



A detailed report on Corporate Governance practices followed at Escorts Finance Limited for the period April 1, 2012 to March 31, 2013 is given below:

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

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

Corporate Governance strengthens investors' trust and ensures long term partnership that help in fulfilling the Company's quest for higher growth and profits. Corporate Governance rests upon the four pillars of: **Transparency, Full Disclosure, Independent Monitoring and Fairness** to all, especially to minority shareholders.

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

## **II. BOARD OF DIRECTORS**

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

The composition of the Board is in conformity with Clause 49 of the Listing Agreement. The Board of Directors alongwith its Committees provide leadership and guidance to the Company's management and direct, supervises and controls the performance of the Company. As on March 31, 2013, the Company's Board comprised of Two Independent Non-Executive Directors. Chairman of the Board is also non-executive. All Independent Non-Executive Directors are compliant with the requirements of the Listing Agreement for being an Independent Director and have confirmed that they meet the 'Independence' criteria as mentioned under the Clause 49 of the Listing Agreement. Apart from reimbursement of expenses incurred in the discharge of their duties and the payment of sitting fees, none of these Directors has any other material pecuniary relationships or transactions with the Company, its Directors or its Senior Management, which in their judgment would affect their independence.

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

Name	Designation	Category	Other Directorships Held*	Committee Positions held**	
				Membership	Chairmanship
Mr. Inder Mohan Sakhuja	Chairman	Non-Executive & Non Independent	1	1	NIL
Mr. Pritam Narang	Director	Non-Executive & Non Independent	2	2	NIL
Mr. Rochak Puri	Director	Non-Executive & Independent	1	2	2
Ms. Babita Tewari	Director	Non-Executive & Independent	1	1	NIL



- \* Excluding Directorships in private limited companies, foreign companies and companies under Section 25 of the Companies Act, 1956 but including Escorts Finance Limited.
- \*\* For this purpose only two committees viz. the Audit Committee and Shareholders'/Investors' Grievance Committee of Public Companies have been considered including Escorts Finance Limited.

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

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

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

In compliance with Clause 49 of the Listing Agreement, the Board of Directors met 5 (Five) times during the year on 14.05.2012, 14.07.2012, 13.08.2012, 06.11.2012 and 06.02.2013.

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. Inder Mohan Sakhuja	5	4	NO
Mr. Pritam Narang	5	5	YES
Ms. Babita Tewari	5	4	NO
Mr. Rochak Puri	5	5	YES

### **Code of Conduct**

In terms of Clause 49 of the Listing Agreement the Board has laid down a code of conduct for all Board members and senior management of the Company. All Board members and senior management personnel affirm compliance with the code on an annual basis. The Annual Report of the Company contains a declaration to this effect signed by the Chief Executive Officer.

The Company's code of conduct has been posted on Company's website [www.escortsfinance.com](http://www.escortsfinance.com).

### **Declaration by CEO**

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

I hereby confirm that:

The Company has obtained from all the members of the Board and Senior Management, affirmation that they have complied with the code of conduct for Directors and Senior Management in respect of the Financial Year ended on 31st March, 2013.

**Place: Faridabad**  
**Dated: 12<sup>th</sup> August, 2013**

Sd/-  
**P.K. Marwah**  
**(Manager)**



### **III. AUDIT COMMITTEE**

#### **Composition**

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

As on March 31, 2013, the composition of the Audit Committee was as under:

<b>Director</b>	<b>Designation</b>	<b>Category</b>
Mr. Rochak Puri	Chairman	Independent Director
Ms. Babita Tewari	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.
6. 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 utilization of proceeds of a public or rights issue, and making appropriate recommendations to the Board to take up steps in this matter.
7. Reviewing, with the management, performance of statutory and internal auditors, adequacy of the internal control systems.
8. 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.



9. Discussion with internal auditors any significant findings and follow up there on.
10. 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.
11. 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.
12. 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.
13. To review the functioning of the Whistle Blower mechanism, in case the same is /will be framed by the Company.
14. Approval of appointment of CFO (i.e., the whole-time Finance Director or any other person heading the finance function or discharging that function) after assessing the qualifications, experience & background, etc. of the candidate.
15. Carrying out any other function as is mentioned in the terms of reference of the Audit Committee.
16. 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 also 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 2012-13**

During the financial year 2012-13, Audit Committee met 5 (Five) times on 14.05.2012, 14.07.2012, 13.08.2012, 06.11.2012 and 06.02.2013.

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. Pritam Narang	5	5
Ms. Babita Tewari	5	4
Mr. Rochak Puri	5	5

Mr. Vicky Chauhan, 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 28.09.2012.



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

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

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

The Directors are being paid sitting fee of Rs. 2000/- per meeting for attending Board Meeting and Audit Committee Meeting and no sitting fees are paid for attending any other Committee meeting.

The details of sitting fees paid to Directors during the period April 01, 2012 to March 31, 2013 are as under:

<b>S.No.</b>	<b>Name</b>	<b>Relationship with other Directors</b>	<b>Sitting Fees (in Rs.)</b>
1.	Mr. Inder Mohan Sakhuja	*	8000.00
2.	Mr. Pritam Narang	*	20000.00
3.	Mr. Rochak Puri	*	20000.00
4.	Ms. Babita Tewari	*	16000.00
	<b>Total</b>		<b>64000.00</b>

\*None of the directors are related to any other directors.

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

As on 31st March, 2013, None of the Directors of the Company held any share in the Company.

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

##### **Constitution**

Your Company's Shareholders' Grievance Committee was originally constituted on 31.01.2002.

As on March 31, 2013, the composition of the Shareholders' Grievance Committee was as under:

<b>Director</b>	<b>Designation</b>	<b>Category</b>
Mr. Rochak Puri	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 the financial year 2012-13, 4 (Four) meetings of the Shareholders' Grievance Committee were held on 14.05.2012, 13.08.2012, 06.11.2012 and 06.02.2013.

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. Inder Mohan Sakhuja	4	3
Mr. Rochak Puri	4	4
Mr. Pritam Narang	4	4



### **Compliance Officer**

Mr. Vicky Chauhan acts as the Compliance Officer of the Company.

### **Complaints received/resolved**

During the period under review, 4(four) complaints were received from investors, which were replied/ resolved to the satisfaction of the investors. No complaint(s) are pending for redressal for the year 2012-13 as on the date of this report.

### **Pending Share Transfer**

No share transfer requests were pending for approval as on March 31, 2013.

## **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 31.03.2013, the Committee comprised of three Directors namely Mr. Inder Mohan Sakhuja, Mr. Pritam Narang and Mr. Rochak Puri. The Committee meets from time to time to approve the request of investors.

### **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 31.03.2013, the Committee comprised of three Directors namely Mr. Inder Mohan Sakhuja, Mr. Pritam Narang and Mr. Rochak Puri.

## **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>
2011-12	Hotel KC Residency, SCO-377-380, Sector-35B, Chandigarh-160022	Friday, 28th September, 2012	3:00 P.M.	None
2010-11	The Executive Club', 439, Village Shahoopur, P.O. Fatehpur Beri, New Delhi – 110074	Friday, 15th July, 2011	4.00 P.M.	One
2009-10	The Executive Club', 439, Village Shahoopur, P.O. Fatehpur Beri, New Delhi – 110074	Thursday, 30th September, 2010	3.00 P.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, provision for doubtful trade receivable and advances as required by the Reserve Bank Of India's Rules and Regulations.*

### **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.

The Company also posts its financial results in its website [www.escortsfinance.com](http://www.escortsfinance.com)

No presentation of financial results has been made to Financial Institution(s) / Analyst during the year.

## **X. GENERAL SHAREHOLDER INFORMATION**

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

Day & Date : Friday, 20th September, 2013  
Time : 3.00 P.M.  
Venue : Hotel KC Residency,  
SCO 377-380, Sector – 35B,  
Chandigarh - 160035

### **B. Financial year:** April 1, 2012 to March 31, 2013

### **C. Appointment/ Reappointment of Directors**

At the ensuing Annual General Meeting, Mr. Inder Mohan Sakhuja 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:

<b>Name</b>	<b>Qualification</b>	<b>Area of Expertise</b>	<b>Other Directorships</b>	<b>Committee Memberships</b>
Inder Mohan Sakhuja	Mechanical Engineer	Mr. I. M. Sakhuja is having more than 50 years experience in the industrial fasteners and auto ancillary industry.  For the last 27 years Mr. Sakhuja is holding the position of Chairman of Jayalaxmi Automotives Pvt.Ltd., which is engaged in manufacture of gears.	Jayalaxmi Automotives Pvt. Ltd.	<b>Escorts Finance Limited</b> <ul style="list-style-type: none"><li>Shareholder's Grievance Committee - Member</li><li>Share Transfer Committee - Chairman</li><li>Committee of Banking and Legal Matter - Member</li></ul>

Ms. Preeti Chauhan, presently Additional Director, is proposed to be appointed as a Director of the Company, liable to retire by rotation at the ensuing Annual General Meeting. The information/details to be provided for the aforesaid Director are as under:-

<b>Name</b>	<b>Qualification</b>	<b>Area of Expertise</b>	<b>Other Directorships</b>	<b>Committee Memberships</b>
Preeti Chauhan	Graduate from Delhi University, M.Com in Business Policy and Corporate Governance from IGNOU and Member of ICSI	Ms. Preeti Chauhan is having experience in Secretarial, Legal, Finance and accounts.	NIL	<b>Escorts Finance Limited</b> <ul style="list-style-type: none"><li>Audit Committee - Member</li></ul>

#### **D. Financial Calendar 2013-14 (tentative)**

Board meeting to take on record financial results:

for the quarter ended 30.06.2013 : By 14th August, 2013

for the quarter ended 30.09.2013 : By 14th November, 2013

for the quarter ended 31.12.2013 : By 14th February, 2014

for the quarter ended 31.03.2014 : By 15th May, 2014





#### **E. Dates of Book Closure**

The Company will close its register of members and share transfer books from 14th September, 2013 to 20th September, 2013 (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 Exchange:

Stock Exchange	Stock Code
BSE Limited	511716

Demat ISIN no. in NSDL & CDSL	INE359A01012
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The Company is up to date on the payment of the Annual Listing Fees.

#### **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 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 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, 2012 to March 31, 2013 are given in the table below:-

Month	High		Low	
	BSE Sensex	Share price (in Rs.)	BSE Sensex	Share price (in Rs.)
April 2012	17,664.10	7.10	17,010.16	4.69
May 2012	17,432.33	6.65	15,809.71	4.22
June 2012	17,448.48	4.67	15,748.98	3.99
July 2012	17,631.19	4.84	16,598.48	3.87
August 2012	17,972.54	4.60	17,026.97	3.37
September 2012	18,869.94	4.70	17,250.80	3.47
October 2012	19,137.29	5.29	18,393.42	4.00
November 2012	19,372.70	5.40	18,255.69	3.91
December 2012	19,612.18	4.67	19,149.03	3.97
January 2013	20,203.66	5.03	19,508.93	3.97
February 2013	19,966.69	4.44	18,793.97	3.56
March 2013	19,754.66	4.24	18,568.43	2.74



**K. Distribution of share holding as on 31.03.2013: -**

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

No. of shares	No. of shareholders	% to total shareholders	No. of shares held	% to total shares held
Upto 100	20957	82.365	1838135	4.567
101 to 500	3261	12.816	966538	2.401
501 to 1000	667	2.621	572077	1.421
1001 to 5000	451	1.773	1067478	2.652
5001 to 10000	67	0.263	508471	1.263
10001 to 20000	18	0.071	258238	0.642
20001 to 30000	9	0.035	226566	0.563
30001 to 40000	2	0.008	63989	0.159
40001 to 50000	0	0	0	0
50001 to 100000	3	0.012	191560	0.476
100001 to 500000	1	0.004	151322	0.376
500001 and above	8	0.032	34405626	85.480
<b>TOTAL</b>	<b>25444</b>	<b>100</b>	<b>40250000</b>	<b>100</b>

**b) On the basis of category**

Category	No. of Shareholders	No. of Shares held	%
<b>Promoter &amp; Promoter Group</b>			
a) Indian	7	28003178	69.573
b) Foreign	NIL	NIL	NIL
<b>Public Shareholding Institutions :</b>			
a) Mutual Funds & UTI	1	200	0.00
b) Banks / FIs	2	878704	2.184
c) FIIs / VCs etc.	NIL	NIL	NIL
<b>Non Institutions :</b>			
a) Private Bodies Corporate	185	5972611	14.839
b) Indian Public	25234	5387443	13.385
c) NRIs / OCBs etc.	15	7864	0.019
<b>TOTAL</b>	<b>25444</b>	<b>40250000</b>	<b>100.00</b>

**L. Dematerialisation of Shares**

The Equity shares of the Company are compulsorily traded and settled only in demat mode. As on 31.03.2013, approximately 95.46% 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  
Escorts Corporate Centre  
15/5, Mathura Road  
Faridabad – 121 003  
Tel : (0129) 2564116  
Fax : (0129) 2250060

**P. Registrar and Transfer Agents:** Alankit Assignments Limited  
Alankit House, 2E/21  
Jhandewalan Extension  
New Delhi – 110055  
Tel.- +91-11-42541953,  
23541234, 42541234  
Fax: +91-11- 23552001  
Email-id:- 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**  
**Dated: 12<sup>th</sup> August, 2013**

Sd/-  
**Inder Mohan Sakhuja**  
**(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 31st March 2013, as stipulated in Clause 49 of the Listing Agreement of the Company with the Stock Exchanges.

The compliance of conditions of Corporate Governance is the responsibility of the management. Our examination was limited to review of 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 the financial statements of the company.

In our opinion and to the best of our information and according to the explanations given to us and representations 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 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  
(Registration No. 108296W)

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

Place: Faridabad  
Dated: 12<sup>th</sup> August, 2013