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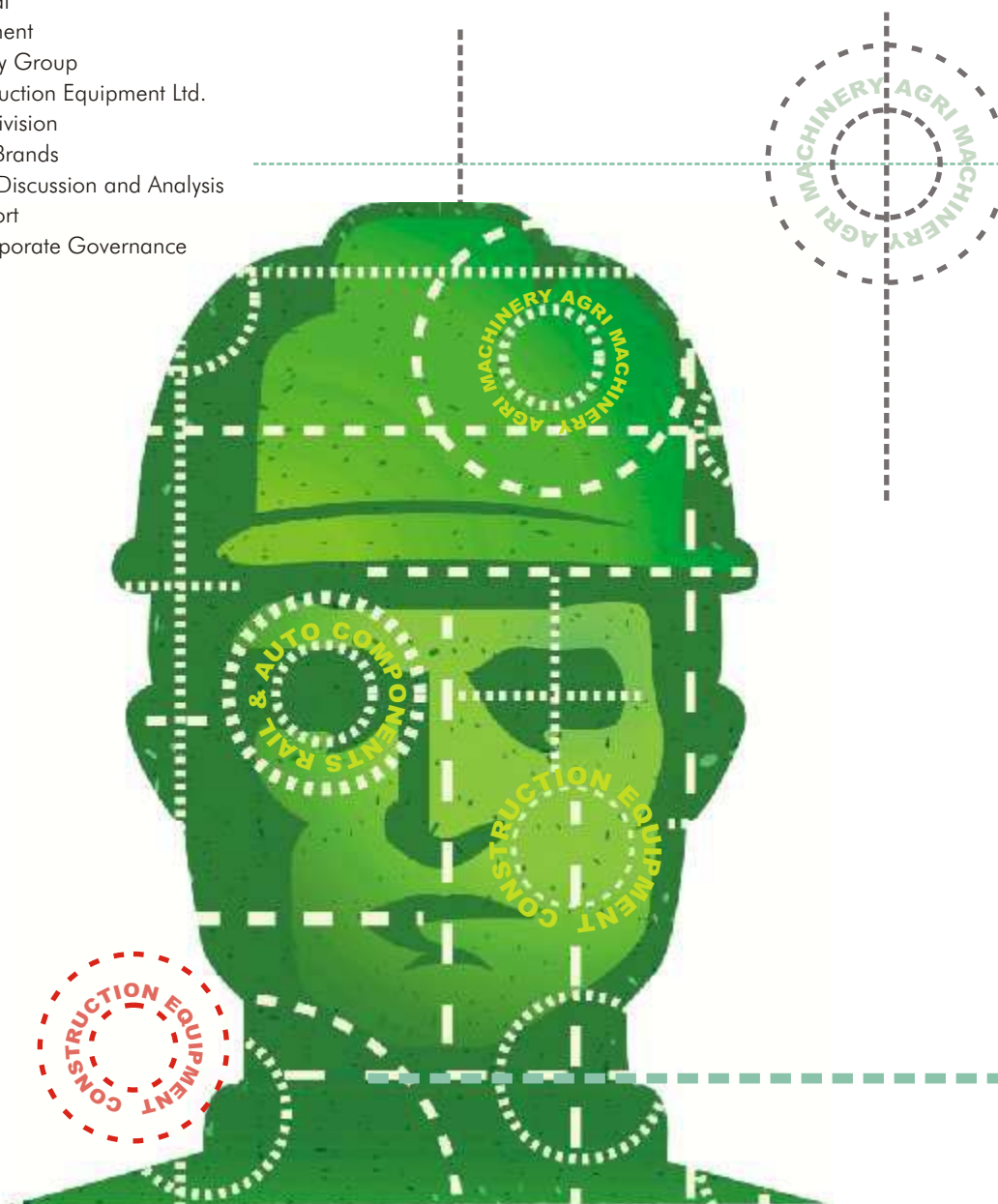
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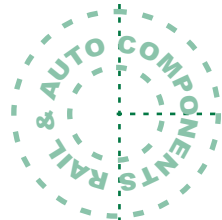
# engineering

## a better tomorrow



WE BELIEVE IN A HIGHER, PROLIFIC EXISTENCE. FOR SIX DECADES WE HAVE DEVELOPED AND EVOLVED INTO A MULTI-FACETED COMPANY. ALL ALONG, WE HAVE CLOSELY LISTENED TO OUR CUSTOMERS' NEEDS AND ALWAYS ENDEAVOUR TO EXCEED THEIR EXPECTATIONS. OUR PASSION PROPELS US TO COMPLETELY UNDERSTAND THE MIND-SETS OF OUR CUSTOMERS.

As a result, we do not merely sell innovative, advanced-technology products and services. We traverse an extra mile to serve. We aim to ensure that our engineering expertise is used to deliver solutions that are purposeful and that make economic sense. Today, the seamless synergy of technological proficiency and the zeal to serve has shaped Escorts as a force to reckon with. This approach to our business is winning the priceless trust of our clients, which has enabled us to emerge as one of India's leading engineering companies that is associated with the modernisation of national infrastructure, involving construction and farming. Having etched our emblem on the hearts of our customers, we are proceeding along a steady growth path to reach new horizons.





# ⊕ our mission

ESCORTS ENDEAVORS TO TRANSFORM LIVES IN RURAL AND URBAN INDIA BY LEADING THE REVOLUTION IN AGRICULTURE MECHANISATION, MODERNISATION OF AUTOMOTIVE AND RAILWAY TECHNOLOGY, AS WELL AS THE TRANSFORMATION OF INDIAN CONSTRUCTION INDUSTRY.

# ⊕ our brand

THE ESCORTS BRAND SHALL CONTINUE TO GUARD ITS LEGACY OF BEING A BRAND THAT CUSTOMERS TRUST; WHERE EMPLOYEES ATTAIN THEIR FULL POTENTIAL; AND WHERE NATION BUILDING IS A WAY OF LIFE.

# ⊕ our commitment

WE ARE COMMITTED TO EXCELLENCE IN ENGINEERING, INNOVATION IN PRODUCTS, DEVELOPMENT OF MARKET-RELEVANT TECHNOLOGIES AND THE HIGHEST OF COST EFFICIENCIES IN ORDER TO CREATE VALUE FOR OUR CUSTOMERS AND SHAREHOLDERS.

# who are

## Agri Machinery

The Agri Machinery Group's mission is to enhance agricultural productivity and improve quality of life in rural India. Agri Machinery Group commenced its' manufacturing operations in 1964 and today, has 4 manufacturing plants in India.

With over a million Escorts tractors rolled out and a production capacity of 100,000 tractors per annum, Escorts Tractors are amongst the largest selling tractors in India where every third tractor is an Escorts brand.

## ESCORTS LIMITED

## Construction Equipment

Escorts entered into the field of Material Handling Equipment way back in 1971 and introduced the concept of Pick-n-Carry Hydraulic Mobile crane. Today, it not only continues to be the largest mobile crane manufacturer in the country, but also the largest Pick 'n' Carry Hydraulic Mobile Crane manufacturer in the world.

we ?



**WE ARE INDIA'S LEADING ENGINEERING COMPANY OPERATING IN HIGH GROWTH SECTORS OF AGRI-MACHINERY, CONSTRUCTION AND MATERIAL HANDLING EQUIPMENT, RAILWAY EQUIPMENT AND AUTO COMPONENTS.**

## **Rail & Auto Components**

Escorts has led the modernisation of major national infrastructure, from construction to creation of high speed highways to the railways. Escorts is a leading manufacturer of critical railway components since the last 40 years. It is one of the oldest and most trusted partners of Indian Railways, the largest rail network in the world. Having played a significant role in the growth and modernisation of Indian Railways, today it is a multi-product, multi-technology business at Escorts. Escorts was the pioneer in Automotive Shock Absorber manufacturing in India in 1966. Auto Components Business is the leading manufacturer of auto suspension products.

# fiscal 2008-09 at a glance...

**RS. 89.74 CRORES,  
A 656% INCREASE**  
in recorded profit after tax in FY 09

**1212**  
Network of Dealers,  
Sub - Dealers, Distributors & Stockists

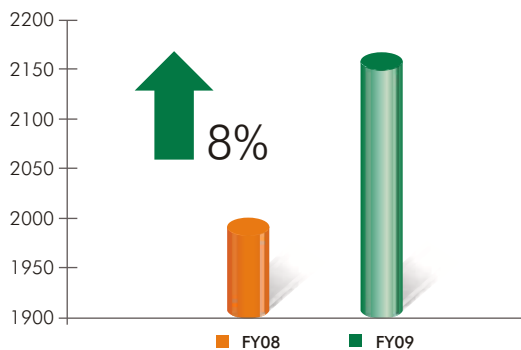
**BEST NEW MODEL**  
Award for Farmtrac Europe

**WORLD'S NO.1**  
manufacturer of  
Pick n Carry Hydraulic Cranes

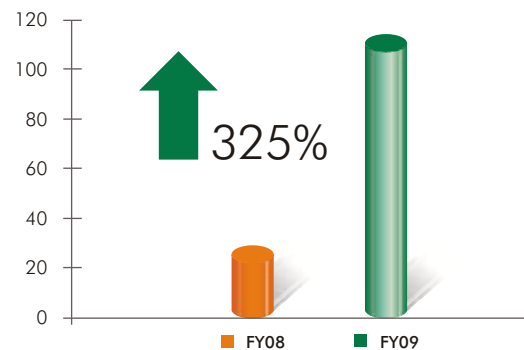
**3,25,000**  
Mandays of trainings conducted till date  
by Escorts Farm Institution

**OVER 1,00,000 FARMERS**  
Reach of Jai Kisan Utsav

Turnover up 8 percent



325 percent increase in PBT







**100 %**  
Production Schedule Adherence

**1545**  
Improvement ideas generated

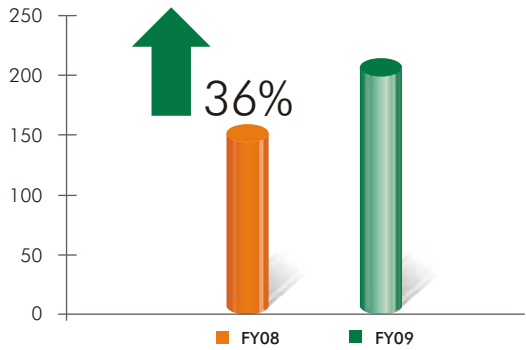
**ASIA'S NO.1**  
manufacturer of air brake systems

**PT 4455**  
India's No 1 economy tractor

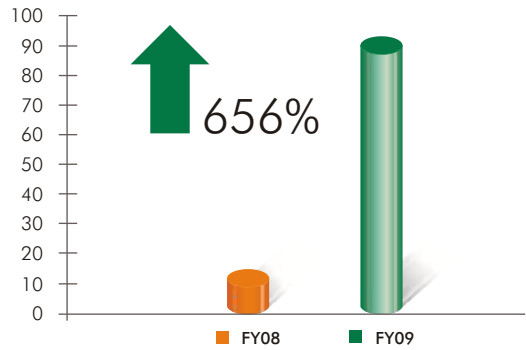
**10.3 %**  
increase in productivity

**12%**  
reduction in power consumption

**EBIDTA increase by 36 percent**



**Eight fold increase in PAT**





# Chairman's Letter

Dear Shareholders,

The year 2008-09 marks an inflection point for Escorts Limited, from which we are embarking on a well-charted journey of sustained and profitable growth. It also marks the year in which we have redefined ourselves in an important way: from being an agricultural equipment, auto and rail component manufacturing company, we are now poised to become a significant participant in the earth moving equipment arena. As a result, we are now playing a meaningful role within a wider canvas of economic activity by becoming a function of India's road transportation and real estate infrastructure growth story.

Most importantly, this year we proved that we are a resilient lot. During the year, we strengthened the foundation of the Company by serving our customers well and by increasing our operational efficiencies across the board. Operating in a business climate, beleaguered by tough economic conditions, we have proved that by being astute managers of our business and by focusing on fundamentals, one can both, expand market share and generate improved profits in a flat and depressed economic environment. Despite one of the most challenging times, our efforts at strengthening ourselves have reaped rich dividends for your Company. We registered an 8% increase in our turnover to Rs. 2,158 crores and our EBITDA increased by 36% to Rs. 207 crores. Today, the Company continues to be identified by our engineering capabilities and innovative ideas. Our research division is churning out more farmer friendly and fuel efficient products. From just being a tractor manufacturer, we are evolving into a complete farm solutions provider by looking at innovative ways of helping farmers unlock economic value.

## ENRICHING INDIAN FARMERS

Since our inception, we have cherished our relationship with Indian farmers. Through our 'Jai Kisan Swantantra Utsav' and 'Jai Kisan Utsav' we have saluted the efforts of our farmer friends in their contribution to the nation. Through our initiatives, we have endeavoured to make the Indian farmers 'Sampoorn', 'Sampann' and 'Swatantra'. Our initiatives are in sync with our founding and underlying philosophy of making the farmers more aware, prosperous, secure and satisfied. Our focus is to assist in making a difference in the life of farmers by nurturing them and leveraging on our engineering capabilities to manufacture innovative products, enabling the farmers to generate more returns with less investment. We have a rich heritage of partnering with Indian farmers and have established ourselves as a trusted brand with efficient products. I feel a personal sense of pride and get

satisfaction whenever I hear that our farmer friends are satisfied with our products and that our creation has made a positive difference in their lives.

## FOCUS ON SUSTAINABLE GROWTH

As a part of our transformation exercise we took a decision to focus on sustainable growth. The collective endeavour of the entire organisation has helped to construct a robust performance management system, which resulted in better economic management and reduction in expenditure. This, in turn, has enabled us to trim down our costs, the result being revealed in our increased margins.

The focus on quality through our 'Quality Push Mission' was aimed at manufacturing products that were preferred by the customers. This mission drove us to improve our manufacturing efficiencies by eliminating defects and enhancing processes. This exercise resulted in us delivering superior quality innovative products which were aimed at satisfying market demands. I believe that the combined effect of better economic management and desirable products will enable Escorts to reap the benefits of good times and tide over bad times.

Our people have been our biggest strength: they have successfully risen to the challenge of revitalising our profitability and growth story. We are already treading on the path to make Escorts a lean and proficient organisation by empowering our people to take the initiative to implement the transition. To achieve best-in-class practices in our operations, we have created systems for collaboration across all the functions. We have allowed our employees to come out with innovative, swifter and improved solutions for our customers. They are also empowered to continuously monitor our systems and

**Our focus is to assist in making a difference in the life of farmers by nurturing them and leveraging on our engineering capabilities to manufacture innovative products, enabling the farmers to generate more returns with less investment.**

## Chairman's Letter (contd.)

processes, creating a proactive work environment where they can challenge and improve themselves on a regular basis. I applaud their passion, commitment and drive to make the Company bigger, better and stronger.

We are also focusing on a pan India presence by increasing our market reach, followed by market share. This initiative will be driven by our price competitive models of global quality norms in terms of technology, performance and durability. The key pillars of our growth strategy will be improved marketing, strong financial systems and controls, innovative engineered products, increased dealer penetration and greater importance on export markets.

### AGRI MACHINERY BUSINESS

During 2008-09, the agriculture and allied activity's growth in GDP declined to 1.6% compared to 4.9% growth in the previous year and 4% in 2006-07. However, this year's performance needs to be viewed favourably, considering the high base of the previous years. The share of agriculture and allied activities in nation's GDP fell to 17.1% as compared to 17.8% in 2007-08.

In this scenario, your Company has done commendable business. During the year, the turnover from Agri Machinery Business grew by 7%. The Agri Machinery Business remains the largest contributor to our balance sheet, contributing 87% of the turnover.

This year, the Agri Machinery Business scaled new heights by entering new markets and reaching new customers. Your Company leveraged its Knowledge Management Centre by constantly innovating and creating new products of global quality standards at competitive prices. Escorts is transforming itself from being a tractor manufacture to becoming a complete farm solutions provider.

Your Company is reinforcing its commitment to provide technologically innovative products for customer benefit. Our Farmtrac Europe received the best new model award at Poland's XVIII National Agricultural Exhibition, the only tractor company to receive this award while our Farmtrac and Powertrac models received first prize at NANE NANE Agricultural show in Tanzania. The Agri Machinery Division recently signed a memorandum of understanding with Haryali Kissan Bazaar, which can generate sale opportunities for our products and enable us to facilitate farm mechanisation solutions to 100 rural areas.

We launched 'Humrakshak' "We Care" initiative, a unique insurance policy for farmers to provide them with personal accident cover.

### CONSTRUCTION EQUIPMENT BUSINESS

Amidst the global meltdown that started in 2008 and grew worse through 2009, the answer to sustain India's growth rate lies in developing the nation's infrastructure. Keeping this in mind, the government is targeting major fund allocation over the next two years in the infrastructure sector. Infrastructure Investment Finance Company Ltd (IIFCL) disbursed US\$ 640.8 million for various projects during 2008-09. This is in addition to the US\$ 320 billion that the government plans to invest for the up gradation of ports, railroads, highways and airports over the next 15 years.

**Today, Escorts is rightfully considered to be an engineering driven organisation, focusing on innovative products to suit customers' needs. While we have achieved significant milestones, there is much yet to do.**

India is proving to be a huge market for construction equipment business. Escorts is the current global leader in pick-n-carry cranes and 60% of our construction equipment business comes from this. We also enjoy a 25% market share in compactors. During the year, your Company tied up with Hunan Zoomlion International Trade Co. Ltd., China, to bring world-class Truck Cranes and All Terrain Cranes to India.

The construction division business is consolidating and strengthening its current leadership position by focusing on technological advancements, introducing new and improved products, and tying up with international manufacturers. The aim of this business is to become a one-stop-shop for providing end-to-end solutions for the construction industry. Although this business is nascent today, it has the potential to grow manifold in the coming years, propelling the growth of your Company.

## ENGINEERING DIVISION

The Company's Railway Equipment Division grew by 39% over the last year to Rs. 195 crores, contributing 9% to the turnover as compared to 7% last year. The Division's rubber processing unit is playing a key role in producing the division's future portfolio of products. By offering high-tech components to satisfy the modernisation initiatives of the Indian Railways, the division is equipped to emerge as the front-runner.

The Auto industry in India has been hit hard by ongoing global financial recession. Sales figures of the Indian automobile industry have shown upsetting after-effects of global financial slowdown. The recent encouraging economic growth numbers and strong passenger automotive sales indicators are already indicating that the sector is already turning around the corner. Working in its favor, India is blessed with a large emerging middle class population, which is getting economically stronger with every passing day. This class is being touted as potential consumers for India's auto industry for years to come.

Our Auto Suspension Business has been only slightly affected by the drop in auto sales. The revenues of this segment fell down by only 2.7% to Rs. 86.63 crores as compared to Rs. 89.04 crores last year. Your Company has taken adequate measures to get this business back on track and we are confident of robust performance in the near future.

## GOING FORWARD

Building on the various tenets of transformation we have undergone, I expect the growth momentum of your Company to continue into the next decade. The Agri Machinery Group's aspiration is to heighten the much needed agricultural productivity by providing complete farm solutions. The Construction Equipment Division is prepared to continue its escalation story by enhancing its earth moving equipment manufacturing capabilities and product portfolio. The Engineering Division comprising of railway equipments and auto components business is prepared to contribute to the Company's growth momentum by seeking to double its current revenues by 2012.

I am indeed fortunate to be at the helm of a talented and motivated management team, each of whom has contributed considerably to bring Escorts to its current position of strength. This young, vibrant and confident team has allowed the Company to look at the future with resolve and purpose as we embark on a journey of "Walk the Talk".

Today, Escorts is rightfully considered to be an engineering driven organisation, focusing on innovative products to suit customers' needs. While we have achieved significant milestones, there is much yet to do. Given our resolve, I am confident of seeing a fully transformed Escorts in the near future, that has mastered the core drivers of long term sustainable growth, standing the test of time in any economy, anywhere in the world.

I would like to take this opportunity to thank all the stakeholders for their belief and trust in us. They have encouraged and supported us at every step that we have taken in our journey to create value for all.



**Rajan Nanda**  
Chairman and Managing Director



Nikhil Nanda  
Joint Managing Director

# 10 minutes with JMD

## **HOW WOULD YOU DESCRIBE THE PERFORMANCE OF ESCORTS DURING FY 2008-2009?**

In many ways, FY 08-09 was a transformational year for Escorts. Despite the fact that FY 08-09 was one of the most challenging years due to the economic slowdown, delayed monsoons and an extremely challenging retail finance arena, I am pleased to say that we delivered solid performance in our top-line, producing a year-on-year a growth of 8% to touch Rs. 2,158 crores. I'd say that the period under consideration was an acid test for robustness, capacity and experience. Our overall performance has shown that we have been successful on all counts.

What is even more gratifying is that our cost compression strategies on materials, operating and finance costs came through with positive effects. The end result: a quantum expansion of our EBITDA by 36%, to touch Rs. 207 crores. Apart from this key business strategy, we focused on strengthening our relationship with our dealers. In parallel, we significantly expanded our market reach into less penetrated parts of India, encompassing nearly 120 dealers. As a result, we strengthened our brand with the channel community, gaining a significant share of their mind. We also innovated well-planned retail and channel finance initiatives that improved cash availability to customers, making it easier for them to buy our products. Finally, we also implemented well-conceived demand and factory planning, resulting in an optimal management of our production and distribution resources.

An overall improvement in our cash flows has further enabled us to reduce our debt to comfortable levels. Additionally, due to an improved cost structure, we were able to strengthen our competitiveness in a challenging market. Our emergence as a much stronger company through this testing period is testimony to our focus on developing a profitable and sustainable business that is built to last.

## **WHAT WERE THE COMPANY'S KEY INVESTMENTS DURING THE YEAR?**

During 2008-09, we made significant investments towards further harnessing all our SBUs, with a special focus on Escorts Construction Equipment Ltd. Overall, we invested Rs. 45 crores in capital expenditures on a consolidated basis. With respect to farm mechanisation, we focused on balancing out our capacities based on market requirements. We also introduced new models such as the 4-cylinder series tractors and improved the performances of our transmission and axles components. We also adopted technologies to develop future emission norm compliances. Furthermore, with 6 new products, we invested to balance out the equipment for our Railways business including the introduction of new products in rolling stocks. Going forward, we have plans to further introduce 8 to 10 products over the next 2 years as planned in concurrence with Indian Railways for their various programmes, including the development of a dedicated freight corridor, EMUs, high speed trains and so on. We also plan to enter into the lucrative segments of metro and mono rail.

Our construction equipment section witnessed the establishment of a state-of-the-art plant and the introduction of large tonnage cranes in the Pick-n-Carry category and compactors. We are also planning the introduction of 7-8 new products over the next 18 months. We are gearing ourselves to expand our presence within the earth moving segment by introducing new products that are currently undergoing final scrutiny and checks.

We've also looked into making our HR and IT functions more efficient, a pre-requisite for a growing company such as ours. During 2008-09, we made significant investments towards these two pillars that shoulder our growth. We deployed an efficacious ERP system to consolidate enterprise resources and result in an effective planning. Within our HR function, we continued with our group-wide performance management exercises and trainings.

## **WHERE DO YOU SEE THE CONSTRUCTION AND THE RAILWAY DIVISION TAKING ESCORTS IN THE NEAR FUTURE?**

As we continue with our journey towards success, I'm reminded of Alan Lakein's words, "planning is bringing the future into the present so that you can do something about it now".

On the economic revival front, we are already witnessing green shoots of sustained long-term GDP growth on the domestic front. I believe that the time is ripe for us to expand our presence, with a fresh verve, in the construction equipment arena. We are well prepared to make the most of the opportunity. Today, with national infrastructure development being need of the hour, the transportation and the construction sectors offer unprecedented opportunity for our Company.

With a vision as well as a blue-print to complement it, our construction and railway division are expected to prove instrumental in driving growth. These divisions have already recorded a CAGR of 35% and are expected to continue along their path of progress. We are already making meaningful investments towards innovative customer solutions, adding new products and enlarging our presence across key verticals to milk the available opportunity.

## **WHAT IS IT ABOUT ESCORTS THAT WILL GIVE IT AN EDGE GOING FORWARD?**

Simply put, our ability to engineer technology and innovation to make a difference to our customers. At every juncture in our journey, we are conducting ourselves purposefully. I'm proud to state that for decades, Escorts has been a learning organisation that has been prolific in developing innovative ways of accomplishing cherished goals. More importantly, with our ears close to our customers' demands and expectations, we are now also a 'listening' organisation. It is this winning combination of learning and listening that is enabling us to leverage our engineering skills to exceed expectations. As a customer-centric entity, we are able to filter out and deliver real value that is demanded and appreciated by them. Going forward, we will continue to identify needs, tap new opportunities and adapt to changes we anticipate in the future.

# Board of Management

## 1. MR. RAJAN NANDA

Chairman

An alumnus of Doon School, Dehradun, Mr. Rajan Nanda took over as Chairman of Escorts Group in 1994. Displaying vision and leadership qualities, Mr. Nanda undertook a major restructuring programme to furnish a sharper focus to the Group's businesses.

## 2. MR. NIKHIL NANDA

Joint Managing Director

Mr. Nikhil Nanda is an alumnus of Wharton Business School, Philadelphia, with majors in Management and Marketing. He is a member on the Board of most Group companies since 1997 and has the overall responsibility for managing the Group's agri, construction and engineering businesses.

## 5. MR. MANOJ JHA

Executive VP, Engineering Division

A B.Tech by qualification, Mr. Jha brings with him a wide range of skills and over 25 years of expertise in business re-engineering turnaround, conceptualisation and execution of strategic initiatives, whilst handling turnkey projects.

## 6. MR. O K BALRAJ

Group Chief Financial Officer

Mr. O. K. Balraj is a Chartered Accountant by profession, certified under the Indian Institute of Bankers, London, with an advanced degree/diploma from Harvard University on Project Finance. He has over 28 years of rich and valued experience in different facets of financial operations and executive management.





### **3. MR. KANWAL KISHORE VIJ**

**ED & CEO, Escorts Construction Equipment Ltd.**

Mr. Kanwal Kishore Vij is a Mechanical Engineer and has studied advanced courses in Marketing and Management from Harvard, IIMA and AIM, Manila. He has over 32 years of experience in driving business in the Automobile/Engineering industry.

### **7. MR. ROHTASH MAL**

**ED & CEO, Agri Machinery Group**

An alumnus of the Indian Institute of Management, Kolkata and IIT Delhi, Mr. Mal has over 30 years of rich and varied experience in business growth in sectors such as papers, automobiles, telecom and retail.

### **4. MR. G B MATHUR**

**Executive VP Law & Company Secretary**

An ACS and LLB by profession, Mr. Mathur has 35 years of experience in Secretarial and Legal matters. Having joined Escorts in 1993, he is responsible for all Company law related matters and is also the custodian of the shareholder related matters.

### **8. MR. PARTHA DASGUPTA**

**Group Head HR & ER**

An alumnus of Xavier Institute of Social Sciences, Mr. Dasgupta has over 32 years of experience spanning all facets of Human Resources and employee relations, culture transformation, performance as well as talent management and productivity improvement.



# Corporate Information

## BOARD OF DIRECTORS

### Mr. Rajan Nanda

Chairman & Managing Director

### Mr. Nikhil Nanda

Joint Managing Director

### Dr. M. G. K. Menon

Director

### Dr. S. A. Dave

Director

### Dr. P. S. Pritam

Director

### Mr. S.C. Bhargava

Director

## EXECUTIVE VICE PRESIDENT LAW & COMPANY SECRETARY

Mr. G. B. Mathur

## STATUTORY AUDITORS

M/s. S. N. Dhawan & Co

## REGISTERED OFFICE

SCO-232, First Floor,  
Sector-20, Panchkula-134109  
Haryana, India

## ADVISORS

KPMG India Pvt. Ltd.

## BANKERS

- Andhra Bank
- Citibank, N.A.
- IDBI Bank
- Punjab National Bank
- State Bank of Hyderabad

## EXECUTIVE VICE PRESIDENT & GROUP CHIEF FINANCIAL OFFICER

Mr. O. K. Balraj

## INTERNAL AUDITORS

Grant Thornton

## CORPORATE CENTRE

15/5 Mathura Road,  
Faridabad -121003  
Haryana, India

## SOLICITORS

Crawford Bayley & Co.

- Bank of Baroda
- Axis Bank
- State Bank of India
- State Bank of Travancore
- State Bank of Patiala



# Board of Directors



## MR. RAJAN NANDA

An alumnus of Doon School, Dehradun, Mr. Rajan Nanda took over as Chairman of Escorts Group in 1994. Mr. Nanda undertook a major restructuring programme to furnish a sharper focus to the Group's businesses. Under his stewardship, the Escorts Group is making waves in the growth areas of agri machinery, construction equipment, railway equipment and auto components. Mr. Nanda is an active member of several apex trade and industry bodies. As member of the CII National Council, he has served as Chairman of its Agriculture Committee in the past.

## MR. NIKHIL NANDA

Mr. Nikhil Nanda is an alumnus of Wharton Business School, Philadelphia, with majors in Management and Marketing. He is a member on the Board of most Group companies since 1997 and has the overall responsibility for managing the Group's agri, construction and engineering businesses. Combining contemporary management techniques with real life practical approach, Mr. Nikhil Nanda is responsible for driving the business growth initiatives of the Group to strategically position it in the global arena.



## DR. M.G.K. MENON

"Padma Shri, Padma Bhushan and Padma Vibhushan, Dr. Menon is a distinguished scientist of international repute. He was a Minister and also served as Member of the Planning Commission and Scientific Advisor to the Prime Minister. He was Secretary to various departments of the Government of India for 12 years. He is President of the Indian Statistical Institute and a member and Chairman of various bodies in India and abroad. He is an FRS and Honorary Member IEEE."

## DR. S.A. DAVE

Dr. Dave is an Economist of international repute, with experience across all facets of financial and capital markets. He was the Executive Director of IDBI and the first Chairman of SEBI. He was also the Chairman of UTI. Presently, he is acting as Chairman of Centre for Monitoring Indian Economy, Mumbai. He is also the Director of HDFC Limited and many other companies of repute.



## DR. P.S. PRITAM

Dr. P.S. Pritam has a rich experience of having held Managerial Positions in a giant financial institutions for 36 years with expertise in diverse functional areas such as Legal & Mortgage, Finance & Accounts, Insurance Underwriting & Claims and all aspects of Policy Holders' servicing. He retired as Executive Director (Marketing & International Operations) of LIC of India. Post retirement he also worked as National Head (Sales & Marketing) for Allianz Bajaj Life Insurance. He has served on the Board of Bihar Financial Corporation, Gujrat Financial Corporation, Bihar Housing Federation and various other companies.

## MR. S.C. BHARGAVA

Mr. S.C. Bhargava has a rich experience in all facets of insurance. He has held top positions in LIC including, Executive Director (Investments) has also worked as the member of the Technical Advisory Committee on money, foreign exchange and government securities market, Reserve Bank of India. Currently, he is serving the Board of many reputed organisations.



# Focussed Management

## **Creating value through focus.**

At Escorts, we are a determined lot. We are single mindedly focusing on establishing a proficient and sustainable business that creates and delivers higher value for all our stakeholders.





Our concentration was on building a lean culture, by means of cost optimisation, operational efficiency, raising productivity and most of all working as cohesive team. Our single-mindedness on operating efficiencies and cost management continues to drive profitability improvements.



**This year we emphasised on the pillars of 'Market Prominence', 'Higher Productivity' and 'Product Reliability'.**

With a disciplined approach to evolving our business, we are well poised to break new boundaries. As our journey of transformation continues, this year we paid attention on laying a strong foundation for growth by emphasising on the pillars of 'Market Prominence', 'Higher Productivity' and 'Product Reliability'.

During the year our concentration was on building a lean culture, which we achieved in great measure by way of conservation of cash, cost optimisation, efficiently managing line of credit, renegotiating with suppliers, improving operational efficiency, raising productivity and most of all working as cohesive team. Our single-mindedness on operating efficiencies and cost management continues to drive profitability improvements. New and lean manufacturing applications and quality controls have streamlined our supply chain mechanisms and allowed us to make better use of our assets for moving up the value chain. We also focused on excellence in quality, cost and delivery to make us the favoured choice of the customers.

We have realised that, in today's competitive world, the key differentiating factor will be the quality of our intangible assets. Consequently, as a strategic initiative, we have implemented a learning culture throughout the organisation. Trainings, workshops, theme-based initiatives, intensive leadership development programmes, and technology driven accelerated learning solutions structures our drive to invest in knowledge and innovation, leading to our competitive strength and elevating our prospects for growth.

# Customer Centricity

**Delivering our customer's needs is our foremost goal.**

Satisfying customer's needs is the way of life at Escorts. The phrase "What customers want, we deliver" is something we take very seriously. Even as early as six decades ago, the Company started out with a foresight that placed enormous value on making a positive contribution to the customer's needs, over and above taking an easy path to profitability. Today, nothing has changed. As we did then, we continue to have faith in nurturing meaningful and long-term relationships with our customers.





As a highly responsive Company, we continuously judge ourselves on the basis of what our customers say about us and our products. Our initiatives are geared towards one goal: customer satisfaction. We thrive from the diversity and the radiating smiles of our customers.



**We continued on our founding philosophy's path of making a positive contribution to the customer's needs.**

Not surprisingly, our products and services are known to win our customers' hearts. Launched in November 2008, the Powertrac 4455 is already meeting our customers' needs as the most fuel efficient tractor, capable of all types of agriculture and non-farm applications. The Powertrac 4455's higher load carrying capacity and fuel efficiency is giving our farmers savings of at least 8 litres of fuel each day. Apart from saving on running costs, it is giving them the opportunity to earn a better living from other load carrying services, beyond the farming and harvesting seasons. Our Railway Equipment business has gone through a revamping exercise, upgrading the manufacture facilities, adding new technologies and introducing advanced solutions to cater to our customers' needs. Our wide product mix for the construction market is also allowing our customers to invest in application specific equipments with excellent ROIs.

As a highly responsive Company, we continuously judge ourselves on the basis of what our customers say about us and our products. Our multi-faceted R&D initiatives are completely geared towards bringing out innovation and new technology that have only one goal: customer satisfaction. After launching any new product, we spend extensive time interacting with our customers to get their feedback and, as required, launch newer versions as quickly as possible to fulfill their stated requirements. With a customer profile as varied as ours, including giants such as The Indian Railways and major construction companies to individuals such as farmers, we thrive from the diversity and the radiating smiles of our customers.



# Innovation and Engineering

**Using technology to make a difference to our customers.**

Engineering is in our DNA and Innovation is in our Hearts. At Escorts, all our efforts are geared towards engineering and innovating technology to make a difference for our customers. We are committed to applying the latest technologies and innovative 'out-of-the-box' thinking to come up with customer friendly solutions.





Engineering is in our DNA and Innovation is in our Hearts. With 24 Patents filed for in-house innovations, we have demonstrated our quest and capability for technological excellence. We endeavour to assist the farmers in unlocking economic value.



**We are committed to come up with customer friendly solutions.**

At the nucleus of our efforts is the farmer. With 24 Patents filed for in-house innovations, we have demonstrated our quest and capability for technological excellence. We are passionate about modernisation and get driven by customer's needs. Our focus is on using relevant know-how to develop cost effective solutions for the benefit of the farmers. We implement a rigorous Product Introduction Process (PIP) to drive continuous improvement through learning. At the process's core is the customer feedback which gives us direction for our efforts. Right from guiding the farmers on innovative farm practices to manufacturing state-of-the-art farm equipment, we endeavour to assist the farmers in unlocking economic value.

Our in-House R&D unit, Knowledge Management Center, spread over 100,000 sq. m. including a modern engine, noise vibration & harshness, metrology and materials laboratory, has been recognised by the Department of Scientific & Industrial Research, Ministry of Science & Technology, Government of India for the period 2008-2011. As a result of our R&D initiatives during the year we have managed to reduce material costs across all the tractor models through design optimisation and have created the opportunity to expand the Genset business within the 40 KVA range. Also, we made concerted efforts in the field of technology absorption, adaptation and innovation. Consequently, we are now self reliant in the design capability for Engines, Transmissions & Agricultural Tractors with advanced technologies for domestic & export markets. We have the capacity for speedy introduction of new products to meet emerging applications and have realised low design and development costs for our pipeline of new products.



# Partners and Alliances

## **Forging intelligent relationships for better efficiencies.**

Dependable pillars have successfully upheld our existence through the decade traversed. Our repository of strength is consistently fortified, not by brick and mortar, but by the warmth of purposeful relationships with our alliances and partners. It is these well-nurtured foundations that have led us to emerge as an entity that has indeed made a difference to the industry.



The road to success is narrow. However, with our determination, experience and expertise, we have touched the peak with our extensive base of cordial relationships. Together, we now envision the course of our growth further.



**We consistently create synergies to deepen our standing in the marketplace.**

With every product we offer, we enter into a relationship with our partners, dealers and customers for a life time. We have initiated a strategic quality tour under which, the ESCORTS Agri Machinery Group invites feedback from our dealers. This tour is special part of the Quality Excellence initiative to hear the voice of our dealers. It focuses on customer issues, ideas and suggestions related to new product requirements, product features or small design improvements and addressing quality problems. Over a 100 dealers from Punjab, Haryana, UP-East and West, Rajasthan, Madhya Pradesh and Chattisgarh have already visited AMG to witness the actual application of their feedback. We consistently motivate our dealers by sharing our vision and goals with them. The Escorts Premier League (EPL) is an upshot of our decision to create higher levels of energy and enthusiasm within our dealer circuit.

In our success resounds our care and concern for our partners' requirements. We have, time and time again, proven that with unified strengths, we are able to carve a sustainable leadership position in the marketplace.

# Human Capital



## **A highly productive intellectual pool.**

At Escorts, we work our multiple dimensions to perfection to bolster our ground in a competitive marketplace. We consistently focus on uniting standalone strength within the organisation to augment our resilience. Today, we possess the technology and the capital to chart greater heights. However, most importantly, we also harbor a skilled intellectual pool that makes it happen.



Sharing our vision and objectives, our workforce has emerged as a reliable partner in our journey towards excellence. Our well-thought-out programmes present an opportunity for our employees to engage themselves across the different business verticals of the company.



**We inculcate a positive corporate culture throughout the employment life cycle of our work force.**

Constructive employee engagement, in line with the vision of the Company, is the canon that governs our Human Resource function. We inculcate a positive corporate culture by ensuring personal growth throughout the employment life cycle of our work force. We identify and hone the available skilled manpower to act as a feeder for the future talent pipeline and leadership roles. At Escorts, our employees are presented with an opportunity to enhance the very width and depth of their experience. We have initiated a robust job rotation process as a tool for the development of identified and potential individuals, who can be groomed to undertake future leadership roles. Our well-thought-out programmes present an opportunity for our employees to engage themselves across the business verticals of the company. Our management development initiatives are aimed at building managerial effectiveness to improve upon the overall performance and output of our junior as well as middle level managers. Over the years, we consistently enhance individual and business performance through our judicious Performance Management System (PMS).

Sharing our vision and objectives, our workforce has emerged as a reliable partner in our journey towards excellence. As we envision growth, our intellectual capital furnishes the requisite strength in our steps along the path to our goals.



# Risk Management

**An endeavour towards  
deepening the wealth of our  
shareholders**

Growth resides at the junction of intelligence, market insight and experience. Through its journey over 6 decades, Escorts is thorough with these prerequisites to progress.



We consistently augment shareholder value through growth, efficient risk management, fiscal prudence, innovative strategies and effective risk mitigation controls. These virtues build our robustness in a competitive marketplace.



**We successfully increased our margins through cost effective approaches such as, reducing the cost of debt and enhanced fund management.**

Today, we are empowered to circumvent challenges and storms in this voyage towards greater heights. Our financial discipline, in line with our growth objectives, successfully steered us through the global economic crisis, whilst creating a platform for enhanced growth. Driven by our fiscal prudence, we enhanced our focus on margins, monitoring costs regularly through improved MIS. We vigorously pursued the optimisation of working capital resources, resulting in comfortable liquidity throughout the year. Our keen business sense further resulted in a strong working capital management and the retirement of a substantial portion of our term debt, during the year. We achieved the twin objectives of reducing interest costs and enhancement of future fund raising capacity for organic and inorganic growth. As part of our two-pronged approach to support sales, we offer channel financing opportunities to our dealers for their working capital needs. Leveraging our relationship with banks, we also arrange finance for farmers to facilitate for their tractor purchases from the dealers.

Operational efficiency is just another side of the coin of success. We consistently enhance our internal control environment through the implementation of Standard Operating Procedures (SOP). These initiatives highlight corporate objectives and management philosophies that impact the very decision making process at Escorts. The newly constituted in-house Internal Audit team is expected to offer an additional thrust to enterprise risk management through the implementation of risk assessment methodologies, risk responses on behalf of the management and delivering services that improve risk management as well as control processes..



# Agri Machinery Group

**Making the Indian farmers 'Sampoorn', 'Sampann' and 'Swatantra'**

## Customer Quotes

"I have recently acquired PT 4455 and it is at par with my expectations. Before this, I have used tractors from other companies but found PT 4455 to be much better than any other tractor. The noise level is low compared to other tractors and fuel consumption also economical. I save at least 8 litres of fuel every day. I would recommend all my fellow farmers to buy PT 4455 instead of any other tractor".

**Mr. Brahm Singh, Muzaffarnagar, UP**

"I am satisfied with my Farmtrac tractor as it partners me efficiently in farm and haulage works, and that too with low fuel consumption."

**Mr. Lekhram, Mewat, Haryana**

"My Powertrac 439 XL tractor has been a true companion in all my farm works. It consumes less diesel and has low maintenance cost too."

**Mr. Madholal Raigar, Boondi, Rajasthan**





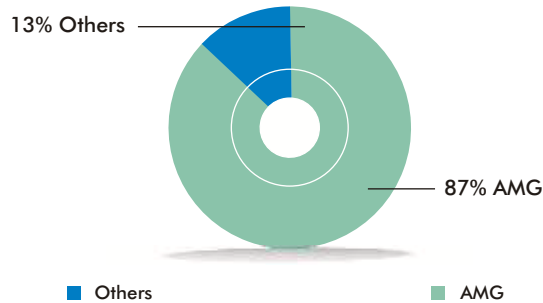
The Indian economic growth is dependent on the performance of the agriculture sector. The fact that this sector accounts for 60% of the employment in India, makes it even more consequential to the economy. According to Indian Economic Survey 2008-09, agriculture, including allied activities, recorded 17.1% share in the country's Gross Domestic Product (GDP) as compared to 21.7% in 2003-04. In 2007-08, the agricultural sector accounted for 12.2% of national exports. Agriculture and its allied activities are the main contributor to development of the rural economy. The relatively untapped rural sector is now being perceived as a prospective source of domestic demand. Entrepreneurs are now devising strategies to extend their services and goods to this vastly unexplored market.

### THE GENESIS

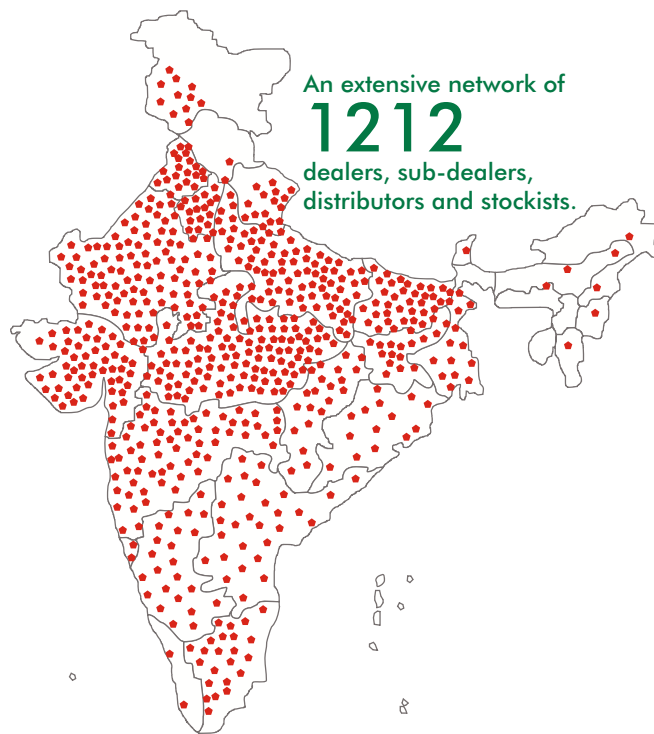
Escorts Limited was founded with the belief that India could only achieve total freedom with a breakthrough in the field of agriculture. Mechanisation of the sector is expected to serve as a key factor in achieving this result. Leveraging on our six decades of experience and expertise, our Agri Machinery Group's (AMG) vision is to further empower farmers. Today, AMG is the single largest contributor in the Company's turnover, contributing 87% to it.

Escorts' Agri Machinery Group was shaped in 1960 to direct a strategic venture into the tractors segment of the agri machinery sector. In 1965, the Company rolled out its first batch of tractors under the brand name of Escort. Eventually, in 1969 a separate company, Escorts Tractors Limited was established with the equity participation of Ford Motor Co., Basildon, UK for the manufacture of Ford Agricultural tractors in India. Since inception, the company has manufactured over 1 million tractors. Over the years, Escorts has spread its reach to develop an extensive network of more than 1212 dealers, sub-dealers, distributors and stockists. Furthermore, the Company has an international subsidiary in Farmtrac Tractors Europe Sp.z in Poland, apart from its presence in 41 countries across the globe.

### Contribution to Turnover



### PAN INDIA PRESENCE



Map not to scale and Approximate Locations

### LEADING THROUGH INNOVATION

As a company that is here to make a difference, Escorts has channeled significant investments towards the modernisation of farm technology. The Escorts Institute of Farm Mechanisation (EIFM) at Bangalore is a one-of-its-kind center to impart training in the areas of operation, maintenance and repair of farm machinery. Its painstakingly developed programs are aimed at encouraging customers, dealers, engineers, mechanics as well as the field staff of Escorts, towards meeting its objective of enhancing agricultural productivity and improving the quality of life in rural India.

## KEY INITIATIVES

### Manufacturing

In its quest for excellence, the AMG began the journey of revamping its manufacturing operations in January 2009, with an aim to meet the continually varying expectations of its customers. The manufacturing excellence drive factors in superior quality in processes, people, plant/production and partners to achieve product excellence. In this endeavor, the company sharply focuses on delivering quality products manufactured right the very first time, in the right quantity and delivered on schedule to meet the market needs.

### Harnessing People Power

Thinking differently and working differently are the two mantras that govern the decisions of the AMG. The Company promotes innovation through every endeavour it undertakes. With its skilled intellectual pool, the AMG fosters a culture of collaboration to ensure that many minds are working together towards the same goal. The result then is innovative and efficient product development. Formation of cross functional teams for the resolution of quality issues; strategic cost reduction (SCORE) initiatives and daily shop floor management is an attempt to cultivate teamwork within the division. In February 2009, Small Group Activity (SGA) kicked off at the shop floor level. This initiative is already making waves with the formation of as many as 16 teams of shop floor operators. These teams have received in-depth training in structured problem solving processes and have shown tremendous enthusiasm in identifying as well as implementing improvement opportunities. These ideas have resulted in quality improvement, cost saving, safety improvement and workplace improvement, which range from small design changes to the fool proofing of processes. An inter Production Unit (PU) event, "PU to PU SGA Muqabla (contest)" saw teams from all PUs sharing their improvements over the past few months. The pride and enthusiasm of the participants while making their presentations during the contest were a reflection of the success of this strategic undertaking.

The Company also initiated a planned organisational realignment to provide the ownership of quality to the Heads of the manufacturing PUs. Cross-functional teams led by PU heads and consisting of members from manufacturing, KMC, QA, materials and customer service have carried out major improvements in the areas of Engine, Transmission, Hydraulics and Tractor. A strong review mechanism has helped improve response time at all levels. For instance, a monthly review of product quality is conducted by the Chief of Operations and the Chief of Technology and the progress on the important quality improvement initiatives is critically monitored. A process excellence initiative using Failure Mode Effect and Analysis (FMEA) tools has resulted in innovative ways to improve manufacturing processes. With the objective of receiving on time supply of quality components, a dedicated supplier up gradation team has started work on the up gradation of 10 component suppliers with a long-term plan to upgrade 74 suppliers.

### Intelligent strategies for cost-effectiveness

The AMG undertakes planned initiatives to rein in costs and result in efficient manufacturing. Its cost compression exercise through the Strategic Cost Reduction (SCORE) project focused on material and conversion costs. Further, the company also developed a range of initiatives including, VA-VE (Value Added and Value Engineering), best practices in purchasing, zero base

budgeting, alternate materials, inventory control and energy saving exercise. The Company achieves power and fuel cost-effectiveness through reduction in shifts, reallocation of workforce and utilisation of surplus manpower. Diesel control by burner efficiency improvements, repair and maintenance by low cost automation as well as alternate spares are among the other steps undertaken on a periodic basis.

Escorts is committed to delivering products and services on time. Consequently, it maintains a 100% schedule adherence on a consistent basis. This is achieved through supply chain efficiency and de-bottlenecking of critical components. The AMG has deployed IT enabled Integrated planning process for efficient supply chain management.

## HIGHLIGHTS

**Production Schedule Adherence - 100%**

**Straight pass percentage at Tractor assembly improved by 12.5%**

**Improvement ideas generated by Small Groups - 1545**

**Power generation set efficiency improved by 10.4%**

**Power consumption reduced by 12%**

**Heat treatment cycle time reduced by 25%**

**Consumption of Tools reduced by 8%**

**Productivity (Man-hours/Tractor) improved by 10.3%**

### Bonding with the farmers

Customer satisfaction is central to the success of Escorts. The Company targeted over 1,00,000 Indian villages across 14 states in India as part of a first-of-its-kind customer focused initiative for the Indian farming community, **Jai Kisan Utsav**. Offering a host of benefits, ranging from insurance schemes, exchange programs, free service camps, special discounts to farmers across the country, the Utsav was aimed at catering to most of the customer needs. 'Bachat, Sewa and Raksha' (Great Savings, Thoughtful Service and Solid Protection), the foremost values for any customer, with an added bonus of 'Inaam'

(Gifts/Reward), were among the various initiatives under the Utsav. The two-month long campaign reached out to farmers across the States of Punjab, Haryana, Jharkhand, West Bengal, Bihar, Andhra Pradesh, Maharashtra, Gujarat, Tamil Nadu, Chattisgarh, Rajasthan, Madhya Pradesh and Karnataka. Furthermore, over 300 customer meets were organized across the country, where approximately 30,000 customers were informed about the initiatives of the Utsav and as many as 550 tractors were delivered. Free service was offered through over 450 service camps conducted across the country. Nearly Rs. 85 lakhs worth of parts and lubricants were sold during these service camps. Many Exchange Melas too were conducted through which as many as 325 tractors were exchanged.

### Harnessing dealer experience

At the heart of Escorts operations is our focus on quality and service. The company adopts a holistic approach to ensure quality excellence, involving dealers, suppliers and employees. Over 100 dealers visited the Company's manufacturing plant as a part of a structured exercise targeted at capturing the Voice of Customer. This tour is special part of the Quality Excellence initiative to hear the Voice of the Dealer. It focuses on customer issues, ideas and suggestions related to new product requirements, product features, small design improvements, whilst addressing quality problems. Dealers are then invited to the facilities to witness the actual application of their feedback.

AMG closely works with its dealers' to get a market overview, customer needs and responses. Through its customer-focused approach, Escorts is serving as an integral partner to the growth of its clients' businesses. Content with its expertise, market know-how and innovation, Escorts' customers look forward to increasing their engagement with the Company.

### New product launches

With its eye on the future, Escorts is always on the move. This is evident from its timely launches of innovative and effective products.

Early 2009 witnessed the launch of four new tractor variants, offering price competitive models of global quality norms in terms of technology, performance and durability. In the 55HP category, Escorts introduced FARMTRAC 65 EPI and its 4-cylinder POWERTRAC 4455. These are specially designed for tractor usage in heavy haulage applications and hard soil conditions. Escorts has also introduced an upgraded version of its well-established high-selling products FT 60 and PT439, which are FARMTRAC 60 DRPTO and POWERTRAC 439 Deluxe, respectively. PT439DX, in the 39 HP category, has the best-in-class fuel economy and is ideal for all agri as well as haulage operations. FT60 DRPTO is ideal for farmers desirous of a 50hp product with high-end features, performance and the highest re-sale value in this segment. In Rajasthan, Madhya Pradesh and Chattisgarh, Escorts launched all the four variants PT 4455, FT 65EPI, FT 60 DRPTO and PT 439 DX. In Eastern UP, the PT 439 DX and PT 4455 and in Western UP, FT 65 EPI and PT 4455 were introduced.

Escorts unveiled its recent FARMTRAC (FT) models at the 15th AGROTECH International Agricultural Technology Fair in Kielce, Poland. The three innovations, FT 690 DT, FT 680 DT and FT 535 were displayed in the fair. Moreover, the Company also showcased FT 675DT for the Wood Industry and Forestry Planning participants. The Fair encompassed every brand of

## Best New Model Award for Farmtrac Europe

**In September, 2009, Farmtrac Tractors the Europe Sp.z.o.o. got an award from the Ministry of Agriculture and Rural Development for introduction of new model FT690D. Escorts Farmtrac was the only Tractor Company to receive this award during the XVIII National Agriculture Exhibition.**

tractor in the Polish market along with a wide range of accessories for agriculture from Polish manufacturers and dealers from foreign corporations.

Escorts' Farmtrac 685DT and 690DT tractors were granted EC-type approval for marketing across the EU. Farmtrac Tractors Europe Sp. Z.o.o introduced two new higher hp models, Farmtrac 685DT (60.5 KW/ 82 hp) and Farmtrac 690DT (64.5 KW/ 88 hp) These tractors are designed to incorporate efficiency with cost effective technical solutions, while offering a perfect blend of ruggedness, reliability and styling at most competitive prices. Escorts Farmtrac 685DT and 690DT are expected to cater to a wide range of requirements across the European continent for farmers with mid-range agricultural farms and companies with a wide variety of needs from transport to ploughing. The balanced power-to-weight ratio makes it one of the best tractors for general field work, PTO and transport applications.

### Humrakshak "We Care" initiative an unique insurance policy for farmers

Escorts philosophy of care and concern for farmers is reinforced through the Humrakshak "We Care" initiative, which provided a unique Kisan (Farmer) Insurance of up to Rs. 7 lakh to make the farmers feel "anxiety-free". In order to ensure this, AMG has tied up with the New India Assurance Company to provide personal accident cover. In the event of farmer's death or permanent disability, the farmer or his dependents are entitled to a cover amount linked to the tractor model purchased by them.



# Escorts Construction Equipment Ltd.

**On to bigger dreams**

## Customer Quotes

"I am a proud owner of 70 Escorts Hydra Cranes bought in the last one and half years. Escorts has helped me grow my business by leaps and bounds. Not only will SIPL continue to patronize Escorts cranes, I am also a satisfied customer of Escorts Soil Vibratory roller EC 5250. It is the product quality, features and service that keeps me glued to Escorts."

**Mr Bikhubha H Vadher, M/S Swaminaryan Infrastructure Pvt Limited (SIPL)**

"Seeing the Escorts business growing and with government thrust on infrastructure we are committed to Escorts and intend to give great emphasis to Escorts in our business over the next few years. With new product launched by Escorts, YLES will be able to create markets in increasing its equipment base."

**Mr Bhushan Khadilkar, Yellow Line Engineering Services Pvt Ltd (YLES)**



## THE GENESIS

For the last 40 years, Escorts Construction Equipment Limited, (ECEL) has defined the evolution of India's Construction Equipment and aims to spearhead a leading role in infrastructure & construction in India. The Company manufactures and markets a diverse range of construction and material handling equipment such as cranes, loaders, vibratory rollers and forklifts.

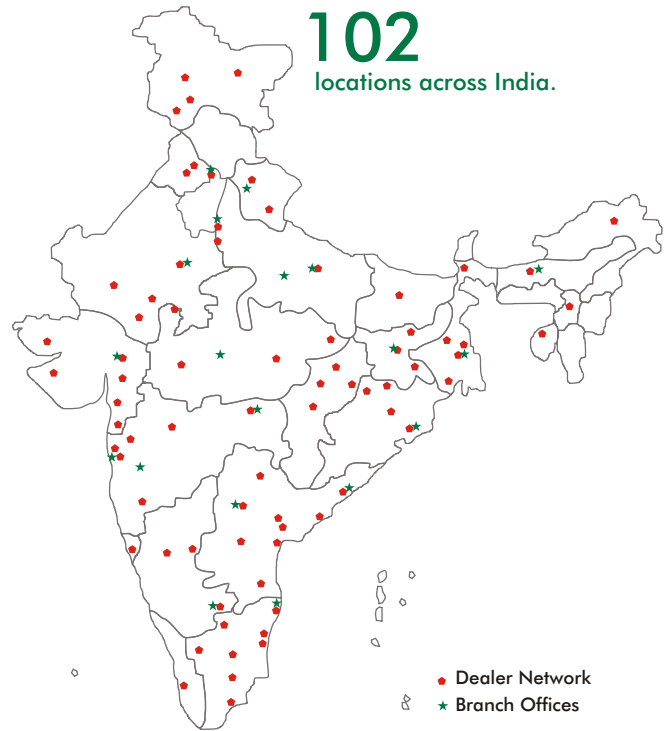
Yellow Line Construction Equipment, started in 1970, was the predecessor of ECEL. In 1971, ECEL introduced Pick-n-Carry cranes and till date the Company is the World's No.1 manufacturer of this Product. With 4 decades of operations in India, ECEL has created an ecosystem of 7 zonal office, 17 business centers and 78 dealer locations across the country.

Today, Escorts Construction Equipment Ltd. is one of the top construction equipment manufacturers in India. Since its inception, Escorts has pioneered a variety of product concepts and has emerged as a dominant player in the material handling equipment and vibratory compaction equipment in the country.

## PRODUCT RANGE

- Pick-n-carry Cranes
- Slew Cranes
- Crawler Cranes
- Tower Cranes
- Vibratory Compactors
- Loaders
- Forklift Trucks

## PAN INDIA PRESENCE



Map not to scale and Approximate Locations

## INITIATIVES AND ACTIVITIES

### Tie up with Manitou, France

Escorts Construction Equipment Ltd. has signed a distribution agreement with Manitou BF, SA Corporation of France for its range of telescopic handlers and Maniaccess range of access platforms. Escorts Manitou has already bagged two orders from two leading Indian construction companies. The Company will also provide after sales service to the products through its nationwide network of offices and dealers.

### Tie up with Zoomlion, China

Escorts Construction Equipment Ltd. signed an agreement with Hunan Zoomlion International Trade Co. Ltd., China, one of the world's top 10 mobile crane manufacturer and part of the US \$ 4 billion Zoomlion Group, for marketing a wide range of Truck Cranes and All-Terrain Truck Cranes in India. The Company will be marketing the entire range of truck and all terrain cranes, as a sole and exclusive distributor for the Indian market. This agreement will enable ECEL to be uniquely placed in the entire gamut of lifting solutions.

### Launch of TRX Cranes

In line with its position as the global leader in Pick-n-Carry Cranes, ECEL launched the the world's largest articulated Pick and Carry Crane TRX 2319. An offering in the range of 22-25 tonne capacity, TRX 2319 has been packaged with scores of features that makes it suitable for many applications, including heavy duty (and higher height) erection at Mega Projects, capability to travel long distance for intercity movement as well as compactness.

### State-of-the-art manufacturing facility

As a part of its transformation journey to operational excellence, ECEL moved into its new state-of-the-art and intelligent manufacturing & assembly facility in Ballabgarh, Faridabad. The facility spread over 15 acres of land and covering an area of over 250,000 sq ft, has been constructed on the basis of fusion of the two most powerful operational practices of Lean and Six Sigma. The LeanSigma transformation will seek to reduce waste, realign operations with business strategy and focusing on customer demands, making the process more flexible, efficient and productive. This will enable ECEL to continue to be an innovative solutions provider, having a sustainable competitive advantage.

### Customers express the Escorts Pick-n-Carry Hydraulic Mobile Cranes 'as their Lifeline'

**Our Customers in Bijolia area have expressed the crane as their lifeline. The adoption of the crane for this application stems from the fact that Escorts cranes are reliable, rugged and efficient. The customer support by the ECEL dealer Drillcon has also made the difference.**

### Escorts to help the Govt. of Malawi build Road Network

In a new tie up, the compactors produced by ECEL will be used in developing a modern and international level road network in the south-eastern country of Africa. The Tandem Compactors of Escorts Construction Equipment Limited (ECEL) have already been commissioned in Malawi. ECEL also provided training to 25 operators who would be handling these compactors.

### Mega Service Camp for Crane Operators

To train customers on safe usage of Pick-n-Carry Cranes, Escorts Construction Equipment Ltd. organised a Mega Service Camp in Hyderabad. As an effort towards total customer satisfaction, operators were given training on air cleaner elements, cleaning and service tips on maintaining machines. ECEL will conduct one training camp every quarter in each dealer territory.

### ECEL contribution Towards Indian Defence Forces

Training was conducted at Air Force Station, Jalahali for air warriors on 360 degree Slew Crane and Border Road Organisation Training was conducted on Vibratory Compactors at Leh/Ladak-11500 Feet above the Sea Level at DGBR Field Workshops.

### GOING FORWARD

#### Growth pattern

The demand for construction and material handling equipment is completely dependent upon the activity levels of infrastructure construction. For over a decade the industry has been in overdrive but witnessed a dip due to the economic happenings

after September 2008. The markets have recently started showing signs of recovery and the demand is steadily picking up. ECE industry is likely to expand five-fold by 2015 to US\$ 13 billion. The 'as usual' growth given the significant infrastructure investment expected to take place, will grow the industry to US\$ 8 billion by 2015. The industry could catalyse additional growth of US\$ 4-5 billion by pursuing 'demand accelerators' in the domestic market and pursuing the exports opportunity.

### Challenges

Unrestricted and unregulated import of old cranes and other construction equipment, complex tax regime hindering free flow of equipment across states, acute shortage of skilled labours and lack of adequate patent and protection laws are the key challenges that the industry is facing today.

The Company has been proactively addressing these issues at its own level. Escorts have set up training centers at Bangalore and Faridabad for operators and equipment personnel, with a capacity of training 200 operators simultaneously.

### Public Private Partnerships

About a third of the Planning Commission's estimate of Rs. 20,01,776 crore (at 2006-07 prices) required for infrastructure development during the Eleventh Five Year Plan is expected to be met through private investment and public-private partnerships (PPPs). Besides supplementing limited public sector resources, PPPs bring in private sector expertise, cost reducing technologies and efficiencies in operation and maintenance.

To address the financing needs of these projects, various steps have been taken such as setting up of the India Infrastructure Finance Company Limited (IIFCL) to provide long tenor debt to commercially viable infrastructure projects; and launching of a scheme for financial support to PPPs in Infrastructure to provide viability gap funding (VGF) to PPP projects.

### Trends Impacting Growth and Evolution of the ECE industry in India.

- increased investment in infrastructure building;
- the continued dominance of price- and value-focused customers
- the deeper engagement of global original equipment manufacturers (OEMs) in India
- increasing opportunities for export
- increasing competition from product imports from other low-cost countries



## MILESTONES

Year	Event
1970	YELLOW LINE <sup>®</sup> Construction Equipment Department formed.
1971	Introduction of Pick n Carry Cranes and Front End Loaders
1983	Rough Terrain Hydraulic Mobile Crane
1987	Vibratory Roller 10T Class
1995	Escorts Fassi Articulated Boom Cranes (1.72 Tm - 78 Tm) Escorts Daewoo Fork Lift Trucks(2T to 15T)
1997	Escorts Franna All Terrain PNC crane
1999	ESCORTS K10 The Next Generation Pick-N-Carry Crane. Introduced LPG Forklifts in India
2001	HD-85 - Tandem Vibratory Roller was launched
2002	MAC 1214 - a wreckage recovery crane was designed, launched and record 280 machines were sold in launch year
2005	2420 - a 12 T Soil Vibratory Roller and ED -30 a 3 T Mini Tandem Vibratory Roller were Launched during EXCON 2005
2006	Training Facility at Started at Bangalore HP 216, a new generation Pick n Carry Crane Came into existence
2007	Construction of new manufacturing facility started at Ballabgharh and Rudrapur ECEL receives the Awards in two categories at 5th Construction World -NICMAR Award- the Second fastest Growing Construction Equipment Company and Third largest Construction equipment Company TRX Series of Pick-n- Carry cranes launched in the category of 23 T , 17 T and 16 T at EXCON -2007 . TRX 2319 , a 23 T Crane being the Largest Crane in this category in the world
2008	ECEL to market the world renowned 'LeeBoy' brand of equipment for road construction and maintenance purposes, complementing its existing range. ECEL launches Fully Hydraulic Crawler Cranes. ECEL launches Escorts Heli Forklifts Range.
2009	Commissioned its state-of-art manufacturing plantrolling out pick-n-carry cranes and vibratory compactors.



# Engineering Division

**On the Fast track to growth**

## Railway Equipment

Certified ISO Division

Multi product, multi technology division

One of the oldest suppliers to Indian Railways

Advanced Design, Development, Testing and Validation facilities for customised solutions

Large pool of engineering resources

Modern and state-of-the-art facilities at Faridabad and Rudrapur

Exporting products to over 15 countries

Asia's largest manufacturer of air brake systems.

## Automotive Component

Pioneering Automotive Shock Absorber manufacturing in India in 1966

Certified to international Automotive ISO/TS 16949:2002.

5 million production capacity per annum.

R&D efforts in technical collaboration with Kayaba, Japan

After market of 300 dealers, 10,000 retailers and 200,000 workshops/garages





Meaningful transformation to suit the ever-changing needs of the market place is the key to countering competition and forging a sustainable leadership position. Having imbibed this philosophy into its very fibre, Escorts Engineering Division (ED) embarked upon a revitalisation initiative to cater to the changing needs of the market. As part of this undertaking, your Company upgraded its manufacturing processes through aggressive cost rationalisation, lean production, enhanced design, effective supply chain management, setting processes right and upskilling its personnel. During the year under consideration, the ED gave form to its 'Change for Growth' programme. This initiative focuses on reining in costs, including production, life-cycle and manufacturing expenditure. Furthermore, reviewing distribution pipeline is slated to upscale delivery effectiveness during after-market and sales dealings.

As a consequential step towards its entire revival initiative, Escorts integrated its Railway Equipment and Auto Suspension businesses under a single unit the Engineering Division. With this strategic move, we plan to reap the benefits of the synergies arising out of combined engineering expertise, reduced boundaries, exchange practices and manufacturing infrastructure. Furthermore, the Company has tied up with ACTS (ACMA Centre of Technology) to develop a 'lean thinking' organisation as part of fine tuning its manufacturing processes. Through such initiatives, Escorts aims at creating an improvement culture with 5S, quality excellence and enhanced cash flows.

The effective implementation of any strategic planning programme is the precursor to success. While we have already developed an intelligent pathway to our growth, we also have an efficient implementation strategy in place. Our revitalisation programme is supported by a structure of core teams and focused improvement teams that are bolstered by a steering committee. The three core teams are further driven by Mission Leaders, whereas the Focus Improvement Teams house the

Project Leaders. The teams developed an initial preparatory phase that involved understanding the situation, identifying the barriers and enablers through a series of management workshop that resulted in developing the primary roadmap. With these initiatives in place, we look forward to a large scale involvement of people, value discovery and realisation.

Our judicious team strengthening programme is aimed at improving team coherence and the very strength of diversity. The Company has also developed an Exploration for Team Strengthening initiative, in conjunction with its consultants through leadership interactions on a one to one basis. Through this move, Escorts is expected to bring about small group interactions with middle management and workshops with large groups to study the current dynamics to enhance team work. The expected upshot of this revitalisation exercise is to ensure that every employee is result-oriented, aware of the market dynamics and is cost conscious.

### RAILWAY EQUIPMENT

Over the last 40 years, Escorts has been a leading manufacturer of critical railway components and has been one of the oldest and most trusted partners of Indian Railways. Having played a significant role in the growth and modernisation of Indian Railways, today, Railway Equipment Division (RED) is a multi-product, multi-technology business at Escorts.

Escorts, an ISO: 9001-20000 certified company manufactures products as maintained by global standards specified by UIC, AAR and Indian Railways. The products are exported to over 15 countries worldwide. For railway equipment, the initial source of technology has come from some of world leaders in the arena such as:

- Schaku of Germany for couplers
- Knorr Bremse of Germany for air brakes
- REXLOK Resilient Rail Fastening System , Suitable for all Rail Sizes and the same clip suits any Sleeper/Tie, Material
- ICER of Spain for composite brake blocks
- Vulcanite of Australia for vulcanised rubber parts

Railway Equipment state of the art manufacturing facility located at Faridabad, near New Delhi has facilities for advanced product development, design, testing and validation. The in-house Research & Development has played a critical role in bringing about a high level of customer satisfaction, reliability and safety - the key drivers of business.

**Escorts is Asia's largest manufacturer of air brake systems.**

The Company's aim is to inculcate a culture of total employee involvement in manufacturing processes. This aim is being enabled through KAIZEN, 5S, Suggestion Schemes and Autonomous Maintenance. Escorts' engineering experts have trained over 8000 railway personnel of various countries. As Asia's largest manufacturer of air brake systems, the conversion of vacuum brake stocks to air brakes and installation and commissioning of complete brake systems on new builds are also undertaken by Escorts.



## Product Portfolio

- Shock Absorbers
- Brakes
  - Air Brakes
  - Electro Pneumatic Brakes
  - Composition Brakes
- Couplers
- Automatic Twist Locks

### AUTOMOTIVE COMPONENTS

The Engineering Division of Escorts Ltd. is the leading manufacturer of auto suspension products including shock absorbers, struts and telescopic front forks. The Company was the pioneer in Automotive Shock Absorber manufacturing in India in 1966, in Technical Collaboration with Fichtel & Sachs, Germany. Over the years the technology obtained from Fichtel & Sachs of Germany has been continuously upgraded and new reliable products have been introduced to cater to OEMs of all vehicle categories, maintaining Escorts leadership position. Another step forward in this direction is a comprehensive technical collaboration with world leaders Kayaba of Japan. A strong in-house design and development infrastructure of the Division enables introduction of new applications as per specifications of customers.

The Automotive Component Business located at Faridabad, has an annual production capacity of 5 million shock absorbers, front forks and McPherson struts, manufactured at its state-of-the-art manufacturing facilities. The quality system of ED migrated from ISO-9001 to TS:16949 in 2004. To further enhance its quality standards, Escorts adopted KAYABA Quality Systems as a subset of TS:16949, the latest and most comprehensive international standard for quality.

ED has a modern R&D Centre and Quality Laboratory, deploying latest servohydraulic testing systems, enabling the division to manufacture innovative and durable products for the market

place. With an extensive network of over 300 dealers, 10,000 retailers and over 200,000 workshops/garages, Escorts has the capability to adequately serve the end users in the aftermarket.

Quality, Cost and Delivery (QCD) are the three pillars that division follows to deliver customer satisfaction. QCD offers a clear structure for continuous improvement, raising levels of customer satisfaction and greatly improving the management of production. The key measures of QCD have been developed by the Industry Forum of the Society of Motor Manufacturers and Traders (SMMT) and endorsed by the automotive industry in the UK. The QCD philosophy provides significant advantages with respect to:

- clarity of priorities for improvement in production management,
- simplicity in a complex manufacturing process to gain performance improvements,
- feedback in quantifiable numeric comparisons,
- benchmarking with better methods and practices and
- improve competitiveness, develop business and increase profit

The Company, continuously benchmarks its performance with Kayaba, Japan. The division, for continuous incremental improvements in quality and productivity follows the KAIZEN philosophy.

- **Caters to OEMs of all vehicle categories including passenger cars, commercial vehicles, multi-utility vehicles, motorcycles, scooters and mopeds.**
- **Certified to international Automotive ISO/TS 16949:2002.**
- **5 million production capacity per annum.**
- **Significant exports to South Asia, Europe, Middle East and Africa.**
- **Since the incarnation, newer and more reliable products have been introduced with continuous development and improvement in manufacturing technology and design.**

## Broad Product Portfolio

- Shock Absorbers
- Front Forks
- McPherson Struts

### KEY ACTIVITIES AND INITIATIVES

#### Manufacturing Facilities

Every decision at Escorts is driven by the underlying principle of sustainable growth and the year 2008-09 was no different. The revamp of its Railway Equipment Business during the year was completely in line with its philosophy. In a bid to accelerate its growth, Escorts has upgraded its manufacturing facilities, added new technologies and introduced a broader product-mix to cater to its customers' needs. During the year under consideration, ED set up a new manufacturing plant to further support its growth and expansion at Rudrapur. This decision was in the best interest of the company, following the Uttaranchal Government's introduction of incentives including capital investment subsidies, income tax exemptions for next 10 years, excise duties and reduced labour costs.

#### Machining Technology

To keep pace with latest manufacturing technologies, Escorts has introduced the newest machining technology MAKINO VMC and associated machines. This vertical machining centre is for complicated CNC machining on air brakes and coupler parts. Also, high-end rubber technology is being introduced to produce fire retardant vestibules.

#### Quality

Quality has always been a key focus at Escorts. The Railway Equipment Business is ISO:9001 certified and has integrated Quality and Reliability test labs. All products go through multiple Quality checks and Assurances. Quality Control and Assurances are continuously upgraded at the Company's manufacturing plants to keep pace with customer and product updates.

#### Launch of 4 Stroke Engine Oil

Co-branded with Bharat Petroleum Corporation of India (BPCL), Escorts Engineering Division launched two wheeler 4 stroke engine oil "MAK Escorts 4T plus SJ 20 W 40 oil". The oil will be available for the Indian market, exclusively through Escorts' distribution channels. Furthermore, the Company will be able to use BPCL's petrol pumps to promote its auto suspension product range. This product will strengthen ED's E-parts portfolio.

#### New Venture

Escorts' Engineering Division, leveraging on its existing capabilities of Railway Equipment Business, forayed into the Loco Components business. This new venture will expand RED's product range.

#### Expanding Horizons

Both the sections of Engineering Division are developing several new products and expanding their product range for domestic as well as international market. ED has been expanding its Railway business by tapping every possible opportunity being offered by modernisation of India Railways.

Indian Railway has embarked upon many ambitious projects of environmental protection and one of them is introduction of Bio-Degradable toilets in passenger coaches. In order to become a partner in this corporate social responsibility of environmental protection, the Company initiated a new business proposal & signed TOT (Transfer of Technology) with DRDO for Bio-Degradable Toilets for Indian Railways. Engineering Division will be manufacturing bio-degradable toilets to prevent dumping wastes on tracks.

Modern fastening clips (REX) and Air Suspension brakes are among the two new products ED is manufacturing. Modern fastening clip is a product solution for Indian Railways as they move away from meter gauge to broad gauge to expand frequency. Air Suspension, a contemporary technology for high-speed trains, is fast replacing hydraulic suspension and is a component for future as it ensures more comfort and durability.



# products & brands

## AGRI MACHINERY



FARMTRAC 34-75HP,  
PREMIUM RANGE



POWERTRAC 34-55 HP,  
VALUE RANGE



ESCORT 25-35 HP,  
ECONOMY RANGE



BIO DIESEL TRACTOR



SNOW PLOUGHER



FARMTRAC EUROPE  
- INTERNATIONAL RANGE



TELECOM TOWER  
GENSET ENGINE

### APPLICATION ENGINEERING

- LASER LEVELER
- SUGARCANE GRABBER
- GRASS CUTTER
- SNOW CUTTER
- RAILWAY SHUNTER
- ROAD SWEEPER
- SCRAP HANDLER

## RAIL & AUTO COMPONENTS



AIR BRAKE SYSTEM



ELECTRO PNEUMATIC  
BRAKE SYSTEM



CBC WITH AAR 'H' HEAD



SEMI-PERMANENT  
COUPLER



TWO WHEELER SHOCK  
ABSORBERS & FRONT FORKS

### STEERING & SUSPENSION PRODUCTS

- CAR, SUV MUV SHOCK ABSORBERS & STRUTS
- TWO-WHEELER STEERING COMPONENTS
- RAILWAY & DEFENSE SHOCK ABSORBERS
- TRUCK & TRAILER SHOCK ABSORBERS



# CONSTRUCTION EQUIPMENT



ARTICULATED BOOM CRANE



TELESCOPIC HANDLER



TRUCK CRANE & ALL TERRAIN TRUCK CRANE



HYDRAULIC MOBILE ROUGH TERRAIN SLEW CRANE



TOP SLEW TOWER CRANE



FORKLIFT TRUCK



HYDRAULIC CRAWLER CRANE



HYDRAULIC MOBILE PICK AND CARRY CRANE



VIBRATORY COMPACTOR

## OTHER PRODUCTS

- WHEEL LOADER
- MOTOR GRADER



BRAKE BLOCK



TWO WHEELER CLUTCH PLATES



REXLOK RAIL FASTENING SYSTEM



TWO WHEELER BRAKE SHOES

## AUTOMOTIVE PRODUCTS

- TWO/FOUR WHEELER SPARK PLUG
- TWO/FOUR WHEELER BRAKE PADS
- TWO WHEELER BATTERY
- FRONT FORK OIL
- MAK ESCORTS ENGINE OIL
- GRAVITY DIE CASTING COMPONENTS
- TWO WHEELER CHAIN SET



# Management Discussion & Analysis

## ECONOMIC OVERVIEW

Resting on reliable foundations, the Indian economy has gained significant growth momentum during the last decade. While reverberations of a global downturn were felt, the country remained relatively shielded from the prevalent financial landscape during 2008-09. According to Moody's, the growth in India and China has resulted in the recuperation of the decrepit world economy. Leading indices such as, Nomura's Composite Leading Index (CLI), UBS' Lead Economic Indicator (LEI) and ABN Amro' Purchasing Managers' Index (PMI) are mirroring the buoyancy in the Indian economy. An increase in hiring and freight movement at major ports as well as positive statistics from the manufacturing segments of steel and cement industries have orchestrated an economic revival in India. The Indian real Gross Domestic Product (GDP) at factor cost was recorded at 6.7% during 2008-09. The GDP growth of the agriculture, forestry and fishing sectors stood at 1.6% during the bygone fiscal, whereas the industry witnessed growth of 3.9%.

The Indian growth story has percolated down to the rural and semi-urban areas. Rural India already accounts for almost half of the domestic retail market, valued over US\$ 300 billion. Rising commodity prices and enhanced productivity have resulted in an economic boom across the domestic rural realm, with per capita income having grown by over 50% during the last decade. The development of basic infrastructure, generation of employment guarantee schemes, better information services

and access to funding have further accelerated the growth of rural India.

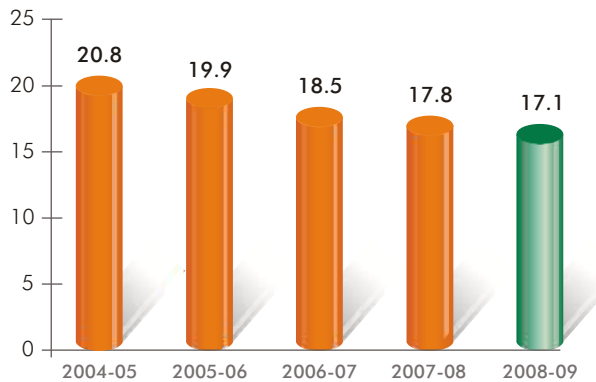
**Rural India is set to witness an economic boom, with per capita income having grown by 50% over the last 10 years, mainly on account of rising commodity prices and improved productivity. Development of basic infrastructure, generation of employment guarantee schemes, better information services and access to funding are also bringing prosperity to rural households.**

## INDUSTRY OVERVIEW

### Agriculture

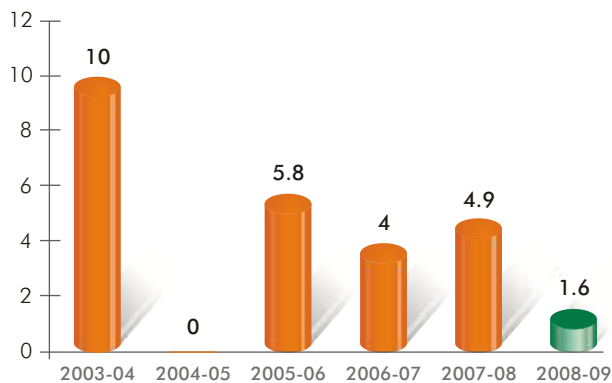
Accounting for 17.1% of the gross domestic product (GDP), the Indian agricultural sector is one of the strongholds of the economy. The sector furnishes employment to over 60% of the population.

Share of Agriculture in GDP (%)



The agriculture and the allied sectors have recorded a growth of over 4% during 2006-07 and 2008-09 as compared to the average annual growth of 2.5% during the 10<sup>th</sup> five-year plan.

Agriculture Growth Rate (%)



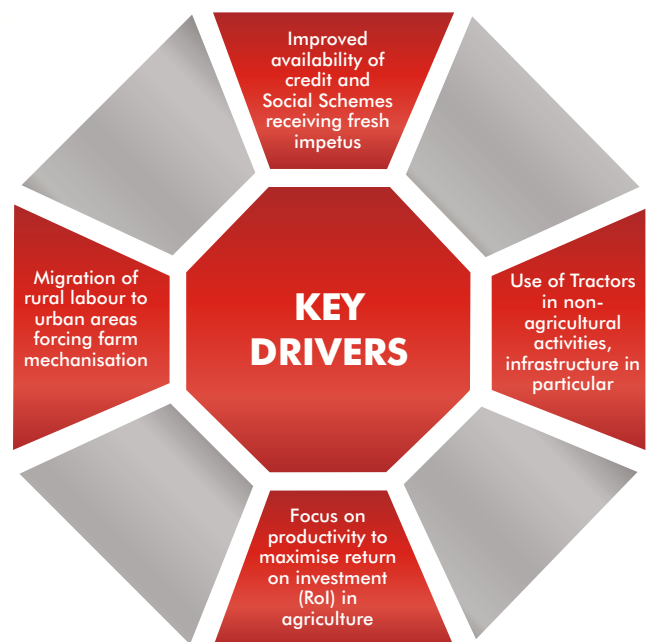
The resurrection of the domestic agricultural sector rests on the firm initiatives undertaken in recent years, such as:

- The Union Budget 2009-10 has brought forth a one-time loan waiver of nearly US\$ 14.6 billion to cover an estimated 40 million farmers. Under the Agricultural Debt Waiver and Debt Relief Scheme (2008), farmers possessing over two hectares of land were given time up to 30<sup>th</sup> June, 2009 to pay 75% of their overdue. The 2009-10 budget resulted in an extension of this time frame by six months up to 31<sup>st</sup> December, 2009.
- The Government has already approved the setting up of as many as 60 Agricultural Export Zones (AEZ).
- The Government is expected to furnish an additional US\$ 6.17 billion for new farm initiatives of the States. Such

measures are aimed at doubling the growth rate of the sector to 4% over the 11<sup>th</sup> Plan period.

- The year 2007 witnessed the launch of the National Food Security Mission, with an outlay of US\$ 979.51 million over the 11<sup>th</sup> Plan (2007-2012). This initiative is targeted towards a surge in the production of rice, wheat and pulses by 10 million tonnes, 8 million tonnes and 2 million tonnes, respectively, by the end of the 11<sup>th</sup> Plan.
- The States also have access to funding of US\$ 5.01 billion for investment in various projects based on local requirements, under the Rashtriya Krishi Vikas Yojana launched in 2007.
- The Government has allowed 100% foreign direct investment through the automatic route in services related to agri and allied sectors.
- The Cabinet has approved a 2% interest subsidy on bank loans undertaken by farmers. The subsidy is expected to cost the exchequer about US\$ 826 million in the fiscal year 2009-10.

These encouraging undertakings have already begun to bear fruit. The public sector investment in the farming industry has surged from 1.8% of sectoral gross domestic product (GDP) in 2000-01 to 3.5% in 2006-07. During the same period, the private sector investment has increased from 8.9% in 2003-04 to 9.9% in 2006-07. As per a report from Rabo Bank, the domestic agri-biotech sector is growing at an impressive 30% over the last five years and is expected to sustain this growth in the future. Moreover, the report also anticipates India to emerge as a major producer of transgenic rice and several genetically engineered vegetables by 2010. Today, there is a consistent increase in the mechanisation of the agricultural sector to ensure greater returns on investments (RoI) and the sustainability of agriculture. Consequently, the agricultural equipment sector is a significant contributor towards the growth and productivity of this industry. Primarily driven by the use of tractors, mechanisation is fast alleviating human and animal labour usage.



## Infrastructure

The infrastructure sector witnessed investments 6.5% of the GDP, during fiscal 2008-09. Economic indicators suggest that by 2010-11, this investment is expected to reach 8.2% of the GDP as infrastructure sectors such as, highways, telecoms, ports, airports, urban infrastructure, are anticipated to receive funds to the tune of US\$ 119.78 billion. Some of the development plans of the Key sectors and the likely benefits for your company are enumerated as under -

- Highways are estimated to receive Rs. 68,370 crores investments by the Government of India in the coming fiscal. Escorts is advantageously poised to take advantage of this opportunity as in addition to the Company's construction machinery and equipment, tractors are being increasingly used for road construction.
- Telecom sector is targeted to receive Rs. 61,646 crores investments for the coming fiscal and Escorts Genset business which supplies to telecom towers is a potential beneficiary.
- The Indian government is targeting Rs 19,980 crores investments for the coming fiscal in Ports. The resultant construction activity is expected to trigger good demand for Escorts tractor and construction equipment business.
- In airports, the Indian government is targeting Rs. 6,646 crores investments for the coming fiscal. This is a positive sign for your company considering the wide variety of machinery part of Escorts offerings that are likely to be utilised in such projects.
- The urban sector presently contributes about 62%-63% of the GDP and this is expected to increase to 75% by 2021. Escorts will attempt to replicate the growth in this critical sector by positioning its construction and other machinery; such as tractors, Pick and Carry Cranes; in order to capture a share of this market.
- The Indian government is targeting Rs. 15,8027 crores investments for the coming fiscal in power. Escorts will look to tap into this segment by means of strategic positioning of its machinery in the area of transportation and waste management.
- The government, in March, 2009 had approved funding of Rs. 1,08,903 crores in Special Economic Zones (SEZ's). This initiative has generated significant opportunities at work and construction sites for Escorts earth moving and construction equipment as well as tractors.
- The Indian Government's push for slum development coupled with increasing low cost and high cost housing activity augurs well for Escorts as it presents tremendous opportunities for the Company's construction equipment business.
- The mining industry, particularly coal, is expected to be opened up for private investment which will trigger a lot of activity for transportation, site development. Your company with its wide range of products is expected to benefit from this development.

## Auto Components

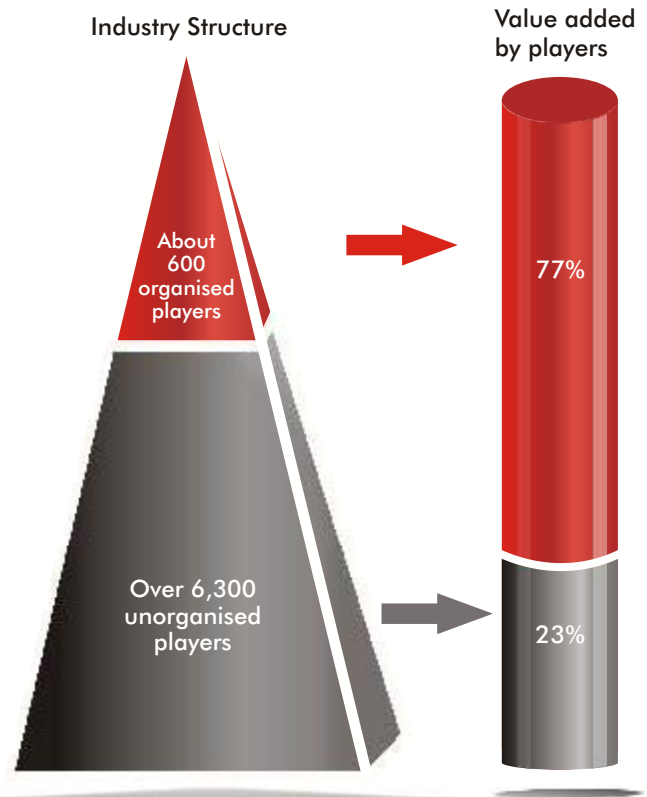
The growth of the Indian economy has increased the spending capacity of the middle class segment. As a result, global auto majors perceive the Indian automobiles market as a lucrative

business ground. Additionally, with the availability of trained manpower at competitive costs, India is fast emerging as a favoured global manufacturing destination. The dual impact of the attractiveness of the Indian market and the stagnation of markets such as Europe, US and Japan has caused the shifting of new capacities and flow of capital to the Indian automobile industry.

Given this background, the Indian automobiles sector is a key economic growth driver. The industry has come a long way from supplying components to the domestic market alone to emerging as one of the key auto components centres in Asia. Today, India occupies a significant position in the global automotive supply chain as a supplier of a range of high-value and critical automobile components to global auto makers such as General Motors, Toyota, Ford and Volkswagen, amongst others. As per the Automotive Component Manufacturers Association of India (ACMA) projections, the turnover of the domestic auto component industry is expected to reach US\$ 40 billion by 2015-16. With this, India's share in the global auto component market is expected to surge from 1% to 3%.

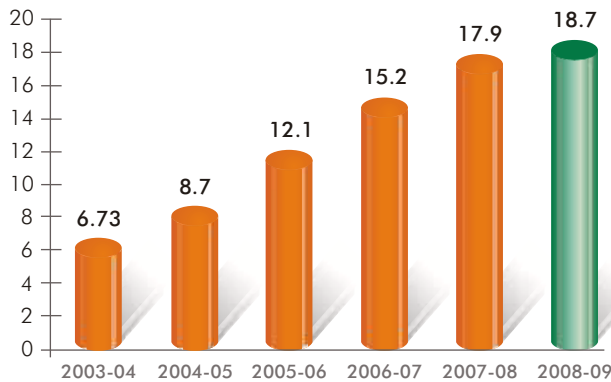
The Centre for Monitoring Indian Economy (CMIE) has projected the auto ancillary production to grow by 8.2% in 2009-10, on account of 7% growth in the original equipment manufacturers (OEM) segment and a 8.5% rise in exports and after-market segments. Despite slower growth during 2008-09, the industry is optimistic about charting an upward course, bolstered by strong fundamentals.

## THE INDIAN AUTO COMPONENT INDUSTRY IS HIGHLY FRAGMENTED



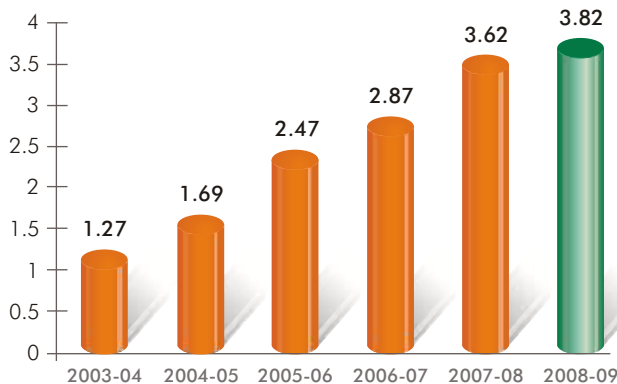


### Indian Auto Component Industry Turnover (in US\$ bn)



During 2008-09, the Indian auto component industry recorded exports to the tune of US\$ 3.82 billion. While the industry was exposed to the slowdown, the auto component manufacturers succeeded in drawing up risk mitigation measures through diversification strategies. These plans included tapping new regions and strengthening of their position in the Indian after-market. Going forward, with the ASEAN free trade agreement (FTA), domestic manufacturers are optimistic about an increase in exports.

### Indian Auto Component Industry Exports (in US\$ bn)



**The Indian automobiles sector is a key economic growth driver. The industry has come a long way from supplying components to the domestic market alone to emerging as one of the key auto components centres in Asia.**

### Railways

Indian Railways is the largest rail network in Asia and the world's second largest under single management. It encompasses 63,140 route kms, runs about 11,000 trains including about 8,702 passenger trains and carries over a million tonnes of freight traffic as well as 14 million passengers daily. According to the Department of Industrial Policy and Promotion (DIPP), the industry accounts for US\$ 76.55 million as foreign direct investment (FDI) inflow into railways related components from April, 2000 to July, 2009.

As per the Central Statistical Organisation, a quarterly estimate for Q3 2008-09 has indicated growth rates at 0.5% and 10.1% for net tonne kms and passenger kms, respectively. Furthermore, the railways witnessed an estimated 13% growth in earnings in terms of the total freight traffic for the first 10-month period of 2008-09, against the corresponding period last fiscal, despite lower growth rate (5.78%) in net tonne kilometre. The Railways moved 71.53 million tonnes (mt) of revenue earning freight in June, 2009 registering 9.59% growth over the corresponding period last fiscal. April, 2009 witnessed a 3.43% surge in the revenue earnings to touch to US\$ 1.4 billion, from the corresponding period in the previous fiscal.

The total approximate earnings of Indian Railways on originating basis during the financial year 2008-09 were US\$ 16.8 billion compared to US\$ 15.14 billion during fiscal 2007-08, an increase of 11.06%. In April 2009, total passenger revenue receipts increased by 3.29% and touched US\$ 387.8 million compared to US\$ 375.5 million, a year ago. Despite the downturn, Railways accounted for higher freight traffic, which increased by 2.07 million tonnes in the first month of fiscal year 2009-10 to touch 69.85 million tonnes.



## FINANCIAL OVERVIEW

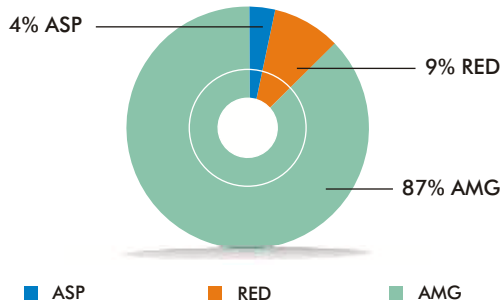
The results reported by the various businesses are as follows:

Sr. No.	Particulars	(Rs. Crores)	
		Year Ended 30.09.2009	Year Ended 30.09.2008
<b>1</b>	<b>SEGMENT REVENUE:</b>		
	Agri Machinery Products	1,905.17	1,818.93
	Auto Ancillary Products	86.63	89.04
	Railway Equipments	199.47	143.36
	Unallocable	6.94	7.73
	TOTAL	2,198.21	2,059.06
	Less: Inter Segment Revenue	10.16	7.55
	<b>Net sales/Income From Operations</b>	<b>2,188.05</b>	<b>2,051.51</b>
<b>2</b>	<b>SEGMENT RESULTS:</b>		
	Agri Machinery Products	153.06	109.65
	Auto Ancillary Products	(10.61)	(12.27)
	Railway Equipments	40.39	23.70
	TOTAL	182.84	121.09
	Less :		
	- Interest, Bank and Finance charges	51.55	55.93
	- Exceptional Items	(4.31)	19.40
	- Other unallocated expenditure	24.54	19.62
	<b>(Net of unallocated income)</b>		
	<b>Profit/(Loss) Before Tax</b>	<b>111.06</b>	<b>26.14</b>
<b>3</b>	<b>CAPITAL EMPLOYED</b>		
	(Segment assets – Segment Liabilities)		
	Agri Machinery Products	927.33	688.31
	Auto Ancillary Products	47.11	39.71
	Railway Equipments	93.80	78.40
	Unallocable	640.10	838.39
	<b>TOTAL</b>	<b>1,708.34</b>	<b>1,644.81</b>

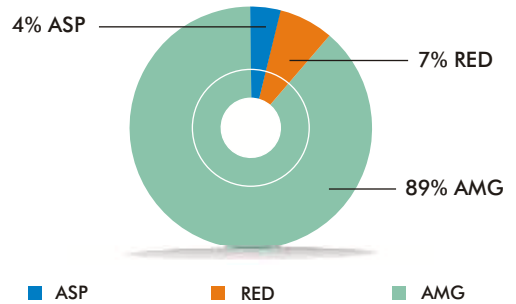
Your Company has registered an all-round improvement in financials. On an aggregate basis turnover has grown by 8% to Rs. 2,158 crores and EBIDTA increased by 36% to Rs. 207

crores. The contribution from various businesses towards this has been analysed as follows:

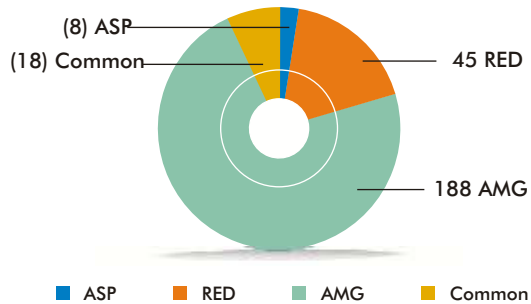
### Turnover FY09



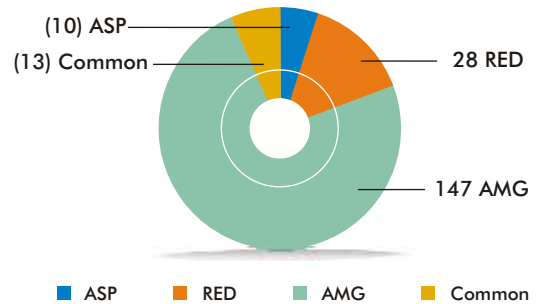
### Turnover FY08



### Ebidta FY09



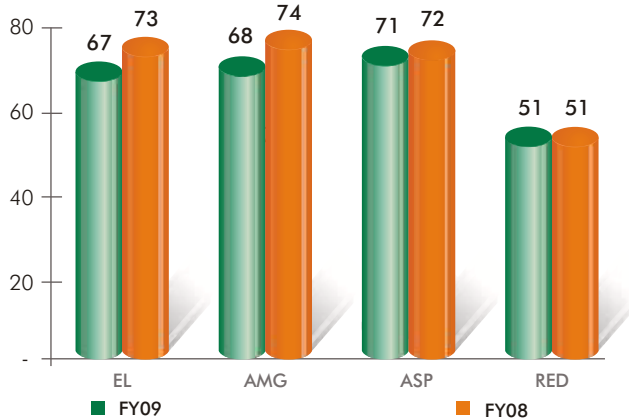
### Ebidta FY08



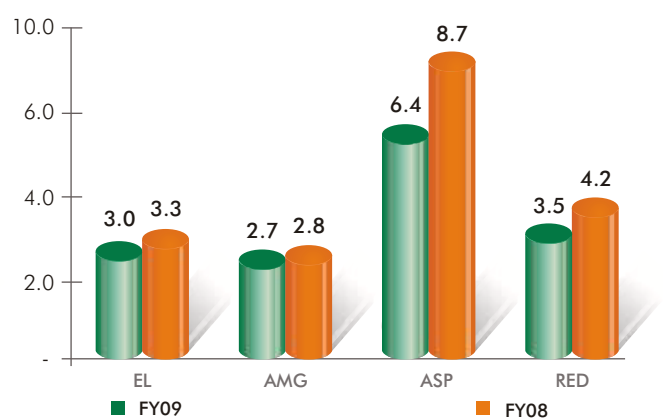
The key reasons for the improved performance for the current year can be attributed to two main factors - Cost Reduction, both on the Material and operations front as well as optimisation in funds management.

On the material consumption front, there were steep savings and manufacturing costs were closely monitored, through a series of Cost Reduction measures, which have been highly successful. This is evident from the following graphs.

### Material Cost (%)



### Manufacturing Cost (%)



## OPERATIONAL REVIEW

### Agri Machinery Division

During fiscal 2008-09, the tractor industry remained steady. However, by focusing on high end tractors and pursuing a better product mix your Company witnessed a 7% increase in its turnover to record Rs. 1886 crores. Consequently, EBIDTA margins of the Agri Machinery Division increased from 8.3% of the turnover in 2008 to 10.0% of the turnover in 2009, an increase by 20%. In absolute terms, EBIDTA has grown from Rs. 147 crores to Rs. 188 crores, registering a growth of 28%.

### Engineering Division-Automotive Components

The Indian Auto Sector has charted through a volatile period with low demand during the bygone fiscal. As an integral part of the industry, the auto suspension division of your Company registered a marginal decline in sales by 5%, as compared to the previous year. This amounted to a decrease by Rs. 4 crores, from Rs. 81 crores to Rs. 77 crores in the current year. However through cost control initiatives, the negative contribution was brought down by Rs. 2.5 crores to Rs. 8 crores, as compared to Rs. 10 crores during the previous year, recording a decline by 26%.

### Engineering Division-Railway Equipments

Escorts Limited's Railway Equipment Division is witnessing a strong demand growth with sustained margins, mainly on account of the increase in off take from the Railways. The division's turnover increased by 38% from Rs. 141 crores to Rs. 195 crores. Today, the Railway Division contributes 9% to the total turnover vis-a-vis 7%, during the previous year. EBIDTA contribution has increased from 19%, in the previous year to 22% in the current year. On a standalone basis, the division increased the EBIDTA margins from 20% of the turnover in 2008 to 23% of the turnover in 2009 - an increase by Rs. 17 crores in absolute terms from Rs. 28 crores to Rs. 45 crores. While the demand from Railways continues to grow at a 10% per annum your Company's Railway division grew at 38% in 2008-09.



## STRATEGIC INITIATIVES



### Cost Reduction

Your Company continued its focus on stream-lining operations and cost rationalisation during 2008-09 including materials, manufacturing and other overheads. This is evident from the lower material and manufacturing costs for 2008-09 as compared to 2007-08.

### Products and Sales

During the year, your Company launched its new offering POWERTRAC 4455 (also PT 4455) for the Punjab market, marking its entry into the 4 cylinder tractor segment. PT 4455 is positioned as India's No. 1 economy tractor in the 55HP category and is ideal for all types of agriculture and non-farm applications. Your Company also launched FT 680 DT (74 hp FT 4 cylinder Engine with 12+12, 30 kmph Carraro Transmission) for the European market. Other recent engineered innovations, FARMTRAC 690, FARMTRAC 680 DT and FARMTRAC 535 were unveiled at the 15<sup>th</sup> AGROTECH International Agricultural Technology Fair in Kielce, Poland. Your Company will also play a key role in the development of farming and farm mechanisation and contributing to the Green Revolution in Madagascar.

To get a grass root level understanding of the auto suspension market, Escorts Auto components business organised dealer meets for its leading and prominent dealers from North India and Maharashtra. During the meet, dealers shared their experience about the Company's product and efficient after market moves. A "Replenishment Model on Supplies" too was introduced which is designed to maintain minimum inventory vis-a-vis minimum fund block, a concept fully endorsed by all present dealers.

To keep pace with manufacturing technologies in Railway equipment, Escorts has introduced the latest machining technology MAKINO-VMC and associated machines. This vertical machining centre is for complicated CNC machining on air brakes and coupler parts. Also, high-end rubber technology is being introduced to produce fire retardant vestibules. Additional manufacturing paradigms being adopted by Escorts are reduced lead time from order to delivery and exploiting latent capacities to increase net output while adding new products and processes. Quality continues to remain a key focus of our Railway Equipment Division with integrated Quality and Reliability test labs and continuously upgraded manufacturing plans to keep pace with customer and product updates.

## Finance

### Profitability

Key sensitivities have been addressed during the year and margins are being closely monitored through improved MIS. Both revenues and margins have achieved a fair amount of stability. A diversified revenue profile, agriculture and infrastructure, considering the critical position they enjoy in our country's economic development, along with their growth prospects, have helped your Company achieve a balance, both in revenues and margins.

### Working Capital Management

Optimisation of Working Capital resources was a key objective pursued vigorously by your Company. As a result, liquidity was comfortable throughout the year. Your Company retired a substantial portion of the term debt to the tune of Rs.104 crores during the last year. Consequently, the long-term debt-equity ratio stood at 0.12 for FY 2008-09 vs. 0.38 for FY 2007-08. Today your Company is well placed in funding given its strong cash flow and debt raising capacity when required.

Additionally, your Company strived to reduce interest costs and successfully reduced this cost by Rs. 7.88 crores vs. FY 2008-09.

### Channel Finance

The Company is focused on promoting farm mechanisation through farmer and dealer finance tie-ups with banks and financial institutions by leveraging the strength of its relationships with banks. Therefore, a two-pronged approach is being employed by providing financing opportunities to dealers for their working capital needs and parallelly, providing finance to farmers for their tractor purchases from the dealer. Many banks have come forward to assist in this initiative.

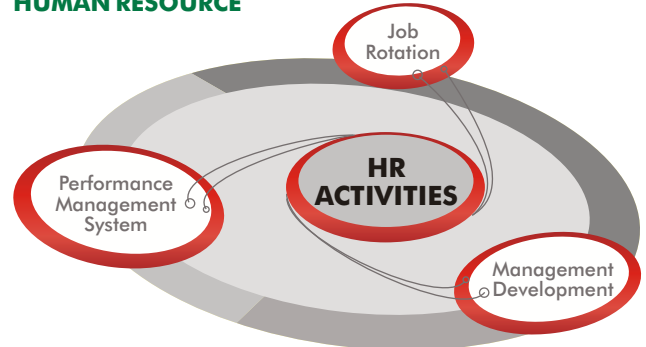
## RISK FACTORS



The performance of the tractor industry is closely and directly related to the performance of the agricultural sector. Even now, there is a heavy dependency on monsoon and a large majority of the farms are still rain fed. The phase of first monsoon from June to September of 2008-09 was 98% of the Long Period Average, resulting in good crop. However, the second half of the year, resulted in deficient north-east rainfall in 30 of the 36 meteorological districts. Apart from the dependency on monsoons the irrigation infrastructure is also suboptimal. Furthermore, there is a huge pressure on the existing agricultural land. The Net Sown Area across States has either remained constant or changed slightly and efficient land utilisation is approaching the peak level in all states.

Many farmers still lack access to finance and depend on unorganised moneylenders. Escorts continues to focus on creating additional mechanisms for access to cash for our final customers in an overall environment where credit flow has been slow.

## HUMAN RESOURCE



HR, at Escorts operates on the principle of "HR business partnering role". Talent management in the Company focuses on building a high positive energy organisation firm and creating superior employee engagement throughout their employment life cycle with us.

In order to build intellectual capital, for the present and future, we have initiated robust and structured processes to induct personnel from reputed institutions. In addition, identification of talent from within is also in play to act as a feeder for future talent pipeline and leadership roles.

The Company has also initiated Management Development activities in a big way to build managerial effectiveness to improve upon overall performance and productivity of its junior and middle level managers. Employees with high potential have been identified and routed through trainings such as Leadership, Innovation, Lessons in Excellence and Finance for Non-finance. Escorts, over the past few years, has initiated the Performance Management System (PMS) to enhance individual and business performance, and to bring robustness in the processes.

Escorts commenced a job rotation process as a tool for the development of identified and potential individuals who can be groomed to manage future leadership roles. To supplement this initiative, the Company has "Job Board" process in place for internal talent search which provides opportunity to employees to shift from one business to another, with a view to enhance skills and experience.

## INTERNAL CONTROLS

Escorts undertook a slew of initiatives to enhance its internal controls environment in the FY 2008-09. The Company finalised a Standard Operating Procedures (SOP's) manual applicable across the organisation. The SOP manual consists of a policy guide to facilitate decision making within the framework of corporate objectives, goals and management philosophies. Additionally, this manual brings a unified approach across the Group, by using consistent procedures. This integrated manual intends to serve as reference point for all activities, associated controls, accounting requirements, authority level matrix for decision making and exception handling & reporting. Further, this is expected to provide direction and guidance to carry out functions within the framework of management policies, thus providing an effective internal control mechanism to ensure consistency, efficiency, effectiveness and penetration to all levels within the organisation.

This rollout is expected to be supplemented with year-round audits by Escorts' in house Internal Audit team to ensure adherence. Additionally, the Company is expected to focus on enterprise risk management by speeding up the process of implementing risk assessment methodology, developing and implementing risk responses on behalf of management and delivering services that improve organisation risk management and control processes.

## INDUSTRY OUTLOOK

### Agriculture Machinery Sector

The significance of the domestic agriculture sector in the Indian economy cannot be undermined. The agriculture equipment industry is a direct beneficiary of a flourishing agriculture sector. As the biggest tractor manufacturer in the world, India produced around 387,000 of them in 2008 while 668,000 are expected in the year 2015, increasing output more than 70%.

Agriculture technology is slated to become more competitive across markets, in times to come. Consequently, India is expected to deploy sophisticated agriculture technology to enhance efficiency and reduce crop losses. Today, tractors with three-cylinder diesel engines have the biggest market share. However, it will not be long before new tractors with four cylinders as well as turbocharged engines are developed and load-sensing technology and electronic-hydraulic hitch control takes hold. Additionally, manufacturers are also expected to strive to meet worldwide emission standards. With knowledge and a directed focus on R&D through an advanced Engineering Research Centre, Escorts Limited is geared to meet the varying market requirements.

Additionally, with a large rural population base dependent on farming and allied industries, the agriculture sector is expected to continue being a priority area for the Government. Furthermore, today the country houses significantly lower levels of mechanisation as compared to the global average. Such facts indicate that there is a consequential growth potential for mechanisation in the country. Escorts Limited is well-poised to leverage all of these opportunities while enhancing its existing business and exploring various global tractor markets.

The agricultural sector harbours certain inherent risks, chiefly its dependence on monsoon and funds from banks. The phase of first monsoon from June to September of 2008-09 was 98% of the Long Period Average, resulting in a good crop. However, the second half of the year, resulted in deficient rainfall in 30 of the 36 meteorological districts in the north-east. While such factors are beyond control, your Company is expected to continue creating additional mechanisms for access to cash for its final customers, in an overall environment where credit flow is slow.

### Railway Equipment Sector

The Indian Railways is in the midst of a major modernisation and expansion program, which is expected to trigger increased off take from suppliers such as, Escorts Limited. The Indian Railways has turned around from a cash deficit to a cash surplus situation (Rs. 20,000 crores for last 3 years before dividend) and is poised for incremental growth, with focus on safety and technology upgradation of rolling stock, infrastructure and signalling sectors. Further, it has finalised a Rs. 2,51,000 crores Capex plan for the next 5 years for creating the proposed dedicated freight corridors, doubling of lines, electrification, gauge conversion and addition of rolling stocks. The Government has further announced a rolling stock requirement and consequently, the 11<sup>th</sup> 5-year plan covering 2007-12 is targeting

an increase of 41% in Wagons, 70% in Electric locomotives, 65% in Diesel locomotives and 38% in BG conventional coaches. Escort Limited's Railway Equipment business remains a key supplier to Indian Railways, Defense, Wagon and coach builders and products with utilisation in over 10 countries. With the most recent addition of a state-of-the-art manufacturing facility for advanced product development, design, testing and validation, your Company is well-positioned for to leverage these opportunities and aims to grow its Railway Equipment business in proportion to the industry growth.

### Automotive Products Sector

With the economy poised to show robust growth and the consequent increase in disposable incomes of the population at large, the Indian automotive industry is expected to provide significant growth opportunities. The automobile sector has significant forward and backward linkages with other key sectors of the economy. The cumulative domestic sales data for April-September, 2009 revealed a sales growth of 14.5% over the same period last year. India's automotive sector is expected to be one of the fastest growing in the world over the next several years. New launches, robust rural demand and easing loan rates have further bolstered the growth of the automobile sector in India. Additionally, increased investments in infrastructure required to maintain the high growth of the economy such as, the National Highway Development Programme, are expected to result in an increased demand for commercial vehicles. As a key supplier to this industry, these developments bode well for your Company. Escorts Limited is also anticipating a significant ramp up in production to meet its customers' growing needs, while consistently maintaining a technological advantage in the industry.

As a leader in the tractor segment of the automotive products sector for decades, your Company has played a significant role in the socio-economic progress of the country, pre and post-liberalisation. Since its inception, Escorts Limited has rolled out over a million tractors, operational in 41 countries around the world. Given the increased income of farmers, retail finance availability and non-farm income, the tractor industry is expected to grow at a good pace with increased focus on technology and diversified features.

Your Company's Automotive Component business continues to remain the leading manufacturer of auto suspension products through consistent development and improvement in the manufacturing of reliable products for the Indian as well as global markets. Escort Limited expects a significant growth in this industry, driven by OEMs of all vehicle categories including passenger cars, commercial vehicles, multi-utility vehicles, motorcycles, scooters and mopeds that it caters to.



Today, Escorts Limited has six decades of legacy as a pioneer in the industries it is operating in. The Company's renewed focus on its core strengths and businesses are expected to thrust it into the next decade with strong fundamentals and sustainable revenues.

## CORPORATE SOCIAL RESPONSIBILITY

### Commitment to Community

Escorts Limited believes in progress on every front. In line with its philosophy, the Company has interwoven social consciousness and business responsibility. Escorts' Corporate Social Responsibility (CSR) initiatives are undertaken on three significant fronts:

- Community Development
- Environment Preservation
- Employee Development

### Community Development

Over the years, Escorts is committed to the socio-economic progress of the rural areas it operates in. The nature of its business already positions it to better understand the challenges associated with the development of rural areas. As a result, your Company has successfully directed focused effort towards the progress of the lower rungs of the society.

All the initiatives undertaken by Escorts are aimed at encouraging sustainable development of the community on the whole. To this date, your Company has organised several awareness campaigns on effective agriculture practices and farm mechanisation solutions. Your Company liaises with banks and district agencies for the generation of bank loans and government subsidies.

Your Company has also tied up with several external agencies and NGOs to advance the cause of community development. In association with "The Indian Red Cross Society, Faridabad", Escorts recently organised a seminar on "International Drug Abuse & Illicit Trafficking" to create awareness among communities. The Company also organises Blood Donation camps with international organisations like Indian Red Cross and the Rotary Club. Moreover, Escorts also allocates funds for other agencies, working in the field of improving rural environment, to run income generation programme and the upliftment of the rural poor.



### Environment Preservation

Escorts has consistently undertaken planned initiatives towards the conservation of environment. Your Company is involved in improving the environment in and around its plants and villages of rural Haryana, where its factories are based. Additionally, the Company is also actively involved in the "Green Haryana Campaign" under which, it planted thousands of trees on the National Highway to counter air pollution.

### Employee Development

Employees are the nucleus of Escorts. The Company is committed to furnishing a safe and secure work environment to its employees. It already has in place, systems that promote safety and have contributed to reductions in lost time injury rates. Furthermore, Escorts consistently conducts seminars on a regular basis for workers that include various training as well as skill development programmes such as, fire fighting demonstration and training, safety seminars and so on. The Company has also develops effective redevelopment programmes. Employees are also counseled on personal hygiene, polio awareness, swine flu awareness, eye care and general health, under its various health awareness drives. Over 1000 employees and their families benefited during the various health care awareness and check up camps during the year. Programme on Occupational Health and Safety are conducted for our vendors as well. Escorts has also undertaken career counseling initiatives for the children of their employees.

Note: "The 'forward-looking statements' part of the Management Discussion & Analysis on economic indicators are based on our best estimate of the current environment. This may be subject to change based on external macro-economic factors out of our control, including but not limited to raw material availability and prices, cyclical demand and pricing in the Company's principal markets, changes in Government regulations, tax and economic policies."

On behalf of the Board

Sd/-

RAJAN NANDA

Chairman & Managing Director

Place : New Delhi  
Date : 27<sup>th</sup> December, 2009



# Directors' Report

Your Directors have pleasure in presenting the Sixty Fourth Annual Report for the Financial year ended 30<sup>th</sup> September, 2009.

## FINANCIAL RESULTS

(Rs. Crores)

	Year Ended 30.09.2009	Year Ended 30.09.2008
<b>INCOME &amp; PROFIT/(LOSS)</b>		
1. Net Sales & Business Incomes	2189.59	2051.55
2. Total Expenses	1982.15	1899.07
3. Profit before Interest, Depreciation, Amortisation & Exceptional Items (1-2)	207.44	152.48
4. Interest & Finance Charges	51.54	55.93
5. Cash Profit before Tax (3-4)	155.90	96.55
6. Depreciation & Amortisation	49.15	51.01
7. Profit/(Loss) before Tax & Exceptional Items (5-6)	106.75	45.54
8. Exceptional Income/(Expense)	4.31	(19.40)
9. Tax & Deferred Tax	21.33	14.27
10. Profit after Tax	89.73	11.87

The Company marginally improved its income by 6.7% during the year but a series of cost reduction initiatives led by over 6% reduction in material cost resulted in improved profitability with EBIDTA excluding other income up at 9.4% against 7.4% last year. Improved working capital management and overall debt reduction also resulted in reduced financial costs by 7.8%. Cash profit for the year improved significantly by over 61% to Rs. 155.90 crores and Profit before Tax improved from Rs. 26.14 crores to Rs. 111.06 crores. Net Profit after Tax went up almost 8 times from Rs. 11.87 crores to Rs. 89.73 crores.



## MANAGEMENT DISCUSSION & ANALYSIS

Management Discussion & Analysis (refer page 10 to 19) which forms an integral part of this Annual Report provides a more detailed analysis on the performance of individual businesses and their outlook.

## DIVIDEND

Your Directors are pleased to recommend a dividend @10% i.e. Re. 1 per Equity Share of Rs. 10 each for the year ended 30<sup>th</sup> September, 2009, payable to those Shareholders whose names appear in the Register of Members as on the Book Closure Date, subject to the approval of shareholders at the ensuing Annual General Meeting.

## BUSINESS RECONSTRUCTION RESERVE

In terms of the Scheme of Arrangement approved by the Hon'ble High Court of Punjab & Haryana on 17<sup>th</sup> September, 2009 the Board of Directors of the Company have created a Business Reconstruction Reserve (BRR) by transferring amounts lying to the credit of Amalgamation Reserve, Capital Redemption Reserve, Revaluation Reserve and Share Forfeiture Reserve as on 1<sup>st</sup> April, 2009. The Company has also revalued some fixed assets and the resultant difference in the value has also been transferred to the BRR. The Board has also approved the diminution/impairment/provisioning/write-offs of certain investments, fixed assets, doubtful debts & loans and advances, inventories, carry forward losses and other miscellaneous items from the BRR. The aggregate of the diminution/impairment/provisioning/write-offs etc. approved under these heads is to the tune of Rs. 642.02 crores, for which BRR has been utilised as per the said Scheme.

## SHARE CAPITAL

The Company has issued 3,611,612 Equity Shares of Rs. 10 each fully paid up at a price of Rs. 84.50 per share (including premium of Rs. 74.50 per share) in favour of the trustees of Escorts Employees Benefit & Welfare Trust under Employee Stock Option Scheme, 2006 on 9<sup>th</sup> November, 2009. Accordingly, the share capital of the Company has been increased to Rs. 94,32,11,080.

## SCHEME OF COMPROMISE & ARRANGEMENT

Your Company had filed Scheme of Compromise & Arrangement ("Scheme") in the Hon'ble High Court of Delhi to bail out fixed deposit holders of Escorts Finance Limited. The Scheme was approved by the Shareholders, Secured and Unsecured Creditors of your Company and the Fixed Deposit holders and Secured Creditors of Escorts Finance Limited on 10<sup>th</sup> May, 2006 and 5<sup>th</sup> May, 2006 respectively in the court convened meetings. The approval of the scheme by the court is still awaited. In compliance of the order of the High Court, Delhi, the Company has placed 34,04,256 shares of Rs. 32 crores at the disposal of Hardship Committee.

## EMPLOYEE STOCK OPTION SCHEME

Disclosure pursuant to the SEBI (Employees Stock Option Scheme and Employees Stock Purchase Scheme) Guidelines, 1999 is enclosed at Annexure-A and forms part of the Directors' Report for the year ended 30<sup>th</sup> September, 2009.

## DIRECTORS

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

## CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION, FOREIGN EXCHANGE EARNINGS AND OUTGO

Information required under Section 217(1)(e) of the Companies Act, 1956 read with Companies (Disclosure of particulars in the Report of the Board of Directors) Rules, 1988 is given in Annexure - B and forms an integral part of this Report.

## CORPORATE GOVERNANCE

Your Company reaffirms its commitment to good corporate governance practices. Pursuance to Clause 49 of the Listing Agreement with the Stock Exchanges, Corporate Governance Report and Auditors' Certificate regarding compliance of conditions of Corporate Governance are enclosed at Annexure - C and forms an integral part of this report.

## CONSOLIDATED FINANCIAL STATEMENTS

Pursuant to Clause 32 and 50 of the Listing Agreement with Stock Exchanges, your Company has prepared Consolidated Financial Statements as per the Accounting Standards applicable to the Consolidated Financial Statements issued by The Institute of Chartered Accountants of India. Audited Consolidated Financial Statements along with the Auditors' Report are annexed with this Report.

## SUBSIDIARY COMPANIES

During the year under report, the Company has disinvested its entire equity and preference shareholdings in Cellnext Solutions Ltd. Accordingly, Cellnext Solutions Ltd. is no longer a subsidiary of the Company.

The Hon'ble High Court of Punjab & Haryana has approved the Scheme of Arrangement between Escorts Agri Machinery Inc. (EAMI), a wholly owned Subsidiary of the Company in USA and the Company vide its Order dated 17<sup>th</sup> September, 2009. The necessary formalities for the merger with Secretary of State of Delaware, USA have also been completed. Accordingly, EAMI has merged into the Company.

The Company has filed an application with the Central Government for exemption from attaching Annual Accounts and other documents in respect of its subsidiaries to the Annual Report of the Company for the year ended 30<sup>th</sup> September, 2009 and the approval of the Central Government on the same is being obtained.

Accordingly, statement in respect of each of the subsidiary, giving the details of capital, reserves, total assets and liabilities, details of investments, turnover, profit before taxation and proposed dividend is attached to the consolidated balance sheet.

The Annual Accounts of the subsidiary companies and the related detailed information will be made available to the holding and subsidiary company investors, seeking such information and will also be available for inspection at the Corporate Office of the Company.

## AUDITORS

M/s. S.N. Dhawan & Co., Chartered Accountants, Auditors of the Company, retire at the ensuing Annual General Meeting and are eligible for reappointment. The observations of the Auditors in their Report on Accounts read with the relevant notes to accounts are self-explanatory.

## **PARTICULARS OF EMPLOYEES**

Information in accordance with provisions of Section 217(2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules, 1975 as amended regarding employees is annexed to this Report as Annexure - D.

## **DIRECTORS' RESPONSIBILITY STATEMENT**

As required under Section 217 (2AA) of the Companies Act, 1956, (Act) your Directors state that:

- i. In the preparation of Annual Accounts for the year ended 30<sup>th</sup> September, 2009, the applicable accounting standards have been followed along with proper explanation relating to material departures;
- ii. Accounting policies selected and applied are consistent and judgement and estimates made 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 and of the profit of the Company for that period;
- iii. Proper and sufficient care has been taken for the maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding

the assets of the Company and for preventing and detecting fraud and other irregularities; and

- iv. The Annual Accounts have been prepared on a going concern basis.

## **PUBLIC DEPOSITS**

The Company has not accepted/renewed any Fixed Deposit during the year. All Fixed Deposits which were due and claimed by the deposit holder have been paid on time. 1453 Fixed Deposits aggregating to Rs. 2.63 crores were unclaimed as on 30<sup>th</sup> September, 2009. Subsequently, out of the above, 8 deposits of Rs. 0.01 crores have been repaid till date.

## **ACKNOWLEDGEMENT**

Your Directors wish to thank the Customers, Dealers, Lenders, Financiers, Vendors, the Central and State Governments and employees for their continued support and commitment to the Company.

On behalf of the Board

Sd/-

**RAJAN NANDA**

Place : New Delhi

Date : 27<sup>th</sup> December, 2009

Chairman & Managing Director

## Annexure - A to the Directors' Report

### DISCLOSURE REGARDING EMPLOYEES STOCK OPTION PLAN PURSUANT TO THE SEBI (EMPLOYEES STOCK OPTION SCHEME AND EMPLOYEES STOCK PURCHASE SCHEME) GUIDELINES, 1999

(a) Total Number of Options as on 30.09.2008	3,68,500
(b) Options granted during the year	NIL
(c) Pricing Formula	Not Applicable
(d) Options Vested	3,68,500
(e) Options Exercised	Nil
(f) The Total number of shares arising as a result of exercise of options	Nil
(g) Options Lapsed	49,000
(h) Variation of terms of options	Nil
(i) Money realised by exercise of options	Nil
(j) Total number of options in force	3,19,500 as on 30.09.2009
(k) Employee wise details of options granted to:	Nil
<ul style="list-style-type: none"><li>• Senior managerial personnel during the year</li><li>• Any other employee who receives a grant in any one year of options amounting to 5% or more of option granted during the year.</li><li>• Identified employees who were granted option, during any one year, equal to or exceeding 1% of the issued capital (excluding outstanding warrants and conversions) of the Company at the time of grant.</li></ul>	
(l) Diluted Earnings Per Share(EPS) pursuant to issue of shares on exercise of option calculated in accordance with Accounting Standard(AS) 20 'Earnings Per Share'	Not Applicable
(m) Where the Company has calculated the employee compensation cost using the intrinsic value of stock options, the difference between the employee compensation cost so computed and the employee compensation cost that shall have been recognized if it had used the fair value of options, shall be disclosed. The impact of this difference on profits and EPS of the Company shall also be disclosed.	Not Applicable
(n) Weighted-average exercise prices and weighted-average fair values of options shall be disclosed separately for options whose exercise price either equals or exceeds or is less than the market price of the stock.	
(o) A description of the method and significant assumptions used during the year to estimate the fair values of options, including the following weighted average information :	Not Applicable
<ul style="list-style-type: none"><li>• Risk free interest rate</li><li>• Expected life</li><li>• Expected volatility</li><li>• Expected dividends, and</li><li>• The price of the underlying share in market at the time of option grant</li></ul>	

On behalf of the Board

Place : New Delhi  
Date : 27<sup>th</sup> December, 2009

Sd/-  
**RAJAN NANDA**  
Chairman & Managing Director

## Annexure - B to the Directors' Report

### CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION, FOREIGN EXCHANGE EARNINGS AND OUTGO

#### I) CONSERVATION OF ENERGY

##### 1. Energy Conservation Measures taken, additional investment & proposals

The Company has always been conscious of the need for the Conservation of the Energy & has been steadily making progress towards this end.

Energy Conservation measures have been implemented at all the Escorts Plants & Offices. Company has also taken special efforts on undertaking Specific Energy Conservation Projects & achieved high level of saving through implementation.

In pursuit of the Continual Improvement in Energy Conservation in the Generation Distribution & Consumption Areas, many initiatives have been taken in the year 2008-09 & achieved significant saving.

##### Generation

- Specific Fuel Consumption of Diesel Generator Sets improved by 15% through improved Load Factor & Engine Cooling.
- Maintenance of Power factor throughout the year, through optimum use of the Capacitor Banks.

##### Consumption

- Optimising the use of Compressed Air Network in all plants by arresting the air leakages & reducing the compressed air generation pressure.
- Installation of the timers on the Hydraulic Power packs to eliminate ideal machine running.
- Converting the Star-Delta Starter to Variable Frequency Drive Start on Air Supply Units & Wind-Ventilators in place of Air Exhaust Systems in Paint Shops.
- Interlocking of the machine auxiliaries/accessories (Spindle/Machine) units.
- Replacement of 9000 Conventional Tube-Lights with Energy Efficient T5 Tube-Lights in the Plants.
- Replace of high wattage lamps with low wattage lamps, bringing down the height of lamps to improve illumination at the desired places thereby reducing number of lamps.
- Other steps like switching off the lights & fans in selected areas, solar water heating in canteens, pumps & motor size to control power consumption.

##### 2. Impact of the above measures on Energy Conservation and Cost of Production.

- Reduction in Power consumption
- Reduction in Power Generation expenses
- Reduction in Manufacturing Cost

##### 3. Total Energy consumption and energy consumption per unit

Not Applicable

#### II) TECHNOLOGY ABSORPTION

##### 1. Research & Development

##### a) Specific areas in which R&D was carried out by the Company in 2008-09

- In-house design & development of engines (below 50 HP) to manufacture fuel-efficient tractors, Bharat Trem 3A emission Compliant w.e.f. 1<sup>st</sup> April, 2010.
- Design and development of application-specific tractor models
  - Rotavator for field preparation
  - Deep puddling for wet field preparation
  - 55 HP haulage special tractor with Highest speeds in its category
- In-house design and validation of 75 HP tractor with 4 Cylinder Turbo Charged Inter-cooled engine & 4 Wheel Drive Front axle.
- NVH Reduction with various contemporary technologies.
- Design & Development of 40 KVA Genset fuel efficient engine with Hi-Tech electronic safety devices & GPRS for remote tracking.
- Material cost reduction through Design optimisation & innovations.
- Design & Development of New features
  - Hydraulic lifts for heavy duty application
  - Oil immersed brake
  - Tractor with improved ergonomics
  - Mobile charger & Steering lock

##### b) Benefits derived as a result of the above R&D

- Timely readiness to start manufacturing Bharat Trem 3A emission compliant (< 50 HP) fuel efficient cost effective tractors, w.e.f 1<sup>st</sup> April, 2010.
- Opportunity for additional volumes with application specific tractors
  - FT 60 Rotavator special
  - FT Models with 45 HP & OIB for deep puddling application
  - FT 65 EPI Tractor with high speeds for heavy haulage
- Material cost reduction through design optimisation across all tractor models.
- Opportunity to expand Genset business with 40 KVA range.

##### c) Future Plan of Action

- In-house design and development of fuel efficient Bharat Trem 3 A Compliant engines for above 50 HP category tractors meeting 2011 statutory norms.
- Design and development of new family of engines with advanced technology of common rail and electronic controls for meeting future global emission & NVH norms.
- Up-gradation of transmissions to meet emerging applications & offer customer convenience features.
- Design & development of new series of tractors with contemporary features.
- Initiation of inhouse development of BMBS, TRI PLATE PANEL MOUNTED BRAKE SYSTEM, EP ASSIST BRAKE SYSTEM. Balances draft gear and zero discharge toilet system for Indian Railways for introduction in next financial year.

d) Expenditure on R & D

	(Rs. Crores)	
	2008-09	2007-08
a) Capital Expenditure	1.86	0.46
b) Recurring Expenditure	15.48	13.87
<b>Total</b>	<b>17.34</b>	<b>14.33</b>
The Total R & D Expenditure as a percentage of		
- Gross Sale	0.79%	0.71%
- Net Sale	0.80%	0.72%

2. Technology absorption, adaptation & innovation

Efforts made during the year on technology absorption, adaptation & innovation

- Recognition of in-house R&D center by DSIR, Ministry of Science & Technology, Government of India for the period 2008-2011.
- Up-gradation of R&D infrastructure to develop advance technologies:
  - Cold chamber installation with capability of testing tractors upto minus 30 degree centigrade to develop products for various markets meeting global emission norms.
  - Development of indigenous load car to bring field to lab to compress product reliability validation time.
  - Installation of customised test rig for accelerated reliability validation of transmission and 4 WD front axles.
  - Installation of load bank for performance & reliability validation of gensets.
- Design validation & virtual testing thru advanced computer aided simulation and design softwares :
  - AVL "BOOST" Software for engine combustion.
  - "KISSOFT" Software for transmission.
  - DFMEA software for design failure mode effect analysis.
- Joint technology workshops with institutions and R&D houses.
- Application mapping across pan India & technology roadmap development.

Benefit derived as a result of above efforts

- Tax rebates on R&D expenditures on account of recognition of in-house R&D center by DSIR, Ministry of Science & Technology, Government of India.

- 24 Patents/Design registration filed for in-house innovations.
- Self-reliant design capability for engines, transmissions & agricultural tractors with advanced technologies for domestic & export markets.
- Speedy introduction of new products meeting emerging application needs.
- Low design and development cost of new products.
- Farm mechanisation & wider business opportunities.
- New business opportunity with the introduction of AAR type H couplers in main line coaches through indigenous development for Indian Railways.

III) FOREIGN EXCHANGE EARNINGS AND OUTGO

- **Activities relating to export**  
The exports of the Company were marginally lower than last year due to recessionary conditions in European markets and Company's earlier decision to exit US market for some time. India's tractors exports too were greatly impacted, due to this scenario globally. The Company has, however, used this situation as an opportunity to re-structure its International Business Operations. The Company is adopting focused strategy towards various markets in Africa and Asia. There is a separate strategy for Retail and Institutional Business segments for enhanced success. At the same time, European sales out of Poland, are expected to revive this year, along with US market where a new business model is being evolved. All these efforts result in achieving meaningful share of India's tractor exports over next couple of years.

- **Total Foreign Exchange used and earned refer table1**

	(Rs. Crores)	
Table1	2008-09	2007-08
<b>a) Foreign Exchange used :</b>		
- Imports (including capital goods)	33.23	29.70
- Others	4.91	3.90
<b>Total</b>	<b>38.14</b>	<b>33.60</b>
<b>b) Foreign Exchange earned :</b>	<b>154.29</b>	<b>108.89</b>

On behalf of the Board

Place : New Delhi  
Date : 27<sup>th</sup> December, 2009

Sd/-  
**RAJAN NANDA**  
Chairman & Managing Director



## Annexure C to the Directors' Report

# Report on Corporate Governance

## I. COMPANY'S PHILOSOPHY ON CORPORATE GOVERNANCE

Escorts Limited has always believed that an independent Board following international practices, transparent disclosures and empowerment of shareholders are as necessary as its financial results for creating and sustaining shareholder value. 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. The Company has benchmarked itself against the global best practices and is conscious that accomplishments of an organisation are reflection of its professionalism, conduct and ethical values of its management and employees.

Accordingly, the following information is provided for the information of stakeholders and public at large.

## II. BOARD OF DIRECTORS

The Board of Directors of the Company comprises of distinguished personalities, who have been acknowledged in their respective fields. Four out of the six Directors on the Board as on date, are independent and non-executive. The Chairman is also acting as Managing Director of the Company duly assisted by Joint Managing Director and both of them are in wholtime employment of the Company. All Independent Non Executive Directors are compliant with the requirements of the Listing Agreement for being an Independent Director and have also affirmed to this effect.

Table 1 summarises the status of each Director, meetings attended by them and other relevant particulars.

## III. DIRECTORS' MEMBERSHIP IN BOARD/ COMMITTEES OF OTHER COMPANIES

In terms of the Listing Agreement, none of the Directors of our Company were members in more than 10 committees nor acted as Chairman of more than five committees across all companies in which they were Directors.

## IV. BOARD MEETINGS

During the year 2008-2009 the Board of Directors met five (5) times on the following dates:-

27<sup>th</sup> December, 2008, 28<sup>th</sup> January, 2009, 29<sup>th</sup> April, 2009, 15<sup>th</sup> June, 2009 and 27<sup>th</sup> July, 2009.

The gap between any two Board meetings did not exceed four months.

## Board Meeting Procedures

The detailed agenda papers containing all information relevant for discussions at the meeting are sent to the Directors in advance so that each director has enough time for a meaningful discussion at the Board Meetings. Besides the business items, the agenda includes the items required to be considered by the Board of Directors as per the listing agreement. The Board of Directors have even adopted a frequency matrix to this effect so

**TABLE 1**

Sr. No	Name	Designation	Category	Relationship with each other	No. of Board meetings attended during the year	Whether attended the last AGM	No. of directorships in Public Companies**	No of Committee memberships / (Chairmanships) in Public Companies***
1.	Mr. Rajan Nanda	Chairman & Managing Director	Executive & non-independent (Promoter)	Father of Mr. Nikhil Nanda	5	Y	3	1
2.	Mr. Nikhil Nanda	Joint Managing Director	Executive & non-independent (Promoter)	Son of Mr. Rajan Nanda	3	N	4	2
3.	Dr. P. S. Pritam	Director	Non Executive and Independent	*	5	Y	1	2
4.	Dr. M. G. K. Menon	Director	Non Executive and Independent	*	5	Y	1	2(2)
5.	Dr. S. A. Dave	Director	Non Executive and Independent	*	5	Y	12	9(1)
6.	Mr. S. C. Bhargava	Director	Non Executive and Independent	*	4	N	14	6(1)

Y=Yes N=No

\*None of the Independent Directors are related to any other director of the Company.

\*\*Including Escorts Limited.

\*\*\*For this purpose only Audit Committees and Investors' Grievance Committees of Public companies have been considered.

NOTE: 1) None of the Directors are representing a Lender or Equity Investor.

2) None of the Non-Executive Directors have substantial shareholding in the Company.

as to ensure that all items prescribed in the Clause 49 of the Listing Agreement are regularly brought to the notice of the Board of Directors.

#### Information supplied to the Board

Regular presentations are made to the Board of Directors covering Business Operations, Finance, Sales, Accounts and Marketing, Compliances and all the other important business issues.

The budget is approved by the Board of Directors. The Board spends considerable time in reviewing the performance of the company vis-à-vis the budget.

#### Code of Conduct

The Board had prescribed the Code of Conduct for all Board Member and Senior Management. The Code of Conduct has been posted on Company's web site [www.escortsgroup.com](http://www.escortsgroup.com).

#### Declaration by C.E.O.

The Chairman and the Managing Director of the Company has given the Certificate as below as per the requirement of clause 49 of the Listing Agreement:

The Board of Directors,  
Escorts Limited  
15/5, Mathura Road, Faridabad - 121 003

Dear Sir,

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 30<sup>th</sup> September, 2009.

Place : New Delhi  
Date : 27<sup>th</sup> December, 2009

Sd/-  
**RAJAN NANDA**  
Chairman and  
Managing Director

## V. AUDIT COMMITTEE

### Constitution

The Audit Committee comprises of the following non-executive and independent Directors :

1. Dr. M. G. K. Menon
2. Dr. S. A. Dave
3. Dr. P. S. Pritam

The Audit Committee meetings are chaired by Dr. M. G. K. Menon who has a vast experience in the area of Finance. He is an internationally reputed Scientist and has been awarded the Padma Shri, the Padma Bhushan and the Padma Vibhushan. He is ex-Minister for Science and Technology, Government of India.

None of the members receive, directly or indirectly, any consulting, advisory or compensatory fees from the Company other than the Sitting Fee as a Director.

Mr. G.B Mathur, Executive Vice President - Law & Company Secretary is acting as Secretary of the Audit Committee.

### Terms of Reference

The charter of the Committee is as prescribed under Section 292A of the Companies Act, 1956 read with Clause 49 of the listing agreement viz.:

1. The Company's 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 auditors 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 Directors' 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 the 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 utilised 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.
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 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 of any significant findings and followup thereon.
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 existing.
14. Carrying out any other function as may be referred by the Board from time to time.
15. 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 (as defined by the Audit Committee), 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:

- a. To investigate any activity within its terms of reference.
- b. To seek information from any employee.
- c. To obtain outside legal or other professional advice.
- d. To secure attendance of outsiders with relevant expertise, if it considers necessary.
- e. 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.

#### Meetings & Attendance

During the year 2008-2009, the Committee met on five (5) occasions. Table 2 summarises the date of each meeting and meetings attended by the members:

The gap between any two Audit Committee meetings did not exceed four months.

The Committee, in its meeting held on 27<sup>th</sup> December, 2008 reviewed the Annual Accounts for the period ended 30<sup>th</sup> September, 2008.

#### VI. SUBSIDIARY COMPANIES

The Company has one material non-listed Indian Subsidiary Company, namely Escorts Construction Equipment Limited (ECEL). Mr. S.C. Bhargava, an Independent Director of the Company has been appointed as director on the Board of ECEL.

The Audit Committee reviews the financial statements and investments made by unlisted subsidiary companies. The minutes of the Board meeting as well as statements of all significant transactions of the unlisted subsidiary companies are placed regularly before the Board of Directors for their review.

**TABLE 2**

Date of Meeting	27.12.2008	27.01.2009	26.02.2009	20.04.2009	24.07.2009
Dr. M. G. K Menon (Chairman)	A	A	A	A	A
Dr. S. A. Dave	A	A	A	A	NA
Dr. P. S. Pritam	A	A	A	A	A

A = Attended

NA= Not Attended



## VII. REMUNERATION COMMITTEE

### Constitution

The Remuneration Committee comprises of following non-executive and independent Directors :

1. Dr. M. G. K. Menon - Chairman
2. Dr. P. S. Pritam
3. Dr. S. A. Dave

### Terms of Reference

The Remuneration Committee recommends and reviews the remuneration packages of the Managerial Personnel and formulation of broad policy framework for managerial remuneration.

### Meetings & Attendance

During the year 2008-2009, the Committee met once on 27.01.2009 in which all of three members of committee namely Dr. M. G. K. Menon, Dr. S. A. Dave and Dr. P. S. Pritam were present.

### Remuneration Policy

The Remuneration Policy as outlined by the Committee aims at:

- Recognising and rewarding performance and achievements.
- Motivating and inducing the concerned executives to put in their best.

This policy is in tune with current national and international practices considering the highly competitive business scenario.

### Details of Remuneration of Directors

The Company has not paid any remuneration to any of its Non Executive Directors, except the Sitting Fees for attending meetings of the Board/Audit Committee for which Rs. 20,000 per meeting was paid. Further, for attending Share Transfer Committee, Rs. 5000 per meeting was paid upto 29<sup>th</sup> May, 2009 and thereafter, the fees have been paid at the increased rate of Rs.20,000 per meeting. The Company has paid sitting fees of Rs. 5000 per meeting in respect of all other Committee meetings. The aggregate amount of sitting fees paid during the financial year was Rs. 9.40 Lacs.

It is proposed to pay commission to the Independent Directors amounting to Rs. 5,00,000 (Rupees Five Lac) each, which in aggregate will be Rs. 20,00,000 (Rupees Twenty Lac) and which is 0.18% of the net profits of the Company calculated under Section 198 of the Companies Act, 1956 for the financial year ended 30.09.2009, subject to approval of the Shareholders by way of Special Resolution in the forthcoming AGM.

The remuneration package of Mr. Rajan Nanda, Chairman and Managing Director and Mr. Nikhil Nanda, Joint Managing Director of the Company as approved by the Central Govt. is as given below:

Particular	Per annum (In Rs.)	
	Mr. Rajan Nanda	Mr. Nikhil Nanda
Salary	72,00,000.00	60,00,000.00
Perquisites	90,30,492.00	78,73,820.00
Provident Fund Contribution	8,64,000.00	7,20,000.00
Superannuation Allowance	10,80,000.00	9,00,000.00
Gratuity	-	1,16,664.00
<b>Total</b>	<b>1,81,74,492.00</b>	<b>1,56,10,484.00</b>

All elements of remuneration of the Directors are fixed and no variable components are involved.

The services of Chairman and Managing Director and Joint Managing Director can be terminated by each giving six calendar months' notice. In the event of termination of services, they shall be entitled to receive compensation in accordance with the provisions of Section 318 of the Companies Act, 1956.

No stock options were issued to the directors during the year under report.

## VIII. SHAREHOLDING OF THE NON EXECUTIVE DIRECTORS IN THE COMPANY

Name	No. of Equity Shares held	% Of Total Paid-up Equity Capital
Dr. P. S. Pritam	500	Negligible
Dr. M. G. K. Menon	3000	Negligible
Dr. S. A. Dave	500	Negligible
Mr. S .C. Bhargava	500	Negligible

## IX. INVESTORS' GRIEVANCE COMMITTEE

### Constitution

The Investors' Grievance Committee comprises of following non-executive independent Directors:

1. Dr. M. G. K. Menon - Chairman
2. Dr. S. A. Dave
3. Dr. P. S. Pritam

### Terms of Reference

The Committee looks into redressing of investors complaints like delay in transfer of shares, non-receipt of declared dividends, non-receipt of Annual Reports, etc.

The Committee also oversees the performance of in-house Share Registry and recommends measures for overall improvement in the quality and promptness in investor services.

### Meetings & Attendance

During the year 2008-2009, the Committee met once on 27<sup>th</sup> December, 2008 in which Dr. M. G.K. Menon and Dr. P. S. Pritam & Dr. S. A. Dave were present .

### Compliance Officer

Mr. G. B. Mathur, Executive Vice President - Law & Company Secretary is the Compliance Officer as per the requirements of the Listing Agreement.

### Complaints received/resolved

During the year 2008-2009, 37 complaints were received from investors which were replied/resolved to the satisfaction of investors.

### Pending Share Transfers

No requests for transfer and/or dematerialisation were pending for redressal as on 30<sup>th</sup> September, 2009.

## X. GENERAL BODY MEETINGS

Details of last three Annual General Meetings of the Company:

Year	Date	Time	Place	No. of Special Resolutions Passed at AGM
2006	24 <sup>th</sup> February, 2007	10.30 a.m.	Air Force Auditorium, Subroto Park, Near Dhaula Kuan, New Delhi 110010	One
2007	20 <sup>th</sup> March, 2008	10.00 a.m.	Sri Sathya Sai International Centre, Near Pragati Vihar, Lodhi Road, New Delhi 110 003	None
2008	15 <sup>th</sup> June, 2009	11.30 a.m.	Down Town-1 Hall, Hotel KC Cross Road, Site No. 1, Sector- 10, Opp. Bus stand, Panchkula-134113 (Haryana)	None

## XI. POSTAL BALLOT

During the year, the Company has passed the following Special Resolution through Postal Ballot:

S. No.	Particulars of Special Resolutions	Details of Voting Pattern	
		Votes Casted In favour	Votes Casted against
	In the Financial Year 2008-2009		
1.	Shifting of Registered Office of the Company from NCT of Delhi to the State of Haryana	99.89%	0.11%
2.	Execution of Lease Agreement in respect of a property with Joint Managing Director	99.78%	0.22%
3.	Re-appointment of Mr. Rajan Nanda as Managing Director of the Company and approval of his remuneration	99.83%	0.17%

The Postal Ballot exercise was conducted by Mr. M. L. Pahwa, retired Deputy Excise & Taxation Commissioner, Haryana, as Scrutiniser and the results for these resolutions were declared on 9<sup>th</sup> March, 2009.

## XII. DISCLOSURES

a. Disclosure on materially significant related party transactions i.e. transactions of the Company of material nature, with its promoters, the directors or the management, their subsidiaries or relatives, etc. that may have potential conflict with the interests of the Company at large.

None of the transactions with any of the related parties were in conflict with the interest of the Company.

b. Details of non-compliance by the Company, penalties, strictures imposed on the Company by Stock Exchanges or SEBI or any statutory authority, on any matter related to capital markets, during the last three years.

There has been no non compliance by the Company and no penalties, strictures imposed on the Company by Stock Exchanges or SEBI or any statutory authority, on any matter related to capital markets, during the last three years.

c. Whistle Blower policy and affirmation that no personnel has been 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.

## XIII. MEANS OF COMMUNICATION

### Quarterly Results released during the year 2008-2009

The Company has published its Quarterly Financial results in the following national newspapers:

- For Quarter ended 31.12.08 : Jansatta (Hindi), Financial Express (English)
- For Quarter ended 31.03.09 : Jansatta (Hindi), Financial Express (English)
- For Quarter ended 30.06.09 : Jansatta (Hindi), Financial Express (English)

The Quarterly Results were displayed on Company's website viz. [www.escortsgroup.com](http://www.escortsgroup.com) in accordance with the requirement of Listing Agreement.

The website also displays official news releases.

### News Releases, Presentation

Official News releases, detailed presentations made to media, analysts, institutional investors, etc. are displayed on the Company's website i.e. [www.escortsgroup.com](http://www.escortsgroup.com).

### Management Discussion and Analysis Report

The Management Discussion and Analysis Report and Risk Management Process Highlights (refer page 10 to 19) forms part of the Annual Report.

## XIV. GENERAL SHAREHOLDER INFORMATION

### Annual General Meeting

Date : Friday, 12<sup>th</sup> March, 2010

Time : 12.30 p.m.

Venue : Hotel KC Cross Road, Site No. 1, Sector- 10, Opposite Bus Stand, Panchkula - 134113 (Haryana)

### Financial Year:

1<sup>st</sup> October to 30<sup>th</sup> September

## Appointment/Re-appointment of Directors

At the ensuing Annual General Meeting, Mr. S.C. Bhargava retires by rotation and is proposed to be reappointed as Director of the Company.

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

Name	Qualification	Brief Resume And Area of Expertise	Other Directorships	Committee memberships
Mr. S.C. Bhargava	B.Com (Hons), F.C.A	Mr. S.C. Bhargava is an eminent personality with a rich experience in all facets of insurance. He has held top position in LIC including as Executive Director (Investments) and also attended various seminars and workshops in India and abroad on behalf of LIC. He has extensive knowledge in the field of securities market, treasury operations, investments, etc. He had training in finance from reputed institutions like I.I.M., Ahmedabad and Manchester Business School, U.K. He has also worked as member of Technical Advisory Committee on Money, Foreign Exchange and Govt. Securities Market, Reserve Bank of India. Currently he is serving the Board of many reputed organisations.	<ol style="list-style-type: none"> <li>Aditya Birla Nuvo Limited</li> <li>OTC Exchange of India</li> <li>Jaiprakash Associates Limited</li> <li>Swaraj Engine Limited</li> <li>Mudra Lifestyles Limited</li> <li>UTI AMC Limited</li> <li>AK Capital Services Limited</li> <li>DCM Shriram Consolidated Limited</li> <li>Escorts Construction Equipment Limited</li> <li>Jaiprakash Power Ventures Limited</li> <li>Cox and Kings Limited</li> <li>UTI Retirement Solutions Limited</li> <li>G K Industrial Park Private Limited</li> <li>Jay Pee Infratech Limited</li> <li>Max Mobile Communication Limited</li> </ol>	<ol style="list-style-type: none"> <li>Escorts Ltd. <ul style="list-style-type: none"> <li>Share Allotment Committee</li> <li>Technology Committee</li> <li>Compensation Committee</li> </ul> </li> <li>Escorts Construction Equipment Limited <ul style="list-style-type: none"> <li>Remuneration Committee</li> </ul> </li> <li>Swaraj Engines Ltd. <ul style="list-style-type: none"> <li>Audit Committee</li> </ul> </li> <li>Jaiprakash Power Ventures Limited <ul style="list-style-type: none"> <li>Audit Committee</li> </ul> </li> <li>Mudra Lifestyles Limited <ul style="list-style-type: none"> <li>Audit Committee</li> <li>Shareholders Grievance Committee</li> <li>Remuneration Committee</li> </ul> </li> <li>Cox and Kings Limited <ul style="list-style-type: none"> <li>Audit Committee</li> <li>Shareholders/ Investors Grievance Committee</li> <li>Finance Committee</li> </ul> </li> </ol>

## Financial Calendar 2009-2010 (Tentative)

Board/Committee thereof Meetings to take on record :

Financial results for Quarter ended 31.12.09	: By the end of January, 2010.
Financial results for Quarter ended 31.03.10	: By the end of April, 2010.
Financial results for Quarter ended 30.06.10	: By the end of July, 2010
Financial results for Quarter/Year ended 30.09.10	: By the end of October, 2010 if unaudited quarterly results or alternatively last week of December, 2010 in case of audited results for the year.

## Annual General Meeting for the Financial Year ending 30<sup>th</sup> September, 2010: By 31<sup>st</sup> March, 2011

**Date of Book Closure:** Monday, 1<sup>st</sup> March, 2010 to Friday, 12<sup>th</sup> March, 2010 (both days inclusive)

**Dividend Payment Date:** The Board of Directors of the Company have decided to recommend dividend @ Re. 1 per share (being 10% of the nominal value of Rs. 10 per share) for the financial year 2008-09, subject to the approval of the shareholders in the forthcoming AGM. The dividend, if declared in the AGM, shall be paid to those shareholders whose names appear in the Register of members as on the last date of book closure. The dividend warrant/cheques shall be posted to the shareholders on or before 11<sup>th</sup> April, 2010.

## LISTING

The Company's Shares/Debentures are listed with following Stock Exchanges:-

LISTING	STOCK CODE
National Stock Exchange of India Ltd. Exchange Plaza, Bandra Kurla Complex, Bandra East, Mumbai - 400 051	ESCORTS
Bombay Stock Exchange Limited Phiroze Jeejeebhoy Towers, Dalal Street, Mumbai - 400 001	500495
Delhi Stock Exchange Ltd. DSE House, 3/1, Asaf Ali Road, New Delhi - 110002	00012

## Listing Fees

The Company is up to date on the payment of the Annual Listing Fees.

## Market Price Data

Yearly Stock Market Data

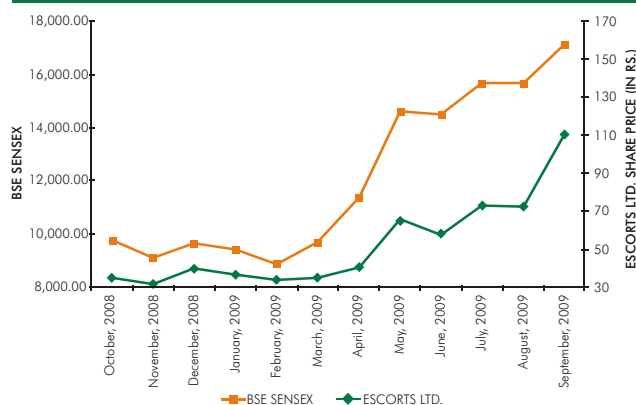
Year	Equity Shares		Name of the Stock Exchange
	High (Rs.)	Low (Rs.)	
1999-00	269.00	51.00	Bombay Stock Exchange
2000-01	156.00	66.75	- do -
2001-02	89.35	37.95	- do -
2002-03	76.20	35.00	- do -
2003-04	113.30	34.70	- do -
2004-05	117.35	53.00	- do -
2005-06	127.30	53.00	- do -
2006-07	157.10	72.70	- do -
2007-08	174.00	52.20	- do -
2008-09	113.00	30.65	- do -

## Monthly Stock Market Data

High and low prices of Equity Shares during the 12 months period ended 30<sup>th</sup> September, 2009 were as follows:

Month	National Stock Exchange of India Limited		Bombay Stock Exchange Limited	
	High (Rs.)	Low (Rs.)	High (Rs.)	Low (Rs.)
October, 2008	62.85	31.00	64.00	31.20
November, 2008	44.80	31.05	44.40	31.00
December, 2008	46.00	30.50	45.90	30.65
January, 2009	45.80	34.50	45.85	35.00
February, 2009	39.95	32.85	40.00	33.35
March, 2009	42.40	31.80	42.50	31.75
April, 2009	51.65	35.05	51.60	35.05
May, 2009	65.60	41.25	66.60	37.90
June, 2009	85.80	55.40	81.90	56.60
July, 2009	76.45	53.70	76.30	53.80
August, 2009	79.90	64.30	79.90	64.40
September, 2009	112.80	71.30	113.00	71.50

### Comparison of Escorts scrip movement with Mumbai Stock Exchange (BSE) Sensex



### Registrar and Share Transfer Agents

#### The Company carries on the share transfer work in-house at: ESCORTS LIMITED.

Corporate Secretariat & Law, 15/5, Mathura Road, Faridabad. 121003 Phone: 0129 - 2250222 Extension 4275/4269 Fax: 0129 - 2250060 E-mail: corpsect@ndb.vsnl.net.in Website: www.escortsgroup.com

### Share Transfer System

The Company has a Share Transfer Committee of Directors to approve the Transfer, Transmission, Remat & Issue of Duplicate Certificates etc., which normally meets once in a month. The shares received are usually transferred within a period of 20 to 30 days from the date of receipt, subject to their validity.

### Investors Relation Centers

Escorts Limited	Escorts Limited
11, Scindia House, Connaught Circus, New Delhi 110 001 Telephone No.: (011) 43587432 Fax No.: (011) 4358700	1 <sup>st</sup> Floor Part 1, AO Bldg. at Pandurang Budhkar Marg, Worli, Mumbai - 400 018 Telephone No.: (022) 24218151-52 Fax No.: (022) 24218153

All enquiries, transfer/transmission/transposition/Demat/Remat requests in respect of shares and debentures both physical and electronic, nomination, change of address and payment of dividend/interest/redemption should be addressed directly to the Corporate Secretariat & Law department of Escorts Limited at 15/5, Mathura Road, Faridabad-121003. The shareholders may also send their queries to the Registered office of the Company at SCO-232, First Floor, Sector-20, Panchkula - 134109.

### Statistics of Dividend Payment

Year	Rate	Date of Payment
1996-1997	45%	10 <sup>th</sup> September, 1997
1997-1998	45%	15 <sup>th</sup> September, 1998
1998-1999	45%	18 <sup>th</sup> October, 1999
1999-2000	45%	29 <sup>th</sup> May, 2000
2000-2001	45%	22 <sup>nd</sup> October, 2001

Year	Rate	Date of Payment
2001-2002	10%	11 <sup>th</sup> October, 2002
2002-2003	10%	24 <sup>th</sup> December, 2003
2003-2004	Nil	N.A.
2004-2005	Nil	N.A.
2005-2006	Nil	N.A.
2006-2007	Nil	N.A.
2007-2008	Nil	N.A.
2008-2009	10%	On or before 11 <sup>th</sup> April, 2010 (Proposed)

### Nomination Facility

Shareholders are eligible to file their nominations against shares held under physical mode. The facility of nomination is not available to non-individual shareholders such as societies, trusts, bodies corporate, karta of Hindu Undivided families and holders of Powers of Attorney. The investors, who wish to avail this facility, may send prescribed Form 2B duly filled in and signed to the Corporate Secretariat & Law.

### Shareholding Pattern as on 30<sup>th</sup> September, 2009

Category of Shareholders	%age to the Capital
1. Promoters and Promoter Group	32.00
2. Foreign Institutional Investors	16.83
3. Domestic Institutional Investors	14.14
4. Public & Others	37.03
<b>Total</b>	<b>100.00</b>

### Distribution of Shareholding as on 30<sup>th</sup> September, 2009

Range of holding	Number of shareholders	% of Total
1 to 100	50218	60.97
101 to 500	26124	31.72
501 to 1,000	3103	3.77
1,001 to 5,000	2346	2.85
5,001 to 10,000	294	0.36
10,001 to 50,000	207	0.25
50,001 to 1,00,000	27	0.03
Above 1,00,000	46	0.05
<b>Total</b>	<b>82365</b>	<b>100.00</b>

### Dematerialisation of Shares

Approximately 89% Equity Shares have been dematerialised till the closing of the Financial Year 2009. Trading in Equity Shares of the Company is permitted only in dematerialised form as per the notification issued by the Securities and Exchange Board of India.

### Liquidity of Shares

The trading volumes at major Stock Exchanges, during the Financial Year 2008-2009, are given below:

Months	National Stock Exchange of India Ltd			Bombay Stock Exchange Ltd		
	No. of Shares	Value (Rs. Lacs)	No. of transactions	No. of Shares	Value (Rs. Lacs)	No. of transactions
October, 2008	2890641	1241.54	31095	1176139	511.04	16587
November, 2008	2344175	881.40	24949	926424	357.43	11880
December, 2008	6475177	2625.44	54720	2875639	1177.21	23273
January, 2009	2985114	1186.85	29269	1393113	560.61	13098
February, 2009	2089697	752.31	17123	608540	222.96	8072
March, 2009	7060338	2649.06	52369	3355173	1270.92	23561
April, 2009	37010265	16195.73	149802	21131230	923.07	77981
May, 2009	36138041	19628.74	177087	22360889	1220.21	95925
June, 2009	37708709	26510.42	225931	18950907	1338.48	105587
July, 2009	32933535	21705.40	256204	21855686	1443.80	132367
August, 2009	22770139	16697.82	169193	11476358	838.57	74866
September, 2009	55594062	51638.96	378224	32275977	3003.51	164109
<b>TOTAL</b>	<b>245999893</b>	<b>161713.68</b>	<b>1565966</b>	<b>138386075</b>	<b>12867.81</b>	<b>747306</b>

### Outstanding GDRs/ADRs/Warrants etc.

a) The QIBs had subscribed to 61,455 - 4.25% Secured Convertible Debentures (SCDs) of Rs. 10,000 each aggregating to Rs. 61,45,50,000 as per Qualified Institutional Placement in terms of Chapter XIII A of SEBI (Disclosure and Investor Protection) Guidelines, 2000. As per the terms of the issue Part A of SCDs of Rs. 100 each was converted into 54,870 Equity Shares @Rs. 112 per share immediately on allotment. The Part B of the SCDs of Rs. 9900 each carrying coupon of 4.25% p.a. are redeemable or convertible in to equity share as per the terms of their issue within 7<sup>th</sup> to 42<sup>nd</sup> month from the date of allotment.

b) Employee Stock Options: A total of 3,19,500 stock options are outstanding. Each stock option, upon exercise of the same, would entitle the holder to receive one equity share of Rs. 10 each fully paid up. These options vest after one year from date of grant and can be exercised during a period of two years or such other period as the Compensation Committee may decide from the date of grant. The options unexercised during the exercise period would lapse.

There are no other convertible instruments outstanding, which could increase the paid up equity capital of the Company.

### Plant locations

The Company has its manufacturing plants at the following locations:

- 18/4, Mathura Road, Faridabad - 121 007
- Plot No. 2, Sector 13, Faridabad - 121 007
- Plot No. 3, Sector 13, Faridabad - 121 007
- 115, Sector 24, Faridabad - 121 003
- Plot No. 9, Sector 1, Integrated Industrial Estate, Pant Nagar, Rudrapur, District, Udham Singh Nagar, Uttaranchal - 263145.

### Address for Correspondence

#### ESCORTS LIMITED.

Corporate Secretariat & Law, 15/5, Mathura Road, Faridabad-121003 Phone: 0129 - 2250222

Extension 4275 / 4269, Fax: 0129 - 2250060

E-mail: corpsect@ndb.vsnl.net.in

Website: www.escortsgroup.com

### XV. NON MANDATORY REQUIREMENTS

The status/extent of compliance of non mandatory requirements are as follows:

S. No.	Non Mandatory Provisions	Status
1.	Maintenance of Non-Executive Chairman's Office	Not Applicable as Chairman is executive and also the Managing Director of the Company
	Independent Directors' tenure not to exceed nine years in aggregate.	Not adopted
2.	Remuneration Committee	Already constituted. Details given elsewhere in this report.
3.	Shareholders' rights : Half-yearly financial performance and summary of significant events may be sent to each household of shareholders.	The said information is available on Company's website.
4.	Audit qualifications : The Company may move towards the regime of unqualified financial statements.	Adopted
5.	Training of Board Members	All Board members are experts in their respective fields and are well aware of Company's business model and risk profile.
6.	Mechanism for evaluating non-executive Board Members	Not adopted
7.	Whistle Blower Policy	Not adopted

## CEO/CFO CERTIFICATION

The Chairman and Managing Director and the Group Chief Financial Officer have given the following certificate on financial reporting and internal controls to the Board in terms of Clause 49 of the Listing Agreement.

The Board of Directors,  
Escorts Limited  
15/5, Mathura Road, Faridabad - 121 003

Dear Sir,

We, Rajan Nanda, Chairman and Managing Director and O.K. Balraj, Group Chief Financial Officer, certify to the Board of Directors that:

- a. We have reviewed financial statements and the cash flow statement for the year ended 30<sup>th</sup> September, 2009 and that to the best of our knowledge and belief :
  - i. these statements do not contain any materially untrue statement or omit any material fact or contain statements that might be misleading;
  - ii. these statements together present a true and fair view of the company's affairs and are in compliance with existing accounting standards, applicable laws and regulations.
- b. There are, to the best of our knowledge and belief, no transactions entered into by the Company during the year which are fraudulent, illegal or violative of the Company's code of conduct.
- c. We accept responsibility for establishing and maintaining internal controls for financial reporting and we have evaluated the effectiveness of internal control systems of the Company pertaining to financial reporting and we have disclosed to the auditors and the Audit Committee, deficiencies in the design or operation of such internal controls, if any, of which we are aware and the steps we have taken or propose to take to rectify these deficiencies.
- d. We have indicated to the auditors and the Audit committee :
  - i. significant changes in internal control over financial reporting during the year;
  - ii. significant changes in accounting policies during the year and that the same have been disclosed in the notes to the financial statements; and
  - iii. instances of significant fraud of which we have become aware and the involvement therein, if any, of the management or an employee having a significant role in the Company's internal control system over financial reporting.

Place : New Delhi  
Date : 27<sup>th</sup> December, 2009

Sd/-  
**RAJAN NANDA**  
Chairman & Managing Director

Sd/-  
**O.K. BALRAJ**  
Group Chief Financial Officer

On behalf of the Board

Place : New Delhi  
Date : 27<sup>th</sup> December, 2009

Sd/-  
**RAJAN NANDA**  
Chairman & Managing Director

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

To  
The Members  
Escorts Limited

We have examined the compliance of conditions of Corporate Governance by Escorts Limited for the year ended 30<sup>th</sup> September, 2009 as stipulated in Clause 49 of the Listing Agreement of the said Company with the Stock Exchanges of India.

The compliance of conditions of Corporate Governance is the responsibility of the management. Our examination was limited to 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 opinion on the financial statements of the Company.

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

We state that in respect of investor grievances received during the year ended 30<sup>th</sup> September, 2009 no investor grievances are pending against the Company for a period exceeding one month as per records maintained by the Company which are presented to the Shareholders/Investor Grievance Committee.

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 the management has conducted the affairs of the Company.

For S. N. Dhawan & Co.  
Chartered Accountants

Date : 27<sup>th</sup> December, 2009

Sd/-  
S. N. Dhawan  
Partner  
M No. 925



## ANNEXURE-D TO THE DIRECTORS' REPORT

Information as per Section 217(2A) of the Companies Act, 1956 read with Companies (Particulars of Employees) Rules, 1975 and forming part of the Directors' Report for 12 months period ended September 30, 2009.

Name of the Employee	Age (Yrs)	Qualification	Experience (Years)	Date of Employment	Designation and Nature of Duties	Remuneration Gross (Rs.)	Received Net (Rs.)	Last Employment held
<b>A. Employed throughout the period and in receipt of remuneration not less than Rs. 24,00,000 p.a.</b>								
Anantharaman Ashok	49	BE, PGDM	25	01.03.2007	Head - All India Sales (AMG)	5,772,977	3,845,169	Senior VP - TNS India
Budhiraaja Rakesh Kumar	54	CA, LLB, MBA Finance, CS	29	03.09.2007	Group Chief Financial Officer	7,327,674	4,547,064	Vice President, J K Tyre Industries Ltd.
Dass Rajeev	54	B.Com	31	01.04.2002	Chief General Manager - Business Development	4,113,150	2,818,687	Vice President - Business Development, Turbo Industries Ltd.
Gupta P. K.	58	CA	33	21.05.1979	Associate Vice President	3,180,425	1,955,741	Manager Accounts, Mahta Organisation, New Delhi
Khanna Lalit K.	55	B.Sc., MBA	33	10.05.1978	Vice President	4,807,825	2,678,252	Officer Grade 'C', Punjab National Bank
Madan Bharat	42	B.Com (Hons.), FCA	22	16.12.2005	Financial Controller	6,935,222	4,661,030	Financial Controller, Electrolux Kelvinator Ltd.
Mathur G. B.	59	B.Sc., ACS, LLB	35	16.08.1993	Executive Vice President Law & Company Secretary	9,466,198	6,456,478	Co.Secy, Chambal Fertiliser & Chemicals Ltd
Nanda Nirasha *	40	B.Com	15	01.04.1998	Head Group Investment Companies	8,838,759	5,550,728	-
Rane N. S.	49	B Tech.	26	25.02.2006	Head - Manufacturing Excellence (AMG)	6,859,960	4,507,842	GM - Production, Maruti Udyog Ltd.
Singh Inderjit	52	B Tech.	29	22.01.2007	Head - KMC	9,344,350	6,192,920	Head Horizon - 1 & 2 Mahindra & Mahindra (FES)
C Anil Kumar	43	B.Com, PGD System Mgmt.	21	08.09.2008	GM - HR & IR, AMG	3,043,456	2,138,682	Vice President-HR Consulting, Prierna Management Consulting
Dasgupta Partha Pratim	56	PGD PM & IR	31	26.05.2008	Group Head - HR & ER	8,311,093	5,419,321	Vice President, Raymond Ltd.,

Name of the Employee	Age (Yrs)	Qualification	Experience (Years)	Date of Employment	Designation and Nature of Duties	Remuneration Gross (Rs.)	Received Net (Rs.)	Last Employment held
James Ciby Cyriac	50	B Tech, PGDBM	26	23.01.2008	Vice President, Business Excellence & Quality	4,528,490	3,079,053	Sr. Director of Global Quality, Converg Corporation
Jha Manoj	49	B Tech	27	23.04.2008	Executive Vice President	9,772,493	4,656,818	Managing Director, Minda Sai Ltd.,
Mal Rohtash	55	B Tech, MBA	29	26.11.2007	Executive Director & CEO	29,197,792	18,531,703	Chief Executive, Bharati Fieldfresh Ltd.
Oswal Sangeet	47	B Tech	25	12.10.2007	Head - Materials	5,747,581	3,801,268	General Manager, Maruti Udhog Ltd.
Sharma Rajiv	48	B Tech	26	01.08.2008	Head R & D (ASP)	3,107,923	2,119,287	General Manager, Endurance Systems (India) Pvt. Ltd.
Munshi B. N.	53	B E	31	19.04.1978	Head Transmission PU	2,830,136	1,947,951	-
Kumar N. R.	55	B E	32	07.08.1979	GM - Vehicle Design & Development	2,783,524	1,872,846	Jr. Development Engineer - Jyoti Ltd.
Puri V. K.	47	B E	24	04.11.1985	Regional Manager - Gujarat & Maharashtra	3,628,227	2,448,382	GET - Escorts Ltd.
Jain S. K.	49	B E, M. Tech.	25	06.09.1984	Regional Business Manager - Haryana, Punjab, HP, J & K	3,694,207	2,446,545	-
Biswas A.	50	B E	24	11.09.1987	Head Commercial, Legal, Retail and Channel Finance	2,764,113	1,512,933	Sales Officer - Mahindra & Mahindra Ltd.
Gupta Ashok	40	B Tech	19	02.07.1990	Head Engine PU	3,378,807	2,253,551	-
Agarwal Shenu	39	B Tech	17	01.02.1993	Exec. Asst. to CEO & Head Strategy	2,905,384	1,634,523	GET - Escorts Ltd.
Pandey S P	49	B E, MBA	24	02.11.1992	Regional Business Manager - MP, Chattisgarh & Rajasthan	3,377,519	2,249,476	Manager JCB Operations - Fairdeal Merwar Carriages Pvt. Ltd
Chilana R K	55	BA, Dip/RPM, DBM	33	14.03.1994	Associate Vice President - Corporate ER	3,894,899	2,512,004	Factory Manager, Victor Cables Industries Ltd.

Name of the Employee	Age (Yrs)	Qualification	Experience (Years)	Date of Employment	Designation and Nature of Duties	Remuneration Gross (Rs.)	Received Net (Rs.)	Last Employment held
Vij Neeraj	49	B E, M E	19	08.06.1995	GM - Transmission Design & Development	2,411,622	1,664,925	Sr. Engineer, Sri Ram Honda Power Equipment Ltd.
Aggarwal Rajneesh	38	B E	16	12.10.1994	GM - Engine Design & Development	3,451,149	2,366,833	-
Khanna Rajeev	53	M Com, I C W A	30	28.11.2005	Controllor Management A/C	3,252,345	2,230,725	Controllor Management Accounts, LML Ltd.
Kumar Y V Anand	43	B E	18	20.12.2005	Head Service	3,180,074	2,138,492	DGM-Customer Care, LML Ltd.
Singh Upendra Pratap	40	B E	17	17.06.2006	Regional Business Manager - UP	3,038,246	2,119,773	Sr. Manager-Marketing, Eicher Tractors Ltd.
Jaikanth Aswin D	40	B E	19	25.08.2006	Head Marketing	3,973,569	2,774,809	DGM (South India-AP, Karnataka & TN) - Eicher Tractors Ltd.
Babbar Arun	55	B E	31	11.07.2007	Head Manufacturing - ED 1	2,884,907	1,933,869	Head Materials - Yamaha Motors India Pvt. Ltd.
Sharma A C	54	B.Sc. Engineering, MBA	33	15.02.2008	Associate Vice President - Marketing	3,299,027	2,328,058	GM - ISGEC
Ahmed M Imteyaj	52	B.Sc. Engineering	27	25.01.1995	Head Tractor PU	3,494,945	1,834,535	Manager Manufacturing - UT Ltd.
Kharbanda V K	55	Diploma Engineering	35	04.12.1978	Head Mfg. Engineering	2,932,514	1,972,163	Junior Engineer, Punjab Tractors Ltd.
Bagai Man Mohan	47	B E	24	07.07.1986	Head Mfg. Excellence & QA	2,854,300	1,943,393	-
<b>B. Employed for part of the period and in receipt of remuneration not less than Rs. 2,00,000 p. m.</b>								
Anand Suresh	61	M.Tech.B.Tech. IIT	37	08.04.1996	Head - Technical (AMG)	1,204,070	970,104	Tech. Director, Shriram Piston & Rings.
Sabharwal Jogesh	61	B E	38	12.01.1973	Head - Materials (AMG)	417,100	341,414	Trainee - Escorts Tractors Ltd.
Grover Charanjit	57	B Tech	35	15.09.1997	Head - R & D (ASP)	1,424,112	1,077,338	Proprietor - Vision Consultants

Name of the Employee	Age (Yrs)	Qualification	Experience (Years)	Date of Employment	Designation and Nature of Duties	Remuneration Gross (Rs.)	Received Net (Rs.)	Last Employment held
Prasad Vijay Kishore	55	BSc Engineering, PGDBM	32	29.04.2008	Vice President, New Business	4,477,563	3,249,168	General Manager, Mahindra & Mahindra, FES
Agarwal Shailendra	48	B E	27	05.11.2008	Chief of Operations	7,175,170	4,805,516	President, Hero Motors
Kumar Vipin	43	B E	15	26.11.2008	Chief General Manager - IT	2,931,759	1,920,512	GM & Group IT Head, Jindal Steel & Power Ltd.
Singhal Manish	44	B E, MBA	21	20.04.2009	Vice President, International Business	1,753,562	1,018,463	Head -International Business, Moser Baer India Ltd.
Chauhan Naveen	36	B Tech	14	01.07.2009	Dy. General Manager - Spares	687,909	359,543	Deptt. Head - Channel Development - Spares, Maruti Suzuki India Ltd.
Sinha Praveen Kumar	51	PGDPM & IR	27	14.11.2008	Chief General Manager - Corporate HR	3,102,947	2,093,927	GM - Corporate HR, Raymond Ltd
Balraj O K	53	C A	28	27.08.2009	Executive Vice President & Group CFO	1,013,388	663,860	Director Finance - NSL Group
Gera Komal Prakash	58	Diploma Engineering	37	24.06.1974	Module Head - Exports	458,391	380,127	Inspector, Kevinator of India Ltd.
Garg A J P	60	Dip. AMIE, Dip. MS	39	15.10.1977	Head Product Development & Strategy	1,187,793	797,270	R & D Engineer, Punjab Tractors Ltd.
Goel A K	56	MSc. Mechanical (Moscow)	36	30.03.2006	Head Manufacturing - ASP	551,105	444,478	Director Operations Ahmednagar Forgings Ltd.

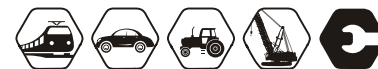
**Notes:**

- \* None of the employees except Ms. Nirasha Nanda, Head Group Investment Companies is a relative of Mr. Rajan Nanda, Chairman & Managing Director and Mr. Nikhil Nanda, Joint Managing Director.
- Employees named above are/were whole time employees of the Company and all appointments are/were contractual in nature.
- All the employees have adequate experience to discharge the responsibilities assigned to them.
- Employees whose services have been loaned to other Companies have been excluded.
- Remuneration received gross includes Salary, Bonus, Commission, ex-gratia, actual expenditure for provision of rent free accommodation or benefits or amenities, house rent allowance, medical expenses, leave travel assistance, other allowances, reimbursement of gas, water and electricity expenses, Company's contribution to provident fund, employee pension scheme and gratuity fund.
- Remuneration received net includes salary, bonus, commission ex-gratia and other allowances but excluding house rent allowance, Provident Fund and Gratuity less Income tax deducted at source.
- None of the employees own more than 2% of the outstanding shares of the Company as at 30<sup>th</sup> September, 2009.

On behalf of the Board

Place : New Delhi  
Date : 27<sup>th</sup> December, 2009

**Sd/-**  
**RAJAN NANDA**  
Chairman & Managing Director



## To The Members of Escorts Limited

1. We have audited the attached Balance Sheet of Escorts Limited as at September 30, 2009, the Profit & Loss Account and also 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 misstatement. 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. We draw attention to Note 17 of Schedule 19 which describes in detail the salient features of the Scheme of Arrangement sanctioned by the Hon'ble High Court of Punjab & Haryana involving the following:
  - (a) The Company's wholly-owned subsidiary, Escorts Agri Machinery Inc. USA, (EAMI) has been amalgamated with the Company with effect from April 1, 2009 (appointed date). The amalgamation has been accounted for under the "Pooling of Interest Method" in accordance with AS-14 Accounting for Amalgamations.
  - (b) A separate reserve account titled "Business Reconstruction Reserve (BRR)" has been created by transferring amounts lying to the credit of Revaluation Reserve, Amalgamation Reserve, Capital Redemption Reserve and Share Forfeiture Reserve with effect from the appointed date. The Company has got its immovable properties in the form of Land & Buildings valued by a reputed independent valuer resulting in net addition of Rs. 672.72 crores to their book values as on appointed date. The corresponding credit has been given to the BRR.
  - (c) Business Reconstruction Reserve has been utilised to adjust profit and loss account debit balance of Rs. 156.73 crores brought forward from earlier years. An amount of Rs. 485.29 crores has also been utilized from BRR to adjust the difference between the value of assets and liabilities taken over upon amalgamation, provision/write down/write off in the value of the fixed assets, investments, current assets, loans and advances, excess depreciation on the account of revaluation of the fixed assets and all the expenses incurred in carrying out and implementing the Scheme as detailed in Schedule -2 "Reserves & Surplus" and Schedule-17 "Exceptional Items". The impact of the Scheme on the balance sheet (including reserves and surplus and the constituents of the same) and the profit and loss account is set out in the aforesaid Schedules to accounts read with Note 17.
5. Pursuant to the Scheme of Arrangement the Assets & Liabilities of EAMI have been amalgamated with the Company on the basis of unaudited financial statements which have not been verified by us. (Refer Note 18 of schedule 19)
6. Further to our comments in the Annexure referred to above, we report that :
  - (a) 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.
  - (b) 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.
  - (c) The Balance Sheet, Profit & Loss Account and Cash Flow Statement dealt with by this report are in agreement with the books of account.
  - (d) In our opinion, the Balance Sheet, Profit & 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, except accounting treatment as described above regarding creation and utilization of Business Reconstruction Reserve pursuant to a scheme of arrangement as duly sanctioned by the High Court of jurisdiction.
  - (e) On the basis of written representations received from the directors, as on September 30, 2009 and taken on record by the Board of Directors, we report that none of the directors is disqualified as on September 30, 2009 from being appointed as a director in terms of clause (g) of sub-section (1) of Section 274 of the Companies Act, 1956. However, the Chairman and Managing Director of the Company is 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.
  - (f) In our opinion and to the best of our information and according to the explanations given to us, the said accounts, *subject to our comments in paragraph 5 above and read together with the Significant Accounting Policies and Notes to Accounts thereon*, 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:
    - i) in the case of the Balance Sheet, of the state of affairs of the Company as at September 30, 2009,
    - ii) in the case of the Profit & Loss Account, of the Profit for the year ended on that date and
    - iii) in the case of the Cash Flow Statement, of the cash flows for the year ended on that date.

For S. N. Dhawan & Co.  
Chartered Accountants

(S. N. Dhawan)  
Partner  
M.No. 925

Dated: December 27, 2009

## ANNEXURE REFERRED

TO IN PARAGRAPH 3 OF OUR REPORT OF EVEN DATE ON THE ACCOUNTS  
OF ESCORTS LIMITED, FOR THE YEAR ENDED SEPTEMBER 30, 2009.

- i) (a) The Company has maintained proper records showing full particulars including quantitative details and situation of fixed assets.  
(b) According to the information and explanations given to us, physical verification of fixed assets is being conducted in a phased manner by the management under a programme designed to cover all the fixed assets over a period of three years, which, in our opinion, is reasonable having regard to the size of the Company and the nature of its assets. Discrepancies noticed on such verification were not material and have been properly dealt with in the books of account.  
(c) According to the information and explanations given to us, the Company has not disposed off a substantial part of its fixed assets during the year under review.
- ii) (a) As explained to us, the inventories have been physically verified by the management at reasonable intervals during the year, except for materials lying with third parties for which certificates confirming stocks held by them have been obtained in most of the cases.  
(b) In our opinion and according to the information and explanations given to us, the procedures of physical verification of inventories followed by the management are reasonable and adequate in relation to the size of the Company and the nature of its business.  
(c) In our opinion and according to information and explanations given to us, the Company has maintained proper records of its inventories. Discrepancies noticed on physical verification of inventories were not material and have been properly dealt with in the books of account.
- iii) (a) The Company has granted unsecured loans to two companies covered in the register maintained under Section 301 of the Companies Act, 1956. The maximum amount involved during the year was Rs. 4.82 crores and balance of the loans granted to such companies was Rs. 1.46 crores as at September 30, 2009.  
(b) In our opinion and according to the information and explanations given to us, the rate of interest and other terms and conditions of such loans are not, prima-facie, prejudicial to the interest of the Company.  
(c) The receipt of the principal amount and interest, wherever applicable, is as stipulated.  
(d) There is no overdue amount of such loans granted to the aforesaid companies.  
(e) The Company has taken loan from a company covered in the register maintained under Section 301 of the Companies Act, 1956. The maximum amount involved during the year was Rs. 4.99 crores and the balance of loan taken from such company was Rs. 4.42 crores as at September 30, 2009.  
(f) In our opinion and according to the information and explanations given to us, the rate of interest and other terms and conditions of such loans are not, prima facie, prejudicial to the interest of the Company.  
(g) The Company has been regular in repaying the principal amount and interest, as stipulated.
- iv) In our opinion and according to the information and explanations given to us, there are adequate internal control procedures commensurate with the size of the Company and the nature of its business, for the purchase of inventory and fixed assets and for the sale of goods and services. During the course of our audit, we have neither come across nor have been informed of any continuing failure to correct major weaknesses in the internal control systems.
- v) (a) According to the information and explanations given to us, we are of the opinion that the transactions that need to be entered into the register maintained under section 301 of the Companies Act, 1956 have been so entered.  
(b) In our opinion and according to the information and explanations given to us, the transactions made in pursuance of contracts or arrangements entered in the register maintained under Section 301 of the Companies Act, 1956 and exceeding the value of Rupees five lakhs in respect of any party during the year have been made at prices which are reasonable having regard to the prevailing market prices at the relevant time except for items stated to be of a specialised nature where no comparison is possible.
- vi) In our opinion and according to the information and explanations given to us, the Company has complied with the provisions of Sections 58A, 58AA and other relevant provisions of the Companies Act, 1956 and the Companies (Acceptance of Deposits) Rules, 1975 with regard to unpaid matured fixed deposits accepted from the public. The Company has however, not accepted any fresh deposits during the year under review.
- vii) In our opinion, the Company has an internal audit system commensurate with the size and nature of its business.
- viii) We have broadly reviewed the books of account maintained by the Company pursuant to the Rules made by the Central Government for the maintenance of cost records under Section 209(1)(d) of the Companies Act, 1956 in respect of the tractors and auto-ancillary products and are of the opinion that prima-facie the prescribed accounts have been made and maintained. We have, however, not made a detailed examination of the records with a view to determine whether they are accurate and complete.
- ix) (a) The Company is generally regular in depositing with appropriate authorities undisputed statutory dues including provident fund, investor education and protection fund, employees' state insurance, income-tax, sales-tax, wealth-tax, service tax, custom duty, excise duty, cess and other material statutory dues applicable to it.



According to the information and explanations given to us, no undisputed amounts payable in respect of provident fund, investor education and protection fund, employees state insurance, income-tax, sales-tax, wealth-tax, service tax, custom duty, excise duty & cess were in arrears, as at September 30, 2009 for a period of more than six months from the date they became payable.

- (b) According to the information and explanations given to us, the details of statutory dues of income-tax, sales-tax, wealth-tax, service tax, customs duty, excise duty & cess which have not been deposited on account of dispute are given below:

Name of the Statute	Nature of Dues	Amount (Rs. Crores)	Period to which the amount relates	Forum where dispute is pending
Sales Tax Acts	Sales Tax	3.05	1995-2008	High Court
Sales Tax Acts	Sales Tax	4.96	1987-2008	Appellate Authority
Central Excise Act, 1944	Excise Duty	3.26	1992-2009	Appellate Authority
Central Excise Act, 1944	Excise Duty	24.68	1989-2008	CESTAT
Central Excise Act, 1944	Excise Duty	18.60	1995-1998	Supreme Court
Income Tax Act, 1961	Income Tax	20.05	2000-2001	High Court/CIT (Appeals)
Income Tax Act, 1961	Income Tax	136.87	2005-2006	CIT(Appeals)

- x) The Company does not have accumulated losses as at September 30, 2009 and has not incurred cash losses during the financial year covered by our audit and in the immediately preceding financial year.
- xi) In our opinion and according to the information and explanations given to us, the Company has not defaulted in repayment of dues to a financial institution or bank or debenture holders.
- xii) 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.
- xiii) In our opinion, the Company is not a chit fund or a nidhi/mutual benefit fund/society. Therefore, provisions of clause (xiii) of Paragraph 4 of the Order are not applicable to the Company.
- xiv) In our opinion and according to the information and explanations given to us, the Company is not dealing or trading in shares, securities, debentures and other investments. Accordingly, the provisions of clause (xiv) of Paragraph 4 of the Order are not applicable to the Company.
- xv) According to the information and explanations given to us, the Company has not given guarantees for loans taken by others from banks and financial institutions.
- xvi) To the best of our knowledge and belief and according to the information and explanations given to us, the term loans availed by the Company were applied for the purposes for which the loans were obtained.
- xvii) According to the information and explanations given to us and on an overall examination of the Balance Sheet of the Company, we report that the no funds raised on short-term basis have been used for long term investment.
- xviii) According to the information and explanations given to us, the Company has not made any preferential allotment of shares to parties and companies covered in the register maintained under Section 301 of the Companies Act, 1956.
- xix) The Company has not issued any debentures during the year. Therefore, the provisions of clause (xix) of Paragraph 4 of the Order are not applicable to the Company.
- xx) The Company has not raised any money by public issue during the year under review.
- xxi) To the best of our knowledge and belief and according to the information and explanations given to us, no fraud on or by the Company has been noticed or reported during the year.

For S. N. Dhawan & Co.  
Chartered Accountants

(S. N. Dhawan)  
Partner  
M.No. 925

Dated: December 27, 2009

# BALANCE SHEET

AS AT 30<sup>th</sup> SEPTEMBER, 2009

(Rs. Crores)

	Schedule	As At 30.09.2009	As At 30.09.2008
<b>SOURCES OF FUNDS</b>			
Share Capital	1	90.71	90.71
Reserves & Surplus	2	1,353.48	1,111.95
<b>Total Shareholders' Funds</b>		<b>1,444.19</b>	<b>1,202.66</b>
<b>Loans</b>			
Secured	3	253.79	422.63
Unsecured	4	10.36	19.52
<b>Total</b>		<b>1,708.34</b>	<b>1,644.81</b>
<b>APPLICATION OF FUNDS</b>			
<b>Fixed Assets</b>			
Gross Block	5	2,059.83	1,415.93
Less : Depreciation/Amortisation		602.93	593.41
Net Block		1,456.90	822.52
Capital Work-in-Progress & Capital Advances		10.71	14.43
<b>Investments</b>	6	<b>235.80</b>	<b>425.79</b>
<b>Deferred Tax Assets (Net)</b>		<b>27.84</b>	<b>47.50</b>
<b>Current Assets, Loans &amp; Advances</b>			
<b>Current Assets</b>			
Inventories	7	199.49	201.96
Sundry Debtors		329.15	518.22
Cash & Bank Balances		164.80	114.51
Other Current Assets		15.07	10.15
		708.51	844.84
Loans & Advances	8	122.20	249.79
<b>Total Current Assets, Loans &amp; Advances</b>		<b>830.71</b>	<b>1,094.63</b>
<b>Less: Current Liabilities &amp; Provisions</b>			
Current Liabilities	9	727.82	650.24
Provisions		131.22	120.82
<b>Total Current Liabilities &amp; Provisions</b>		<b>859.04</b>	<b>771.06</b>
<b>Net Current Assets</b>		<b>(28.33)</b>	<b>323.57</b>
Miscellaneous Expenditure (to the extent not written off or adjusted)		5.42	11.00
<b>Total</b>		<b>1,708.34</b>	<b>1,644.81</b>
Significant Accounting Policies	18		
Notes to Accounts	19		

Schedules 1 to 19 annexed hereto form an integral part of Balance Sheet and Profit and Loss Account

**RAJAN NANDA**  
Chairman and  
Managing Director

**NIKHIL NANDA**  
Joint Managing Director

**Dr. P. S. PRITAM**  
Director

**Dr. M. G. K. MENON**  
Director

**Dr. S. A. DAVE**  
Director

**Mr. S. C. BHARGAVA**  
Director

**G. B. MATHUR**  
Exec. Vice-President-Law &  
Company Secretary

**O. K. BALRAJ**  
Exec. Vice-President &  
Group Chief Financial Officer

As per our audit report attached  
for **S. N. DHAWAN & CO.**  
Chartered Accountants

Place : New Delhi  
Dated : 27<sup>th</sup> December, 2009

**S. N. DHAWAN**  
Partner  
M.No. 925



**PROFIT AND LOSS ACCOUNT**  
FOR THE YEAR ENDED 30<sup>th</sup> SEPTEMBER, 2009



(Rs. Crores)

	Schedule	Year Ended 30.09.2009	Year Ended 30.09.2008
<b>INCOME</b>			
Gross Sales		2,177.03	2,018.31
Less : Excise Duty		19.26	25.38
Net Sales		2,157.77	1,992.93
Business Income	10	30.28	58.58
Income from Investment	11	1.54	0.04
<b>Total</b>		<b>2,189.59</b>	<b>2,051.55</b>
<b>EXPENDITURE</b>			
Material, Manufacturing & Operating	12	1,506.31	1,515.08
Personnel	13	238.43	202.63
Sales & Administration	14	237.41	181.36
Interest (Net)	15	41.39	49.27
Bank & Finance Charges		10.15	6.66
Depreciation	5	46.85	48.31
Less: Transfer from Revaluation Reserve/Business Reconstruction Reserve		9.01	5.44
		37.84	42.87
Amortisation of Miscellaneous Expenditure	16	11.31	8.14
		2,082.84	2,006.01
<b>PROFIT BEFORE TAX &amp; EXCEPTIONAL ITEMS</b>			
		106.75	45.54
Exceptional Items	17	(4.31)	19.40
<b>PROFIT BEFORE TAX</b>			
		111.06	26.14
Provision for Taxation			
Current Tax		0.40	2.20
Fringe Benefits Tax		1.27	2.19
Excess Provision of Earlier Years Written Back		-	(32.86)
Deferred Tax (Asset)/Liability		19.66	42.74
		21.33	14.27
<b>PROFIT AFTER TAX</b>			
		89.73	11.87
<b>APPROPRIATIONS</b>			
Debenture Redemption Reserve		26.13	-
General Reserve		2.24	-
Proposed Dividend		9.07	-
Tax on Proposed Dividend		1.54	-
<b>BALANCE CARRIED TO BALANCE SHEET</b>			
		50.75	11.87
Earnings Per Share (in Rs.) (face value Rs.10/- each)			
- Basic		9.89	1.38
- Diluted		9.64	1.38
Significant Accounting Policies	18		
Notes to Accounts	19		

Schedules 1 to 19 annexed hereto form an integral part of Balance Sheet and Profit and Loss Account

**RAJAN NANDA**  
Chairman and  
Managing Director

**NIKHIL NANDA**  
Joint Managing Director

**Dr. P. S. PRITAM**  
Director

**Dr. M. G. K. MENON**  
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**Dr. S. A. DAVE**  
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Director

**G. B. MATHUR**  
Exec. Vice-President-Law &  
Company Secretary

**O. K. BALRAJ**  
Exec. Vice-President &  
Group Chief Financial Officer

As per our audit report attached  
for **S. N. DHAWAN & CO.**  
Chartered Accountants

Place : New Delhi  
Dated : 27<sup>th</sup> December, 2009

**S. N. DHAWAN**  
Partner  
M.No. 925

## SCHEDULES 1-19

### FORMING PART OF THE BALANCE SHEET AND PROFIT & LOSS ACCOUNT

#### SCHEDULE 1: SHARE CAPITAL

(Rs. Crores)

	As At 30.09.2009	As At 30.09.2008
<b>AUTHORISED CAPITAL</b>		
12,00,00,000 Equity Shares of Rs. 10 each (Previous year 12,00,00,000 shares)	120.00	120.00
7,30,00,000 Unclassified Shares of Rs. 100 each (Previous year 7,30,00,000 shares)	730.00	730.00
	850.00	850.00
<b>ISSUED, SUBSCRIBED AND PAID-UP CAPITAL</b>		
90,709,496 Equity Shares of Rs. 10 each (Previous year 9,07,09,496 shares)	90.71	90.71
	90.71	90.71

#### NOTES :

1. Paid-up Capital includes :

- (i) 18,700 Equity Shares (previous year -18,700) allotted as fully paid-up for consideration other than cash pursuant to contracts.
- (ii) 34,04,256 fully paid Equity Shares of Rs. 10/- each issued to the members of Hardship Committee appointed by Hon'ble High Court, Delhi for consideration other than cash. (Refer Note 11 of Schedule 19)
- (iii) Bonus Shares :  
1,94,34,125 Equity Shares allotted before 1988 as fully paid-up bonus shares by capitalising Share Premium of Rs. 0.22 crores and General Reserve of Rs. 19.21 crores.



**SCHEDULE 2: RESERVES AND SURPLUS**

(Rs. Crores)

Particulars	Securities Premium Account	Capital Redemption Reserve	Capital Reserve	Share Forfeiture Reserve	Amalgamation Reserve	General Reserve	Profit & Loss Account	Revaluation Reserve	Employee Stock Option Outstanding	Deferred Employee Compensation Expenses	Debt Redemption Reserve	Business Reconstruction Reserve	Total
<b>As at September 30<sup>th</sup>, 2008</b>	255.97	0.81	-	3.22	48.46	469.62	(133.59)	466.46	1.02	(0.02)	-	-	1,111.95
Additions during the year	0.01							672.72				1,189.62	1,862.35
On Amalgamation*						(23.14)							(23.14)
Capital Investment Subsidy			0.30										0.30
Transfer from Profit and Loss Account						2.24	50.75				26.13		79.12
Employees Compensation Expenses									(0.16)	0.02			(0.14)
Transfer from Business Reconstruction Reserve								75.00					75.00
<b>As at September 30<sup>th</sup>, 2009</b>	<b>255.98</b>	<b>0.81</b>	<b>0.30</b>	<b>3.22</b>	<b>48.46</b>	<b>471.86</b>	<b>(105.98)</b>	<b>1,214.18</b>	<b>0.86</b>	<b>-</b>	<b>26.13</b>	<b>1,189.62</b>	<b>3,105.44</b>
Transfer to Business Reconstruction Reserve*		0.81		3.22	48.46			1,137.13					1,189.62
Utilised Under Scheme of Arrangement*							(156.73)					156.73	-
- Profit & Loss Account												320.05	320.05
- Provisions made/Amount written off**													
- Diminution/Impairment of Investments/Assets												158.28	158.28
Depreciation on Revalued Assets transferred to Profit & Loss Account*								2.05				6.96	9.01
Transfer to Revaluation Reserve*												75.00	75.00
<b>As at September 30<sup>th</sup>, 2009</b>	<b>255.98</b>	<b>-</b>	<b>0.30</b>	<b>-</b>	<b>-</b>	<b>471.86</b>	<b>50.75</b>	<b>75.00</b>	<b>0.86</b>	<b>-</b>	<b>26.13</b>	<b>472.60</b>	<b>1,353.48</b>

\* (Refer Note 17 of Schedule 19)

\*\* (Refer Schedule 17 "Exceptional Items")

## SCHEDULES 1-19 (Contd.)

### SCHEDULE 3 : SECURED LOANS

(Rs. Crores)

	As At 30.09.2009	As At 30.09.2008
<b>Debentures</b>		
61,455, 4.25% Secured Convertible Debentures of Rs.9,900/- each	60.84	60.84
<b>From Banks</b>		
Cash Credit/Export Packing Credit & Working Capital Demand Loans	99.01	163.28
<b>Term Loans</b>		
From Banks	93.59	197.95
From Others	0.35	0.56
<b>Total</b>	<b>253.79</b>	<b>422.63</b>

#### NOTES :

- Debentures** Rs. 60.84 Crs  
Represent Part B of 61,455, 4.25% Secured Convertible Debentures of Rs. 9,900/- each issued and allotted to Qualified Institutional Buyers on 4<sup>th</sup> July, 2007 redeemable with in a period of 42 months from the date of issue. These Debentures are secured by exclusive charge on the specified property at Gujarat and extension of exclusive charge on the immovable assets of the company at site No.2, Sector - 13, Faridabad.
- Cash Credit/Export Packing Credit including Working Capital Demand Loans from Banks :**  
Secured by hypothecation of Company's stocks and book debts on pari-passu basis and 2nd pari-passu charge on the moveable fixed assets of the company (pending creation).
- Term Loans from Banks**
  - \*a) Punjab National Bank & State Bank of Patiala : Rs. 89.84 Crs  
Secured by first pari-passu charge on immovable & movable assets
  - \*b) United Bank of India: Rs. 3.75 Crs  
Secured by first charge on the Company's movable Fixed Assets and second & sub-servient charge on immovable properties.

\*The immovable property provided as security for these loans is other than the assets exclusively charged for Debentures stated in note 1 above.
- Term Loans from Others**
  - a) Life Insurance Corporation of India : Rs. 0.17 Crs  
Secured against Insurance Policies.
  - b) Vehicle loans secured against the Vehicles financed: Rs. 0.18 Crs

### SCHEDULE 4 : UNSECURED LOANS

(Rs. Crores)

	As At 30.09.2009	As At 30.09.2008
<b>Short Term Loans</b>		
Lease Finance	1.75	1.53
From Others	-	7.50
<b>Other Loans</b>		
Lease Finance	4.19	3.55
From Others	4.42	4.99
Book Overdraft - Banks	-	1.95
<b>Total</b>	<b>10.36</b>	<b>19.52</b>



**SCHEDULE 5 : FIXED ASSETS**

Description	(Rs. Crores)									
	Cost as at 30.09.2008	Additions*	Deductions	Cost as at 30.09.2009	Depreciation/Amortisation upto 30.09.2008	Depreciation/Amortisation for the year	Deductions during the year	Depreciation/Amortisation upto 30.09.2009	Net Book Value as on 30.09.2009	Net Book Value as on 30.09.2008
<b>Tangible Assets</b>										
<b>Owned asset</b>										
Land Freehold	478.12	588.66	-	1,066.78	-	-	-	-	1,066.78	478.12
Land Leasehold	1.75	7.14	-	8.89	0.08	0.06	-	0.14	8.75	1.67
Buildings	227.49	77.02	-	304.51	135.80	12.16	-	147.96	156.55	91.69
Plant & Machinery	578.49	9.43	44.61	543.31	351.51	28.33	35.35	344.49	198.82	226.98
Furniture & Fixtures	74.32	1.86	1.38	74.80	58.64	2.91	1.30	60.25	14.55	15.68
Vehicles	7.56	1.08	1.18	7.46	3.52	1.09	0.68	3.93	3.53	4.04
Leasehold Improvements	3.41	-	-	3.41	3.41	-	-	3.41	-	-
<b>Leased asset</b>										
Plant & Machinery	-	3.68	-	3.68	-	0.12	-	0.12	3.56	-
IT Equipments	2.83	1.09	-	3.92	1.38	0.66	-	2.04	1.88	1.45
Vehicles	-	0.23	-	0.23	-	-	-	-	0.23	-
<b>Sub Total - A</b>	<b>1,373.97</b>	<b>690.19</b>	<b>47.17</b>	<b>2,016.99</b>	<b>554.34</b>	<b>45.33</b>	<b>37.33</b>	<b>562.34</b>	<b>1,454.65</b>	<b>819.63</b>
<b>Intangible Assets</b>										
Prototypes	1.21	-	-	1.21	1.21	-	-	1.21	-	-
Technical Know-how	24.10	-	-	24.10	22.44	1.08	-	23.52	0.58	1.66
Software Development	16.65	0.88	-	17.53	15.42	0.44	-	15.86	1.67	1.23
<b>Sub Total - B</b>	<b>41.96</b>	<b>0.88</b>	<b>-</b>	<b>42.84</b>	<b>39.07</b>	<b>1.52</b>	<b>-</b>	<b>40.59</b>	<b>2.25</b>	<b>2.89</b>
<b>Sub Total - (A+B)</b>	<b>1,415.93</b>	<b>691.07</b>	<b>47.17</b>	<b>2,059.83</b>	<b>593.41</b>	<b>46.85</b>	<b>37.33</b>	<b>602.93</b>	<b>1,456.90</b>	<b>822.52</b>
Capital Work-in-Progress	10.78	14.09	16.72	8.15	-	-	-	-	8.15	10.78
Capital Advances	3.65	4.52	5.61	2.56	-	-	-	-	2.56	3.65
<b>Sub Total - C</b>	<b>14.43</b>	<b>18.61</b>	<b>22.33</b>	<b>10.71</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>10.71</b>	<b>14.43</b>
<b>Total - (A+B+C)</b>	<b>1,430.36</b>	<b>709.68</b>	<b>69.50</b>	<b>2,070.54</b>	<b>593.41</b>	<b>46.85</b>	<b>37.33</b>	<b>602.93</b>	<b>1,467.61</b>	<b>836.95</b>
Previous Year Figures	1,450.36	39.58	59.58	1,430.36	583.24	48.31	38.14	593.41	836.95	-

\*(Refer Note 16 of Schedule 19)

Notes :

1. Land Freehold includes Rs. 37.75 crores pending approval for registration in the name of the Company.
2. Buildings include (at net book value) Rs. 0.12 crores pending approval for registration in the name of the Company.

## SCHEDULES 1-19 (Contd.)

### SCHEDULE 6 : INVESTMENTS

Name of the Company	Interest/ Dividend %Age	As At 30.09.2009			As At 30.09.2008		
		Face Value Rs.	Quantity Nos.	Amount Rs. Crores	Face Value Rs.	Quantity Nos.	Amount Rs. Crores
<b>LONG TERM (At Cost)</b>							
<b>GOVERNMENT SECURITIES</b>							
[Current year (Rs. 10,000), Previous year (Rs. 17,000)]				-			-
<b>Long Term Trade Investments</b>							
<b>Quoted Equity Shares (Fully Paid) in Other than Subsidiary</b>							
Escorts Finance Limited		10	3,819,700	4.01	10	3,819,700	4.01
Asahi India Glass Limited		10	18,862	-	10	18,862	-
<b>Unquoted Redeemable Preference Shares (Fully Paid) in other than Subsidiary</b>							
Escorts Finance Limited (Cumulative)*		10	9,500,000	-	10	9,500,000	9.50
<b>Other Long Term Investments</b>							
<b>Unquoted Equity Shares (Fully Paid) in Subsidiary Companies</b>							
Escorts Automotives Limited*		10	10,000,000	-	10	10,000,000	23.66
Escorts Construction Equipment Limited		10	39,999,990	40.00	10	39,999,990	40.00
Escorts Agri Machinery Incorporated, USA*			-	-		750	49.95
Escorts Assets Management Limited		10	3,000,000	3.00	10	3,000,000	3.00
Cellnext Solutions Limited**			-	-	10	13,570,330	0.02
Farmtrac tractors Europe SP zoo, Poland*			6,000	2.59		-	-
Farmtrac North America LLC, USA*			8,820,000	-		-	-
Beaver Creek Holdings LLC, USA*			78.25	-		-	-
<b>Other Companies</b>							
Escorts Finance Investment & Leasing Private Limited		10	40,000,000	40.00	10	40,000,000	40.00
The Faridabad Central Co-operative Consumers Stores Limited		10	447	-	10	447	-
Escotrac Finance & Investments Private Limited		10	40,000,000	40.04	10	40,000,000	40.04
Drillmac Limited (in liquidation)		10	20,000	0.02	10	20,000	0.02
Escorts Electronics Limited (in liquidation)		100	32,000	0.32	100	32,000	0.32
Hughes Communications India Limited		10	2,074,492	2.07	10	2,074,492	2.07
Escorts Motors Limited		10	100,000	1.50	10	100,000	1.50
<b>Unquoted Redeemable Preference Shares (Fully Paid) in Subsidiary Companies</b>							
Escorts Securities Limited (Cumulative)	10%	10	1,200,000	1.20	10	1,200,000	1.20
Cellnext Solutions Limited (Cumulative)**	3%		-	-	10	7,500,000	5.23


**SCHEDULE 6 : INVESTMENTS (Contd.)**

Name of the Company	Interest/ Dividend %Age	As At 30.09.2009			As At 30.09.2008		
		Face Value Rs.	Quantity Nos.	Amount Rs. Crores	Face Value Rs.	Quantity Nos.	Amount Rs. Crores
<b>Other Companies</b>							
Escorts Finance Investment & Leasing Private Limited (Non Cumulative)	5%	100	4,382,000	43.82	100	4,382,000	43.82
Escotrac Finance & Investments Private Limited (Non Cumulative)	10%	10	10,000,000	10.00	10	10,000,000	10.00
Escotrac Finance & Investments Private Limited (Non Cumulative)	5%	10	48,440,000	48.44	10	48,440,000	48.44
<b>Other Investments</b>							
Idea Cellular Limited Zero percent Unsecured Subordinated Bond (Refer Note 13 of Schedule 19)				-			175.74
Unit Trust of India Units under Venture Capital Unit Scheme - 1990 (VECAUS-II)		100	1,830	0.02	100	1,830	0.02
Credit Capital Finance Corporation Limited [Current year (Rs.1,000), Previous year (Rs.1,000)]		10	100	-	10	100	-
<b>Total</b>				<b>237.03</b>			<b>498.54</b>
Less : Provision for diminution in value of Investments in :							
Escorts Electronics Limited (in liquidation)				(0.32)			(0.32)
Drillmac Limited (in liquidation)				(0.02)			(0.02)
Idea Cellular Limited				-			(57.86)
Escorts Automotives Limited*				-			(13.66)
Escorts Finance Limited*				(0.89)			(0.89)
<b>Total</b>				<b>235.80</b>			<b>425.79</b>

\*(Refer Note 17 of Schedule 19)

\*\* (Refer Note 14 of Schedule 19)

**NOTES :**

1. Quoted Investments :			
Book Value		4.01	4.01
Market Value		2.62	2.63
2. Unquoted Investments			
At cost		233.02	494.53
3. Other than the provision/write off made in respect of permanent diminution in value of investments, there is no investment, which in the opinion of the management has suffered a diminution other than temporary in nature.			

## SCHEDULES 1-19 (Contd.)

### SCHEDULE 7 : CURRENT ASSETS

(Rs. Crores)

	As At 30.09.2009	As At 30.09.2008
<b>Interest accrued on Investments and Deposits</b>	15.07	10.15
<b>Stocks (as taken, valued and certified by the Management)</b>		
(Refer Note 17 of Schedule 19)		
Raw Material and Components	99.88	109.62
Finished & Trading Goods	71.22	49.86
Work-in-Progress	12.18	19.21
Stores and Machinery Spares	7.69	12.52
Loose Tools	8.52	13.14
	199.49	204.35
Less : Provision for Obsolescence of Inventory	-	2.39
	199.49	201.96
<b>Sundry Debtors</b>		
(Refer Note 7 & 17 of Schedule 19)		
Debts outstanding for over six months		
Secured	0.29	0.62
Unsecured - Considered Good	50.41	189.74
- Considered Doubtful	141.64	14.99
	192.34	205.35
Less : Provision for Doubtful Debts	141.64	14.99
	50.70	190.36
Other Debts		
Secured	78.44	7.35
Unsecured - Considered Good	200.01	320.51
	278.45	327.86
	329.15	518.22
<b>Cash &amp; Bank Balances</b>		
Cash in Hand	0.12	0.32
Cheques in Hand and in Transit	8.91	2.42
With Schedule Banks :		
On Current Accounts	33.55	28.05
In Escrow Account	64.99	64.99
(Refer Note 12 of Schedule 19)		
On Short Term/Fixed Deposit with Scheduled Banks		
- Pledged with various Authorities and Banks	11.82	18.72
- Others	45.41	-
In Post Office Savings Bank Accounts	-	0.01
	164.80	114.51
<b>Total</b>	<b>708.51</b>	<b>844.84</b>




**SCHEDULE 8 : LOANS & ADVANCES\***

(Rs. Crores)

	As At 30.09.2009		As At 30.09.2008	
<b>Loans :</b>				
Unsecured - Considered Good	0.69		72.57	
- Considered Doubtful	0.07		0.07	
	0.76		72.64	
Less : Provision for Doubtful Loan	0.07	0.69	0.07	72.57
<b>Advances recoverable in cash or in kind or for value to be received :</b>				
Unsecured - Considered Good**	114.35		170.29	
- Considered Doubtful	6.39		39.96	
	120.74		210.25	
Less : Provision for Doubtful Advances	6.39	114.35	39.96	170.29
<b>Deposits :</b>				
Deposits - Considered Good	7.16		6.93	
- Considered Doubtful	0.03		0.07	
	7.19		7.00	
Less : Provision for Doubtful Deposits	0.03	7.16	0.07	6.93
<b>Total</b>		<b>122.20</b>		<b>249.79</b>

\*(Refer Note 8 &amp; 17 of Schedule 19)

\*\*(Refer Note 11 of Schedule 19)

**SCHEDULE 9 : CURRENT LIABILITIES & PROVISIONS**

(Rs. Crores)

	As At 30.09.2009		As At 30.09.2008	
<b>CURRENT LIABILITIES</b>				
Acceptances		179.61		182.11
Sundry Creditors (Refer Note 20 of Schedule 19)		373.94		378.43
Advance from Customers		32.40		29.56
Security Deposit		84.55		12.73
Other Advances (Refer Note 19 of Schedule 19)		7.00		7.00
Liability towards Investors Education and Protection Fund under Section 205C of the Companies Act, 1956 will be determined on the respective due dates				
i) Unpaid Dividends	0.14		0.36	
ii) Unpaid Matured Deposits	2.63		3.21	
iii) Unpaid Matured Debentures	0.05		0.12	
iv) Interest accrued on (i) to (iii) above	0.27	3.09	0.35	4.04
Local Area Development Tax/Entry Tax		28.15		18.47
Other Liabilities		17.91		16.57
Interest accrued but not due on loans		1.17		1.33
		727.82		650.24
<b>PROVISIONS</b>				
Leave Encashment		9.75		9.00
Gratuity		55.54		45.08
Superannuation		22.59		26.31
Proposed Dividend		9.07		-
Tax on Proposed Dividend		1.54		-
Fringe Benefit Tax	9.81		8.54	
Less : Advance Tax	10.78	(0.97)	8.90	(0.36)
Taxation	81.38		80.97	
Less : Advance Tax	47.68	33.70	40.18	40.79
		131.22		120.82
<b>Total</b>		<b>859.04</b>		<b>771.06</b>

## SCHEDULES 1-19 (Contd.)

### SCHEDULE 10: BUSINESS INCOME

(Rs. Crores)

	Year Ended 30.09.2009	Year Ended 30.09.2008
Export Incentives	1.61	1.59
Scrap Sales	3.38	3.49
Amount Written Back	3.65	1.92
Foreign Exchange Variation (Net)	6.57	32.16
Surplus on Sale of Assets (Net)	(0.11)	4.80
Others*	15.18	14.62
<b>Total</b>	<b>30.28</b>	<b>58.58</b>

\*Income Tax Deducted at Source 0.70 0.86

### SCHEDULE 11: INCOME FROM INVESTMENTS

(Rs. Crores)

	Year Ended 30.09.2009	Year Ended 30.09.2008
Dividend - Long Term Investments		
- Other than Trade Investments	-	0.04
Surplus on Sale of Investments - Non-Trade		
- Long Term Investments	1.54	-
<b>Total</b>	<b>1.54</b>	<b>0.04</b>

### SCHEDULE 12: MATERIAL, MANUFACTURING AND OPERATING EXPENSES

(Rs. Crores)

	Year Ended 30.09.2009	Year Ended 30.09.2008
Raw Material & Components Consumed*	1,355.54	1,393.46
*(Net of Duty Draw Back)		
(Increase)/Decrease in Finished Goods and WIP	(16.94)	(27.20)
Consumption of Trading Goods	103.17	82.53
Excise Duty on increase/(decrease) in stock of finished goods	(0.67)	0.63
Stores, Spares and Tools	22.26	21.87
Power and Fuel	26.25	30.55
Repairs to Building	3.07	2.30
Repairs to Machinery	13.63	10.94
<b>Total</b>	<b>1,506.31</b>	<b>1,515.08</b>

Note : Company's own manufactured spare parts have been classified under Trading Goods.

### SCHEDULE 13: PERSONNEL EXPENSES

(Rs. Crores)

	Year Ended 30.09.2009	Year Ended 30.09.2008
Salary, Wages and Bonus	185.09	156.33
Contribution to Gratuity Fund	10.34	5.14
Contribution to Provident Fund and other Funds	11.33	10.46
Staff Welfare Expenses	31.67	30.70
<b>Total</b>	<b>238.43</b>	<b>202.63</b>


**SCHEDULE 14: SALES AND ADMINISTRATION EXPENSES**

(Rs. Crores)

	Year Ended 30.09.2009	Year Ended 30.09.2008
Warranties	15.00	14.71
Rent (Net)	4.22	3.34
Rates and Taxes	3.10	2.16
Insurance	1.81	2.94
Travelling & Conveyance	17.45	16.46
Postage, Telegrams and Telephones	4.10	4.04
Repair and Maintenance	9.97	9.21
Audit Fee, Legal & Professional Expenses	15.52	9.63
Sales Incentive & Other Selling Expenses	59.79	39.32
Advertisement	28.69	18.27
Royalty	5.69	6.19
Packing, Freight & Forwarding	55.78	42.27
Directors Sitting Fees	0.10	0.09
Other Expenses	16.19	12.73
<b>Total</b>	<b>237.41</b>	<b>181.36</b>

**SCHEDULE 15: INTEREST (NET)**

(Rs. Crores)

	Year Ended 30.09.2009	Year Ended 30.09.2008
Interest cost related to :		
Fixed Period Loans and Debentures	26.74	34.62
Finance Charges on Leased Asset	0.58	0.33
Others	23.63	27.25
Less : Interest Income*		
On Loans to Group Companies	3.16	6.09
Others	6.40	6.84
<b>Total</b>	<b>41.39</b>	<b>49.27</b>

\*Income Tax Deducted at Source

2.46

1.90

**SCHEDULE 16: AMORTISATION OF MISCELLANEOUS EXPENDITURE**

(Rs. Crores)

	Year Ended 30.09.2009	Year Ended 30.09.2008
Voluntary Retirement Compensation	8.25	5.14
Miscellaneous Expenditure Written-off	3.06	3.00
<b>Total</b>	<b>11.31</b>	<b>8.14</b>

**SCHEDULE 17: EXCEPTIONAL ITEMS**

(Rs. Crores)

	Year Ended 30.09.2009	Year Ended 30.09.2008
Provisions/Write offs Under Scheme of Arrangement*		
- Provision for Doubtful Debts	137.21	-
- Provision for Export Incentive	21.21	-
- Doubtful Debt/Inventories/Amounts Written off/down	161.63	-
	320.05	-
Less: Utilised from Business Reconstruction Reserve	320.05	-
Others		
- Provisions for Doubtful Debts, Advances and Loans & Deposits	0.35	6.63
- Provision for Obsolescence of Inventory	0.15	0.21
- Amounts Written off	0.14	2.02
- Settlement Cost	-	7.50
- Fixed Assets Written off	0.01	3.04
- Service Tax Credit Pertaining to Earlier Years	(4.96)	-
<b>Total</b>	<b>(4.31)</b>	<b>19.40</b>

\*(Refer Note 17 of Schedule 19)

## SCHEDULES 1-19 (Contd.)

### SCHEDULE 18: SIGNIFICANT ACCOUNTING POLICIES

#### 1. ACCOUNTING CONVENTION

The financial statements are prepared under the historical cost convention in accordance with applicable accounting standards and relevant provisions of the Companies Act, 1956.

#### 2. FIXED ASSETS AND DEPRECIATION & AMORTISATION

##### i) Tangible

- Fixed assets are stated at cost or at replacement cost in case of revaluation, less accumulated depreciation.
- Depreciation on Plant and Machinery is provided on Straight Line Method.
- Depreciation on all other Fixed Assets is calculated on the basis of Diminishing Balance Method at the rates prescribed in Schedule XIV of the Companies Act, 1956 except Leasehold Land, which is amortised over the lease period.
- The depreciation on assets acquired/sold/discarded/demolished during the year is provided from/upto the month the asset is commissioned/sold or discarded.
- Assets costing upto Rs. 5000 are depreciated fully in the year of purchase.
- Leasehold Improvements are written off over a period of six years or lease period whichever is less.

##### ii) Intangible

- In accordance with AS 26- Intangible Assets are valued at cost less accumulated amortisation and any impairment losses.
- Prototypes including work-in-progress developed during Research & Development, tractors and parts thereof used for carrying R&D activities and advances given for tooling are written off over a period of four years.
- Technical know-how fee and expenditure on major Software products are written off over a period of six years.
- Impairment in fixed assets, if any, is recognised in books of accounts in the financial year concerned as per Accounting Standard 28- 'Impairment of Assets' issued by Institute of Chartered Accountants of India.

#### 3. INVENTORY VALUATION

- Raw Material and Components, Stores and Machinery Spares are stated at lower of cost and net realisable value.
- Loose Tools are stated at cost or under.
- Work in Progress, Finished and Trading Goods/Spare Parts are stated at lower of cost and net realisable value.
- In determining the cost of Raw Materials and Components, Tools, Jigs and Dies, Stores and Machinery Spares Weighted Average Cost Method is used while in the case of Trading goods FIFO Method is used.
- Work in Progress and Finished Goods include cost of conversion and other costs incurred in bringing the Inventories to their present location and condition.

#### 4. EMPLOYEE BENEFITS

##### i) Defined Contribution Plan

Employees benefits in the form of ESIC, Provident Fund and Labour welfare 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.

##### ii) Defined Benefit Plan

Retirement benefits in the form of Gratuity is considered as defined benefit 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.

##### iii) 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.

#### 5. FOREIGN EXCHANGE FLUCTUATION

- Transactions in foreign currency are recorded at the exchange rates prevailing at the dates of the transactions. Gains/losses arising out of fluctuation in exchange rates on settlement are recognised in the Profit & Loss account.
- Foreign currency monetary assets & liabilities are restated at the Exchange Rate prevailing at the year-end and the overall net gain/ loss is adjusted to the Profit & Loss Account.
- In case of Forward Exchange Contracts, the difference between the forward rate and the exchange rate at the date of transaction is recognised in the Profit & Loss account over the life of the contract.

**6. INVESTMENTS**

- Investments intended to be held for less than one year are classified as current investments and are carried at lower of cost or market value. All other investments are classified as long-term investments and are carried at cost. Investments in foreign companies are stated at the exchange rates prevailing on the date of investment.
- A provision for diminution is made to recognise a decline other than temporary in the value of long term investments.

**7. REVENUE RECOGNITION**

Dividend is taken on accrual basis, if declared/received by the time of finalisation of the accounts.

**8. BORROWING COSTS**

Borrowing costs that are attributable to the acquisition, construction of qualifying assets are capitalised as part of cost of such assets upto the date the assets are ready for its intended use. All other borrowing costs are recognised as an expense in the year in which they are incurred.

**9. DEFERRED REVENUE EXPENDITURE**

- Development expenditure represents Project related development expenditure/business process re-engineering consultancy and market research. Such expenditure is written off over a period of six years.
- Payment under Voluntary Retirement Scheme to the direct/indirect employees is written off over a period ending March 31, 2010 on Pro-rata basis.
- Upfront & Structuring fees are written off during the term of the respective loan.

**10. DEFERRED TAX**

Deferred Tax is recognised, subject to consideration of prudence, on timing differences, representing the difference between the taxable income and accounting income that originated in one period and are capable of reversal in one or more subsequent periods. Deferred Tax assets and liabilities are measured using tax rates and the tax laws that have been enacted or substantively enacted by the Balance Sheet date. Deferred Tax assets viz. unabsorbed depreciation and carry forward losses are recognized if there is virtual certainty that sufficient future taxable income will be available against which such deferred tax assets can be realized.

**11. EMPLOYEE STOCK OPTION SCHEME**

In respect of stock options granted pursuant to Employees Stock Option Scheme, the intrinsic value of the options (Excess of market price of the share over the exercise price of the options) is accounted as employee compensation cost over the vesting period.

**12. LEASES**

- Asset acquired under leases where the Company has substantially all the risks and rewards of ownership are classified as finance leases. Such assets are capitalised at the inception of the lease at the lower of the fair value or the present value of minimum lease payments and a liability is created for an equivalent amount. Each lease rental paid is allocated between the liability and the interest cost, so as to obtain a constant periodic rate of interest on the outstanding liability for each period.
- Assets acquired on leases where a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Lease rentals are charged to the Profit & Loss Account on accrual basis.

**13. GOVERNMENT GRANTS**

Government Grants are recognised when there is a reasonable assurance that the same will be received. Cash Subsidies and Capital Grants relating to specific assets are reduced from the gross value of the respective assets, other capital grants & cash subsidies are credited to Capital Reserve.

**14. PROVISIONS, CONTINGENT LIABILITIES AND CONTINGENT ASSETS**

- Provisions are recognised for liabilities that can be measured only by using a substantial degree of estimation, if
  - the Company has a present obligation as a result of past event,
  - a probable outflow of resources is expected to settle the obligation and
  - the amount of obligation can be reliably estimated.
- Reimbursements expected in respect of expenditure required to settle a provision is recognised only when it is virtually certain that the reimbursement will be received.
- Contingent liability is disclosed in the case of
  - a present obligation arising from the past event, when it is not probable that an outflow of resources will be required to settle the obligation
  - a possible obligation, unless the probability of outflow of resources is remote.
- Contingent assets are neither recognised nor disclosed.
- Provisions, Contingent Liabilities are reviewed at each Balance Sheet date.

## SCHEDULES 1-19 (Contd.)

### SCHEDULE 19 : NOTES TO ACCOUNTS

#### 1. Managerial Remuneration

(Rs. Crores)

	2008-2009	2007-2008
<b>(a) Managing and Whole-Time Directors' Remuneration :</b>		
Salary	3.16	-
Perquisites	0.41	-
Contribution to Provident Fund	0.28	-
	3.85	-
<b>(b) Commission payable to Non-Executive Directors :</b>	0.20	-
Included in Other Expenses under Schedule 14 "Sales and Administration Expenses"		
<b>(c) Computation of Net Profit under section 349/198 of the Companies Act, 1956 :</b>		
Profit before tax	111.06	26.14
Add		
- Depreciation as per books (Net of transfer from Revaluation Reserve)	37.84	42.87
- Directors' Remuneration	3.85	-
- Directors' Sitting Fees	0.10	0.09
- Commission to Non-Executive Directors	0.20	-
- Loss on sale of Fixed Assets	0.11	42.96
	153.16	69.10
Deduct		
- Depreciation as per section 350 of the Companies Act, 1956	37.84	42.87
- Profit on sale of Investments	1.54	42.87
<b>Net Profit as per Section 349 of the Companies Act, 1956</b>	<b>113.78</b>	<b>26.23</b>
<b>Maximum permissible Remuneration to Whole-Time Director under Section 198 of Companies Act, 1956 @ 10% of the profit computed above</b>	<b>11.38</b>	<b>2.62</b>
<b>Maximum permissible Remuneration to Non-Executive Director under Section 198 of Companies Act, 1956 @ 1%</b>	<b>1.14</b>	<b>0.26</b>

#### 2. Miscellaneous Expenditure

(to the extent not written off or adjusted) represents :-

(Rs. Crores)

	Year Ended 30.09.2009	Year Ended 30.09.2008
<b>(a) Development Expenditure</b>	0.12	0.65
Less : Written off during the year	0.12	0.53
	-	0.12
<b>(b) Payments under Voluntary Retirement Scheme</b>	6.75	8.68
Add : Additions during the year	5.74	3.21
Less : Written off during the year	8.25	5.14
	4.24	6.75
<b>(c) Upfront Fee</b>	4.13	6.60
Less : Written off during the year	2.95	2.47
	1.18	4.13
	5.42	11.00

#### 3. Earnings per Shares

	Year Ended 30.09.2009	Year Ended 30.09.2008
Net Profit after Tax (Rs. Crores)		
Basic	89.73	11.87
Diluted	91.44	11.87
Weighted average number of shares outstanding - Basic	90,709,496	86,180,728
Diluted	94,905,389	86,182,518
Earnings per share (face value Rs.10 per share)		
Basic	9.89	1.38
Diluted	9.64	1.38



**4. Audit & Legal Expenses include Auditors Remuneration :**

(Rs. Crores)

	Year Ended 30.09.2009	Year Ended 30.09.2008
(a) Audit Fee	0.35	0.28
(b) Tax Audit Fee	0.10	0.08
(c) In other capacity		
Limited review of quarterly results	0.14	0.11
Certification and other services	0.10	0.18
(d) Service Tax	0.07	0.08
(e) Out of pocket expenses	0.03	0.02

**5. The outstanding derivative instruments as at 30<sup>th</sup> September, 2009.**

The Exports receivables of the Company as at year end have been hedged by forward contracts US\$ 0.50 million (Previous Year : US\$ 0.77 million) & Euro Nil (Previous Year : 3.90 million)

The Foreign Currency Exposures not hedged by a derivative instrument or otherwise as on 30.09.2009 are as follows:

Amount (Millions)

	Currency	Year Ended 30.09.2009	Year Ended 30.09.2008
i) Amount receivable on account of Sales of Goods/Services	USD	28.85	29.57
	EURO	8.03	5.94
ii) Amount payable on account of Purchase of Material/Services & Loan taken:	USD	2.82	0.28
	EURO	0.37	0.29
	JPY	-	4.92

**6. Deferred Tax**

The Deferred Tax Assets (Net) as at 30th September, 2009 comprise of the following :

(Rs. Crores)

Particulars	Deferred Tax Assets/ (Liabilities) as at 01.10.2008	(Charge)/Credit during the year	Deferred Tax Assets/ (Liabilities) as at 30.09.2009
Depreciation	(54.80)	5.77	(49.03)
Deferred Revenue Expenditure	(0.99)	1.98	0.99
Disallowance u/s 43B	31.94	7.82	39.76
Provision for Doubtful Debts	21.43	(6.62)	14.81
Long Term Capital Loss	16.49	(16.49)	-
Unabsorbed Loss	33.43	(12.12)	21.31
<b>Total</b>	<b>47.50</b>	<b>(19.66)</b>	<b>27.84</b>

(Rs. Crores)

	Year Ended 30.09.2009	Year Ended 30.09.2008
7. Sundry Debtors include amount due from Subsidiary Companies: (Rs Crores)	184.35	191.91

## SCHEDULES 1-19 (Contd.)

### 8. Balance due from Subsidiary Companies :

(Rs. Crores)

Company	On Account of Loans/Advances as at 30.09.2009	Maximum Balance Outstanding at any time during the year	On Account of Loans/Advances as at 30.09.2008	Maximum Balance Outstanding at any time during the year
<b>Subsidiaries:</b>				
Escorts Automotives Limited	-	103.28	98.63	98.63
Escorts Construction Equipment Limited	0.67	1.06	0.01	4.79
Escorts Securities Limited	1.46	1.46	1.46	1.55

### 9 Disclosure required by Accounting Standard (AS) 29 'Provisions, Contingent Liabilities and Contingent Assets':

(Rs. Crores)

	Year Ended 30.09.2009	Year Ended 30.09.2008
(a) Contingent Liabilities		
i) Estimated amounts of contracts remaining to be executed on capital account and not provided for	13.27	6.97
ii) * Claims not acknowledged as debts	0.55	0.55
iii) There is a Contingent liability of :		
* (a) Excise duty/Customs duty demands not acknowledged as liability	46.54	59.25
* (b) ESI additional demand not acknowledged as liability	5.08	3.84
* (c) Sales Tax demand not acknowledged as liability	8.01	8.76
* (d) Pending Legal Cases - Personnel	3.19	3.43
- Others	21.12	19.16
* (e) Demand raised by Faridabad Municipal Corporation for external development charges where the Company is in litigation	2.38	2.38
(f) Bills discounted with Banks/Financial Institutions/NBFCs	23.82	13.63
(g) Guarantees given to banks under Channel Finance Program	22.34	27.90
(h) Guarantees executed in favor of Others	5.15	2.48
(i) Demand raised by Income Tax Department, disputed by the Company and pending in appeal	125.92	20.05

\* The amounts indicated as contingent liability or claims against the Company only reflect the basic value. Interest, penalty if any or legal costs, being indeterminable are not considered.

- iv) Escorts Heart Institute & Research Centre Limited (EHIRCL), the Subsidiary company that was sold in September, 2005, has disputed the Income Tax demand of Rs 52.33 crores and interest thereon amounting to Rs 29.16 crores and the matter is pending in appeal. Escorts Limited has undertaken vide the sale agreement dated 25th September, 2005 to indemnify the purchaser to the extent of Rs 65 crores plus one-third of any amount in excess of Rs.65 crores, in case the appeal is decided against EHIRCL. In view of the above the Company has kept an amount of Rs. 64.99 crores in an Escrow Account.

### (b) (i) Movement in provisions: (Figures in brackets are in respect of the previous year)

(Rs. Crores)

Class of Provision	As at 1.10.2008	Additions	Amount Used	Unused Amounts Reversed	As at 30.09.2009
Product Warranties	7.25	12.74	10.66	2.24	7.09
	(5.12)	(10.00)	(5.64)	(2.23)	(7.25)





- (ii) Nature of provision:  
Product Warranties : The Company gives warranties on certain products and undertakes to repair or replace them if these fail to perform satisfactorily during the free warranty period. Such provision represents the amount of expected cost of meeting the obligations of such rectification/replacement. The timing of the outflows is expected to be within a period of one year.
10. Consequent to an agreement dated 31<sup>st</sup> March, 2000 between the Company and ICICI Bank Limited (ICICI), the company sold 34,50,000 equity shares of Hughes Communication India Limited (HCIL) to Escorts Motors Limited (EML), ICICI thereafter subscribed to the equity share capital of EML to hold 49 % of its total equity share capital. Under the terms of the agreement, the Company had given an assurance to ICICI of a minimum return compounded annually for a period of four years. Subsequent to 31<sup>st</sup> March, 2004, the Company has in terms of earlier agreement agreed to purchase the 49% holding in EML from ICICI and had advanced Rs. 68 crores. The transfer of the shares in favour of the Company is awaited pending final settlement with ICICI.
  11. The Company has proposed a scheme of Compromise & Arrangement with the Fixed Deposit holders and Secured Creditors of Escorts Finance Limited (EFL), under the provisions of Section 391 of the Companies Act, 1956. With a view to preserve its reputation and image and on request of Board of Directors of EFL, Escorts Limited (EL) proposes to grant under the Scheme liquidity options to all the fixed deposit holders in the form of either Equity Shares or Fully Convertible Unsecured Debentures of EL equivalent to 75% of the Fixed Deposit value, as described in the Scheme. The Shareholders, Secured Creditors and Unsecured Creditors of EL & Fixed Deposit holders & Secured Creditors of EFL have already approved the Scheme with requisite majority at the Court Convened Meetings held for this purpose on 5<sup>th</sup> May, 2006 & 10<sup>th</sup> May, 2006 respectively. The petition made by the Company for the approval of the scheme is still pending before Hon'ble Delhi High Court and pending such approval Hon'ble Delhi High Court vide its order dated 5<sup>th</sup> December, 2007 & 16<sup>th</sup> July, 2008 directed the Company to place Equity shares of Escorts Limited to the tune of Rs. 32 crores at the rate of Rs. 94 per equity share at the disposal of Hardship Committee appointed by Hon'ble Delhi High Court, to provide relief to the Fixed Deposit holders of EFL who are facing hardship. Consequentially, 34,04,256 fully paid Equity Shares of Rs. 10 each were allotted to members of above said Hardship Committee at the rate of Rs. 94 per Equity Share. This amount of Rs. 32 crores is included in "Advances Recoverable in Cash or in kind or for value to be received" in Schedule 8 "Loans & Advances".
  12. During the period 2004-05, Escorts Limited (EL) sold its entire share holding in Escorts Heart Institute & Research Center Limited (EHIRCL) for consideration of Rs. 520 crores vide Sale Purchase Agreement dated 25<sup>th</sup> September, 2005. The sale proceeds have been received. At the request of the Company, other stakeholders of EHIRCL, who were holding 5% each of the paid up share capital of EHIRCL, had also agreed to keep their share of the sale consideration amounting to Rs. 64.99 crores in an Escrow Account. Pursuant to the status quo order of the Hon'ble High Court the amount held in Escrow Account belonging to the aforesaid stakeholders could not be released even on demand by them. The matter was referred to arbitration. As per the award, EL was required to pay the money to the aforesaid stakeholders including interest accrued thereon. Consequently, the Company placed a sum of Rs. 64.99 crores in an Escrow Account by paying off the other stakeholders.
  13. As a part of consideration for sale of its Telecom Business during the period 2003-04 the Company was issued an Unsecured Subordinated Bond of Rs. 175.74 crores by Idea Cellular Limited (Idea). 'Idea' had a call option for early redemption of the Bond at a discount rate of 10.50% per annum exercisable at any time and the Company had a put option in January, 2010. Accordingly during 2004-05, the Company had provided a sum of Rs. 57.86 crores to reflect the discounted value of the Bond as of January, 2010 at Rs. 117.88 crores. During the year the Company requested Idea for prepayment of the above amount and received an amount of Rs. 96.69 crores in final settlement.
  14. During the year, the Company sold its entire share holding in Cellnext Solutions Limited for a total consideration of Rs. 6.79 crores. The profit of Rs. 1.54 crores from divestment is shown in Schedule 11 "Income from Investments".
  15. The Company has reserved issuance of 36,11,610 Equity Shares of Rs. 10 each for offering to eligible employees of the Company under Employees Stock Option Scheme (ESOS). The Company has so far granted 4,99,500 options to its employees, in accordance with the guidelines issued by SEBI, out of which 1,80,000 options have been forfeited till 30<sup>th</sup> September, 2009 and balance 3,19,500 options are in force. The options may be exercised at any time with in 2 years from the date of vesting.

## SCHEDULES 1-19 (Contd.)

16. The Company revalued its freehold land as on 1<sup>st</sup> September, 2006 and amount added on revaluation was Rs. 387.64 crores, further pursuant to Scheme of Arrangement the Company has revalued its all land & buildings as on 1<sup>st</sup> April, 2009 and amount added on revaluation is Rs. 672.72 crores. Both revaluations were carried out by reputed independent valuer.

17. Scheme of Arrangement:

A Scheme of Arrangement (Scheme) under Sections 391 to 394 and other provisions of the Companies Act, 1956 was approved by the shareholders of the Escorts Limited (EL) on 12<sup>th</sup> July, 2009 for amalgamation of its wholly owned subsidiary Escorts Agri Machinery Inc. USA (EAMI) with itself with effect from the appointed date 1<sup>st</sup> April, 2009 and inter-alia to deal with impairment /diminution in the value of fixed assets, investments, current assets and loans and advances, profit and loss account debit balance, excess depreciation on account of revaluation of fixed assets, all the expenses incurred in carrying out and implementing the Scheme and also to revalue its immovable properties in order to reinstate them at their fair value. The said Scheme has been approved by the Hon'ble High Court of Punjab & Haryana vide its Order dated 17<sup>th</sup> September, 2009, and a copy of the Order has been filed with the Registrar of Companies, Delhi & Haryana on 8<sup>th</sup> October, 2009 when the Scheme has become effective from the appointed date.

The Financial Statements of the Company are based on the Scheme and the effects are as under:

EAMI has been amalgamated with the Company with effect from the appointed date. EAMI is an investing company holding other overseas operational companies. On amalgamation, all the subsidiaries of EAMI have become direct subsidiaries of the Company. The amalgamation has been accounted for under the "Pooling of Interest Method" in accordance with AS-14 Accounting for Amalgamations. Accordingly, all the assets and the liabilities of EAMI have been taken at their book value as appearing in the books of EAMI on the appointed date, based on their unaudited financial statements. The entire share capital of EAMI and investment in the equity share capital of EAMI as appearing in the books of EL stands cancelled and inter se amount of loans, advances and other current account balances of EAMI with the Company also stand cancelled. EAMI being the wholly owned subsidiary of the Company no consideration is required to be paid.

As envisaged by the aforesaid Scheme, a separate reserve account titled "Business Reconstruction Reserve" (BRR) has been created by transferring amounts lying to the credit of Revaluation Reserve, Amalgamation Reserve, Capital Redemption Reserve and Share Forfeiture Reserve with effect from the appointed date. The Company has got its immovable properties in the form of Land & Buildings valued by a reputed independent valuer resulting in net addition of Rs. 672.72 crores to their book value as on the appointed date. The corresponding credit has been given to the BRR.

Business Reconstruction Reserve has been utilised to adjust profit and loss account debit balance of Rs. 156.73 crores brought forward from earlier years. An amount of Rs. 485.29 crores has also been utilized from BRR to adjust the difference between the value of assets and liabilities taken over upon amalgamation, provision/write down/write off in the value of the fixed assets, investments, current assets, loans and advances, excess depreciation on the account of revaluation of the fixed assets and all the expenses incurred in carrying out and implementing the Scheme as detailed in Schedule-2 "Reserves & Surplus" and Schedule-17 "Exceptional Items".

Had the Scheme not prescribed for the aforesaid accounting treatment as approved by the Hon'ble High Court, the balance sheet (including reserves & surplus) and the profit and loss account would have been impacted to that extent.

Further, an amount of Rs. 75 crores has been transferred from BRR to Revaluation Reserve Account.

18. Escorts Agri Machinery Inc., USA (EAMI) a wholly owned subsidiary, whose financial statements reflect total assets of Rs. 39.27 crores (US\$ 7.8 millions converted at 1 US\$ = Rs. 50.49) as at 1<sup>st</sup> April, 2009 has been merged with the company on the basis of unaudited financial statements.

19. The Company has executed an Agreement to Sell for transfer of 20 acres of land at Plot No. 219, Sector 58, Balabhgarh, Haryana for a consideration of Rs. 7 crores. The said transfer is subject to necessary approval from HUDA and accordingly the consideration amount of Rs. 7 crores is being treated as advance.

20. The Company has not received information from vendors regarding their status under the Micro, Small and Medium Enterprises Development Act, 2006 and hence disclosure relating to amounts unpaid as at the year end together with interest paid/payable under this Act as required by Schedule VI of Companies Act, 1956 have not been given.



**21. Employee Benefits:**

(Rs. Crores)

Particulars	Year Ended 30.09.2009		Year Ended 30.09.2008	
	Gratuity	Leave Encashment	Gratuity	Leave Encashment
<b>(a) Reconciliation of opening and closing balances of Defined Benefit Obligation:</b>				
Defined benefit obligation at the beginning of the year	66.04	9.00	63.83	9.26
Current Service Cost	3.00	0.86	2.78	0.75
Interest Cost	5.28	0.72	5.11	0.74
Actuarial (Gain)/Loss	3.62	1.91	(1.58)	0.95
Benefits Paid	(7.02)	(2.74)	(4.10)	(2.71)
Settlement Cost	-	-	-	-
Defined benefit obligation at year end	70.92	9.75	66.04	9.00
<b>(b) Reconciliation of opening and closing balances of fair value of plan assets</b>				
Fair value of plan assets at beginning of the year	66.04	-	63.83	-
Expected return on plan assets	5.28	-	5.11	-
Actuarial Gain/(Loss)	(3.75)	-	(3.08)	-
Employer Contribution	-	-	-	-
Benefits Paid	(7.02)	-	(4.10)	-
Fair value of plan assets at year end	60.55	-	61.76	-
<b>(c) Reconciliation of fair value of assets and obligations</b>				
Fair value of plan assets as at 30 <sup>th</sup> September, 2009	60.55	-	61.76	-
Present value of obligation as at 30 <sup>th</sup> September, 2009	70.92	9.75	66.04	9.00
Net assets/(liability) recognised in Balance Sheet	(10.37)	(9.75)	(4.28)	(9.00)
<b>(d) Expenses recognised during the year</b>				
Current Service Cost	3.00	0.86	2.78	0.75
Interest Cost	5.28	0.72	5.11	0.74
Expected return on plan assets	(5.28)	-	(5.11)	-
Actuarial (Gain)/Loss	7.36	1.91	1.50	0.95
Share of Participating Companies	(0.02)	-	-	-
<b>Net Cost</b>	<b>10.34</b>	<b>3.49</b>	<b>4.28</b>	<b>2.45</b>

**22. Expenses pertaining to previous years :**

(Rs. Crores)

	Year Ended 30.09.2009	Year Ended 30.09.2008
Sales and Administration	0.30	-
Others	0.32	-

**23. Profit & Loss account of Agricultural business is as follows :**

In Rupees

Opening Stock	80,000.00	11,000.00
Expenses	653,204.00	572,483.93
Sales and Other Income	133,811.00	266,974.00
Closing Stock	5,000.00	80,000.00
<b>Net Profit/(Loss)</b>	<b>(594,393.00)</b>	<b>(236,509.93)</b>

## SCHEDULES 1-19 (Contd.)

### 24. Related party disclosures (as identified and certified by the management)

Related party disclosures as required under Accounting Standard on "Related Party Disclosures" issued by the Institute of Chartered Accountants of India are given hereunder:

(i) Subsidiary Companies

**Domestic**

Escorts Construction Equipment Limited  
Escorts Automotives Limited  
Escorts Securities Limited  
Escorts Asset Management Limited  
Cellnext Solutions Limited  
(ceased to be subsidiary w.e.f. 30.09.2009)

**Overseas**

Beaver Creeks Holdings LLC, USA  
Farmtrac Tractors Europe Sp. Z.o.o, Poland  
Farmtrac North America LLC, USA  
(formerly Long Agri Business LLC, USA)  
Escorts Agri Machinery Inc.  
(ceased to be subsidiary w.e.f. 01.04.2009)

(ii) Joint Ventures and Associates

Hughes Communications India Limited  
Escotrac Finance & Investment Private Limited  
Escorts Finance Investment & Leasing Private Limited  
Escorts Motors Limited

(iii) Key Management personnel (whole-time directors) & their relatives

Mr. Rajan Nanda  
Mrs. Ritu Nanda  
Mr. Nikhil Nanda  
Ms. Nitasha Nanda

(iv) Others

Har Parshad & Company Pvt. Limited

(v) Related Party transactions - Refer Annexure - I

25. Clause 32 disclosure - Details as per Annexure - II

26. Accounting for Leases (AS-19). Details as per Annexure - III

27. Figures have been rounded off to the nearest lac rupees. Previous year figures have been regrouped/rearranged wherever necessary.



**Disclosure under Accounting Standard - 18 (Related Party Transaction)**

Annexure - I

**Transactions with Subsidiaries**

(Rs. Crores)

Nature of Transactions	Escorts Automotives Ltd.	Escorts Construction Equipment Ltd.	Cellnext Solutions Ltd. *	Escorts Securities Ltd.	Escorts Assets Management Ltd.	Farmtrac Tractors Europe SP Zoo	Farmtrac North America, LLC, USA	Total
<b>For the Year ended 30.09.2009</b>								
Sale of goods	-	19.96	-	-	-	5.88	0.45	26.29
	-	(24.71)	-	-	-	(31.53)	(0.46)	(56.70)
Rendering of services	0.01	2.00	0.04	-	-	-	-	2.05
	(0.01)	(2.64)	(0.03)	(0.02)	-	-	-	(2.70)
Rent Income	-	0.26	-	-	-	-	-	0.26
	-	(0.75)	-	-	-	-	-	(0.75)
Interest income	3.16	-	-	-	-	-	-	3.16
	(6.09)	-	-	-	-	-	-	(6.09)
Receiving of services	-	-	0.24	-	-	-	-	0.24
	-	-	(0.26)	-	-	-	-	(0.26)
Purchases of goods	-	3.84	-	-	-	-	-	3.84
	-	(4.18)	-	-	-	-	-	(4.18)
<b>Balances as at 30.09.2009</b>								
Investments	-	40.00	-	1.20	3.00	2.59	-	46.79
	(23.66)	(40.00)	(5.25)	(1.20)	(3.00)	-	-	(73.11)
Advances	-	0.01	-	1.46	-	-	-	1.47
	(26.32)	(0.01)	(3.36)	(1.46)	-	-	-	(31.15)
Receivables/Debtors	-	3.74	-	-	-	63.41	115.88	183.03
	-	(5.06)	-	-	-	(71.82)	(113.73)	(190.61)
Payables	-	(0.58)	-	-	-	-	1.17	0.59
	-	(0.04)	-	-	(0.01)	-	(1.17)	(1.22)
Loans/ICD -	-	-	-	-	-	-	-	-
	(72.31)	-	-	-	-	-	-	(72.31)
Provisions (Debts/ Investments)	-	-	-	-	-	20.00	115.88	135.88
	(13.66)	-	-	-	-	-	-	(13.66)

\*(Ceased to be subsidiary w.e.f. 30<sup>th</sup> September, 2009)

**Transactions with Joint Ventures**

(Rs. Crores)

Nature of Transactions	Escotrac Finance & Investment Pvt. Ltd.	Escorts Finance Investment & Leasing Ltd.	Escorts Motors Ltd	Hughes Communications India Ltd	Total
<b>Balances as at 30.09.2009</b>					
Investments	98.48	83.82	1.50	2.07	185.87
	(98.48)	(83.82)	(1.50)	(2.07)	(185.87)
Advances Given	18.25	5.90	0.02	-	24.17
	-	-	(0.02)	(0.07)	(0.09)
Provisions (Advances)	-	-	-	-	-
	-	-	-	(0.07)	(0.07)

## SCHEDULES 1-19 (Contd.)

### Transactions With Directors and their Relatives and with Others (Rs. Crores)

Nature of Transactions	Rajan Nanda	Ritu Nanda	Nikhil Nanda	Nitasha Nanda	Harparshad & Co. Pvt. Ltd	Total
<b>For the Year ended 30.09.2009</b>						
Royalty	-	-	-	-	5.39	5.39
	-	-	-	-	(5.64)	(5.64)
Interest	-	-	-	-	-	-
	-	-	-	-	(0.40)	(0.40)
Remuneration Paid	1.91	-	1.94	0.88	-	4.73
	-	-	-	(0.56)	-	(0.56)
Rent Paid	-	0.26	-	0.27	-	0.53
	-	-	-	(0.25)	-	(0.25)
<b>Balances as at 30.09.2009</b>						
Advances	-	-	-	0.06	-	0.06
	-	-	-	(0.08)	-	(0.08)
Payables	0.04	0.02	0.07	0.04	5.39	5.56
	-	(0.15)	-	-	(0.06)	(0.21)

### Annexure-II

#### Disclosure pursuant to Clause 32 of the Listing Agreement

(Rs. Crores)

Loanees	Amount of loan/advances in nature of loan outstanding with no repayment schedule		Advances in nature of loan carrying Nil Interest	
	As at 30th September 2009	Max. amount outstanding during 2008-09	As at 30th September 2009	Max. amount outstanding during 2008-09
Subsidiary Companies				
Escorts Automotives Limited	-	103.28	-	5.00
	(98.63)	(98.63)	(5.00)	(5.00)
Escorts Securities Limited	1.46	1.46	1.46	1.46
	(1.46)	(1.55)	(1.46)	(1.55)

### Annexure - III

#### Disclosure under Accounting Standard - 19 (Leases)

The details of Minimum Lease Payments outstanding as at 30.09.2009 and present value thereof are as under: (Rs. Crores)

	Minimum Lease payments outstanding	Present Value of minimum lease payments outstanding	Future interest on outstanding lease payments
- Total amount due	7.43	5.94	1.49
	(6.43)	(5.08)	(1.35)
- Due within one year	2.46	1.75	0.71
	(2.16)	(1.53)	(0.63)
- Due later than one year and not later than five years	4.97	4.19	0.78
	(4.27)	(3.55)	(0.72)
- Due later than five years	-	-	-
	-	-	-



**Information Pursuant to paragraphs 3 & 4 of part - II of Schedule VI of the Companies Act, 1956**

**(a) Expenditure in Foreign Currency**

(Rs. Crores)

	Year Ended 30.09.2009	Year Ended 30.09.2008
(i) Royalty/Technical know-how/Technical Fee	0.26	0.57
(ii) Travelling Expenses	1.25	1.06
(iii) Others	3.40	2.27
<b>Total</b>	<b>4.91</b>	<b>3.90</b>

**(b) Earnings in Foreign Currency**

(Rs. Crores)

	Year Ended 30.09.2009	Year Ended 30.09.2008
(i) Export of goods including partly executed sales contracts on F.O.B basis	154.29	100.38
(ii) Others	-	8.51
<b>Total</b>	<b>154.29</b>	<b>108.89</b>

**(c) Licensed and installed capacity, production, purchases, opening and closing balance and sales :**

**(i) MANUFACTURING OPERATIONS :**

	Installed Capacities*	Actual Production	Opening Balance		Closing Balance		Sales	
			Quantity	Value Rs.Crores	Quantity	Value Rs.Crores	Quantity	Value Rs.Crores
1. **Agricultural Tractors	98,940	46,696	874	26.02	1,907	51.24	45,627	1,712.51
	(98,940)	(47,676)	(166)	(4.40)	(874)	(26.02)	(46,948)	(1,623.62)
2. **Internal Combustion Engine	98,940	49,418	765	5.31	740	4.93	2,836	27.31
**Engine for Agricultural Tractors	(98,940)	(51,086)	(366)	(2.15)	(765)	(5.31)	(3,275)	(26.05)
3. Round and Flat Tubes, Heating Elements (Meters)	180,000	76,634	8,337	0.37	4,201	0.21	80,274	10.37
	(180,000)	(58,804)	(5,709)	(0.36)	(8,337)	(0.43)	(55,412)	(10.71)
4. Double Acting Hydraulic Shock Absorbers for Railway Coaches	36,000	20,922	-	-	200	0.08	20,722	12.28
	(36,000)	(15,229)	-	-	-	-	(15,229)	(8.37)
5. Centre Buffer Couplers	1,200	1,905	-	-	-	-	1,905	22.26
	(1,200)	(444)	(6)	(0.02)	-	-	(450)	(5.12)
6. Automobile Shock Absorbers, Telescopic Front Fork & McPherson struts	4,000,000	1,886,470	227,662	5.68	180,548	4.55	1,933,584	81.17
	(4,000,000)	(1,912,851)	(187,620)	(3.39)	(227,662)	(5.68)	(1,872,809)	(88.54)
7. Brake Block	1,800,000	887,483	-	-	-	-	886,971	33.56
	(1,800,000)	(487,258)	(1,618)	(0.04)	-	-	(484,170)	(20.66)
8. All types of Brakes used by Railways	36,000	7,475	-	-	-	-	7,475	50.97
	(36,000)	(7,592)	(45)	(0.12)	-	-	(7,637)	(44.92)
9. Others	-	-	-	-	-	-	-	72.34
	-	-	-	-	-	(0.06)	-	(76.86)

**Notes :**

- \*(a) As certified by the management and not verified by the auditors, being a technical matter.
- (b) Sales and production pertain to finished goods only. Opening and Closing stocks include partly executed contracts but exclude stocks held by the consuming/selling divisions.
- (c) In item no. 3 Installed capacities and actual production are in meters, rest are in numbers.
- \*\* (d) Opening and Closing stocks of items of Research and Development have been excluded.
- (e) Opening and Closing stocks are inclusive of Work-in-Progress.
- (f) Item no. 2 is not included in trading/finished stock.

## SCHEDULES 1-19 (Contd.)

### (ii) TRADING OPERATIONS :

	Opening Balance		Purchases		Sales		Closing Balance	
	Quantity Nos.	Value Rs.Crores	Quantity Nos.	Value Rs.Crores	Quantity Nos.	Value Rs.Crores	Quantity Nos.	Value Rs.Crores
Implements Trailers, Compressor	-	13.95	-	74.34	-	110.98	-	8.11
Accessories, spares and others	-	(9.79)	-	(66.93)	-	(84.37)	-	(13.95)
Oils & Lubricants	-	0.02	-	7.12	-	11.59	-	0.01
	-	(0.30)	-	(6.12)	-	(8.80)	-	(0.02)
Others	-	3.69	-	22.97	-	31.69	-	7.01
	-	(4.19)	-	(12.86)	-	(20.29)	-	(3.69)

Notes : Opening and Closing balances include partly executed sales contracts but do not include goods-in-transit and Job-in-Progress.

### (d) Value of Imports - CIF basis :

(Rs. Crores)

	Year Ended 30.09.2009	Year Ended 30.09.2008
(i) Raw Material	10.40	7.19
(ii) Components & Spare Parts	21.36	3.97
(iii) Capital Goods	1.47	14.82
(iv) Trading Goods	-	3.72
<b>Total</b>	<b>33.23</b>	<b>29.70</b>

### (e) Imported and Indigenous Raw Materials and Components, Stores and Spares and Tools Consumed :

	Year Ended 30.09.2009		Year Ended 30.09.2008	
	(Rs. Crores)	Percentage	(Rs. Crores)	Percentage
(i) Imported	31.73	2.30	24.98	1.76
(ii) Indigenous	1,346.07	97.70	1,390.35	98.24
<b>Total</b>	<b>1,377.80</b>	<b>100.00</b>	<b>1,415.33</b>	<b>100.00</b>

### (f) Details of Raw Materials & Components Consumed :

	Unit of Measure	Quantity		Value (Rs.Crores)	
		2008-09	2007-08	2008-09	2007-08
(i) Castings & Forgings	Nos	1,699,095	1,756,359	169.48	191.88
(ii) Other Metal Parts				9.02	10.63
(iii) Others				1,177.04	1,190.95
<b>Total</b>				<b>1,355.54</b>	<b>1,393.46</b>

#### Note :

Raw Materials and components consumed include sale of raw materials and components

**RAJAN NANDA**  
Chairman and  
Managing Director

**NIKHIL NANDA**  
Joint Managing Director

**Dr. P. S. PRITAM**  
Director

**Dr. M. G. K. MENON**  
Director

**Dr. S. A. DAVE**  
Director

**Mr. S. C. BHARGAVA**  
Director

**G. B. MATHUR**  
Exec. Vice-President-Law &  
Company Secretary

**O. K. BALRAJ**  
Exec. Vice-President &  
Group Chief Financial Officer

As per our audit report attached  
for **S. N. DHAWAN & CO.**  
Chartered Accountants

Place : New Delhi  
Dated : 27<sup>th</sup> December, 2009

**S. N. DHAWAN**  
Partner  
M.No. 925



## CASH FLOW STATEMENT



(Rs. Crores)

	Year Ended 30.09.2009	Year Ended 30.09.2008
<b>A. CASH FLOW FROM OPERATING ACTIVITIES</b>		
Net Profit before tax	111.06	26.14
Adjustments for :		
Loss on sale/Provision for diminution in value of Long Term Investments & loans to Group Companies	0.64	16.36
Gain on sale of Long Term Investments	(1.54)	-
Gain on sale of Asset	0.11	(4.80)
Depreciation	37.84	42.87
Misc. Exp./Assets Write off/Provisions	11.18	11.64
Interest Expense	50.95	62.20
Dividend Income	-	0.04
Interest Income	(9.56)	(12.93)
Operating Profit before working capital changes	200.68	141.52
Adjustments for :		
Trade and other Receivables	18.71	(65.36)
Money in Escrow Account	-	20.09
Inventories	(20.76)	(43.68)
Trade Payables	54.02	58.01
Miscellaneous Expenditure	(5.73)	(3.21)
	46.24	(34.15)
Cash Generated from Operations	246.92	107.37
Direct Taxes (Paid)/Refunds	(9.38)	(6.25)
<b>Net Cash Flow from Operating Activities</b>	<b>237.54</b>	<b>101.12</b>
<b>B. CASH FLOW FROM INVESTING ACTIVITIES</b>		
Purchase of Fixed Assets	(18.70)	(30.64)
Proceeds from sale of Fixed Assets	0.71	14.26
Loss on sale of Investments	-	(7.50)
Movement in Loans and Advances	(48.21)	(3.90)
Sale/(Purchase) of Investments	103.49	(0.66)
Short Term Deposits with schedule Banks	6.90	8.58
Interest Received	4.64	3.21
Dividend Received	-	(0.04)
<b>Net Cash Flow from Investing activities</b>	<b>48.83</b>	<b>(16.69)</b>

## CASH FLOW STATEMENT (contd.)

(Rs. Crores)

	Year Ended 30.09.2009	Year Ended 30.09.2008
<b>C. CASH FLOW USED IN FINANCING ACTIVITIES</b>		
Proceeds from Share Capital & Securities Premium	0.01	40.32
Proceeds/(Repayment) from Long Term Borrowings	(104.57)	(41.68)
Proceeds/(Repayment) from short term Borrowings (net)	(73.43)	(46.83)
Interest Paid	(51.19)	(66.27)
<b>Net Cash used in Financing Activities</b>	<b>(229.18)</b>	<b>(114.46)</b>
<b>Net Increase/(Decrease) in Cash and Cash equivalents</b>	<b>57.19</b>	<b>(30.03)</b>
<b>Opening Cash and Cash equivalents</b>	<b>30.80</b>	<b>60.83</b>
<b>Closing Cash and Cash equivalents</b>	<b>87.99</b>	<b>30.80</b>

**Note:**

1. Cash and Cash equivalents include Cash in hand, demand deposits with banks and short term highly liquid investments.
2. Previous years figures have been regrouped wherever necessary.
3. Figures in bracket shows Cash Outflow

**RAJAN NANDA**  
Chairman and  
Managing Director

**NIKHIL NANDA**  
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Exec. Vice-President-Law &  
Company Secretary

**O. K. BALRAJ**  
Exec. Vice-President &  
Group Chief Financial Officer

As per our audit report attached  
for **S. N. DHAWAN & CO.**  
Chartered Accountants

Place : New Delhi  
Dated : 27<sup>th</sup> December, 2009

**S. N. DHAWAN**  
Partner  
M.No. 925

# BALANCE SHEET ABSTRACT

## AND COMPANY'S GENERAL BUSINESS PROFILE



### I. Registration Details

Registration No.       State Code    
 Balance Sheet Date

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

Public Issue        
 Bonus Issue        
 Rights Issue        
 Private Placement

### III. Position of Mobilisation and Deployment of funds (Amount in Rs.Thousands)

Total Liabilities          
 Sources of Funds  
 Paid-Up Capital        
 Secured Loans         
 Total Assets          
 Reserves & Surplus          
 Unsecured Loans        
 Application of Funds  
 Net Fixed Assets          
 Investments         
 Net Current Liabilities        
 Miscellaneous Expenditure       
 + - Deferred Tax Asset Net         
 Accumulated Losses

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

Turnover including other Income          
 Total Expenditure          
 + - Profit / Loss Before Tax          
 + - Deferred Taxation          
 + - Provision for Tax        
 + - Profit/Loss After Tax         
 + - Earning per share in Rs.       
 Dividend Rate %

### V. Generic Names of Three Principal Products of the Company

Item Code No.           
 Product Description          
 Item Code No.           
 Product Description                 
 Item Code No.           
 Product Description

## AUDITORS' REPORT

### TO THE BOARD OF DIRECTORS OF ESCORTS LIMITED ON THE CONSOLIDATED FINANCIAL STATEMENTS OF ESCORTS LIMITED

1. We have audited the attached Consolidated Balance Sheet of Escorts Limited Group as at September 30, 2009 and also the Consolidated Profit and Loss Account and the Consolidated Cash Flow Statement for the year ended on that date annexed thereto. These financial statements are the responsibility of the management of Escorts Limited and have been prepared by the management on the basis of separate financial statements and other financial information regarding components. 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 misstatement. 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. We did not audit the financial statements of certain subsidiaries, whose financial statements reflect total assets of Rs. 67.85 crores as at September 30, 2009 and the total revenues of Rs. 51.01 crores for the year then ended. These financial statements and other financial information, have been audited by other auditors whose reports have been furnished to us, and our opinion, insofar as it relates to the amounts included in respect of these subsidiaries is based solely on the report of the other auditors.

Further, we did not carry out the audit of certain subsidiaries and a joint venture company. These unaudited financial statements have been certified by the management and reflect total assets of Rs. 23.31 crores as at September 30, 2009 and the total revenues of Rs. 30.24 crores for the year then ended, and our opinion, insofar as it relates to the amounts included in respect of these subsidiaries and joint venture companies is based solely on these certified financial statements. Since the financial statements for the year ended September 30, 2009, which were compiled by management of the Company was not audited, any adjustments to their balances could have consequential effects on the attached consolidated financial statements.

4. We draw attention to Note 9 of Schedule 19 which describes in detail the salient features of the Scheme of Arrangement sanctioned by the Hon'ble High Court of Punjab & Haryana involving the following:
  - (a) The Company's wholly-owned subsidiary, Escorts Agri Machinery Inc. USA, (EAMI) has been amalgamated with Escorts Limited (The Parent Company) with effect from April 1, 2009 (Appointed date). The amalgamation has been accounted for under the "Pooling of Interest Method" in accordance with AS-14 Accounting for Amalgamations.
  - (b) A separate reserve account titled "Business Reconstruction Reserve (BRR)" has been created by transferring amounts lying to the credit of Revaluation Reserve, Amalgamation Reserve, Capital Redemption Reserve and Share Forfeiture Reserve with effect from the appointed date. The Company has got its immovable properties in the form of Land & Buildings valued by a reputed independent valuer resulting in net addition of Rs. 672.72 crores to their book values as on appointed date. The corresponding credit has been given to the BRR.
  - (c) Business Reconstruction Reserve has been utilised to adjust profit and loss account debit balance of Rs. 156.73 crores brought forward from earlier years. An amount of Rs. 485.29 crores has also been utilized from BRR to adjust the difference between the value of assets and liabilities taken over upon amalgamation, provision /write down/write off in the value of the fixed assets, investments, current assets, loans and advances, excess depreciation on the account of revaluation of the fixed assets and all the expenses incurred in carrying out and implementing the Scheme as detailed in Schedule -2 "Reserves & Surplus" and Schedule-16 "Exceptional Items". The impact of the Scheme on the balance sheet (including reserves and surplus and the constituents of the same) and the profit and loss account is set out in the aforesaid Schedules to accounts read with Note 9.
5. We further report that:
  - a) Pursuant to the Scheme of Arrangement the Assets & Liabilities of EAMI have been amalgamated with the Company on the basis of unaudited financial statements which have not been verified by us. (Refer Note 10 of schedule 19)
  - b) The company has not considered the financial statements of Farmtrac North America LLC in preparation of consolidated financial statements. (Refer Note 2 (c) of Schedule 17).
6. We report that the consolidated financial statements have been prepared by the management of Escorts Limited in accordance with the requirements of Accounting Standard AS-21, Consolidated Financial Statements, AS-23, Accounting for Investments in Associates and AS-27, Financial Reporting of Interest in Joint Ventures, issued by the Institute of Chartered Accountants of India.



7. Based on our audit and on consideration of the reports of other auditors on separate financial statement and on the other financial information of the components, and *subject to paragraph 5 above*, in our opinion and to the best of our information and according to the explanations given to us, the attached consolidated financial statements give a true and fair view in conformity with accounting principles generally accepted in India.

- (a) in the case of Consolidated Balance Sheet, of the state of affairs of the Escorts Limited Group as at September 30, 2009;
- (b) in the case of Consolidated Profit and Loss Account, of the profit for the year ended on that date; and
- (c) in the case of the Consolidated Cash Flow Statement, of the Cash Flows for the year ended on that date.

**For S.N. Dhawan and Co.**  
Chartered Accountants

**(S. N. Dhawan)**  
Partner  
M.No. 925

Dated: 27<sup>th</sup> December, 2009

# CONSOLIDATED BALANCE SHEET

AS AT 30<sup>th</sup> SEPTEMBER, 2009

(Rs. Crores)

	Schedule	As At 30.09.2009	As At 30.09.2008
<b>SOURCES OF FUNDS</b>			
Share Capital	1	80.52	80.52
Reserves & Surplus	2	1,344.60	854.78
<b>Total Shareholders' Funds</b>		<b>1,425.12</b>	<b>935.30</b>
Minority Interest		40.06	38.88
<b>Loans</b>			
Secured	3	381.52	796.49
Unsecured	4	20.43	43.68
<b>Net Deferred Tax Liabilities</b>		<b>144.07</b>	<b>148.51</b>
<b>Total</b>		<b>2,011.20</b>	<b>1,962.86</b>
<b>APPLICATION OF FUNDS</b>			
<b>Fixed Assets</b>			
Gross Block	5	2,194.89	1,615.48
Less : Depreciation		635.18	667.34
Net Block		1,559.71	948.14
Capital Work-in-Progress		12.26	19.23
		1,571.97	967.37
<b>Investments : Long Term</b>		<b>106.67</b>	<b>238.21</b>
<b>Net Deferred Tax Assets</b>		<b>174.26</b>	<b>197.02</b>
<b>Current Assets, Loans &amp; Advances</b>			
<b>Current Assets</b>			
Inventories	6	329.19	390.84
Accrued Billing		-	0.17
Sundry Debtors		426.10	755.46
Cash & Bank Balances		196.35	142.34
Other Current Assets		24.09	10.57
		975.73	1,299.38
Loans & Advances	7	195.66	290.37
<b>Total Current Assets, Loans &amp; Advances</b>		<b>1,171.39</b>	<b>1,589.75</b>
<b>Less: Current Liabilities &amp; Provisions</b>			
<b>Current Liabilities</b>			
Provisions	8	881.79	920.71
Total Current Liabilities & Provisions		1,018.74	1,040.95
<b>Net Current Assets</b>		<b>152.65</b>	<b>548.80</b>
Miscellaneous Expenditure (to the extent not written off or adjusted)		5.65	11.46
<b>Total</b>		<b>2,011.20</b>	<b>1,962.86</b>
Significant Accounting Policies	17		
Segment Information	18		
Notes to Accounts	19		

Schedules 1 to 19 annexed hereto form an integral part of the Consolidated Balance Sheet and Profit and Loss Account.

**RAJAN NANDA**  
Chairman and  
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Company Secretary

**O. K. BALRAJ**  
Exec. Vice-President &  
Group Chief Financial Officer

As per our audit report attached  
for **S. N. DHAWAN & CO.**  
Chartered Accountants

**S. N. DHAWAN**  
Partner  
M.No. 925

Place : New Delhi  
Dated : 27<sup>th</sup> December, 2009

**ESCORTS LIMITED**

**CONSOLIDATED PROFIT & LOSS ACCOUNT**  
FOR THE YEAR ENDED 30<sup>th</sup> SEPTEMBER, 2009



(Rs. Crores)

	Schedule	Year Ended 30.09.2009	Year Ended 30.09.2008
<b>INCOME</b>			
Gross Sales		2,649.63	2,751.75
Less : Excise Duty		51.68	98.54
Net Sales		2,597.95	2,653.21
Business Income	9	63.71	112.86
Income from Investments	10	2.25	0.63
<b>Total</b>		<b>2,663.91</b>	<b>2,766.70</b>
<b>EXPENDITURE</b>			
Material, Manufacturing & Operating	11	1,847.15	2,074.36
Personnel	12	281.52	244.11
Sales & Administration	13	310.55	304.38
Interest	14	59.49	62.61
Bank and Finance Charges		12.20	9.47
Depreciation		47.97	50.77
Amortisation of Expenditure	15	11.54	8.39
Exceptional Items	16	35.94	24.19
		2,606.36	2,778.28
Profit & Loss before Tax & Minority Interest		57.55	(11.58)
Provision for Taxation - Fringe Benefits Tax		1.67	2.48
- Current		6.97	9.86
- Deferred		20.31	46.52
- Excess Provision Written back		-	(32.86)
		28.95	26.00
<b>PROFIT/(LOSS) AFTER TAX</b>		<b>28.60</b>	<b>(37.58)</b>
Minority Interest		-	(0.34)
<b>PROFIT/(LOSS) AFTER TAX ATTRIBUTABLE TO THE COMPANY</b>		<b>28.60</b>	<b>(37.24)</b>
<b>APPROPRIATIONS</b>			
Debenture Redemption Reserve		26.13	-
Transferd to General Reserve		2.24	-
Proposed Dividend		9.07	-
Tax on Proposed Dividend		1.54	-
Dividend on Preference Share		1.55	1.50
Tax on Dividend of Preference Share		0.26	0.25
Balance carried to Balance Sheet		(12.19)	(38.99)
<b>Total</b>		<b>28.60</b>	<b>(37.24)</b>
<b>EARNINGS PER SHARE (in Rs.) (Face Value Rs.10/- each)</b>			
- Basic		3.55	(4.62)
- Diluted		3.55	(4.62)
Significant Accounting Policies	17		
Segment Information	18		
Notes to Accounts	19		

Schedules 1 to 19 annexed hereto form an integral part of the Consolidated Balance Sheet and Profit and Loss Account.

**RAJAN NANDA**  
Chairman and  
Managing Director

**NIKHIL NANDA**  
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**O. K. BALRAJ**  
Exec. Vice-President &  
Group Chief Financial Officer

As per our audit report attached  
for **S. N. DHAWAN & CO.**  
Chartered Accountants

Place : New Delhi  
Dated : 27<sup>th</sup> December, 2009

**S. N. DHAWAN**  
Partner  
M.No. 925

## SCHEDULES 1-19

FORMING PART OF THE CONSOLIDATED BALANCE SHEET AND PROFIT & LOSS ACCOUNT

### SCHEDULE 1: SHARE CAPITAL

(Rs. Crores)

	As At 30.09.2009	As At 30.09.2008
<b>AUTHORISED CAPITAL</b>		
12,00,00,000 Equity Shares of Rs. 10 each (Previous year 12,00,00,000 shares)	120.00	120.00
7,30,00,000 Unclassified Shares of Rs. 100 each (Previous year 7,30,00,000 shares)	730.00	730.00
	850.00	850.00
<b>ISSUED, SUBSCRIBED AND PAID-UP CAPITAL</b>		
90,709,496 Equity Shares of Rs. 10 each	90.71	90.71
Less: Share capital held by joint ventures (based on proportionate consolidation)	10.19	10.19
	80.52	80.52





Particulars	(Rs. Crores)											Previous Year Figures		
	Securities Premium Account	Capital Redemption Reserve	Capital Reserve	Share Forfeiture Reserve	Amalgamation Reserve	General Reserve	Profit & Loss Account	Revaluation Reserve	Debiture Redemption Reserve	Employee Stock Option Outstanding	Deferred Employee Compensation Expenses		Business Reconstruction Reserve	Total
<b>As at September 30 , 2008</b>	<b>256.19</b>	<b>0.80</b>	<b>0.30</b>	<b>3.22</b>	<b>48.46</b>	<b>462.96</b>	<b>(384.31)</b>	<b>466.46</b>	<b>-</b>	<b>1.02</b>	<b>(0.02)</b>	<b>-</b>	<b>854.78</b>	<b>855.10</b>
Additions During the year	0.01	1.99						672.72				1,189.62	1,864.34	70.00
Transfer from Profit and Loss Account						2.24	(12.19)		26.13				16.18	(38.99)
Capital Investment Subsidy			0.30										0.30	-
Employees Compensation Expenses										(0.16)	0.02		(0.14)	-
Adjustment for Consolidation						**177.41							177.41	(26.35)
Transfer from Business Reconstruction Reserve								75.00					75.00	-
	<b>256.20</b>	<b>2.79</b>	<b>0.30</b>	<b>3.22</b>	<b>48.46</b>	<b>465.20</b>	<b>(219.09)</b>	<b>1,214.18</b>	<b>26.13</b>	<b>0.86</b>	<b>-</b>	<b>1,189.62</b>	<b>2,987.87</b>	<b>859.76</b>
Deductions													-	4.98
Transfer to Business Reconstruction Reserve*		0.80		3.22	48.46			1,137.14					1,189.62	-
Utilised Under Scheme of Arrangement* - Profit & Loss Account							(133.59)					156.73	23.14	-
- Provisions made/Amount written off												198.24	198.24	-
- Diminution Impairment of Investments/Assets												148.25	148.25	-
Depreciation on Revalued Assets*								2.04				6.98	9.02	-
Transfer to Revaluation Reserve*												75.00	75.00	-
<b>As at September 30 , 2009</b>	<b>256.20</b>	<b>1.99</b>	<b>0.30</b>	<b>-</b>	<b>-</b>	<b>465.20</b>	<b>(85.50)</b>	<b>75.00</b>	<b>26.13</b>	<b>0.86</b>	<b>-</b>	<b>604.42</b>	<b>1,344.60</b>	<b>854.78</b>
Includes Joint venture share													2008-09	2007-08
													(3.54)	(0.63)

\*Refer Note 9 of Schedule 20  
 \*\* Adjustment of Rs 177.41 Crores is on account of sale of Investment in Cellnext Solution Ltd. ( Subsidiary) and amalgamation of wholly owned subsidiary Escorts Agri Machinery Inc. USA, pursuant to scheme of arrangement.

## SCHEDULES 1-19 (Contd.)

### SCHEDULE 3 : SECURED LOANS

(Rs. Crores)

	As At 30.09.2009	As At 30.09.2008
<b>From Banks</b>		
Cash Credit/Working Capital Term Loans	146.78	464.14
<b>Loans from</b>		
Banks	118.78	213.46
Others	21.12	24.05
<b>Debentures</b>		
4.25% Secured Convertible Debenture*	60.84	60.84
9% Secured Convertible Debenture**	34.00	34.00
<b>Total</b>	<b>381.52</b>	<b>796.49</b>
Includes Joint Venture Share	3.32	5.68

#### NOTES :

1. Convertible Debentures

\* Represent Part B of 61,455, 4.25% Secured Convertible Debentures of Rs. 9,900 each issued and allotted to Qualified Institutional Buyers on 4<sup>th</sup> July, 2007 redeemable with in a period of 42 months from the date of issue. These Debentures are secured by exclusive charge on the specified property at Gujarat and extension of exclusive charge on the immovable assets of the company at site No.2, Sector - 13, Faridabad.

\*\* Debentures are secured by mortgage in English Form, by way of first & exclusive charge, on present and future immovable fixed assets of the company and by hypothecation by way of first charge on present and future moveable fixed assets and all intangible assets, present & future, of the company and by hypothecation by way of second charge on the current assets of the company.

2. Loans under different categories are secured against certain assets, property, equipment and other immovable properties, inventories and receivables of the parent company or concerned subsidiaries and joint ventures.

### SCHEDULE 4 : UNSECURED LOANS

(Rs. Crores)

	As At 30.09.2009	As At 30.09.2008
<b>Short Term Loans &amp; Advances</b>		
Lease Finance	1.75	1.53
From Others	-	12.49
<b>Other Loans</b>		
Lease Finance	4.19	3.55
From Others	4.42	
Inter Corporate Deposits	-	1.45
Interest Accrued & Due	0.07	0.09
9% Unsecured Redeemable Convertible Debenture	10.00	10.00
Banks Book Overdraft	-	14.57
<b>Total</b>	<b>20.43</b>	<b>43.68</b>
Includes Joint Venture Share	22.76	21.71



**SCHEDULE 5 : FIXED ASSETS \*\***

(Rs. Crores)

Description	Original Cost as at 30.09.2008	Additions*	Deductions/ Adjustments	Original Cost as at 30.09.2009	Depreciation/ upto 30.09.2008	Depreciation/ & w/off for the period	Deductions/ Adjustments	Depreciation/ upto 30.09.2009	Net Book Value as on 30.09.2009	Net Book Value as on 30.09.2008
<b>Tangible Assets:</b>										
<b>Owned asset:</b>										
Land Freehold	490.62	588.68	1.45	1,077.85	0.09	-	-	0.09	1,077.76	490.53
Land Leasehold	1.82	7.14	-	8.96	-	0.06	-	0.06	8.90	1.82
Buildings	296.37	80.48	23.45	353.40	144.24	16.35	7.85	152.74	200.66	152.13
Plant & Machinery	671.91	24.22	97.29	598.84	401.72	31.44	73.10	360.06	238.78	270.19
Furniture & Fixtures	83.70	4.91	4.14	84.47	65.06	4.32	3.19	66.19	18.28	18.64
Vehicles	11.74	1.35	4.80	8.29	6.34	1.26	3.37	4.23	4.06	5.40
Leasehold Improvements	3.82	0.01	-	3.83	3.79	0.01	-	3.80	0.03	0.03
<b>Leased asset:</b>										
Plant & Machinery	-	3.68	-	3.68	-	0.12	-	0.12	3.56	-
IT Equipments	2.84	1.09	-	3.93	1.38	0.66	-	2.04	1.89	1.46
Vehicles	-	0.23	-	0.23	-	-	-	-	0.23	-
<b>Sub Total (A)</b>	<b>1,562.82</b>	<b>711.79</b>	<b>131.13</b>	<b>2,143.48</b>	<b>622.62</b>	<b>54.22</b>	<b>87.51</b>	<b>589.33</b>	<b>1,554.15</b>	<b>940.20</b>
<b>Intangible Assets:</b>										
Goodwill	2.42	-	2.42	-	1.18	-	1.18	-	-	1.24
Prototype	1.21	-	-	1.21	1.21	-	-	1.21	-	-
Technical knowhow	30.38	0.48	0.06	30.80	26.92	1.77	0.07	28.62	2.18	3.46
Software	18.65	1.53	0.78	19.40	15.41	0.61	-	16.02	3.38	3.24
<b>Sub-Total (B)</b>	<b>52.66</b>	<b>2.01</b>	<b>3.26</b>	<b>51.41</b>	<b>44.72</b>	<b>2.38</b>	<b>1.25</b>	<b>45.85</b>	<b>5.56</b>	<b>7.94</b>
<b>Sub-Total (A+B)</b>	<b>1,615.48</b>	<b>713.80</b>	<b>134.39</b>	<b>2,194.89</b>	<b>667.34</b>	<b>56.60</b>	<b>88.76</b>	<b>635.18</b>	<b>1,559.71</b>	<b>948.14</b>
Capital Work-in-Progress	15.58	15.34	21.21	9.71	-	-	-	-	9.71	15.58
Capital Advances	3.65	4.52	5.62	2.55	-	-	-	-	2.55	3.65
<b>Sub Total (C)</b>	<b>19.23</b>	<b>19.86</b>	<b>26.83</b>	<b>12.26</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>12.26</b>	<b>19.23</b>
<b>Total (A+B+C)</b>	<b>1,634.71</b>	<b>733.66</b>	<b>161.22</b>	<b>2,207.15</b>	<b>667.34</b>	<b>56.60</b>	<b>88.76</b>	<b>635.18</b>	<b>1,571.97</b>	<b>967.37</b>
Previous Year Figures	1,593.19	150.80	109.28	1,634.71	655.65	56.21	44.52	667.34	967.37	-

\* (Refer Note 7 of Schedule 19)

\*\* Includes Joint Venture Share:

Original Cost	30.09.2009	30.09.2008
Depreciation	13.45	14.84
Net Book Value	10.83	11.82
Capital Work-in-progress	2.62	3.02
Total Fixed Assets	0.62	0.02
	3.24	3.04

## SCHEDULES 1-19 (Contd.)

### SCHEDULE 6 : CURRENT ASSETS

(Rs. Crores)

	As At 30.09.2009	As At 30.09.2008
<b>Interest/Dividend accrued on Investments and Deposits</b>	24.09	10.57
<b>Stocks (as taken, valued and certified by the Management)</b>		
Raw Material and Components	185.50	172.10
Finished & Trading Goods	104.81	163.09
Work-in-Progress	22.24	32.34
Stores and Machinery Spares	8.29	13.04
Loose Tools	8.57	13.23
	329.41	393.80
Less : Provision for Obsolete Stock	0.22	2.96
	329.19	390.84
<b>Accrued Billing Revenue</b>	-	0.17
<b>Sundry Debtors</b>		
Debts outstanding for over six months		
Secured	0.34	0.72
Unsecured - Considered Good	51.44	347.03
- Considered Doubtful	124.68	16.50
	176.46	364.25
Less : Provision for Doubtful Debts	124.68	16.50
	51.78	347.75
<b>Other Debts</b>		
Secured	78.81	7.58
Unsecured - Considered Good	295.51	400.13
- Considered Doubtful	0.32	-
	374.64	407.71
Less : Provision for Doubtful Debts	0.32	-
	374.32	407.71
<b>Total Debtors</b>	426.10	755.46
<b>Cash &amp; Bank Balances</b>		
Cash in Hand	1.30	1.88
Cheques in Hand and in Transit	8.91	2.42
On Current accounts with Banks	47.59	40.50
Held in Escrow Account	64.99	64.99
On Short/Fixed Deposit with Banks (Pledged as various Banks/Govt. Authorities/Financial Instt.)	28.15	28.73
On Short/Fixed Deposit with Banks	45.41	3.81
In Post Office Savings Bank Accounts (Pledged as Security with Government Authorities)	-	0.01
	196.35	142.34
<b>Total</b>	975.73	1,299.38
Includes Joint Venture Share		
Stocks/Inventory	0.12	0.22
Sundry Debtors	9.18	10.43
Cash and Bank balances	0.72	0.15
Other Current Assets	0.55	0.70
<b>Total</b>	10.57	11.50


**SCHEDULE 7 : LOANS & ADVANCES**

(Rs. Crores)

	As At 30.09.2009		As At 30.09.2008	
<b>LOANS :</b>				
Unsecured - Considered Good	2.93		3.33	
- Considered Doubtful	0.15		0.15	
	3.08		3.48	
Less : Provision for Doubtful Loan	0.15	2.93	0.15	3.33
<b>Inter - Corporate Deposits :</b>				
Unsecured - Considered Good	61.75		93.59	
- Considered Doubtful	25.17		0.83	
	86.92		94.42	
Less : Provision for Doubtful Inter Corporate Deposits	25.01	61.91	0.83	93.59
<b>Advances Recoverable in Cash or in Kind or for Value to be Received :</b>				
Unsecured - Considered Good	117.23		178.99	
- Considered Doubtful	8.10		41.80	
	125.33		220.79	
Less : Provision for Doubtful Advances	8.10	117.23	41.80	178.99
<b>Deposits :</b>				
Deposits - Considered Good	13.59		14.46	
- Considered Doubtful	0.24		13.64	
	13.83		28.10	
Less : Provision for Doubtful Deposits	0.24	13.59	13.64	14.46
<b>Total</b>		<b>195.66</b>		<b>290.37</b>
Includes Joint Venture Share		11.78		14.36

**SCHEDULE 8 : CURRENT LIABILITIES & PROVISIONS**

(Rs. Crores)

	As At 30.09.2009		As At 30.09.2008	
<b>CURRENT LIABILITIES</b>				
Acceptances	208.43		208.20	
Sundry Creditors	491.66		588.68	
Advance from Customers	27.53		42.76	
Security Deposit	84.55		12.73	
Other Advances	9.00		9.00	
Liability towards Investors Education and Protection Fund under Section 205C of the Companies Act, 1956 will be determined on the respective due dates				
i) Unpaid Dividends	0.14		0.36	
ii) Unpaid matured Deposits	2.63		3.21	
iii) Unpaid matured Debentures	0.05		0.12	
iv) Interest accrued on (i) to (iii) above	0.27	3.09	0.35	4.04
Local Area Development Tax/Entry Tax		28.15		18.47
Other Liabilities		25.97		33.01
Interest accrued but not due on loans		3.41		3.82
		881.79		920.71
<b>PROVISIONS</b>				
Leave Encashment		10.82		9.88
Superannuation		23.00		26.31
Gratuity		56.11		45.54
Proposed Dividend		9.07		-
Tax on Proposed Dividend		1.54		-

## SCHEDULES 1-19 (Contd.)

### SCHEDULE 8 : CURRENT LIABILITIES & PROVISIONS

(Rs. Crores)

	As At 30.09.2009		As At 30.09.2008	
Fringe Benefit Tax	9.91		8.70	
Less : Advance Tax	10.88	(0.97)	9.06	(0.36)
Taxation	91.10		82.61	
Less : Advance Tax	53.72	37.38	43.74	38.87
		136.95		120.24
<b>Total</b>		<b>1,018.74</b>		<b>1,040.95</b>
Includes Joint Venture Share				
Current Liabilities		9.37		9.91
Provisions		(2.71)		(0.40)
<b>Total</b>		<b>6.66</b>		<b>9.51</b>

### SCHEDULE 9: BUSINESS INCOME

(Rs. Crores)

	Year Ended 30.09.2009		Year Ended 30.09.2008	
<b>Income from Rendering of Services</b>				
Investment, Management and Advisory	2.23		2.18	
Trading Income	18.49		13.19	
Software Development/ISP/Other Services	14.60	35.32	20.76	36.13
<b>Business Income : Others</b>				
Commission	2.59		4.74	
Erection & Servicing	2.88		3.31	
Scrap Sale	3.61		3.55	
Unclaimed Balance Written Back	0.08		1.21	
Foreign Exchange Variation (Net)	(1.11)		32.19	
Provision No Longer Required Written Back	7.47		12.97	
Surplus on Sale of Assets (Net)	(0.71)		4.83	
Others	13.58	28.39	13.93	76.73
<b>Total</b>		<b>63.71</b>		<b>112.86</b>
Includes Joint Venture Share		19.23		19.01

### SCHEDULE 10: INCOME FROM INVESTMENTS

(Rs. Crores)

	Year Ended 30.09.2009		Year Ended 30.09.2008	
<b>Dividends</b>				
Trade Investments	-		0.01	
Other Investments	0.04	0.04	0.11	0.12
Surplus on Sale of Investments (Non Trade-Long Term)		1.84		0.44
Others		0.37		0.07
<b>Total</b>		<b>2.25</b>		<b>0.63</b>
Includes Joint Venture Share		-		0.34


**SCHEDULE 11: MATERIAL, MANUFACTURING AND OPERATING EXPENSES**

(Rs. Crores)

	Year Ended 30.09.2009	Year Ended 30.09.2008
Raw Material & Components Consumed*	1,670.61	1,891.32
*(Net of Duty Draw Back)		
Finished & Trading Goods and Work-in-progress Consumed	103.49	98.06
Excise duty on Increase/(Decrease) in Stock of Finished Goods	(0.07)	2.30
Stores, Spares and Tools	24.67	24.16
Software Development/Other Operating Expenses	1.27	12.02
Power and Fuel	29.22	32.58
Repairs to Building	3.16	2.30
Repairs to Machinery	14.80	11.62
<b>Total</b>	<b>1,847.15</b>	<b>2,074.36</b>
Includes Joint Venture Share	1.91	0.26

**SCHEDULE 12: PERSONNEL**

(Rs. Crores)

	Year Ended 30.09.2009	Year Ended 30.09.2008
Salary, Wages and Bonus	222.02	192.83
Contribution to Gratuity Fund	10.96	5.50
Contribution to Provident Fund and Other Funds	12.75	11.73
Staff Welfare Expenses	35.79	34.05
<b>Total</b>	<b>281.52</b>	<b>244.11</b>
Includes Joint Venture Share	2.80	2.74

**SCHEDULE 13: SALES AND ADMINISTRATION EXPENSES**

(Rs. Crores)

	Year Ended 30.09.2009	Year Ended 30.09.2008
Warranties	17.24	19.39
Rent (Net)	5.68	4.87
Rates and Taxes	4.86	2.81
Insurance	2.39	3.54
Travelling & Conveyance	22.32	20.73
Printing & Stationery	4.17	4.31
Communication Charges	5.28	5.28
Repairs and Maintenance	11.95	11.34
Audit Fee & Legal Expenses	27.97	15.50
Entertainment	0.52	0.66
Sales Incentives & Other Selling Expenses	77.43	57.52
Advertisement	30.78	25.88
Royalty	8.09	9.52
Packing, Freight & Forwarding	63.90	53.41
Directors Fee & Commission	0.35	0.19
General Charges	27.27	51.69
Bad Debts Written off	0.11	2.13
Foreign Exchange Variation(Net)	0.24	15.61
<b>Total</b>	<b>310.55</b>	<b>304.38</b>
Includes Joint Venture Share	11.46	12.34

## SCHEDULES 1-19 (Contd.)

### SCHEDULE 14: INTEREST

(Rs. Crores)

	Year Ended 30.09.2009	Year Ended 30.09.2008
Interest Expense on:		
Fixed Period Loans and Debentures	39.13	36.92
Others	34.70	50.62
	73.83	87.54
Less: Interest Income:		
Others*	14.34	24.93
<b>Total</b>	<b>59.49</b>	<b>62.61</b>
Includes Joint Venture Share	0.81	0.88

\*Includes interest on investments in deposits and bonds, income tax refunds, housing loan to employees, dealer overdues etc.

### SCHEDULE 15: AMORTISATION OF EXPENDITURE

(Rs. Crores)

	Year Ended 30.09.2009	Year Ended 30.09.2008
Voluntary Retirement Scheme	8.42	5.30
Miscellaneous Expenditure Written-Off	3.12	3.09
<b>Total</b>	<b>11.54</b>	<b>8.39</b>
Includes Joint Venture Share	0.03	0.03

### SCHEDULE 16: EXCEPTIONAL ITEM

(Rs. Crores)

	Year Ended 30.09.2009	Year Ended 30.09.2008
Provisions/Write offs Under Scheme of Arrangement*		
- Provision for Doubtful Debts	117.21	
- Provision for Export Incentive	21.21	
- Doubtful Debt/Inventories/Amounts Written Off/Down	59.82	-
	198.24	-
Less: Utilised from Business Reconstruction Reserve	198.24	-
Loss on Sale of Investments/Settlement Cost	-	10.85
Loss/Write off of Assets (Net)	0.02	1.38
Amount Written off	2.13	0.33
Provision for Doubtful Debts/Advances/Deposits	33.79	9.24
Deferred Employee Benefit	-	2.39
<b>Total</b>	<b>35.94</b>	<b>24.19</b>
Includes Joint Venture Share	6.66	2.66




**SCHEDULE 17: SIGNIFICANT ACCOUNTING POLICIES**
**1. ACCOUNTING CONVENTION**

The financial statements are prepared under the historical cost convention in accordance with applicable accounting standards and relevant provisions of the Companies Act, 1956.

**2. PRINCIPLES OF CONSOLIDATION**

- The consolidation of accounts is prepared in accordance with the requirement of Accounting Standard 21 (AS21) "Consolidated Financial Statement", Accounting Standard 23 (AS23) "Accounting for Investments in Associates in the Consolidated Financial Statements and Accounting Standard 27 (AS27) "Financial Reporting of Interests in Joint Ventures" issued by the Institute of Chartered Accountants of India. The consolidated financial statements include the financial statements of Escorts Limited (the Parent Company), its Subsidiary Companies and Joint Ventures.
- The Subsidiaries and Joint Ventures considered in the preparation of consolidated financial statements are as follows :

Sl. No.	Name of Company	Country of Incorporation	Proportion of ownership	Held by	Reporting Period
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**LIST OF SUBSIDIARIES**

1	Escorts Automotives Ltd. (EAL)	India	100%	Escorts Limited	April-March
2	Escorts Construction Equipment Ltd. (ECEL)	India	99.99%	Escorts Limited	April-March
3	Farmtrac Tractors Europe Sp. z.o.o	Poland	100%	Escorts Limited	January-Dec
4	Beaver Creeks Holdings LLC (BCH)	USA	78.25%	Escorts Limited	January-Dec
5	Cellnext Solutions Ltd.	India	85%	Escorts Limited	April-March
6	Escorts Securities Ltd. (ESL) (Board Controlled)	India	49.00%	EAML	April-March
7	Escorts Asset Management Ltd. (EAML) (Board Controlled)	India	30.00%	Escorts Limited	April-March

**LIST OF JOINT VENTURES**

1	Escotrac Finance & Investments Pvt. Ltd. (ESCOTRAC)	India	49.81%	Escorts Limited	April-March
			49.81%	EFILL	
2	Escorts Finance Investment & Leasing Pvt. Ltd. (EFILL)	India	49.81%	Escorts Limited	April-March
			49.81%	ESCOTRAC	
3	Hughes Communications India Limited	India	13.38%	Escorts Limited	April-March

- Since the above Subsidiaries and Joint Ventures follows different accounting year, the accounts of these companies are prepared for the year ended 30<sup>th</sup> September, 2009 the reporting date of the Parent company, to facilitate consolidation.
- The account of Beaver Creek Holdings LLC (BCH) are not required to be audited under domestic law and are drawn on the basis of financial statement certified by the management.
- At the behest of the creditors of Farmtrac North America LLC (FNA) (a subsidiary of the Company), the Superior Court Division of Country of Edgecombe, North Carolina, USA have appointed a Receiver for FNA, who has taken over all the assets, book & records of FNA accordingly the financial statement of FNA was not considered for consolidation.
- Cellnext Solution Limited has been sold on 30<sup>th</sup> September, 2009 and accordingly its financial results have been consolidated upto the date of transfer i.e. 30<sup>th</sup> September, 2009 based on financial statements certified by the management.

**3. RECOGNITION OF REVENUE**

- Revenue from sale of goods are recognised on dispatch, except in the following cases:
- Fixed price contract is recognised on the basis of milestone achieved or percentage of completion as per the contract and other revenue from rendering of services is recognised as per the specific terms of the contract on the basis of man-days/man-hour rates for services rendered.
- Income recognition on non - performing assets is in accordance with the Non - Banking Financial Companies Prudential Norms (Reserve Bank) Directions, 1998.
- Revenue from investment management and advisory services is recognized on accrual basis.
- Dividend is taken on accrual basis, if declared/received by the time of finalisation of the accounts.

## SCHEDULES 1-19 (Contd.)

### 4. FIXED ASSETS, DEPRECIATION AND AMORTISATION

#### i. Tangible

- Fixed assets are stated at cost or at replacement cost in case of revaluation, less accumulated depreciation.
- Depreciation on Plant and Machinery is provided on Straight Line Method. Depreciation on all other Fixed Assets is calculated on the basis of Diminishing Balance Method at the rates prescribed in Schedule XIV of the Companies Act, 1956.
- Leasehold Land is amortised over a period of lease.
- Leasehold Improvements are written over a period of six years.
- Depreciation in Companies related to e-commerce, software development and Overseas Companies is provided on straight-line method based on estimated useful life of the assets.

#### ii) Intangible

- In accordance with AS 26 - Intangible Assets are valued at cost less accumulated amortisation and any impairment losses.
- Prototypes including work-in-progress developed during Research, tractors and parts thereof used for carrying R&D activities and advances given for tooling are written off over a period of four years.
- Technical Know-how fees and expenditure on major software products is written-off over a period of six years except in case of Escorts Asset management Limited, where software is being written off over the period of ten years.
- Goodwill is amortised over a period of ten years.

### 5. IMPAIRMENT OF ASSETS

Impairment is ascertained at each Balance Sheet date in respect of Cash Generating Units for which any indication of any possible impairment exists. An impairment loss is recognised if the carrying amount of assets of a Cash Generating Unit exceeds its recoverable amount. The recoverable amount is the greater of the net selling price and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value based on an appropriate discount rate.

### 6. INVENTORY VALUATION

- Raw Material and Components, stores and machinery spares are stated at lower of cost and net realisable value.
- Loose Tools are stated at cost or under.
- Work in Progress, Finished and Trading goods spares are stated at lower of cost and net realisable value.
- In determining the cost of Raw Materials and Components, tools, jigs and dies, stores and machinery spares Weighted Average Cost Method is used while in the case of Trading goods FIFO Method is used.
- Work in Progress and Finished Goods include cost of conversion and other costs incurred in bringing the Inventories to their present location and condition.

### 7. RETIREMENT BENEFITS

The liability on account of Gratuity is provided on the basis of actuarial valuation at the year-end.

### 8. LEAVE ENCASHMENT

The provision in accounts for leave encashment benefit to employees is based on actuarial valuation at the year-end.

### 9. FOREIGN EXCHANGE FLUCTUATION

- Transactions in foreign currency are recorded at the exchange rates prevailing at the dates of the transactions. Gains/losses arising out of fluctuation in exchange rates on settlement are recognised in the Profit & Loss account.
- Foreign currency monetary assets & liabilities are restated at the exchange rate prevailing at the year end and the overall net gain/loss is adjusted to the Profit & Loss Account.
- In case of Forward Exchange Contracts, the difference between the forward rate and the exchange rate at the date of transaction is recognised in the Profit & Loss account over the life of the contract.

### 10. INVESTMENTS

- Current Investments are stated at lower of cost and fair value and Long Term Investments, other than in Associates, at cost. Where applicable, provision is made if there is a permanent fall in valuation of Long Term Investments.
- Investments in Associates are accounted for on the basis of equity method.

### 11. BORROWING COST

Borrowing costs that are attributable to the acquisition, construction of qualifying assets are capitalised as part of cost of such assets upto the date the assets are ready for its intended use. All other borrowing costs are recognised as an expense in the year in which they are incurred.

**12. DEFERRED REVENUE EXPENDITURE**

- Development expenditure represents project related development expenditure/business process re-engineering consultancy, such expenditure is written off over a period of six years.
- Payment under Voluntary Retirement Scheme to the direct/indirect employees is written off over a period ending 31<sup>st</sup> March, 2010 on pro-rata basis.
- In case of ECEL, payment under Voluntary Retirement Scheme to the direct/indirect employees is written off over a period ending 31<sup>st</sup> March, 2009 on pro-rata basis.
- Upfront & Structuring fees are written off during the period of the term of the respective loan.

**13. DEFERRED TAX**

Deferred Tax is recognized, subject to consideration of prudence, on timing differences, representing the difference between the taxable income/(loss) and accounting income/(loss) that originated in one period and are capable of reversal in one or more subsequent periods. Deferred Tax assets and liabilities are measured using tax rates and the tax laws that have been enacted or substantively enacted by the Balance Sheet date. Deferred Tax assets viz. unabsorbed depreciation and carry forward losses are recognized if there is virtual certainty that sufficient future taxable income will be available against which such deferred tax assets can be realized.

**14. TRANSLATION OF FOREIGN SUBSIDIARIES**

- In case of foreign subsidiaries, the revenue and expense transactions at the year end reflected in Profit & Loss Account have been translated into Indian Rupees at an average exchange rate.
- The assets and liabilities in the Balance Sheet have been translated into Indian Rupees at the closing exchange rate at the year end. The resultant translation exchange, gain/loss is adjusted in Profit and loss account.

**15. EMPLOYEE STOCK OPTION SCHEME**

In respect of stock options granted pursuant to Employees Stock Option Scheme, the intrinsic value of the options (excess of market price of the share over the exercise price of the options) is accounted as employee compensation cost over the vesting period.

**16. LEASES**

- Asset acquired under leases where the Company has substantially all the risks and rewards of ownership are classified as finance leases. Such assets are capitalised at the inception of the lease at the lower of the fair value or the present value of minimum lease payments and a liability is created for an equivalent amount. Each lease rental paid is allocated between the liability and the interest cost, so as to obtain a constant periodic rate of interest on the outstanding liability for each period.
- Assets acquired on leases where a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Lease rentals are charged to the Profit & Loss Account on accrual basis.
- Assets given on operating lease are included in fixed assets. Lease income is recognised in the profit and loss account with reference to lease terms. Costs, including depreciation are recognised as an expense in the profit and loss account.

**17. GOVERNMENT GRANTS**

Government Grants are recognised when there is a reasonable assurance that the same will be received. Cash Subsidies and Capital Grants relating to specific assets are reduced from the gross value of the respective assets, other capital grants & cash subsidies are credited to Capital Reserve.

**18. PROVISIONS, CONTINGENT LIABILITIES AND CONTINGENT ASSETS**

- Provisions are recognised for liabilities that can be measured only by using a substantial degree of estimation, if
  - a) the Company has a present obligation as a result of past event,
  - b) a probable outflow of resources is expected to settle the obligation and
  - c) the amount of obligation can be reliably estimated.
- Reimbursements expected in respect of expenditure required to settle a provision is recognised only when it is virtually certain that the reimbursement will be received.
- Contingent liability is disclosed in the case of
  - a) a present obligation arising from the past event, when it is not probable that an outflow of resources will be required to settle the obligation
  - b) a possible obligation, unless the probability of outflow of resources is remote.
- Contingent assets are neither recognised nor disclosed.
- Provisions and Contingent Liabilities are reviewed at each Balance Sheet date.

## SCHEDULES 1-19 (Contd.)

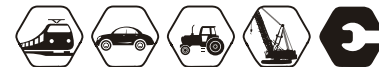
### SCHEDULE 18: SEGMENT INFORMATION FOR THE PERIOD ENDED 30<sup>th</sup> SEPTEMBER, 2009

(Rs. Crores)

	Agri Machinery	Auto Ancillary Products	Railway Equipment	Construction Equipments	Others	Unallocated	Escorts Limited
External Revenue	1,922.37 (1,905.33)	81.03 (85.90)	197.84 (142.40)	413.83 (583.14)	39.71 (42.22)	6.87 (7.71)	2,661.65 (2,766.70)
Internal Revenue	31.46 (63.59)	5.60 (3.14)	1.63 (0.96)	3.83 (4.18)	0.26 (1.48)	0.07 (0.06)	42.85 (73.41)
Segment Revenue	1,953.83 (1,968.92)	86.63 (89.04)	199.47 (143.36)	417.66 (587.32)	39.97 (43.70)	6.94 (7.77)	2,704.50 (2,840.11)
Eliminations	31.46 (63.59)	5.60 (3.14)	1.63 (0.96)	3.83 (4.18)	0.26 (1.48)	0.07 (0.06)	42.85 (73.41)
Total Revenue							2,661.65 (2,766.70)
Segment Result	141.89 (60.39)	(10.61) 12.26	40.39 (23.71)	15.52 (29.72)	2.73 (3.96)	(26.62) 21.39	163.30 (84.13)
Interest Expense						86.03 (97.01)	86.03 (97.01)
Interest Income						14.34 (24.93)	14.34 (24.93)
Exceptional Items						35.94 (24.19)	35.94 (24.19)
Dividend Income						0.04 (0.12)	0.04 (0.12)
Surplus on Sale of Investment (Net)						1.84 (0.44)	1.84 (0.44)
Profit before Taxation	141.89 (60.39)	(10.61) 12.26	40.39 (23.71)	15.52 (29.72)	2.73 (3.96)	(132.37) 117.10	57.55 11.58
Provision for Taxation:							
- Fringe Benefit Tax						1.67 (2.48)	1.67 (2.48)
- Current Tax						6.97 (9.86)	6.97 (9.86)
- Deferred Tax						20.31 (46.52)	20.31 (46.52)
Profit After Tax	141.89 (60.39)	(10.61) 12.26	40.39 (23.71)	15.52 (29.72)	2.73 (3.96)	(161.32) 175.96	28.60 70.44
Provision for Taxation of earlier years						32.86	32.86
Profit After Tax Before Minority Interest	141.89 (60.39)	(10.61) 12.26	40.39 (23.71)	15.52 (29.72)	2.73 (3.96)	(161.32) 143.10	28.60 37.58
Minority Interest						- 0.34	- 0.34
<b>Other Information</b>	As At 30/09/2009	As At 30/09/2009	As At 30/09/2009	As At 30/09/2009	As At 30/09/2009	As At 30/09/2009	As At 30/09/2009
Segment Assets	1,632.39 (1,544.40)	79.93 (74.50)	135.26 (105.63)	344.22 (345.32)	210.66 (204.24)	483.41 (581.23)	2,885.87 (2,855.32)
Segment Liabilities	745.07 (727.01)	32.83 (34.79)	41.46 (27.23)	116.25 (140.26)	25.54 (31.91)	57.59 (84.85)	1,018.74 (1,046.05)
Additions to Tangible Fixed Assets	541.46 (9.74)	15.38 (2.65)	17.27 (1.05)	19.77 (72.63)	1.20 (1.95)	116.71 (16.02)	711.79 (104.04)
Addition to Intangible Fixed Assets	1.15 (0.13)	- -	- -	0.84 (1.60)	0.01 (0.30)	0.01 -	2.01 (2.03)
Depreciation	28.41 (36.25)	2.33 (2.31)	4.17 (4.32)	7.75 (2.09)	2.00 (2.05)	3.31 (3.75)	47.97 (50.77)
Non - Cash Expenses other than Depreciation	6.62 (4.84)	1.10 (0.23)	0.38 (0.19)	0.17 (0.18)	0.06 (0.07)	3.21 (2.87)	11.54 (8.39)

### SEGMENT INFORMATION FOR THE PERIOD ENDED 30<sup>th</sup> SEPTEMBER, 2009

	India	Outside India	Consolidated Total
Revenue By Geographical Market - External	2,612.99 (2616.71)	48.66 (149.99)	2,661.65 (2766.70)
Carrying Amount of Segement Assets	2,824.91 (2449.11)	60.96 (406.21)	2,885.87 (2855.32)
Addition to Tangible Fixed Assets	711.60 (104.04)	0.19 -	711.79 (104.04)
Addition to Intangible Fixed Assets	1.73 (2.03)	0.28 -	2.01 (2.03)

**SCHEDULE 19 : NOTES TO ACCOUNTS**

1. Consequent to an agreement dated 31<sup>st</sup> March, 2000 between the Company and ICICI Bank Limited (ICICI), the company sold 34,50,000 equity shares of Hughes Communication India Limited (HCIL) to Escorts Motors Limited (EML), ICICI thereafter subscribed to the equity share capital of EML to hold 49 % of its total equity share capital. Under the terms of the agreement, the Company had given an assurance to ICICI of a minimum return compounded annually for a period of four years. Subsequent to 31<sup>st</sup> March, 2004, the Company has in terms of earlier agreement agreed to purchase the 49% holding in EML from ICICI and had advanced Rs. 68 crores. The transfer of the shares in favour of the Company is awaited pending final settlement with ICICI.
2. The Company has proposed a scheme of Compromise & Arrangement with the Fixed Deposit holders and Secured Creditors of Escorts Finance Limited (EFL), under the provisions of Section 391 of the Companies Act, 1956. With a view to preserve its reputation and image and on request of Board of Directors of EFL, Escorts Limited (EL) proposes to grant under the Scheme liquidity options to all the fixed deposit holders in the form of either Equity Shares or Fully Convertible Unsecured Debentures of EL equivalent to 75% of the Fixed Deposit value, as described in the Scheme. The Shareholders, Secured Creditors and Unsecured Creditors of EL & Fixed Deposit holders & Secured Creditors of EFL have already approved the Scheme with requisite majority at the Court Convened Meetings held for this purpose on 5<sup>th</sup> May, 2006 & 10<sup>th</sup> May, 2006 respectively. The petition made by the Company for the approval of the scheme is still pending before Hon'ble Delhi High Court and pending such approval Hon'ble Delhi High Court vide its order dated 5<sup>th</sup> December, 2007 & 16<sup>th</sup> July, 2008 directed the Company to place Equity shares of Escorts Limited to the tune of Rs. 32 crores at the rate of Rs. 94 per equity share at the disposal of Hardship Committee appointed by Hon'ble Delhi High Court, to provide relief to the Fixed Deposit holders of EFL who are facing hardship. Consequentially, 34,04,256 fully paid Equity Shares of Rs.10 each were allotted to members of above said Hardship Committee at the rate of Rs. 94 per Equity Share. This amount of Rs. 32 crores is included in "Advances Recoverable in Cash or in kind or for value to be received" in Schedule 8 "Loans & Advances".
3. During the period 2004-05, Escorts Limited (EL) sold its entire share holding in Escorts Heart Institute & Research Center Limited (EHIRCL) for consideration of Rs. 520 crores vide Sale Purchase Agreement dated 25<sup>th</sup> September, 2005. The sale proceeds have been received. At the request of the Company, other stakeholders of EHIRCL, who were holding 5% each of the paid up share capital of EHIRCL, had also agreed to keep their share of the sale consideration amounting to Rs. 64.99 crores in an Escrow Account. Pursuant to the status quo order of the Hon'ble High Court the amount held in Escrow Account belonging to the aforesaid stakeholders could not be released even on demand by them. The matter was referred to arbitration. As per the award, EL was required to pay the money to the aforesaid stakeholders including interest accrued thereon. Consequently, the Company placed a sum of Rs. 64.99 crores in an Escrow Account by paying off the other stakeholders.
4. As a part of consideration for sale of its Telecom Business during the period 2003-04 the Company was issued an Unsecured Subordinated Bond of Rs. 175.74 crores by Idea Cellular Limited (Idea). 'Idea' had a call option for early redemption of the Bond at a discount rate of 10.50% per annum exercisable at any time and the Company had a put option in January, 2010. Accordingly during 2004-05, the Company had provided a sum of Rs. 57.86 crores to reflect the discounted value of the Bond as of January, 2010 at Rs. 117.88 crores. During the year the Company requested Idea for prepayment of the above amount and received an amount of Rs. 96.69 crores in final settlement.
5. During the year, the Company sold its entire share holding in Cellnext Solutions Limited for a total consideration of Rs. 6.79 crores. The profit of Rs. 1.54 crores from divestment is shown in Schedule 10 "Income from Investments".
6. The Company has reserved issuance of 36,11,610 Equity Shares of Rs.10 each for offering to eligible employees of the Company under Employees Stock Option Scheme (ESOS). The Company has so far granted 4,99,500 options to its employees, in accordance with the guidelines issued by SEBI, out of which 1,80,000 options have been forfeited till 30<sup>th</sup> September, 2009 and balance 3,19,500 options are in force. The options may be exercised at any time with in 2 years from the date of vesting.
7. The Company revalued its freehold land as on 1<sup>st</sup> September, 2006 and amount added on revaluation was Rs. 387.64 crores, further pursuant to Scheme of Arrangement the Company has revalued its all land & buildings as on 1<sup>st</sup> April, 2009 and amount added on revaluation is Rs. 672.72 crores. Both revaluations were carried out by reputed independent valuer.
8. The Net Owned Funds of Escorts Automotive Limited (EAL) has fallen below the limits prescribed under the NBFC Regulations since the last seven years.

## SCHEDULES 1-19 (Contd.)

### 9. Scheme of Arrangement:

In case of Escort Limited (EL), a Scheme of Arrangement (Scheme) under Sections 391 to 394 and other provisions of the Companies Act, 1956 was approved by the shareholders of the Escorts Limited (EL) on 12<sup>th</sup> July, 2009 for amalgamation of its wholly owned subsidiary Escorts Agri Machinery Inc. USA (EAMI) with itself with effect from the appointed date 1<sup>st</sup> April, 2009 and inter-alia to deal with impairment/diminution in the value of fixed assets, investments, current assets and loans and advances, profit and loss account debit balance, excess depreciation on account of revaluation of fixed assets, all the expenses incurred in carrying out and implementing the Scheme and also to revalue its immovable properties in order to reinstate them at their fair value. The said Scheme has been approved by the Hon'ble High Court of Punjab & Haryana vide its Order dated 17<sup>th</sup> September, 2009, and a copy of the Order has been filed with the Registrar of Companies, Delhi & Haryana on 8<sup>th</sup> October, 2009 when the Scheme has become effective from the appointed date.

The Financial Statements of the Company are based on the Scheme and the effects are as under:

EAMI has been amalgamated with the Company with effect from the appointed date. EAMI is a company holding investment in other overseas operational companies. On amalgamation, all the subsidiaries of EAMI have become direct subsidiaries of the Company. The amalgamation has been accounted for under the "Pooling of Interest Method" in accordance with AS-14 Accounting for Amalgamations. Accordingly, all the assets and the liabilities of EAMI have been taken at their book value as appearing in the books of EAMI on the appointed date, based on their unaudited financial statements. The entire share capital of EAMI and investment in the equity share capital of EAMI as appearing in the books of EL stands cancelled and inter se amount of loans, advances and other current account balances of EAMI with the Company also stand cancelled. EAMI being the wholly owned subsidiary of the Company no consideration is required to be paid.

As envisaged by the aforesaid Scheme, a separate reserve account titled "Business Reconstruction Reserve" (BRR) has been created by transferring amounts lying to the credit of Revaluation Reserve, Amalgamation Reserve, Capital Redemption Reserve and Share Forfeiture Reserve with effect from the appointed date. The Company has got its immovable properties in the form of Land & Buildings valued by a reputed independent valuer resulting in net addition of Rs. 672.72 crores to their book value as on the appointed date. The corresponding credit has been given to the BRR.

An amount of Rs. 642.02 crores has been utilised from Business Reconstruction Reserve during the year to adjust the difference between the value of assets and liabilities taken over upon amalgamation, provision/write down/write off in the value of the fixed assets, investments, current assets, loans and advances, profit and loss account debit balance, excess depreciation on the account of revaluation of the fixed assets and all the expenses incurred in carrying out and implementing the Scheme as detailed in Schedule -2 "Reserves & Surplus" and Schedule-16 "Exceptional Items". Further, an amount of Rs. 75 crores has been transferred from BRR to Revaluation Reserve.

10. Escorts Agri Machinery Inc., USA (EAMI) a wholly owned subsidiary, whose financial statements reflect total assets of Rs. 39.27 crores (US\$ 7.8 millions converted at 1 US\$ = Rs. 50.49) as at 1<sup>st</sup> April, 2009 has been merged with the company on the basis of unaudited financial statements.
11. The Company has executed an Agreement to Sell for transfer of 20 acres of land at Plot No. 219, Sector 58, Balabgarh, Haryana for a consideration of Rs. 7 crores. The said transfer is subject to necessary approval from HUDA and accordingly the consideration amount of Rs. 7 crores is being treated as advance.


**12. Earnings per Share (EPS)**

		Year Ended 30.09.2009	Year Ended 30.09.2008
Net Profit after Tax (Rs. Crores)	Basic	28.60	(37.24)
	Diluted	30.31	-
Weighted average number of shares outstanding	Basic	80,524,091	80,524,091
	Diluted	84,719,984	-
Earnings per share (face value Rs. 10 per share)	Basic	3.55	(4.62)
	Diluted	3.55	-

**13. Miscellaneous Expenditure**

(to the extent not written off or adjusted) represents:

(Rs. Crores)

	Year Ended 30.09.2009	Year Ended 30.09.2008
<b>Development Expenditure</b>	0.17	0.73
Less : Written off during the year	0.11	0.56
<b>Payments under Voluntary Retirement Scheme/Other Intangible</b>	6.87	8.92
Add : Additions during the year	5.74	3.25
Less : Written off during the year	8.42	5.30
<b>Upfront Fees</b>	4.11	6.58
Less : Written off during the year	2.95	2.47
<b>Other Deferred Revenue Expenditure</b>	0.31	0.38
Less : Written off during the year	0.07	0.07
<b>Total</b>	<b>5.65</b>	<b>11.46</b>

**14. Proportionate share of Joint Ventures**

in the following line items is given below as there is no separate schedule attached

(Rs. Crores)

	Year Ended 30.09.2009	Year Ended 30.09.2008
Net Sales	1.62	0.48
Depreciation	1.17	1.29
Provision for Taxation:		
Current Taxation	(1.77)	0.56
Deferred Taxation	0.64	0.06
Deferred Tax Assets	1.95	1.32
Investments	137.44	143.83
Miscellaneous Expenditure (to the extent not written off or adjusted)	0.17	0.21
Contingent Liability	28.38	47.50

## SCHEDULES 1-19 (Contd.)

### 15. Contingent Liability

(Rs. Crores)

	Year Ended 30.09.2009	Year Ended 30.09.2008
a) Estimated amounts of contracts remaining to be executed on capital account not provided for	18.34	27.76
b) Claims not acknowledged as debts	0.77	0.72
c) There is a contingent liability of:		
(i) Excise Duty demands not acknowledged as liability	46.54	59.25
(ii) ESI additional demand not acknowledged as liability	5.10	3.87
(iii) Sales tax/Income tax demand not acknowledged as liability	8.89	9.37
(iv) Demand raised by Income Tax department, disputed by Escorts Limited and appeal has been filed	129.14	20.72
(v) Pending Legal Cases - Personnel	3.19	3.43
- Others	21.12	19.16
(vi) Faridabad Municipal Corporation (litigation against demand for external development charges)	2.38	2.38
(vii) Bills discounted with Banks/financial Institutions	23.82	13.63
(viii) Guarantees given to banks under Channel Finance Program	22.34	27.90
(ix) Demand raised by Department of Telecommunication (DOT)	11.03	7.31
(x) Market value of shares pledged for loans taken by joint venture/associate and other companies.	12.59	23.11
(xi) Gurantees executed in favour of customs/excise Authorities	8.67	6.05
(xii) Gurantees (Financial and performance) to banks and financial institutions	-	31.57

### 16. Net Deferred Tax Assets/(Liabilities) as at 30<sup>th</sup> September, 2009 comprises of the following:

#### Net Deferred Tax Asset

(Rs. Crores)

Particulars	Deferred Tax Assets/(Liabilities) as at 30.09.2008	Adjustment	Credit/(charge) During the period	Deferred Tax Assets/(Liabilities) as at 30.09.2009
Accumulated Losses	34.77	(1.99)	(9.93)	22.85
Depreciation	0.27	0.05	(0.04)	0.28
Unabsorbed Depreciation	5.39	-	-	5.39
Deferred Revenue Expenditure	0.19	(0.14)	0.25	0.30
Disallowance U/s 43B	36.79	(0.64)	9.33	45.48
Provision for Doubtful Debts/Loans/Advances	102.48	1.26	(5.07)	98.67
Other Provisions	0.61	(0.64)	1.27	1.24
Provision For Diminution of Value of Investments	16.52	-	(16.47)	0.05
<b>Total</b>	<b>197.02</b>	<b>(2.10)</b>	<b>(20.66)</b>	<b>174.26</b>





**Net Deferred Tax Liability**

(Rs. Crores)

Particulars	Deferred Tax Assets/(Liabilities) as at 30.09.2008	Adjustment	Credit/(charge) During the period	Deferred Tax Assets/(Liabilities) as at 30.09.2009
Accumulated Losses	0.33	-	-	0.33
Depreciation	63.25	(4.11)	1.66	60.80
Sales Tax Deposit	0.01	-	-	0.01
Deferred Revenue Expenditure	3.02	0.02	(2.01)	1.03
Disallowance U/s 43B	4.70	-	-	4.70
Provision for Doubtful Debts/Loans/Advances	81.10	-	-	81.10
Other Provisions	(3.90)	-	-	(3.90)
<b>Total</b>	<b>148.51</b>	<b>(4.09)</b>	<b>(0.35)</b>	<b>144.07</b>
<b>Deferred Tax Assets/(Liabilities) as at 30.09.2009</b>	<b>48.51</b>	<b>1.99</b>	<b>(20.31)</b>	<b>30.19</b>

**17 Disclosure under Accounting Standard - 19 (Leases)**

a) In respect of 'Finance Lease' arrangements for the period 2008-09

(Rs. Crores)

Particulars	Minimum Lease payments outstanding		Present Value of minimum lease payments outstanding		Future interest on outstanding lease payments	
	2008-09	2007-08	2008-09	2007-08	2008-09	2007-08
- Total Amount Due	7.89	6.43	6.24	5.08	1.65	1.35
- Due within One Year	2.53	2.16	1.78	1.53	0.75	0.63
- Due Later than one Year and not Later than Five Years	5.36	4.27	4.46	3.55	0.90	0.72

b) Assets taken on Operating Cancellable leases

The total lease payments recognised in Profit and loss account for the year ended 30<sup>th</sup> September, 2009 is Rs 0.45 crores(Previous Year -Rs 0.44 Crores)

c) Assets taken under Non Cancellable Operating leases

(Rs. Crores)

Particulars	2008-09	2007-08
- Due Within One Year	0.02	0.02
- Due Later Than One Year and not Later than Five Years	0.01	0.01
- Due Later than Five Years	-	-

**18** Figures have been rounded off to the nearest lac rupees. Previous year figures have been regrouped/rearranged wherever necessary.

**RAJAN NANDA**  
Chairman and  
Managing Director

**NIKHIL NANDA**  
Joint Managing Director

**Dr. P. S. PRITAM**  
Director

**Dr. M. G. K. MENON**  
Director

**Dr. S. A. DAVE**  
Director

**Mr. S. C. BHARGAVA**  
Director

**G. B. MATHUR**  
Exec. Vice-President-Law &  
Company Secretary

**O. K. BALRAJ**  
Exec. Vice-President &  
Group Chief Financial Officer

As per our audit report attached  
for **S. N. DHAWAN & CO.**  
Chartered Accountants

Place : New Delhi  
Dated : 27<sup>th</sup> December, 2009

**S. N. DHAWAN**  
Partner  
M.No. 925

## CONSOLIDATED CASH FLOW STATEMENT

	(Rs. Crores)	
	Year Ended 30.09.2009	Year Ended 30.09.2008
<b>A. CASH FLOW FROM OPERATING ACTIVITIES</b>		
Net Profit Before Tax	57.55	(11.58)
Adjustments for :		
Depreciation	47.97	50.77
Misc. Exp./Assets Write off/Provisions/Adjustments	47.48	33.04
Interest Expense	73.83	87.54
Surplus on sale of assets (net)	0.71	(4.83)
Surplus on sale of investments	(1.84)	(0.44)
Dividend Income	(0.04)	(0.12)
Interest Income	(14.34)	(24.93)
Prior Period Adjustment	-	(26.35)
Operating Profit before working capital changes	211.32	103.10
Adjustments for :		
Trade and other Receivables	(70.65)	(100.08)
Inventories	(18.63)	(71.63)
Trade Payables & Provisions	145.89	154.67
Miscellaneous Expenses	(5.73)	(3.25)
Escrow Account	-	20.09
	50.88	(0.20)
<b>Cash Generated from Operations</b>	<b>262.20</b>	102.90
Direct Taxes Paid (net of refunds received)	(11.81)	(19.05)
<b>Net Cash Flow from Operating Activities</b>	<b>250.39</b>	83.85
<b>B. CASH FLOW FROM INVESTING ACTIVITIES</b>		
Payment of licence fees/pre-operative expenditure		
Purchase of Fixed Assets	(45.15)	(101.96)
Sale of Fixed Assets	8.87	19.36
Sale of Investments	105.23	(3.29)
Interest Received	0.82	15.44
Dividend Received	0.04	0.12
Short term/Fixed deposits with Banks	0.58	13.97
Movement in Loans & Advances	(19.98)	(39.13)
Net Cash used in Investing activities	50.41	(95.49)

# CONSOLIDATED CASH FLOW STATEMENT



(Rs. Crores)

	Year Ended 30.09.2009	Year Ended 30.09.2008
<b>C. CASH FLOW USED IN FINANCING ACTIVITIES</b>		
Proceeds from Issue of Share Capital & Security Premium	0.01	72.53
Payment (to)/from Minority Interest	1.14	(5.07)
Proceeds from Issue of Debentures	-	10.00
Repayment of Long Term Borrowings	(97.61)	(45.50)
Payment of Dividend & Dividend Tax	(1.81)	(1.75)
Net Proceeds from Short Term Borrowings	(73.61)	40.51
Interest Paid	(74.33)	(89.32)
<b>Net Cash Used in Financing Activities</b>	<b>(246.21)</b>	<b>(18.60)</b>
<b>Net Increase/(Decrease) in Cash and Cash equivalents</b>	<b>54.59</b>	<b>(30.24)</b>
<b>Opening Cash and Cash equivalents</b>	<b>48.62</b>	<b>78.86</b>
<b>Closing Cash and Cash equivalents</b>	<b>103.21</b>	<b>48.62</b>

**Note:**

1. Cash and Cash equivalents include Cash-in-hand, Demand Deposits with Banks and Short-term highly liquid investments.
2. Previous years figures have been regrouped wherever necessary.

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As per our audit report attached  
for **S. N. DHAWAN & CO.**  
Chartered Accountants

Place : New Delhi  
Dated : 27<sup>th</sup> December, 2009

**S. N. DHAWAN**  
Partner  
M.No. 925

# STATEMENT REGARDING SUBSIDIARY COMPANIES

PURSUANT TO SECTION 212 OF THE COMPANIES ACT, 1956

(Rs. '000)

Sr. No	Name of The Company	Total assets						Total Liabilities				Turnover	Profit Before Tax	Provision For Tax	Profit After Tax	Proposed Dividend		
		Share Capital	Reserves & Surplus	Total Fixed Assets	Total Investments	Total Current Assets	Deferred Tax Assets	Misc Expenditure	Pre-Operative Exp. Pending Allocation	Profit & Loss	Total Loans						Deferred Tax Liability	Current Liability & Provisions
1	Escorts Asset Management Limited	1,10,000.00	6,255.55	2,464.03	35,371.98	83,181.03	338.39	615.93	-	-	-	5,715.80	15,673.98	22,125.22	(7,991.91)	(366.14)	(7,625.77)	-
2	Escorts Construction Equipment Limited	7,10,000.00	3,61,979.00	9,50,520.00	140.00	22,20,603.00	-	-	-	10,00,882.00	16,812.00	10,81,590.00	140.00	51,33,339.00	57,143.00	35,685.00	21,459.00	18,134.00
3	Escorts Securities Ltd	62,000.00	32,803.09	13,299.28	13,025.29	2,57,471.04	3,739.32	-	-	36,833.88	-	1,55,897.96	13,025.29	59,672.17	(8,416.59)	(2,683.43)	(5,733.16)	-
4	Farmtrac Tractors Europe Spolka Z.o.o* (PIN= Rs 16.40 INR)	98,427.51	(2,55,342.55)	42,991.43	-	5,20,898.33	-	-	-	-	-	7,20,804.80	-	4,31,593.63	(76,734.68)	(20,707.58)	(97,442.26)	-
5	Escorts Automotives Limited	1,00,000.00	1,426.62	2,771.88	7,281.57	6,28,164.06	-	-	-	6,56,672.75	11,62,177.21	31,286.42	7,281.57	505.09	(3,22,835.22)	(119.44)	(3,22,954.65)	-
6	Beaver Creek Holdings LLC (USA) (US\$ = 47.53)	-	-	-	45,864.79	247.82	-	-	-	-	-	71,280.65	-	-	(26.00)	-	(26.00)	-

## Note:

- The Annual Accounts along with the reports thereon of the subsidiary companies are not being attached in view of the exemption being obtained from Government of India, Ministry of Corporate Affairs. The said annual accounts and the related detailed information will be made available to the holding and subsidiary Companies' investor seeking such information, at any point of time (during the business hours). The annual accounts of the subsidiary companies will also be kept for inspection by any investor at the head office of the Company/subsidiary companies.
- \*Figures are for nine months' period ended 30th September, 2009.
- ^ The above figure is net of reserve & surplus as per US GAAP.
- At the behest of the creditors of Farmitrac North America LLC (FNA) (a subsidiary of the Company), the Superior Court Division of Country of Edgecombe, North Carolina, USA has appointed a Receiver for FNA, who has taken over all the assets, books & records of FNA. Accordingly the information relating to Farmitrac North America LLC (FNA) has not been given.

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Exec. Vice-President &  
Group Chief Financial Officer

Place : New Delhi  
Dated : 27<sup>th</sup> December, 2009







Corporate Centre, Faridabad





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