	269.17
Interest and Finance Charges (Net)	13	29.57	32.87
Loss on Sale Of Repossed Stock		47.34	73.27
Depreciation		15.81	39.80
<b>Total Expenditure</b>		<b>345.62</b>	<b>553.92</b>
<b>PROFIT/(LOSS) FOR THE YEAR BEFORE PROVISIONS/ WRITE OFF</b>		<b>76.18</b>	<b>(262.56)</b>
Provisions./Income reversals (Net)	14	407.96	(286.00)
Bad debts written off		(957.67)	(358.16)
Provision no longer required written back		162.50	2,294.40
<b>PROFIT /(LOSS) BEFORE TAX</b>		<b>(311.03)</b>	<b>1,387.68</b>
Fringe Benefit Tax		(2.36)	(7.16)
<b>PROFIT/(LOSS) AFTER TAX</b>		<b>(313.39)</b>	<b>1,380.52</b>
Transfer to Special Reserve		-	277.00
Balance brought forward		(24,685.15)	(25,788.67)
<b>BALANCE CARRIED TO BALANCE SHEET</b>		<b>(24,998.54)</b>	<b>(24,685.15)</b>

Significant Accounting policies and Notes to the accounts

15

The Schedules referred to above form an integral part of the Profit & Loss Account

**As per our report attached  
For N.M. Raiji & Co**  
Chartered Accountants

**For and on Behalf of the Board of Directors**

**S.N. Shivakumar**  
**Partner**  
**M.No. 88113**

Sd/  
Manager  
P.K. Marwah

Sd/  
Director  
Pritam  
Narang

Sd/  
Chairman  
Inder Mohan  
Sakhuja

**Place: Faridabad**  
**Date: 29<sup>th</sup> June, 2009**

# SCHEDULE TO THE ACCOUNTS



Rs. in Lacs

## SCHEDULE 1: SHARE CAPITAL

	As at 31.03.2009	As at 31.03.2008
<b>Authorised :</b>		
4,05,00,000 Equity Shares of Rs 10/- each	4,050.00	4,050.00
95,00,000 10% Redeemable Cumulative Preference Shares of Rs 10/- each	950.00	950.00
	<u>5,000.00</u>	<u>5,000.00</u>
<b>Issued, Subscribed &amp; paid up :</b>		
4,02,50,000 Equity Shares of Rs 10/- each	4,025.00	4,025.00
Less : Allotment Money in arrears		
- From Directors :	-	-
- From Others :	<u>7.75</u>	<u>7.75</u>
	4,017.25	4,017.25
95,00,000 10% Redeemable Cumulative Preference Shares of Rs 10/- each*	950.00	950.00
*Date of Redemption : June 28, 2009		
<b>TOTAL</b>	<b>4,967.25</b>	<b>4,967.25</b>

## SCHEDULE 2: RESERVES AND SURPLUS

	As at 31.03.2008	Additions	Deductions	As at 31.03.2009
Securities Premium Account	2,643.83 (2,643.83)	-	-	2,643.83 (2,643.83)
Special Reserve	1,081.01 (804.01)	- (277.00)	-	1,081.01 (1,081.01)
General Reserve	31.46 (31.46)	-	-	31.46 (31.46)
<b>TOTAL</b>	<b>3,756.30</b>	-	-	<b>3,756.30</b>
<b>Previous Year</b>	<b>(3,479.30)</b>	<b>(277.00)</b>	-	<b>(3,756.30)</b>

## SCHEDULE 3: SECURED LOANS

	As at 31.03.2009	As at 31.03.2008
HDFC Loan *	52.66	58.44
<b>TOTAL</b>	<b>52.66</b>	<b>58.44</b>

\* Secured partly by way of deposit of title deeds

## SCHEDULE 4: UNSECURED LOANS

	As at 31.03.2009	As at 31.03.2008
Fixed Deposits		
-un-matured	-	275.82
-matured (unpaid/unclaimed)	12,812.40	13,349.79
<b>TOTAL</b>	<b>12,812.40</b>	<b>13,625.61</b>

# SCHEDULE TO THE ACCOUNTS CONTD.....



Rs. in Lacs

## SCHEDULE 5 : FIXED ASSETS

PARTICULARS	GROSS BLOCK				DEPRECIATION			NET BLOCK		
	As at 01.04.08	Additions	Deductions/ Adjustments	As at 31.03.09	As at 01.04.08	For the Year	Adjustments	As at 31.03.09	As at 31.03.08	
Building*	32.21	-	-	32.21	30.60	-	-	30.60	1.61	1.61
Plant and Machinery	984.24	-	-	984.24	679.26	-	-	679.26	304.98	304.98
Furniture and Fixtures	250.35	-	0.67**	249.68	220.96	5.26	0.17	220.05	23.63	29.39
Office Equipment	708.25	0.17	-	708.42	657.30	9.30	-	666.60	41.82	50.95
Motor Vehicle	24.99	-	-	24.99	20.17	1.25	-	21.42	3.57	4.82
<b>Total</b>	<b>2000.04</b>	<b>0.17</b>	<b>0.67</b>	<b>1999.54</b>	<b>1608.29</b>	<b>15.81</b>	<b>0.17</b>	<b>1623.93</b>	<b>375.61</b>	<b>391.75</b>
<b>Previous Year</b>	<b>2000.82</b>	<b>2.18</b>	<b>2.96</b>	<b>2000.04</b>	<b>1569.53</b>	<b>39.80</b>	<b>1.04</b>	<b>1608.29</b>	<b>391.75</b>	

\* Represents lease hold improvements.

\*\* Deletion represents assets provided as hard furnishing adjusted on employees full & final settlement.

## SCHEDULE 6: INVESTMENTS

### LONG TERM INVESTMENT

#### QUOTED (NON TRADE)

	Face Value		As at 31.03.2009	As at 31.03.2008
	(Current Year) Rs/Lacs	(Previous Year) Rs/Lacs		
<b>Investments in Govt/Trust Securities</b>				
11.5% Industrial Credit and Investment Corporation of India Limited - 2010	5.00	5.00	4.71	4.71
11.5% Govt of India - 2010	300.00	300.00	311.25	311.25
Stock Holding Corporation of India (balance)			0.04	0.04
<b>Others</b>				
9,600 units - UTI Mastergain-92 (Previous year: 9,600 units)			1.25	1.25
96 Unit Trust of India-64 Bonds (Previous year: 96 Bonds)			-	0.19
16,000 Equity shares of Rs.10/- each Tamilnadu Newsprint & Paper Limited (Previous year: 16,000 Equity shares)			19.60	19.60
			<b>336.85</b>	<b>337.04</b>
Less : Provision for diminution in value of Investments			-	-
			<b>336.85</b>	<b>337.04</b>

### CURRENT INVESTMENTS

#### QUOTED

##### Trade Investment

	Face Value		As at 31.03.2009	As at 31.03.2008
	(Current Year) Rs/Lacs	(Previous Year) Rs/Lacs		
Treasury Bills (91 days)	-	25.00	-	24.60
Treasury Bills (91 days)	-	30.00	-	29.66
9700 Equity Shares of Rs. 10/- each of UCO Bank (Previous Year 9700 Equity Shares)			1.16	1.16
			<b>1.16</b>	<b>55.42</b>

#### UNQUOTED

##### Non Trade Investment

100 Equity Shares of Rs.10/- each of ESCORTS INVESTMENT TRUST LIMITED (Previous Year 100 Equity Shares)			0.01	0.01
			<b>0.01</b>	<b>0.01</b>

##### Trade Investment

190,000 Equity Shares of Rs.10/- each of ESCORT CONSUMER CREDIT LIMITED Previous year:190,000 Equity Shares (formerly EICHER SPAN FINANCIAL SERVICES LIMITED)			0.02	0.02
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92,485 Equity Shares of Rs.10/- each of G R SOLVENTS & ALLIED INDUSTRIES LIMITED (Previous year:92,485 Equity Shares )			7.40	7.40
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Nil Equity Shares of Rs.10/-each of EXCEL TEKNIKA LIMITED (Previous year:350,000 Equity Shares )			-	35.00
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Less : Provision for diminution in value of Trade Investments			7.42	42.42
			-	-
			<b>1.17</b>	<b>55.43</b>

**TOTAL** **338.02** **392.47**

AGGREGATE AMOUNT OF QUOTED INVESTMENTS			338.01	392.46
AGGREGATE AMOUNT OF UNQUOTED INVESTMENTS			0.01	0.01
			<b>338.02</b>	<b>392.47</b>

(Total Market Value of Quoted Investments: Rs.328.75 lacs; Previous Year: Rs.391.22 lacs)



**SCHEDULE TO THE ACCOUNTS CONTD.....**

Rs. in Lacs

**SCHEDULE 7: CURRENT ASSETS, LOANS AND ADVANCES**

	As at 31.03.2009	As at 31.03.2008
<b>Current Assets</b>		
Stock on Hire under Hire Purchase Agreements Net of unmatured finance charges Rs 4.08 lacs (Previous Year Rs. 43.15 lacs)	43.05	268.27
Stock of Repossessed Assets ( Taken at book value or net realisable value whichever is lower)	5.61	25.97
Sundry Debtors ( Unsecured )		
A) Debts outstanding for a period exceeding six months		
Considered good	13.23	63.84
Considered doubtful	<u>20,747.25</u>	<u>21,277.65</u>
	20,760.48	21,341.48
Less : Provision for Doubtful Debts	<u>20,747.25</u>	<u>21,277.65</u>
	13.23	63.84
B) Other Debts	<u>18.92</u>	<u>16.20</u>
	32.15	80.04
Cash & Bank Balances :		
a) Cash in Hand	3.73	1.00
b) Balances with Scheduled Banks		
in current accounts	14.40	37.49
In Fixed Deposit accounts	65.25	73.51
Interest Accrued on Investments and Deposits	12.63	19.34
	<b>(A) 176.82</b>	<b>505.62</b>
<b>Loans &amp; Advances</b>		
(Unsecured considered good unless otherwise specified)		
Housing Loans to staff	0.35	5.11
Advance Tax ( Net of Provisions)	403.61	399.50
Advances Recoverable in cash or in kind or for value to be received		
Unsecured - Considered Good	38.77	415.43
- Considered Doubtful	<u>1,834.01</u>	<u>1,815.53</u>
	1,872.78	2,230.96
Less : Provision for Doubtful Advances	<u>1,834.01</u>	<u>1,815.53</u>
	38.77	415.43
	<b>(B) 442.73</b>	<b>820.04</b>
<b>TOTAL ( A+B )</b>	<b>619.55</b>	<b>1,325.66</b>
<b><u>SCHEDULE 8: CURRENT LIABILITIES AND PROVISIONS</u></b>		
<b>Current Liabilities</b>		
Other Liabilities	2,292.66	1,779.52
Interest accrued on deposits	2,435.52	2,547.99
Security Deposits	<u>7.07</u>	<u>36.19</u>
	<b>(A) 4,735.25</b>	<b>4,363.70</b>
<b>Provisions</b>		
Gratuity	5.40	8.46
Leave encashment	<u>2.46</u>	<u>15.27</u>
	<b>(B) 7.86</b>	<b>23.73</b>
<b>TOTAL ( A+B )</b>	<b>4,743.11</b>	<b>4,387.43</b>

**SCHEDULE TO THE ACCOUNTS CONTD.....**

	Year ended 31.03.2009	Rs. in Lacs Year ended 31.03.2008
<b><u>SCHEDULE 9 : INCOME FROM FINANCING OPERATIONS</u></b>		
Finance Charges	79.90	138.93
<b>TOTAL</b>	<b>79.90</b>	<b>138.93</b>
<b><u>SCHEDULE 10 OTHER INCOME</u></b>		
Profit on Sale of Investments	-	8.25
Bad debts recovered	170.23	118.29
Miscellaneous Income	6.93	25.89
<b>TOTAL</b>	<b>177.16</b>	<b>152.43</b>
<b><u>SCHEDULE 11 PERSONNEL</u></b>		
Salaries, Allowances and Leave encashment etc.	54.19	124.67
Contribution to Provident Fund and other funds	4.03	3.42
Staff Welfare expenses	4.52	8.46
Data Entry Charges	1.36	2.06
Recruitment & Training expenses	0.02	0.20
<b>TOTAL</b>	<b>64.12</b>	<b>138.81</b>
<b><u>SCHEDULE 12 : OPERATING &amp; ADMINISTRATION EXPENSES</u></b>		
Rent ,Rates & Taxes	3.89	10.33
Electricity and Water Charges	2.82	3.93
Legal and Professional Charges	112.80	158.84
Repairs and maintenance	4.15	16.88
Printing and Stationery	1.31	1.97
Travelling and conveyance	14.08	37.64
Insurance	1.30	2.71
Advertisement and Publicity	0.82	1.66
Postage ,Telex and Telephones	6.20	12.12
Payment to Auditors		
a) Audit Fees	1.33	1.12
b) Certification fees	-	-
Director's sitting fees	1.06	0.82
Loss on sale of Investments	25.09	1.08
Rebate	1.86	1.51
Other expenses	12.07	18.56
<b>TOTAL</b>	<b>188.78</b>	<b>269.17</b>
<b><u>SCHEDULE 13 : INTEREST AND FINANCE CHARGES (NET)</u></b>		
<b>Interest</b>		
On term Loans	-	38.70
On Other Loans	108.71	103.52
Finance Charges	0.87	(0.20)
	109.58	142.02
<b>Less Interest Income</b>		
Long Term Investment ( other than Trade)	39.93	38.00
Others	40.08	71.15
	80.01	109.15
<b>TOTAL</b>	<b>29.57</b>	<b>32.87</b>
<b><u>SCHEDULE 14 : Provision / Income reversals</u></b>		
Provision for doubtful debts as per RBI norms	(271.07)	201.37
Provision for Diminution in value of Repossessed Stock	(42.89)	15.94
Income reversals of previous year(s) as per RBI norms	(94.00)	68.69
<b>TOTAL</b>	<b>(407.96)</b>	<b>286.00</b>

**SCHEDULE 15 : SIGNIFICANT ACCOUNTING POLICIES AND NOTES FORMING PART OF THE ACCOUNTS****A. SIGNIFICANT ACCOUNTING POLICIES:**

1. The financial statements have been prepared under the historical cost convention in accordance with the generally accepted accounting principles and in conformity with the accounting standards issued by the Institute of Chartered Accountants of India (ICAI) & the applicable provisions of the Companies Act, 1956, and Regulatory Authorities. The Company adopts accrual system of accounting unless otherwise stated.

**2. Fixed Assets**

Fixed Assets are stated at cost less accumulated depreciation.

**3. Inventories**

Repossessed assets are valued at the year-end at lower of book value or net realizable value.

**4. Depreciation**

The Company has provided depreciation on Written Down Value Method as per the rates prescribed under Schedule XIV to the Companies Act, 1956. Assets of the value of Rs.5000/- or below, where identifiable, are fully charged off in the year of purchase.

**5. Investments**

Investments are classified between long term and current categories in accordance with the guidelines stipulated by the Reserve Bank of India and as per the Accounting Standard issued by the Institute of Chartered Accountants of India.

Long Term investments are stated at cost. Provision for diminution in the value of investment, if any, is made if the decline in value is of permanent nature.

Current Investments, other than unquoted, are valued at lower of cost or market value. Unquoted current investments are valued at cost or at break up values determined from the last available Balance Sheets of the investee companies or at one rupee only, where the balance sheet is not available for previous two years.

**6. Revenue Recognition**

(a) Income is recognized on accrual basis except income related to non-performing assets, which is accounted on cash basis in accordance with prudential norms of Reserve Bank of India.

(b) The Company has adopted Implicit Rate of Return (IRR) method of accounting in respect of finance charges income for hire purchase/loan transactions. As per this method, the IRR involved in each hire purchase/loan transaction is recognized and finance charges calculated by applying the same on outstanding principal financed thereby establishing equitable distribution of income over the period of the agreement.

(c) Interest on overdue installments is accounted for on receipt basis.

**7. Employees Benefits****(a) Defined Contribution Plan**

Employees benefits in the form of Provident Fund are considered as defined contribution plan and the contributions are charged to the Profit and Loss Account of the Year when the contribution to the respective funds are due.

**(b) Defined Benefits Plan**

Retirement benefits in the form of Gratuity is considered as defined obligations and are provided for on the basis of an actuarial valuation, using the projected unit credit method, as at the date of the Balance Sheet.

**(c) Other Long Term Benefits**

Long term compensated absences are provided for on the basis of an actuarial valuation, using the projected unit credit method, as at the date of the Balance Sheet.

Actuarial gain/losses, if any, are immediately recognized in the Profit and Loss Account.

**8. Taxes on Income**

Tax expenses comprises of current tax expense and deferred taxes. Current tax is measured at the amount expected to be paid to the taxation authorities using the applicable tax rates and tax laws. Deferred tax assets and liabilities are measured using the tax rates and tax laws that have been enacted or substantially enacted till



the balance sheet date. Tax effect of the timing difference of the current period is included in the profit & loss account as a part of the tax expense and as deferred tax liability in the Balance Sheet.

**B. NOTES FORMING PART OF THE ACCOUNTS**

1. Estimated amounts of contracts remaining to be executed on capital account (Net of advances) Rs. Nil (Previous period Rs. Nil)
2. **Contingent Liabilities:**

	<b>Particulars</b>	<b>As at 31.03.09 (Rs. lacs)</b>	<b>As at 31.03.08 (Rs. lacs)</b>
a)	Income tax/ surtax demands against the Company not acknowledged as debts and not provided for in respect of which the Company is in appeal before the Tribunal/ Commissioner (Appeals), excluding for those matters where a favorable order is available for earlier years.	295.83	295.83
b)	Sales tax demands against the Company not acknowledged as debt and not provided for in respect of which the Company is in appeal.	15.41	15.36
c)	Estimated Liability on account of probable delinquencies on portfolios securitised.	-	1.45
d)	Guarantees given by the Company (Margin Money Deposit Rs. 7.67)	7.67	7.67

3. (a) Investments in Government Securities & Treasury Bills Rs.311.25 lacs (Previous Year Rs.371.90 lacs) and Fixed Deposits with Bank Rs. 57.48 lacs (Previous year Rs. Nil) are held in pursuance of Rule 12 of Non-Banking Financial Companies (Reserve Bank) Directions, 1998.
- (b) Due to continued financial constraints, the Company has not been able to maintain investments in Government Securities as liquid assets in terms of Section 45-B(I) of Reserve Bank of India Act, 1934.
4. As at the year ended 31<sup>st</sup> March 2009, the Company has not maintained the minimum Capital Adequacy Ratio that is required to be maintained in terms of the Non-Banking Financial Companies Requirements.
5. As per the provisions of the Reserve Bank Of India, (Amendment) Ordinance, 1997 No.2, the Company is required to create a 'Special Reserve' equivalent to a minimum of 20% of the net profit after tax. In the absence of profit for the year, the company has not created any Special Reserve.
6. The credit rating for the Fixed Deposits programme of the Company was revised in November, 2005 by CARE Limited to CARE (B) i.e. Susceptible to default. In view of the Scheme of Arrangement filed before the Hon'ble Delhi High Court, no rating has been sought thereafter.
7. **Employee Benefits:**

**(Rs. Lacs)**

<b>Particular</b>	<b>Gratuity</b>	<b>Leave Encashment</b>
<b>(a) Reconciliation of opening and closing balances of Defined Benefits Obligation</b>		
Defined benefit obligation at the beginning of the year	8.47	15.27
Current Service cost	0.67	0.44
Interest Cost	0.59	1.07
Actuarial (Gain)/Loss	0.15	(11.19)
Benefits Paid	(4.48)	(3.13)
Settlement Cost	-	-
<b>Defined benefit obligation at year end</b>	<b>5.40</b>	<b>2.46</b>



<b>(b)</b>	<b>Reconciliation of opening and closing balances of fair value of plan assets</b>		
	Fair value of plan assets at the beginning of the year	-	-
	Expected return on plan assets	-	-
	Actuarial Gain/(Loss)	-	-
	Employer Contribution	-	-
	Benefits Paid	-	-
	<b>Fair value of plan assets at year end</b>	-	-
<b>(c)</b>	<b>Reconciliation of fair value of assets &amp; obligations</b>		
	Fair value of plan assets as at 31 <sup>st</sup> March, 2009	-	-
	Present value of obligation as at 31 <sup>st</sup> March, 2009	5.40	2.46
	<b>Net assets/(liability) recognized in Balance Sheet</b>	<b>5.40</b>	<b>2.46</b>
<b>(d)</b>	<b>Expenses recognized during the year</b>		
	Current Service Cost	0.67	0.44
	Interest Cost	0.59	1.07
	Expected return on plan assets	-	-
	Actuarial (Gain)/Loss	0.15	(11.19)
	<b>Net Cost</b>	<b>1.41</b>	<b>(9.68)</b>

8. To bail out the Company from its financial constraints and to protect the interest of fixed deposit holders and secured creditors of the Company, a Scheme of Arrangement was filed before the Hon'ble Delhi High Court. As per directions of the Delhi High Court, the approval of fixed deposit holders and the secured creditors to the proposed scheme was obtained. The Scheme is pending final approval of the Hon'ble Delhi High Court. As per the interim order of the Court, partial repayments have been made to certain depositors in hardship cases determined by independent committee set-up by the Court, to whom 34,04,256 shares of Escorts Limited were made available for sale and disbursement among such cases. As at the year end an amount of Rs. 629.96 lacs was paid by Hardship Committee out of proceeds realized by sale/transfer of some shares to the identified deposits holders. The principal amount of fixed deposits and interest accrued thereon relating to identified hardship cases has been shown under 'Current Liabilities'. The interest for overdue period on matured unpaid fixed deposits shall be provided as and when the Scheme is approved.
9. The accounts of the Company have been prepared on going concern basis inspite of the continued full erosion of net worth. The management plans to expand the business activities in to non-funded and other financial services business once the Scheme of arrangement is approved by the Hon'ble Delhi High Court and implemented.
10. Due to of the continued financial constraints faced by the Company, there is considerable delay/ difficulty in collection of installments due and recovery of advances. Adequate provision has been made in all such cases.
11. Computation of Net Profits as per Section 349 read with Section 309(5) and Section 198 of the Companies Act, 1956 is not furnished for the current period, as no commission is payable to the Directors.
12. The Company is engaged primarily in the business of financing and accordingly there are no separate reportable segments as per the Accounting Standard 17 'Segmental Reporting'.
13. Related Party Disclosure as identified and certified by the management:  
 Related party disclosures as required under Accounting Standard 18 on "Related Party Disclosure" issued by the Institute of Chartered Accountants of India are given below:
- Joint Ventures and Associates: NIL.
  - Key Management Personnel  
 Mr. P.K. Marwah - Manager
  - Related Party Transactions: NIL.

**SCHEDULE TO THE ACCOUNTS CONTD.....**

- 14.** In view of uncertainty of future taxable profits, the Company has not recognized deferred tax Asset (net of deferred tax liabilities) at the year-end.
- 15.** The reconciliation of advance tax/ TDS recoverable with the related provision for taxation pertaining to earlier years is in progress. The impact, if any, arising out of such reconciliation is presently not ascertainable.

**16. Earning Per Share****I) Basic**

S. No.		As at 31.03.09	As at 31.03.08
1	Opening No. of shares	40172500	40172500
2	Total Shares outstanding	40172500	40172500
3	Profit/ (Loss) after tax (Rs. Lacs)	(313.39)	1380.52
4	Earning per Share (Rupees)	(0.78)	3.44

**II) Diluted:** None of the potential equity shares are dilutive.

- 17.** The figures in the Balance Sheet and Profit & Loss Account have been presented in Rupees Lacs and to the nearest thousand in terms of decimals. The approval of the Government of India for the same has been obtained under section 211(1) of the Companies Act, 1956.
- 18.** As per the information available, the Company does not owe any sum, as at balance-sheet date, to any small, micro and medium enterprises.
- 19.** In opinion of the Board, the current assets, loans and advances have a value, which if realized in the ordinary course of business, will not be less than the value stated in the Balance Sheet.
- 20.** Previous period's figures have been regrouped/ reclassified wherever necessary.

Signature to Schedule 1 to 15

**As per our report attached**

**For N. M. Raiji & Co.**

Chartered Accountants

**S.N. Shivakumar**

**Partner**

**M.No. 88113**

**For and on behalf of the Board of Directors**

Sd/  
Manager  
P.K. Marwah

Sd/  
Director  
Pritam  
Narang

Sd/  
Chairman  
Inder Mohan  
Sakhuja

**Place: Faridabad**

**Date: 29<sup>th</sup> June, 2009**

**CASH FLOW STATEMENT FOR THE YEAR ENDED 31.03.2009 IS AS UNDER**



	Year ended 31.03.2009	Rs. in Lacs Year ended 31.03.2008
<b>A. Cash flow from Operating Activities</b>		
Net Profit/(Loss) before tax & Appropriations	(313.39)	1,380.52
Add : Financial Expenses	109.58	142.02
Depreciation as per profit & loss A/c.	15.81	39.80
Provision for bad debts & other NPAs	592.60	628.22
Provision for Diminution in value of repossessed stock	(42.89)	15.94
Provision for diminution in value of investments	-	-
Provision for Gratuity & Leave Encashment	(15.87)	(11.70)
(Profit)/Loss on Sale of Assets (Net)	0.35	(0.82)
(Profit)/Loss on investments (Net)	25.09	(7.17)
Interest/Dividend received from investment activities	(80.01)	(109.15)
Miscellaneous Expenditure Written-off	-	-
Excess Provision written back	(327.24)	(2,294.40)
<b>Operating Profit Before Working Capital Changes</b>	<b>(35.97)</b>	<b>(216.74)</b>
Adjustment for :		
(Increase)/Decrease in Net Stock on Hire	225.22	641.22
(Increase)/Decrease in Repossessed Stock	63.25	(24.86)
(Increase)/Decrease in Bills Purchased	-	-
(Increase)/Decrease in Trade Receivables	(382.21)	(338.57)
(Increase)/Decrease in Other Current Assets	384.02	(418.50)
Increase/(Decrease) in Current Liabilities & Provisions	565.37	2,799.56
Cash generated from operations	819.68	2,442.11
<b>Financial Expenses</b>	<b>109.58</b>	<b>142.02</b>
<b>Cash generated from operations</b>	<b>(A) 710.10</b>	<b>2,300.09</b>
<b>B. Cash flow from Investing Activities</b>		
Purchase of fixed assets	0.17	(2.18)
Sale of Fixed Assets	(0.15)	2.74
<b>(Increase)/Decrease in Investments</b>	<b>29.36</b>	<b>34.34</b>
<b>Interest /Dividend Received</b>	<b>80.01</b>	<b>109.15</b>
<b>Net Cash Flow in Investing Activities</b>	<b>(B) 109.39</b>	<b>144.05</b>
<b>C. Cash flow from Financing Operations</b>		
Increase/(Decrease) in Bank Borrowings & Term Loans	-	(2,088.00)
Increase/(Decrease) in Fixed Deposits (Net)	(813.21)	(304.30)
Increase/(Decrease) in Security Deposits (Net)	(29.12)	(26.48)
Increase/(Decrease) in other Loans (Net)	(5.78)	(5.34)
<b>Net Cash used from Financing Activities</b>	<b>(C) (848.11)</b>	<b>(2,424.12)</b>
<b>Net Increase in Cash and Cash Equivalents (A+B+C)</b>	<b>(28.62)</b>	<b>20.02</b>
<b>Cash &amp; Cash equivalents at the beginning of the year</b>	<b>112.00</b>	<b>91.98</b>
<b>Cash &amp; Cash equivalents at the end of the year</b>	<b>83.38</b>	<b>112.00</b>
<b>Notes : Figures in brackets represent cash outflows.</b>		

As per our report attached  
For N.M. Raiji & Co  
Chartered Accountants

For and on Behalf of the Board of Directors

S.N. Shivakumar  
Partner  
M.No. 88113

Sd/  
Manager  
P.K. Marwah

Sd/  
Director  
Pritam  
Narang

Sd/  
Chairman  
Inder Mohan  
Sakhuja

Place: Faridabad  
Date: 29<sup>th</sup> June, 2009

# SCHEDULE TO THE BALANCE SHEET OF A NON-BANKING FINANCIAL COMPANY



As required in terms of Paragraph 9BB of Non-Banking Financial Companies Prudential Norms (Reserve Bank) Directions, 1998

(Rs. in lacs)

Particulars				
<b>LIABILITIES SIDE:</b>				
(1)	<b>Loans and advances availed by the NBFCs inclusive of interest accrued there on but not paid:</b>	Amount Outstanding	Amount Overdue	
	(a)	Debentures : Secured	Nil	
		: Unsecured	Nil	
		(Other than falling within the Meaning of public deposits)*		
	(b)	Deferred Credits	Nil	
	(c)	Term Loans	Nil	
	(d)	Inter-corporate loans and borrowings	Nil	
	(e)	Commercial Paper	Nil	
	(f)	Public Deposit*	15,247.92	
	(g)	Other Loans WCDL, CC, LOC, etc	Nil	
		Security Deposit from Borrowers	7.07	
			Nil	
	* Please see Note 1 below			
	(2)	<b>Break-up of (1)(f) above (Outstanding public deposits inclusive of interest accrued there on but not paid):</b>		
		(a)	In the form of Unsecured debentures	Nil
(b)		In the form of partly secured debentures i.e. debentures where there is a shortfall in the value of security	Nil	
(c)		Other public deposits	15,247.92	
<b>ASSETS SIDE :</b>				
(3)	<b>Break-up of Loans and Advances including bills receivables other than those included in (4) below:</b>	Amount Outstanding		
	(a)	Secured	0.35	
	(b)	Unsecured	455.01#	
# Net of Bills Rediscounted of Rs. Nil lacs				
(4)	<b>Break-up of Leased Assets and stock on hire and hypothecation loans counting towards EL/HP activities:</b>			
	(i)	Lease assets including lease rentals under sundry debtors:		
	(a)	Financial Lease	Nil	
	(b)	Operating Lease	Nil	
	(ii)	Stock on hire including hire charges under sundry debtors:		
	(a)	Asset on hire	75.2#@	
	(b)	Repossessed Assets	5.61	
	(iii)	Hypothecation loans counting towards EL/HP activities:		
	(a)	Loans where assets have been repossessed	Nil	
	(b)	Loans other than (a) above	Nil	
	# Includes Loan cum Hypothecation Agreements. @ Net of provisions for Doubtful Debt.			
	(5)	<b>Break-up of Investments :</b>		
<b>Current Investments :</b>				
1		Quoted :		
(i)		Shares : (a) Equity	1.16	
		(b) Preference	Nil	
(ii)		Debentures and Bonds	Nil	
(iii)		Unit of mutual funds	Nil	
(iv)		Government Securities	Nil	
(v)		Other (Please specify)	Nil	
2		Unquoted :		
(i)		Shares : (a) Equity	0.01#	
		(b) Preference	Nil	
(ii)		Debentures and Bonds	Nil	
(iii)		Unit of mutual funds	Nil	

(iv)	Government Securities		Nil
(v)	Other (Please specify)		Nil
# Net of provisions			
<b>Long Term Investments</b>			
1	Quoted :		
(i)	Shares : (a) Equity	19.60	
	(b) Preference	Nil	
(ii)	Debentures and Bonds	Nil	
(iii)	Unit of mutual funds	1.25	
(iv)	Government Securities	316.00	
(v)	Other (Please specify)	Nil	
2	Unquoted :		
(i)	Shares : (a) Equity	Nil	
	(b) Preference	Nil	
(ii)	Debentures and Bonds	Nil	
(iii)	Unit of mutual funds	Nil	
(iv)	Government Securities	Nil	
(v)	Other (Please specify)	Nil	

**(6) Borrower group-wise classification of all leased assets, stock on hire and loans and advances:**  
Please see Note 2 below

Category	Amount net of provisions		
	Secured	Unsecured	Total
1 Related Parties**			
(a) Subsidiaries	Nil	Nil	Nil
(b) Companies in the same group	Nil	Nil	Nil
(c) Other related parties	Nil	Nil	Nil
2 Other than related parties	81.16	442.38	523.54
Total	81.16	442.38	523.54

\*\* As per Accounting Standard of ICAI (Please see Note 3)

**(7) Investor group-wise classification of all investments (current and long term) in shares and securities (both quoted and unquoted):**

Category	Market Value/ Book Value	
	Break-up or fair value or NAV	(net of Provisions)
Please see Note 3 below		
1 Related Parties**		
(a) Subsidiaries	Nil	Nil
(b) Companies in the same group	Nil	Nil
(c) Other related parties	Nil	Nil
2 Other than related parties	336.18	338.02
Total	336.18	338.02

\*\* As per Accounting Standard of ICAI (Please see Note 3)

**(8) Other Informations**

Particulars		
(i)	Gross Non-Performing Assets	
(a)	Related Parties	Nil
(b)	Other than related parties	381.56
(ii)	Net Non-Performing Assets	
(a)	Related Parties	Nil
(b)	Other than related parties	30.18
(iii)	Assets acquired in satisfaction of debt	197.44

**Notes :**

- 1 As defined in Paragraph 2(1)(xii) of Non-Banking Financial Companies Acceptance of Public Deposits (Reserve Bank) Directions, 1998.
- 2 Provisioning norms shall be applicable as prescribed in the Non-Banking Financial Companies Prudential Norms (Reserve Bank) Directions, 1998.
- 3 All Accounting Standards and Guidance Notes issued by ICAI are applicable including for valuation of investments and other assets as also assets acquired in satisfaction of debts. However, market value in respect of quoted investments and break-up/ fair value/ NAV in respect of unquoted investments should be disclosed irrespective of whether they are classified as long term or current in column (5) above.



**BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE**  
(As per Schedule VI, Part IV of the Companies Act, 1956)



**I. Registration Details**

Registration No.

2 6 9 4 2

State Code

5 5

Balance Sheet Date

3 1 0 3 0 9  
Date Month Year

**II. Capital Raised during the year (Amount in Rs.Thousands)**

Public Issue

N I L

Right Issue

N I L

Bonus Issue

N I L

Private Placement

N I L

**III. Position of mobilisation and Deployment of Funds (Amount in Rs. Thousands)**

**Sources of Funds**

Total Liabilities

2 6 3 3 1 7 2

Paid up Capital

4 9 6 7 2 5

Secured Loans

5 2 6 6

Deferred Tax

**Application of Funds**

Net Fixed Assets

3 7 5 6 1

Investments

3 3 8 0 2

Misc. Expenditure

Total Assets

2 6 3 3 1 7 2

Reserves and Surplus

3 7 5 6 3 0

Unsecured Loans

1 2 8 1 2 4 0

Capital work-in-progress

Net Current Assets

(-) 4 1 2 3 5 6

Accumulated Losses

(-) 2 4 9 9 8 5 4

**IV. Performance of Company (Amount in Rs. Thousands)**

Turnover

9 9 2 2 6

Profit/Loss (-) before Tax

(-) 3 1 1 0 3

Earning per Share (Rs.)

(-) 0 7 8

Total Expenditure

1 3 0 3 2 9

Profit/Loss (-) after Tax

(-) 3 1 3 3 9

Dividend Rate (%)

N I L

**V. Generic Names of Three Principal Products/Services of the Company ( as per monetary terms)**

Item Code No. (ITC Code)

N A

Product Description

H I R E - P U R C H A S E L E A S I N G

Item Code No. (ITC Code)

N A

Product Description

F I X E D D E P O S I T

Item Code No. (ITC Code)

N A

Product Description

B I L L - D I S C O U N T I N G

**As per our report attached**  
**For N.M. Rajji & Co**  
Chartered Accountants

**For and on Behalf of the Board of Directors**

**S.N. Shivakumar**  
**Partner**  
**M.No. 88113**

Sd/  
Manager  
P.K. Marwah

Sd/  
Director  
Pritam  
Narang

Sd/  
Chairman  
Inder Mohan  
Sakhuja

**Place: Faridabad**  
**Date: 29<sup>th</sup> June, 2009**



**ATTENDANCE SLIP**

(Please complete this attendance slip and hand it over at the entrance)

**ESCORTS FINANCE LIMITED****Registered Office:  
N-6, PRATAP BUILDING,  
CONNAUGHT CIRCUS, NEW DELHI-110001.**I/We hereby record my/our presence at the **21<sup>st</sup> Annual General Meeting** of the Company being held at 12.00 noon on Wednesday, **30<sup>th</sup> September, 2009** at 'The Executive Club', 439, Village Shahoorpur, P.O. Fatehpur Beri, New Delhi 110074.

DPID	<input type="text"/>	Folio No.	<input type="text"/>
Client ID	<input type="text"/>	No. of Shares	<input type="text"/>

(in demat form) (in physical form)

Name: \_\_\_\_\_

Father's/Husband's Name: \_\_\_\_\_

Jointly with 1. \_\_\_\_\_  
2. \_\_\_\_\_Address \_\_\_\_\_  
\_\_\_\_\_\_\_\_\_\_  
Signature of the member(s)/Proxy holder(s)

- Notes:
- Members/Proxy holders are requested to bring the original attendance slip duly filled & signed in, with them when they come to the meeting venue and hand it over at the entrance. Members are requested to bring their own copy of notice with them.
  - For the convenience of members, persons other than members/proxies will not be admitted.
  - Incomplete attendance slips shall not be accepted for the entry in the meeting hall.
  - Joint holders may obtain additional attendance slip at the venue of meeting.
  - No snack boxes shall be distributed at the venue of the meeting.**

Tear Here

**PROXY FORM****ESCORTS FINANCE LIMITED****Registered Office:  
N-6, PRATAP BUILDING,  
CONNAUGHT CIRCUS, NEW DELHI-110001.**

DP ID	<input type="text"/>	Folio No.	<input type="text"/>
Client ID	<input type="text"/>	No. of Share(s)	<input type="text"/>

(in demat form) (in physical form)

I/We \_\_\_\_\_ of \_\_\_\_\_  
\_\_\_\_\_ being a member (s) of Escorts Finance Limited hereby appoint  
\_\_\_\_\_ of \_\_\_\_\_  
(or failing him/her) \_\_\_\_\_ of \_\_\_\_\_  
(or failing him/her) \_\_\_\_\_ of \_\_\_\_\_

as my/our proxy to attend and to vote for me/us on my/our behalf at the **21<sup>st</sup> Annual General Meeting** of the Company to be held on 12.00 noon on Wednesday, **30<sup>th</sup> September, 2009** at 'The Executive Club', 439, Village Shahoorpur, P.O. Fatehpur Beri, New Delhi 110074.

Signed this \_\_\_\_\_ day of \_\_\_\_\_ 2009

Signature of Member

15 Paise  
revenue  
stamp

Signature of the Joint Holder(s) 1. \_\_\_\_\_ 2. \_\_\_\_\_

Name \_\_\_\_\_

Jointly with 1. \_\_\_\_\_ 2. \_\_\_\_\_

Address \_\_\_\_\_  
\_\_\_\_\_

Note: The proxy form in order to be valid must be deposited at the registered office of the company atleast 48 hours before the scheduled time for the commencement of the meeting.

# **BOOK-POST**

*If undelivered, please return to*  
**ESCORTS FINANCE LIMITED**  
N-6, Pratap Building,  
Connaught Circus,  
New Delhi - 110001