

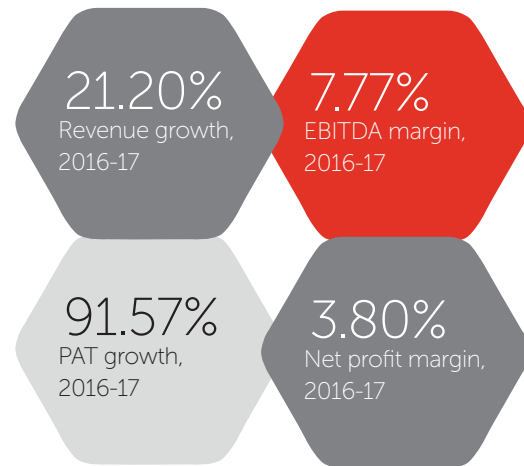
Engineering our tomorrow

Escorts Limited | 71st Annual Report 2016-17

#### Forward-looking statements

In this annual report we have disclosed forward-looking information to enable investors to comprehend our prospects and take informed investment decisions. This report and other statements – written and oral – that we periodically make contain forward-looking statements that set out anticipated results based on the management's plans and assumptions. We have tried wherever possible to identify such statements by using words such as 'anticipates', 'estimates', 'expects', 'projects', 'intends', 'plans', 'believes' and words of similar substance in connection with any discussion of future performance. We cannot guarantee that these forward-looking statements will be realized, although we believe we have been prudent in assumptions. The achievement of results is subject to risks, uncertainties and even inaccurate assumptions. Should known or unknown risks or uncertainties materialize, or should underlying assumptions prove inaccurate, actual results could vary materially from those anticipated, estimated or projected. We undertake no obligation to publicly update any forward-looking statements, whether as a result of new information, future events or otherwise.

#### Our performance at a glance, 2016-17



#### Contents



H P Nanda, a centenary

*"Dream big!" – HP Nanda, Founder Chairman, Escorts Group (1917-1999)*

H.P Nanda, the founder of Escorts, would have turned 100 on 9 January 2017.

Mr. Nanda did more than just start Escorts; he ushered India's agriculture revolution through farm mechanization supports and created one of the largest, innovation-driven engineering conglomerates of India.

In doing so, Mr. Nanda, like a number of leaders of his generation, helped build a modern, self-reliant India.

At Escorts, we are dedicated to the visionary's pursuit of engineering excellence, nation-building, societal transformation and enhanced stakeholder value.

The vision endures.

## Corporate Identity

# Escorts Limited is three companies in one.



Agri Machinery



Construction Equipment



Railway Equipment

Each of these businesses represents national priorities, attractive growth and a robust operating model.

Escorts is bringing a new urgency to each.

With the objective to make growth profitable and sustainable.

## Vision 2020

By 2020, Escorts expects to be among the top engineering companies in India by:

- Being the preferred solutions provider to the needs of our customers
- Practicing respectful and ethical business practices
- Being the employer of choice within the engineering industry
- Providing superior returns to our investors

### Our Strategic Values

**Customer Centricity:** Acute sensitivity to the needs and experiences of the customer shall guide all that we do.

**Excellence:** We will strive to achieve and surpass world class standards in all that we do.

**Innovation:** We will use the power of technology and imagination to deliver solutions to customers' needs.

**Agility:** We will operate in our markets with the ability to change direction and position with nimbleness and speed

### Background

Escorts Limited is one of India's most respected and trusted engineering companies. The journey of Escorts traces back to 1948, when a nationalistic sentiment inspired HP Nanda and Yudi Nanda to assume a franchisee for the distribution of tractors that would help farmers secure their livelihoods.

Decades later, the spirit has endured; Escorts continues to live this tradition, the Company having established its place among India's leading tractor players focusing on complementary agriculture products and solutions, as

well as a force to reckon with in the construction equipment and railway equipment space.

Today, over a million tractors and over 16,000 construction and material handling equipment that have rolled out from Escorts, complemented by a highly-satisfied customer base, are testimony to the Company's manufacturing excellence.

# At Escorts, we enjoy business-strengthening alliances with industry leaders.

These leaders comprise prominent global names like Carraro, Porsche Consulting, Porsche Design, Perkins, ZF, Bosch, Honeywell, Ingeteam and Yujin Machinery.

**Our manufacturing locations**  
Escorts owns and operates six integrated manufacturing plants in Faridabad (Haryana). These plants cover 1,83,726 sq.m. of space. The Company also possesses a plant in Rudrapur (tax-efficient Uttarakhand) and a plant in Poland (Europe).

**Our knowledge capital**  
At Escorts, we count our employees as our most valuable asset. We invest in their training and career development, benchmarking their performance with the industry's best-in-class pay standards. We enjoy harmonious industrial relations. Our total workforce (own and contractual) stood at 8,750 members as on 31 March 2017.

**Our listing and market capitalization**  
Escorts shares are listed on the NSE, BSE and DSE stock exchanges. The Company's market capitalization stood

at ₹6,603.8 cr with the promoter's holding of 43.0%, combined FII and DII holding of 20.3% and public / others holding of 36.7%, as on 31 March 2017. The Company's BSE scrip code is 500495. Escorts declared a dividend of 150 paise per share (15% on face value of ₹10 share) for 2016-17. The Company's dividend philosophy reconciles the need to reward shareholders with adequate reinvestment.

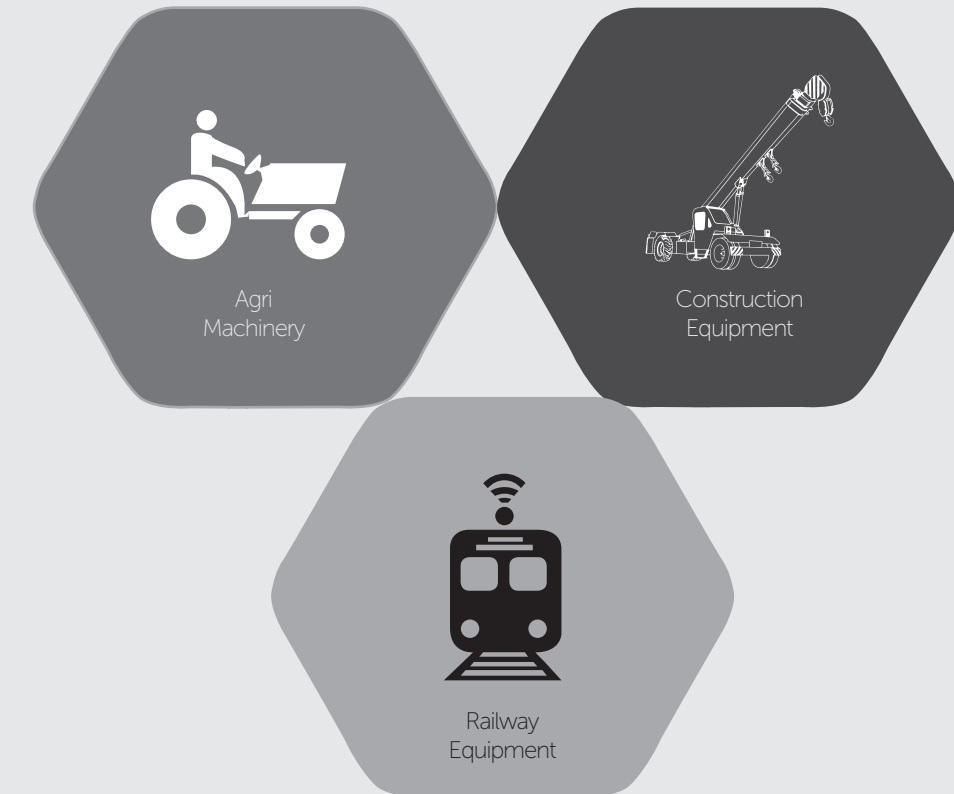
**Accreditations and awards**

- Escorts Agri Machinery business has been accredited with two international certifications (ISO 14001:2004 and OHSAS 18001:2007)
- BBC Knowledge's Best Brand Marketing Campaign Award for "Celebrating a Century of Excellence" to commemorate Escorts' Founder

Chairman, Late Mr. HP Nanda's birth centenary (2017)

- Indo-American Chambers of Commerce's Lifetime Excellence Honor for Mr. HP Nanda, Escorts' Founder Chairman, for his valuable contribution in the setting up IACC (2016)
- Escorts Chairman Mr. Rajan Nanda inducted into **The Machinist Hall of Fame** for his enormous contribution to the Indian manufacturing industry (2016)
- **Machinist Super ShopFloor Award** to Escorts Agri Machinery's Farmtrac manufacturing unit for excellence in productivity (2015)
- **National Safety Awards** for Escorts Agri Machinery's Farmtrac and Powertrac manufacturing units (2014)

## Our businesses



### 80.3%

Contribution to our 2016-17 revenues\*

#### Agri Machinery

Escorts is one of India's top Indian tractor manufacturers, offering a comprehensive range of over 225 tractor variants (25 to 75 HP). Our brands (Farmtrac and Powertrac) address the widest industry preference. The business also offers crop solutions, engines and gensets and lubricants; it is additionally engaged in the after-market sales of Escorts tractors.

### 14.5%

Contribution to our 2016-17 revenues\*

#### Construction Equipment

The Company manufactures and markets a comprehensive range of construction equipment (cranes, backhoe loaders, compactors and forklifts). It is among the world's largest manufacturers of pick-n'-carry hydraulic mobile cranes.

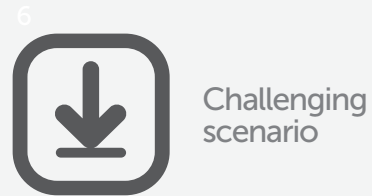
### 5.8%

Contribution to our 2016-17 revenues\*

#### Railway Equipment

State-of-the-art products anchored around safety, comfort and reliability. Comprising brakes, brake systems, couplers, suspension systems, shock absorbers and rail fastening systems, among others.

\*From continuing operations



The year 2016-17 was one of the most challenging for the Indian economy.

GDP growth declined 90 bps.

Most national sectors struggled.

Consumer sentiment was hesitant.

Most core sector companies under-performed.

In this environment, it would have been reasonable to post weaker numbers.

Escorts posted considerable stronger numbers instead.



The Company grew revenues 3x the national economic growth.

The Company reported profitable growth.

EBITDA growth was the sharpest in years.

ROCE was the highest in a long time.

The Escorts performance:  
Larger. Better. Faster.

And all because of one reason.

Constructive disruption.

*Helping us engineer our tomorrow.*



# Constructive disruption at Escorts.

Looking at the world with a new pair of eyes.

# Engineering our tomorrow.

Preparing for it today.



Where the priority is to plan for 2020 and beyond.

Where every second person asks 'Is it sustainable?'

Where the two words on everybody's dislike-list are 'status quo'.

Where every engineer is obsessed with 'customer experience'.

Where the focus is on creating new markets than merely capturing share.

Where 'zero defects' is the new mantra.

Where each shopfloor manager is driven by 'more from less'.

Where 'transaction' has been replaced by 'relationship'.

Where the base line is 'Is it the best standard in the world?'

Where research investments are considered sacred.

Where each business desires to emerge as the customer's single-stop solution.

Where every business is being driven more around Return on Capital Employed than market share.

Where financial decisions are driven by cash flows more than cash profits.

Where every initiative is directed towards enhanced organizational value.

Where the business priority is not complete if it has not extended to community welfare.

Where the objective is to leave the world cleaner and greener.

# Constructive disruption is listening to the inner voice that says 'Why not!'

Even when the rest of the world is saying 'It can't be done!'

- 1** Sceptics said that it would be difficult outperforming India's economic growth in a sluggish year

Escorts' turnover\* at ₹4,167.6 crores increased 21.2% from ₹3,438.7 crores in the previous fiscal led by volume growth in the tractor and construction equipment businesses.
- 2** Doubters said that the best thing would be to lie low and let the storm blow over

Escorts' tractor volumes strengthened 24% to 63,786 tractors as against 51,455 tractors in the previous fiscal. Construction equipment volume was up 29.8% to 3,315 machines against 2,555 machines in the previous year.
- 3** Realists said that with costs rising, a moderation in material costs would be impossible

Escorts' material costs as a proportion of revenues declined by 90 basis points to 67% as against 67.9% in the previous fiscal.
- 4** Most analysts indicated that with a general industry slowdown and demonetization, an improved financial performance would be difficult.

Escorts' EBITDA\* at ₹323.7 crores was up 83.2% as against ₹ 176.7 crores in the previous fiscal. EBITDA margin strengthened 263 basis points to 7.8% as against 5.1% in the previous fiscal. PBT from continuing operations and before exceptional items was ₹273 crores, up by 117% against ₹125.5 crores in the previous fiscal. Net profit at ₹160.4 crores compared favourably with ₹ 83.8 crores in the previous fiscal.
- 5** Most experts felt that in a cash-squeezed situation, strengthening the quality of the Balance Sheet would be difficult.

Escorts' finance cost declined ₹18.4 crores to ₹31.1 crores as against ₹49.5 crores in the previous fiscal. The total debt outstanding as of March 2017 at ₹263 crores was down from ₹360 crores in March 2016 following superior working capital efficiency.

\*From continuing operations

# At Escorts, constructive disruption is not a one-off response.

It is a continuous journey.

- The Company intends to double EBITDA over three years

The Company intends to plug portfolio gaps

The Company intends to launch products addressing the fastest growing sectoral segments
- The Company intends to enhance value through increased capacity utilization

The Company intends to repay debt

The Company intends to continuously attack costs
- The Company intends to launch value-added products

The Company intends to strengthen working capital management

## Chairman's overview

## The Escorts of today is agile and responsive to capitalize on emerging opportunities



I am pleased to present the annual report to you on the centenary of Mr. HP Nanda, the founder of the company. India today is at an inflection point and likely to graduate from a perpetually-developing nation status into a developed modern country in the global community of nations. To create enduring value for the country, we need to build an enterprise that is increasingly agile and future-ready.

Escorts is addressing the growing national opportunity by selecting to focus on three businesses aligned with India's development story. As a future-facing enterprise, Escorts is strengthening its technology investments and positioning by building capabilities in the areas of product development, technology and design, making us competitive across local and global platforms.

We are building our engineering capabilities and strengths to launch new products and expand our businesses. The three verticals we serve have a great potential for growth, as each represents a strong pivot for the development of the Indian economy.

Indian agriculture is yet to be fully mechanized and there is a growing need for strengthening productivity and viability. We are working on technology and solutions that will help create the highly-mechanized and evolved farms of tomorrow. We are developing new, large and smaller tractors that will not only help us expand our range, but also give our customers a wider choice.

The Indian government's policy priority matches this universal relevance as well. We believe that a number of agricultural reforms will enhance farm viability and accelerate reinvestments, benefiting our entire agri machinery business.

India's infrastructural development is a massive task for the next 20 years. Engineering set-ups and contractors

will have plenty of focused projects, needing smarter and efficient construction equipment technology and solutions. The focus to invest aggressively and extensively in infrastructure will translate into the building of new roads, bridges, ports, airports and other infrastructure supports. We are today producing the required engineering solutions that will contribute to the growing requirement. Escorts is engaged in scaling product design, technologies, capability and capacities. We are collaborating with select European companies to offer cutting-edge products that makes it easier for contractors to deliver larger, better and faster.

As the global population increases, we see a larger investment going into railways across the world as an effective mass, long-cum-rapid transport system – across scale, safety and sophistication. The Indian government is prioritizing railway network expansion, which has reflected in an increased Railway budgetary outlay exceeding rupees one lakh crore per year, creating an attractive opportunity for our railway products business. The dedicated freight corridor connecting Delhi, Mumbai, Kolkata and Chennai will liberate more track capacity for passengers and widen our product portfolio relevance. Our product suite, comprising all types of brakes and couplers, are vital for the safety of

high-speed, multi-wagon trains. The Company has made significant progress in the last couple of years. The Company divested its non-core businesses, strengthened its commitment to existing businesses through increased investment, widened its product range and deepened its service commitment. Besides, we intend to strengthen our business by addressing the growing scope of our products in the international market, potentially enhancing the quantum of our exports in a substantial way across the foreseeable future.

Escorts' three businesses are aligned with India's development. We will continue investing in technologies, efficient distribution and product mix for enhanced agility, dynamism and customer responsiveness to capitalize on emerging opportunities. We have created robust structures for benchmarking the best players in the industry to develop a competitive cost advantage and enhance our profitability. As we delve into new products and segments, the overarching idea will be to achieve growth using the Company's earned-reserves, making us a self-reliant enterprise.

I am optimistic that this futuristic approach will enhance value for all our stakeholders in an enduring way.

**Rajan Nanda**  
Chairman & Managing Director



## Q&amp;A with the Managing Director

## Escorts is readying for a leap in differentiating itself through products, technology and customer experiences that transform our stakeholder value creation.



Nikhil Nanda, Managing Director, explains the transition of Escorts into a rapidly value-enhancing organization.

Q: What is the principal message that you wish to convey to shareholders?

A: At the outset, let me communicate my gratitude to our stakeholder family, without whom the robustness in our performance would not have transpired. It is the collaborative working of the various arms of our stakeholders – employees, customers, partners, collaborators, investors, lenders, industry, the government and community at large – that provides me with the optimism that this improvement can indeed become sustainable.

Escorts has been in existence for nearly seven decades and yet, in a certain sense, the journey has just begun. This is largely because the robust 'India story' has only just begun as well. It took India 60 years to reach its first trillion dollars in economic value; it took the country's economy a mere seven years to reach its next trillion dollars; the economy is expected to achieve its third trillion dollars in five years, trebling from this point to 2030 as the third-largest economy in the world.

At Escorts, I am optimistic that we will more than match this national momentum; we are engaged in creating disruptive cutting-edge products, carving out a large share of the markets of our presence, and servicing customers more effectively. The result is that we are optimistic of consistently outperforming and, in doing so, doubling profitability and market share across our businesses across the next three years.

Q: What does the Company need to do to more than match this momentum?

A: I am convinced that this substantial

leap will only be achieved if we do different things and do things differently. The next three years of our journey will be the most disruptive in our existence.

For instance, in the reinvented Escorts, we have created one of the most disruptive innovation cells to introduce products and solutions for the future. We are not engaged in merely addressing customer needs of the day; we are engaged in designing products and solutions that graduate customers towards a better tomorrow. This future-facing Escorts is engaged in an active dialogue with some of the most advanced autonomous technology centres, electric mobility companies and global disruptive technology centres with the objective to partner their presence in India and evolve our personality into a sophisticated and precision technology-driven engineering company of the future.

To make this happen, we have charted a transformational path to develop competencies, pursue innovation and enhance our business agility by making Escorts a performance-driven company. As we progress, we will also focus on process improvement, digitization across the board for real-time connectivity and engagement, capacity building and creation of robust review and monitoring mechanisms to accelerate our growth and unlock the full potential of our organization.

Coupled with these initiatives, we are engaging the best talent with a growing focus on cutting-edge research, innovation and youthfulness. We are creating differentiated products that cater to discerning customer needs of

today and tomorrow. We are also investing deeper in our brands following the creation of separate channels for Farmtrac and Powertrac to enhance our marketing and sales focus – a move that is expected to deliver market share gains as well as additional revenues in the next three years. We are widening and deepening our pan-India distribution channel that makes it possible for customers to reach us quickly and conveniently. We believe that the combination of this differentiated approach – productisation, marketing and distribution – represents a completely new way of doing business at our Company.

Q: What is your view of the Company's overall performance in FY17?

A: I was satisfied by the Company's overall performance in FY17. The industry, in all the three segments that we operate, grew on the back of a normal monsoon, thriving rural sentiment and increased government spending in infrastructure and railways. The upcycle in the domestic tractor industry is expected to continue for a couple of years. The private investment cycle hasn't yet picked up in full swing, so the upcycle in the domestic equipment industry is expected to continue for at least 4 to 5 years. The increased investment in Indian Railways is expected to sustain longer and the Metro is emerging as the mainstay of urban transportation.

Our growth is in line with industry growth trends. Our overall revenues from continuing operations grew by 21.2% in FY17. We marginally gained market share in the tractor business to 10.8% and maintained our position in the construction equipment business.



Our overall EBITDA margin from continuing operations also grew to 7.8% compared to 5.1% in the last fiscal on the back of improved volumes and cost reduction. Our RoCE improved to 13.04% on the back of improved margins.

Our financial health improved as our net debt remained negative. Our cash flows and working capital efficiency strengthened. We invested in R&D for new products and new technology development, which shall bear fruit in the future.

In Operations, we received the TPM Excellence Award, which signifies that we crossed the first milestone towards world-class manufacturing. To enhance synergies, we combined the organizational structure at the back-end (R&D, Manufacturing & Supply Chain).

We successfully divested our interest in Escorts Auto Products. This shall enhance our management focus and investments availability for our remaining businesses. This also means that we shall be able to reduce our land requirements to facilitate the capacity expansion of our tractor business. We signed an agreement with DLL to strengthen retail financing for our customers. We realigned the roles at the top management for clear accountability related to profitability, growth and sustainability.

Our partners, in terms of dealers and suppliers, are happy as their profits improved on the back of higher volumes; our customers are enjoying new products and rewarding us.

Having said all this, I feel that there is still a lot of work to be done in the area of manpower cost reduction, higher exports, improving customer satisfaction and achieving profitability in our construction equipment business. We are taking steps to improve and results should be visible in the next 2 to 3 years.

Q: Can you comment on Escorts Agri Machinery's performance in FY17 and prospects?



A: In FY17, our strong markets (North & Central India) grew by 12.5%, whereas our opportunity markets (South & West India) grew by 25%. We gained market share in both markets and increased our overall market share by 50 bps to 10.8%. This came on the back of successful launches of new Farmtrac products (Farmtrac 6055, 55 HP, T20 Gear box) and Powertrac products (Euro45 and Euro50). We are also investing deeper in our brands following the creation of separate channels for Farmtrac and Powertrac to enhance our marketing and sales

focus – a move that is expected to deliver market share and revenue gains in the next three years.

Our EBIT margins also went up by 221 bps to 7.3% on the back of reduced material cost. We successfully completed Project Shikhar, which aims to reduce the material cost of our tractors through VA-VE, design changes and applying cost-effective sourcing. We also launched new models for exports, namely Farmtrac 6080 Pro and Farmtrac 6090 Pro (Farmtrac Tractors in 80 and 90 HP), which shall help us develop key export

markets.

To achieve our stated target of establishing the Farmtrac brand as a leader in the higher HP category and position the Powertrac brand as a challenger in the mass-market category (reaching industry average margins of 15%), we started the LEAP program. There are four pillars of this program, which are aimed at increasing market share, back-end contribution margins, spares, while reducing fixed costs (including manpower). This shall be a three-year program and we are committed

to achieve our objectives. We shall continue to lower our blue-collar employee fixed cost through a VRS program and planned retirements. These initiatives shall make the Company lean and help us negotiate the down-cycle.

We are developing products to penetrate South and West India in the orchards and rice belts. We are strengthening our channels in these markets. We have identified key international markets and are in the process of completing our product portfolio from 12-110 HP, specifically for exports. This year, we will organize an International Day where we will showcase our portfolio for channel partners. We shall launch a Compact Series of tractors for the Indian and global markets. We have designed the look and styling of this tractor with the help of a global design firm of repute. I am sure our customers will look forward to this tractor.

As we look to gain volumes, we are planning to expand our capacity to 1.5 lac tractors per year. We shall watch the industry closely and shall commit resources with correct timing. We shall look to use our existing land resources as well as the now-available Escorts Auto Products premises.

As mentioned in the past, we are working in the direction of offering an end-to-end service (from land preparation to harvesting) for the paddy crop; we started a few centers in Andhra Pradesh and Odisha as pilots. This will evolve us from a product-centric approach to providing solutions to our customers.

In terms of people capability, we commissioned the Escorts Sales Academy to train and polish our front-end teams – including our own sales force as well as Dealership Sales Executives – so that all Escorts representatives speak the same language and provide the same customer experience across geographies. We are also working in developing digital platforms for training and capability-building.



We moderated our cost structure through material and financial savings; we grew our business without straining the Balance Sheet, resulting in a stronger ability to service the declining debt on our books, strengthening our long-term sustainability.





We are graduating from being product manufacturers into thought-leaders. We are transforming from being a conventional product company to one delivering wider, precision-based solutions, strengthening customer relationships.

Q: Can you comment on Escorts Construction Equipment's performance in FY17 and prospects?

A: The construction equipment industry in our segments grew by 33% in FY17. This is the second year of continuous growth. We feel that with a pickup in private investment, the momentum should continue. The government is also investing and facilitating private investments in road building, power and other infrastructure segments. India needs considerable infrastructure investment and the construction equipment industry shall play a key role in partnering nation-building.

Our volumes grew by 30% to 3,315 machines. We were able to break-even at the operating level in Q4 due to higher volumes. We introduced new products in the backhoe loader (JUNGLI) and crane segments (15-tonne Smart City Crane).

In our cranes portfolio, we are making a shift from the Hydra crane segment to Safe crane segment (next gen cranes), which shall result in a higher contribution margin and improved customer safety. We shall also develop cranes, which are safer to use and can pick up more load. In the backhoe loader segment, customers embraced our new product JUNGLI, which stands for brute power and is used in difficult applications. We aim to create a niche in the market and improve contribution margins per product.

At our backend, the strategic consolidation of the teams of EAM and ECE has started showing results. We improved material costs in ECE; the R&D team is conceiving new, innovative products. We shall work towards achieving the average industry operating margin in the next three to five years.

Q: Can you comment on the Railway Equipment Division's performance in FY17 and future plans?

A: The RED has been in a sweet spot in terms of sectoral tailwinds in the industry. The government is investing in Indian Railways infrastructure, rolling stock and new metro projects. Our revenues grew 6.5% on the back of new products. We got the approval for Bogie-Mounted Brake System and supplied a good set of units in FY17. Our Axle Mounted Disc Brakes are under testing and expected to be completed in FY18.

In the long-term, we would like to invest more in this business widening the moat. We shall expand our product portfolio through technology partnerships or inorganic opportunities. We shall look at filling technology gaps and approvals for new products, while exploring inorganic opportunities.

Q: Can we say that the Company is reinventing itself?

A: The reinvention of the Company is already happening and I am convinced that this has not come a day too soon. There is a growing understanding that much of what we know could be irrelevant across the next decade. The priority of the day then is to unlearn and re-learn; there is a growing need to focus on 'how to think' instead of the conventional focus on 'what to think!'

The 'how' related to thinking places deep responsibilities on future-focused companies like ours. For instance, companies like ours will need to step away from the routine towards the imaginative cutting-edge; companies like ours will need to respond with 'why not?' instead of the standard 'why?'; companies like ours will need to inspire, empower and liberate people into a different kind of thinking instead of complying with the usual. The broad message is that normal is going to be boring.

Q: Is Escorts prepared?

A: We have embarked on the journey to transform our destiny, competitiveness and respect.

In the reinvented Escorts, the focus is on 'change now!' as opposed to 'change'. We are graduating from being product manufacturers into thought-leaders. We are transforming from being a conventional product company to one delivering wider, precision-based solutions, strengthening customer relationships. We are evolving into a dependable global manufacturing partner focused on zero defects, data analytics and predictive forecasting. We are now a vibrant, youthful and gender-diverse workplace that makes us one of the most preferred employers in India.

Q: What are the other initiatives undertaken to strengthen business sustainability?

A: I am pleased to report that the future-facing Escorts will accelerate product launches, especially directed at the international markets; exports could account for a third of the Company's revenues in the foreseeable future. We intend to introduce Harvester, Implements and Planters as a separate implements business to address the requirements of a vast market of tractor owners. We believe that spare parts could be a large business opportunity capable of generating approximately 10% of our annual topline. We are working on initiatives that will bring our original tractor parts closer to our customers, within an attractive turnaround time-frame.

I must also add that the basis of organizational responsiveness is a lean structure. In view of this, Escorts is engaged in restructuring with the objective to enhance efficiency, discipline and customer responsiveness. Escorts is also working with leading, global auditing firms to strengthen its governance model and enhance stakeholder value.



There is a growing understanding that much of what we know could be irrelevant across the next decade. The priority of the day then is to unlearn and re-learn; there is a growing need to focus on 'how to think' instead of the conventional focus on 'what to think!'

Q: Is this constructive disruption some distance away at Escorts?

A: At Escorts, I am happy to report that this culture of constructive disruption has begun and has already started to reflect in our financials. Even as the year 2016-17 was challenging, Escorts outperformed India's economy by a factor of nearly 3x, which is creditable for a company whose prospects are driven largely by the national core sectors.

We moderated our cost structure through material and financial savings; we grew our business without straining the Balance Sheet, resulting in a stronger ability to service the declining debt on our books, strengthening our long-term sustainability. We generated larger surpluses at a time of hesitant consumer sentiment, accelerating our virtuous cycle that I am confident will translate into stronger financials and competitiveness.

Q: What is this expected to achieve for the Company?

A: I am optimistic that we expect to transform from managing to scaling the business, from a commitment to hygiene to upscale, from responsibility to accountability, from 'might achieve' to 'will achieve' and from aspiring to doing. The bottomline is that every Escortian will be the change that he or she wants to see. I am optimistic that as we proceed on this disruptive journey with a Blue Ocean mindset, we will enhance value for all stakeholders associated with our company.

Q: Where do you see Escorts in five years? What is the strategic direction of the Company?

A: We shall remain committed to creating shareholder wealth and nation-building in the areas of agriculture, infrastructure and railways.

We shall keep on creating technologically-superior products through in-house, frugal innovation and collaborations with technology companies for step-jumps. We aim to grow faster than the industry through these innovative products and reach industry-leading margins through stronger pricing power of our brands and technology, thereby enhancing our profits.

Guided by the strategic value of Customer Centricity, we shall take a solutions-centric approach rather than a product-centric approach. We shall aim to build Escorts as an 'employer of choice', thereby attracting, engaging and retaining the best talent.

In the end, I would like to thank my Board of Directors and Chairman for their continued guidance and support.

# How we have enhanced value in the last few years

## HIGHER REVENUES +21.20%

FY17*	4,167.58
FY16^	3,438.67
FY15	3,985.83
FY14*	4,262.68

Revenues (₹ in crores)

### Definition

Income from operation gross of excise.

### Why we measure

This measure reflects the result of our ability to understand market trends and service customers with corresponding products, superior technologies and competent supply chain management.

### Performance

Our aggregate sales increased 21.20% to ₹4,167.58 cr in FY 17, which compared favorably with the growth of the country's engineering sector.

## GROWING PROFITS +83.17%

FY17*	323.71
FY16^	176.73
FY15	161.40
FY14*	273.99

EBITDA (₹ in crores)

### Definition

Earning before the deduction of fixed expenses (interest, depreciation, extraordinary items and tax).

### Why we measure

It is an index that showcases the Company's ability to optimize business operating costs despite inflationary pressures, which can be easily compared with the retrospective average and sectoral peers.

### Performance

The Company's EBITDA grew every single year through the last 3 years. The Company reported 83.2% increase in its EBITDA in FY 17 – an outcome of painstaking efforts of its team in improving operational efficiency.

## ROCE +585 bps

FY17	13.04
FY16	7.19
FY15	6.43
FY14*	11.33

ROCE (%)

### Definition

It is a financial ratio that measures a company's profitability and the efficiency with which its capital is employed in the business.

### Why we measure

ROCE is a useful metric for comparing profitability across companies based on the amount of capital they use – especially in capital-intensive sectors.

### Performance

The Company reported a 585 bps increase in ROCE in FY 17 – a showcase of prudently investing every rupee in profitable spaces that generate higher returns for shareholders.

## GEARING -7 bps

FY17	0.13
FY16	0.20
FY15	0.28
FY14*	0.24

Debt-equity ratio

### Definition

This is derived through the ratio of debt to net worth (less revaluation reserves).

### Why we measure

This is one of the defining measures of a company's financial health, indicating the ability of the Company to remunerate shareholders over debt providers (the lower the gearing the better). In turn, it indicates the ability of the Company to sustain growth in profits, margins and shareholder value.

### Performance

The Company's gearing moderated from 0.28 in FY15 to 0.13 in FY17. We recommend that this ratio be read in conjunction with net debt/operating profit (declining, indicating a growing ability to service debt).

## NET PROFIT +91.57%

FY17	160.44
FY16	83.75
FY15	74.71
FY14*	179.28

Net Profit (₹ in crores)

### Definition

Profit earned during the year after deducting all expenses and provisions.

### Why we measure

It highlights the strength in the business model in generating value for its shareholders.

### Performance

The Company's net profit grew every single year through the last 3 years. The Company reported a 91.57% increase in its Net Profit in FY17 – reflecting the robustness and resilience of the business model in growing shareholder value despite external vagaries.

## EBITDA MARGIN +263bps

FY17	7.77
FY16	5.14
FY15	4.05
FY14*	6.43

EBITDA margin (%)

### Definition

EBITDA margin is a profitability ratio used to measure a company's pricing strategy and operating efficiency. Higher the operating margin, better for the Company.

### Why we measure

The EBITDA margin gives an idea of how much a company earns (before accounting for interest and taxes) on each rupee of sales.

### Performance

The Company reported a 263 bps increase in EBITDA margin in FY 17. This was the result of enriching its product basket with superior products and higher, improved operating efficiency across the business.

## AVERAGE DEBT COST -156 bps

FY17	9.98
FY16	11.54
FY15	12.22
FY14*	15.22

Average debt cost (%)

### Definition

This is derived through the calculation of the average cost of the consolidated debt on the Company's books.

### Why we measure

This indicates our ability in convincing bankers and other debt providers of the robustness of our business model, translating into a progressively lower debt cost (potentially leading to higher margins).

### Performance

The Company's debt cost has progressively declined from a peak 15.2% in 2014 to 9.98% in FY17. We recommend that this ratio be read in conjunction with our rising interest cover (rising, indicating higher liquidity).

## INTEREST COVER +683 bps

FY17	10.40
FY16	3.57
FY15	2.83
FY14*	4.06

Interest cover (bps)

### Definition

This is derived through the business of EBITDA by interest outflow.

### Why we measure

Interest cover indicates the Company's comfort in servicing interest, the higher the better.

### Performance

The Company's interest cover has progressively increased, strengthening the financials.

\*Annualised for 18 months  
^From continuing operations

\*Annualised for 18 months



Our strengthening financials

“The year 2016-17 was extraordinary for Escorts; the Company reported profitable growth in a challenging year.”

Bharat Madan, Group Chief Financial Officer



**Business overview**

Escorts Limited is one of India’s leading agri machinery companies with a substantial portfolio of premium, higher HP tractors. The Company also possesses an unmatched construction equipment portfolio that is used across a wide range of core infrastructure developmental projects. These business units, together with the fast-growing railway business, positioned us attractively to capitalize on sectoral opportunities.

Overall, the Company performed well in 2016-17, led by a strong performance of the agri-machinery business after two years of lacklustre growth. The construction equipment business reported positive EBIT in the fourth quarter of 2016-17; the railways business saw its EBIT grow 36.66% during the year.

The agri-machinery business continued to contribute the largest chunk of about 80.3% to the consolidated revenues from continuing operations and 114.5% to the consolidated EBITDA.

Financial dashboard

**Agri-Machinery**

Sales volumes (units)		Revenue (₹ crore)		EBIT (₹ crore)	
2015-16	2016-17	2015-16	2016-17	2015-16	2016-17
51,455	63,786	2,734.28	3,346.00	223.56	344.65
<b>23.96 % growth</b>		<b>22.37 % growth</b>		<b>54.16 % growth</b>	



The agri-machinery business continued to contribute the largest chunk of about 80.3% to the consolidated revenues from continuing operations and 114.5% to the consolidated EBITDA.

**Construction Equipment**

Sales volumes (units)		Revenue (₹ crore)		EBIT (₹ crore)	
2015-16	2016-17	2015-16	2016-17	2015-16	2016-17
2,555	3,315	496.51	606.76	(25.73)	(13.82)
<b>29.75 % growth</b>		<b>22.20 % growth</b>		<b>46.30 % growth</b>	

**Railway Equipment**

Revenue (₹ crore)		EBIT (₹ crore)	
2015-16	2016-17	2015-16	2016-17
227.76	242.47	22.45	30.67
<b>6.46 % growth</b>		<b>36.66 % growth</b>	

**Net profit profile**

Net profit (₹ crore)		Net profit margin (%)	
2015-16	2016-17	2015-16	2016-17
83.75	160.44	2.37	3.80
<b>91.57 % growth</b>		<b>144 bps growth</b>	

**Earnings per share profile**

Earnings per share (₹)	
2015-16	2016-17
6.97	13.43
<b>92.73 % growth</b>	

**Market capitalization (BSE)**

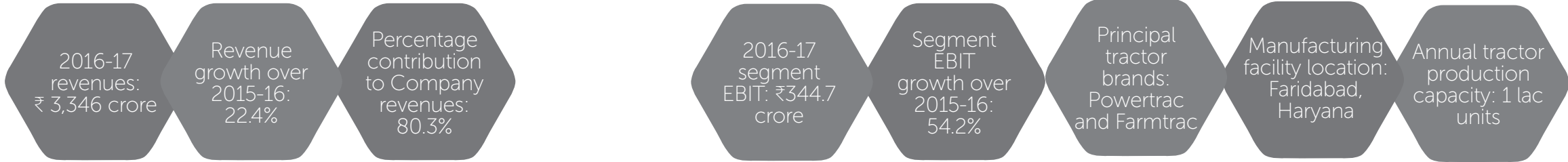
Market capitalization* (₹ crore)	
As on 31 March 2016	As on 31 March 2017
1,708.7	6,603.8
<b>286 % growth</b>	

\* Refers to day-close market capitalization



Business review

# Agri Machinery

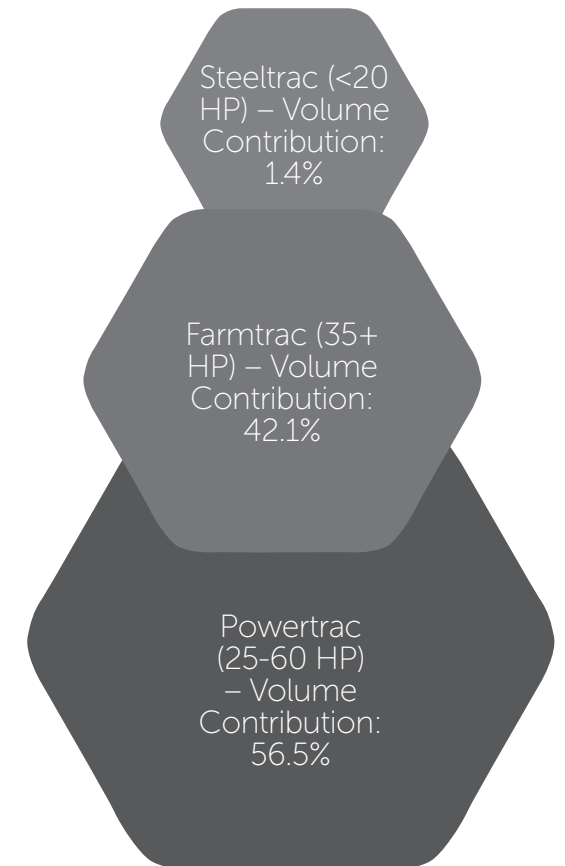


Overview

Established almost half a century back, Escorts' agri-machinery business is among the oldest in India, launched with the intention of reducing farmer workload and enhancing agricultural productivity through farm mechanization.

Over the years, Escorts has transformed into a technology-led and innovation-driven enterprise, catering to the holistic needs of the Indian farmer through established brands like Powertrac and Farmtrac that offer superior design, comfort, safety, mileage and performance.

The Company's brands enjoy superior recall on account of their widespread farm presence; there are over 10 lac Escorts tractors across Indian farms today, helping the country enhance agricultural productivity across crop and soil types.





# Strengths

**Visibility:** Escorts is among the largest tractor companies in the largest market of the world; the brand enjoys a 16.3% share in its core markets of presence (North and Central India)

**Footprint:** Escorts tractors are marketed in more than 54 countries (Europe, Africa, SAARC countries, West Asia, South East Asia and Latin America, among others)

**Integrated:** Escorts manufactures almost 70% of critical components in-house, ensuring tighter cost and quality control

**Locations:** Escorts tractors are manufactured in three Faridabad units (Haryana) and one in Poland (Europe) with a cumulative annual installed capacity of over 1,00,000 units per annum

**Products:** The Escorts value proposition is centred around two cherished brands – Powertrac (mid-range brand, 25-60 HP) and Farmtrac (premium brand, 34-75 HP)



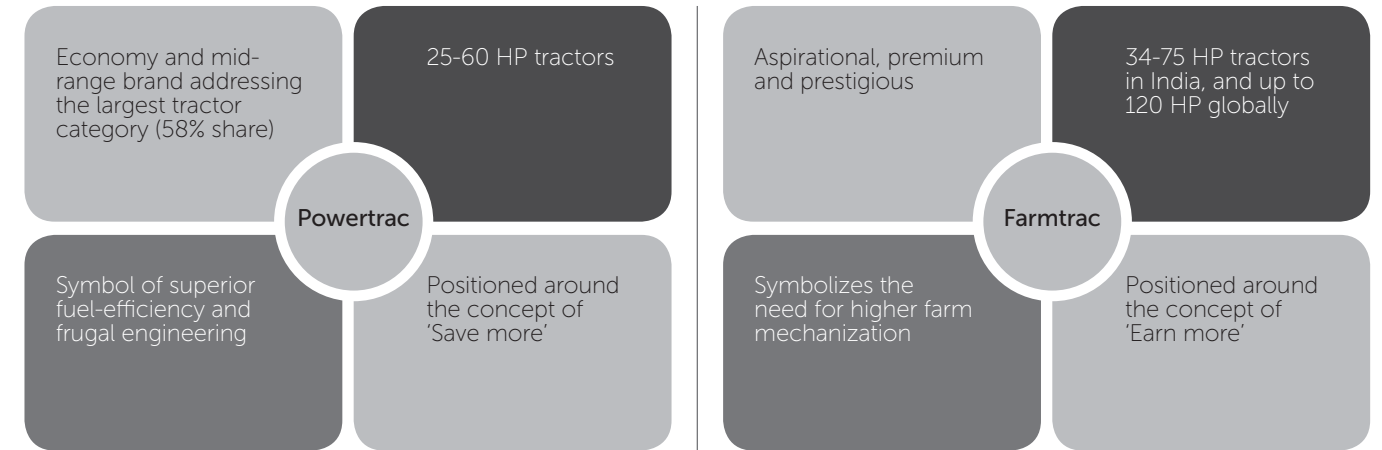
**Innovation:** Escorts introduced 20+ products/ variants over three years; volumes of 21,066 units in 2016-17 were derived from products launched in the last three years

**Range:** Escorts provides one of the largest tractors range of 225 variants/ models (25-75 HP) that comprehensively covers the country's mid and premium segments

**Extension:** Escorts has extended beyond product focus to holistic crop solutions, transforming a one-off farmer engagement into an ongoing relationship

**Distribution:** Escorts' 800+ strong dealer network plus 1,100+ sales outlets distribute products, provide after-sales service and after-market tractor dealership

# Our respected tractor brands



# Core operating highlights, 2016-17

- Advanced all-India market share by 50 bps to 10.8%, a creditable achievement in a competitive environment. The Company gained market share across all major states; the market share in strong markets was up 100 basis points and in opportunity markets it was up 50 basis points
- Increased tractor production by 24% to 12359 units. Domestic sales grew at 24% to 12001 units
- Achieved near-homogenous market share gains, indicating the successful play-out of our customer acquisition and retention strategies; at a granular level, in our northern stronghold markets, we became stronger while enhancing share across southern markets, our emerging geographical focus area
- Launched the Powertrac Euro Series brand in the higher HP (60 HP) tractor category; the portfolio enabled the Company to reap higher EBITDA contributions because of the premium nature of this tractor brand, which was targeted at the sophisticated markets of Punjab, Haryana, Rajasthan, etc.; launched Powertrac Euro 45 and 50 (41-50 HP tractors), which combined style and comfort with power and performance
- Introduced Farmtrac 6055 T20 Classic, the world's first dual HP tractors with a 20-speed gearbox; the product was well-received, especially since the Company offered extended peak performance with service only after 500 hours of equipment utilization; also launched the Farmtrac Classic Series (41-50 HP), positioning it as 'kheton ka king' – the product enjoys a combination of best-in-class modern design, powerful looks and world-class technology
- The Anti-Lift Tractors (ALT) Series provided users the convenience of equipment 'anti-lift', enabling a larger haulage while protecting the asset from damage
- Reported higher exports under our Heritage Series comprising powerful 75 HP and 90 HP tractors in the markets of Cambodia, Bangladesh, South Africa, Poland and Germany, etc; exports grew 44% to 1,087 units
- Focused on major shopfloor cost optimization initiatives anchored around value-engineering, resource consumption moderation, enhanced automation, superior equipment design cum functionality with higher people productivity

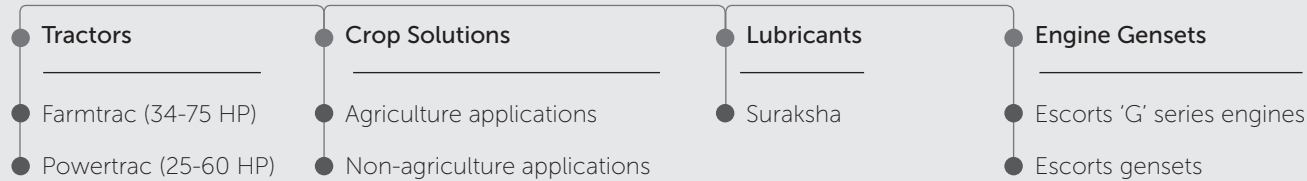
- Sustained Project Shikhar (launched June 2014) to moderate raw material costs with the objective to strengthen EBITDA margins from this business. During the year under review, the Company sustained cost moderation by 90 basis points to 67%, translating into enhanced competitiveness.
- Extended beyond product sales to holistic crop solutions. The Company

entered this exciting niche through services to farmers in Odisha and Andhra Pradesh without their having to buy tractors, validating its presence through enhanced farmer productivity.

- Responded to a growing customer preference for higher denomination (41 to 50 HP) tractors on account of better productivity, collaborative farming and higher irrigation intensity.

In line with this, Escorts introduced the Euro 45 and Euro 50 series under the Powertrac brand and Classic Series in the 41-50 HP category of the Farmtrac brand in FY16. The launch of these models helped the Company arrest decline and improve market share with a 120 bps rebound to 10.9% in FY16 and 80 bps gain to 11.7% in FY17.

## Our product basket



### Continued focus on premiumization – Growing share of higher HP tractors

<30 HP		31-40 HP		41-50 HP		>50 HP	
2015-16	2016-17	2015-16	2016-17	2015-16	2016-17	2015-16	2016-17
2.0%	1.8%	45.4%	40.6%	48.7%	53.1%	3.9%	4.5%

#### How Escorts is disrupting the status quo through Powertrac ALT

This brand was introduced as a haulage-cum-agriculture product. Ideal for river beds, mining and areas with unsafe gradient. The traction was positive and the Company intends to increase volumes.

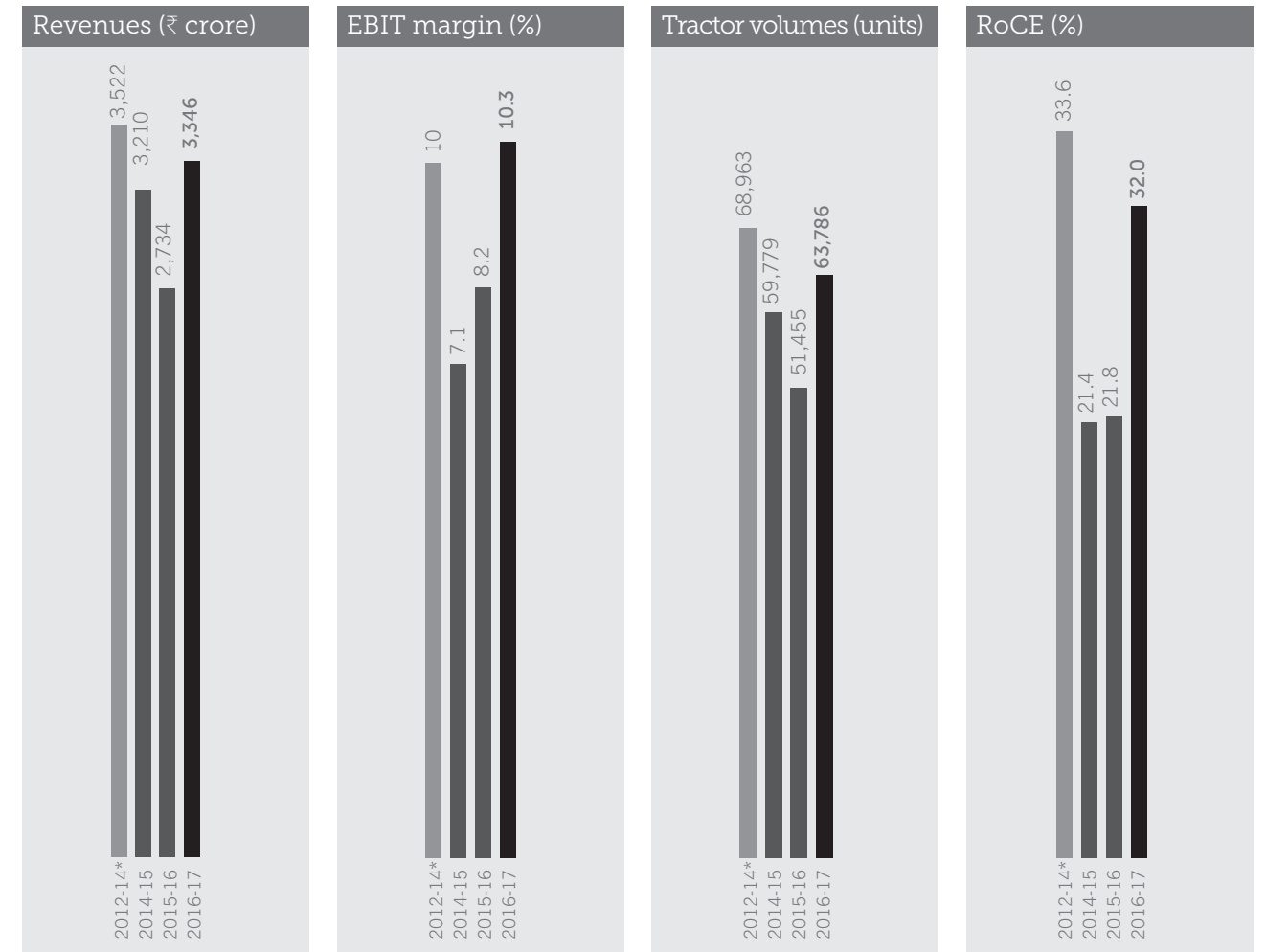
#### How Escorts is disrupting the status quo through Farmtrac 6055 T20 Classic

Launched the world's first dual HP tractor with a 20-speed gearbox. Well received. Offering 25% higher fuel-efficiency. Provides extended peak performance with service only after 500 hours of equipment utilization.

#### Prestigious recognition for our shopfloor!

Our Agri Machinery units received the TPM Award for Shopfloor Excellence from the highly respected Japan Institute of Plant Maintenance.

# Key financial highlights, 2016-17



\*Annualised

### Financial commentary

- Over the past few years, EBIT margins consistently improved on the back of premium pricing, new product launches of a higher HP denomination and focused value-engineering
- In 2016-17, EBIT margins rode these factors as well as sectoral growth (tractor volumes increased to 5.81 lacs units from 4.93 lacs units in 2015-16)

### Focus areas

- Escorts charted a three-year roadmap for this business - higher tractor market share, aligning cost-to-value to global benchmarks and higher EBIT margin

- The business expects to increase product launches in the higher HP category; the business also expects to focus on launching customized tractors for specific crops and soil fertility levels
- The business intends to access cutting-edge global technology that could strengthen its positioning
- The business intends to enlarge the coverage of its crop solutions across a larger geographic area, reaching a larger community of farmers
- The business intends to grow the contribution of exports following traction of the Heritage brand in existing markets and new markets of

- Africa, South East Asia and specific markets of the US and Europe.
- The business will focus on capacity ramp-up through increasing utilization (~66%), which will not only enable the Company to counter competition better but to generate a superior ROCE following higher revenues
- The business intends to sustain marketing and other customer-centric activities, continuing to educate the target audience on the importance of farm mechanization, the deep utility of Escorts tractors, demonstrating appropriate farming methods and enhancing equipment utilization on model farms



# The opportunity landscape



10.8

Escorts share of the Indian tractor market, 2016-17 (%)

6.9

Escorts share of the premium (50HP+) Indian tractor market, 2016-17 (%)

18

The growth in India's tractor market, 2016-17 (%)

24

The growth at Escorts' tractor business, 2016-17 (%)

5.81

The annual market (lacs) for tractors in India, the largest in the world, 2016-17

62,699

Number of Escorts tractors sold in domestic market, 2016-17

# Optimism from the Business Head



Mr. Ravi Menon, CEO, Escorts Agri Machinery



After two successive de-growth years, the Indian tractor industry grew 18% to 5.81 lacs units in 2016-17. The long-term structural fundamentals are strong: increasing farm mechanization, minimum support prices for key crops, labour scarcity, easy government credit availability, lower equipment replacement cycle and hopes of good monsoons (medium-term).

"At Escorts Agri Machinery, our principal objective will be to strengthen the existing business and rejuvenate the income profile through increased revenues derived from new products and new business initiatives.

"On the one hand, we will continue to launch higher HP tractors backed by ownership prestige, distinctive functionality, ease of use and optimized operating costs. On the other hand, we intend to graduate beyond product to service through the delivery of overall crop solutions, which we believe will help farmers drive productivity, yields and income.

"We believe that a sizable opportunity awaits us in the international markets, where we are optimistic of increasing sales from about 1,000-plus tractors in 2016-17 to about 8,000 to 10,000 units across the medium-term.

"This dynamic combination of projected growth from our existing business, coupled with the reinvention of our approach from product to service and a larger export footprint should graduate the performance of our flagship business to the next level with extensive implications for the entire company."



Business review

# Construction Equipment

- 2016-17 revenues: ₹606.76 crore
- Revenue growth over 2015-16: 22.20%
- Percentage contribution to Company revenues: 14.5%
- Principal products: Material Handling, Earth Moving and Road Compaction
- Manufacturing facility location: Faridabad, Haryana



## Overview

To leverage deep engineering skills and production infrastructure by the virtue of a longstanding presence in tractor manufacturing, the construction equipment business was launched in 1971. Over the years, the business has come to offer holistic solutions that find application in core construction infrastructure sectors like roads, real estate, mining, irrigation, power, urban development and airports, through material handling and construction equipment. With a near 10% market share in the served market, the Escorts brand enjoys an attractive offtake of pick-and-carry cranes, backhoe loaders, compactors, construction cranes (like Rough Terrain 360-degree Slew Cranes, Tower Cranes) and forklift trucks.

The Company pioneered the concept of pick-n-carry hydraulic mobile cranes in India around 40 years ago and extended the product portfolio by manufacturing cranes in technical collaboration with Faun (Germany), Ransom & Rapier (UK) and Franna (Australia).

The business also ventured into the manufacture of vibratory compactors; it

is credited with manufacturing the first vibratory compactors in India in the 80s. Initially, compactors were manufactured in technical collaboration with Dynapac (Sweden) and later, new generations of compactors were introduced in India through a technical tie-up with HAMM (Germany).

The business made a foray into the earthmoving segment with the launch of its in-house designed backhoe loader a few years ago, gradually establishing itself as a key player in the segment.

The Company has a pan-India network of 16 sales offices, 120 dealership locations and over 300 company-trained service engineers. The Company launched initiatives under the banner of 'Being Proactive and Customer Centric' with the objective to 'Get, Keep & Grow' the customer base.

- Material Handling Equipment**
  - Hydraulic mobile cranes
  - Construction cranes like Slew Cranes & Tower Cranes
  - Forklifts Trucks
- Earth Moving Equipment**
  - Backhoe loaders
  - Loaders
- Emerging Products**
  - Compactors
  - Motor Graders
  - Other Utility equipment

# Strengths

**Portfolio:** The industry's most extensive product, offering, which suits every requirement of the customer within the material handling and construction industry. The offerings are value-for-money with a promise of lowest downtime, low maintenance, modest lifecycle costs and attractive after-market value.

**Service:** Strong service through a dedicated 50-member service team and 300 dealer service team, promising response within an average 12-24 hours and vehicle attended within 48-72 hours.

**Customer Care:** Call for logging customer voices with rigorous monitoring to close customer complaints within 72 hours.



**Alliances:** Exclusive pan-India arrangement for sales with Doosan Infracore for Forklift Trucks, Comansa (Spain) for tower cranes and Fassi (Italy) for articulated boom cranes. Some 2% of 2016-17 revenues were derived from traded products, which we intend to grow in the coming years.

**Distribution:** Strong, pan-India 50+ dealer network, with 120 dealer locations, 16 company sales offices makes us reach every corner of the country. The Company believes in building long-term relationships with its dealers and customers.

**Knowledge:** Robust engineering and product knowledge, enhancing brand credibility.

# Our customers

Our customers include all major segments, starting from a retail operator-turned-entrepreneur, to a fleet owner, mid-sized construction company, large corporates and government entities.

# Our products showcase

**Material Handling**

- Pick-n-carry cranes – Hydra Series
- Pick-n-carry cranes – TRX Series
- Construction cranes
  - o Rough Terrain Slew Cranes
  - o Flat Top Tower Cranes

**Earth Moving equipment**

- Backhoe Loader
- Wheel loader
- Motor grader

**Road Compaction Equipment**

- Soil vibratory rollers
- Tandem vibratory rollers
- Mini tandem vibratory rollers

**Forklift trucks**

- Pro 5 series

# Core operating highlights, 2016-17

- Achieved 30% growth in sales to 3,315 units, the business capturing a near 10% market share in the served market of material handling equipment, backhoe loaders and compactors. All major segments like earth moving, material handling and road construction equipment reported positive movement.
- Transformed the business into EBITDA-positive in the fourth quarter after almost 22 quarters of EBITDA being negative. One of the reasons for this was market outperformance – while the industry grew in the range

of 10-12%, Escorts' construction equipment business grew at about 20%.

- Backhoe loader was the biggest gainer for the Company in FY 2017 with a growth of 49%, followed by compactors (43%) and cranes (23%)
- Introduced the Jungli 4x4 backhoe loader with a 75 HP Escorts engine, best-in-class productivity and 4WD as a standard feature; due to ease of functionality and optimised operating costs, this product received a favourable response

- Launched the CT Smart 15 with a low turning radius, positioned as a Smart crane developed for the government's Smart City projects
- Launched the premium Hydra 14 EX Plus with a heavy counterweight, air brakes and heavy duty rear tyres as standard features, with a bigger Escorts engine (95 Bore) and high backup torque
- Achieved a 43% growth in exports compared to last year; exports were made to SAARC, Middle East, Africa, Turkey and Argentina



# Key financial highlights, 2016-17

## Revenues (₹ crore)



## Total volumes (units)



\*Annualised

## Financial commentary

- The business focused on product premiumization; all three major products launched during 2016-17 addressed the premium range with a cascading impact on revenues and return on capital employed
- The business's focus on expanding volumes – domestically and exports – facilitated a superior coverage of fixed costs and margins expansion
- Focused cost optimization led to enhanced margins

## Focus areas

- Rationalization of material costs through better negotiations with material suppliers
- Enrichment of the product mix to target higher margins and faster swing-back to sustainable profitability
- Increase in sales to neighboring markets by setting up a more robust dealership structure; focus on backhoe loaders for exports to the Middle East
- Strengthening of network utilization and market access, leveraging the dealership of Escorts' agri machinery business in Asia
- Increasing sales of spare parts to strengthen revenue streams
- Expansion of dealerships and outlet reach; exploring channel financing
- Graduating to sales of higher segments (14 or 15 tonnes) which are now seeing a superior traction
- Growth of the business at 10% to 12% CAGR for two to three years by launching innovative products

# Optimism from the Business Head



Mr. Ajay Mandahr, CEO, Escorts Construction Equipment



As per PwC estimates, the infrastructure market could reach US\$6.6 trillion by 2025. The Indian government has already called for an investment of US\$1.0 trillion in infrastructure between 2017 and 2022.

"Assuming that the construction equipment penetration remains at the current level, the industry would have a potential to generate about US\$20 billion worth of business in the next five years. This is an unprecedented level of opportunity for the construction equipment space."

"We are on the path of recovery and rebuilding our product portfolio to capitalize on this mammoth opportunity by:

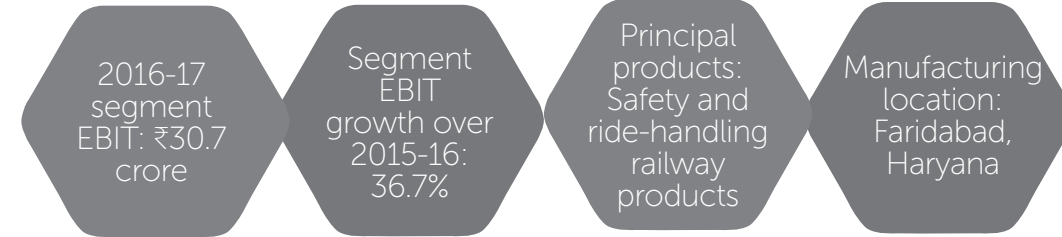
- Developing means to understand and address the evolving and future needs of our customers
- Revitalizing our pioneering spirit
- Expanding our product portfolio to increase our served markets
- Developing aftermarket products and capability to create differentiation

The industry has already hit the sweet spot and we are attractively placed to benefit."



Business review

# Railway Equipment



Overview

Escorts ventured into this segment in 1962 in view of the vast sectoral opportunity. The business is engaged in the manufacture of cutting-edge products for the Indian Railways backed by a world-class R&D team. The business has specialized in the safety, comfort and reliability niche.

In an important development, the business of auto products was divested in favour of Pune-based Badve Engineering Limited in 2016, to cut losses and vacate a business that required consistent capital infusion. The sum realized out of the sale was used strategically across the Group, benefiting businesses.

The RED business is a market leader across all product offerings. The business develops cutting-edge technology products in a state-of-the-art research and design facility (Faridabad) through collaboration with leading technology providers. The business is ISO 9001:2008-certified with products conforming to Indian RDSO (Research Design & Standards Organization) and international standards (UIC and AAR, among others). The business received the Railway industry's most coveted certification – IRIS Certification – which will enhance the global brand of the business. The business forged seven partnership agreements with prominent global players with the overriding agenda of rapid localization of components manufacture in India.

The business's manufacturing facility is spread across 12,500 sq. m (Faridabad), housing robust production and testing facilities. The business also possesses strong quality practices and systems backed by state-of-the-art calibration facilities and a standard room (including automatic 3D CMM and other facilities selected around MSA principles).

# Key competitive strengths

## Portfolio

- The business addresses the growing needs of Indian Railways and Metro rail products
- The business focuses on the safety, comfort and reliability niche
- The business offers diverse products (brake systems, couplers, suspension systems, composite materials, vestibules, and testing equipment)

## Marketplace

- The business enjoys more than half a century of close working with the Indian Railways, its principal customer, and the emerging Metro segment.

## Manufacturing Culture

- The business leverages lean manufacturing concepts in the manufacture of multiple technology-based products
- The business reconciles inspection, measuring and testing equipment for destructive and non-destructive inspection and analysis of products (components, sub-assemblies, assemblies and system solutions)
- A strong zero-defect culture is the result of 5S Visual Management and TPM, among others

## Infrastructure

- Manufacturing infrastructure comprises state-of-the-art CNC machines, hydraulic power presses, Brake System Assembly Line, Coupler Assembly Line, Dampers Assembly & Painting Line, Rubber and Friction Material Mixers/Kneaders, Injection and Compression Moulding Machines.
- Dust-free, air-conditioned assembly shops manufacture critical products
- The fully-equipped testing laboratories conduct detailed examination/analysis

# Core operating highlights, 2016-17

- Reported overall revenue growth for the segment at 6.5% to ₹242.5 crores as against ₹227.8 crores in the previous fiscal. EBIT margin was up 280 basis points to 12.7% as against 9.9% in the previous fiscal.
- The order book more than doubled and continues to grow
- Focused on portfolio rationalization with an emphasis on higher margin and higher technology products

- Received approval for bogie-mounted brake systems from the Indian Railways; commenced commercial supplies
- Received approval for the shock absorber system (used in advanced coaches) from the Indian Railways
- Launched axle-mounted disc brake systems
- Created a robust R&D set-up with

a 30-member team drawn from companies like Bombardier and Alstom; this reflects our increasing focus on technology and innovation

- Invested in sophisticated machinery; all high-end work was executed in-house which helped protect design integrity, confidentiality and quality-cum-cost control; higher automation helped rationalize the workforce

# Opportunity landscape

## Overview

- Escorts addresses the growing needs - safety, comfort and reliability - of the fourth largest railway network in the world.
- The Indian Railways is expected to invest ₹6-8 lakh crore across the 13th Five-Year Plan
- The country intends to invest ₹6 lakh cr in Metro Rail and MRTS infrastructure across the decade

## Strategy

- Presence across diverse rolling stock segments (passenger coaches, locomotives, wagons, EMUs and metro/ MRTS)
- Focus on lean and frugal engineering leading to operational excellence

## Product

- Mix of in-house manufacturing, technology transfer agreements (and buyback) and contract manufacture
- Development of high-end, next-generation equipment (for instance, bogie-mounted brake systems and axle-mounted disc brakes, among others)
- Tie-up with global technology giant Honeywell for incorporating global best practices and developing world-class products
- Extension into other systems and components (fire protection and retardation systems) for the Indian Railways

# Our Railways products

## Passenger coaches

- Axle-mounted disc brake systems
- Air brake/ accessories for conventional coaches
- Brake blocks
- Shock absorbers
- Fire-retardant vestibules
- AAR H couplers
- Air Spring

## Locomotives

- Feed valves
- Dampers
- Brake blocks
- Couplers
- Computer-controlled brake system (under development)

## Wagons

- Air brakes/accessories
- Brake blocks

## Locomotives

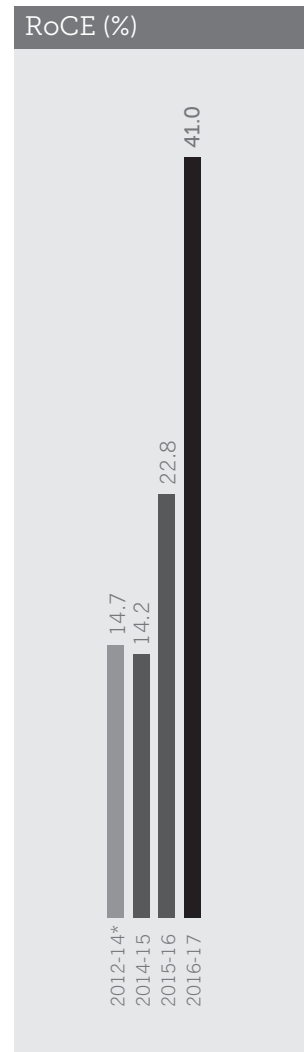
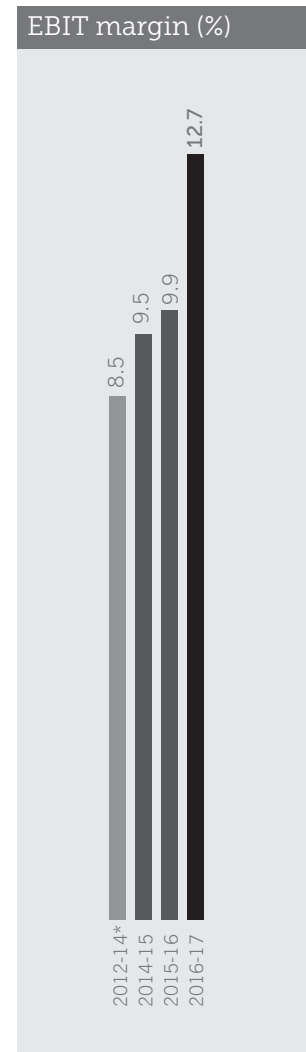
- EP/ pneumatic brakes and accessories
- Dampers
- Semi-permanent couplers
- Brake blocks
- Parking brakes

## Metro (Under Development)

- Dampers
- Brake systems
- Door systems
- Air Spring



# Key financial highlights, 2016-17



**Focus areas**

- Develop technology-oriented Brake Systems for all types of rolling stock, enhancing manufacturing, engineering and testing capabilities
- Optimize manpower and enhance productivity
- Progressively indigenise products like Axle Mounted Disk Brakes, enhancing margins
- Proposed launch of Locomotive Brake Electronics, a high margin product
- Enhance presence across the country's Metro network

\*Annualised

**New era of Indian Railways**

With the Spanish Talgo trains on trial run in India, the age of sophisticated trains in India has arrived. This train can significantly moderate travel time with speeds of up to 200-350 kmph. The Tejas trains connecting Mumbai and Goa have already shrunk travel time by a third, ushering a new modernization wave across the Indian Railways network!

**Unprecedented metro expansion**

The Union government is all set to double the metro rail network over the next 18 months adding four new cities to the metro map. By March 2019, 19 new sections in nine cities would be commissioned, adding 313 kilometres to the existing 370-km metro network. Statistically this translates to 313 km made operational in 19 months as compared to 370 km made operational over the last 33 years in eight cities since the first metro service began in Kolkata in 1984.

# Optimism from the Business Head



Mr. Dipankar Ghosh, CEO, Railway Equipment Division



The Indian Railways offers a large opportunity for growth considering that the total Plan Expenditure during the 12th Five-Year Plan was increased to USD 70 billion from the 11th Five-Year Plan level of USD 32 billion.

Besides, as per the Rail Budget 2016, as much as ₹8.5 trillion will be invested in the railways over five years.

"These investments will be made in Indian Railways, Metro systems for Tier-2 cities, dedicated freight corridors and high-speed railway corridors and new technology."

"In a landmark development, the Narendra Modi government allowed 100% FDI in railways infrastructure, which has opened the market to larger investments in sophisticated technology."

"With decades of rich experience in the manufacture of critical railway systems (safety and comfort), Escorts has played a major role in the ongoing modernization of the Indian Railways. With a strong product pipeline, world-class manufacturing and technological partnerships, a robust R&D setup and multi-year supply relationships, we are poised to achieve our aspiration of emerging among the top two component and solution providers to the Indian Railways and Metro network across the next five years."



# Capability & Competence Building

At Escorts, we believe that our competitive advantage is resident within our people.

Our people bring to the Company a diverse ferment of multi-sectoral experiences, academic qualifications and domain knowledge drawn across ages, genders and regions.

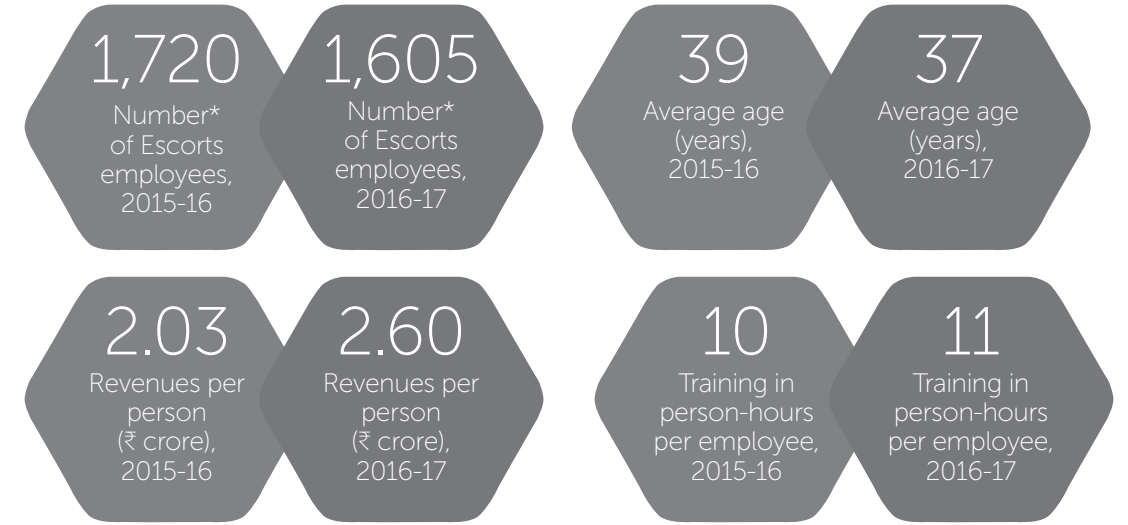
More than this complement, our people bring to the Company a distinctive passion. This passion has been reflected in our ability to disrupt the sectoral or corporate status quo and enhance the Company's engineering competitiveness, reflecting in lower costs,

superior product quality and enhanced customer delight. Besides, the passion of the people at Escorts has been underlined by the Company's enunciated values comprising a Respect for People, Empowerment, Transparency and Collaboration.

The result is that Escorts has evolved into one of the most respected engineering companies in India with corresponding market leadership in the businesses of its presence. This leadership has been derived through the following people-centric initiatives:



Our people bring to the Company a distinctive passion. This passion has been reflected in our ability to disrupt the sectoral or corporate status quo and enhance the Company's engineering competitiveness, reflecting in lower costs.



\*Excludes blue collar; retainers and contractuels

**Competence building:** In a rapidly-changing world that warrants a continuously evolving set of competencies, training is an ongoing organizational priority. The Company invested nearly three days of training per person per year; nearly 100 training programs were conducted, addressing specific competence gaps. The Company focused on the functional, behavioral and technical training for enhancing engagement and productivity. In addition, as part of building the leadership pipeline, the Company created a pool of high potential employees by imparting quality training and development programs.

We also invited eminent personalities to engage with employees across different subjects as part of outside-in approach to competence development.

**Dialogue:** In a world where marketplace realities change all the time, it was imperative for the Escorts management to communicate prevailing realities with its various teams. The Company strengthened the management-employee dialogue process by conducting more than 40 Town Halls with the Managing

Director, covering a large number of employees across all levels. These meetings enhanced information cross-flow, motivation and an understanding of the organizational priorities and future direction.

**Talent acquisition:** In a world that places a premium on building talent pool, the Company continuously focused on talent acquisition along with initiatives to enhance people retention. The Company was invited by premier engineering colleges and business schools to recruit fresh graduates/MBAs. We focused on recruitment from diverse regions, enriching our workplace with different perspectives. In turn, these initiatives translated into sectoral outperformance (record profits, increased margins and lower debt, among other things), value-addition, cost management, product breakthroughs and superior customer service.

Going ahead, the Company intends to focus on the three Cs: Capability, Culture and Customer. Besides, the Company will continue to enrich its work culture around employee engagement, excellence, coaching, enhanced transparency and team performance.



# Corporate Social Responsibility

At Escorts, care, concern and social empowerment lie at the core of our business model. To us social empowerment is not an option, but a business imperative. It encompasses our business objectives, our responsibility to the society, the eco-sphere and efforts to enrich the lives of our workforce.



## ESCORTS SCHOOL(S) WASH

### Mission

Addressing the requirement of Water, Sanitation and Hygiene (WASH) in government schools in Faridabad.

'Swachh Bharat: Swachh Vidyalaya' is the national campaign driving 'Clean India: Clean Schools'. A key feature of the campaign is to ensure that every school in India has a set of functional and well-maintained WASH infrastructure and facilities.

The Escorts School WASH project was planned in 2015 to address the lack of basic amenities in government schools in Faridabad. For robust functioning of the project, gaps in the ecosystem were identified including capacity building initiatives through WASH, a concept globally recognized and accepted. In 2015-16, 13 schools were covered and in 2016-17 another five schools were covered.

### Project highlights

- Project covered 7,941 students.

- A three-stage implementation through Hardware Intervention, Software Intervention, Monitoring & Sustainability.

- Development of Information, Education & Communication (IEC) materials.

### Indicators for success

- Behavioural changes in stakeholders.
- Reducing the incidence of girls dropout due to lack of basic hygiene infrastructure.
- Increased awareness among community holders on environmental issues related to water, sanitation and hygiene.

## LANDSCAPING OF GREEN BELTS

### Mission

To promote a green and clean environment in Faridabad by converting dilapidated green

covers with proper landscaping and correspond to the Smart City scheme. Prevalent global climate change, rapid environmental deterioration and declining natural resources have affected the way in which we approach environment sustainability. The project, started in 2015, helped increase green footprint within the city. One tree plantation removes 26 pounds of carbon dioxide from the atmosphere annually, equalling 11,000 miles of car emissions.

### Project highlights

- Helped restore the ecological balance; reduced carbon footprint.
- Two water points were created to maintain the landscape; the green belt was barricaded for the upkeep and protect from stray animals.
- Tree plantation was initiated in Sector 13/14, to celebrate World Environment Day on June 5, 2016.



### Indicators for success

- Supplementing the largest plantation effort; increased green footprint in the heart of the city.
- Imperative to enhance collective responsibility by different stakeholders in maintaining the ecological balance.

## ESCORTS ROAD SAFETY EDUCATION

### Mission

To harness the objective of "safe roads" under the Escorts CSR initiative. The project is framed to educate citizens on road safety measures in association with the Faridabad police authorities under the public-private partnership.



Dr. K.P. Singh

Rajan Nanda



**Project highlights**

The Road Safety Education framework was promoted in two ways:

- Engaging school and college students in different competitions like road safety quizzes, puzzles, slogan writing etc. To educate and enhance awareness about road safety, Escorts organized the state-level quiz with Haryana Police in which 2,00,000 students participated.
- Use of road safety patrolling to sensitize citizens in appropriate traffic regulations and road sense. Escorts started joint patrolling with Faridabad police via three fully-equipped PCR vehicles from Badarpur border to Ballabhgarh. The road safety initiative was implemented with the intent to educate the masses and spread

awareness among those with limited or no access to awareness aids on road safety and dealing with traumatic situations after accidents.

**Indicators for success**

- Reduction in road accidents.
- Supplementing the largest Haryana Police endeavour of 'Apki Suraksha Apke Saath'.
- PCR presence in the area makes people feel secure, potentially deterring crimes.

**ESCORTS GREEN OUTDOOR FITNESS PARK**

**Mission**

The project is framed under the initiative to develop a park and promote preventive healthcare

for a healthy society. The main challenge in this country's healthcare machinery is the lack of appropriate preventive healthcare infrastructure. A key focus of this project is overall community development in terms of physical – mental – and emotional condition. This project promotes overall community development and preventive healthcare by developing an outdoor gymnasium in the parks.

**Project highlights**

- More than any other park amenity, the gym brings unacquainted community members into proximity, inviting conversation between individuals. In this way, the outdoor gym can strengthen one's social environment, community ties and cognitive development.
  - Two world-class outdoor gyms were installed in the parks of Sector 6 and Sector 30 in Faridabad.
- Indicators for success**
- The gyms are being used by persons of all ages.
  - Promotion of healthy lifestyle.
  - The project is scalable and can be extended to yoga, health and self-defence camps for addressing preventive healthcare needs.
  - Enhances Smart City element to Faridabad.

**RECREATIONAL ACTIVITIES FOR STUDENTS**

**Mission**

Developing school infrastructure to promote education and healthy



lifestyle among students. To design and build creative play spaces at the school. The playground ideas are required for a child's healthy growth and mental development. This innovative project helped enhance learning abilities of students

in the government schools by play way method. These extra-curricular activities provide essential experiences and development for children in areas as diverse as social skills, creativity, problem-solving and reasoning. In 2016-2017, five schools were covered under this project.

**Project highlights**

- Project covered 1500 students.
- Development of mental ability, team work, concentration and problem solving techniques.

**Indicators for success**

- Making education by combining learning with playing.
- Increased awareness on team building, health etc.

**ESCORTS SKILL DEVELOPMENT**

Escorts Limited started a skill development work for the less-privileged under a separate not-for-profit company incorporated by the name of Escorts Skill Development (ESD). This company is a non-funded partner of NSDC and several sector skill councils established by the Ministry of Skill Development.

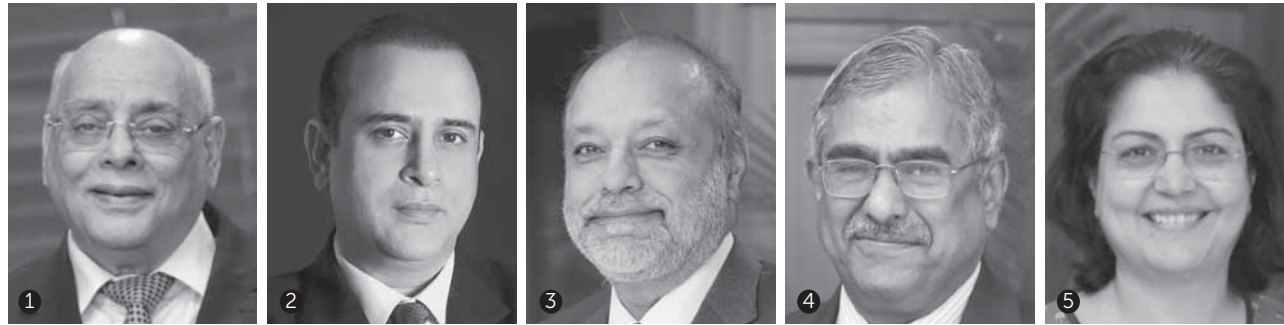
ESD imparts training in various job roles under the schemes of Government of India and public sector organizations. In two-and-a-half years of existence, ESD imparted training on various job roles to about 1,000 candidates.

ESD also set up two training centres in Odisha to impart training to 2,200 SC/ST/Women/Minority categories of candidates under Deen Dayal Upadhyay Gramin Kaushal Yojana, a Scheme of the Ministry of Rural Development. Besides, there are ongoing projects in Haryana, Uttar Pradesh, North East India, Odisha and Chhattisgarh. It is expected that ESD will handle skill development projects of above ₹50 crores during the current financial year.





# Board of Directors



## 1 MR. RAJAN NANDA

Mr. Rajan Nanda, Chairman & Managing Director of Escorts Group, is a visionary leader who has played a defining role in establishing Escorts as an organization of repute. His astute leadership has resulted in giving Escorts a sharper focus in the high growth economy sectors of agri machinery, construction equipment and railway equipment. Mr. Nanda is an active member of several apex trade and industry bodies. As a member of the CII National Council, he has served as the Chairman of its Agriculture Committee. Mr. Nanda plays a pivotal role in promoting the cause of Indian agriculture and his endeavours resulted in the government announcing the long-awaited National Agriculture Policy.

## 2 MR. NIKHIL NANDA

Mr. Nikhil Nanda, Managing Director, has been a key member of the Board since 1997. He plays a vital role in managing the Group's performance and steering its operations to create a customer-centric, technology-driven brand. Together with the leadership team, he is leading the organizational transformation into a culture of high-efficiency and aggressive growth. Mr. Nanda is a member of Northern Regional Council of Confederation of Indian Industry (CII), Federation of Indian Chambers of Commerce & Industry (FICCI), the Indo American Chambers of Commerce (IACC), Young President's Organization (YPO)

high-level strategic group constituted by All India Management Association (AIMA) and Young India Committee of CII. Mr. Nanda is a member of the prestigious Science & Technology in Society (STS) Forum of Japan. He is also one of the few business leaders chosen to represent India at the Indo-Spain CEOs Forum, which operates under the purview of the Ministry of External Affairs, Government of India.

## 3 MR. HARDEEP SINGH

Mr. Hardeep Singh, Director, has a rich experience of holding top managerial positions in leading Indian and foreign companies. Mr. Singh was the Former Executive Chairman of Cargill South Asia and Amalgamated Plantations Private Limited (A Tata Enterprise) and non-executive Chairman of HSBC Invest Direct India Limited. He is the Chairman of the monitoring committee on Minimum Support Price constituted by Planning Commission, Govt. of India. He has been a member of National Council of CII, National Committee for Agriculture of FICCI and served as an honorary advisor on Agriculture to the Chief Minister of Punjab. An invited speaker at the World Bank, US Department of Agriculture Global Summit, International Food Policy Research Institute in Washington DC, Imperial College in the UK and Indian Institute of Management (IIM), Ahmedabad. He is a graduate in Economics from Pune University and an alumnus of Kellogg School of Management.

## 4 MR. P.H. RAVIKUMAR

Mr. P.H. Ravikumar, Director, is commerce graduate and CIIB, AIB from London with a Senior Diploma in French. He is also a Fellow (Honorary) of The Chartered Institute of Securities and Investments (CISI) U.K., and the Chairperson of CISI's India Advisory Council. He has been the founder Managing Director and Chief Executive Officer of National Commodity and Derivatives Exchange Limited (NCDEX) and Invent Assets Securitization and Reconstruction P Ltd, an RBI regulated Asset Reconstruction Company. Prior to these assignments, he has worked in senior level positions in ICICI Bank, the leading private sector bank in India and Bank of India, a premier public sector bank in India. He has been on the governing body of Entrepreneurship Development Institute of India, Ahmedabad and Federal Bank Limited. He is currently the non-executive chairperson of Bharat Financial Inclusion Limited (earlier known as SKS Microfinance Ltd.) and (among other companies) on the Boards of L&T Investment Management Co. Ltd., Aditya Birla Capital Advisors Ltd., Bharat Forge Limited, etc.

## 5 MRS. VIBHA PAUL RISHI

Mrs. Vibha Paul Rishi, Director, an Alumnus of FMS, Delhi, started her career with the Tata Administrative Services and was part of the founding team of Titan Watches. Mrs. Rishi has



been an Executive Director – Brand and Human Capital of Max India Limited. She is a seasoned marketing professional with extensive experience in Indian and international markets, coupled with an abiding passion for people. She had been earlier associated as the Director, Marketing and Customer Strategy at the Future Group, India's largest retail group. Prior to this she spent 17 years at PepsiCo in marketing and innovation roles in India, US and UK. She was one of the founding team employees of PepsiCo when they set up in India. She was also associated with Pratham, an NGO that works to provide education to underprivileged children in India.

## 6 DR. SUTANU BEHURIA

Dr. Sutanu Behuria, Director, is a postgraduate in Economics from Delhi School of Economics as well as a postgraduate and Ph.D in Economics from Southern Methodist University, Dallas, Texas. He is an Indian Administrative Services Officer (Himachal Pradesh) from the 1976 batch.

He has, during his illustrious career spanning 38 years of professional experience, served as Secretary in the Dept. of Fertilizers, National Disaster Management Authority, Ministry of Minority Affairs and Department of Heavy Industry. He has been the Financial Advisor to the Ministries of Commerce, Textiles, Coal, Mines, Youth Affairs and Sports in the Government of India. He has worked

as Finance and Planning Secretary in Himachal Pradesh Government among many other Departments. He has served as Board member in over 25 PSUs.

Dr. Behuria has worked in the Asian Development Bank for over 5 years. He has also been Advisor to the Finance Minister of Mauritius for 2 years under a Commonwealth program.

## 7 MR. G.B. MATHUR

Mr. G.B. Mathur, Director, is a member of the Institute of Company Secretaries of India and LLB by profession. He has more than three decades of rich experience in the field of corporate law. He is part of all the major restructuring and other important corporate decisions taken by the Company from time to time.

Mr. Mathur provides support in strategy decisions and CSR initiatives of the Company.

## 8 MS. NITASHA NANDA

Ms. Nitasha Nanda, Director, is a multi-faceted professional, entrepreneur and business leader with a wide-spread experience across global and Indian companies.

After Graduation with Honours in Commerce from University of Delhi, she has worked with Price Waterhouse, ANZ Grindlays Bank, Hewlett Packard, Escorts Finance Limited and other reputed organizations in the area of Business

Strategies, Financial Management, Operational Research and Managerial Techniques, among others.

Ms. Nanda is responsible for managing the Company's subsidiary companies which include Escorts Securities Limited and Escorts Asset Management Limited.

She is also on the Board of Directors of a number of companies, including Sietz Technologies, RNIS, Raksha TPA, Rimari India and Sun & Moon Travels.

## 9 MR. D. J. KAKALIA

Mr. D. J. Kakalia, Director, is a Commerce Graduate from Siddharth College of Commerce & Economics, Mumbai and a Law Graduate from Govt. Law College, Mumbai. He enrolled as an Advocate of Bombay High Court in 1973, qualified as a Solicitor from Bombay in 1976 and qualified as a Solicitor of the Supreme Court of England in 1982.

Presently, he is Partner in Mulla & Mulla & Craige, Blunt & Caroe, Advocates, Solicitors & Notaries.

He specializes in litigation for the power and manufacturing sector, representing and advising large Power Companies. His clientele includes big corporation including Reliance Group.

He is Director and member of various Board Committees in Aditya Birla Finance Limited, Reliance Broadcast Network Limited and Reliance Power Limited.

# Management Team



**Mr. Rajan Nanda,**  
*Chairman and Managing Director*

Mr. Nanda has been instrumental in chartering the growth of Escorts as a leading engineering company with world-class manufacturing setup. Under his leadership, the Company has successfully navigated unprecedented challenges and grown consistently in capabilities, influence, technological advances and response to customer needs. Mr. Nanda has strengthened Escorts' foundation by leveraging its inherent design and development capabilities, instituting lean manufacturing practices, and moving up the value chain through efficient asset management.



**Mr. Nikhil Nanda,**  
*Managing Director*

Mr. Nanda is a visionary entrepreneur with a passion to drive the Group's diversified business portfolio. He plays a vital role in defining the Company's strategic outlook and steering the operations to excellence. A strong believer in core values as the driver of business growth, Mr. Nanda is setting the transformational agenda for the future of the Company. Mr. Nanda is an alumnus of Wharton Business School, Philadelphia, with majors in Management and Marketing.



**Mr. Ravi Menon,**  
*Chief Executive Officer,  
Escorts Agri Machinery*

Mr. Menon brings with him three decades of experience in corporate strategy, marketing, sales, branding, international markets and production. He is responsible for leading our sales and overall direction of the organization. Mr. Menon has held senior leadership roles across John Deere, ACC Limited, Exide Industries Limited. He holds a Master's degree in Management.



**Mr. Ajay Mandahr,**  
*Chief Executive Officer, Escorts  
Construction Equipment*

Mr. Mandahr carries 26 years of rich and diverse experience in leadership positions, including turnaround in sales and marketing, developing new product categories, developing new business models, etc. in companies like Larsen & Toubro, Indian Aluminium and Manitou South Asia Ltd. Before joining Escorts, he was with Toyota Material Handling India, where he worked as Director – Operations. Mr. Mandahr is a Mechanical Engineer and an MBA (Marketing).



**Mr. Dipankar Ghosh,**  
*Chief Executive Officer,  
Railway Equipment Division*

Mr. Ghosh has 27 years of rich experience in full lifecycle product development, manufacturing operations, engineering management, business development. He had a pivotal role in Technology Transfer

from many Railway OEMs to India, besides offshore contract manufacturing and Low cost sourcing strategies for US and European Technology leaders. He is an ex-Indian Railway Service officer and was the Vice President with John Deere India in his last assignment. In his previous assignments, he had been heading the Bombardier Transportation Global Design Centre in India and later also as Director – Engineering with Caterpillar India. Inherently entrepreneurial, passionate for new technology and frugal innovation, besides being a Six Sigma Black Belt, Mr. Ghosh is a Post Graduate in Engineering from BITS Pilani, and has done his Management from Indian School of Business, Hyderabad, besides Advanced Global Leadership from London School of Economics as a British Chevening Scholar.



**Mr. Amanpreet Singh Bhatia,**  
*Group Head – Human Resources*

Mr. Bhatia has over 25 years of rich and varied experience in facilitating organizational transformation, creating performance-driven culture, building leadership pipeline, bringing about internal coaching culture, and managing employee relations across manufacturing locations, among other areas. He has previously worked in companies like Nestle, Citicorp and Gillette. Mr. Bhatia's last assignment was with Volvo Eicher Commercial Vehicles, where he worked as an Executive Vice President & Group HR Head. He was also a member of Executive Management Board for all Eicher Group companies and Volvo Trucks. Mr. Bhatia is an alumnus of University Business School (UBS), Chandigarh.



**Mr. Bharat Madan,**  
*Group Chief Financial Officer*

Mr. Madan has over 29 years of rich experience in financial management. He joined Escorts in 2005, and has since looked after all aspects of Corporate Finance including financial and management accounting, audits, cash management and capital allocation, financial restructuring and organization transformation, evaluating M & A opportunities, business strategy, budgeting, planning and forecasting, risk management, treasury and banking operations, tax planning and optimization, ERP and business intelligence tool implementation, financial modelling and analysis, Investors Relations and many such other responsibilities within Finance Function across the Group. He has played a key role in the integration and consolidation of the finance and outbound supply chain functions across all business units of the Group. In his last assignment, he was the Financial Controller with Electrolux Kelvinator Limited. Mr. Madan is a 1988 batch Fellow Chartered Accountant.



**Mr. Ajay Sharma,**  
*Group General Counsel  
& Company Secretary*

Mr. Sharma is an associate member of the Institute of Company Secretaries of India and a Law Graduate. He has over 25 years of post-qualification experience in the field of Corporate Law, Overseas Acquisition, Legal Due Diligence, Joint Ventures Structuring, with specific focus on International Laws. He has been instrumental in developing and implementing statutory and legal controls aimed at improving compliances and competitively positioned the companies for successful implementation of Compliance Management. Prior to joining Escorts Limited, Mr. Sharma worked with Bharat Forge Limited.



# Management Discussion and Analysis, 2016-17

## Economy

FY 2016-17 has been a dynamic year with interesting developments globally. Economic activity has now picked up with a long-awaited cyclical recovery in investment, manufacturing, and trade, according to World Economic Outlook. The world growth is projected to rise from 3.1 percent in 2016 to 3.5 percent in 2017 and 3.6 percent in 2018.

Economic policies have an important role to play in mitigating risks and securing the recovery. On the domestic front, policies should aim at boosting productivity, upgrading the public infrastructure; and supporting transformations such as technological change and globalization. At the same time, credible strategies are needed in many countries to place public debt on a sustainable path. A renewed multilateral effort is also needed to tackle common challenges in an integrated global economy.

## Indian Economy

India emerged as sixth largest manufacturing country during FY 2016-17. The Indian economic sentiment improved, led by a normal monsoon after two years of deficit rainfall. The Government's focus on development of the agriculture and infrastructure sectors helped drive the demand for all operating sectors of your company. Demonetization had a short-term impact on Indian growth, but will surely help the country move towards a digital economy, greater transparency and disclosures, leading to formalized economy. GST

implementation will lead to uniform tax framework for indirect taxes, resulting in lower corruption, reducing prices at the end consumer level.

On backdrop of favorable domestic and global demand, the outlook for 2017-18 remains positive. On the domestic front, the economy is set to experience growth recovery and the RBI expects Gross Value Added (GVA) to grow at 7.3% year-on-year in FY18.

We are excited to cater to national and international opportunities through our brand and market reach.

## Agriculture industry - an overview

Agriculture plays a vital role in India's economy. Over 58% of the rural households depend on agriculture as their principal means of livelihood. Agriculture, along with fisheries and forestry, are key contributors to Gross Domestic Product (GDP); the share of agriculture and allied sectors (including agriculture, livestock, forestry and fishery) is expected to be 17.3% of the Gross Value Added (GVA) during 2016-17.

The Government of India, in its Union Budget 2017-18, planned several steps for the sustainable development of agriculture:

- Total allocation for rural, agricultural and allied sectors for FY 2017-18 increased by 24 % year-on-year to ₹1,87,223 crore (US\$ 28.1 billion).
- A dedicated micro-irrigation fund will be set up by National Bank for Agriculture and Rural Development (NABARD) with a corpus of ₹5,000

crore (US\$ 750 million). The government plans to set up a Dairy Processing Fund of ₹8,000 crore (US\$ 1.2 billion) over three years with an initial corpus of ₹2,000 crore (US\$ 300 million).

- The participation of women in Mahatma Gandhi National Rural Employment Guarantee Act (MNREGA) increased to 55% and allocation to the scheme been increased to a record ₹48,000 crore (US\$ 7.2 billion) for FY2017-18.
- Short-term crop loans up to ₹300,000 (US\$ 4,500) at subsidized interest rate of 7% per annum would be provided to farmers. An additional incentive of 3% is provided to the farmers for prompt repayment of loans within the due date, making an effective interest rate for them at 4%.
- NITI Aayog has proposed various reforms in India's agriculture sector, including liberal contract farming, direct purchase from farmers by private players, direct sale by farmers to consumers, and single trader license, among other measures, in order to double rural income in the next five years. The Ministry of Agriculture, Government of India, has been conducting various consultations and seeking suggestions from numerous stakeholders in the agriculture sector, to devise a strategy to double the income of farmers by 2022.

## 1. Indian Tractor Industry

The Indian tractor industry grew by 15.7% to 6.61 lacs tractors in FY 2016-17 as against 5.71 lacs tractors in the previous fiscal.

Despite demonetization, the domestic tractor industry volumes went up by 18% to 5.81 lacs tractors as compared to 4.93 lacs tractors in the previous fiscal owing to average monsoons in rural markets. Demonetization had a short-term impact on the overall industry growth; from April to October 2017, the industry witnessed 25% growth but post-demonetization, a cash-crunch led to growth of just 5.2% from November 2016 to March 2017.

### Tractor Segmental Break-up

The 31-50 HP Segment that constitutes more than 80% of the domestic tractor industry has grown by 19.3% to 4.86 lacs tractors in FY 2016-17 as against 4.07 Lacs tractors in the previous fiscal.

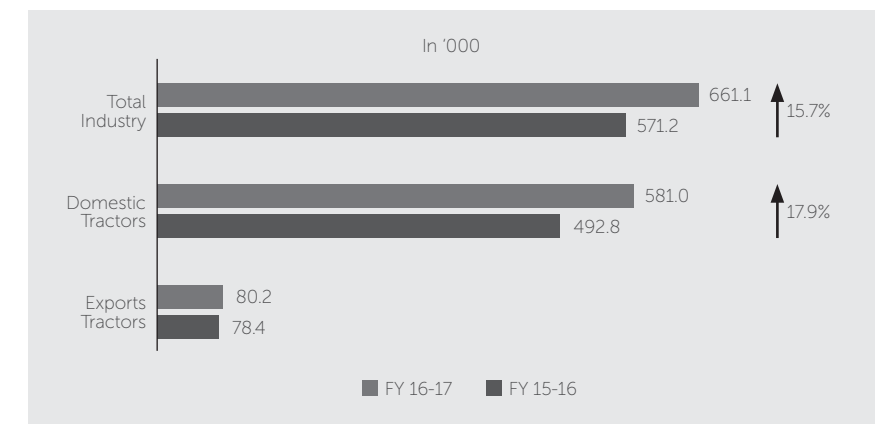
The 41-50 HP segment dominated domestic tractor industry with a 46% share in FY 2016-17.

### Export Industry in Tractors

Tractor exports from India grew by 2.2% in FY17 to 80.2K tractors as against 78.4K tractors in the previous fiscal.

### Escorts Agri Machinery (EAM)

Your Company's domestic volume went up by 23.7% at 62,699 against 50,698 in 2015-16. In our Strong markets, the business grew by 12.5% in Punjab, Haryana, UP,

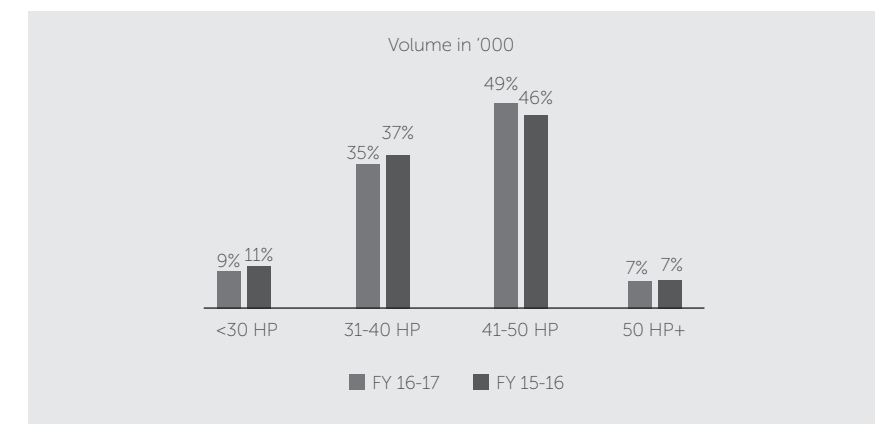


Industry Growth

Rajasthan, Bihar and MP regions, whereas it grew by 25.5% in our Opportunity markets (South and west). Escorts domestic market share was at 10.8% in year ended FY17.

We have gained market share across all major states. Our market share in

the Strong markets improved by 100 bps and in the Opportunity market went up by 50 bps, resulting in an overall domestic market share of 10.8% as against 10.3% in the previous year. Our market share increased from 10.9% to 11.7% in the 41- 50 HP category in FY17.



Industry Segmental Share

**Escorts Agri Machinery Exports**

During the year under review, export volumes were up by 43.6% to 1,087 tractors in FY 2016-17 as against 757 in FY 2015-16.

With 'Global Transformation Vision 2020' your Company will be launching new tractors in 12 HP to 110 HP range under flagship brands, targeting 8k~10K units in the short to medium term.

**Outlook**

The growing domestic demand for food grains and agri-products promise a good future for India's tractor industry. India's tractor industry is expected to grow steadily, aided by government policies announced in the Union Budget. With the roll out of Goods & Service Tax (GST) in the current year and normal monsoons predicted for FY 2017-18, the Domestic tractor industry is expected to grow between 10~12%, extending beyond its peak of FY 2013-14

An above-normal monsoon is being forecasted for the upcoming season by Government agencies. The impact of the various factors like rainfall, crop prices, % of sown area, the central Government's stand towards the Land Bill and the associated farmer compensation for the acquired land would improve industry sentiment. Your Company is developing products for Opportunity markets while strengthening its channel network.

The Company is working in the direction of offering an end-to-end service solution (from land preparation to harvesting) centered around specific crops starting with rice.

With the government focus on doubling the farm incomes by 2022, we expect the Indian tractor market to grow at a CAGR of 8~10% in the long term.

**2. Infrastructure**

The infrastructure sector is a key driver of the Indian economy. The sector is highly responsible for propelling India's overall development and enjoys intense focus from the Government for initiating policies that ensure time-bound creation of world class infrastructure. The infrastructure sector includes power, bridges, dams, roads and urban infrastructure development. In 2016, India jumped 19 places in World Bank's Logistics Performance Index (LPI) 2016 to rank 35th amongst 160 countries.

**Construction Equipment Industry**

The construction industry in India is growing rapidly with a major contribution from infrastructure development. It is expected that various projects in transportation infrastructure, power, urban infrastructure and real estate will drive the market. The development aided by a stable Government and improved macro-economic environment could

lead to further growth.

The total construction equipment Industry grew 30% in FY17. All major segments like Earth Moving, Material Handling and Road Construction reported a positive movement.

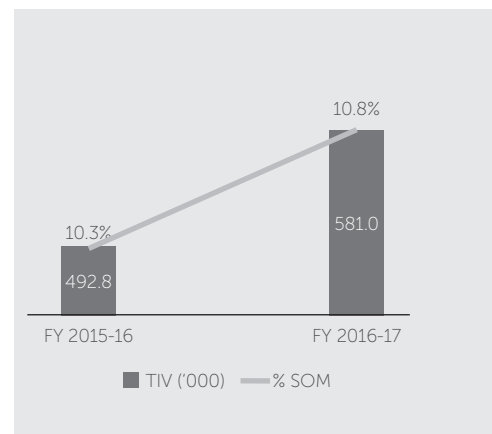
Your company's served segments (backhoe loaders, PnC and compactors) went up by 33% in FY17. BHL was the biggest gainer in FY17 with a growth of 34% followed by Cranes that grew by 31% and Compactors grew 22% in FY17.

**Escorts Construction Equipment (ECE)**

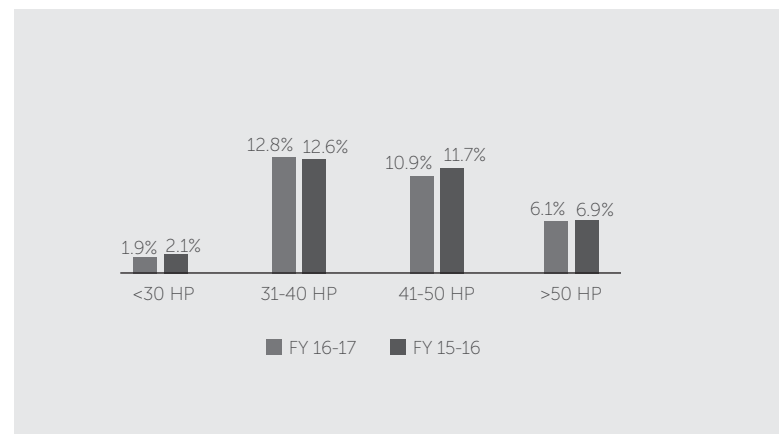
Your company's total volumes (manufactured & traded products) went up by 29.8% to 3,315 machines as against 2,555 machines in the previous fiscal. The integration of your company's backend operations of tractor business and construction equipment business started yielding results.

**Outlook**

The construction equipment industry in India is expected to reach USD 5 billion by FY20 from USD 3 billion in FY16, in value terms. The volume sale of construction equipment is expected to grow to 80,000 units by 2018 from 52,000 units in FY16. NITI Aayog estimates total infrastructure spending to be about 9% of GDP by 2017, up from 7.2% during the 11th Five Year Plan (2007-12). Increasing investment



Escorts Domestic Share of Market in Tractors



Category Wise Share in Tractors

in infrastructure development will lead to the growth in the construction equipment market. The construction industry in India is growing rapidly with a major contribution from infrastructure development. It is expected that various projects in the transportation infrastructure, power, urban infrastructure and real estate segment will drive the market. The development aided by a stable Government and improved macro-economic environment could lead to further growth. The Government took a number of initiatives in the Union Budget for the infrastructure sector. Measures announced for physical infrastructure such as roads, ports, aviation and rural infrastructure are

aimed at improving the connectivity and modernizing the various key elements of this sector. Further, forming policies for strengthening ties with private players will help in overcoming roadblocks.

In the Union Budget 2017-18, the Government of India took the following measures for the development of infrastructure:

- Increased total infrastructure outlay and Defence capital expenditure by 10% and 20.6% to ₹3,96,135 crore (US\$ 59.18 billion) and ₹86,488 crore (US\$ 13.1 billion) respectively, over the FY17 revised estimate.
- Railway expenditure allocation increased by 8% to ₹1,31,000 crore

(US\$ 19.58 billion) for laying down 3,500 km of railway lines in 2017-18.

- Affordable housing was given infrastructure status.
- Lock-in period for long-term capital gains on land and buildings was reduced from three to two years.

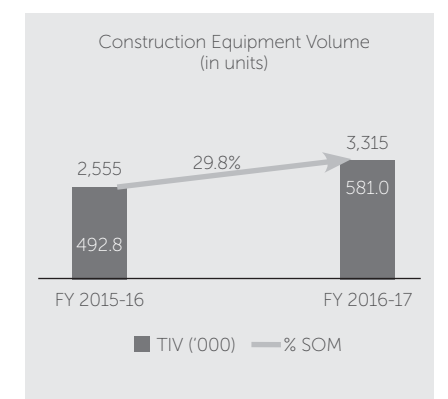
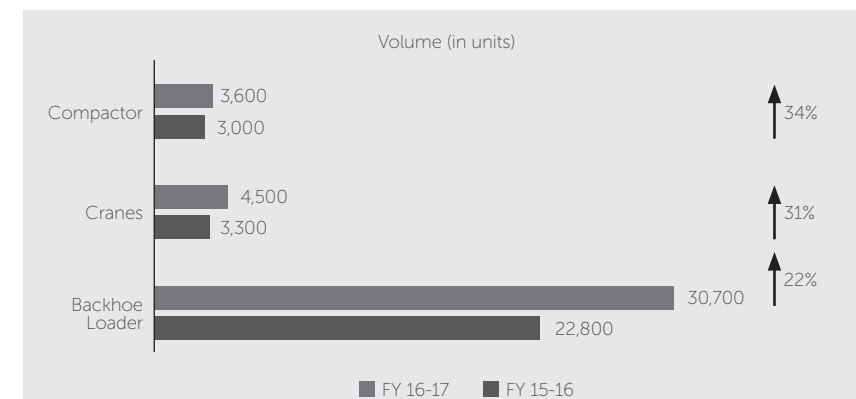
The business is on the growth path, which is supported by the favorable demand. Your Company will continue to shift towards a better product mix, leaner manufacturing/sales setup and better management of fixed costs.

Going forward, we expect that our served construction equipment industry will continue to grow at a CAGR of 10-12% for the next 2-3 years

**Construction Equipment Industry (figures in unit)**

S. No.	Category	Application	Major Eqpt.	Volumes (FY16)	Volumes (FY17)	Growth (%)
1	Earthmoving	Roads Power	Backhoe Loaders (BHL)	22,800	30,700	35%
		Real Estate Sand Mines	Excavators & others	16,350	22,650	39%
2	Material Handling	Roads	Pick & carry Cranes (PnC)	3,300	4,460	35%
		Power				
		Other Infra				
3	Road Building	Roads	Compactors	2,950	3,600	22%
		Airports	Others	450	560	24%
4	Concreting	Irrigation	Mixer, Pumps, Batch plants	2,450	1,780	-27%
5	Material Processing	Mining	Compressors, Crushers	2,870	3,010	5%
Total				51,170	66,760	30%

Source: ICEMA





and we will launch new innovative products/variants to cater to this growth.

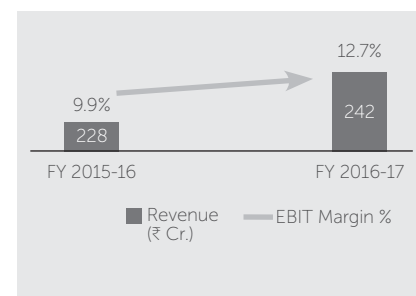
### 3. Railway Equipment Division (RED)

Government is investing in railways for creating rolling stock. Your Company is one of the key suppliers to Indian Railways for products - with a focus on safety, comfort and environment. With this wide product range and in-house R&D capabilities, your Company is poised to capture the immense opportunities from the Indian Railways.

Revenues were up 6.5% at ₹242.5 Cr. as against ₹227.8 Cr. in the previous fiscal. EBIT margins were up by 280 bps to 12.7% as against 9.9% in the previous fiscal.

The order book for this division stood at ₹155 crore by end of March 2017, to get executed in the next 5-6 months. With a focus on freight corridors, high capacity rolling stock, last mile rail linkages, high speed trains and port connectivity, the opportunities in this sector appear bright.

Your Company launched several new products for the Metro and railway segments in India. These new rail products are an outcome of frugal and value engineering by in-house R&D and global technology partners in making rail travel safe and more comfortable while also paving the road for import substitution and reducing costly imports. In sync with the new vision of railway transformation, this marks the initial success towards 'Make In India' by indigenous manufacturers.



Escorts' domestic share

In the long term your company would like to invest more in this business to expand our product portfolio through technology partnership and inorganic opportunities.

### 4. Escorts Auto Products (EAP)

Your company divested its OEM & Export business of the Auto Products to M/s Badve Engineering Ltd., Pune, as a part of the planned strategic reorientation of the business during the quarter ended December 2016.

Your Company will use land available with this divestment for the future expansion of its other businesses.

### Overall Risks & Concerns

The prospects of the Indian tractor and construction industry are dependent on Government policies. Historically, a large number of equipment is sold on credit, despite an increase in the non-performing assets (NPAs) for financial institutions over the last few years, which has led to some tightening of credit norms. Most of the equipment financing done by banks comes under the ambit of priority sector lending, a directed-lending mechanism of the Government of India. Despite macro economic challenges, the Company has been able to perform creditably. Had the macroeconomic environment been better, we would have performed better.

Your Company recognizes that every business has its inherent risks and it is required to possess a proactive approach to identify and mitigate them. Your Company embedded an efficient Enterprise Risk Management System (ERMS), which regularly scans the internal and external environment to identify risks, decide on possible mitigation plans and incorporate them in its strategic plans.

### Monsoons

The monsoon is the major risk associated with the tractor industry as more than 50% of the sowing land is dependent on rainfall. On the other hand, construction equipment sales, to some extent, run the risk in case

of an above-normal monsoon. With normal monsoon and infra spending from the government, we expect the tractor and construction equipment industry to grow in double-digit percentage terms in FY18.

### Commodity Prices

In FY17, prices increased across most commodities. Your Company mitigated the impact through value engineering to remain at par with the industry and exercised tools some price increases to absorb inflation.

### Chinese Equipment Manufacturers

There is a strong Chinese presence in some segments such as wheel loaders and dozers, due to which imports from China increased in FY16. Chinese equipment tends to be price-competitive, putting a downward pressure on the prices of domestic equipment manufacturers

### Fuel Price

With the domestic price of oil rising over the past few months, the cost of automotive fuel is likely to face an upward pressure. This has impacted the cost of ownership and may have some impact on your company's product.

### Corporate Social Responsibility and Community Development

As part of community development, we engage in multiple health related activities, such as check-up camps, women's empowerment, blood donation, among others, in Haryana. The CSR at Escorts portrays the deep symbiotic relationship that the group enjoys with the communities it is engaged with. As a responsible corporate citizen, we contribute to social and environmental causes on a regular basis. Please refer to CSR Section for details.

### Employee Training and Development

Employees are the core assets for your Company. Your Company recognizes the need for growth and

has reinforced the capabilities of employees through the launch of numerous in-house trainings and job-specific trainings. With several new products launches, focus on categories recently launched and rapid expansion opportunity markets, your Company hired several key resources to catalyze the next level of growth.

Your Company manages 8,750-plus employees at all levels. Some of the major initiatives undertaken towards employee development include organizing:

- More than 200 technical training programmes; the same initiative is being sustained for the technical department of our employees at a group level;
- Behavioral workshops by renowned trainers;
- Health and Safety seminars for employees and vendors; this is an ongoing activity and will be conducted sustained;
- Yoga classes for employees to keep them healthy.

### Industrial Relations

During the year under review, industrial relations with workers and staff remained cordial. Your Company successfully concluded long-term wage agreement for all manufacturing locations. The collaborative spirit of partnership across all sections of employees resulted in a significant enhancement in quality and productivity.

### Cost Savings

Your Company continuously focused on stream-lining operations and cost rationalization during 2016-17, including materials, manufacturing and over-heads. All employees right from the shop floor to the corporate office were involved in this initiative, wherein each team was given cost saving targets to achieve.

Initiatives were taken in building a lean supplier base to benchmark against the best. Positive results are visible and

will be even more so in this financial year. Our efforts towards reducing fixed costs kept pace and tangible results will be visible in the years ahead.

### Corporate Governance

Your Company continues to benchmark corporate governance policies. A high ethical and corporate governance standard was maintained to ensure honest and professional business practices to protect the reputation of the Company and stakeholders. A strong risk management and internal control system formed the backbone for robust corporate governance practices.

Your Company maintained adequate internal control systems, which provided, among other things, a reasonable assurance of recording the transactions of operations in all material respects and of providing a protection against significant misuse or loss of the Company's assets.

Your Company has a defined Risk Management Policy at the Board level to review risk assessment and minimization. The process is based on pre-identified types of risks and the risk events or factors which require regular assessment and responses based on the probability.

### Information Technology

FY16-17 was an exciting year for IT as many business transformational initiatives were planned and conceptualized. Major initiatives having high business impact were planned in the following areas:

**Sales:** Enhanced customer-centricity

**Products:** Make products smarter

**R&D:** Manage the product lifecycle management

**Productivity:** Workspace of the future

To standardize its infrastructure backbone, Escorts consolidated servers and applications around a Virtualized environment. This resulted in phasing out obsolete hardware.

Your Company is ready to adopt

GST and all the groundwork for GST adoption was completed across multiple internal and external stakeholders.

### Investor Relations

Your company constantly endeavors to improve its investor services and keep benchmarking this performance against best practices. Your Company has a dedicated investor relations desk, which services the interest of investors through regular contact and timely communication, to engage with the investor community through ongoing investor management meetings with global shareholders and investors.

Your Company conducted periodic plant visits and meetings to communicate details of performance, important developments and exchange information. Your Company's website ([www.escortsgroup.com](http://www.escortsgroup.com)) contains a dedicated 'Investor Information' section where all the information meant for the shareholders is available, including information on Directors, shareholding pattern, quarterly reports, financial results, annual reports, press releases, details of unpaid/unclaimed dividends and various policies of the Company.

Periodic reminders for unpaid dividends were sent to shareholders as per records of the Company and was also accessible on your Company's website. For any queries/suggestions one can write to us @ [investorrelation@escorts.co.in](mailto:investorrelation@escorts.co.in) and the Company will revert within 3 working days.

### Capital Expenditure

Your Company planned capital expenditure for the medium and long-term with the primary focus on developing design, productivity improvement and cost reduction.

In addition, investments were planned for modernization of the existing manufacturing facilities and improve the flexibility across all plants providing a competitive advantage

to your Company to introduce more products.

### Working Capital

Your Company was able to reduce interest costs significantly in the current year through a mix of initiatives including faster sales realization, timely sourcing of low cost funds for working capital like issuance of commercial paper and deployment of surplus funds with mutual funds and banks through treasury operations.

### Financial Performance

Your Company adopted Indian Accounting Standards (Ind AS) from 1st April, 2016 and accordingly the financial statements were prepared in compliance with the requirements of the Companies Act, 2013 read with Companies (Indian Account Standards) Rules, 2015, and Companies (Indian Account Standards) Amendment Rules, 2016. Your Company provided segment wise reporting as per para 4 of Ind AS 108 "Operating segments". This information appears along with the consolidated accounts.

During the financial year under review, Company's revenues went up by

21.2% to ₹4,167.6 crores in the year ended March 2017 against ₹3,438.7 crores in year ended March 2016. The tractors volume at 63,786 in year ended March 2017 was up by 24% against 51,455 tractors in the year ended March 2016. Construction equipment volumes also went up by 30% at 3,315 in year ended March 2017 against 2,555 in ended March 2016.

Earnings before Interest, Tax, Depreciation, and Amortisation (EBITDA) at ₹323.7 crores in year ended March 2017 as against ₹176.7 crores in year ended March 2016.

Profit Before Tax (PBT) was at ₹218.3 crores in year ended March 2017 against ₹87 crores in year ended March 2016 and Profit After Tax (PAT) at ₹160.4 crores in year ended March 2017 against ₹83.8 crores in the year ended March 2016.

### Segment performance

The Escorts agri Machinery division revenues up by 22.4% at ₹3,346 crores in the year ended March 2017 against ₹2,734.3 crores in year ended March 2016. The EBIT for the division stood at ₹344.7 crores in year ended March 2017 against ₹223.6 crores in year ended March 2016.

The revenues of Escorts Auto Product Division, divested in FY17, stood at ₹51.3 crores in year ended March 2017 as against ₹100.5 crores in the year ended March 2016. The EBIT stood at ₹(10.3) crores against ₹(17.0) crores in the previous year.

The Railway Products Division revenue up by 6.5% at ₹242.5 crores in the year ended March 2017 against ₹227.8 crores in the year ended March 2016. The EBIT stood at ₹30.7 crores against ₹22.5 crores in the previous year.

The Escorts Construction Equipment Division revenue was up by 22.2% at ₹606.8 crores ended March 2017 against ₹496.5 crore in the year ended March 2016. The EBIT stood at ₹(13.8) crores as against ₹(25.7) crores last year.

Note: The 'forward-looking statements' part of the Management Discussion & Analysis on economic indicators is based on our best estimate of the current environment. This may be subject to change based on external macro-economic factors out of 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.

For and on behalf of the Board of Directors

Sd/-

**RAJAN NANDA**

*Chairman & Managing Director*

Place: Faridabad  
Date: May 29, 2017

## Statutory Section



# Directors' Report

*Dear Shareholders*

Your Directors have pleasure in presenting the Seventy First Annual Report and the Company's audited financial statements (standalone and consolidated) for the financial year ended on March 31, 2017.

## Financial Results

Particulars	Year ended on March 31, 2017	Year ended on March 31, 2016
Gross Revenue	4,211.04	3,494.49
Excise Duty	74.42	71.91
<b>Net Revenue</b>	<b>4,136.62</b>	<b>3,422.58</b>
Profit from continuing operations before Interest, Depreciation, Exceptional Items & Tax	367.17	232.55
Finance Cost	31.11	49.54
Profit from continuing operations before Depreciation, Exceptional Items & Tax	336.06	183.01
Depreciation & Amortisation	63.07	57.50
<b>Profit from continuing operations before Exceptional Items &amp; Tax</b>	<b>272.99</b>	<b>125.51</b>
Exceptional Item	(3.76)	12.29
<b>Profit from continuing operations before Tax</b>	<b>276.75</b>	<b>113.22</b>
Tax Expense	75.60	12.50
Profit from continuing operations after Tax	201.15	100.72
Profit/(Loss) from discontinued operations before tax	(58.46)	(25.96)
Tax expense of discontinued operations	(17.75)	(8.99)
<b>Net profit/(loss) from discontinued operations after tax</b>	<b>(40.71)</b>	<b>(16.97)</b>
<b>Net profit for the period</b>	<b>160.44</b>	<b>83.75</b>
<b>Appropriations for the year:-</b>		
Dividends	(14.35)	(14.30)
Tax on Dividends	(2.99)	(2.99)
Dividend received on shares held by beneficiary trust*	4.48	4.48

\* for more information please refer note 45 of the notes to accounts of standalone financial statement

## Financial Performance

The brief highlights of the Company's performance (standalone) for the financial year ended March 31, 2017 are:-

- Net Revenue of the Company for FY 2017 of ₹4,136.62 cr. was higher by 20.86% over the last year (₹3,422.58 cr. in FY 2016).

- Profit from continuing operations Before Interest, Depreciation, Amortisation, Exceptional Items & Tax stood at ₹367.17 Cr.
- Profit from continuing operations Before Tax (PBT) stood at ₹276.75 Cr and Profit from continuing operations After Tax (PAT) stood at ₹201.15 Cr. Net profit for the period stood at ₹160.44 Cr.

- Earnings per share is of ₹13.43 for the year under review.
- Your Company sold 63,786 tractors during the year under review.

## Management Discussion & Analysis

Management Discussion & Analysis which forms an integral part of this Annual Report provides a detailed analysis on the performance of individual businesses and their outlook.

## Dividend

Your Directors are pleased to recommend a Dividend of ₹1.50 per Equity Share (15%) on the face value of ₹10/- each, aggregating ₹18.39 Cr. (exclusive of tax on dividend) for the financial year ended March 31, 2017. The dividend payout is subject to the approval of members at the ensuing Annual General Meeting (AGM).

The dividend, if approved at the ensuing AGM, will be paid to members whose names appear in the Register of Members as on September 8, 2017, in respect of shares held in dematerialized form and members whose names are furnished by National Securities Depository Limited and Central Depository Services (India) Limited, as beneficial owners as at that date.

The dividend payout for the period under review has been formulated in accordance with shareholders' aspirations and the Company's Dividend Distribution Policy to pay sustainable dividend linked to long-term growth objectives of the Company to be met by internal cash accruals.

## Employee Stock Option Scheme

The particulars with regard to the Employees Stock Options as on March 31, 2017 as required to be disclosed pursuant to the provisions of Clause 12 of SEBI (Employees Stock Option Scheme and Employees Stock Purchase Scheme) Guidelines, 1999, as amended, are enclosed at **Annexure – A** and forms an integral part of this Report.

## Directors

In accordance with the provisions of Companies Act, 2013 (hereinafter referred as "the Act") and Articles of Association of the Company, Ms. Nitasha Nanda, Whole-time Director and Mr. G.B. Mathur, Director retires by rotation at the ensuing AGM and being eligible, offers themselves for re-appointment.

The Board of Directors, in their meeting held on May 29, 2017, had recommended the re-appointment and remuneration of Mr. Nikhil Nanda as Managing Director for a further period of 5 years w.e.f September 19, 2017, subject to the approval of the shareholders in the ensuing Annual

General Meeting. His appointment is appropriate and in the best interest of the Company.

Dr. S.A. Dave had resigned as Director of the Company w.e.f. September 20, 2016. The Board places on record its warm appreciation for the valuable guidance and services rendered by Dr. Dave during his tenure with the Company.

The Board of Directors, in their meeting held on May 29, 2017, had recommended the re-appointment of Mr. P.H. Ravikumar and Mrs. Vibha Paul Rishi as Independent Directors for a further period of 5 years for approval of members of the Company at the ensuing AGM.

Pursuant to the provisions of Section 149 and other applicable provisions of the Act, your directors are seeking re-appointment of Mr. P.H. Ravikumar and Mrs. Vibha Paul Rishi as Independent Directors for a period of 5 years.

The Company has received declarations from all the Independent Directors of the Company confirming that they meet with criteria of independence as prescribed under sub-section (6) of Section 149 of the Act and under Regulation 16(1)(b) of SEBI (Listing Obligations and Disclosures Requirements) Regulation, 2015 (hereinafter referred as "the Listing Regulations"). The policy for selection of directors and determining directors independence is attached as **Annexure - B** and forms an integral part of this Report.

The Company has devised a Policy for performance evaluation of Independent Directors, Board, Committees and other individual Directors which includes criteria for performance evaluation of the Non-Executive and Executive Directors. In accordance with the Policy, a process of evaluation was followed by the Board for its own performance and that of its Committees and individual Directors. The remuneration policy for directors, key managerial personnel and other employees is annexed as **Annexure – C** and forms an integral part of this Report.

The brief resumes and other details relating to the Directors who are proposed to be appointed/ re-appointed, as required to be disclosed under the Listing Regulations is given in the Annexure to the Notice of the 71st AGM.

Your Directors recommend the appointment/ re-appointment of the above said Directors at the ensuing AGM.

The Company has devised a process where various presentations/ programs are being conducted to make them familiarise with various developments at Industry level, new business initiatives and organisation strategies etc.

The details of programme for familiarisation of Independent Directors with the Company, their roles, rights, responsibilities in the Company, nature of industry in which the Company operates, business model of the Company and related matters are put up on the website of the Company – www.escortsgroup.com.

### Conservation of Energy, Technology Absorption, Foreign Exchange Earnings and Outgo

The particulars relating to conservation of energy, technology absorption, foreign exchange earnings and outgo, as required to be disclosed under Section 134(3)(m) of the Act read with Companies (Accounts) Rules, 2014 are provided as **Annexure - D** and forms an integral part of this Report.

### Corporate Governance

Your Company reaffirms its commitment to the good corporate governance practices and has adopted the Code of Conduct which has set out the systems, processes and policy conforming to international standards. Pursuant to Regulation 34(3) of the Listing Regulations 2015, Corporate Governance Report and Auditors' Certificate regarding compliance of conditions of Corporate Governance are enclosed as **Annexure - E** and forms an integral part of this Report.

### Corporate Social Responsibility (CSR)

The key philosophy of all CSR initiatives of the Company is to make CSR a key business process for sustainable development of the society. The initiatives aim at enhancing welfare measures of the society based on the immediate and long term social and environmental consequence of its activities.

The Company intends to undertake other need based initiatives in compliance with Schedule VII of the Act.

The CSR Policy may be accessed on the Company's website www.escortsgroup.com under Investors Information Section. During the year, the Company has spent ₹3.30 Cr. (1.93% of the average net profits of last three financial years) on CSR activities.

The Annual Report on CSR activities is enclosed as **Annexure – F** and forms an integral part of this Report.

### Indian Accounting Standards

The Ministry of Corporate Affairs (MCA) on February 16, 2015, notified that Indian Accounting Standards (Ind AS) are applicable to certain classes of companies from April 1, 2016

with a transition date of April 1, 2015. Ind AS has replaced the previous Indian GAAP prescribed under Section 133 of the Companies Act, 2013 ("the Act") read with Rule 7 of the Companies (Accounts) Rules, 2014. Ind AS is applicable to the Company from April 1, 2016.

The reconciliations and descriptions of the effect of the transition from previous GAAP to Ind AS have been set out in Note 49 in the notes to accounts in the standalone financial statement and in Note 49 in the notes to accounts in the consolidated financial statement.

### Consolidated Financial Statements

The Consolidated Financial Statements have been prepared in accordance with the Act and Indian Accounting Standard (IND AS) - 110 applicable to the Consolidated Financial Statements read with IND AS-28 on Accounting for Investments in Associates and IND AS-31 on Financial Reporting of Interests in Joint Ventures issued by The Institute of Chartered Accountants of India. The Audited Consolidated Financial Statements along with the Auditors' Report thereon are annexed with this Report.

### Subsidiaries, Joint Ventures and Associate Companies

The statement containing salient features of financial statements of subsidiaries, associate and joint venture companies prepared in accordance with Section 129 of the Act read with Rule 5 of Companies (Accounts) Rules, 2014, forms an integral part of this Report. The Consolidated Financial Statements presented by the Company include the financial results of its subsidiaries, associate and joint venture companies.

The Company will make available the Annual Accounts of its subsidiaries, associate and joint venture companies and related information to the members of the Company who may be interested in obtaining the same. The annual accounts of its subsidiaries, associate and joint venture companies will also be kept open for inspection at the Registered Office of the Company.

### Contracts and Arrangements with Related Parties

All contracts/ arrangements/ transactions entered by the Company during the financial year with related parties were in the ordinary course of business and on an arm's length basis. During the year, the Company had not entered into any contract/ arrangement/ transaction with related parties which could be considered material in accordance with the policy of the Company on the materiality of related party transactions.

The particulars of contracts and arrangement with related parties under Section 188(1) of the Act in Form AOC-2 is enclosed as **Annexure – G**.

The Policy on materiality of related party transactions and dealing with related party transactions as approved by the Board may be accessed on the Company's website www.escortsgroup.com under Investors Information Section.

Your Directors draw attention of the members to Note 48 in the notes to accounts in the standalone financial statement and to note 47 in the notes to accounts in the consolidated financial statement which sets out related party disclosures.

### Auditors and Auditors' Report

#### Statutory Auditors

Pursuant to the provisions of Section 139 of the Act read with Companies (Audit and Auditors) Rules, 2014, M/s. S.N. Dhawan & Co. LLP, Chartered Accountants, Delhi (Firm Registration No. 000050N/N50004) Statutory Auditors of the Company, hold office till the conclusion of the ensuing AGM and are not eligible for re-appointment.

M/s. Walker Chandiook & Co LLP, Chartered Accountants, New Delhi (Firm Registration No. 001076N/ N500013) have shown their interest to act as Statutory Auditors of the Company for a period of 5 years subject to the ratification of their appointment at every AGM.

The Company has received letter of confirmation from M/s. Walker Chandiook & Co LLP, Chartered Accountants to the effect that their appointment, if made, would be within the prescribed limits under Section 139 of the Act and that they are not disqualified for such appointment within the meaning of Section 141 of the Act, read with Companies (Audit and Auditors) Rules, 2014.

The observations and comments given by M/s. S.N. Dhawan & Co. LLP, Chartered Accountants, Statutory Auditors in their report read together with notes to Accounts for the year ended March 31, 2017 are self-explanatory and hence, do not call for any further comments under Section 134 of the Act.

#### Cost Auditors

The Board of Directors of the Company has re-appointed M/s. Ramanath Iyer and Co., Cost Accountants, New Delhi (Firm Registration No. 000019), Cost Auditors of the Company under Section 148 of the Act, for conducting the audit of cost records for the financial year 2017-18.

The due date of filing the Cost Audit Report for the year ended on March 31, 2016 was September 30, 2016 and the same has been filed on September 28, 2016.

#### Secretarial Auditors

The Board of Directors of the Company had appointed M/s. Jayant Gupta and Associates, Practicing Company Secretary to conduct secretarial audit of the Company for the financial year 2016-17. The Secretarial Audit Report for the financial year ended March 31, 2017 is enclosed as **Annexure – H** and forms an integral part of this Report.

The observations and comments given by the Secretarial Auditors in their report are self-explanatory and hence, do not call for any further comments under Section 204(3) of the Act.

The Board has also re-appointed M/s. Jayant Gupta and Associates, Practicing Company Secretary to conduct secretarial audit of the Company for the financial year 2017-18.

#### Risk Management

A Risk Management Committee which has been entrusted with the responsibility to assist the Board in (a) overseeing and approving the Company's enterprise wide risk management framework; and (b) Overseeing that all the risks that the organisation faces such as strategic, financial, credit, market, liquidity, security, property, IT, legal, regulatory, reputational and other risks have been identified and assessed and there is an adequate risk management infrastructure in place capable of addressing those risks. The Risk Management Policy was reviewed and approved by the Committee.

#### Internal Financial Controls

The Company has in place adequate internal financial controls for ensuring the orderly and efficient conduct of its business. During the year, such controls were tested and no reportable material weakness in the design or operation was observed.

#### Disclosures

##### Meetings of the Board

Five meetings of the Board of Directors were held during the year. For further details, please refer Report on Corporate Governance annexed as **Annexure – E** to this Report.



### Audit Committee

For constitution and other details of the Audit Committee, please refer Report on Corporate Governance annexed as **Annexure-E** to this Report.

All the recommendations made by the Audit Committee were accepted by the Board.

### Extracts of Annual Return

In terms of provisions of Section 92 of the Act read with the Companies (Management and Administration) Rules, 2014, the extracts of Annual Return in Form MGT-9 is enclosed as **Annexure – I** and forms an integral part of this Report.

### Vigil Mechanism

The Company has a vigil mechanism for Directors and Employees to report their concerns about unethical behavior, actual or suspected fraud or violation of the Company's Code of Conduct. The mechanism provides for adequate safeguards against victimization of effected Director(s) and Employee(s). In exceptional cases, Directors and Employees have direct access to the Chairman of the Audit Committee. The Whistle Blower Policy is available on Company's website.

### Registrar and Share Transfer Agent

The Share Transfer and related activities are being carried out by M/s Karvy Computershare Private Limited, Registrar and Share Transfer Agents (Karvy RTA), from the following address: -

M/s Karvy Computershare Private Limited  
Karvy Selenium, Tower B, Plot No. 31-32,  
Gachibowli, Financial District, Nanakramguda,  
Hyderabad-500032, Telangana

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

### Particulars of Loans given, Investments made, Guarantees given and Securities provided

Particulars of loans given, investments made, guarantees given and securities provided along with the purpose for which the loan or guarantee or security is proposed to be utilised by the recipient has been given elsewhere in the Annual Report and forms an integral part of this Report.

### Particulars of Employees and related disclosures

In terms of provisions of Section 197(12) of the Act, read with the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014, a statement showing

the names and other particulars of the employees drawing remuneration in excess of the prescribed limits are available with the Company Secretary. Having regard to the provisions of Section 136(1) of the Act, the Annual Report excluding the aforesaid information is being sent to the members of the Company. Any member interested in obtaining such particulars may write to the Company Secretary of the Company and the same will be furnished on request.

Disclosures pertaining to remuneration and other details as required under Section 197(12) of the Act read with Rule 5(1) of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014 is annexed as **Annexure – J** and forms an integral part of this Report.

### Public Deposits

The Company has not accepted/ renewed any Fixed Deposit during the financial year.

### Transfer to Investor Education and Protection Fund

Pursuant to the provisions of Section 205A(5) of the Act, the dividend which remained unclaimed or unpaid for a period of seven years has been transferred by the Company, from time to time on due dates to the Investor Education and Protection Fund.

As on March 31, 2017, no unclaimed deposits are pending for transfer to Investor Education and Protection Fund.

### Divestment of Auto Products Business

During the year, the Company has divested its OEM & Export Business of Auto Product Division as a part of the planned strategic reorientation of the business to focus on core verticals in the Agri-Machinery, Construction Equipment and Railway Equipment segments.

### Credit Rating

During the year, the credit rating of the Company have been upgraded as under:

India Ratings has upgraded the long-term rating from 'IND A-' to 'IND A'.

ICRA Limited has upgraded the long-term rating from "A-" to "A" with upward change in outlook from "STABLE" to "POSITIVE".

### Business Responsibility Report

As stipulated under the Listing Regulations, the Business Responsibility Report describing the initiatives taken by the Company from an environmental, social and governance

perspective can be accessed at the website of the Company [www.escortsgroup.com](http://www.escortsgroup.com) under Investor Information Section.

### Directors' Responsibility Statement

Pursuant to the requirement under Section 134(5) of the Act, with respect to Directors' Responsibility Statement, your Directors hereby state that:

- (i) in the preparation of the annual accounts for the year ended March 31, 2017, the applicable accounting standards read with requirements set out under Schedule III to the Act, have been followed alongwith proper explanation relating to material departures;
- (ii) the Directors have selected such accounting policies and applied them consistently and made judgements and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company as at March 31, 2017 and of the profit and loss of the Company for the year ended on that date;
- (iii) the Directors have taken proper and sufficient care 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;
- (iv) the Directors have prepared the annual accounts for financial year ended March 31, 2017 on a 'going concern' basis;
- (v) the Directors have laid down internal financial controls to be followed by the Company and that such internal financial controls are adequate and are operating effectively; and
- (vi) the Directors had devised proper systems to ensure compliance with the provisions of all applicable laws and that such systems are adequate and operating effectively.

### General

Your Directors state that no disclosure or reporting is required in respect of the following items as there were no transactions on these items during the year under review:

1. Details relating to deposits covered under Chapter V of the Act.
2. Issue of equity shares with differential rights as to dividend, voting or otherwise.
3. Issue of shares (including sweat equity shares) to employees of the Company under any scheme save and except ESOS referred to in this Report.
4. Neither the Managing Director nor the Whole-time Directors of the Company receive any remuneration or commission from any of its subsidiaries.
5. No significant or material orders were passed by the Regulators or Courts or Tribunals which impact the going concern status and Company's operations in future.

Your Directors further state that during the year under review, there were no cases filed pursuant to the Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal) Act, 2013.

### Acknowledgement

Your Directors would like to express their sincere appreciation of the positive co-operation received from the Central Government, the Government of Haryana and Uttaranchal, Financial Institutions and the Company's Bankers, Customers and Dealers.

The Directors also wish to place on record their deep sense of appreciation for the commitment displayed by all executives, officers, workers and staff of the Company resulting in the successful performance of the Company during the year.

The Board also takes this opportunity to express its deep gratitude for the continued co-operation and support received from its valued shareholders.

For and on behalf of the Board of Directors

Sd/-

**RAJAN NANDA**

*Chairman & Managing Director*

Place: Faridabad

Date: May 29, 2017

## 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 31/03/2016	1,11,100
(b) Options granted during the year	NIL
(c) Pricing Formula	At a price not less than the par value of Company's share and not more than the closing Market Price of the Stock Exchanges: No Options were granted during the financial year ended on March 31, 2017.
(d) Options Vested	1,11,100
(e) Options Exercised	84,000
(f) The Total number of shares arising as a result of exercise of options	84,000
(g) Options Lapsed/ Cancelled	NIL
(h) Variation of terms of options	Nil
(i) Money realised by exercise of options	71,40,000/-
(j) Total number of options in force	27,100 as on March 31, 2017
(k) Employee wise details of options granted to:	
• Senior managerial personnel during the year	NIL
• any other employee who receives a grant in any one year of options amounting to 5% or more of option granted during the year.	NIL
• 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.	NIL
(l) Diluted Earnings Per Share (EPS) pursuant to issue of shares on exercise of option calculated in accordance with Indian Accounting Standard (IND - AS) 33 'Earnings Per Share'.	₹16.84 per Equity Share
(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.	The profit of the year would have been higher by ₹ NIL. The EPS for the year would have been higher by ₹ NIL.
(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.	Fair value option is ₹41.19 and Exercise Price is ₹85.00.

(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 :	The Black Scholes Option Pricing Model for dividend paying stock has been use to compute the fair value of the options. The significant assumptions made are: Option Issued on October 1, 2015 7.68 % 2 Years 0.0194 15% ₹154.00 on October 1, 2015 The shares to be issued under stock options shall rank pari passu, including the right to receive dividend. Expected dividend payouts to be paid during the life of the option reduce the value of a call option by creating drop in market price of the stock. Adjustments for known anticipated dividend payouts over the life of the option are made to the formulae under the Black Scholes method.
• Risk free interest rate	7.68 %
• Expected life	2 Years
• Expected volatility	0.0194
• Expected dividends, and	15%
• The price of the underlying share in market at the time of option grant	₹154.00 on October 1, 2015

For and on behalf of the Board of Directors

Sd/-

**RAJAN NANDA**

*Chairman & Managing Director*

Place: Faridabad

Date: May 29, 2017



## Annexure – B to the Directors' Report

### Policy on Appointment and Removal of Director's and Members of Senior Management

#### 1. Preamble

- (i) This Policy on Appointment of Directors and Members of Senior Management (the "Policy") applies to the Board of Directors (the "Board") of Escorts Limited ("Escorts" or the "Company") and the Senior Management of Escorts. This Policy was recommended by the Nomination and Remuneration Committee of the Company ("NRC") and approved by the Board at its meeting held on January 16, 2015 and is subjected to periodic review by NRC.
- (ii) The primary objective of the Policy is to provide a framework and set standards for the appointment of talented and self-motivated Directors and Members of Senior Management who should have the capacity and ability to lead Escorts towards achieving its stated goals and strategic objectives, taking into account the interest of all stakeholders.
- (iii) The Board is ultimately responsible for the appointment of Directors and recommending the appointment of Independent Directors to the shareholders for their approval.
- (iv) The Board has delegated to NRC its responsibility for the assessment and selection of suitable candidates for the position of Director(s) on the Board of Escorts, which will submit its recommendations to the Board, in accordance with this Policy.

#### 2. Definitions

For the purposes of this Policy:

'Executive Board' shall mean and include the Chairman and Managing Director, Managing Director and any other Whole-time Director of Escorts appointed by the Board/ Shareholders, by whatever name called.

'Senior Management' shall mean and include the following:

- Employees in the grade of Vice President and above; and
- KMPs (other than Whole-time Directors).

#### 3. Criteria for Appointment as a Director and Senior Management Positions:

- (i) Matching the requirements of Escorts and enhancing the competencies of the Board are the basis for NRC to shortlist and recommend a candidate for appointment to the Board. Such candidate shall have primary or substantial strategic and balance sheet management/ profitability management responsibilities. When recommending a candidate for such appointment, NRC shall consider:
- (a) the results of assessment of the proposed appointee against a range of criteria formulated by NRC which include but shall not be limited to skill sets, regional and industry experience, background, integrity and other qualities required to operate successfully in the position of Director, having due regard to the benefits of diversity of the Board;
- (b) the extent to which the proposed appointee is likely to contribute to the overall effectiveness of the Board and work constructively with the existing Directors and Senior Management;
- (c) the present and potential future needs and requirements of the Company and sector in which it conducts its business and operations;
- (d) the nature of existing positions held by the proposed appointee including other directorships held or other relationships and the impact it may have on the appointee's ability to exercise independent judgment;
- (e) any requirements under applicable law (including but not limited to under the Companies Act, 2013 and/ or the rules and regulations made thereunder) and/ or under the Listing Agreements; and
- (f) time commitment required from a Director to properly discharge his fiduciary duties towards the Company.

- (ii) The criteria to be considered when assessing prospective candidates for appointment as Directors shall include the following:
- (a) highest levels of personal and professional ethics and integrity;
- (b) high quality attributes such as discipline, objectiveness, sensitivity and creativity;
- (c) sharing and demonstrating the core values of Escorts;
- (d) qualification in relevant disciplines (e.g. finance, secretarial, management, accountancy, legal and engineers etc.) or being a recognized specialist in disciplines or areas relevant to the Company and/ or its business;
- (e) experience in the management of a diverse organization, whether located in India and/ or overseas, in the Sector where the Company is already doing business or intends to enter into;
- (f) experience in accounting and finance, secretarial, administration, corporate, engineering and strategic planning or fund management;
- (g) demonstrable ability to work effectively with the Board;
- (h) excellent interpersonal, communication and representational skills;
- (i) demonstrable leadership skills;
- (j) strong influencing and negotiating skills; and
- (k) continuous professional development to update knowledge and skills.
- (iii) The criteria to be considered when assessing prospective candidates for a Senior Management position shall include the following:
- (a) highest levels of personal and professional ethics and integrity;
- (b) demonstrable leadership skills;
- (c) specialist knowledge and/or experience required for the Senior Management position in question;
- (d) good interpersonal relationships;
- (e) demonstrating intelligence, maturity and wisdom;
- (f) possesses managerial abilities such as effective communication skills, action focus, people

engagement, cultural sensitivity, flexibility, team player, strategic thinking, etc.;

- (g) sharing and demonstrating the values of Escorts ; and
- (h) ability to significantly contribute towards achievement of the strategic and business objectives of the Company.

(iv) Every person proposed to be appointed as a Director or a member of Senior Management should be able to give sufficient time and attention to the Company's affairs.

(v) The Policy is aimed to engage Directors (including Non-Executive Directors and Independent Directors) and Members of Senior Management, who are highly skilled, competent and experienced persons within the fields of business, finance, accounting, management, sales, marketing, administration, research, corporate governance, technical operations, law or other disciplines related to the Company's business and operations.

(vi) In addition to such requirements as may be specified under this Policy, the Independent Directors shall also fulfill the applicable requirements prescribed under Section 149 of the Companies Act, 2013 and the rules and regulations made there under, the provisions of the Listing Agreement(s) and other applicable laws as modified or amended or supplemented, from time to time.

(vii) Each Independent Director shall be required to duly submit/ make the stipulated declarations required to be furnished pursuant to the provisions of the Companies Act, 2013 and the rules and regulations made thereunder, the Listing Agreements, other applicable laws and the Articles of Association of the Company.

(viii) No person shall be considered for appointment/ re-appointment as a Director of Escorts, if he is disqualified to be appointed/ re-appointed as such in terms of the provisions of Section 164 of the Companies Act, 2013 or under any other applicable law.

(ix) No person shall be considered for appointment as a Director of Escorts, if he is already a Director in ten or more public companies or private companies, which is either a holding or subsidiary company of a public company.

#### 4. Selection Process

- (i) The selection procedure to be followed for the appointment of persons for the Board is as below:

- (a) NRC in consultation with the Chairman and Managing Director of Escorts shall determine the selection criteria applicable for each position at the Board level ("Director Selection Criteria").
- (b) For the positions of Whole-time Directors: based on the applicable Selection Criteria, NRC in consultation with the Chairman and Managing Director of Escorts, shall generate a potential list of candidates for the Board position in question who may meet the prescribed Director Selection Criteria.
- (c) For the positions of Independent Directors or Non-Executive Directors: NRC shall finalize a list of potential candidate(s) who meets the applicable Director Selection Criteria and shall submit such list to the Chairman of the Board along with its recommendations.
- (d) The Chairman of the Board shall thereafter meet the short listed candidate(s) to assess their capability for the job. In the event that the Chairman may feel that no short listed candidate is suitable for appointment to the Board, the Chairman may require NRC to submit a fresh list of candidates.
- (e) The candidate selected by the Chairman, shall be appointed in accordance with the relevant provisions of the Companies Act, 2013, rules made thereunder and SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 subject to the approval of the Board and/ or Shareholders of Escorts at General Meeting.
- (ii) The selection procedure to be followed for the appointment of persons at the Senior Management positions is as below:
- (a) In case of vacancy of KMP (other than Whole-time Directors), the Company's HR in consultation with NRC shall identify and short list employees to fill such vacancy, who may meet the criteria mentioned in this Policy. The appointment of the successful candidate shall be made by the Board in accordance with the provisions of the Companies Act, 2013, rules made thereunder, SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 and the Company's internal rules and regulations and policies.
- (b) In case of vacancy in other Senior Management positions, the Company's HR shall identify and short list employees to fill such vacancy. The details of

appointment will be placed before NRC and/ or Board for noting only.

## 5. Appointment Procedure

- (i) Every Director shall be appointed/ re-appointed by Escorts at Board or General Meeting as per the requirements of the Companies Act, 2013, Listing Agreement(s) or any other applicable laws.
- (ii) No person shall be appointed/ re-appointed as a Director of Escorts unless he/ she has been allotted the Director Identification Number (DIN) and he furnishes to Escorts a declaration to the effect that he is not disqualified to become a Director under the provisions of the Companies Act, 2013 and rules made there under or under any other law for the time being in force and files consent to hold the office as Director.
- (iii) No person shall be appointed as a Director whose name appears in the list of willful defaulters published by the Reserve Bank of India.
- (iv) NRC shall ensure that the appointment/ re-appointment of Directors of Escorts is as per the terms of this Policy and recommendations of candidates are made to the Board for appointment.

## 6. Term/ Tenure

- (i) Managing Director/Whole-time Director

The Company shall appoint or re-appoint any person as its Managing Director and CEO or Whole-time Director for a term not exceeding three to five years at a time with a provision for periodic review of performance. No re-appointment shall be made earlier than one year before the expiry of term.

- (ii) Independent Director

An Independent Director shall hold the office for a maximum term of up to five consecutive years on the Board of the Company and will be eligible for re-appointment on passing a special resolution by the Company and disclosure of such appointment in the Board's Report.

Independent Directors will normally have an age limit of 75 years. The Board might however in specific cases review this age limit and continue the tenure of the appointment subject to such approvals as are needed. A new appointee will therefore be at the time of appointment will not be more than 70 years old. The limit of 75 years will not apply to non-independent directors and/ or to Independent Directors re-categorized as non-

independent directors, subject the composition of the Board being in conformity with the extant guidelines.

No Independent Director shall hold the office for more than two consecutive terms, but Such Independent Director shall be eligible for appointment after the expiry of three years of ceasing to become an Independent Director. Provided that an Independent Director shall not during the said period of three years, be appointed in or be associated with the Company in other capacity, either directly or indirectly. However, if a person who has already served as an Independent Director for five years or more in the Company as on April 1, 2014 or such other date as may be determined by the Committee as per regulatory requirement, he/ she shall be eligible for appointment for one more term of up to five years only.

At the time of appointment of Independent Director, it should be ensured that number of Boards on which such Independent Director serves is restricted to seven listed companies as an Independent Director and three listed companies as an Independent Director in case such person is serving as a Whole-time (Executive) Director of a listed company.

## 7. Letters of Appointment to Directors

Escorts shall issue a formal letter of appointment to the person appointed as a Director of Escorts. The letter of appointment to be issued to the Independent Directors shall inter alia set out the matters as stated in Schedule IV of the Companies Act, 2013.

## 8. Evaluation Procedure for Directors

- (i) NRC shall develop such assessment criteria as it shall deem fit for the purposes of undertaking performance evaluation of the Directors and the Board as a whole. NRC shall undertake an annual performance evaluation of all Directors of Escorts based on the relevant assessment criteria developed by it.
- (ii) The assessment criteria for performance evaluation of Directors shall be disclosed in accordance with the

relevant provisions of the Companies Act, 2013, the rules framed thereunder and SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015.

## 9. Removal

Due to reasons for any disqualification mentioned in the Companies Act, 2013, rules made thereafter or under any other applicable Act, rules and regulations, the Committee may recommend, to the Board with reasons recorded in writing, removal of a director or KMP subject to the provisions and compliance of said Act, rules and regulations.

## 10. Retirement

The Whole-time Directors, KMP and Senior Management Personnel shall retire as per the applicable provisions of the Companies Act, 2013 and the prevailing policy of the Company.

The Board will have the discretion to retain the Whole-time Directors, KMP and Senior Management Personnel in the same position/ remuneration or otherwise, even after attaining the retirement age, for the benefit of the Company.

## 11. Policy Review

- (i) This Policy may be amended, modified or supplemented from time to time to ensure compliance with any modification, amendment or supplementation to the Companies Act, 2013 and rules made thereunder, SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, the Securities and Exchange Board of India Act, 1992 and rules/ regulations/ guidelines made thereunder, the Memorandum and Articles of Association of the Company or as may be otherwise prescribed by the Board from time to time.
- (ii) NRC may issue/ implement such guidelines, procedures, formats and/ or reporting mechanisms to enforce this Policy as it may deem fit.



## Annexure – C to the Directors' Report

### Remuneration Policy for the Directors, Key Managerial Personnel, Senior Management and other employees

#### 1. Preamble

The primary objective of this Remuneration Policy for the Directors, Key Managerial Personnel, Senior Management and other employees (the "Policy") is to provide a framework for the remuneration of the Directors, Key Managerial Personnel (KMP), Members of Senior Management and other employees of the Escorts Limited ("Escorts" or the "Company").

In terms of Section 178 of the Companies Act, 2013 read with rules framed thereunder and SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, the Nomination and Remuneration Committee of Directors of the Company (NRC) has formulated and recommended this Policy for the approval of the Board of Directors of Escorts.

The primary objectives of this Policy are as under:

- (i) To ensure that the level and composition of remuneration is in line with other companies in the industry, sufficient to attract and retain right talent, at all levels and keep them motivated enough to meet the organisational objectives.
- (ii) To ensure that a reasonable balance is maintained in terms of composition of remuneration (fixed and variable component).
- (iii) To have performance measurement parameters in place to assess the overall performance of Directors, KMPs, Members of Senior Management and other employees.

Based on the above objectives and broad parameters set herein, the Board of Directors of Escorts at its meeting held on January 16, 2015, has approved this Policy.

#### 2. Applicability

This Policy shall be applicable and act as a guiding principle with regard to remuneration payable by Escorts to all Directors, KMPs, Members of Senior Management and other employees of the Escorts.

#### 3. Remuneration of Non-Executive/ Independent Directors

- (i) The key elements of remuneration of Non-Executive/ Independent Directors are commission and sitting fees (except professional fee, if any), subject to overall limit as prescribed in the Companies Act, 2013 read with rules made thereunder and the approval of the shareholders, as applicable. They shall be covered under the Directors and Officers Liability Insurance (D&O) Policy. The Independent Directors shall not be eligible for stock options.
- (ii) Since, the Non-Executive/ Independent Directors collectively endeavor to ensure that the Company performs well and is compliant with applicable laws, rules, regulations and guidelines, they may be paid commission, subject to the approval of the Board and subject to extant legal, regulatory and other applicable provisions and adequacy of sustained profitability.

#### 4. Remuneration of Whole-time Director's including Whole-time KMP (being a Director)

- (i) The Whole-time Directors are appointed on a contractual basis for a fixed tenure as approved by the shareholders and such contracts are renewable upon expiry of the tenure subject to recommendation by NRC/ Board and approval of the shareholders.
- (ii) The remuneration paid to Whole-time Directors is within the limits approved by the shareholders of Escorts which includes fixed salary, perquisites, variable pay in the form of commission, other benefits and allowances and certain retirement benefits, within the overall limit under Section 197 of the Companies Act, 2013. They are also eligible for stock options as per the scheme framed/ to be framed by Escorts, from time to time.
- (iii) The Whole-time Directors shall be covered under the Directors and Officers Liability Insurance (D&O) Policy.
- (iv) Their annual increments shall be linked to their overall performance and as recommended by NRC and approved by the Board, from time to time.

- (v) While fixing the remuneration components, the Company will also reckon extant and emerging economic conditions, state of the sector and economy, competitive pressures for key qualified personnel not merely in the sector but also in the analogous sectors where the skill sets would be relevant; the Company will also reckon (with a lag where necessary), the multiple of the total emoluments payable to such directors vis-a-vis the mean salary paid to an employee in the organization.

#### 5. Members of Senior Management, KMP (other than Whole-time Directors) and other employees

- (i) Senior Management shall mean and include the following:
  - (a) Employees in the grade of Associate Vice President and above; and
  - (b) KMPs (other than Whole-time Directors).
- (ii) The key components of remuneration package of the Senior Management and other employees of Escorts shall comprise of basic salary, dearness allowance, house rent allowance, transport allowance, ex-gratia, performance bonus, contribution to provident fund and superannuation fund, premium on medical insurance and personal accident insurance, scholarship for children, gratuity, leave travel allowance, leave encashment etc., which is linked to their grade. They are also eligible for stock options as per the scheme framed/ to be framed by Escorts, from time to time.
- (iii) The remuneration, performance appraisal and rewards of Members of Senior Management and other employees, shall be in line with the stated objectives.
- (iv) The annual increments for the Senior Management and KMP (other than Whole-time Directors) and other employees shall be linked to their overall performance and as decided by the Chairman and Managing Director in consultation with their reporting managers and Company's HR. The Board, on the recommendation of NRC, shall also review and approve the remuneration payable to the Key Managerial Personnel of the Company.
- (v) Employees must conduct themselves to ensure that no breach of Code of Conduct, Escorts Code of conduct for prevention of Insider trading or such other code as may be applicable from time to time, Standard Operating Procedures (SOPs) and all

other relevant and applicable codes is committed. Any such breach will have a direct bearing on their performance appraisal and rewards and shall also attract appropriate disciplinary action.

- (vi) While fixing the remuneration components, the Company will also reckon extant and emerging economic conditions, state of the sector and economy, competitive pressures for key qualified personnel not merely in the sector but also in the analogous sectors where the skill sets would be relevant; the Company will also reckon (with a lag where necessary), the multiple of the total emoluments payable to such directors vis-a-vis the mean salary paid to an employee in the organization.

#### 6. Disclosures in the Board's Report

- (i) The disclosures as required under the relevant provisions of the Companies Act, 2013, rules made thereunder and the revised SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 shall be made with regard to the remuneration details of the Directors, KMPs, Senior Management and other employees.
- (ii) This Policy shall be uploaded on the website of the Company.

#### 7. Policy review

- (i) This Policy may be amended, modified or supplemented from time to time to ensure compliance with any modification, amendment or supplementation to the Companies Act, 2013, rules made thereunder, the Listing Agreements, the Securities and Exchange Board of India Act, 1992 and rules/ regulations/ guidelines made thereunder, the Memorandum and Articles of Association of the Company or as may be otherwise prescribed by the Board from time to time.
- (ii) NRC may issue/ implement such guidelines, procedures, formats and/ or reporting mechanisms to enforce this Policy as it may deem fit.

## Annexure – D to the Directors' Report

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

#### I) Conservation of Energy

##### 1. The Steps taken or impact on conservation of energy

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

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

During the year March 31, 2017, your Company has taken a lot of initiatives for reduction in power cost by not only reducing the consumption through implementation of new technologies but also by improving the production processes.

Your Company has undertaken special projects in the field of Energy Conservation & achieved notable saving through their implementation.

In pursuit of the continual improvement in Energy Conservation in generation distribution & consumption areas, following initiatives have been taken:

- a) Introduced High bay LED Lights of 72 Watt as a replacement of existing 270 watt high bay lights in various shop floors in EAM plants (73% less consumption).
- b) Replaced the Electrical Heating (Electrical Heaters) in washing machines in FT & PT Assembly Plants by Heat Pump (Reverse AC technology) with same quality output (55% less energy consumption).
- c) Productivity improvement & Oven Process optimization in PT & FT Paint shop resulting in reduction in Power & PNG Gas Consumption (3.63% reduction from FY 15-16 figures).

- d) Maximum use of low cost Power through Open Access (daily Power Bidding) to reduce the Power Cost.
- e) Old & damaged Under-Ground Air Line being replaced with Over-Head to reduce compressed air losses & thus consumption in a phased manner.
- f) In pursuit of the Continual Improvement in Energy Conservation in the Generation Distribution & Consumption Areas in continuation from previous years initiatives, units/ Tractor reduced steadily.
- g) Reduction in Power & Natural Gas Consumption.
- h) Efficient use of Natural Resources.
- i) Reduction in Power Cost
- j) Reduction in Manufacturing Cost (Power Cost per Tractor)
- k) Replacement of 250 watt lights with 80 watt LEDs on shop floor area
- l) Timers on Air Conditioners to control ON/OFF time & Thermostat setting at 24 deg C.
- m) Replaced Conventional 250 watt Electric Lamps with 150 watt LED Lamps.
- n) Replaced High Pressure Line Air Compressor With Energy Saving Variable Speed Compressor.

##### 2. Steps taken by the Company for utilizing alternate source of energy

- a) Renewable Energy Initiative by installation of Roof Top Solar Plants across various roofs for a combined capacity of 1040 Kwp
- b) Added Turbo Ventilators for natural Air circulation & Poly Carbonate sheets for natural Lighting
- c) Solar Power generation
- d) Installed and commissioned PV Solar Power Plant of 149.04 KWP Capacity

#### 3. Capital Investment on Energy Conservation Equipments

- a) ₹60 Lakhs invested in Energy Efficient Lights
- b) ₹81 Lakhs invested in Heat Pumps
- c) ₹692 Lakhs invested in Solar Project

#### II) Technology Absorption

##### 1. The efforts made towards technology absorption

- a) New Farmtrac smart series introduced to improve fuel efficiency or 45 – 50 hp series.
- b) Design and development of fuel efficient low cost engine series <50 hp category.
- c) New series of tractors introduced with high power & fuel efficient engines for enhanced performance (30 hp - 45 hp).
- d) Design & development of new high end Tractors with 90 hp engine for export markets.
- e) Design and development of new CRDI engine to meet the export requirement.
- f) Feature & Reliability enhancement in Powertrac series of tractors to meet the applications needs.
- g) Design and development of complete product range from 37 to 75 hp tractors for export market.
- h) New concept of 20 speeds (16F + 4R) extended to other range of products to meet the new and emerging agricultural application requirements.
- i) Initiated new Projects for special farming needs like paddy cultivation, intercultural operations, sprayer applications and loader dozer applications. New series of higher hp tractors (in 37 – 75 hp) developed for domestic and export markets.
- j) Initiated projects to extend product range in both the lower and higher hp range from the current range of tractors. Introduced new looks and features for making modern tractors.
- k) Up-gradation of Design, Development and testing infrastructure at R&D to develop & absorb new contemporary technologies in a most cost effective manner to offer products at a competitive price.

- l) Design validation & virtual testing thru predictive analysis software and load accelerated test rigs.
- m) Filing of patents/ design registrations for new and innovative designs.
- n) Enhanced facilities for Noise intensity mapping and noise source identification to cater coming noise norms and operator comfort norms.

##### 2. Benefits derived like product improvement, cost reduction, product development or import substitution

- a) Escorts delivered a series of new products with enhanced power and performance and made a better value proposition for customers in exports markets. This has given more customer coverage for Escorts products & resulted in to consistent volumes and market share gain.
- b) High end engine series of 90 hp is now being utilized to make new competitive higher hp tractors for exports markets. Full range of tractors from 25 – 90 hp would be available for both exports and domestic markets.
- c) New tractors with more nos. speeds transmission are made for lower hp models and given to market for increased utility at customer end. Significant Material cost reduction in tractors through design optimization and renegotiation.
- d) Product cost optimization thru VE/VA.
- e) Design & development of new high end tractor series for future emission norms.
- f) High end transmissions to meeting all emerging application (Agri, Construction Equipment etc).
- g) Higher hp tractors with AC cabin and other premium features.
- h) Design & development of future Tractor series.
- i) Expanding Product range for global market.
- j) Application specific tractor for niche market like row crop, garden tractor etc.
- k) Innovative tractor concepts to improve fuel efficiency.



### 3. In case of imported technology (imported during the last 3 years reckoned from the beginning of the financial year):

1. Technology imported	NIL
2. Year of Import	NIL
3. Has technology been fully absorbed?	N.A.
4. If not absorbed, areas, where this has not taken place, reasons therefore and future plans of action	N.A.

### 4. Expenditure incurred on Research & Development

₹ Cr.

S. No.	Particulars	For the financial year ended on March 31, 2017	For the financial year ended on March 31, 2016
a)	Capital Expenditure*	44.70	9.04
b)	Recurring Expenditure	83.99	71.23
Total R&D Expenditure		128.69	80.27
Total R&D Expenditure as a percentage of total turnover		3.32%	2.54%

\*Does not include capital advance/ capital work in progress

### III) Total Foreign Exchange earnings and outgo

Escorts has its presence in the following international markets:

#### Escorts Agri Machinery Division

Bangladesh, Brazil, Cambodia, Chile, Egypt, Indonesia, Kenya, Madagascar, Mexico, Myanmar, Nicaragua, Oman, Poland, Senegal, South Africa, Sri Lanka, Sudan, Syria, Tanzania, Tunisia, USA, Vietnam, Zambia.

#### Escorts Construction Equipment Division

- SAARC Countries Including Nepal, Bhutan, Bangladesh, Sri Lanka.
- South East Asia Including Myanmar, Indonesia.
- Middle East Including UAE, Kuwait, Bahrain, Saudi Arabia, Oman
- African continent Including Kenya, Tanzania, Uganda, South Africa, Tunisia
- Turkey

#### Railway Equipment Division

Bangladesh, Sri Lanka, Myanmar, Thailand, Malaysia, Indonesia, Vietnam, New Zealand, Egypt, Tanzania, Senegal, Ghana, Cameroon, Gabon, Spain.

₹ Cr.

S. No.	Particulars	For the financial year ended on March 31, 2017	For the financial year ended on March 31, 2016
a)	Foreign exchange outgo:		
	- Imports (including capital goods)	71.42	67.49
	- Others	16.91	33.33
	Total	88.33	100.82
b)	Foreign Exchange earned	122.00	124.57

For and on behalf of the Board of Directors

Sd/-

Place: Faridabad  
Date: May 29, 2017

**RAJAN NANDA**  
Chairman & Managing Director

## Annexure – E to the Directors' Report

# Report on Corporate Governance

### I. Company's Philosophy on Corporate Governance

Corporate Governance may be defined as a set of systems, processes and principles, which ensure that a Company is governed in the best interest of all stakeholders. It is the system that directs and controls respective companies. It is about promoting corporate fairness, transparency and accountability. In other words, 'Good Corporate Governance' is simply 'Good Business'.

In India, the question of Corporate Governance has emerged mainly in the wake of economic liberalisation and deregulation of industry and business. The objective of any Corporate Governance system is to simultaneously improve corporate performance and accountability. These, in turn, help to attract financial and human resources on the best possible terms and prevent corporate failure.

Corporate Governance consists of procedures and processes, according to which an organisation is directed and controlled. Its structure specifies the distribution of rights and responsibilities among different pan-organisational participants, such as the Board, managers, shareholders and other stakeholders. The system helps to lay down the rules and procedures for decision making.

The objective of Good Corporate Governance is to ensure the Board's commitment towards transparent management to maximise long-term value for the Company's shareholders and all other partners. It integrates all the participants involved in a process, which is economic and, at the same time, social.

A well-defined and enforced Corporate Governance benefits everyone concerned by ensuring that the enterprise adheres to accepted ethical standards and best practices, as well as to applicable laws.

Corporate Governance goes beyond the practices enshrined in the laws and is imbibed in the basic business ethics and values that needs to be adhered to in letter and spirit. However a transparent, ethical and responsible Corporate Governance framework essentially emanates

from the intrinsic will and passion for good governance ingrained in the organisation.

Good Corporate Governance practices are also essential for a sustainable business model for generating long term value for all its stakeholders.

At Escorts, Corporate Governance practices aim to adhere to the highest governance standards through continuous evaluation and benchmarking.

### II. Board of Directors

The composition of the Board of Directors is in conformity with the provisions of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 (hereinafter referred as "the Listing Regulations"), as amended from time to time.

The Board of Director(s) along with its Committee(s) provide leadership and guidance to the Company's Management and directs, supervises and controls the performance of the Company. The Board of Director(s) of the Company comprises of distinguished personalities, who have been acknowledged in their respective fields. As at the end of financial year, Four out of the Nine Directors on the Board are independent & non-executive and Two are non-independent & non-executive. Mr. Rajan Nanda, Chairman and Managing Director of the Company is duly assisted by Mr. Nikhil Nanda, Managing Director of the Company and both of them are in whole-time employment of the Company. Ms. Nitasha Nanda, Whole-time Director is also in whole-time employment of the Company.

Independent Directors are non-executive directors as defined under Regulation 16(1)(b) of the Listing Regulations read with Section 149(6) of the Companies Act, 2013 ("the Act"). The maximum tenure of Independent Directors is in compliance with the Act. All the Independent Directors have confirmed that they meet the criteria as mentioned under Regulation 16(1)(b) of the Listing Regulations read with Section 149(6) of the Act.

The Senior Management have made disclosure to the Board confirming that there are no material, financial and/

or commercial transactions between them and the Company, which could have potential conflict of interest with the Company at large.

As on March 31, 2017, the Board comprises of Nine Directors. The names and categories of Directors, the number of Directorship and Committee position(s) held by them in the companies, meetings attended by them and other relevant particulars are given below.

Sl. No	Name	Designation	Category	Relationship with each other	No. of Board Meetings attended during the financial 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 and Non-Independent (Promoter)	Father of Mr. Nikhil Nanda and Ms. Nitasha Nanda	5	Y	2	-
2.	Mr. Nikhil Nanda	Managing Director	Executive and Non-Independent (Promoter)	Son of Mr. Rajan Nanda and Brother of Ms. Nitasha Nanda	5	Y	2	-
3.	Ms. Nitasha Nanda	Whole-time Director	Executive and Non-Independent (Promoter)	Daughter of Mr. Rajan Nanda and Sister of Mr. Nikhil Nanda	5	N	5	3(1)
4.	Mr. Hardeep Singh	Director	Non – Executive and Non – Independent	*	5	Y	3	-
5.	Mr. P.H. Ravikumar	Director	Non – Executive and Independent	*	5	Y	9	4(1)
6.	Mrs. Vibha Paul Rishi	Director	Non – Executive and Independent	*	5	Y	9	4(1)
7.	Dr. Sutanu Behuria	Director	Non – Executive and Independent	*	4	Y	4	1(1)
8.	Mr. G.B. Mathur	Director	Non-Executive and Non Independent	*	4	Y	4	2
9.	Mr. D.J. Kakalia**	Director	Independent Director	*	3	Y	6	6
10.	Dr. S. A. Dave (†)	Director	Non – Executive and Independent	*	2	Y	-	-

Y = Yes N = No

\* None of the Non-Executive Directors are related to any other Director of the Company.

\*\* Appointed as Independent Director w.e.f. May 25, 2016

(#) Including Escorts Limited.

(^) In accordance with Regulation 26, Memberships/ Chairmanships of Audit Committees and Stakeholders' Relationship Committees in all Public Limited Companies (excluding Escorts Limited) have been considered.

(†) Resigned from Directorship w.e.f. September 20, 2016

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

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

### III. Directors' Membership in Board/ Committees of Other Companies

In terms of the provisions of the Listing Regulations, none of the Directors on the Company's Board is a member of more than ten committees and Chairman of more than five committees (Committees being, Audit Committee and Stakeholders' Relationship Committee) across the companies in which they are associated as Directors. All the Directors have made necessary disclosures regarding Committee positions held by them in other companies and do not hold the office of Director in more than twenty companies including ten public companies (including 7 listed companies).

### IV. Board Meetings

During the financial year ended on March 31, 2017 the Board of Directors met Five (5) times on the following dates:-

May 25, 2016, July 28, 2016, September 20, 2016, October 27, 2016 and February 9, 2017.

The gap between any two Board Meetings did not exceed 120 days.

### Board Meeting Procedures

Escorts Limited's Board is presented with detailed notes, along with the agenda papers, well in advance of the meeting. All material information is incorporated in the agenda for facilitating meaningful and focused discussions at the meeting. Where it is not practical to attach any document to the agenda, the same is tabled before the meeting with specific reference to this effect in the agenda. In special and exceptional circumstances, additional or supplementary items on the agenda are permitted. The required information as enumerated in Part A of Schedule II of the Listing Regulations are regularly made available to the Board of Directors for discussion and consideration at Board Meetings.

### Information supplied to the Board

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

The Annual Operating and Capital Budget(s) are approved by the Board of Directors. The Board spends considerable time in reviewing the actual performance of the Company vis-à-vis the approved budget.

### Code of Conduct

The Company has adopted a Code of Conduct for Directors and Senior Management of the Company. The Code has been circulated to all the members of the Board and Senior Management and the same is also available on the Company's website: [www.escortsgroup.com](http://www.escortsgroup.com).

The Board members and Senior Management personnel of the Company have affirmed their compliance with the code. A declaration to this effect signed by the Chairman and Managing Director of the Company is contained hereinafter in this Report.

### Declaration by C.E.O.

The Board of Directors,  
**Escorts Limited**

Dear Sir,

I hereby confirm that:

The Company has received from the members of the Board and Senior Management, a declaration of compliance with the Code of Conduct for Directors and Senior Management in respect of financial year ended on March 31, 2017.

Sd/-

Place: Faridabad

**RAJAN NANDA**

Date: May 29, 2017

*Chairman and Managing Director*

### Vigil Mechanism

The Company has adopted a Whistle Blower Policy to report instances of unethical behaviour, fraud or violation of the Ethics Policy of the Company. The Whistle Blower Policy has been circulated to all the employees and directors of the Company and the same is also available on the Company's website: [www.escortsgroup.com](http://www.escortsgroup.com).

### V. Audit Committee

#### Constitution

During the financial year ended on March 31, 2017 the Audit Committee had been reconstituted post the resignation of Dr. S. A. Dave from the directorship of the Company. Mrs. Vibha Paul Rishi was inducted as member of the Committee on October 27, 2016.

The Audit Committee comprises of the following Non-Executive Directors:

1. Mr. P. H. Ravikumar – Independent Director (Chairman)
2. Mr. Hardeep Singh – Non-Independent Director
3. Mrs. Vibha Paul Rishi – Independent Director
4. Dr. Sutanu Behuria – Independent Director



All the members of the Audit Committee have accounting, economic and financial management expertise. The composition of the Audit Committee is in compliance with the provisions of Section 177 of the Act and the Listing Regulations.

The Audit Committee assists the Board in its responsibility to oversee the quality and integrity of the accounting, auditing and reporting practices of the Company and its compliance with the legal and regulatory requirements. The Committee's purpose is to oversee the accounting and financial reporting statements, the appointment, independence, performance and remuneration of the Statutory Auditors, including the Cost Auditors and the performance of Internal Auditors of the Company.

During the financial year ended on March 31, 2017 the Committee met Five (5) times on the following dates:- May 25, 2016, July 28, 2016, September 20, 2016, October 26, 2016 and February 9, 2017

Mr. Ajay Kumar Sharma, Group General Counsel & Company Secretary is acting as Secretary of the Audit Committee.

#### Terms of Reference

The Charter of the Committee is as prescribed under Section 177 of the Act read with the Listing Regulations:

1. Oversight of the Company's financial reporting process and the disclosure of its financial information to ensure that the financial statement is correct, sufficient and credible.
2. Recommending to the Board, the appointment, reappointment 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 and auditor's report thereon before submission to the Board for approval, with particular reference to:
  - a) Matters required to be included in the Directors' Responsibility Statement forming part of Board's Report in terms of Clause (c) of sub-section 3 of Section 134 of the Act.
  - 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 judgement by management.
  - d) Significant adjustments made in the financial statements arising out of audit findings.
  - e) Compliance with listing and other legal requirements relating to financial statements.
  - f) Disclosure of any related party transactions.
  - g) Modified opinion(s) 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 and monitoring the auditors independence & performance, and effectiveness of audit process.
  8. Approval or any subsequent modification of transactions of the Company with related parties.
  9. Scrutiny of inter-corporate loans and investments.
  10. Valuation of undertakings or assets of the Company, wherever it is necessary.
  11. Evaluation of internal financial controls and risk management systems.
  12. Reviewing, with the management, performance of statutory & internal auditors, adequacy of the internal control systems.
  13. 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.
  14. Discussion with internal auditors of any significant findings and follow up thereon.
  15. 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.

16. 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.
17. Investigating the reasons for substantial defaults in the payment to the depositors, debenture holders, shareholders (in case of non-payment of declared dividends) and creditors.
18. To review the functioning of the Whistle Blower mechanism.
19. Approving the appointment of Chief Financial Officer (i.e. the Whole-time Finance Head or any other person heading the finance function or discharging that function) after assessing the qualifications, experience & background, etc. of the candidate.
20. Reviewing any changes in the accounting policies or practices as compared to the last completed financial year and commenting on any deviation from the Accounting Standards.
21. Carrying out any other function as may be referred to the Committee by the Company's Board of Directors and/ or other Committees of Directors of the Company from time to time.
22. Recommending to the Board, the terms of appointment, re-appointment and, if required, the replacement or removal of the Cost and the Secretarial Auditors.
23. The Committee has systems and procedures in place to ensure that the Audit Committee periodically reviews:
  - 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, if any;
  - e) Appointment, removal and terms of remuneration of the Chief Internal Auditor, if any;
  - f) The Financial Statements, in particular, the investments made by the unlisted subsidiaries of the Company, in view of the requirements under the Listing Regulations;

- g) Details of material transactions with related parties, which are not in the normal course of business; and
- h) Details of material transactions with related parties or others, if any, which are not on arm's length basis, along with management's justification for the same.
- i) Statement of deviations: (a) quarterly statement of deviation(s) including report of monitoring agency, if applicable, submitted to stock exchange(s) in terms of Regulation 32(1). (b) annual statement of funds utilized for purposes other than those stated in the offer document/ prospectus/ notice in terms of the Listing Regulations 32(7).

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) to be present at the meetings of the committee.

#### Meetings & Attendance

Name of Member	Designation	No. of Meeting	
		Held	Attended
Mr. P.H. Ravikumar	Chairman	5	5
Mr. Hardeep Singh	Member	5	4
Mrs. Vibha Paul Rishi*	Member	5	1
Dr. Sutanu Behuria	Member	5	4
Dr. S. A. Dave**	Member	5	2

\*Inducted as Member of the Committee w.e.f. October 27, 2016 and only one meeting held during her tenure as member of the Committee.

\*\*Resigned from Directorship w.e.f. September 20, 2016.

The gap between any two Audit Committee meetings did not exceed 120 days.

#### VI. Nomination and Remuneration Committee Constitution

During the financial year ended on March 31, 2017, the Nomination and Remuneration Committee was reconstituted on October 27, 2016 post the resignation of Dr. S. A. Dave from the directorship of the Company.

The Nomination and Remuneration Committee comprises of following Non-Executive Directors:

1. Mr. P. H. Ravikumar – Independent Director (Chairman)
2. Mr. Hardeep Singh – Non-Independent Director
3. Mrs. Vibha Paul Rishi – Independent Director
4. Dr. Sutanu Behuria – Independent Director

#### Terms of Reference

The Charter of the Committee is as prescribed under Section 178 of the Act read with the Listing Regulations viz.:

1. Formulation of the criteria for determining qualifications, positive attributes and independence of a director and recommend to the Board a policy, relating to the remuneration of the directors, key managerial personnel and other employees;
2. Formulation of criteria for evaluation of Independent Directors and the Board;
3. Devising a policy on Board diversity;
4. Identifying persons who are qualified to become directors and who may be appointed in senior management in accordance with the criteria laid down, and recommend to the Board their appointment and removal. The Evaluation Criteria and the Remuneration Policy shall form part of the Annual Report of the Company.

The Nomination and Remuneration Committee has been constituted to recommend/ review remuneration of the directors, key managerial personal and other employees, based on their performance and defined assessment criteria.

The remuneration policy of the Company is directed towards rewarding performance, based on review of achievements. It is in consonance with the existing industry practice.

Non-Executive Directors can also be paid a commission based on the performance of the Company. During the period under review there are no pecuniary relationships or material transactions of the Non-Executive Directors viz- viz the Company.

#### Meetings & Attendance

During the financial year ended on March 31, 2017 the Committee met Two (2) times on May 25, 2016 and February 9, 2017.

Name of Member	Designation	No. of Meeting	
		Held	Attended
Mr. P.H. Ravikumar	Chairman	2	2
Mr. Hardeep Singh	Member	2	2
Mrs. Vibha Paul Rishi*	Member	2	1
Dr. Sutanu Behuria	Member	2	1
Dr. S. A. Dave**	Member	2	1

\*Inducted as Member of the Committee w.e.f. October 27, 2016 and only one meeting held during her tenure as member of the Committee.

\*\*Resigned from Directorship w.e.f. September 20, 2016.

#### Remuneration Policy

The Company's remuneration policy for Directors, Key Managerial Personnel, Senior Management and other employees is annexed as **Annexure - C** to the Directors' Report.

The Company's remuneration policy is directed towards rewarding performance based on review of achievements periodically. The remuneration policy is in consonance with the existing industry practice.

#### Details of Remuneration of Directors

The Company has not paid any remuneration to any of its Non-Executive Directors, except Sitting Fees for attending meetings of the Board and all its Committees for which ₹50,000 per meeting was paid for Board Meeting and Audit Committee Meeting and ₹20,000 per meeting was paid for any other committee meeting. The aggregate amount of sitting fees paid during the financial year was ₹28.10 lakhs (excluding service tax). The director wise payment of sitting fee is provided in Form MGT-9 attached as **Annexure - I** to the Directors' Report.

The shareholders of the Company has approved the payment of commission to Non-Executive Directors in the Annual General Meeting held on September 19, 2014 for a period of five years. Accordingly, for the financial year ended on March 31, 2017, Mr. P.H. Ravikumar, Mrs. Vibha Paul Rishi, Dr. Sutanu Behuria, Mr. D.J. Kakalia and Mr. Hardeep Singh have been paid commission of ₹7,50,000/- (Rupees Seven Lakh Fifty Thousand only) each, aggregating to ₹37,50,000/- (Rupees Thirty Seven Lakh Fifty Thousand only) and the same is within the limits of 1% of the net profits of the Company calculated under Section 198 of the Companies Act, 2013.

The remuneration paid/ payable to Mr. Rajan Nanda, Chairman and Managing Director, Mr. Nikhil Nanda,

Managing Director and Ms. Nitasha Nanda, Whole-time Director of the Company for the financial year ended on March 31, 2017 are as follows:

Particulars	FY 2016-17 (₹)		
	Mr. Rajan Nanda	Mr. Nikhil Nanda	Ms. Nitasha Nanda
Basic Salary	1,80,00,000	1,80,00,000	60,00,000
Allowances & Perquisites	2,97,29,599	2,79,84,544	71,95,682
Provident Fund Contribution	21,60,000	21,60,000	7,20,000
Superannuation Allowance	27,00,000	27,00,000	9,00,000
Commission (proposed)*	3,50,00,000	3,50,00,000	1,00,00,000
<b>Total</b>	<b>8,75,89,599</b>	<b>8,58,44,544</b>	<b>2,48,15,682</b>

\*Commission paid for the Financial Year 2016-17

The tenure of office of the Chairman and Managing Director, Managing Director and Whole-time Director is for a period of five years from their respective date of appointment. The services of said Directors with the Company can be terminated by either party giving six calendar months' notice in writing. In the event of termination of services, they shall be entitled to receive compensation in accordance with the provisions of Section 202 of the Act.

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

#### VII. Shares held by Non-Executive Directors

Name	Category	No. of Equity shares held
Mr. P.H. Ravikumar	Independent	-
Mrs. Vibha Paul Rishi	Independent	-
Dr. Sutanu Behuria	Independent	-
Mr. D.J. Kakalia	Independent	-
Mr. Hardeep Singh	Non-Independent	1,000
Mr. G.B. Mathur	Non-Independent	1,679

#### VIII. Stakeholders' Relationship Committee

##### Constitution

During the financial year ended on March 31, 2017, the Stakeholders' Relationship Committee had been reconstituted post the resignation of Dr. S.A. Dave from the directorship of the Company. Mrs. Vibha Paul Rishi was inducting as member of the Committee on October 27, 2016.

The Stakeholders' Relationship Committee comprises of following Non-Executive Directors:-

1. Mr. Hardeep Singh – Non-Independent Director – Chairman
2. Mrs. Vibha Paul Rishi – Independent Director
3. Dr. Sutanu Behuria – Independent Director

##### Terms of Reference

The Committee looks to redress shareholders and investors complaints relating to share transfer, Demat, Remat, non-receipt of declared dividends or Annual Reports etc.

The Committee additionally oversees the performance of Share Transfer Agent and recommends measures for overall improvement in the quality and promptness towards investors services.

##### Meetings & Attendance

During the financial year ended on March 31, 2017, the Committee met on February 9, 2017.

Name of the Member	Designation	No. of Meeting	
		Held	Attended
Mr. Hardeep Singh	Chairman	1	1
Mrs. Vibha Paul Rishi*	Member	1	-
Dr. Sutanu Behuria	Member	1	1
Dr. S. A. Dave **	Member	1	N.A.

\*Inducted as Member of the Committee w.e.f. October 27, 2016

\*\*Resigned from Directorship w.e.f. September 20, 2016.



**Compliance Officer**

Mr. Ajay Kumar Sharma, Group General Counsel & Company Secretary is the Compliance Officer as per the requirements of the Listing Regulations.

**Complaints received/ resolved**

During the period under review, 187 complaints were received from investors which were replied/ resolved to the satisfaction of investors except 5 complaints pending as on 31.03.2017 which were replied/ resolved subsequently.

**Pending Share Transfers**

No requests for transfer and/ or dematerialisation were pending for redressal as on March 31, 2017.

**IX. Risk Management Committee****Constitution**

The Risk Management Committee comprises of following persons:-

1. Mr. Rajan Nanda – Chairman
2. Mr. Nikhil Nanda – Member
3. Dr. Sutanu Behuria – Member
4. Mr. Bharat Madan – Member

**Terms of Reference**

The charter of the Committee shall be as follows:

- (i) Formulation & modification of the Risk Management Policy.
- (ii) Framing, implementing and monitoring the Risk Management Plan.
- (iii) Periodic reporting to the Audit Committee on the risk and its mitigation.
- (iv) Others functions in accordance with the applicable provisions of the Act read with rules made thereunder and the Listing Regulations.

**Meetings & Attendance**

During the financial year ended on March 31, 2017, the Committee met on May 25, 2016.

Name of the Members	Designation	No. of Meeting	
		Held	Attended
Mr. Rajan Nanda	Chairman	1	1
Mr. Nikhil Nanda	Member	1	1
Dr. Sutanu Behuria	Member	1	-
Mr. Bharat Madan	Member	1	1

**Corporate Social Responsibility****Constitution**

The Corporate Social Responsibility (CSR) Committee comprises of following persons:

1. Mr. Rajan Nanda - Chairman
2. Mr. Nikhil Nanda - Member
3. Mr. Hardeep Singh - Member
4. Mrs. Vibha Paul Rishi - Member
5. Mr. G.B. Mathur - Member

**Terms of Reference**

The said committee has been entrusted with the responsibility of formulating and recommending to the Board, CSR Policy indicating the activities to be undertaken by the Company, monitoring the implementation of the framework of CSR Policy and recommending the amount to be spent on CSR activities.

**Meetings & Attendance**

During the financial year ended on March 31, 2017, the Committee met on May 25, 2016.

Name of the Members	Designation	No. of Meeting	
		Held	Attended
Mr. Rajan Nanda	Chairman	1	1
Mr. Nikhil Nanda	Member	1	1
Mr. Hardeep Singh	Member	1	1
Mrs. Vibha Paul Rishi	Member	1	1
Mr. G.B. Mathur	Member	1	1

**X. Functional Committee**

The Board is authorised to constitute one or more functional committees delegating thereto powers and duties with respect to specific purposes for which such committee has been constituted. Meeting of such committees are held, as and when the need arises. Time schedule for holding such functional committees are finalised in consultation with the Committee members.

**Procedure of Committee Meetings**

The Company's guidelines relating to Board Meetings are applicable to Committee Meetings, as far as may be practicable. Each Committee has the authority to engage outside experts, advisors and counsels, to the extent it considers appropriate, to assist in its work. Minutes of the proceedings of the Committee Meetings are placed before the next Committee and the subsequent Board Meeting for perusal and noting.

**XI. General Body Meetings**

The particulars of last three Annual General Meeting(s) held by the Company are as under:

Financial Year/ Financial Period	Date	Time	Venue	No. of Special Resolutions Passed at AGM
2015-16	September 20, 2016	11.00A.M	Aravali Golf Club, NH-3, N.I.T. Faridabad – 121 001 Haryana	NIL
2014-15	September 18, 2015	12.00 Noon	Hotel KC Cross Road, Site No. 1, Sector – 10, Opp. Bus Stand, Panchkula – 134 113 Haryana	One
2012-14	September 19, 2014	12.00 Noon	Hotel KC Cross Road, Site No. 1, Sector – 10, Opp. Bus Stand, Panchkula – 134 113 Haryana	Six

**XII. Special Resolution passed through Postal Ballot**

During the financial year ended on March 31, 2017, the Company has not passed any Special Resolution through Postal Ballot.

None of the business proposed to be transacted in the ensuing Annual General Meeting require passing a special resolution through Postal Ballot.

**XIII. Disclosures**

a) There are no materially significant related party transactions of the Company which have potential conflict with the interest of the Company at large.

All the related party transactions during the financial year ended on March 31, 2017 were as per the "Policy on Materiality of Related Party Transactions and dealing with Related Parties".

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 – NIL

c) Whistle Blower Policy and affirmation that no personnel has been denied access to the Audit Committee.

The Ethics Counselor or the Chairman of the Audit Committee has not received any complaint/ report during the period under review and no employee was denied access to the Audit Committee.

d) Details of the compliance with mandatory requirement and adoption of the discretionary requirements as prescribed in Schedule II Part E of the Listing Regulations.

The details of mandatory requirements are mentioned in this Report. The status of adoption of the non-mandatory requirement are mentioned in Clause No. XVI.

e) Policy for determining 'Material Subsidiaries'

The Policy for determining Material Subsidiaries is available on the website of the Company [www.escortsgroup.com](http://www.escortsgroup.com) under Investor Information Section.

f) Policy on dealing with Related Party Transactions

The Policy on dealing with Related Party Transactions is available on the website of the Company [www.escortsgroup.com](http://www.escortsgroup.com) under Investor Information Section.

g) The Company has complied with all the compliances given under Regulation 17 to 27 and Regulation 46(2)(b) to 46(2)(i) of the Listing Regulations.

h) Disclosure with respect to Demat Suspense Account/ Unclaimed Suspense Account: Nil

i) Disclosure(s) relating to the full particulars of the Cost Auditor along with other details, pursuant to the General Circular No. 15/2011 dated April 11, 2011 issued by the Ministry of Corporate Affairs.

Pursuant to the approval of the Central Government under Section 233B of the Companies Act, 1956, the Company had appointed M/s. Ramanath Iyer & Co., Cost Accountants as Cost Auditor of the Company. Further, the due date of filing the Cost Audit Report for the previous year was September 30, 2016 and the same had been filed on September 28, 2016.

**Subsidiary Companies**

Regulation 16 of the Listing Regulations "Material Subsidiary" shall mean a subsidiary, whose income or net worth exceeds twenty percent of the consolidated income or net worth respectively, of the listed entity and its subsidiaries in the immediately preceding accounting year. Escorts Limited has 4 direct subsidiaries, 1 of them is registered outside India and 3 are in India, whose turnover does not exceed the

limit prescribed under the Listing Regulations. Thus, these subsidiaries are out of the scope of the above definition.

Since, the Company does not have any material subsidiary, it is not required to nominate an Independent Director of the Company on their Board.

Appropriate details of these subsidiaries has been given elsewhere in the Annual Report and forms an integral part of this report.

#### XIV. MEANS OF COMMUNICATION

Key Financial Reporting dated during the year ended on March 31, 2017

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

For Year ended 31.03.16: Economic Times (English), Mint (English), Rashtriya Sahara (Hindi).

For Quarter ended 30.06.16: Economic Times (English), Mint (English), Rashtriya Sahara (Hindi).

For Quarter ended 30.09.16: Economic Times (English), Mint (English), Rashtriya Sahara (Hindi).

For Quarter ended 31.12.16: Economic Times (English), Mint (English), Rashtriya Sahara (Hindi).

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

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 forms an integral part of this Annual Report.

#### XV. General Shareholder Information

##### Company Registration Details

The Company is registered in the State of Haryana, India. The Corporate Identity Number (CIN) allotted to the Company by the Ministry of Corporate Affairs (MCA) is L74899HR1944PLC039088.

##### Annual General Meeting (AGM)

Date : Thursday, September 21, 2017

Time : 11:00 a.m.

Venue : Aravali Golf Club, NH-3, N.I.T., Faridabad - 121 001, Haryana

##### Financial Year:

April 1 to March 31

##### Appointment/ Re-appointment of Directors

In accordance with the provisions of the Act and Articles of Association of the Company, Ms. Nitasha Nanda and Mr. G.B. Mathur, Directors retires by rotation at the ensuing Annual General Meeting of your Company and being eligible, offer themselves for re-appointment.

The brief resume(s) and other details relating to the Director(s) who are proposed to be appointed/ re-appointed, as required to be disclosed under the Listing Regulations are provided as Annexure to the AGM Notice.

##### Financial Calendar 2017-18 (Tentative)

Meetings of Board/ Committee thereof to take on record:

Particulars	Tentative date
Financial results for Quarter ended 30.06.2017	14.08.2017
Financial results for Quarter ended 30.09.2017	14.11.2017
Financial results for Quarter ended 31.12.2017	14.02.2018
Financial results for Quarter/ Year ended 31.03.2018	30.05.2018

##### Annual General Meeting for the Financial Year ending March, 2018

By September 30, 2018.

##### Cut off Date for e-voting

September 14, 2017 has been fixed as the cut off date to record entitlement of the shareholder to cast their vote electronically in the forthcoming AGM.

##### Book Closure

The members register will be closed from September 9, 2017 to September 21, 2017 (both days inclusive) for the purpose of payment of Dividend for the financial year 2016-17.

##### Dividend

1. The Board of Directors of the Company have decided to recommend dividend @ ₹1.50 per share (being 15% of the nominal value of ₹10 per share) for the financial year 2016-17, subject to the approval of the shareholders in the forthcoming AGM.

2. The dividend, if declared at the AGM, would be paid/ dispatched within 30 days from the date of declaration at the ensuing AGM to those persons or their mandates:-

- whose names appear as beneficial owners as at the end of the business hours on September 8, 2017 in the list of beneficial owners to be furnished by National Securities Depository Limited and Central Depository Services (India) Limited in respect of the shares held in electronic mode and;
- whose names appear as Members in the Register of Members of the Company after giving effect to valid share transfers in physical form lodged with the Company on or before September 8, 2017.

3. The dividend amount shall be credited in the shareholders bank account directly through NECS. Alternatively physical warrant/ Demand Draft shall be posted to the shareholders at their registered address available with the Depository/ Company.

The intimation for credit of dividend amount through NECS shall also be sent to the shareholders through E-mail/ ordinary post thereafter.

##### Listing Fees

The Company is upto date on the payment of its Annual Listing Fees.

##### Dividend Payment History for Nine Years

Year	Rate	Date of Payment
2008-2009	10%	March 23, 2010
2009-2010	15%	March 10, 2011
2010-2011	15%	March 27, 2012
2011-2012	12%	March 30, 2013
2012-2014	12% (Interim)	October 21, 2013
2012-2014	6% (Final)	September 29, 2014
2014-2015	12%	September 28, 2015
2015-2016	12%	September 29, 2016
2016-2017	15% (Proposed)	To be paid within 30 days from the date of declaration of Dividend

##### Listing

Equity Shares of Escorts Limited are listed with following Stock Exchanges:

Listing	Stock Code
National Stock Exchange of India Ltd. Exchange Plaza, Plot No. C/1, G Block, Bandra-Kurla Complex, Bandra East, Mumbai - 400 051	ESCORTS
BSE Limited Phiroze Jeejeebhoy Towers, Dalal Street, Mumbai - 400 001	500495
Delhi Stock Exchange Limited DSE House, 3/1, Asaf Ali Road, New Delhi - 110 002	00012

##### Monthly Stock Market Data

Month	National Stock Exchange of India Limited		BSE Limited	
	High (₹)	Low (₹)	High (₹)	Low (₹)
April, 2016	175.85	137.70	176.00	137.90
May, 2016	181.70	162.60	181.65	163.00
June, 2016	225.50	168.20	225.70	168.35
July, 2016	269.70	214.00	269.50	214.20
August, 2016	334.90	255.50	334.70	255.20
September, 2016	392.70	325.05	393.00	325.50
October, 2016	414.40	368.05	414.20	368.70
November, 2016	390.80	270.00	390.95	270.00
December, 2016	331.00	277.05	331.35	277.50
January, 2017	375.90	293.50	375.70	294.00
February, 2017	463.45	361.20	463.95	361.70
March, 2017	549.00	445.55	548.55	446.00



### Share Transfer System

Escorts Limited has appointed Karvy Computershare Private Limited ("Karvy") as its Registrar and Share Transfer Agent (RTA). The share transfer work in both physical as well as electronic mode has been carried on by Karvy. The authority relating to share transfer has been delegated to RTA. The Share Transfer Committee of the Board of Directors take note of the Transfer, Transmission, Remat, Split & Consolidation of share certificates etc. periodically.

The RTA ensures the approval of share transfer/ transmission/ splitting and consolidation of valid request with in a period of 15 days from their receipt and also processing of valid Demat request within a week.

### Investors Relation Centers

Escorts Limited	Escorts Limited	Escorts Limited	Karvy Computershare Private Limited
Escorts Corporate Centre, 15/5, Mathura Road, Faridabad – 121 003 Telephone No.: (0129) 2564921 Fax No.: (0129) 2250060	P Block, 2/90, 1st Floor, Opposite PVR Rivoli, Connaught Circus, New Delhi – 110 001 Telephone No.: (011) 43587400	Times Square A Wing, Unit No. 1, 3rd Floor, Andheri – Kurla Road, Andheri (East), Mumbai – 400 059 Telephone No.: (022) 67868607 Fax No.: (022) 67868687	Karvy Selenium Tower B, Plot 31-32, Gachibowli, Financial District, Nanakramguda, Hyderabad – 500 032 Telephone No.: (040) 67162222 Fax No.: (040) 23420814 Email: einward.ris@karvy.com

### Investors Communication

All enquiries relating to transfer, transmission, transposition, demat, remat, split, consolidation, nomination, change of address and payment of dividend can be addressed to RTA i.e. Karvy Computershare Private Limited or e-mail: einward.ris@karvy.com or sent by post at Karvy Selenium Tower B, Plot 31-32, Gachibowli, Financial District, Nanakramguda, Hyderabad – 500 032.

### Nomination Facility

Shareholders can file their nominations against shares held under physical mode as well as electronic 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 shareholders, who are holding shares in physical form and wish to avail this facility, may send prescribed Nomination Form SH-13 duly filled and signed to RTA i.e. Karvy Computershare Private Limited or email einward.ris@karvy.com or sent by post at Karvy Selenium Tower B, Plot 31-32, Gachibowli, Financial District, Nanakramguda, Hyderabad – 500 032.

### Shareholding Pattern as on March 31, 2017

Category of Shareholders	No. of Shareholders	No. of Shares Held	% to the Capital
1. Promoters and Promoter Group	28	52678738	42.98
2. Foreign Institutional Investors	120	20189496	16.47
3. Domestic Institutional Investors, Banks & Mutual Funds	65	4684535	3.82
4. Public & Others	89335	45024109	36.73
Total	89548	122576878	100.00

### Distribution of Shareholding as on March 31, 2017

Range of Holding	No. of Shareholders	% of Total
1 to 5000	82377	91.99
5001 to 10,000	3814	4.26
10,001 to 20,000	1692	1.89
20,001 to 30,000	540	0.60
30,001 to 40,000	241	0.27
40,001 to 50,000	209	0.23
50,001 to 1,00,000	316	0.35
1,00,001 & Above	359	0.41
Total	89548	100

### Dematerialisation

As on March 31, 2017 dematerialised shares accounted for 98.28% (98.24% up to March 31, 2016) of the total equity shares. 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.

S. No.	Mode of holding	No. of shares	%
1	NSDL	113581070	92.66
2	CDSL	6886601	5.62
3	Physical	2109207	1.72
Total		122576878	100.00

### Shares Liquidity

The trading volumes at major Stock Exchanges, during the financial year ended on March 31, 2017 are as follows:

Month	National Stock Exchange of India Limited		BSE Limited	
	No. of Shares	Value (₹ In Lakhs)	No. of Shares	Value (₹ In Lakhs)
April, 2016	22694430	36512.34	4784132	7695.71
May, 2016	20939823	36482.32	4267645	7427.10
June, 2016	65253119	131888.04	12765864	25901.67
July, 2016	41287823	99615.51	9203344	22143.28
August, 2016	60731835	183968.94	14102915	42776.23
September, 2016	48345083	175251.12	10645534	38514.22
October, 2016	31206912	123440.53	7039141	27784.01
November, 2016	25907414	86330.54	6224349	20486.94
December, 2016	15418035	47484.34	2955803	9127.40
January, 2017	24543387	85090.10	5539350	19150.11
February, 2017	33182331	135064.49	6895086	28126.91
March, 2017	32903633	165180.00	6918394	34653.64
Total	422413825	1306308.27	91341557	283787.22

### Outstanding GDRs/ ADRs/ Warrants/ Stock Options etc.

There are no outstanding GDRs/ ADRs/ Warrants for conversion into equity shares except 27,100 stock options granted to the employees. Each stock option, upon exercise of the same, would be converted into one equity share of ₹10/- each fully paid-up. These options vest in three tranches after one year from date of grant as mentioned in the Letter of Grant and can be exercised during a period of two years or such extended period as the ESOP & 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:

- Plot No. 18/4, Mathura Road, Faridabad - 121 007, Haryana
- Plot No. 2, Sector 13, Faridabad - 121 007, Haryana
- Plot No. 3, Sector 13, Faridabad - 121 007, Haryana
- Plot No. 114-115, Sector 24, Faridabad - 121 003, Haryana
- Plot No. 219, Sector – 58, Ballabhgarh, Faridabad – 121 004, Haryana
- Plot No. 9, Sector 1, Integrated Industrial Estate, Pant Nagar, Rudrapur – 263 145, Uttarakhand

**Address for Correspondence****ESCORTS LIMITED****Registered Office**

Corporate Secretarial &amp; Law

15/5, Mathura Road, Faridabad – 121 003, Haryana

Tel.: 0129 – 2250222, Extension: 4275/ 4254

Fax: 0129 – 2250060

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

Website: www.escortsgroup.com

**Registrar and Transfer Agents****KARVY COMPUTERSHARE PRIVATE LIMITED**

Karvy Selenium Tower B, Plot No. 31-32, Gachibowli,

Financial District, Nanakramguda, Hyderabad – 500 032

Tel.: 040 - 67162222 | Fax: 040 - 23420814

E-mail: einward.ris@karvy.com | Website: www.karvycomputershare.com

**XVI. NON-MANDATORY REQUIREMENTS**

The status/ extent of compliance with 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.
2	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.
3	Audit qualifications: The Company may move towards the regime of unqualified financial statements.	Adopted
4	Separate Posts of Chairman and CEO	Not applicable as Chairman and Managing Director is one.
5.	Reporting of Internal Auditor	The Internal Auditors reports to the Audit Committee from time to time.

For and on behalf of the Board of Directors

Sd/-

**RAJAN NANDA***Chairman & Managing Director*

Place: Faridabad

Date: May 29, 2017

**CEO/CFO Certification**

The Chairman and Managing Director and the Group Chief Financial Officer of the Company give annual certification to the Board on financial reporting and internal controls in terms of Regulation 17 of the SEBI (Listing Obligation and Disclosure Requirements) Regulations, 2015 pertaining to CEO and CFO certification for the financial year ended on March 31, 2017.

To,

The Board of Directors

Escorts Limited

Dear Sir,

We, Rajan Nanda, Chairman and Managing Director and Bharat Madan, Group Chief Financial Officer certify to the Board of Directors that:

- a) We have reviewed financial statements and the cash flow statement of Escorts Limited for the financial year ended March 31, 2017 and 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 financial 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 Company's internal control systems 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 financial year;
- ii. significant changes in accounting policies during the financial 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.

Sd/-

Place : Faridabad

Date : May 29, 2017

**Bharat Madan***Group Chief Financial Officer*

Sd/-

**Rajan Nanda***Chairman & Managing Director*



## INDEPENDENT AUDITOR'S CERTIFICATE ON CORPORATE GOVERNANCE

TO THE MEMBERS OF ESCORTS LIMITED

1. We have examined the compliance of conditions of Corporate Governance by the Company, for the year ended on March 31, 2017, as stipulated in regulations 17 to 27 and clauses (b) to (i) of regulation 46(2) and para C, D and E of Schedule V of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 ("SEBI Listing Regulations").

### Management's Responsibility

2. The compliance of conditions of Corporate Governance is the responsibility of the Management. This responsibility includes the design, implementation and maintenance of internal control and procedures to ensure the compliance with the conditions of the Corporate Governance stipulated in the SEBI Listing Regulations.

### Auditor's Responsibility

3. Our responsibility is limited to examining the procedures and implementation thereof, adopted by the Company for ensuring the compliance of the conditions of the Corporate Governance. It is neither an audit nor an expression of opinion on the financial statements of the Company.

4. We have examined the books of account and other relevant records and documents maintained by the Company for the purpose of providing reasonable assurance on the compliance with Corporate Governance requirements by the Company.

5. We have carried out an examination of the relevant records of the Company in accordance with the Guidance Note on Reports or Certificates for Special Purposes issued by the ICAI which requires that we comply with the ethical requirements of the Code of Ethics issued by the ICAI.

6. We have complied with the relevant applicable requirements of the Standard on Quality Control (SQC) 1, Quality Control for Firms that Perform Audits and Reviews of Historical Financial Information, and Other Assurance and Related Services Engagements.

### Opinion

7. Based on our examination of the relevant records and according to the information and explanations provided to us and the representations provided by the Management, we certify that the Company has complied with the conditions of Corporate Governance as stipulated in regulations 17 to 27 and clauses (b) to (i) of regulation 46(2) and para C, D and E of Schedule V of the SEBI Listing Regulations during the year ended March 31, 2017.

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

### Restriction on use

9. This certificate is issued solely for the purpose complying with the aforesaid Listing Regulations, and may not be suitable for any other purpose.

For **S. N. Dhawan & Co. LLP**

*Chartered Accountants*

(Firm Registration No. 000050N/ N500045)

Sd/-

per **Vijay Dhawan**

*Partner*

Membership No: 012565

Place: New Delhi

Date: May 29, 2017

## Annexure – F to the Directors' Report

### Annual Report on Corporate Social Responsibility (CSR) Activities

#### 1. Brief CSR Policy

##### Objective:

The main objective of CSR Policy is to lay down guidelines for the Company to make CSR a key business process for sustainable development of the society. It aims at enhancing welfare measures of the society based on the immediate and long-term social and environmental consequences of its activities.

##### Review Mechanism:

The Board of Directors of Escorts will review the CSR implementation every year.

Escorts shall include in its Annual Report the CSR activities/ project undertaken by the Company including the progress thereof.

The CSR Committee may require Project Appraisal of its CSR projects to be carried out by External Agencies/ Third Party Agency, if required.

Utilisation Certificate along with statement of expenditure duly certified by the respective Statutory Auditors will be

submitted by the organisation/ Institution to whom CSR fund is allocated.

To undertake the above activities Committee may delegate the power of execution to persons/ officers of the Company.

#### 2. Composition of CSR Committee

- Mr. Rajan Nanda
- Mr. Nikhil Nanda
- Mr. Hardeep Singh
- Mrs. Vibha Paul Rishi
- Mr. G.B. Mathur

#### 3. Average Net Profit of the Company for last three financial years: ₹170.97 Cr.

#### 4. Prescribed CSR Expenditure: ₹3.42 Cr.

#### 5. Details of CSR spent during the financial year

- Total amount to be spent for the financial year: ₹3.42 Cr.
- Amount Unspent: ₹0.12 Cr.

a. Amount spent during the financial year is as follows:

S No.	CSR Project or Activity	Sector in which the Project is covered	Projects or programs		Amount Outlay (Budget) project or program wise	Amount spent on the Projects or Programs		Cumulative expenditure up to the reporting period	Amount spent:		Details of Implementing Agency
			Local Area or other	Specify the State & District where projects or programs was undertaken		Direct Expenditure on projects or programs	Overheads		Direct	Through Implementing Agency	
1.	Escorts School(s) WASH & Smart School	Cl. (i) Promoting Healthcare including Preventive Healthcare and sanitation and making available safe drinking water Cl. (ii) promoting Education including Special Education	Local Area and Other	Haryana - Faridabad	0.90	0.86	0.05	0.91	0.04	0.82	1. Plan International, (India Chapter) 2. Asset Communication Pvt. Ltd. (ACT)
2.	Drain/ Sewage Cleaning Machines for Clean India Movement	Cl. (i) Promoting Healthcare including Preventive Healthcare and sanitation	Local Area and Other	Haryana - Faridabad	0.04	0.04	-	0.04	0.04	-	-
3	Skill Development Project	Cl. (ii) Promoting Education, including special education and Employment Enhancing Vocation Skills	Local Area and Other	Haryana - Faridabad, New Delhi, Maharashtra - Pune, Ahmednagar	1.05	1.05	-	1.05	-	1.05	Escorts Skill Development (a Section 8 Company)
4	Road Safety Initiative/ Education	Cl. (ii) promoting education - Promotions of Education, "Educating the Masses and Promotion of Road Safety awareness in all facets of road usage. Cl. (i) Promoting Health Care including preventive health care - "giving medical and Legal aid, treatment to road accident victims"	Local Area and Other	Haryana - Faridabad	0.21	0.17	-	0.17	0.17	-	
5	Green Landscaping & Recreational Facilities	Cl. (iv) Ensuring environmental sustainability & Ecological Balance Cl. (i) Promoting Healthcare including Preventive Healthcare Cl. (ii) Promoting Education including Special Education	Local Area and Other	Haryana - Faridabad	0.72	0.58	0.05	0.63	0.03	0.55	1. A.K. Ineriors 2. Nurturing Green Plantations Private Limited 3. Grand Slam Fitness Pvt. Ltd. 4. Gudgudee Pvt. Ltd.
6	Setup of Charitable Hospital	Cl. (i) Promoting Healthcare including Preventive Healthcare	Local Area and Other	Haryana - Faridabad	0.50	0.50	-	0.50	-	0.50	Raj Nanda Pulmonary Disease Research Trust

**6. Reasons for not spending the amount:**

The Company under the guidance and directions of the CSR committee has spend 3.30 cr. in the financial year 2016-17. The projects undertaken by the Company have longer implementation period and are subject to approvals of regulatory/ government bodies. The Company expects to complete the projects undertaken by it in the next Financial Year.

**7. Statement of the CSR Committee: The statement of the CSR Committee of the Board of Directors of the Company, is reproduced below:**

"The implementation and monitoring of Corporate Social Responsibility (CSR) Policy, is in compliance with CSR objectives and policy of the Company."

For and on behalf of the Board of Directors

Sd/-

**RAJAN NANDA**

*Chairman & Managing Director  
& Chairman of CSR Committee*

Place: Faridabad

Date: May 29, 2017

**Annexure – G** to the Directors' Report**FORM NO. AOC-2**

{Pursuant to clause (h) of sub-section (3) of Section 134 of the Act and Rule 8(2) of the Companies (Accounts) Rules, 2014}

Form for disclosure of particulars of contracts/ arrangements entered into by the Company with related parties referred to in sub-section (1) of Section 188 of the Companies Act, 2013 including certain arms length transactions under third proviso thereto

**1. Details of contracts or arrangements or transactions not at arm's length basis**

(a)	Name(s) of the related party and nature of relationship	NIL
(b)	Nature of contracts/ arrangements/ transactions	NIL
(c)	Duration of the contracts/ arrangements/ transactions	NIL
(d)	Salient terms of the contracts or arrangements or transactions including the value, if any	NIL
(e)	Justification for entering into such contracts or arrangements or transactions	NIL
(f)	Date(s) of approval by the Board	NIL
(g)	Amount paid as advances, if any:	NIL
(h)	Date on which the special resolution was passed in general meeting as required under first proviso to Section 188.	NIL

**2. Details of material contracts or arrangement or transactions at arm's length basis**

(a)	Name(s) of the related party and nature of relationship	NIL
(b)	Nature of contracts/ arrangements/ transactions	NIL
(c)	Duration of the contracts / arrangements/ transactions	NIL
(d)	Salient terms of the contracts or arrangements or transactions including the value, if any:	NIL
(e)	Date(s) of approval by the Board, if any:	NIL
(f)	Amount paid as advances, if any:	NIL

For and on behalf of the Board of Directors

Sd/-

Place: Faridabad

Date: May 29, 2017

**RAJAN NANDA**

*Chairman & Managing Director*



## Annexure – H to the Directors' Report

FORM NO. MR-3

### SECRETARIAL AUDIT REPORT

(For the Financial Year ended March 31, 2017)

[Pursuant to Section 204(1) of the Companies Act, 2013 and Rule No. 9 of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014]

To,  
The Members  
ESCORTS LIMITED  
15/5, Mathura Road,  
Faridabad – 121003, Haryana

I have conducted the secretarial audit of the compliance of applicable statutory provisions and the adherence to good corporate practices by Escorts Limited (hereinafter called "the Company"/"EL"). Secretarial Audit was conducted in a manner that provided us a reasonable basis for evaluating the corporate conducts/ statutory compliances and expressing my opinion thereon.

Based on my verification of Escorts Limited's books, papers, minute books, forms and returns filed and other records maintained by the Company and also the information provided by the Company, its officers, agents and authorized representatives during the conduct of secretarial audit, I hereby report that in my opinion, the Company has, during the audit period covering the Financial Year ended on March 31, 2017, complied with the statutory provisions listed hereunder and also that the Company has proper Board processes and compliance-mechanism in place to the extent, in the manner and subject to the reporting made hereinafter:

I have examined the books, papers, minute books, forms and returns filed and other records maintained by Escorts Limited for the period ended on March 31, 2017 according to the provisions of:

- I. The Companies Act, 2013 ('the Act') and the Rules made thereunder;
- II. The Securities Contracts (Regulation) Act, 1956 ('SCRA') and the rules made thereunder;
- III. The Depositories Act, 1996 and the Regulations and Bye-laws framed thereunder;

IV. Foreign Exchange Management Act, 1999 and the rules and regulations made thereunder to the extent of Foreign Direct Investment, Overseas Direct Investment and External Commercial Borrowings;

V. The following Regulations and Guidelines prescribed under the Securities and Exchange Board of India Act, 1992 ('SEBI Act'):-

- (a) The Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 2011;
- (b) The Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 2015;
- (c) The Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2009 (*Not applicable to the Company during the Audit Period*);
- (d) The Securities and Exchange Board of India (Share Based Employee Benefits) Regulations, 2014;
- (e) The Securities and Exchange Board of India (Issue and Listing of Debt Securities) Regulations, 2008 (*Not applicable to the Company during the Audit Period*);
- (f) The Securities and Exchange Board of India (Registrars to an Issue and Share Transfer Agents) Regulations, 1993 regarding the Companies Act and dealing with client;
- (g) The Securities and Exchange Board of India (Delisting of Equity Shares) Regulations, 2009 (*Not applicable to the Company during the Audit Period*); and
- (h) The Securities and Exchange Board of India (Buyback of Securities) Regulations, 1998 (*Not applicable to the Company during the Audit Period*); and

- (i) The Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015.

VI. I further report that, having regard to the compliance system prevailing in the Company and based on the representation made by the management of the Company and on examination of the relevant documents and records in pursuance thereof, the Company has complied with the following laws applicable specifically to the Company:

- (a) The Motor Vehicles Act, 1988 and the Rules made thereunder;
- (b) The Aircraft Act, 1934 and Rules made thereunder; and
- (c) The Petroleum Act, 1934 and the Rules made thereunder.

I have also examined compliance with the applicable clauses of the following:

- (i) Secretarial Standards issued by the Institute of Company Secretaries of India;
- (ii) The Listing Agreements entered into by the Company with Stock Exchanges.

During the period under review the Company has generally complied with the provisions of the Act, Rules, Regulations, Guidelines, Standards etc. mentioned above.

I further report that compliance of applicable financial laws including Direct and Indirect Tax laws by the Company has not been reviewed in this Audit as same are subject to review by the Statutory Auditors and other designated professionals.

For Jayant Gupta and Associates

(Jayant Gupta)  
Practicing Company Secretary  
FCS : 7288  
CP : 9738

Place : New Delhi  
Date : May 29, 2017

I further report that:

- a. Subsequent to the resignation of an Independent Director from the Board of Directors of the Company on September 20, 2016, the Company is yet to appoint an Independent Director to fill the vacancy created and is in the process of identifying a suitable Director for appointment on the Board. The constitution of the Board is inconsistent with the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 for this duration.
- b. The changes in the composition of the Board of Directors that took place during the period under review were carried out in compliance with the provisions of the Act.
- c. Adequate notice is given to all directors to schedule the Board Meetings, agenda and detailed notes on agenda were sent at least seven days in advance and a system exists for seeking and obtaining further information and clarifications on the agenda items before the meeting and for meaningful participation at the meeting.
- d. Majority decision is carried through while the dissenting members' views are captured and recorded as part of the minutes.

I further report that there are adequate systems and processes in the Company commensurate with the size and operations of the Company to monitor and ensure compliance with applicable laws, rules, regulations and guidelines.

This report is to be read with my letter of even date which is annexed as Annexure and forms integral part of this report.

## Annexure to the Secretarial Audit Report of Escorts Limited for financial year ended March 31, 2017

To,  
The Members  
ESCORTS LIMITED

### Management Responsibility for Compliances

- Maintenance of secretarial record is the responsibility of the management of the Company. My responsibility is to express an opinion on these secretarial records based on my audit.
- I have followed the audit practices and process as were appropriate to obtain reasonable assurance about the correctness of the contents of the secretarial records. The verification was done on test basis to ensure that correct facts are reflected in secretarial records. I believe that the process and practices I followed provide a reasonable basis for my opinion.

- I have not verified the correctness and appropriateness of financial records and Books of Accounts of the Company.
- Wherever required, I have obtained the Management representation about the compliance of laws, rules and regulations and happening of events etc.
- The compliance of the provisions of Corporate and other applicable laws, rules, regulations, standards is the responsibility of management. My examination was limited to the verification of procedure on test basis.
- The Secretarial Audit report is neither an assurance as to the future viability of the Company nor of the efficacy or effectiveness with which the management has conducted the affairs of the Company.

For Jayant Gupta and Associates

(Jayant Gupta)  
Practicing Company Secretary  
FCS : 7288  
CP : 9738

Place : New Delhi  
Date : May 29, 2017

## Annexure – I to the Directors' Report

### Form No. MGT-9

EXTRACT OF ANNUAL RETURN  
as on the financial year ended on March 31, 2017

[Pursuant to section 92(3) of the Companies Act, 2013 and rule 12(1) of the Companies (Management and Administration) Rules, 2014]

### I. REGISTRATION AND OTHER DETAILS:

- CIN:- L74899HR1944PLC039088
- Registration Date: October 17, 1944
- Name of the Company: Escorts Limited
- Category / Sub-Category of the Company: Public Company/ Limited by Shares
- Address of the Registered office and contact details: 15/5, Mathura Road, Faridabad – 121 003, Haryana, India  
Tel.: 0129-2250222
- Whether Listed Company: Yes
- Name, Address and Contact details of Registrar and Transfer Agent, if any:  
  
**Karvy Computershare Private Limited,**  
Karvy Selenium Tower B, Plot 31-32, Gachibowli,  
Financial District, Nanakramguda, Hyderabad – 500 032  
Ph No 040-67162222; Fax 040-23420814  
Email – einward.ris@karvy.com

### II. PRINCIPAL BUSINESS ACTIVITIES OF THE COMPANY

All the business activities contributing 10 % or more of the total turnover of the Company shall be stated:-

Sl. No.	Name and Description of main products / services	NIC Code of the Product/ service	% to total turnover of the Company
1	Agricultural Tractors	28211	80.30%
2	Construction Equipments	2824	14.56%

### III. PARTICULARS OF HOLDING, SUBSIDIARY AND ASSOCIATE COMPANIES

Sl. No.	Name and address of the Company	CIN/GLN	Holding/ Subsidiary/ Associate	% of Shares held	Applicable Section
1	Escorts Securities Limited Premises No.- 2/90, Block-P, Connaught Circus, New Delhi – 110 001	U74899DL1994PLC062140	Subsidiary	49%	2(87)(i)
2	Escorts Asset Management Limited Premises No.- 2/90, Block-P, Connaught Circus, New Delhi – 110 001	U74899DL1995PLC074265	Subsidiary	30%	2(87)(i)
3	Eddal Credit Limited 18/4, Mathura Road, Faridabad – 121 007	U65929HR1995PLC032681	Subsidiary	99.86%	2(87)(ii)
4	Farmtrac Tractors Europe Sp. Zo.o ul. Przemyslowa 11, 11-700 Mragowo	N.A.	Subsidiary	100%	2(87)(ii)
5	Escorts Consumer Credit Limited C-30, Friends Colony (East), New Delhi – 110 065	U65991DL1991PLC174993	Associate	29.41%	2(6)
6	Adico Escorts Agri Equipments Private Limited Galaxy Oil Compound, Suvey No. 211/1-2, Kothariaya, Rajkot – 360 003, Gujarat	U29211GJ2011PTC065867	Joint Venture	40%	2(6)

#### IV. SHARE HOLDING PATTERN (Equity Share Capital Breakup as percentage of Total Equity)

##### i) Category-wise Share Holding

Category of Shareholders	No. of Shares held at the beginning of the year				No. of Shares held at the end of the year				% Change during the year
	Demat	Physical	Total	% of Total Shares	Demat	Physical	Total	% of Total Shares	
<b>A. Promoters</b>									
(I) Indian									
a) Individual/HUF	1423904	0	1423904	1.16	1385825	0	1385825	1.13	-0.03
b) Central Govt	0		0		0				0
c) State Govt (s)	0		0		0				0
d) Bodies Corp.	13993882	0	13993882	11.42	13991882	0	13991882	11.42	0
e) Banks / FI	0		0						
f) Any Other - Trust	37300031	0	37300031	30.43	37300031	0	37300031	30.43	0
<b>Sub-total (A) (1):-</b>	<b>52717817</b>	<b>0</b>	<b>52717817</b>	<b>43.01</b>	<b>52677738</b>	<b>0</b>	<b>52677738</b>	<b>42.98</b>	<b>-0.03</b>
(2) Foreign									
a) NRIs - Individuals	0	0	0	0	0	0	0	0	0
b) Other - Individuals	0	0	0	0	0	0	0	0	0
c) Bodies Corp.	0	0	0	0	0	0	0	0	0
d) Banks / FI	0	0	0	0	0	0	0	0	0
e) Any Other	0	0	0	0	0	0	0	0	0
<b>Sub-total (A) (2):-</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Total shareholding of Promoter (A) = (A)(1)+(A)(2)</b>	<b>52717817</b>	<b>0</b>	<b>52717817</b>	<b>43.01</b>	<b>52677738</b>	<b>0</b>	<b>52677738</b>	<b>42.98</b>	<b>-0.03</b>
<b>B. Public Shareholding</b>									
1. Institutions									
a) Mutual Funds/UTI	3846974	3621	3850595	3.14	4558590	6948	4565538	3.72	0.58
b) Banks / FI	5758	7304	13062	0.01	19241	3727	22968	0.02	0.01
c) Central Govt	0	0	0	0	0	0	0	0	0
d) State Govt(s)	0	0	0	0	0	0	0	0	0
e) Venture Capital Funds	0	0	0	0	0	0	0	0	0
f) Insurance Companies	475729	50	475779	0.39	95729	300	96029	0.08	-0.31
g) FIs	10138355	1388	10139743	8.27	20188108	1388	20189496	16.47	8.20
h) Foreign Venture Capital Funds	0	0	0	0	0	0	0	0	0
i) Others (specify)	0	0	0	0	0	0	0	0	0
<b>Sub-total (B)(1):-</b>	<b>14466816</b>	<b>12363</b>	<b>14479179</b>	<b>11.81</b>	<b>24861668</b>	<b>12363</b>	<b>24874031</b>	<b>20.29</b>	<b>8.48</b>
2. Non-Institutions									
a) Bodies Corp.									
i) Indian	6570485	25043	6595528	5.38	4100142	24773	4124915	3.37	-2.01
ii) Overseas	0	0	0	0	0	0	0	0	
b) Individuals									
i) Individual shareholders holding nominal share capital upto ₹1 lakh	20234337	2017055	22251392	18.15	15563960	1964332	17528292	14.3	-3.85
ii) Individual shareholders holding nominal share capital in excess of ₹1 lakh	24988441	26515	25014956	20.41	21520821	26515	21547336	17.58	-2.83
c) Others									
Clearing Members	199187	0	199187	0.16	490756	0	490756	0.40	0.24

Category of Shareholders	No. of Shares held at the beginning of the year				No. of Shares held at the end of the year				% Change during the year
	Demat	Physical	Total	% of Total Shares	Demat	Physical	Total	% of Total Shares	
NBFC	53472	0	53472	0.04	33242	0	33242	0.03	-0.01
Non Resident Indian	1051279	17850	1069129	0.87	815638	17700	833338	0.68	-0.19
NRI Non-Repatriation	0	15038	15038	0.01	244652	15038	259690	0.21	0.20
NRI Repatriation	0	51386	51386	0.04	0	48486	48486	0.04	0
TRUSTS	129794	0	129794	0.11	158054	0	158054	0.13	0.02
d) Qualified Foreign Investor	0	0	0	0	0	0	0	0	0
<b>Sub-total (B)(2):-</b>	<b>53226995</b>	<b>2152887</b>	<b>55379882</b>	<b>45.18</b>	<b>42927265</b>	<b>2096844</b>	<b>45024109</b>	<b>36.73</b>	<b>-8.45</b>
<b>Total Public Shareholding (B)=(B)(1)+ (B)(2)</b>	<b>67693811</b>	<b>2165250</b>	<b>69859061</b>	<b>56.99</b>	<b>67788933</b>	<b>2165250</b>	<b>69898140</b>	<b>57.02</b>	<b>0.03</b>
C. Shares held by Custodian for GDRs & ADRs	0	0	0	0	0	0	0	0	0
<b>Grand Total (A+B+C)</b>	<b>120411628</b>	<b>2165250</b>	<b>122576878</b>	<b>100.00</b>	<b>120467671</b>	<b>2165250</b>	<b>122576878</b>	<b>100.00</b>	<b>0</b>

##### ii) Shareholding of Promoters

Sl No.	Promoter's Name	Shareholding at the beginning of the year			Shareholding at the end of the year			% change in share holding during the year
		No. of Shares	% of total Shares of the Company	% of Shares Pledged/ encumbered to total shares	No. of Shares	% of total Shares of the Company	% of Shares Pledged/ encumbered to total shares	
1	RAJAN NANDA	1039196	0.85	0.00	1039196	0.85	0.00	0
2	NIKHIL NANDA	212875	0.17	0.00	212875	0.17	0.00	0
3	RITU NANDA	110000	0.09	0.00	85000	0.07	0.00	-0.02
4	HARDEEP SINGH	1000	0.00	0.00	1000	0.00	0.00	0
5	GIRISH BEHARI MATHUR	4679	0.00	0.00	1679	0.00	0.00	0
6	NAVYA NAVELI NANDA	18000	0.01	0.00	18000	0.01	0.00	0
7	NITASHA NANDA	500	0.00	0.00	500	0.00	0.00	0
8	SHWETA NANDA	17000	0.01	0.00	17000	0.01	0.00	0
9	KRISHNA KAPOOR	579	0.00	0.00	0	0.00	0.00	0
10	AGASTYA NANDA	10000	0.01	0.00	10000	0.01	0.00	0
11	RACHANA MATHUR	75	0.00	0.00	75	0.00	0.00	0
12	BIG APPLE CLOTHING PVT LTD	1771837	1.45	0.00	1771837	1.45	0.00	0
13	ESCORTS FARMS LIMITED	0	0.00	0.00	0	0.00	0.00	0
14	CHARAK AYURVEDIC TREATMENTS PVT LTD	2000	0.00	0.00	2000	0.00	0.00	0
15	SUTANU BEHURIA TRUSTEE OF ESCORTS BENEFIT AND WELFARE TRUST	37300031	30.43	0.00	37300031	30.43	0.00	0
16	HARPARSHAD AND COMPANY PVT LTD	10526308	8.59	0.00	10526308	8.59	0.00	0
17	ESCORTS FINANCE LTD	31	0.00	0.00	31	0.00	0.00	0
18	AAA PORTFOLIO PVT LIMITED	1687280	1.38	0.00	1687280	1.38	0.00	0
19	NIKYTASHA ENERGIES PVT LTD	1250	0.00	0.00	1250	0.00	0.00	0
20	NIKYTASHA COMMUNICATIONS PVT LTD	4350	0.00	0.00	3850	0.00	0.00	0
21	SIETZ TECHNOLOGIES INDIA PVT LTD	826	0.00	0.00	826	0.00	0.00	0
22	SURENDRA AMBALAL DAVE*	10000	0.01	0.00	0	0.00	0.00	-0.01



Sl No.	Promoter's Name	Shareholding at the beginning of the year			Shareholding at the end of the year			% change in share holding during the year
		No. of Shares	% of total Shares of the Company	% of Shares Pledged/ encumbered to total shares	No. of Shares	% of total Shares of the Company	% of Shares Pledged/ encumbered to total shares	
	Total	52717817	43.01	0.00	52678738	42.98	0.00	-0.03

\*Resigned as Director w.e.f. September 20, 2016

### (iii) Change in Promoters' Shareholding

Sl No.	Name	Shareholding at the beginning (01-04-2016) and at the end of the year (31-03-2017)		Date	Increase/ Decrease in shareholding	Reason	Cumulative Shareholding during the year	
		No. of shares	% of total shares of the Company				No. of shares	% of total shares of the Company
1	Ritu Nanda	110000	0.09	01/04/16				
				23/09/16	-10000	Transfer	100000	
				10/03/17	-15000	Transfer	85000	
		85000	0.07	31/03/17			85000	0.07

### (iv) Shareholding Pattern of top ten Shareholders (other than Directors, Promoters and Holders of GDRs and ADRs):

Sl No.	Name	Shareholding at the beginning (01-04-2016) and at the end of the year (31-03-2017)		Date	Increase/ Decrease in shareholding	Reason	Cumulative Shareholding during the year	
		No. of shares	% of total shares of the Company				No. of shares	% of total shares of the Company
1	Jhunjhunwala Rakesh Radheshyam	11225000	9.16	01/04/16			11225000	9.16
				23/09/16	750000	Transfer	11975000	9.77
				23/09/16	-750000	Transfer	11225000	9.16
				07/10/16	370000	Transfer	11595000	9.46
				07/10/16	-370000	Transfer	11225000	9.16
				10/02/17	50000	Transfer	11275000	9.20
				10/02/17	-50000	Transfer	11225000	9.16
		11225000	9.16	31/03/17			11225000	9.16
2	Girish Behari Mathur, Trustee of Esos-2006	0	0.00	01/04/16			0	0.00
		3101612	2.53	31/03/17	3101612	Transfer	3101612	2.53
3	Goldman Sachs India Fund Limited	3093211	2.52	01/04/16			3093211	2.52
				17/06/16	227611	Transfer	3320822	2.71
				31/03/17	85251	Transfer	3406073	2.78
		3406073	2.78	31/03/17			3406073	2.78

Sl No.	Name	Shareholding at the beginning (01-04-2016) and at the end of the year (31-03-2017)		Date	Increase/ Decrease in shareholding	Reason	Cumulative Shareholding during the year	
		No. of shares	% of total shares of the Company				No. of shares	% of total shares of the Company
4	T. Rowe Price International Discovery Fund	0	0.00	01/04/16			0	0.00
				03/03/17	454681	Transfer	454681	0.37
				10/03/17	872613	Transfer	1327294	1.08
				17/03/17	84146	Transfer	1411440	1.15
				24/03/17	471155	Transfer	1882595	1.54
				31/03/17	407079	Transfer	2289674	1.87
		2289674	1.87	31/03/17			2289674	1.87
5	Canara Robeco Mutual Fund A/C Canara Robeco Emerging Equity	2060506	1.68	01/04/16			2060506	1.68
				08/04/16	-500000	Transfer	1560506	1.27
				29/04/16	-96472	Transfer	1464034	1.19
				06/05/16	-138735	Transfer	1325299	1.08
				20/05/16	-20000	Transfer	1305299	1.06
				27/05/16	-100000	Transfer	1205299	0.98
				30/06/16	-20000	Transfer	1185299	0.97
				08/07/16	-71265	Transfer	1114034	0.91
				19/08/16	-110000	Transfer	1004034	0.82
				16/09/16	14000	Transfer	1018034	0.83
				16/09/16	-44000	Transfer	974034	0.79
				16/12/16	-84000	Transfer	890034	0.73
				30/12/16	78000	Transfer	968034	0.79
				13/01/17	-57000	Transfer	911034	0.74
		10/03/17	-70000	Transfer	841034	0.69		
		841034	0.69	31/03/17			841034	0.69
6	Abu Dhabi Investment Authority - Behave	0	0.00	01/04/16			0	0.00
				02/12/16	191085	Transfer	191085	0.16
				09/12/16	266415	Transfer	457500	0.37
				16/12/16	157990	Transfer	615490	0.50
				23/12/16	554010	Transfer	1169500	0.95
				30/12/16	619500	Transfer	1789000	1.46
		1789000	1.46	31/03/17			1789000	1.46
7	HSBC Global Investment Funds - Asia Ex Japan Equity	0	0.00	01/04/16			0	0.00
				02/12/16	170360	Transfer	170360	0.14
				16/12/16	1430788	Transfer	1601148	1.31
				20/01/17	80235	Transfer	1681383	1.37
				10/02/17	166066	Transfer	1847449	1.51
				10/03/17	-149560	Transfer	1697889	1.39
		31/03/17	-149800	Transfer	1548089	1.26		
		1548089	1.26	31/03/17			1548089	1.26

Sl No.	Name	Shareholding at the beginning (01-04-2016) and at the end of the year (31-03-2017)		Date	Increase/ Decrease in shareholding	Reason	Cumulative Shareholding during the year	
		No. of shares	% of total shares of the Company				No. of shares	% of total shares of the Company
8	Schroder International Selection Fund Emerging Asia	0	0.00	01/04/16			0	0.00
				17/02/17	534900	Transfer	534900	0.44
				24/02/17	616359	Transfer	1151259	0.94
				03/03/17	123171	Transfer	1274430	1.04
		1274430	1.04	31/03/17			1274430	1.04
9	UTI Mid Cap Fund	1034889	0.84	01/04/16			1034889	0.84
				08/04/16	273594	Transfer	1308483	1.07
				30/06/16	356583	Transfer	1665066	1.36
				01/07/16	64901	Transfer	1729967	1.41
				08/07/16	41505	Transfer	1771472	1.45
				15/07/16	725673	Transfer	2497145	2.04
				22/07/16	48423	Transfer	2545568	2.08
				26/08/16	199598	Transfer	2745166	2.24
				02/09/16	393178	Transfer	3138344	2.56
				28/10/16	-63629	Transfer	3074715	2.51
				27/01/17	97495	Transfer	3172210	2.59
				17/02/17	244871	Transfer	3417081	2.79
				3417081	2.79	31/03/17		
10.	Dimensional Emerging Markets Value Fund	845361	0.69	01/04/16			845361	0.69
				29/07/16	56574	Transfer	901935	0.74
				05/08/16	55159	Transfer	957094	0.78
				16/09/16	14785	Transfer	971879	0.79
				04/11/16	-101070	Transfer	870809	0.71
				11/11/16	-50945	Transfer	819864	0.67
		819864	0.67	31/03/17			819864	0.67

**(v) Shareholding of Directors & Key Managerial Personnel**

Sl No.	Name	Shareholding at the beginning (01-04-2016) and at the end of the year (31-03-2017)		Date	Increase/ Decrease in shareholding	Reason	Cumulative Shareholding during the year	
		No. of shares	% of total shares of the Company				No. of shares	% of total shares of the Company
A	Director's							
1	Rajan Nanda Chairman & Managing Director	1039196	0.85	01/04/16	0	Nil Movement during the year		
		1039196	0.85	31/03/17			1039196	0.85

Sl No.	Name	Shareholding at the beginning (01-04-2016) and at the end of the year (31-03-2017)		Date	Increase/ Decrease in shareholding	Reason	Cumulative Shareholding during the year		
		No. of shares	% of total shares of the Company				No. of shares	% of total shares of the Company	
2	Nikhil Nanda Managing Director	212875	0.17	01/04/16	0	Nil Movement during the year			
		212875	0.17	31/03/17			212875	0.17	
3	Nitasha Nanda Whole-time Director	500	0	01/04/16	0	Nil Movement during the year			
		500		31/03/17			500	0	
4	Hardeep Singh Director	1000	0	01/04/16	0	Nil Movement during the year			
		1000	0	31/03/17			1000	0	
5	Surendra Ambalal Dave Director (Resigned on 20/09/2016)	10000	0.01	01/04/16		Changed during the year			
			0	05/08/16			-2000	8000	0.01
			0	12/08/16			-1000	7000	0.01
		7000	0.01	20/09/16				7000	0.01
6	Girish Behari Mathur Director	4679	0	01/04/16		Changed during the year			
				12/08/16			-3000	1679	0.00
		1679	0	31/03/17				1679	0
7	Sutanu Behuria Director	0	0	12/08/16	0	Nil Movement during the year	0	0	
		0	0	31/03/17					
8	P H Ravikumar Director	0	0	01/04/16	0	Nil Movement during the year	0	0	
		0	0	31/03/17					
9	Vibha Paul Rishi Director	0	0	01/04/16	0	Nil Movement during the year	0	0	
		0	0	31/03/17					
10	Darius Jehangir Kakalia Director	0	0	01/04/16	0	Nil Movement during the year	0	0	
		0	0	31/03/17					

**B Key Managerial Personnel (KMP's)**

1	Bharat Madan Group Chief Financial Officer	0	0	01/04/16	0					
				31/08/16			15000	ESOS Allotment	15000	0.01
				11/11/16			-5940	Transfer	9060	0.01
				18/11/16			600	Transfer	9660	0.01
				02/12/16			-5744	Transfer	3916	0.00
				09/12/16			8584	Transfer	12500	0.01
				17/02/17			-2000	Transfer	10500	0.01
				24/02/17			-400	Transfer	10100	0.01
		10100	0.01	31/03/17			10100	0.01		
2	Ajay Kumar Sharma Group General Counsel & Company Secretary	0	0	01/04/16	0	Nil Movement during the year	0	0		
		0	0	31/03/17						

**V. INDEBTEDNESS**

Indebtedness of the Company including interest outstanding/accrued but not due for payment

	Secured Loans excluding deposits	Unsecured Loans	Deposits	Total Indebtedness
Indebtedness at the beginning of the financial year				
i) Principal Amount	360.37	0.12	-	360.49
ii) Interest due but not paid	0.51	-	-	0.51
iii) Interest accrued but not due	-	-	-	-
Change in Indebtedness during the financial year	360.88	0.12	-	361.00
• Addition	31.58	-	-	31.58
• Reduction	129.77	-	-	129.77
Net Change	(98.19)	-	-	(98.19)
Indebtedness at the beginning of the financial year				
i) Principal Amount	262.69	0.12	-	262.81
ii) Interest due but not paid	-	-	-	-
iii) Interest accrued but not due	-	-	-	-
Total (i+ii+iii)	262.69	0.12	-	262.81

**VI. REMUNERATION OF DIRECTORS AND KEY MANAGERIAL PERSONNEL****A. Remuneration to Managing Director, Whole-time Directors and/or Manager:**

₹ in Cr.

Sl. No.	Particulars of Remuneration	Name of MD/ WTD/ Manager			Total Amount
		Mr. Rajan Nanda	Mr. Nikhil Nanda	Ms. Nitasha Nanda*	
1	Gross Salary				
	a. Salary as per provisions contained in Section 17(1) of the Income Tax Act, 1961	4.679	4.859	1.401	10.938
	b. Value of perquisites u/s 17(2) of the Income Tax Act, 1961	0.080	0.008	0.007	0.095
	c. Profits in lieu of salary u/s 17(3) of the Income Tax Act, 1961	-	-	-	-
2	Stock Option	-	-	-	-
3	Sweat Equity	-	-	-	-
4	Commission				
	-as % of profit	-	-	-	-
	-others	3.500	3.500	1.000	8.000
5	Others	0.500	0.218	0.073	0.791
	Total	8.759	8.584	2.482	19.825
	Overall Ceiling as per the Act	₹23.433 Crore (being 10% of the net profits of the Company calculated as per Section 198 of the Companies Act, 2013)			

\* Sitting fee paid to Nitasha Nanda is not included in above calculation

**B. Remuneration to Other Directors**

₹ in Cr.

Sl. No.	Particulars of Remuneration	Name of Directors							Total Amount
		Dr. S.A. Dave*	Mr. P.H. Ravikumar	Mrs. Vibha Paul Rishi	Dr. Sutanu Behuria	Mr. D.J. Kakalia**	Mr. Hardeep Singh	Mr. G.B. Mathur***	
1	Independent Directors								
	• Fee for attending Board/ Committee Meetings	0.022	0.054	0.034	0.042	0.015	-	-	0.167
	• Commission	-	0.075	0.075	0.075	0.075	-	-	0.300
	• Others	-	-	-	-	-	-	-	-
	Total (1)	0.022	0.129	0.109	0.117	0.090	-	-	0.467
2	Other Non-Executive Directors								
	• Fee for attending Board/ Committee Meetings	-	-	-	-	-	0.063	0.022	0.085
	• Commission	-	-	-	-	-	0.075	-	0.075
	• Others	-	-	-	-	-	-	-	-
	Total (2)	-	-	-	-	-	0.138	0.022	0.160
	Total (B) = (1+2)	0.022	0.129	0.109	0.117	0.090	0.138	0.022	0.627
	Total Managerial Remuneration (A+B)								20.452
	Overall Ceiling as per the Act	₹2.343 Crore (being 1% of the net profits of the Company (calculated as per Section 198 of the Companies Act, 2013))							

\* Ceased to be Director w.e.f. September 20, 2016

\*\* Appointed w.e.f. May 25, 2016

\*\*\* Professional fee paid to Mr. G.B. Mathur under Section 197(4) of the Act, is not included in above calculation



**C. Remuneration to Key Managerial Personnel (KMP) other than MD/Manager/WTD:**

₹ in Cr.

Sl. No.	Particulars of Remuneration	Name of KMP		Total Amount
		Mr. Bharat Madan	Mr. Ajay Sharma	
1	Gross Salary			
	a. Salary as per provisions contained in Section 17(1) of the Income Tax Act, 1961	1.511	0.932	2.444
	b. Value of perquisites u/s 17(2) of the Income Tax Act, 1961	0.268	0.009	0.277
	c. Profits in lieu of salary u/s 17(3) of the Income Tax Act, 1961	-	-	-
2	Stock Option	-	-	-
3	Sweat Equity	-	-	-
4	Commission	-	-	-
	-as % of profit	-	-	-
	-others	-	-	-
5	Others	0.093	0.037	0.130
	Total	1.872	0.978	2.850

**VII. PENALTIES / PUNISHMENT/ COMPOUNDING OF OFFENCES:**

Type	Section of the Companies Act	Brief Description	Details of Penalty / Punishment/ Compounding fees imposed	Authority [RD / NCLT/ COURT]	Appeal made, if any (give Details)
COMPANY/DIRECTORS					
Penalty			NIL		
Punishment			NIL		
Compounding			NIL		
OTHER OFFICERS IN DEFAULT					
Penalty			NIL		
Punishment			NIL		
Compounding			NIL		

**Annexure – J to the Directors' Report****Details pertaining to Remuneration as required under Section 197(12) of the Companies Act, 2013 read with rule 5(1) of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014**

(I) The percentage increase in remuneration of each Director, Chief Financial Officer and Company Secretary during the financial year 2016-17 and ratio of the remuneration of each Director to the median remuneration of the employees of the Company for the financial year 2016-17 are as under:

Sl. No.	Name of Director/ KMP and Designation	Remuneration of Director/ KMP for the financial year 2016-17 (₹ In Cr)	% Increase in Remuneration in the financial year 2016-17	Ratio of remuneration of each Director/ to the median remuneration of employees
1.	Rajan Nanda Chairman and Managing Director	8.759	#	92.87
2.	Nikhil Nanda Managing Director	8.584	#	91.02
3.	Nitasha Nanda Whole-time Director	2.482	#	26.31
4.	G.B. Mathur Non-Executive Director	0.022	#	0.23
5.	Hardeep Singh Non-Executive Director	0.138	#	1.46
6.	Dr. S.A. Dave Non-Executive Director	0.022	*	*
8.	Mr. P.H. Ravikumar Non-Executive Director	0.129	#	1.37
9.	Ms. Vibha Paul Rishi Non-Executive Director	0.109	#	1.16
10.	Dr. Sutanu Behuria	0.117	#	1.24
11.	Mr. D.J. Kakalia	0.090	**	**
12.	Bharat Madan Group Chief Financial Officer	1.872	59.05***	Not Applicable
13.	Ajay Sharma Group General Counsel & Company Secretary	0.978	48.41***	Not Applicable

\* Details not given as Dr. S.A. Dave was director only for part of financial year 2016-17 i.e. upto September 20, 2016

\*\*Details not given as Mr. D.J. Kakalia was director only for part of financial year 2016-17 i.e. from May 25, 2016

\*\*\*Increase due to realignment of portfolio/stock option

#Not comparable since no commission paid during last year

(I) Increase in median remuneration of employees for the previous Financial Year: 8.85%

(II) Average percentage increase made in salaries of employees other than the managerial personnel in the last financial year: 8.85%

(III) Comparison with the Percentile increase in the managerial remuneration and justification thereof: In view of the proposed Commission for the year, the figures are not comparable.

(IV) Exception circumstances for increase in the managerial remuneration: In view of the proposed Commission for the year, the figures are not comparable.

(V) Commission was paid to the Non-Executive Directors of the Company for the financial year 2016-17 only. No commission was paid during the financial year 2015-16. Hence, % Increase in Remuneration in the financial year 2016-17 was shown as not applicable as the same is not comparable with last year figures.

(VI) There were 3786 permanent employees on the rolls of the Company as on March 31, 2017.

(VII) It is hereby affirmed that the remuneration paid is as per the as per the Remuneration Policy for the Directors, Key Managerial Personnel, Senior Management and other Employees.

## Independent Auditor's Report

To the Members of Escorts Limited

### Report on the Standalone Ind AS Financial Statements

We have audited the accompanying standalone Indian Accounting Standards (Ind AS) financial statements of Escorts Limited ("the Company"), which comprise the Balance Sheet as at 31 March 2017, and the Statement of Profit and Loss (including Other Comprehensive Income), the Statement of Cash Flows and the Statement of Changes in Equity for the year then ended, and a summary of the significant accounting policies and other explanatory information.

### Management's Responsibility for the Standalone Ind AS Financial Statements

The Company's Board of Directors is responsible for the matters stated in Section 134(5) of the Companies Act, 2013 ("the Act") with respect to the preparation of these standalone Ind AS financial statements that give a true and fair view of the state of affairs (financial position), profit (financial performance including other comprehensive income), cash flows and changes in equity of the Company in accordance with the accounting principles generally accepted in India, including the Ind AS prescribed under section 133 of the Act.

This responsibility also includes 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 frauds and other irregularities; selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent; and design, implementation and maintenance of adequate internal financial controls, that were operating effectively for ensuring the accuracy and completeness of the accounting records, relevant to the preparation and presentation of the standalone Ind AS financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

### Auditor's Responsibility

Our responsibility is to express an opinion on these standalone Ind AS financial statements based on our audit.

We have taken into account the provisions of the Act, the accounting and auditing standards and matters which are required to be included in the audit report under the provisions of the Act and the Rules made thereunder.

We conducted our audit of the standalone Ind AS financial statements in accordance with the Standards on Auditing specified under Section 143(10) of the Act. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the standalone Ind AS financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and the disclosures in the standalone Ind AS financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the standalone Ind AS financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal financial control relevant to the Company's preparation of the standalone Ind AS financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of the accounting estimates made by the Company's Directors, as well as evaluating the overall presentation of the standalone Ind AS financial statements.

We believe that the audit evidence obtained by us is sufficient and appropriate to provide a basis for our audit opinion on the standalone Ind AS financial statements.

### Opinion

In our opinion and to the best of our information and according to the explanations given to us, the aforesaid standalone Ind AS financial statements give the information required by the Act in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India including the Ind AS, of the state of affairs (financial position) of the Company as at 31 March 2017, and its profit (financial performance including other comprehensive income), its cash flows and the changes in equity for the year ended on that date.

### Report on Other Legal and Regulatory Requirements

1. As required by the Companies (Auditor's Report) Order, 2016 ("the Order") issued by the Central Government in terms of Section 143(11) of the Act, we give in "Annexure A" a statement on the matters specified in paragraphs 3 and 4 of the Order.
2. As required by Section 143(3) of the Act, we report that:
  - a) We have sought and 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 it appears from our examination of those books;
  - c) The Balance Sheet, the Statement of Profit and Loss, the Cash Flow Statement and Statement of Changes in Equity dealt with by this Report are in agreement with the books of account.
  - d) In our opinion, the aforesaid standalone Ind AS financial statements comply with the Indian Accounting Standards prescribed under section 133 of the Act;
  - e) On the basis of the written representations received from the directors as on 31 March 2017 taken on record by the Board of Directors, none of the directors is disqualified as on 31 March 2017 from being appointed as a director in terms of Section 164(2) of the Act.
  - f) With respect to the adequacy of the internal financial controls over financial reporting of the Company and the operating effectiveness of such controls, refer to our separate Report in "Annexure B".
  - g) With respect to the other matters to be included in the Auditor's Report in accordance with Rule 11 of the Companies (Audit and Auditors) Rules, 2014 (as amended), in our opinion and to the best of our information and according to the explanations given to us:
    - i. The Company has disclosed the impact of pending litigations on its financial position in its standalone Ind AS financial statements – Refer Note 34 to the standalone Ind AS financial statements ;
    - ii. The Company has made provision, as required under the applicable law or accounting standards, for material foreseeable losses, if any, on long-term contracts including derivative contracts – Refer Note 37 to the standalone Ind AS financial statements ;
    - iii. There has been no delay in transferring amounts, required to be transferred, to the Investor Education and Protection Fund by the Company and
    - iv. The Company has provided requisite disclosures in the financial statements as to holdings as well as dealings in Specified Bank Notes during the period from 8 November 2016 to 30 December 2016. Based on audit procedures and relying on the management representation we report that the disclosures are in accordance with books of account maintained by the Company and as produced to us by the Management – Refer Note 13 to the standalone Ind AS financial statements.

For **S.N. Dhawan & Co. LLP**  
Chartered Accountants  
(Firm's Registration No.:000050N/N500045)

per **Vijay Dhawan**

Partner

Membership No.: 012565

Place: New Delhi

Date: 29 May 2017

## Annexure - A to the Independent Auditor's Report

Referred to in Paragraph 1 under "Report on Other Legal and Regulatory Requirements" section of our report of even date

- (i) (a) The Company has maintained proper records showing full particulars, including quantitative details and situation of fixed assets (property, plant and equipment).
- (b) The Company has a regular programme of physical verification of its fixed assets (property, plant and equipment) by which fixed assets (property, plant and equipment) are verified in a phased manner over a period of three years. In accordance with this programme, certain fixed assets (property, plant and equipment) were verified during the year and no material discrepancies were noticed on such verification. In our opinion, this periodicity of physical verification is reasonable having regard to the size of the Company and the nature of its assets.
- (c) According to the information and explanations given to us and on the basis of our examination of the records of the Company, the title deeds of immovable properties are held in the name of the Company.
- (ii) In our opinion and according to the information and explanations given 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. Discrepancies noticed on physical verification of inventories as compared to book records were not material and have been properly dealt with in the books of account.
- (iii) In our opinion and according to the information and explanations given to us, the Company has not granted any loans, secured or unsecured to companies, firms, Limited Liability Partnerships or other parties covered in the register maintained under section 189 of the Act. Accordingly, paragraph 3(iii) of the Order is not applicable.
- (iv) In our opinion and according to the information and explanations given to us, the Company in respect of loans, investments, guarantees, and security has complied with the provisions of section 185 and 186 of the Act.
- (v) In our opinion and according to the information and explanations given to us, the Company has not accepted any deposits within the meaning of Sections 73 to 76 or any other relevant provisions of the Act and the rules framed thereunder.
- (vi) 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 148(1) of the Act in respect of the products manufactured by the Company 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.
- (vii) (a) According to the information and explanations given to us and on the basis of our examination of the records, the Company is generally regular in depositing with appropriate authorities undisputed statutory dues including provident fund, employee's state insurance, income-tax, sales-tax, service tax, duty of customs, duty of excise, value added tax, cess and any other statutory dues applicable to it.
- According to the information and explanations given to us, no undisputed amounts payable in respect of provident fund, employees' state insurance, income-tax, sales-tax, service tax, duty of customs, duty of excise, value added tax, cess were in arrears, as at 31 March 2017 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 income tax or sales tax or service tax or duty of customs or duty of excise or value added tax which have not been deposited on account of any dispute are given below:

Name of the Statute	Nature of Dues	Amount* (₹ Crores)	Period to which the amount relates	Forum where dispute is pending
Sales Tax Acts	Sales Tax	65.96	1992-2015	Adjudicating / Appellate Authority
		6.19	2007-2013	High Court
		1.55	2006-2013	Supreme court
Central Excise Act, 1944	Excise Duty	2.48	1992-2016	Adjudicating / Appellate Authority
Central Excise Act, 1944	Excise Duty	138.52	2004-2016	CESTAT
Finance Act, 1994	Service Tax	1.63	2006-2015	Adjudicating / Appellate Authority
Finance Act, 1994	Service Tax	1.69	2005-2012	CESTAT
Income Tax Act, 1961	Income Tax	22.05	2006-2007	CIT(A)
Haryana Local Area Development Tax Act, 2000	Local Area Development Tax	12.90	2006-2008	Supreme Court

\*net of deposits

- (viii) In our opinion and according to the information and explanations given to us, the Company has not defaulted in repayment of loans or borrowings to a financial institution, bank and government. The Company does not have any outstanding debentures during the year.
- (ix) In our opinion and according to the information and explanations given to us, the Company did not raise any monies by way of initial public offer or further public offer (including debt instruments) during the year and the term loans availed by the Company were applied for the purposes for which they were raised.
- (x) To the best of our knowledge and according to the information and explanations given to us, no fraud by the Company or on the Company by its officers or employees has been noticed or reported during the period of our audit.
- (xi) According to the information and explanations give to us and based on our examination of the records of the Company, the Company has paid/provided for managerial remuneration in accordance with the requisite approvals mandated by the provisions of section 197 read with Schedule V to the Act.
- (xii) In our opinion and according to the information and explanations given to us, the Company is not a nidhi company. Accordingly, paragraph 3(xii) of the Order is not applicable.
- (xiii) According to the information and explanations given to us and based on our examination of the records of the Company, transactions with the related parties are in compliance with sections 177 and 188 of the Act, where applicable and details of such transactions have been disclosed in the notes to the standalone Ind AS financial statements as required by the applicable accounting standards.
- (xiv) According to the information and explanations given to us and based on our examination of the records of the Company, the Company has not made any preferential allotment or private placement of shares or fully or partly convertible debentures during the year. Accordingly, paragraph 3(xiv) of the Order is not applicable.
- (xv) According to the information and explanations given to us and based on our examination of the records of the Company, the Company has not entered into non-cash transactions with directors or persons connected with him. Accordingly, paragraph 3(xv) of the Order is not applicable.
- (xvi) The Company is not required to be registered under section 45-IA of the Reserve Bank of India Act 1934.

For **S.N. Dhawan & Co. LLP**  
Chartered Accountants  
(Firm's Registration No.:000050N/N500045)

per **Vijay Dhawan**

Partner

Membership No.: 012565

Place: New Delhi

Date: 29 May 2017



## Annexure - B to the Independent Auditor's Report

Referred to in Paragraph 2(f) under "Report on Other Legal and Regulatory Requirements" section of our report of even date

### Report on the Internal Financial Controls under Clause (i) of Sub-section 3 of Section 143 of the Companies Act, 2013 ("the Act")

We have audited the internal financial controls over financial reporting of Escorts Limited ("the Company") as of 31 March 2017 in conjunction with our audit of the standalone Ind AS financial statements of the Company for the year ended on that date.

#### Management's Responsibility for Internal Financial Controls

The Company's management is responsible for establishing and maintaining internal financial controls based on the internal control over financial reporting criteria established by the Company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls over Financial Reporting issued by the Institute of Chartered Accountants of India ('ICAI'). These responsibilities include the design, implementation and maintenance of adequate internal financial controls that were operating effectively for ensuring the orderly and efficient conduct of its business, including adherence to company's policies, the safeguarding of its assets, the prevention and detection of frauds and errors, the accuracy and completeness of the accounting records, and the timely preparation of reliable financial information, as required under the Companies Act, 2013.

#### Auditor's Responsibility

Our responsibility is to express an opinion on the Company's internal financial controls over financial reporting based on our audit. We conducted our audit in accordance with the Guidance Note on Audit of Internal Financial Controls over Financial Reporting (the "Guidance Note") and the Standards on Auditing, issued by ICAI and deemed to be prescribed under section 143(10) of the Companies Act, 2013, to the extent applicable to an audit of internal financial controls, both applicable to an audit of Internal Financial Controls and, both issued by the ICAI. Those Standards and the Guidance Note require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether adequate internal financial controls over financial reporting was established and maintained and if such controls operated effectively in all material respects.

Our audit involves performing procedures to obtain audit evidence about the adequacy of the internal financial controls system over financial reporting and their operating effectiveness. Our audit of internal financial controls over financial reporting included obtaining an understanding of internal financial controls over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the standalone Ind AS financial statements, whether due to fraud or error.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the Company's internal financial controls system over financial reporting.

#### Meaning of Internal Financial Controls over Financial Reporting

A company's internal financial control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal financial control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorisations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorised acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

#### Inherent Limitations of Internal Financial Controls Over Financial Reporting

Because of the inherent limitations of internal financial controls over financial reporting, including the possibility of collusion or improper management override of controls, material misstatements due to error or fraud may occur and not be detected. Also, projections of any evaluation of the internal financial controls over financial reporting to future periods are subject to the risk that the internal financial control over financial reporting may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

#### Opinion

In our opinion, the Company has, in all material respects, an adequate internal financial controls system over financial reporting and such internal financial controls over financial reporting were operating effectively as at 31 March 2017, based on the internal control over financial reporting criteria established by the Company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting issued by the ICAI.

For **S.N. Dhawan & Co. LLP**

Chartered Accountants

(Firm's Registration No.:000050N/N500045)

per **Vijay Dhawan**

Partner

Membership No.: 012565

Place: New Delhi

Date: 29 May 2017

## Standalone Balance Sheet as at 31 March 2017

(₹ crores)

Note	As at 31 March 2017	As at 31 March 2016	As at 1 April 2015
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	3 (i)	1,510.49	1,520.21
Capital work-in-progress	3 (ii)	26.56	21.36
Investment property	4	23.38	23.88
Intangible assets	5 (i)	43.89	15.21
Intangible assets under development	5 (ii)	8.14	36.83
Financial assets			
Investments	6 (i)	418.66	410.90
Loans	7 (i)	4.17	4.17
Other financial assets	8 (i)	-	-
Deferred tax assets (net)	9	47.04	40.88
Income tax assets (net)		-	15.90
Other non current assets	10 (i)	13.36	11.24
<b>Total non-current assets</b>		<b>2,095.69</b>	<b>2,100.58</b>
<b>Current assets</b>			
Inventories	11	429.48	396.98
Financial assets			
Investments	6 (ii)	168.80	4.62
Trade receivables	12	458.02	390.07
Cash and cash equivalents	13	54.51	31.26
Bank balances other than above	14	173.89	218.36
Loans	7 (ii)	4.50	4.12
Other financial assets	8 (ii)	11.07	10.92
Other current assets	10 (ii)	102.33	102.37
<b>Total current assets</b>		<b>1,402.60</b>	<b>1,158.70</b>
Assets held for sale	15	14.86	9.00
<b>Total assets</b>		<b>3,513.15</b>	<b>3,268.28</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>			
Equity share capital	16	122.58	122.58
Other equity	17	1,868.58	1,715.10
<b>Total equity</b>		<b>1,991.16</b>	<b>1,837.68</b>
<b>Liabilities</b>			
<b>Non-current liabilities</b>			
Financial liabilities			
Borrowings	18 (i)	56.25	87.46
Other financial liabilities	19 (i)	12.92	12.02
Provisions	21 (i)	19.36	26.65
Other non-current liabilities	20 (i)	16.91	16.89
<b>Total non-current liabilities</b>		<b>105.44</b>	<b>143.02</b>
<b>Current liabilities</b>			
Financial Liabilities			
Borrowings	18 (ii)	159.02	220.20
Trade payables	22	893.78	737.72
Other financial liabilities	19 (ii)	112.02	109.83
Other current liabilities	20 (ii)	116.54	87.16
Provisions	21 (ii)	131.46	132.67
Income tax liabilities		3.73	-
<b>Total current liabilities</b>		<b>1,416.55</b>	<b>1,287.53</b>
<b>Total equity and liabilities</b>		<b>3,513.15</b>	<b>3,268.28</b>

The accompanying notes (1 to 49) are integral part of the financial statements.

For and on behalf of the Board

**RAJAN NANDA**  
Chairman and Managing Director  
(DIN: 00043256)

**NIKHIL NANDA**  
Managing Director  
(DIN: 00043432)

**HARDEEP SINGH**  
Director  
(DIN: 00088096)

As per our Report of even date attached  
for **S.N.DHAWAN & CO. LLP**  
Chartered Accountants  
(Firm Regn No. 000050N/N500045)

**P.H. RAVIKUMAR**  
Director  
(DIN: 00280010)

**BHARAT MADAN**  
Group Chief Financial Officer

**AJAY SHARMA**  
Group General Counsel  
& Company Secretary

**VIJAY DHAWAN**  
Partner  
M No. 12565

Place : Faridabad  
Date : 29 May 2017

## Standalone Statement of Profit and Loss for the year ended 31 March 2017

(₹ crores)

Note	Year ended 31 March 2017	Year ended 31 March 2016
Revenue from operations	23	4,167.58
Other income	24	43.46
<b>Total income</b>		<b>4,211.04</b>
<b>Expenses</b>		
Cost of material consumed	25	2,597.96
Purchases of stock-in-trade		244.12
Changes in inventories of finished goods, stock-in-trade and work-in-progress	25	(49.66)
Excise duty		74.42
Employee benefits expense	26	438.99
Finance costs	27	31.11
Depreciation and amortisation expense	28	63.07
Other expenses	29	538.04
<b>Total expenses</b>		<b>3,938.05</b>
<b>Profit before exceptional items and tax</b>		<b>272.99</b>
Exceptional items	30	(3.76)
<b>Profit before tax from continuing operations</b>		<b>276.75</b>
Tax expense	9	
Current tax		81.75
Deferred tax (credit)/charge		(6.15)
<b>Total tax expense</b>		<b>75.60</b>
<b>Profit for the period from continuing operations</b>		<b>201.15</b>
<b>Discontinued operations</b>		
Loss from discontinued operations	31 (ii)	(58.46)
Tax expense of discontinued operations	31 (ii)	(17.75)
Loss from discontinued operations after tax		<b>(40.71)</b>
<b>Net profit for the year</b>		<b>160.44</b>
<b>Other comprehensive income</b>		
Items that will not be reclassified to profit and loss		
Net changes in fair values of equity instruments carried at fair value through other comprehensive income		7.76
Re-measurements of defined employee benefit plans		(2.64)
Income tax relating to items that will not be reclassified to profit or loss		0.02
Items that will be reclassified to profit or loss		-
Income tax relating to items that will be reclassified to profit or loss		-
<b>Total other comprehensive income for the year</b>		<b>5.14</b>
<b>Total comprehensive income for the year</b>		<b>165.58</b>
<b>Earnings per equity share (for continuing operations):</b>	32	
Basic (₹)		16.84
Diluted (₹)		16.84
<b>Earnings per equity share (for discontinued operations):</b>		
Basic (₹)		(3.41)
Diluted (₹)		(3.41)
<b>Earnings per equity share (for discontinued and continuing operations):</b>		
Basic (₹)		13.43
Diluted (₹)		13.43

The accompanying notes (1 to 49) are integral part of the financial statements.

For and on behalf of the Board

**RAJAN NANDA**  
Chairman and Managing Director  
(DIN: 00043256)

**NIKHIL NANDA**  
Managing Director  
(DIN: 00043432)

**HARDEEP SINGH**  
Director  
(DIN: 00088096)

As per our Report of even date attached  
for **S.N.DHAWAN & CO. LLP**  
Chartered Accountants  
(Firm Regn No. 000050N/N500045)

**P.H. RAVIKUMAR**  
Director  
(DIN: 00280010)

**BHARAT MADAN**  
Group Chief Financial Officer

**AJAY SHARMA**  
Group General Counsel  
& Company Secretary

**VIJAY DHAWAN**  
Partner  
M No. 12565

Place : Faridabad  
Date : 29 May 2017

## Cash Flow Statement for the year ended 31 March 2017

(₹ crores)

	Year ended 31 March 2017	Year ended 31 March 2016
<b>A Cash flow from operating activities</b>		
<b>Profit before tax from</b>		
Continuing operations	276.75	113.22
Discontinued operations	(58.46)	(25.96)
<b>Profit before tax including discontinued operations</b>	<b>218.29</b>	<b>87.26</b>
<b>Adjustments for</b>		
Depreciation and amortisation expense	64.52	60.11
Bad debts and advances written off, allowance for doubtful trade receivable, write backs and others (net)	34.10	11.69
Interest expense	35.03	52.86
Interest income	(25.78)	(30.92)
Distribution received from subsidiary	(15.00)	-
Gain on disposal of property, plant and equipment (net)	(1.63)	0.22
Net gain on investments carried at fair value through profit or loss	(4.62)	(0.44)
Unrealised foreign exchange gain	0.45	(2.35)
<b>Operating profit before working capital changes</b>	<b>305.36</b>	<b>178.43</b>
<b>Movement in working capital</b>		
Inventories	(57.45)	21.63
Trade receivables	(78.86)	(15.01)
Other financial assets	(4.30)	(4.30)
Other assets	(1.63)	46.22
Trade payables	155.44	42.07
Other financial liabilities	11.77	(2.53)
Other liabilities	14.84	(52.37)
<b>Cash flow from operating activities post working capital changes</b>	<b>345.17</b>	<b>214.14</b>
Income tax paid (net)	(44.38)	7.55
<b>Net cash flow from operating activities (A)</b>	<b>300.79</b>	<b>221.69</b>
<b>B Cash flows from investing activities</b>		
Purchase of property, plant and equipment (including capital advances)	(65.87)	(48.39)
Sale of property, plant and equipment	13.05	1.94
Purchase of intangible assets	(12.57)	(5.27)
Sale of intangible assets	0.09	-
Purchase of current investment (net)	(159.56)	(0.10)
Bank deposit (having original maturity of more than 3 months)	49.60	(6.49)
Margin/bank deposits	(8.17)	1.90
Interest received	28.76	30.07
Distribution received from subsidiary	15.00	-
<b>Net cash flows used in investing activities (B)</b>	<b>(139.67)</b>	<b>(26.34)</b>

## Cash Flow Statement for the year ended 31 March 2017

(₹ crores)

	Year ended 31 March 2017	Year ended 31 March 2016
<b>C Cash flows from financing activities</b>		
Proceeds from sale of treasury shares	0.71	0.91
Repayment of long term borrowings	(53.31)	(73.08)
Proceeds from long term borrowings	16.58	35.00
Repayment from short term borrowings (net)	(61.21)	(100.18)
Interest paid	(27.78)	(44.71)
Dividend and tax thereon paid	(12.86)	(12.83)
<b>Net cash used in financing activities (C)</b>	<b>(137.87)</b>	<b>(194.89)</b>
Increase in cash and cash equivalents (A+B+C)	23.25	0.46
Cash and cash equivalents at the beginning of the year (refer note 13)	31.26	29.87
Exchange difference on translation of foreign currency cash and cash equivalents	-	0.93
<b>Cash and cash equivalents at the end of the year (refer note 13)</b>	<b>54.51</b>	<b>31.26</b>

Note: The above statement of Cash Flow has been prepared under the 'Indirect Method' as set out in Ind AS 7, 'Statement of Cash Flows'.

For and on behalf of the Board

**RAJAN NANDA**  
Chairman and Managing Director  
(DIN: 00043256)

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Managing Director  
(DIN: 00043432)

**HARDEEP SINGH**  
Director  
(DIN: 00088096)

As per our Report of even date attached

for **S.N.DHAWAN & CO. LLP**  
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(Firm Regn No. 000050N/N500045)

**P.H. RAVIKUMAR**  
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**BHARAT MADAN**  
Group Chief Financial Officer

**AJAY SHARMA**  
Group General Counsel  
& Company Secretary

**VIJAY DHAWAN**  
Partner  
M No. 12565

Place : Faridabad  
Date : 29 May 2017



## Statement of changes in equity for the year ended 31 March 2017

### A Equity share capital (₹ crores)

Balance as at 1 April 2015	Changes in equity share capital during the year	Balance as at 31 March 2016
122.58	-	122.58

(₹ crores)

Balance as at 1 April 2016	Changes in equity share capital during the year	Balance as at 31 March 2017
122.58	-	122.58

### B Other equity (₹ crores)

	Treasury shares	Capital reserve	Capital redemption reserve	Securities premium reserve	General reserve	Employee's stock options outstanding	Retained earnings	Other comprehensive income - Reserve		Total
								Equity instruments through other comprehensive income	Remeasurement of defined benefit plans	
<b>Balance as at 1 April 2015</b>	<b>(27.83)</b>	<b>97.40</b>	<b>4.00</b>	<b>456.54</b>	<b>513.86</b>	<b>0.05</b>	<b>576.75</b>	<b>19.29</b>	<b>-</b>	<b>1,640.06</b>
Profit for the year	-	-	-	-	-	-	83.75	-	-	83.75
Dividends	-	-	-	-	-	-	(14.30)	-	-	(14.30)
Tax on dividends	-	-	-	-	-	-	(2.99)	-	-	(2.99)
Dividend received on shares held by beneficiary trusts	-	-	-	-	-	-	4.48	-	-	4.48
Employee stock option charge for the year	-	-	-	-	-	0.05	-	-	-	0.05
Transfer from employee stock option reserve in respect to exercised options	-	-	-	0.03	-	(0.03)	-	-	-	-
Other comprehensive income for the year	-	-	-	-	-	-	-	2.71	0.43	3.14
Movement in treasury shares	0.91	-	-	-	-	-	-	-	-	0.91
<b>Balance as at 31 March 2016</b>	<b>(26.92)</b>	<b>97.40</b>	<b>4.00</b>	<b>456.57</b>	<b>513.86</b>	<b>0.07</b>	<b>647.69</b>	<b>22.00</b>	<b>0.43</b>	<b>1,715.10</b>
Profit for the year	-	-	-	-	-	-	160.44	-	-	160.44
Dividends	-	-	-	-	-	-	(14.35)	-	-	(14.35)
Tax on dividends	-	-	-	-	-	-	(2.99)	-	-	(2.99)
Dividend received on shares held by beneficiary trusts	-	-	-	-	-	-	4.48	-	-	4.48
Employee stock option charge for the year	-	-	-	-	-	0.05	-	-	-	0.05
Transfer from employee stock option reserve in respect to exercised options	-	-	-	0.02	-	(0.02)	-	-	-	-
Other comprehensive income for the year	-	-	-	-	-	-	-	6.87	(1.72)	5.15
Movement in treasury shares	0.70	-	-	-	-	-	-	-	-	0.70
<b>Balance as at 31 March 2017</b>	<b>(26.22)</b>	<b>97.40</b>	<b>4.00</b>	<b>456.59</b>	<b>513.86</b>	<b>0.10</b>	<b>795.27</b>	<b>28.87</b>	<b>(1.29)</b>	<b>1,868.58</b>

For and on behalf of the Board

**RAJAN NANDA**  
Chairman and Managing Director  
(DIN: 00043256)

**NIKHIL NANDA**  
Managing Director  
(DIN: 00043432)

**HARDEEP SINGH**  
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Group General Counsel  
& Company Secretary

**VIJAY DHAWAN**  
Partner  
M No. 12565

Place : Faridabad  
Date : 29 May 2017

## Notes forming part of the Financial Statements for the year ended 31 March 2017

### 1. Company overview

Escorts Limited ("the Company") is a public limited company incorporated and domiciled in India and having its registered office at 15/5, Mathura Road, Faridabad (Haryana). The Company's shares are listed with Bombay Stock Exchange, National Stock Exchange and Delhi Stock Exchange. The Company is engaged in the business of manufacturing of agricultural tractors, engines for agricultural tractors, construction, earth moving and material handling equipment, round and flat tubes, heating elements, double acting hydraulic shock absorbers for railways coaches, centre buffer couplers, automobile shock absorbers, telescopic front fork & Mcpherson struts, brake block, internal combustion engines and all types of brake used by railway's. It also trades in oils & lubricants, implements, trailers, tractors, compressor accessories and spares, construction, earth moving and material handling equipment and aero business.

### 2. Basis of preparation, measurement and significant accounting policies

#### 2.1 Basis of preparation and measurement

These financial statements have been prepared in accordance with the Indian Accounting Standards (hereinafter referred to as the 'Ind AS') as notified by Ministry of Corporate Affairs pursuant to section 133 of the Companies Act, 2013 read with Rule 3 of the Companies (Indian Accounting Standards) Rules, 2015 and Companies (Indian Accounting Standards) Amendment Rules, 2016.

These financial statements are separate financial statements of the Company. The Company has also prepared consolidated financial statements for the year ended 31 March 2017 in accordance with Ind AS 110 and the same were also approved for issue by the Board of Directors on 29 May 2017.

These financial statements for the year ended 31 March 2017 are the first financial statements prepared by the Company under Ind AS. For all periods upto and including the year ended 31 March 2016, the Company prepared its financial statements in accordance with the accounting standards notified under the section 133 of the Companies Act 2013, read together with paragraph 7 of the Companies (Accounts) Rules, 2014 (hereinafter referred to as 'Previous GAAP') used for its statutory reporting requirement in India immediately before adopting Ind AS. The financial statements for the comparative year ended 31 March 2016 and opening balance sheet at the beginning of the comparative year as at 1 April, 2015 have been restated in accordance with Ind AS for comparative information. Reconciliations and explanations of the effect of the transition from Previous GAAP to Ind AS on the Company's Balance Sheet, Statement of Profit and Loss and Statement of Cash Flows are provided in note 49.

The financial statements have been prepared on accrual and going concern basis. The accounting policies are applied consistently to all the periods presented in the financial statements, including the preparation of the opening Ind AS Balance Sheet as at 1st April 2015 being the date of transition to Ind AS. All assets and liabilities have been classified as current or non-current as per the Company's normal operating cycle and other criteria as set out in the Division II of Schedule III to the Companies Act, 2013. Based on the nature of products and the time between acquisition of assets for processing and their realisation in cash and cash equivalents, the Company has ascertained its operating cycle as 12 months for the purpose of current or non-current classification of assets and liabilities.

The financial statements have been prepared under the historical cost convention basis except for the following –

- Certain financial assets and liabilities which are measured at fair value;
- Defined benefit plans – plan assets measured at fair value; and
- Share based payments which are measured at fair value of the options; and
- Assets held for sale – measured at lower of carrying amount and fair value less cost to sell

#### 2.2 Summary of significant accounting policies

##### a) Revenue recognition

Revenue from sale of goods is recognised when all the significant risks and rewards of ownership in the goods are transferred to the buyer as per the terms of the contract, there is neither continuing managerial involvement with the goods nor effective control over the goods sold, it is probable that economic benefits will flow to the Company, the costs incurred or to be incurred in respect of the transaction can be measured reliably and the amount of revenue

## Notes forming part of the Financial Statements for the year ended 31 March 2017

can be measured reliably.

Revenue from services rendered is recognised in proportion to the stage of completion of the transaction at the reporting date when the outcome of the transaction can be estimated reliably.

Revenues from the sale of extended warranties and maintenance contracts embedded in the original sales contracts are recognized over the life of the contract and matched to related costs.

Income from export incentives are recognised on accrual basis.

Revenue is measured at fair value of the consideration received or receivable, after deduction of any trade discounts, volume rebates and any taxes or duties collected on behalf of the government which are levied on sales such as sales tax, value added tax, etc. In case of multi-element revenue arrangements, which involve delivery or performance of multiple products, services, evaluation will be done of all deliverables in an arrangement to determine whether they represent separate units of accounting at the inception of arrangement. Total arrangement consideration related to the bundled contract is allocated among the different elements based on their relative fair values (i.e., ratio of the fair value of each element to the aggregated fair value of the bundled deliverables). In case the relative fair value of different components cannot be determined on a reasonable basis, the total consideration is allocated to the different components based on residual value method.

### Rental income

Rental income is recognised on a straight-line basis over the term of the lease, except for contingent rental income which is recognised when it arises and where scheduled increase in rent compensates the lessor for expected inflationary costs.

### Interest Income

Interest income is recognized on time proportion basis taking into account the amount outstanding and rate applicable.

For all Financial Assets measured at amortised cost (refer 'h' below), interest income is recorded using the effective interest rate (EIR) i.e. the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the net carrying amount of the financial assets. The future cash flows include all other transaction costs paid or received, premiums or discounts if any, etc.

### Dividend income

Dividend income is recognised at the time when right to receive the payment is established, which is generally when the shareholders approve the dividend.

## b) Foreign currency translation

### Functional and presentation currency

The financial statements are presented in Indian Rupee (₹) and are rounded to two decimal places of crores, which is also the functional and presentation currency of the Company.

### Transactions and balances

Foreign currency transactions are recorded in the functional currency, by applying to the exchange rate between the functional currency and the foreign currency at the date of the transaction.

Foreign currency monetary items are converted to functional currency using the closing rate. Non-monetary items denominated in a foreign currency which are carried at historical cost are reported using the exchange rate at the date of the transactions.

Exchange differences arising on monetary items on settlement, or restatement as at reporting date, at rates different from those at which they were initially recorded, are recognized in the statement of profit and loss in the year in which they arise.

## c) Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset are capitalised

## Notes forming part of the Financial Statements for the year ended 31 March 2017

during the period of time that is necessary to complete and prepare the asset for its intended use or sale. A qualifying asset is one that necessarily takes substantial period of time to get ready for its intended use. Capitalisation of borrowing costs is suspended in the period during which the active development is delayed due to, other than temporary, interruption. All other borrowing costs are charged to the statement of profit and loss as incurred.

## d) Property, plant and equipment

### Recognition and initial measurement

Property, plant and equipment are stated at their cost of acquisition. The cost comprises purchase price, borrowing cost if capitalisation criteria are met and directly attributable cost of bringing the asset to its working condition for the intended use. Any trade discount and rebates are deducted in arriving at the purchase price. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits attributable to such subsequent cost associated with the item will flow to the Company. All other repair and maintenance costs are recognised in statement of profit or loss as incurred.

In case an item of property, plant and equipment is acquired on deferred payment basis, interest expenses included in deferred payment is recognised as interest expense and not included in cost of asset.

### Subsequent measurement (depreciation and useful lives)

Depreciation on property, plant and equipment is provided on the straight-line method, computed on the basis of useful lives mentioned below:

Asset category	Estimated useful life (in years)
Factory buildings	30
Office buildings	60
Tubewells and fencing	5
Roads	10
Sheds	3
Plant and machinery	3-15*
Furniture and fixtures	5-10*
Office equipments	3-10
Vehicles	8-10
Leasehold improvements	Over the effective term of the lease
Electrical appliances	10
IT equipments	6
Computers	3

\*Based on technical evaluation, the management believes that the useful lives as given above best represent the period over which management expects to use these assets. Hence, the useful lives for certain items within these classes of assets is different from the useful lives as prescribed under Part C of Schedule II to the Companies Act, 2013.

The residual values, useful lives and method of depreciation are reviewed at each financial year end and adjusted prospectively, if appropriate.

Where, during any financial year, any addition has been made to any asset, or where any asset has been sold, discarded, demolished or destroyed, or significant components replaced; depreciation on such assets is calculated on a pro rata basis as individual assets with specific useful life from the month of such addition or, as the case may be, up to the month on which such asset has been sold, discarded, demolished or destroyed or replaced.

### De-recognition

An item of property, plant and equipment and any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on de-recognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset)

## Notes forming part of the Financial Statements for the year ended 31 March 2017

is included in the income statement when the asset is derecognised.

### e) Investment properties

#### Recognition and initial measurement

Investment properties are properties held to earn rentals or for capital appreciation, or both. Investment properties are measured initially at their cost of acquisition. The cost comprises purchase price, borrowing cost if capitalisation criteria are met and directly attributable cost of bringing the asset to its working condition for the intended use. Any trade discount and rebates are deducted in arriving at the purchase price.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company. All other repair and maintenance costs are recognised in statement of profit or loss as incurred.

Though the Company measures investment property using cost based measurement, the fair value of investment property is disclosed in the notes to the financial statements. Fair values are determined based on an annual evaluation performed by an accredited external independent valuer who holds a recognised and relevant professional qualification and has recent experience in the location and category of the investment property being valued.

#### Subsequent measurement (depreciation and useful lives)

Depreciation on investment properties is provided on the straight-line method, computed on the basis of useful lives prescribed under Part C of Schedule II to the Companies Act, 2013.

The residual values, useful lives and method of depreciation of are reviewed at each financial year end and adjusted prospectively, if appropriate.

Where, during any financial year, any addition has been made to any asset, or where any asset has been sold, discarded, demolished or destroyed, or significant components replaced; depreciation on such assets is calculated on a pro rata basis as individual assets with specific useful life from the month of such addition or, as the case may be, up to the month on which such asset has been sold, discarded, demolished or destroyed or replaced.

#### De-recognition

Investment properties are derecognised either when they have been disposed of or when they are permanently withdrawn from use and no future economic benefit is expected from their disposal. The difference between the net disposal proceeds and the carrying amount of the asset is recognised in profit or loss in the period of de-recognition.

### f) Intangible assets

#### Recognition and initial measurement

Purchased Intangible assets are stated at cost less accumulated amortisation and impairment, if any.

#### Internally developed intangible assets

Expenditure on the research phase of projects is recognised as an expense as incurred.

Costs that are directly attributable to a project's development phase are recognised as intangible assets, provided the Company can demonstrate the following:

- the technical feasibility of completing the intangible asset so that it will be available for use.
- its intention to complete the intangible asset and use or sell it
- its ability to use or sell the intangible asset
- how the intangible asset will generate probable future economic benefits
- the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset.
- its ability to measure reliably the expenditure attributable to the intangible asset during its development

Development costs not meeting these criteria for capitalisation are expensed as incurred.

Directly attributable costs include employee costs incurred on development of prototypes along with an appropriate

## Notes forming part of the Financial Statements for the year ended 31 March 2017

portion of relevant overheads and borrowing costs.

### Subsequent measurement (amortisation)

All finite-lived intangible assets, including internally developed intangible assets, are accounted for using the cost model whereby capitalised costs are amortised on a straight-line basis over their estimated useful lives. The estimated useful life of an identifiable intangible asset is based on a number of factors including the effects of obsolescence, demand, competition, and other economic factors (such as the stability of the industry, and known technological advances), and the level of maintenance expenditures required to obtain the expected future cash flows from the asset.

Residual values and useful lives are reviewed at each reporting date. The following useful lives are applied:

Asset category	Estimated useful life (in years)
Software	6
Prototypes	4
Technical know how	6

### g) Leases

#### Finance leases

Management applies judgement in considering the substance of a lease agreement and whether it transfers substantially all the risks and rewards incidental to ownership of the leased asset. Key factors considered include i) the length of the lease term in relation to the economic life of the asset, ii) the present value of the minimum lease payments in relation to the asset's fair value, and iii) whether the Company obtains ownership of the asset at the end of the lease term. Where the Company is a lessee in this type of arrangement, the related asset is recognised at the inception of the lease at the fair value of the leased asset or, if lower, the present value of the lease payments plus incidental payments, if any. A corresponding amount is recognized as a finance lease liability. Assets held under finance leases (including land) are depreciated over their estimated useful lives. The corresponding finance lease liability is reduced by lease payments net of finance charges. The interest element of lease payments represents a constant proportion of the outstanding capital balance and is charged to statement of profit and loss, as finance costs over the period of the lease.

Refer note 2.2 (d) for the depreciation methods and useful lives for assets held under finance leases.

The interest element of lease payments is charged to profit or loss, as finance costs over the period of the lease.

#### Operating lease

All leases other than finance leases are treated as operating leases. Where the Company is a lessee, lease rental are charged to statement of profit and loss on straight line basis except where scheduled increase in rent compensate the lessor for expected inflationary costs. Associated costs, such as maintenance and insurance, are expensed as incurred

Where the Company is a lessor, the respective leased assets are included in the balance sheet based on their nature. Rental income is recognised on straight line basis over the lease term except where scheduled increase in rent compensates the Company with expected inflationary costs.

### h) Financial instruments

Financial instruments are recognised when the Company becomes a party to the contractual provisions of the instrument and are measured initially at fair value adjusted for transaction costs, except for those carried at fair value through profit or loss which are measured initially at fair value.

If the Company determines that the fair value at initial recognition differs from the transaction price, the Company accounts for that instrument at that date as follows:

- a) at the measurement basis mentioned above if that fair value is evidenced by a quoted price in an active market for an identical asset or liability (i.e. a Level 1 input) or based on a valuation technique that uses only data from



## Notes forming part of the Financial Statements for the year ended 31 March 2017

observable markets. The Company recognises the difference between the fair value at initial recognition and the transaction price as a gain or loss.

- b) in all other cases, at the measurement basis mentioned above, adjusted to defer the difference between the fair value at initial recognition and the transaction price. After initial recognition, the Company recognises that deferred difference as a gain or loss only to the extent that it arises from a change in a factor (including time) that market participants would take into account when pricing the asset or liability.

Subsequent measurement of financial assets and financial liabilities is described below.

### Financial assets

#### Classification and subsequent measurement

For the purpose of subsequent measurement, financial assets are classified into the following categories upon initial recognition:

- i. **Financial assets at amortised cost** – a financial instrument is measured at amortised cost if both the following conditions are met:
- The asset is held within a business model whose objective is to hold assets for collecting contractual cash flows, and
  - Contractual terms of the asset give rise on specified dates to cash flows that are solely payments of principal and interest (SPPI) on the principal amount outstanding.

After initial measurement, such financial assets are subsequently measured at amortised cost using the effective interest method.

- ii. **Investments in equity instruments of subsidiaries, joint ventures and associates** - Investments in equity instruments of subsidiaries, joint ventures and associates are accounted for at cost in accordance with Ind AS 27 Separate Financial Statements.

iii. **Financial assets at fair value**

- **Investments in equity instruments other than above** – All equity investments in scope of Ind AS 109 are measured at fair value. Equity instruments which are held for trading are generally classified as at fair value through profit and loss (FVTPL). For all other equity instruments, the Company decides to classify the same either as at fair value through other comprehensive income (FVOCI) or fair value through profit and loss (FVTPL). The Company makes such election on an instrument by instrument basis. The classification is made on initial recognition and is irrevocable.

If the Company decides to classify an equity instrument as at FVOCI, then all fair value changes on the instrument, excluding dividends, are recognised in the other comprehensive income (OCI). There is no recycling of the amounts from OCI to P&L, even on sale of investment. However, the Company may transfer the cumulative gain or loss within equity. Dividends on such investments are recognised in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment.

Equity instruments included within the FVTPL category are measured at fair value with all changes recognised in the P&L.

- **Mutual funds** – All mutual funds in scope of Ind-AS 109 are measured at fair value through profit and loss (FVTPL).

#### De-recognition of financial assets

A financial asset is primarily de-recognised when the rights to receive cash flows from the asset have expired or the Company has transferred its rights to receive cash flows from the asset.

#### Financial liabilities

#### Subsequent measurement

## Notes forming part of the Financial Statements for the year ended 31 March 2017

After initial recognition, the financial liabilities are subsequently measured at amortised cost using the effective interest method.

Amortised cost is calculated by considering any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The effect of EIR amortisation is included as finance costs in the statement of profit and loss.

#### De-recognition of financial liabilities

A financial liability is de-recognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the de-recognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the statement of profit or loss.

#### Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the balance sheet if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, to realise the assets and settle the liabilities simultaneously.

i) **Impairment of financial assets**

All financial assets except for those at FVTPL are subject to review for impairment at each reporting date to identify whether there is any objective evidence that a financial asset or a group of financial assets is impaired. Different criteria to determine impairment are applied for each category of financial assets.

In accordance with Ind AS 109, the Company applies expected credit loss (ECL) model for measurement and recognition of impairment loss for financial assets carried at amortised cost.

ECL is the weighted average of difference between all contractual cash flows that are due to the Company in accordance with the contract and all the cash flows that the Company expects to receive, discounted at the original effective interest rate, with the respective risks of default occurring as the weights. When estimating the cash flows, the Company is required to consider –

- All contractual terms of the financial assets (including prepayment and extension) over the expected life of the assets.
- Cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

#### Trade receivables

- (i) For debtors that are not past due – The Company applies approach permitted by Ind AS 109 'Financial Instruments', which requires lifetime expected credit losses to be recognised upon initial recognition of receivables. Lifetime ECL are the expected credit losses resulting from all possible default events over the expected life of a financial instrument.

Life time expected credit losses are assessed and accounted based on company's historical counter party default rates and forecast of macro-economic factors, by dividing receivables that are not considered to be individually significant by reference to the business segment of the counter party and other shared credit risk characteristics to evaluate the expected credit loss. The expected credit loss estimate is then based on recent historical counter party default rates for each identified segment.

The Company defines default as an event when the financial asset is past due for more than 365 days. This definition is based on management's expectation of the time period beyond which if a receivable is outstanding, it is an objective evidence of impairment.

- (ii) For debtors considered past due – any enhancement in the accrual done for expected credit loss on individually significant receivables is made to recognise any additional expected credit loss on amount recoverable. The

## Notes forming part of the Financial Statements for the year ended 31 March 2017

Company writes off trade receivables when there is no objective evidence that such amounts would not be recovered. Financial assets that are written-off are still subject to enforcement activity by the Company.

### Other financial assets

For recognition of impairment loss on other financial assets and risk exposure, the Company determines whether there has been a significant increase in the credit risk since initial recognition. If the credit risk has not increased significantly since initial recognition, the Company measures the loss allowance at an amount equal to 12 month expected credit losses, else at an amount equal to the lifetime expected credit losses.

When making this assessment, the Company uses the change in the risk of a default occurring over the expected life of the financial asset. To make that assessment, the Company compares the risk of a default occurring on the financial asset as at the balance sheet date with the risk of a default occurring on the financial asset as at the date of initial recognition and considers reasonable and supportable information, that is available without undue cost or effort, that is indicative of significant increases in credit risk since initial recognition. The Company assumes that the credit risk on a financial asset has not increased significantly since initial recognition if the financial asset is determined to have low credit risk at the balance sheet date.

### j) Impairment of non-financial assets

For impairment assessment purposes, assets are grouped at the lowest levels for which there are largely independent cash inflows (cash generating units). As a result, some assets are tested individually for impairment and some are tested at cash-generating unit level.

At each reporting date, the Company assesses whether there is any indication based on internal/external factors, that an asset may be impaired. If any such indication exists, the Company estimates the recoverable amount of the asset. If such recoverable amount of the asset or the recoverable amount of the cash generating unit to which the asset belongs is less than its carrying amount, the carrying amount is reduced to its recoverable amount and the reduction is treated as an impairment loss and is recognised in the statement of profit and loss. If, at the reporting date there is an indication that a previously assessed impairment loss no longer exists, the recoverable amount is reassessed which is the higher of fair value less costs of disposal and value-in-use and the asset is reflected at the recoverable amount subject to a maximum of depreciated historical cost. Impairment losses previously recognized are accordingly reversed in the statement of profit and loss.

To determine value-in-use, management estimates expected future cash flows from each cash-generating unit and determines a suitable discount rate in order to calculate the present value of those cash flows. The data used for impairment testing procedures are directly linked to the Group's latest approved budget, adjusted as necessary to exclude the effects of future re-organisations and asset enhancements. Discount factors are determined individually for each cash-generating unit and reflect current market assessment of the time value of money and asset-specific risk factors.

### k) Fair value measurement

The Company measures certain financial instruments, such as, investments at fair value at each balance sheet date.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability

The principal or the most advantageous market must be accessible by the Company.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

Refer Note 37 for fair value hierarchy.

### l) Inventories

## Notes forming part of the Financial Statements for the year ended 31 March 2017

Inventories are stated at the lower of cost and net realisable value. The cost of inventories comprises of all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition. Costs of inventories are computed using the weighted average cost formula. Net realisable value is the estimated selling price in the ordinary course of business less any applicable selling expenses. Provision for obsolescence and slow moving inventory is made based on management's best estimates of net realisable value of such inventories.

### m) Income taxes

Tax expense recognised in profit or loss comprises the sum of deferred tax and current tax not recognised in other comprehensive income or directly in equity.

Current income tax is measured at the amount expected to be paid to the tax authorities in accordance with the Income-tax Act, 1961. Current tax items are recognised in correlation to the underlying transaction either in other comprehensive income or directly in equity.

Deferred tax liabilities are generally recognised in full for all taxable temporary differences. Deferred tax assets are recognised to the extent that it is probable that the underlying tax loss, unused tax credits (Minimum alternate tax credit entitlement) or deductible temporary difference will be utilised against future taxable income. This is assessed based on the Company's forecast of future operating results, adjusted for significant non-taxable income and expenses and specific limits on the use of any unused tax loss or credit. Unrecognised deferred tax assets are re-assessed at each reporting date and are recognised to the extent that it has become probable that future taxable profits will allow deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date. Deferred tax items are recognised in correlation to the underlying transaction either in other comprehensive income or directly in equity.

Current tax assets and current tax liabilities are offset when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle the asset and liability on a net basis. Deferred tax assets and deferred tax liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities; and the deferred tax assets and the deferred tax liabilities relate to income taxes levied by the same taxation authority.

### n) Investment in subsidiaries, joint ventures and associates

Investments in subsidiaries, joint ventures and associates are carried at cost less accumulated impairment losses, if any. Where an indication of impairment exists, the carrying amount of the investment is assessed and written down immediately to its recoverable amount. On disposal of these investments, the difference between net disposal proceeds and the carrying amounts are recognised in the Statement of Profit and Loss.

### o) Government grants

Government grants are recognised where there is reasonable assurance that the grant will be received and all attached conditions will be complied with. When the grant relates to an expense item, it is recognised as income on a systematic basis over the periods that the related costs, for which it is intended to compensate, are expensed. When the grant relates to an asset, it is recognised as income in equal amounts over the expected useful life of the related asset.

When the Company receives grants for non-monetary assets, the asset and the grant are recorded at fair value amounts and released to profit or loss over the expected useful life in a pattern of consumption of the benefit of the underlying asset i.e. by equal annual instalments.

### p) Cash and cash equivalents

Cash and cash equivalents comprise cash in hand, demand deposits with banks/corporations and short-term highly liquid investments (original maturity less than 3 months) that are readily convertible into known amount of cash and are subject to an insignificant risk of change in value.

## Notes forming part of the Financial Statements for the year ended 31 March 2017

### q) Post-employment, long term and short term employee benefits

The Company provides post-employment benefits through various defined contribution and defined benefit plans

#### Defined contribution plans

A defined contribution plan is a plan under which the Company pays fixed contributions into an independent fund administered by the government. The Company has no legal or constructive obligations to pay further contributions after its payment of the fixed contribution, which are recognised as an expense in the year that related employee services are received.

#### Defined benefit plans

The defined benefit plans sponsored by the Company define the amount of the benefit that an employee will receive on completion of services by reference to length of service and last drawn salary. The legal obligation for any benefits remains with the Company.

Gratuity is post-employment benefit and is in the nature of a defined benefit plan. The liability recognised in the financial statements in respect of gratuity is the present value of the defined benefit obligation at the reporting date, together with adjustments for unrecognised actuarial gains or losses and past service costs. The defined benefit/obligation is calculated at or near the reporting date by an independent actuary using the projected unit credit method.

Actuarial gains and losses arising from past experience and changes in actuarial assumptions are credited or charged to the statement of OCI in the year in which such gains or losses are determined.

#### Other long-term employee benefits

Liability in respect of compensated absences becoming due or expected to be availed more than one year after the balance sheet date is estimated on the basis of an actuarial valuation performed by an independent actuary using the projected unit credit method.

Actuarial gains and losses arising from past experience and changes in actuarial assumptions are charged to statement of profit and loss in the year in which such gains or losses are determined.

#### Short-term employee benefits

Expense in respect of other short term benefits is recognised on the basis of the amount paid or payable for the period during which services are rendered by the employee.

### r) Non-current assets held for sale and discontinued operations

An entity shall classify a non-current asset (or disposal group) as held for sale if its carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the asset is available for immediate sale in its present condition subject only to terms that are usual and customary for sale of such asset and its sale is highly probable. Management must be committed to sale which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

Non-current assets classified as held for sale are presented separately and measured at the lower of their carrying amounts immediately prior to their classification as held for sale and their fair value less costs to sell. However, some held for sale assets such as financial assets, assets arising from employee benefits and deferred tax assets, continue to be measured in accordance with the Company's relevant accounting policy for those assets. Once classified as held for sale, the assets are not subject to depreciation or amortisation.

A discontinued operation is a component of the Company that either has been disposed of, or is classified as held for sale. Profit or loss from discontinued operations comprise the post-tax profit or loss of discontinued operations and the post-tax gain or loss resulting from the measurement and disposal of assets classified as held for sale. Any profit or loss arising from the sale or re-measurement of discontinued operations is presented as part of a single line item, profit or loss from discontinued operations.

## Notes forming part of the Financial Statements for the year ended 31 March 2017

### s) Share based payments

The Company operates equity-settled share-based remuneration plans for its employees. None of the Group's plans are cash-settled.

Where employees are rewarded using share-based payments, the fair value of employees' services is determined indirectly by reference to the fair value of the equity instruments granted. This fair value is appraised at the grant date and excludes the impact of non-market vesting conditions (for example profitability and sales growth targets and performance conditions).

All share-based remuneration is ultimately recognised as an expense in profit or loss with a corresponding credit to equity. If vesting periods or other vesting conditions apply, the expense is allocated over the vesting period, based on the best available estimate of the number of share options expected to vest.

Upon exercise of share options, the proceeds received, net of any directly attributable transaction costs, are allocated to share capital up to the nominal (or par) value of the shares issued with any excess being recorded as share premium.

### t) Provisions, contingent assets and contingent liabilities

Provisions are recognised only when there is a present obligation, as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and when a reliable estimate of the amount of obligation can be made at the reporting date. These estimates are reviewed at each reporting date and adjusted to reflect the current best estimates. If the effect of the time value of money is material, provisions are discounted to reflect its present value using a current pre-tax rate that reflects the current market assessments of the time value of money and the risks specific to the obligation. When provisions are discounted, the increase in the provision due to the passage of time is recognised as a finance cost.

#### Contingent liability is disclosed for:

- Possible obligations which will be confirmed only by future events not wholly within the control of the Company or
- Present obligations arising from past events where it is not probable that an outflow of resources will be required to settle the obligation or a reliable estimate of the amount of the obligation cannot be made.

Contingent assets are not recognised. However, when inflow of economic benefits is probable, related asset is disclosed.

### u) Treasury shares

Treasury shares are presented as a deduction from equity. The original cost of treasury shares and the proceeds of any subsequent sale are presented as movements in equity.

### v) Earnings per share

Basic earnings per share is calculated by dividing the net profit or loss for the period attributable to equity shareholders (after deducting attributable taxes) by the weighted average number of equity shares outstanding during the period. The weighted average number of equity shares outstanding during the period is adjusted for events including a bonus issue.

For the purpose of calculating diluted earnings per share, the net profit or loss for the period attributable to equity shareholders and the weighted average number of shares outstanding during the period are adjusted for the effects of all dilutive potential equity shares.

### 2.3 Significant management judgement in applying accounting policies and estimation uncertainty

The following are the critical judgments and the key estimates concerning the future that management has made in the process of applying the Company's accounting policies and that may have the most significant effect on the amounts recognized in the financial Statements or that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.



## Notes forming part of the Financial Statements for the year ended 31 March 2017

**Allowance for doubtful debts** – The allowance for doubtful debts reflects management's estimate of losses inherent in its credit portfolio. This allowance is based on Company's estimate of the losses to be incurred, which derives from past experience with similar receivables, current and historical past due amounts, dealer termination rates, write-offs and collections, the careful monitoring of portfolio credit quality and current and projected economic and market conditions. Should the present economic and financial situation persist or even worsen, there could be a further deterioration in the financial situation of the Company's debtors compared to that already taken into consideration in calculating the allowances recognised in the financial statements.

**Allowance for obsolete and slow-moving inventory** – The allowance for obsolete and slow-moving inventory reflects management's estimate of the expected loss in value, and has been determined on the basis of past experience and historical and expected future trends in the used vehicle market. A worsening of the economic and financial situation could cause a further deterioration in conditions in the used vehicle market compared to that taken into consideration in calculating the allowances recognized in the financial statements.

**Product warranties** – The Company makes provisions for estimated expenses related to product warranties at the time products are sold. Management establishes these estimates based on historical information of the nature, frequency and average cost of warranty claims. The Company seeks to improve vehicle quality and minimise warranty expenses arising from claims. Warranty costs may differ from those estimated if actual claim rates are higher or lower than historical rates.

**Useful lives of depreciable/amortisable assets** – Management reviews its estimate of the useful lives of depreciable/amortisable assets at each reporting date, based on the expected utility of the assets. Uncertainties in these estimates relate to technical and economic obsolescence that may change the utility of certain software, IT equipment and other plant and equipment.

**Defined benefit obligation (DBO)** – Management's estimate of the DBO is based on a number of critical underlying assumptions such as standard rates of inflation, mortality, discount rate and anticipation of future salary increases. Variation in these assumptions may significantly impact the DBO amount and the annual defined benefit expenses.

**Capitalisation of internally developed intangible assets** – Distinguishing the research and development phases for new products and design enhancements determining whether the recognition requirements for the capitalisation of development costs are met requires judgement. After capitalisation, management monitors whether the recognition requirements continue to be met and whether there any indicators that capitalised costs may be impaired.

**Evaluation of indicators for impairment of assets** – The evaluation of applicability of indicators of impairment of assets requires assessment of several external and internal factors which could result in deterioration of recoverable amount of the assets.

**Recognition of deferred tax assets** – The extent to which deferred tax assets can be recognized is based on an assessment of the probability of the future taxable income against which the deferred tax assets can be utilised.

**Contingent liabilities** – The Company is the subject of legal proceedings and tax issues covering a range of matters, which are pending in various jurisdictions. Due to the uncertainty inherent in such matters, it is difficult to predict the final outcome of such matters. The cases and claims against the Company often raise difficult and complex factual and legal issues, which are subject to many uncertainties, including but not limited to the facts and circumstances of each particular case and claim, the jurisdiction and the differences in applicable law. In the normal course of business management consults with legal counsel and certain other experts on matters related to litigation and taxes. The Company accrues a liability when it is determined that an adverse outcome is probable and the amount of the loss can be reasonably estimated.

### 2.4 Standards issued but not yet effective

In March 2017, the Ministry of Corporate Affairs issued the Companies (Indian Accounting Standards) (Amendments) Rules, 2017, notifying amendments to Ind AS 7, 'Statement of cash flows' and Ind AS 102, 'Share-based payment.' These amendments are in accordance with the recent amendments made by International Accounting Standards Board (IASB)

## Notes forming part of the Financial Statements for the year ended 31 March 2017

to IAS 7, 'Statement of cash flows', and IFRS 2, 'Share-based payment', respectively. The amendments are applicable to the Company from 1 April 2017.

### Amendment to Ind AS 7:

The amendments to Ind AS 7 inter-alia require the entities to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes, suggesting inclusion of a reconciliation between the opening and closing balances in the balance sheet for liabilities arising from financing activities, to meet the disclosure requirement.

The Company is evaluating the requirements of the amendment and the effect on the financial statements is being evaluated.

### Amendment to Ind AS 102:

The amendments to Ind AS 102 inter-alia provide specific guidance to measurement of cash-settled awards, modification of cash-settled awards and awards that include a net settlement feature in respect of withholding taxes.

It clarifies that the fair value of cash-settled awards is determined on a basis consistent with that used for equity-settled awards. Market-based performance conditions and non-vesting conditions are reflected in the 'fair values', but non-market performance conditions and service vesting conditions are reflected in the estimate of the number of awards expected to vest. Also, the amendment clarifies that if the terms and conditions of a cash-settled share-based payment transaction are modified with the result that it becomes an equity-settled share-based payment transaction, the transaction is accounted for as such from the date of the modification. Further, the amendment requires the award that includes a net settlement feature in respect of withholding taxes to be treated as equity-settled in its entirety. The cash payment to the tax authority is treated as if it was part of an equity settlement.

The Company is evaluating the requirements of the amendment and the impact on the financial statements is being evaluated.

## Notes forming part of the Financial Statements for the year ended 31 March 2017

### 3 (i) Property, plant and equipment

(₹ crores)

Description	Freehold land	Leasehold land	Buildings	Leasehold improvements	Plant and machinery	Furniture and fixtures	Vehicles	Office equipment	Total
<b>Gross carrying value</b>									
As at 1 April 2015	1,049.02	8.89	373.60	0.05	778.69	101.88	10.67	7.79	2,330.59
Additions	-	-	5.61	-	35.65	4.43	3.20	0.24	49.13
Disposals	-	-	-	-	(8.91)	(1.91)	(2.07)	(0.29)	(13.18)
<b>As at 31 March 2016</b>	<b>1,049.02</b>	<b>8.89</b>	<b>379.21</b>	<b>0.05</b>	<b>805.43</b>	<b>104.40</b>	<b>11.80</b>	<b>7.74</b>	<b>2,366.54</b>
Additions	-	-	1.70	-	46.22	9.48	1.41	0.27	59.08
Transferred to assets held for sale	-	-	-	-	(13.49)	-	(0.54)	-	(14.03)
Disposals	-	-	-	-	(65.65)	(8.69)	(0.24)	(0.62)	(75.20)
<b>As at 31 March 2017</b>	<b>1,049.02</b>	<b>8.89</b>	<b>380.91</b>	<b>0.05</b>	<b>772.51</b>	<b>105.19</b>	<b>12.43</b>	<b>7.39</b>	<b>2,336.39</b>
<b>Accumulated depreciation</b>									
As at 1 April 2015	-	0.71	228.72	0.01	490.79	73.85	2.78	5.78	802.64
Charge for the year	-	0.10	6.62	-	38.21	7.33	1.57	0.88	54.71
Disposals	-	-	-	-	(8.01)	(1.90)	(0.85)	(0.26)	(11.02)
<b>As at 31 March 2016</b>	<b>-</b>	<b>0.81</b>	<b>235.34</b>	<b>0.01</b>	<b>520.99</b>	<b>79.28</b>	<b>3.50</b>	<b>6.40</b>	<b>846.33</b>
Charge for the year	-	0.10	6.66	-	35.68	7.39	1.53	0.51	51.87
Disposals	-	-	-	-	(54.86)	(8.67)	(0.14)	(0.58)	(64.25)
Transferred to assets held for sale	-	-	-	-	(7.92)	-	(0.13)	-	(8.05)
<b>As at 31 March 2017</b>	<b>-</b>	<b>0.91</b>	<b>242.00</b>	<b>0.01</b>	<b>493.89</b>	<b>78.00</b>	<b>4.76</b>	<b>6.33</b>	<b>825.90</b>
Net block as at 1 April 2015	1,049.02	8.18	144.88	0.04	287.90	28.03	7.89	2.01	1,527.95
Net block as at 31 March 2016	1,049.02	8.08	143.87	0.04	284.44	25.12	8.30	1.34	1,520.21
Net block as at 31 March 2017	1,049.02	7.98	138.91	0.04	278.62	27.19	7.67	1.06	1,510.49

#### Property, plant and equipment include assets in use for in house research and development centres

Refer note 36 for disclosure of property, plant and equipment in use for in house research and development centres.

#### Contractual obligations

Refer note 34 for disclosure of contractual commitments for the acquisition of property, plant and equipment.

#### Property plant and equipment pledged as security

Refer note 47 for information on property, plant and equipment pledged as security by the Company.

#### Finance leases

The Company had taken land and certain IT equipments on finance lease. Out of which, all of the leased IT equipments having a net block of ₹2.72 crores as at 1 April 2015 (date of expiry of the lease term) are owned by the Company now. Refer note 41 for contractual commitments for lease payments in respect to these assets.

#### Discontinued operations

Depreciation for the current year includes depreciation for discontinued operations ₹1.41 crores (31 March 2016: ₹2.56 crores).

## Notes forming part of the Financial Statements for the year ended 31 March 2017

### 3 (ii) Capital work-in-progress

(₹ crores)

	31 March 2017	31 March 2016	1 April 2015
Capital work-in-progress	26.56	21.36	19.40

#### Movement in capital work in progress:

(₹ crores)

Particulars	Amount
<b>Capital work-in-progress as at 1 April 2015</b>	<b>19.40</b>
Add: additions during the year	51.09
Less: capitalisation during the year	(49.13)
<b>Capital work-in-progress as at 31 March 2016</b>	<b>21.36</b>
Add: additions during the year	64.28
Less: capitalisation during the year	(59.08)
<b>Capital work-in-progress as at 31 March 2017</b>	<b>26.56</b>

#### Capitalised borrowing cost

The borrowing costs capitalised during the year ended 31 March 2017 was ₹ Nil (31 March 2016 ₹1.85 crores ) (1 April 2015 ₹2.22 crores ).

### 4 Investment property

(₹ crores)

Description	Freehold land	Building	Total
<b>Gross carrying value</b>			
As at 1 April 2015	20.04	4.88	24.92
Additions	-	-	-
Disposals	-	-	-
<b>As at 31 March 2016</b>	<b>20.04</b>	<b>4.88</b>	<b>24.92</b>
Additions	-	-	-
Disposals	(0.34)	(0.02)	(0.36)
<b>As at 31 March 2017</b>	<b>19.70</b>	<b>4.86</b>	<b>24.56</b>
<b>Accumulated depreciation</b>			
As at 1 April 2015	-	0.92	0.92
Charge for the year	-	0.12	0.12
Disposals	-	-	-
<b>As at 31 March 2016</b>	<b>-</b>	<b>1.04</b>	<b>1.04</b>
Charge for the year	-	0.15	0.15
Disposals	-	(0.01)	(0.01)
<b>As at 31 March 2017</b>	<b>-</b>	<b>1.18</b>	<b>1.18</b>
<b>Net block as at 1 April 2015</b>	<b>20.04</b>	<b>3.96</b>	<b>24.00</b>
<b>Net block as at 31 March 2016</b>	<b>20.04</b>	<b>3.84</b>	<b>23.88</b>
<b>Net block as at 31 March 2017</b>	<b>19.70</b>	<b>3.68</b>	<b>23.38</b>

## Notes forming part of the Financial Statements for the year ended 31 March 2017

### 4 Investment property (contd.)

#### (i) Amount recognised in profit and loss for investment property

(₹ crores)

	31 March 2017	31 March 2016
Rental income	0.36	0.36
Direct operating expenses that generated rental income	0.21	0.11
Direct operating expenses that did not generate rental income	-	-
Profit from leasing of investment properties	0.15	0.25

#### (ii) Leasing arrangements

Certain investment properties are leased to tenants under long-term operating leases with rentals payable monthly. However all the leases are cancellable at the option of lessee, hence there is no lease disclosure as required by Ind AS 17 "Leases".

#### (iii) Fair value of investment property

(₹ crores)

Particulars	31 March 2017	31 March 2016	1 April 2015
Fair value	23.75	33.87	39.36

The Company obtains independent valuations for its investment property annually. The best evidence of fair value is current prices in an active market for similar properties.

Where such information is not available, the independent valuer consider information from a variety of sources including:

- In case of valuation of land, current prices in an active market for similar properties of the same area and localities have been taken. The rates of which are based on verbal enquiries from the property dealers of the areas and localities;
- In case of constructed building, rates derived from CPWD/CWC PARS as on 01-10-2010-12/1997 have been taken as the basis of valuation.

These rates have further been modified to bring them at par with the present day price index and as per specifications found at site. Necessary depreciation for age and life of the structure has been taken into account. Where the work is not covered under any of the standard specifications the rates have been assessed as on the date of valuations.

### 5 (i) Intangible assets

(₹ crores)

Description	Prototypes	Technical know how	Software	Total
<b>Gross carrying value</b>				
As at 1 April 2015	3.07	7.73	30.42	41.22
Additions	-	3.79	0.72	4.51
Disposals	-	-	(1.00)	(1.00)
<b>As at 31 March 2016</b>	<b>3.07</b>	<b>11.52</b>	<b>30.14</b>	<b>44.73</b>
Additions	28.49	6.34	6.42	41.25
Disposals	-	-	(0.31)	(0.31)
<b>As at 31 March 2017</b>	<b>31.56</b>	<b>17.86</b>	<b>36.25</b>	<b>85.67</b>

## Notes forming part of the Financial Statements for the year ended 31 March 2017

### 5 (i) Intangible assets (contd.)

(₹ crores)

Description	Prototypes	Technical know how	Software	Total
<b>Accumulated depreciation</b>				
As at 1 April 2015	2.10	6.91	16.23	25.24
Charge for the year	0.62	0.29	4.37	5.28
Disposals	-	-	(1.00)	(1.00)
<b>As at 31 March 2016</b>	<b>2.72</b>	<b>7.20</b>	<b>19.60</b>	<b>29.52</b>
Charge for the year	6.28	1.73	4.47	12.48
Disposals	-	-	(0.22)	(0.22)
<b>As at 31 March 2017</b>	<b>9.00</b>	<b>8.93</b>	<b>23.85</b>	<b>41.78</b>
<b>Net block as at 1 April 2015</b>	<b>0.97</b>	<b>0.82</b>	<b>14.19</b>	<b>15.98</b>
<b>Net block as at 31 March 2016</b>	<b>0.35</b>	<b>4.32</b>	<b>10.54</b>	<b>15.21</b>
<b>Net block as at 31 March 2017</b>	<b>22.56</b>	<b>8.93</b>	<b>12.40</b>	<b>43.89</b>

#### Contractual obligations

Refer note 34 for disclosure of contractual commitments for the acquisition of intangible assets.

#### Intangible assets include assets in use for in house Research and Development Centers

Refer note 36 for disclosure of intangible assets in use for in house Research and Development Centers.

#### Discontinued operations

Amortisation for the current year includes amortisation for discontinued operations ₹0.03 crores (31 March 2016: ₹0.05 crores).

### 5 (ii) Intangible assets under development

(₹ crores)

	31 March 2017	31 March 2016	1 April 2015
Intangible assets under development	8.14	36.83	36.07

#### Movement in intangible assets under development :

(₹ crores)

Particulars	Amount
<b>Intangible assets under development as at 1 April 2015</b>	<b>36.07</b>
Add: additions during the year	5.27
Less: capitalisation during the year	(4.51)
<b>Intangible assets under development as at 31 March 2016</b>	<b>36.83</b>
Add: additions during the year	12.56
Less: capitalisation during the year	(41.25)
<b>Intangible assets under development as at 31 March 2017</b>	<b>8.14</b>



## Notes forming part of the Financial Statements for the year ended 31 March 2017

### 6 Investments

#### (i) Investments - Non-current

	(₹ crores)		
	As at 31 March 2017	As at 31 March 2016	As at 1 April 2015
<b>Investment carried at cost</b>			
<b>Subsidiary companies</b>			
Fully paid equity shares (quoted)	3.12	3.12	3.12
Fully paid equity shares (unquoted)	372.29	372.29	372.29
<b>Joint ventures and associates</b>			
Fully paid equity shares (unquoted)	7.00	7.00	1.00
<b>Investment carried at fair value through OCI</b>			
Fully paid equity shares (quoted)	0.52	0.42	0.44
Fully paid equity shares (unquoted)	35.73	28.07	24.98
	<b>418.66</b>	<b>410.90</b>	<b>401.83</b>

The market value of quoted investments are: 5.26 1.92 2.03

#### (ii) Investments - Current

	(₹ crores)		
	As at 31 March 2017	As at 31 March 2016	As at 1 April 2015
<b>Investment carried at fair value through profit or loss</b>			
Mutual funds (quoted)	168.79	4.61	4.17
Bonds (unquoted)	0.01	0.01	0.01
	<b>168.80</b>	<b>4.62</b>	<b>4.18</b>

The market value of quoted investments is equal to the carrying value.

#### Details of investment is as follows:

##### Non-current investments

	(₹ crores)		
	31 March 2017	31 March 2016	1 April 2015
<b>In equity instruments*</b>			
<b>Subsidiaries (quoted)</b>			
Escorts Finance Limited	3.12	3.12	3.12
	<b>3.12</b>	<b>3.12</b>	<b>3.12</b>
<b>Subsidiaries (unquoted)</b>			
Escorts Assets Management Limited	3.00	3.00	3.00
Escorts Securities Limited	1.96	1.96	1.96
Farmtrac Tractors Europe SP zoo, Poland (face value of 1000 PLN each)	8.35	8.35	8.35
EDDAL Credit Limited	0.05	0.05	0.05
Sole beneficiary interest in Escorts Benefit and Welfare Trust	358.93	358.93	358.93
	<b>372.29</b>	<b>372.29</b>	<b>372.29</b>
<b>Joint ventures and associates (unquoted)</b>			
Escorts Consumer Credit Limited	1.00	1.00	1.00
Adico Escorts Agri Equipment Private Limited	6.00	6.00	-
	<b>7.00</b>	<b>7.00</b>	<b>1.00</b>

## Notes forming part of the Financial Statements for the year ended 31 March 2017

### 6 Investments (contd.)

#### Non-current investments

	(₹ crores)		
	31 March 2017	31 March 2016	1 April 2015
<b>Others (quoted)</b>			
Asahi India Glass Limited (face value of ₹1 each)	0.41	0.30	0.27
Godavari Drugs Limited	0.07	0.07	0.11
Twenty First Century Medicare Limited	0.04	0.05	0.07
	<b>0.52</b>	<b>0.42</b>	<b>0.45</b>
<b>Others (unquoted)</b>			
Escorts Skill Development <sup>^</sup>	-	-	-
Hughes Communications India Limited.	34.47	27.16	24.16
Escorts Motors Limited	1.26	0.92	0.82
	<b>35.73</b>	<b>28.08</b>	<b>24.98</b>

\*All equity shares are of ₹10 each unless otherwise stated.

<sup>^</sup>Amount less than a lac

#### Current investments

	(₹ crores)		
	31 March 2017	31 March 2016	1 April 2015
<b>Mutual funds and others (quoted)</b>			
Birla Sun Life Corporate Bond Fund (Direct) (Growth)	0.81	-	-
Birla Sun Life Dynamic Bond Fund (Growth)	2.70	2.45	2.28
Birla Sun Life Dynamic Bond Fund (Direct) (Growth)	24.62	-	-
Birla Sun Life Medium Term Plan (Regular) (Growth)	0.05	-	-
Birla Sun Life Medium Term Plan (Direct) (Growth)	37.60	-	-
Fidelity Short Term Income Fund (Growth)	-	0.72	-
HDFC Medium Term Opportunities (Direct) (Growth)	21.26	-	-
ICICI Prudential Income Opportunities (Direct) (Growth)	37.52	-	-
IDFC SSIF Short Term Plan (Growth)	-	1.44	1.89
Kotak Medium Term Fund (Direct) (Growth)	20.37	-	-
UTI Short Term Income Fund (Direct) (Growth)	23.86	-	-
	<b>168.79</b>	<b>4.61</b>	<b>4.17</b>
<b>Bonds (unquoted)</b>			
ICICI deep discount bonds	0.01	0.01	0.01
	<b>0.01</b>	<b>0.01</b>	<b>0.01</b>
<b>Total</b>	<b>168.80</b>	<b>4.62</b>	<b>4.18</b>

## Notes forming part of the Financial Statements for the year ended 31 March 2017

### 7 Loans

#### (i) Non-current loans

(₹ crores)

	As at 31 March 2017	As at 31 March 2016	As at 1 April 2015
Unsecured, considered good			
Security deposits	4.17	4.17	4.95
	<b>4.17</b>	<b>4.17</b>	<b>4.95</b>

#### (ii) Current loans

(₹ crores)

	As at 31 March 2017	As at 31 March 2016	As at 1 April 2015
Unsecured, considered good			
Security deposits	4.50	4.12	2.79
	<b>4.50</b>	<b>4.12</b>	<b>2.79</b>

Refer note 37 - Financial instruments for disclosure of fair values in respect of financial assets measured at amortised cost and assessment of expected credit losses

### 8 Other financial assets

#### (i) Non-current financial assets

(₹ crores)

	As at 31 March 2017	As at 31 March 2016	As at 1 April 2015
Advances to related parties	2.93	2.93	2.93
	2.93	2.93	2.93
Allowance for doubtful advances	(2.93)	(2.93)	(2.93)
	-	-	-

#### (ii) Current financial assets

(₹ crores)

	As at 31 March 2017	As at 31 March 2016	As at 1 April 2015
Export incentives receivable	4.85	3.94	4.31
Claims receivable	2.50	3.53	3.03
Other recoverable (refer note 48 for related party advances)	3.72	3.45	1.57
	<b>11.07</b>	<b>10.92</b>	<b>8.91</b>

Refer note 37 - Financial instruments for disclosure of fair values in respect of financial assets measured at amortised cost and assessment of expected credit losses

## Notes forming part of the Financial Statements for the year ended 31 March 2017

### 9 Income taxes

The income tax expense consists of the following:

(₹ crores)

	Year ended 31 March 2017	Year ended 31 March 2016
Current tax		
Current tax expense for current year	74.51	24.37
Current tax expense / (benefit) pertaining to prior periods	7.24	(2.76)
	81.75	21.61
Deferred tax expense / (benefit)	(6.15)	(9.11)
<b>Total income tax expense recognised in the current year for continuing operations</b>	<b>75.60</b>	<b>12.50</b>
Tax expense of discontinued operations	(17.75)	(8.99)
<b>Total income tax expense</b>	<b>57.85</b>	<b>3.51</b>

#### (i) The reconciliation of estimated income tax expense at statutory income tax rate to income tax expense reported in statement of profit and loss is as follows:

(₹ crores)

	Year ended 31 March 2017	Year ended 31 March 2016
Profit before income tax from continuing and discontinued operations	218.29	87.26
Statutory income tax rate	34.61%	34.61%
Expected income tax expense	75.55	30.20
<b>Tax effect of adjustment to reconcile expected income tax expense to reported income tax expense</b>		
Income exempted from tax	(5.19)	(0.15)
Tax on expense not eligible for deduction	1.62	7.88
Weighted and standard deduction under Income Tax Act, 1961	(18.98)	(20.68)
Tax pertaining to prior years	7.24	(2.76)
Changes in deferred tax and MAT credit entitlement due to assessments	-	(9.66)
Others	(2.39)	(1.32)
<b>Total income tax expense</b>	<b>57.85</b>	<b>3.51</b>

#### (ii) (a) Significant components of net deferred tax assets and liabilities for the year ended 31 March 2017 are as follows:

(₹ crores)

	Opening balance	Recognised / reversed through profit and loss	Recognised / reversed from OCI/equity	Closing balance
<b>Deferred tax assets/(liabilities) in relation to:</b>				
Property, plant and equipment, investment property and intangible assets	(80.26)	1.27	-	(78.99)
Receivables, financial assets and liabilities at amortised cost	29.25	7.10	-	36.35
Provision for employee and others liabilities deductible on actual payment	31.56	(0.91)	0.91	31.56
MAT credit entitlement	63.43	-	-	63.43
Unrealised gain on investment carried at fair value	(3.10)	(1.31)	(0.89)	(5.31)
<b>Net deferred tax assets/(liabilities)</b>	<b>40.88</b>	<b>6.15</b>	<b>0.02</b>	<b>47.04</b>

## Notes forming part of the Financial Statements for the year ended 31 March 2017

### 9 Income taxes (contd.)

(ii) (b) Significant components of net deferred tax assets and liabilities for the year ended 31 March 2016 are as follows:

(₹ crores)

	Opening balance	Recognised / reversed through profit and loss	Recognised / reversed from OCI/equity	Closing balance
<b>Deferred tax assets/(liabilities) in relation to:</b>				
Property, plant and equipment, investment property and intangible assets	(81.91)	1.65	-	(80.26)
Receivables, financial assets and liabilities at amortised cost	38.70	(9.45)	-	29.25
Provision for employee and others liabilities deductible on actual payment	33.24	(1.46)	(0.22)	31.56
MAT credit entitlement	45.09	18.34	-	63.43
Unrealised gain on investment carried at fair value	(2.77)	0.03	(0.36)	(3.10)
<b>Net deferred tax assets/(liabilities)</b>	<b>32.35</b>	<b>9.11</b>	<b>(0.58)</b>	<b>40.88</b>

### (iii) Unused tax losses and credits

#### (a) Minimum alternate tax

The Company had unused MAT credit amounting to ₹63.43 crores as at 31 March 2017 (31 March 2016: ₹63.43 crores) (1 April 2015: ₹45.09 crores). Such tax credits have been recognised on the basis that recovery is probable in the foreseeable future. This recognised MAT credit expires, if unutilized, based on the year of origination as follows:

Financial year ending	(₹ crores)
31 March 2019	2.96
31 March 2020	0.93
31 March 2021	15.67
31 March 2022	9.34
31 March 2023	19.05
31 March 2024	4.84
31 March 2025	1.67
31 March 2026	8.97
	<b>63.43</b>

#### (b) Capital losses

The Company has not recognised deferred tax of ₹13.23 crores on unused losses under the head Capital Gains as the Company is not likely to generate taxable income under the same head in foreseeable future. The significant portion of these losses will expire in financial year ending 31 March 2019.

## Notes forming part of the Financial Statements for the year ended 31 March 2017

### 10 Other assets

#### (i) Other non-current assets

(₹ crores)

	As at 31 March 2017	As at 31 March 2016	As at 1 April 2015
Prepaid expenses	0.12	0.04	0.09
Capital advances	7.35	5.76	8.47
Deposits with statutory authorities	7.40	6.33	4.08
	14.87	12.13	12.64
Allowance for doubtful advances	(1.51)	(0.89)	(0.73)
	<b>13.36</b>	<b>11.24</b>	<b>11.91</b>

#### (ii) Other current assets

(₹ crores)

	As at 31 March 2017	As at 31 March 2016	As at 1 April 2015
Advances recoverable in kind	22.94	20.43	18.47
Advances to suppliers	16.34	8.13	24.45
Prepaid expenses	7.43	8.02	6.37
Balances with statutory authorities	81.60	107.46	142.68
	128.31	144.04	191.97
Allowance for doubtful advances	(25.98)	(41.67)	(40.10)
	<b>102.33</b>	<b>102.37</b>	<b>151.87</b>

### 11 Inventories

(₹ crores)

	As at 31 March 2017	As at 31 March 2016	As at 1 April 2015
<b>Raw materials and components</b>	<b>159.79</b>	<b>153.07</b>	<b>213.64</b>
Goods-in-transit	3.03	0.72	0.46
Allowance for obsolete and slow moving	(13.86)	(10.53)	(41.13)
	<b>148.96</b>	<b>143.26</b>	<b>172.97</b>
<b>Work-in-progress</b>	<b>35.16</b>	<b>35.25</b>	<b>36.73</b>
<b>Finished goods</b>	<b>142.45</b>	<b>122.42</b>	<b>134.57</b>
Goods-in-transit	22.34	19.42	5.94
Allowance for obsolete and slow moving	(0.92)	(0.92)	(1.02)
	<b>163.87</b>	<b>140.92</b>	<b>139.49</b>
<b>Stock-in-trade</b>	<b>68.88</b>	<b>58.55</b>	<b>53.59</b>
Goods-in-transit	1.94	0.39	0.36
Allowance for obsolete and slow moving	(11.43)	(12.53)	(16.96)
	<b>59.39</b>	<b>46.41</b>	<b>36.99</b>
<b>Stores and spares</b>	<b>13.26</b>	<b>20.59</b>	<b>25.13</b>
<b>Loose tools</b>	<b>8.84</b>	<b>10.55</b>	<b>13.64</b>
Allowance for obsolete and slow moving	-	-	(1.59)
	<b>8.84</b>	<b>10.55</b>	<b>12.05</b>
	<b>429.48</b>	<b>396.98</b>	<b>423.36</b>

Inventories have been pledged as security for liabilities, for details refer note 18 and 47.



## Notes forming part of the Financial Statements for the year ended 31 March 2017

### 12 Trade receivables

(₹ crores)

	As at 31 March 2017	As at 31 March 2016	As at 1 April 2015
Secured : considered good	52.40	39.02	32.94
Unsecured : considered good	420.25	366.83	360.21
: considered doubtful	42.84	49.01	63.95
	515.49	454.86	457.10
Allowance for doubtful receivables			
Unsecured : considered good (expected credit loss)	(14.63)	(15.78)	(20.25)
: considered doubtful	(42.84)	(49.01)	(63.95)
	(57.47)	(64.79)	(84.20)
	<b>458.02</b>	<b>390.07</b>	<b>372.90</b>

- (i) Trade receivables have been pledged as security for liabilities, for details refer note 18 and 47.
- (ii) Refer note 37 - Financial instruments for disclosure of fair values in respect of financial assets measured at amortised cost and assessment of expected credit losses.

### 13 Cash and cash equivalents

(₹ crores)

	As at 31 March 2017	As at 31 March 2016	As at 1 April 2015
Balances with banks in current accounts	38.70	28.40	26.51
Cheques / drafts in hand	15.00	0.12	-
Cash on hand	0.31	0.23	0.32
Debit balance of cash credit accounts	0.50	2.51	3.04
Bank deposits with maturity less than 3 months	-	-	22.00
	<b>54.51</b>	<b>31.26</b>	<b>51.87</b>

In accordance with the MCA notification G.S.R 308(E) dated March 30, 2017 details of Specified Bank Notes (SBN) and Other Denomination Notes (ODN) held and transacted during the period from November 8, 2016 to December 30, 2016, is given below:

	(₹)		
Particulars	SBNs	ODN	Total
Closing cash in hand as on November 8, 2016	45,27,500	1,94,844	47,22,344
(+) Permitted receipts	-	4,28,249	4,28,249
(-) Permitted payments	-	(1,07,820)	(1,07,820)
(-) Amount deposited in banks	(45,27,500)	-	(45,27,500)
(+) Amount drawn from banks	-	11,38,000	11,38,000
Closing cash in hand as on December 30, 2016	-	<b>16,53,273</b>	<b>16,53,273</b>

## Notes forming part of the Financial Statements for the year ended 31 March 2017

### 14 Other bank balances

(₹ crores)

	As at 31 March 2017	As at 31 March 2016	As at 1 April 2015
Earmarked bank balances	1.15	1.16	1.02
Fixed deposits maturity for more than 3 months but less than 12 months	44.56	96.66	67.04
Margin money deposits	0.42	0.40	11.20
Escrow account	127.76	120.14	111.63
	<b>173.89</b>	<b>218.36</b>	<b>190.89</b>

- (i) Earmarked balances with banks significantly pertains to unclaimed dividends.
- (ii) ₹17.80 crores (31 March 2016: ₹27 crores), (1 April 2015: ₹ Nil) representing deposits with original maturity for more than 3 months but less than 12 months, held by the entity that are not available for use by the Company, as these are pledged against loans.
- (iii) ₹0.10 crores (31 March 2016: ₹0.13 crores), (1 April 2015: ₹0.11 crore) representing margin money pledged with various authorities.
- (iv) There are no repatriation restrictions with respect to cash and bank balances as at the end of the reporting period and prior periods

### 15 Assets held for sale

(₹ crores)

	As at 31 March 2017	As at 31 March 2016	As at 1 April 2015
Assets held for sale	14.86	9.00	9.00
	<b>14.86</b>	<b>9.00</b>	<b>9.00</b>
<b>Particulars</b>			
Land	9.00	9.00	9.00
Helicopter	5.57	-	-
Vehicle	0.29	-	-
<b>Total</b>	<b>14.86</b>	<b>9.00</b>	<b>9.00</b>

- (i) The Company has executed an agreement to sell, for transfer of 25 acres of land at Plot No. 219, Sector 58, Balabgarh, Haryana for a consideration of ₹9.00 crores. The said transfer is subject to necessary approval from HUDA and accordingly the consideration amount of ₹9.00 crores is being classified in other current liabilities.
- (ii) The Company has executed an aircraft purchase and sale agreement for transfer of its Bell 407 helicopter for a consideration of ₹8.75 crores. The said transfer is subject to deregistration from Indian Civil Aviation Authority. An advance of ₹2.5 crores is being classified in other current liabilities.
- (iii) The Company has executed a sale agreement for transfer of a vehicle for a consideration of ₹0.29 crores.

#### Non-recurring fair value measurements

Asset classified as held for sale during the reporting period was measured at the lower of its carrying amount and fair value less costs to sell at the time of re-classification, resulting in the recognition of a total write down of ₹0.76 crores as impairment loss in retained earnings and statement of profit and loss. This is Level 3 measurement as per fair value hierarchy set out in fair value measurement disclosure (refer note 37).

## Notes forming part of the Financial Statements for the year ended 31 March 2017

### 16 Equity share capital

(₹ crores)

	As at 31 March 2017	As at 31 March 2016	As at 1 April 2015
<b>Authorised</b>			
40,10,00,000 (previous year 40,10,00,000) equity shares of ₹10 each	401.00	401.00	401.00
88,80,00,000 (previous year 88,80,00,000) unclassified shares of ₹10 each	888.00	888.00	888.00
	<b>1,289.00</b>	<b>1,289.00</b>	<b>1,289.00</b>
<b>Issued, Subscribed and Fully paid-up</b>			
12,25,76,878 (previous year 12,25,76,878) equity shares of ₹10 each	122.58	122.58	122.58
	<b>122.58</b>	<b>122.58</b>	<b>122.58</b>

#### (a) Reconciliation of number of shares

	As at 31 March 2017		As at 31 March 2016	
	No of shares	₹ crores	No of shares	₹ crores
Equity shares at the beginning of the year	12,25,76,878	122.58	12,25,76,878	122.58
Changes during the year	-	-	-	-
<b>Equity shares at the end of the year</b>	<b>12,25,76,878</b>	<b>122.58</b>	<b>12,25,76,878</b>	<b>122.58</b>

#### (b) Rights/preferences/restrictions attached to equity shares

The Company has only one class of shares, i.e., equity shares having a face value of ₹10 per share. Each holder of equity shares is entitled to one vote per share. Dividend is paid in Indian Rupees. The final dividend @ ₹1.50 per share, recommended by the Board of Directors is subject to the approval of the shareholders at the ensuing Annual General Meeting. In the event of liquidation of the Company, equity shareholders will be entitled to receive remaining assets of the Company after distribution of all preferential amounts. The distribution will be in proportion to the number of equity shares held by the shareholders.

#### (c) Details of shareholders holding more than 5% shares in the company

	As at 31 March 2017		As at 31 March 2016	
	No of shares	% holding	No of shares	% holding
Escorts Benefit and Welfare Trust	3,73,00,031	30.43	3,73,00,031	30.43
Harprasad and Company Private Limited	1,05,26,308	8.59	1,05,26,308	8.59
Jhunjhunwala Rakesh Radheyshyam	1,12,25,000	9.16	1,12,25,000	9.16

#### (d) Aggregate number of shares issued for consideration other than cash and shares bought back during the period of five years immediately preceding the date 31 March 2017

	As at 31 March 2017	As at 31 March 2016	As at 1 April 2015
	No of shares	No of shares	No of shares
Equity shares allotted as fully paid pursuant to consideration other than cash	1,69,58,842	1,69,58,842	2,82,55,770

In addition, the Company has issued total 5,10,000 (31 March 2016: 4,26,000) equity shares to employees (through Escorts Employees Benefit and Welfare Trust) on exercise of option granted under the Employee Stock Option Scheme 2006, wherein part consideration was received in form of employee services.

## Notes forming part of the Financial Statements for the year ended 31 March 2017

### 16 Equity share capital (contd.)

#### (e) Shares reserved for issue under options

	As at 31 March 2017	As at 31 March 2016	As at 1 April 2015
	No of shares	No of shares	No of shares
Under the Employee Stock Option Plan (ESOP) 2006, equity shares of ₹10 each, at an exercise price of ₹85 per share	31,01,612	31,85,612	32,93,612

For terms and other details refer note 40

### 17 Other equity

(₹ crores)

	As at 31 March 2017	As at 31 March 2016
<b>Capital reserve</b>	<b>97.40</b>	<b>97.40</b>
<b>Capital redemption reserve</b>	<b>4.00</b>	<b>4.00</b>
<b>General reserve</b>	<b>513.86</b>	<b>513.86</b>
<b>Securities premium reserve</b>		
Opening balance	456.57	456.54
Transferred from Employee's stock option outstanding account	0.02	0.03
	<b>456.59</b>	<b>456.57</b>
<b>Employee stock option outstanding account</b>		
Opening balance	0.07	0.05
Charge for the year	0.05	0.05
Transferred to Securities premium reserve on exercise of options	(0.02)	(0.03)
	<b>0.10</b>	<b>0.07</b>
<b>Treasury shares</b>		
Opening balance	(26.92)	(27.83)
Changes during the year	0.70	0.91
	<b>(26.22)</b>	<b>(26.92)</b>
<b>Retained earnings</b>		
Opening balance	647.69	576.75
Net profit for the year	160.44	83.75
Equity dividend (during FY 2016-17: ₹1.20 per share paid for FY 2015-16) (during FY 2015-16: ₹1.20 per share paid for FY 2014-15)	(14.35)	(14.30)
Tax on equity dividend	(2.99)	(2.99)
Dividend received on shares held by Escorts Benefit and Welfare Trust [refer note 45]	4.48	4.48
	<b>795.27</b>	<b>647.69</b>
<b>Other comprehensive income, net of tax</b>		
<b>Equity instruments classified as fair value through other comprehensive income</b>		
Opening balance	22.00	19.29
Changes during the year	6.87	2.71
	<b>28.87</b>	<b>22.00</b>
<b>Re-measurements of defined employee benefit plans</b>		
Opening balance	0.43	-
Changes during the year	(1.72)	0.43
	<b>(1.29)</b>	<b>0.43</b>
	<b>1,868.58</b>	<b>1,715.10</b>

## Notes forming part of the Financial Statements for the year ended 31 March 2017

### 17 Other equity (contd.)

#### Nature and purpose of other reserves

##### Securities premium reserve

Securities premium reserve represents premium received on issue of shares. The reserve is utilised in accordance with the provisions of the Companies Act.

##### Employee's stock options outstanding account

The account is used to recognise the grant date value of options issued to employees under Employee stock option plan.

##### Capital redemption reserve

This reserve represents reserve created on redemption of preference shares. The reserve is utilised in accordance with the provisions of the Companies Act.

##### Capital reserve

This reserve represents the excess of net assets taken, over the cost of consideration paid at the time of amalgamation done previously. This reserve is not available for the distribution to the shareholders.

##### Treasury shares

This reserve represents Company's own equity shares held by the Escorts Employee Benefit and Welfare Trust which is created under the Employee Stock Option Plan.

##### General reserve

The Company has transferred a portion of the net profit before declaring dividend to general reserve pursuant to the earlier provision of Companies Act 1956. Mandatory transfer to general reserve is not required under the Companies Act 2013

##### Other comprehensive income (OCI) reserve

- The Company has elected to recognise changes in the fair value of certain investments in equity securities in other comprehensive income. These changes are accumulated within the FVOCI equity investments reserve within equity. The Company transfers amounts from this reserve to retained earnings when the relevant equity securities are derecognised.
- The Company has recognised remeasurements benefits on defined benefits plans through other comprehensive income.

### 18 Borrowings

#### (i) Non-Current

	(₹ crores)		
	As at 31 March 2017	As at 31 March 2016	As at 1 April 2015
<b>Secured</b>			
Term loans from banks	55.80	87.31	105.32
Other loans from financial institutions	0.33	0.03	0.18
Finance lease obligations	0.12	0.12	0.12
	<b>56.25</b>	<b>87.46</b>	<b>105.62</b>

#### (a) Security and other details:

	(₹ crores)		
	31 March 2017	31 March 2016	1 April 2015
Total long term borrowings	56.25	87.46	105.62
Current maturities of long-term borrowings (refer note 19)	47.54	52.84	71.90
Current maturities of finance lease obligation (refer note 19)	-	-	0.33
	<b>103.79</b>	<b>140.30</b>	<b>177.85</b>

## Notes forming part of the Financial Statements for the year ended 31 March 2017

### 18 Borrowings (contd.)

**Rate of interest** - The Company's borrowings from banks are at an effective weighted average rate of 10.80% (31 March 2016: 11.75%) (1 April 2015: 12.45%)

	(₹ crores)		
	31 March 2017	31 March 2016	1 April 2015
(i) Term loan from State bank of India is secured by exclusive first charge on the plant and machinery/equipment acquired/to be acquired out of the said term loan and the same is repaid till 30 September 2016	-	2.75	10.15
(ii) Term loan from Punjab national bank is secured by exclusive charge on land and building and hypothecation of plant and other assets of Escorts construction equipment division excluding plant and machinery specifically charged to other term lenders and the same is repaid till 30 June 2015.	-	-	3.57
(iii) Term loan from Industrial development bank of India is secured by first charge by way of equitable mortgage of freehold immovable property being a part of site no.2, sector-13, Faridabad. The same is repayable in equal quarterly installments till 1 July 2018.	52.50	80.00	95.00
(iv) Term loan from Oriental bank of commerce is secured by first charge by way of equitable mortgage of freehold immovable property being a part of site no.2, sector-13, Faridabad. The same is repayable in equal quarterly installments till 31 May 2016.	-	15.00	45.00
(v) Term loan from Oriental bank of commerce is secured by exclusive first charge on the plant and machinery acquired/to be acquired out of the said term loan collateralised by first charge by way of equitable mortgage of freehold immovable property being a part of site no.2, sector-13, Faridabad. The same is repayable till 30 November 2016.	-	7.62	21.58
(vi) Term loan from State bank of India is secured by exclusive first charge on the plant and machinery acquired/to be acquired out of the said term loan and exclusive charge by way of equitable mortgage of freehold immovable property being a part of site no.2, sector-13, Faridabad. The same is repayable in equal quarterly installments after a moratorium of 24 months from the first date of disbursement.	50.89	35.00	-
(vii) Finance lease obligations are secured by the hypothecation of assets financed. Refer note 41 for repayment schedule for these obligations.	0.12	0.12	0.45
(viii) These loans are secured by the hypothecation of respective equipments and vehicles and are repayable in equal monthly installments.	0.45	0.19	2.77
Less: Adjustment for processing fees on long term loans recognised using effective interest rate	(0.17)	(0.38)	(0.67)
	<b>103.79</b>	<b>140.30</b>	<b>177.85</b>

(b) Refer note 37 - Financial instruments for disclosure of fair values in respect of financial liabilities measured at amortised cost and analysis of their maturity profiles.



## Notes forming part of the Financial Statements for the year ended 31 March 2017

### 18 Borrowings (contd.)

	(₹ crores)		
	As at 31 March 2017	As at 31 March 2016	As at 1 April 2015
<b>Secured</b>			
Cash credit and other working capital facilities from banks	153.71	214.23	302.60
Loan against factored receivables	5.31	5.97	17.78
	<b>159.02</b>	<b>220.20</b>	<b>320.38</b>

#### Security details

- (i) Cash credit and other working capital facilities from banks are secured against first charge on current assets and second charge on moveable fixed assets (excluding assets specifically charged to other term lenders) and specific fixed deposits. These facilities carried interest in the range of 7.66%- 10.80% p.a. in 31 March 2017 ( 31 March 2016: 7.75%-12% p.a) (1 April 2015: 10.5%-12.5% p.a).
- (ii) Loan against factored receivables is secured by first charge on trade receivables subject to factoring arrangement. This facility carry a rate of interest of 10.45% p.a as on 31 March 2017 (interest rate on this loan is broadly consistent for all periods presented).

Refer note 37 - Financial instruments for disclosure of fair values in respect of financial liabilities measured at amortised cost and analysis of their maturity profiles.

### 19 Other financial liabilities

	(₹ crores)		
	As at 31 March 2017	As at 31 March 2016	As at 1 April 2015
<b>(i) Other non-current financial liabilities</b>			
Security deposits	12.92	12.02	10.92
	<b>12.92</b>	<b>12.02</b>	<b>10.92</b>

	(₹ crores)		
	As at 31 March 2017	As at 31 March 2016	As at 1 April 2015
<b>(ii) Other current financial liabilities</b>			
Current maturities of long-term borrowings (refer note 18)	47.54	52.84	71.90
Current maturities of finance lease obligation (refer note 18)	-	-	0.33
Interest accrued but not due on borrowings	-	0.51	-
Interest accrued and due on borrowings	-	-	0.12
Security deposits	0.68	0.68	1.57
Unpaid dividends*	1.15	1.16	1.02
Payable to related parties	3.82	4.24	4.16
Employee related payables	34.67	28.76	33.13
Retention money	0.77	0.82	0.71
Other payables	23.39	20.82	18.49
	<b>112.02</b>	<b>109.83</b>	<b>131.43</b>

\*Investor Education and Protection Fund will be credited as and when due

Refer note 37 - Financial instruments for disclosure of fair values in respect of financial liabilities measured at amortised cost and analysis of their maturity profiles.

## Notes forming part of the Financial Statements for the year ended 31 March 2017

### 20 Other liabilities

	(₹ crores)		
	As at 31 March 2017	As at 31 March 2016	As at 1 April 2015
<b>(i) Other non-current liabilities</b>			
Advance against sale of land	9.00	9.00	9.00
Deferred income	7.91	7.89	9.48
	<b>16.91</b>	<b>16.89</b>	<b>18.48</b>

	(₹ crores)		
	As at 31 March 2017	As at 31 March 2016	As at 1 April 2015
<b>(ii) Other current financial liabilities</b>			
Advances received from customers	43.94	25.21	25.41
Advance against sale of Property, plant and equipment	2.50	-	-
Payable to statutory authorities	58.66	50.64	70.42
Deferred income	11.44	11.31	9.32
	<b>116.54</b>	<b>87.16</b>	<b>105.15</b>

### 21 Provisions

	(₹ crores)		
	As at 31 March 2017	As at 31 March 2016	As at 1 April 2015
<b>(i) Non-current</b>			
<b>Provision for employee benefits (refer note 39)</b>			
Provision for leave encashment	12.42	13.51	13.97
<b>Others</b>			
Provision for contingencies	6.57	12.75	83.79
Provision for warranty	0.37	0.39	0.32
	<b>19.36</b>	<b>26.65</b>	<b>98.08</b>

	(₹ crores)		
	As at 31 March 2017	As at 31 March 2016	As at 1 April 2015
<b>(ii) Current</b>			
<b>Provision for employee benefits (refer note 39)</b>			
Provision for gratuity	45.63	51.56	55.57
Provision for superannuation	-	0.03	1.30
Provision for leave encashment	2.66	2.82	2.66
<b>Others</b>			
Provision for warranty	10.81	10.26	7.90
Provision for contingencies/claims	72.36	68.00	-
	<b>131.46</b>	<b>132.67</b>	<b>67.43</b>

## Notes forming part of the Financial Statements for the year ended 31 March 2017

### 21 Provisions (contd.)

#### (iii) Information about individual provisions:

##### Provision for contingencies

- a) During the year 2004-05, the Company sold its entire shareholding in Escorts Heart Institute and Research Center Limited (EHIRCL) vide Share Purchase Agreement (SPA) dated 25 September 2005. At the time of sale, EHIRCL had certain pending disputed income tax demands of ₹52.33 crores and interest thereon amounting to ₹29.16 crores. In accordance with the terms of said SPA, the Company has undertaken to indemnify the purchaser to the extent of ₹64.99 crores plus one-third of any amount in excess of ₹64.99 crores, upon the final adjudication of the demand in law or its final settlement. For this purpose and in terms of said SPA, an amount of ₹64.99 crores has been kept in an Escrow Account as fixed deposit, which after renewal(s) along with interest amounts to ₹127.76 crores as on 31 March 2017 (31 March 2016: ₹120.14 crores) (1 April 2015: ₹111.64 crores). Correspondingly, a provision was created earlier on prudent basis to meet this liability, if and when the same arises, whose carrying value is ₹65.00 crores on 31 March 2017 (31 March 2016: ₹60.45 crores) (1 April 2015: ₹56.23 crores).
- b) Farmtrac North America, LLC (FNA), previously subsidiary of the Company had entered into a distribution agreement for distribution of tractors manufactured by M/s L S Mtron (LSC). FNA however defaulted in making payments to LSC for the tractors supplied to them. LSC initiated International Arbitration conducted by ICC against the Company. FNA is currently under receivership and its assets had been disposed off by the Receiver and proceeds were distributed to secured creditors. A settlement agreement was executed between EL and LSC during FY 2015-16 and according to such settlement agreement, out of the total amount payable ₹47.67 crores, 50% was paid during FY 2015-16 and balance is payable in three equal yearly installments, there after. In terms of the settlement agreement, the Company has paid first two installments and the remaining installments are payable in FY2017-18 and FY 2018-19. The carrying balance of provision for such amount payable to LSC is ₹13.93 crores on 31 March 2017 (31 March 2016: ₹20.30 crores) (1 April 2015: ₹27.56 crores).

##### Provision for warranty

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 to two years. The provision is based on estimates made from historical warranty data associated with similar products and services. The Company expects to incur the related expenditure over the next year.

#### (iv) Movement in provisions :

(₹ crores)

	Provision for contingencies	Provision for warranty
<b>Provision at 1 April 2015</b>	83.79	8.22
Additions during the year	11.07	8.12
Amount utilised during the year	(20.41)	(5.73)
Unwinding of discount and effect of change in discount rate	6.30	0.04
<b>Provision at 31 March 2016</b>	<b>80.75</b>	<b>10.65</b>
Additions during the year		10.22
Amount utilised during the year	(7.99)	(9.76)
Unwinding of discount and effect of change in discount rate	6.50	0.07
Exchange fluctuation	(0.33)	-
<b>Provision at 31 March 2017</b>	<b>78.93</b>	<b>11.18</b>

## Notes forming part of the Financial Statements for the year ended 31 March 2017

### 22 Trade payables

(₹ crores)

	As at 31 March 2017	As at 31 March 2016	As at 1 April 2015
Acceptances	168.22	150.66	155.04
Trade payables due to other than micro and small enterprises (refer note 43)	556.23	469.32	443.48
Other accrued liabilities	169.33	117.74	107.62
	<b>893.78</b>	<b>737.72</b>	<b>706.14</b>

### 23 Revenue from operations

(₹ crores)

	Year ended 31 March 2017	Year ended 31 March 2016
<b>Operating revenue</b>		
Sale of products (including excise duty)		
Export	105.25	92.85
Domestic	4,047.36	3,330.50
	<b>4,152.61</b>	<b>3,423.35</b>
<b>Other operating revenue</b>		
Sale of Services	6.45	6.68
Export incentives	1.70	1.04
Scrap sales	4.13	5.63
Others	2.69	1.97
	<b>14.97</b>	<b>15.32</b>
	<b>4,167.58</b>	<b>3,438.67</b>

### 24 Other Income

(₹ crores)

	Year ended 31 March 2017	Year ended 31 March 2016
<b>Interest from</b>		
Bank deposits	14.30	18.13
Financial asset carried at amortised cost	11.47	12.61
Others	0.01	0.18
	<b>25.78</b>	<b>30.92</b>
<b>Other income</b>		
Unclaimed balances and excess provisions written back	6.32	12.05
Gain on foreign currency transactions (net)	-	4.70
Rent received	1.74	1.58
Gain on investments carried at fair value through profit or loss (net)	4.62	0.44
Miscellaneous income	5.00	6.13
	<b>17.68</b>	<b>24.90</b>
	<b>43.46</b>	<b>55.82</b>

## Notes forming part of the Financial Statements for the year ended 31 March 2017

### 25 Cost of materials consumed

(₹ crores)

	Year ended 31 March 2017	Year ended 31 March 2016
<b>Cost of material consumed</b>		
Opening stock	153.79	214.10
Purchases	2,621.44	2,128.79
	2,775.23	2,342.89
Closing stock	(162.82)	(153.79)
Less: cost of material consumed for discontinued operations	(14.45)	(50.36)
	<b>2,597.96</b>	<b>2,138.74</b>
<b>Changes in inventories of work-in-progress, stock-in-trade and finished goods</b>		
<b>Opening stock</b>		
Finished goods	141.84	139.49
Work-in-progress	35.25	36.73
Stock-in-trade	58.94	36.99
	<b>236.03</b>	<b>213.21</b>
<b>Closing stock</b>		
Finished goods	(164.80)	(141.84)
Work-in-progress	(35.16)	(35.25)
Stock-in-trade	(70.81)	(58.94)
	<b>(270.77)</b>	<b>(236.03)</b>
Less: changes in inventories for discontinued operations	(14.92)	(2.88)
	<b>(49.66)</b>	<b>(25.70)</b>

### 26 Employee benefit expense

(₹ crores)

	Year ended 31 March 2017	Year ended 31 March 2016
Salaries, wages and bonus	381.23	343.26
Share based payments to employees (refer note 40)	0.05	0.05
Defined benefit plan expenses (refer note 39)	8.05	8.39
Contribution to provident and other funds (refer note 39)	16.22	16.56
Staff welfare	33.44	31.08
	<b>438.99</b>	<b>399.34</b>

### 27 Finance costs

(₹ crores)

	Year ended 31 March 2017	Year ended 31 March 2016
Interest on		
Long term loans	15.65	17.23
Cash credit and short term loans	8.22	25.74
Others	3.73	2.69
Finance and bank charges	5.32	5.62
Unwinding of discount on provisions and financial liabilities	7.43	7.20
	<b>40.35</b>	<b>58.48</b>
Less: transfer for discontinued operations	(9.24)	(8.94)
	<b>31.11</b>	<b>49.54</b>

## Notes forming part of the Financial Statements for the year ended 31 March 2017

### 28 Depreciation and amortisation

(₹ crores)

	Year ended 31 March 2017	Year ended 31 March 2016
<b>Depreciation on</b>		
Property, plant and equipment	50.46	52.15
Investment property	0.15	0.12
<b>Amortisation on</b>		
Intangible assets	12.46	5.23
	<b>63.07</b>	<b>57.50</b>

### 29 Other expenses

(₹ crores)

	Year ended 31 March 2017	Year ended 31 March 2016
Stores and spares consumed	36.30	30.89
Power, fuel and electricity	38.46	35.67
Excise duty on increase/(decrease) in stock of finished goods	(0.56)	(0.45)
Repair and maintenance		
Building	8.95	7.31
Machinery	17.43	15.97
Others	55.59	43.92
Warranties	14.18	18.22
Rent	7.01	4.94
Research and testing expense on projects	14.12	10.99
Rates and taxes	2.62	2.05
Insurance	3.62	3.36
Traveling and conveyance	45.54	41.60
Postage and telephones	6.63	6.13
Legal and professional (refer note 33)	55.55	49.85
Commission, discounts and sales incentive	19.36	17.76
Advertisement and promotional expenses	71.53	56.62
Royalty	20.39	16.82
Packing, freight and forwarding	67.58	56.61
Security charges	6.58	5.30
Printing and stationery	3.04	3.35
Loss on foreign currency transaction (net)	1.19	-
Director's sitting fees and commission	8.58	0.37
Corporate social responsibility (CSR) expenditure*	3.30	1.16
Provision for doubtful debts/advances and deposits	5.30	4.73
Bad debts and inventory written off	27.82	61.00
Less : Provision already held	(27.82)	(61.00)
Amounts/assets written off	0.69	1.22
Miscellaneous expenses	25.06	21.17
	<b>538.04</b>	<b>455.56</b>

#### \* CSR Expenditure

(i) Gross amount required to be spent by the company during the year	3.42	3.27
(ii) Amount spent (in cash) during the year on:		
a) Construction/acquisition of any asset	-	-
b) For the purposes other than (a) above	3.30	1.16



## Notes forming part of the Financial Statements for the year ended 31 March 2017

### 30 Exceptional items

(₹ crores)

	Year ended 31 March 2017	Year ended 31 March 2016
Voluntary retirement scheme expenses	11.24	1.23
Claims and damages	-	11.06
Income from Escorts Benefit Trust (refer note 44)	(15.00)	-
	<b>(3.76)</b>	<b>12.29</b>

### 31 Discontinued operations

#### (i) Description

Pursuant to approval of the Board of Directors and execution of the Asset Purchase Agreement (Agreement) dated 11 August 2016, the Company had divested its OEM and Export business of its Auto Product Division. The said divestment become effective w.e.f. 6 December 2016 upon completion of defined actions and covenants as per the Agreement. The Company shall continue to pursue its sale of auto products in after market operations.

#### (ii) Financial performance and cash flow information

(₹ crores)

	Year ended 31 March 2017	Year ended 31 March 2016
<b>Total income</b>	<b>53.91</b>	<b>102.42</b>
<b>Total expenses</b>	<b>73.45</b>	<b>128.38</b>
<b>Loss before exceptional items and tax</b>	<b>(19.54)</b>	<b>(25.96)</b>
Profit on disposal of non-current assets of discontinued operation	3.00	-
Exceptional items*	(41.92)	-
<b>Loss before tax from discontinued operations</b>	<b>(58.46)</b>	<b>(25.96)</b>
Income tax expense	(17.75)	(8.99)
<b>Loss for the year from discontinued operations</b>	<b>(40.71)</b>	<b>(16.97)</b>

\*This includes expenses on providing/writing off various unrecoverable amounts in respect to various items of inventories, trade receivables and other assets.

(₹ crores)

	Year ended 31 March 2017	Year ended 31 March 2016
Net cash inflow (outflow) from operating activities	(1.25)	10.46
Net cash inflow (outflow) from investing activities	10.26	(1.92)
Net cash (outflow) from financing activities	(9.01)	(8.61)
Net cash (outflow) from discontinued operation	-	(0.07)

## Notes forming part of the Financial Statements for the year ended 31 March 2017

### 32 Earnings per share (EPS)

(₹ crores)

	Year ended 31 March 2017	Year ended 31 March 2016
<b>Net profit from</b>		
Continuing operations	201.15	100.72
Discontinued operation	(40.71)	(16.97)
<b>Net profit for the year from continuing and discontinued operations</b>	<b>160.44</b>	<b>83.75</b>
Profit from continuing operations (A)	201.15	100.72
<b>Weighted-average number of equity shares for basic EPS (B)</b>	<b>119,444,888</b>	<b>119,312,643</b>
Effect of dilution		
Weighted average number of share options granted to employees	21,099	48,307
<b>Weighted average number of equity shares adjusted for the effect of dilution (C)</b>	<b>119,465,987</b>	<b>119,360,950</b>
Basic EPS (Amount in ₹) (A/B)	16.84	8.44
Diluted EPS (Amount in ₹) (A/C)	16.84	8.44
<b>Loss from discontinued operations (A)</b>	<b>(40.71)</b>	<b>(16.97)</b>
<b>Weighted-average number of equity shares for basic EPS (B)</b>	<b>119,444,888</b>	<b>119,312,643</b>
Effect of dilution		
Weighted average number of share options granted to employees	21,099	48,307
<b>Weighted average number of equity shares adjusted for the effect of dilution (C)</b>	<b>119,465,987</b>	<b>119,360,950</b>
Basic EPS (Amount in ₹) (A/B)	(3.41)	(1.42)
Diluted EPS (Amount in ₹) (A/C)	(3.41)	(1.42)
<b>Profit from continuing operations and discontinued operations (A)</b>	<b>160.44</b>	<b>83.75</b>
<b>Weighted-average number of equity shares for basic EPS (B)</b>	<b>119,444,888</b>	<b>119,312,643</b>
Effect of dilution		
Weighted average number of share options granted to employees	21,099	48,307
<b>Weighted average number of equity shares adjusted for the effect of dilution (C)</b>	<b>119,465,987</b>	<b>119,360,950</b>
Basic EPS (Amount in ₹) (A/B)	13.43	7.02
Diluted EPS (Amount in ₹) (A/C)	13.43	7.02

### 33 Legal and professional expenses includes auditor's remuneration

(₹ crores)

	Year ended 31 March 2017	Year ended 31 March 2016
Audit fee	0.75	0.75
Tax audit fee	0.21	0.21
<b>In other capacity</b>		
Limited review of quarterly results	0.23	0.23
Certification and other services	0.32	0.32
Out of pocket expenses	0.05	0.05

## Notes forming part of the Financial Statements for the year ended 31 March 2017

### 34 Commitments and contingencies\*

(₹ crores)

	As At 31 March 2017	As At 31 March 2016
(i) Estimated amounts of contracts remaining to be executed on capital account and not provided for	52.50	30.71
(ii) Claims not acknowledged as debts	0.55	0.55
(iii) There is a contingent liability of :		
Excise duty/ customs duty /service tax demands not acknowledged as liability	471.44	106.97
ESI additional demand not acknowledged as liability	5.55	0.13
Sales tax and other demands not acknowledged as liability	80.84	58.63
Pending legal cases - personnel	4.46	4.04
- others	37.92	39.75
Demand raised by Faridabad Municipal Corporation for external development charges where the Company is in litigation	2.38	2.38
Guarantees given to banks under channel finance program and bills discounting	6.81	11.15
Letter of credit/guarantees executed in favour of others	41.99	39.04
Demand raised by Income Tax department, disputed by the Company and pending in appeal (Against demand the company has deposited a sum of ₹0.28 crores (Previous period ₹25.89 crores) under protest)	22.15	0.81
Liability towards surety bond in favour of Governor of Haryana for Sales Tax registration under VAT	4.46	4.46
Contingencies regarding Income tax cases pending in Escorts Heart Institute and Research Center Limited for which amount is indeterminable (refer note 21 for details)		

\* 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.

### 35 Loss from agricultural business

(₹)

	Year ended 31 March 2017	Year ended 31 March 2016
Expenses	20,64,308	21,57,996
Sales and other income	13,708	2,38,320
Net loss from agricultural activities	(20,50,600)	(19,19,676)

## Notes forming part of the Financial Statements for the year ended 31 March 2017

### 36 Research and development

- (i) Research and development costs on inhouse R&D centres amounting to ₹83.98 crores (31 March 2016: ₹71.23 crores) were incurred during the year.

(₹ crores)

Particulars	Tractor		Construction equipment	
	31 March 2017	31 March 2016	31 March 2017	31 March 2016
Materials	0.49	0.35	0.11	0.07
Personal expenses	34.87	28.74	4.61	4.71
Other expense	29.19	25.33	1.99	1.60
Depreciation	11.72	9.78	1.01	0.65
<b>Total</b>	<b>76.27</b>	<b>64.20</b>	<b>7.72</b>	<b>7.03</b>

- (ii) Assets purchased/capitalised for research and development centers\*:

(₹ crores)

Description	R & D Centre (Tractors)	R&D Centre (Construction Equipments)
<b>Gross carrying value</b>		
<b>As at 1 April 2015</b>	207.84	5.17
Additions	6.57	2.47
Disposals	(0.10)	(0.24)
<b>As at 31 March 2016</b>	<b>214.31</b>	<b>7.40</b>
Additions	41.80	2.90
Disposals	(0.58)	-
<b>As at 31 March 2017</b>	<b>255.53</b>	<b>10.30</b>
<b>Accumulated depreciation</b>		
<b>As at 1 April 2015</b>	57.84	3.41
Depreciation for the year	9.78	0.65
Disposals	(0.06)	(0.06)
<b>As at 31 March 2016</b>	<b>67.56</b>	<b>4.00</b>
Depreciation for the year	13.70	1.01
Disposals	(0.55)	-
<b>As at 31 March 2017</b>	<b>80.71</b>	<b>5.01</b>
<b>Net block as at 31 March 2017</b>	<b>174.82</b>	<b>5.29</b>

\* Exclude capital advance/capital work-in-progress

- (iii) Expenses on research and development as percentage to Gross Turnover is:

	31 March 2017	31 March 2016
Tractors	1.84%	1.88%
Construction equipment	0.19%	0.21%

## Notes forming part of the Financial Statements for the year ended 31 March 2017

### 37 Financial instruments

#### A Financial assets and liabilities

The carrying amounts and fair values of financial instruments by category are as follows:

(₹ crores)

	Note	As at 31 March 2017	As at 31 March 2016	As at 1 April 2015
<b>Financial assets measured at fair value</b>				
Investments measured at				
Fair value through other comprehensive income	6 (i)	36.25	28.49	25.42
Fair value through profit and loss	6 (ii)	168.80	4.62	4.18
<b>Financial assets measured at amortised cost</b>				
Trade receivables	12	458.02	390.07	372.90
Loans	7	8.67	8.29	7.74
Cash and cash equivalents	13	54.51	31.26	51.87
Other bank balances	14	173.89	218.36	190.89
Others	8 (ii)	11.07	10.92	8.91
<b>Total</b>		<b>911.21</b>	<b>692.01</b>	<b>661.91</b>
<b>Financial liabilities measured at amortised cost</b>				
Borrowings	18 (i), 18 (ii)	215.27	307.66	426.00
Trade payables	22	893.78	737.72	706.14
Other financial liabilities	19 (i), 19 (ii)	124.94	121.85	142.35
<b>Total</b>		<b>1,233.99</b>	<b>1,167.23</b>	<b>1,274.49</b>

Investment in subsidiaries, joint ventures and associates are measured at cost as per Ind AS 27, 'Separate financial statements' and hence, not presented here.

#### B Fair values hierarchy

The fair value of financial instruments as referred to in note (A) above has been classified into three categories depending on the inputs used in the valuation technique. The hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities [Level 1 measurements] and lowest priority to unobservable inputs [Level 3 measurements].

The categories used are as follows:

**Level 1:** Quoted prices for identical instruments in an active market;

**Level 2:** Directly (i.e. as prices) or indirectly (i.e. derived from prices) observable market inputs, other than Level 1 inputs; and

**Level 3:** Inputs which are not based on observable market data (unobservable inputs). Fair values are determined in whole or in part using a net asset value or valuation model based on assumptions that are neither supported by prices from observable current market transactions in the same instrument nor are they based on available market data.

## Notes forming part of the Financial Statements for the year ended 31 March 2017

### 37 Financial instruments (contd.)

#### B.1 Financial assets and liabilities measured at fair value - recurring fair value measurements

As at 31 March 2017 (₹ crores)

Assets at fair value	Level 1	Level 2	Level 3	Total
Investments measured at				
Fair value through other comprehensive income	0.52	-	35.73	36.25
Fair value through profit and loss	168.80	-	-	168.80

As at 31 March 2016 (₹ crores)

Assets at fair value	Level 1	Level 2	Level 3	Total
Investments measured at				
Fair value through other comprehensive income	0.42	-	28.07	28.49
Fair value through profit and loss	4.62	-	-	4.62

As at 1 April 2015 (₹ crores)

Assets at fair value	Level 1	Level 2	Level 3	Total
Investments measured at				
Fair value through other comprehensive income	0.44	-	24.98	25.42
Fair value through profit and loss	4.18	-	-	4.18

#### Valuation process and technique used to determine fair value

- The fair value of investments in government securities and quoted equity shares is based on the current bid price of respective investment as at the balance sheet date.
- The fair value of investments in mutual fund units is based on the net asset value (NAV) as stated by the issuers of these mutual fund units in the published statements as at the Balance Sheet date. NAV represents the price at which the issuer will issue further units of mutual fund and the price at which issuers will redeem such units from the investors.
- In order to arrive at the fair value of unquoted investments, the company obtains independent valuations. The techniques used by the valuer are as follows:
  - Asset approach - Net assets value method
  - Income approach - Discounted cash flows ("DCF") method
  - Market approach - Enterprise value/Sales multiple method

#### Significant unobservable inputs used in Level 3 fair values

##### Unquoted equity shares

(₹ crores)

Description	31 March 2017	31 March 2016	1 April 2015
<b>Impact on fair value if change in earnings growth rate</b>			
Impact due to increase of 0.50 % for 2017 and 1.0% for 2015 and 2016	0.27	0.91	0.55
Impact due to decrease of 0.50 % for 2017 and 1.0% for 2015 and 2016	(0.25)	(0.76)	(0.46)
<b>Impact on fair value if change in risk adjusted discount rate</b>			
Impact due to increase of 0.50 % for 2017 and 1.0% for 2015 and 2016	(0.61)	(1.05)	(0.77)
Impact due to decrease of 0.50 % for 2017 and 1.0% for 2015 and 2016	0.67	1.27	0.93



## Notes forming part of the Financial Statements for the year ended 31 March 2017

### 37 Financial instruments (contd.)

The following table presents the changes in level 3 items for the periods ended 31 March 2017 and 31 March 2016:

Particulars	(₹ crores)
	<b>Unquoted equity shares</b>
<b>As at 1 April 2015</b>	<b>24.98</b>
Gains recognised in other comprehensive income	3.09
<b>As at 31 March 2016</b>	<b>28.07</b>
Gains recognised in other comprehensive income	7.66
<b>As at 31 March 2017</b>	<b>35.73</b>

### B.2 Fair value of instruments measured at amortised cost

Fair value of instruments measured at amortised cost for which fair value is disclosed is as follows, these fair values are calculated using Level 3 inputs:

(₹ crores)		
As at 31 March 2017	Carrying value	Fair value
Loans	4.17	4.18
Security deposits received	12.92	14.34

(₹ crores)		
As at 31 March 2016	Carrying value	Fair value
Loans	4.17	4.17
Security deposits received	12.02	12.54

(₹ crores)		
As at 1 April 2015	Carrying value	Fair value
Loans	4.95	4.95
Security deposits received	10.92	10.92

The management assessed that fair values of cash and cash equivalents, trade receivables, other receivables, short term borrowings, trade payables and other current financial liabilities approximate their respective carrying amounts largely due to the short-term maturities of these instruments. The fair value of the financial assets and liabilities is included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. The following methods and assumptions were used to estimate the fair values:

- Long-term fixed-rate receivables are evaluated by the Company based on parameters such as interest rates, individual creditworthiness of the customer and other market risk factors.
- The fair values of the Company's fixed interest-bearing, loans and receivables are determined by applying discounted cash flows ('DCF') method, using discount rate that reflects the issuer's borrowing rate as at the end of the reporting period. The own non-performance risk as at 31 March 2017 was assessed to be insignificant.
- All the long term borrowing facilities availed by the Company are variable rate facilities which are subject to changes in underlying interest rate indices. Further, the credit spread on these facilities are subject to change with changes in Company's creditworthiness. The management believes that the current rate of interest on these loans are in close approximation from market rates applicable to the Company. Therefore, the management estimates that the fair value of these borrowings are approximate to their respective carrying values.

## Notes forming part of the Financial Statements for the year ended 31 March 2017

### 37 Financial instruments (contd.)

#### C Financial Risk Management

##### Risk Management

The Company's activities expose it to market risk, liquidity risk and credit risk. The Company's board of directors has overall responsibility for the establishment and oversight of the Company's risk management framework. This note explains the sources of risk which the entity is exposed to and how the entity manages the risk and the related impact in the financial statements.

#### C.1 Credit risk

Credit risk is the risk that a counterparty fails to discharge its obligation to the Company. The Company's exposure to credit risk is influenced mainly by cash and cash equivalents, trade receivables and financial assets measured at amortised cost. The Company continuously monitors defaults of customers and other counterparties and incorporates this information into its credit risk controls.

##### a) Credit risk management

The Company assesses and manages credit risk based on internal credit rating system. Internal credit rating is performed for each class of financial instruments with different characteristics. The Company assigns the following credit ratings to each class of financial assets based on the assumptions, inputs and factors specific to the class of financial assets.

- Low credit risk on financial reporting date
- Moderate credit risk
- High credit risk

The Company provides for expected credit loss based on the following:

Asset group	Basis of categorisation	Provision for expected credit loss
Low credit risk	Cash and cash equivalents, other bank balances, loans, trade receivables and other financial assets	12 month expected credit loss
Moderate credit risk	Trade receivables and other financial assets	Life time expected credit loss or 12 month expected credit loss
High credit risk	Trade receivables and other financial assets	Life time expected credit loss fully provided for

In respect of trade receivables, the company recognises a provision for lifetime expected credit loss.

Based on business environment in which the Company operates, a default on a financial asset is considered when the counter party fails to make payments within the agreed time period as per contract. Loss rates reflecting defaults are based on actual credit loss experience and considering differences between current and historical economic conditions.

Assets are written off when there is no reasonable expectation of recovery, such as a debtor failing to engage in a repayment plan with the Company or debtor declaring bankruptcy or a litigation decided against the Company. The Company continues to engage with parties whose balances are written off and attempts to enforce repayment. Recoveries made are recognised in statement of profit and loss.

#### Financial assets that exposes the entity to credit risk

	(₹ crores)		
	As at 31 March 2017	As at 31 March 2016	As at 1 April 2015
<b>(i) Low credit risk on financial reporting date</b>			
Loans	8.67	8.29	7.74
Trade receivables	52.40	39.02	32.94
Cash and cash equivalents	54.51	31.26	51.87

## Notes forming part of the Financial Statements for the year ended 31 March 2017

## 37 Financial instruments (contd.)

Financial assets that exposes the entity to credit risk				(₹ crores)
	As at 31 March 2017	As at 31 March 2016	As at 1 April 2015	
Other bank balances	173.89	218.36	190.89	
Other financial assets	11.07	10.92	8.91	
<b>(ii) Moderate credit risk</b>				
Trade receivables	420.25	366.83	360.21	
<b>(iii) High credit risk</b>				
Trade receivables	42.84	49.01	63.95	
Other financial assets	2.93	2.93	2.93	

**Cash and cash equivalents and bank deposits**

Credit risk related to cash and cash equivalents and bank deposits is managed by only accepting highly rated banks and diversifying bank deposits and accounts in different banks across the country.

**Trade receivables**

Credit risk related to trade receivables are mitigated by taking bank guarantees/letter of credit, from customers where credit risk is high. The Company closely monitors the credit-worthiness of the debtors through internal systems that are configured to define credit limits of customers, thereby, limiting the credit risk to pre-calculated amounts. The Company assesses increase in credit risk on an ongoing basis for amounts receivable that become past due and default is considered to have occurred when amounts receivable become one year past due.

**Other financial assets measured at amortised cost**

Other financial assets measured at amortised cost includes loans and advances to employees, security deposits and others. Credit risk related to these other financial assets is managed by monitoring the recoverability of such amounts continuously.

**b) Expected credit losses for financial assets other than trade receivables**

- i) Company provides for expected credit losses on loans and advances other than trade receivables by assessing individual financial instruments for expectation of any credit losses. Since, the Company deals with only high-rated banks and financial institutions, credit risk in respect of cash and cash equivalents, other bank balances and bank deposits is evaluated as very low. In respect of loans, comprising of security deposits, credit risk is considered low because the Company is in possession of the underlying asset. In respect of other financial assets, credit risk is evaluated based on Company's knowledge of the credit worthiness of those parties and loss allowance is measured as lifetime expected credit losses. The Company does not have any expected loss based impairment recognised on such assets considering their low credit risk nature, though incurred loss provisions are disclosed under each sub-category of such financial assets.

31 March 2017					(₹ crores)
Particulars	Gross carrying amount	Expected probability of default	Expected credit losses	Carrying amount net of impairment provision	
Cash and cash equivalents	54.51	0%	-	54.51	
Other bank balances	173.89	0%	-	173.89	
Loans	8.67	0%	-	8.67	
Other financial assets	14.00	21.0%	2.93	11.07	

## Notes forming part of the Financial Statements for the year ended 31 March 2017

## 37 Financial instruments (contd.)

31 March 2016					(₹ crores)
Particulars	Gross carrying amount	Expected probability of default	Expected credit losses	Carrying amount net of impairment provision	
Cash and cash equivalents	31.26	0%	-	31.26	
Other bank balances	218.36	0%	-	218.36	
Loans	8.29	0%	-	8.29	
Other financial assets	13.85	21.2%	2.93	10.92	

1 April 2015					(₹ crores)
Particulars	Gross carrying amount	Expected probability of default	Expected credit losses	Carrying amount net of impairment provision	
Cash and cash equivalents	51.87	0%	-	51.87	
Other bank balances	190.89	0%	-	190.89	
Loans	7.74	0%	-	7.74	
Other financial assets	11.84	25.0%	2.93	8.91	

**ii) Expected credit loss for trade receivables under simplified approach**

The company recognizes lifetime expected credit losses on trade receivables using a simplified approach, wherein Company has defined percentage of provision by analysing historical trend of default relevant to each business segment based on the criteria defined above and such provision percentage determined have been considered to recognise life time expected credit losses on trade receivables (other than those where default criteria are met).

31 March 2017					(₹ crores)
Particulars	Agri machinery	Auto products	Construction equipment	Railway products	
Gross sales in respect of customers where no specific default is occurred	3,247.73	-	589.82	233.40	
Expected loss rate	0.11%	0.00%	1.59%	0.78%	
Expected credit loss (loss allowance provision)	3.46	-	9.35	1.82	
Receivables due from customers where specific default has occurred	11.92	9.96	17.84	3.12	

31 March 2016					(₹ crores)
Particulars	Agri machinery	Auto products	Construction equipment	Railway products	
Gross sales in respect of customers where no specific default is occurred	2,646.53	66.79	482.23	214.82	
Expected loss rate	0.08%	2.14%	1.56%	2.19%	
Expected credit loss (loss allowance provision)	2.15	1.43	7.51	4.70	
Receivables due from customers where specific default has occurred	12.61	8.26	19.99	8.15	

## Notes forming part of the Financial Statements for the year ended 31 March 2017

### 37 Financial instruments (contd.)

1 April 2015	(₹ crores)			
	Agri machinery	Auto products	Construction equipment	Railway products
Gross sales in respect of customers where no specific default is occurred	3,001.59	68.67	537.76	190.94
Expected loss rate	0.11%	1.29%	2.13%	2.35%
Expected credit loss( loss allowance provision)	3.40	0.89	11.48	4.49
Receivables due from customers where specific default has occurred	10.28	7.46	25.78	20.43

#### Reconciliation of loss allowance provision from beginning to end of reporting period: (₹ crores)

Reconciliation of loss allowance	Trade receivables	Other financial assets
<b>Loss allowance on 1 April 2015</b>	<b>84.20</b>	<b>(2.93)</b>
Increase of provision due to assets originated during the year	0.16	-
Write-offs	(19.57)	-
<b>Loss allowance on 31 March 2016</b>	<b>64.79</b>	<b>(2.93)</b>
Assets originated or purchased	7.95	-
Loss allowance written back	(0.30)	-
Write-offs	(14.97)	-
<b>Loss allowance on 31 March 2017</b>	<b>57.47</b>	<b>(2.93)</b>

### C.2 Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Company's approach to managing liquidity is to ensure as far as possible, that it will have sufficient liquidity to meet its liabilities when they are due.

Management monitors rolling forecasts of the Company's liquidity position and cash and cash equivalents on the basis of expected cash flows. The Company takes into account the liquidity of the market in which the entity operates.

#### (a) Financing arrangements

The Company had access to the following undrawn borrowing facilities at the end of the reporting period:

	(₹ crores)		
Floating rate	31 March 2017	31 March 2016	1 April 2015
Expiring within one year (cash credit and other facilities- Fixed rate)	305.04	241.75	147.40
Expiring beyond one year (bank loans - Floating rate)	99.00	115.00	-
	<b>404.04</b>	<b>356.75</b>	<b>147.40</b>

The bank overdraft facilities may be drawn at any time and may be terminated by the bank without notice. Subject to the continuance of satisfactory credit ratings, the bank loan facilities can be drawn till 31 December 2017 in ₹ and have an average maturity of 6.5 years (31 March 2016: 7.5 years).

#### (b) Maturities of financial liabilities

The tables below analyse the Company's financial liabilities into relevant maturity groupings based on their contractual maturities.

The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

## Notes forming part of the Financial Statements for the year ended 31 March 2017

### 37 Financial instruments (contd.)

31 March 2017	(₹ crores)				
	Less than 1 year	1-2 year	2-3 year	More than 3 years	Total
<b>Non-derivatives</b>					
Borrowings	215.61	45.99	14.10	0.16	275.86
Finance lease obligation	0.01	0.01	0.01	1.05	1.08
Trade payable	893.78	-	-	-	893.78
Security deposits	0.70	-	0.42	21.71	22.83
Other financial liabilities	63.80	-	-	-	63.80
<b>Total</b>	<b>1,173.90</b>	<b>46.00</b>	<b>14.53</b>	<b>22.92</b>	<b>1,257.35</b>

#### 31 March 2016 (₹ crores)

	Less than 1 year	1-2 year	2-3 year	More than 3 years	Total
<b>Non-derivatives</b>					
Borrowings	286.51	56.43	45.82	13.93	402.69
Finance lease obligation	0.01	0.01	0.01	1.06	1.09
Trade payable	737.72	-	-	-	737.72
Security deposits	0.68	0.20	-	20.68	21.56
Other financial liabilities	56.31	-	-	-	56.31
<b>Total</b>	<b>1,081.23</b>	<b>56.64</b>	<b>45.83</b>	<b>35.67</b>	<b>1,219.37</b>

#### 1 April 2015 (₹ crores)

	Less than 1 year	1-2 year	2-3 year	More than 3 years	Total
<b>Non-derivatives</b>					
Borrowings	411.34	66.31	56.43	59.75	593.83
Finance lease obligation	0.37	0.01	0.01	1.08	1.47
Trade payable	706.14	-	-	-	706.14
Security deposits	1.57	-	-	21.16	22.73
Other financial liabilities	57.63	-	-	-	57.63
<b>Total</b>	<b>1,177.05</b>	<b>66.32</b>	<b>56.44</b>	<b>81.99</b>	<b>1,381.80</b>

### C.3 Market risk

#### a) Foreign currency risk

The Company is exposed to foreign exchange risk arising from foreign currency transactions, primarily with respect to the US Dollar, EURO and JPY. Foreign exchange risk arises from recognised assets and liabilities denominated in a currency that is not the functional currency of the Company. Considering the low volume of foreign currency transactions, the Company's exposure to foreign currency risk is limited and the Company hence does not use any derivative instruments to manage its exposure. Also, the Company does not use forward contracts and swaps for speculative purposes.

#### (i) Foreign currency risk exposure in USD:

The Company's exposure to foreign currency risk at the end of the reporting period expressed in ₹, are as follows

	(₹ crores)		
Particulars	31 March 2017 USD	31 March 2016 USD	1 April 2015 USD
Financial assets	19.09	17.22	16.98
Financial liabilities	20.63	25.98	3.22
<b>Net exposure to foreign currency risk (liabilities)</b>	<b>(1.54)</b>	<b>(8.76)</b>	<b>13.76</b>



## Notes forming part of the Financial Statements for the year ended 31 March 2017

### 37 Financial instruments (contd.)

#### Sensitivity

The sensitivity of profit or loss to changes in the exchange rates arises mainly from foreign currency denominated financial instruments.

(₹ crores)

Particulars	31 March 2017	31 March 2016
USD sensitivity		
INR/USD- increase by 150 bps (31 March 2016 150 bps)*	(0.02)	(0.13)
INR/USD- decrease by 150 bps (31 March 2016 150 bps)*	0.02	0.13

\* Holding all other variables constant

#### (ii) Foreign currency risk exposure in EURO:

The Company's exposure to foreign currency risk at the end of the reporting period expressed in ₹, are as follows:

(₹ crores)

Particulars	31 March 2017 EURO	31 March 2016 EURO	1 April 2015 EURO
Financial assets	28.12	41.52	31.29
Financial liabilities	6.63	3.53	1.20
<b>Net exposure to foreign currency risk (liabilities)</b>	<b>21.49</b>	<b>37.99</b>	<b>30.09</b>

#### Sensitivity

The sensitivity of profit or loss to changes in the exchange rates arises mainly from foreign currency denominated financial instruments.

(₹ crores)

Particulars	31 March 2017	31 March 2016
EURO sensitivity		
INR/EURO- increase by 200 bps (31 March 2016 200 bps)*	0.43	0.76
INR/EURO- decrease by 200 bps (31 March 2016 200 bps)*	(0.43)	(0.76)

\* Holding all other variables constant

#### (iii) Foreign currency risk exposure in JPY:

The Company's exposure to foreign currency risk at the end of the reporting period expressed in ₹, are as follows

(₹ crores)

Particulars	31 March 2017 JPY	31 March 2016 JPY	1 April 2015 JPY
Financial assets	-	-	-
Financial liabilities	0.13	0.05	0.21
<b>Net exposure to foreign currency risk (liabilities)</b>	<b>(0.13)</b>	<b>(0.05)</b>	<b>(0.21)</b>

#### Sensitivity

The sensitivity of profit or loss to changes in the exchange rates arises mainly from foreign currency denominated financial instruments.

(₹ crores)

Particulars	31 March 2017	31 March 2016
JPY sensitivity		
INR/JPY- increase by 500 bps (31 March 2016 500 bps)*	(0.01)	-
INR/JPY- decrease by 500 bps (31 March 2016 500 bps)*	0.01	-

\* Holding all other variables constant

## Notes forming part of the Financial Statements for the year ended 31 March 2017

### 37 Financial instruments (contd.)

#### b) Interest rate risk

##### i) Liabilities

The Company's policy is to minimise interest rate cash flow risk exposures on long-term financing. At 31 March 2017, the Company is exposed to changes in market interest rates through bank borrowings at variable interest rates. The Company's investments in fixed deposits all pay fixed interest rates.

#### Interest rate risk exposure

Below is the overall exposure of the Company to interest rate risk:

(₹ crores)

Particulars	31 March 2017	31 March 2016	1 April 2015
Variable rate borrowing	162.22	215.15	329.88
Fixed rate borrowing	100.59	145.35	168.35
<b>Total borrowings</b>	<b>262.81</b>	<b>360.50</b>	<b>498.23</b>
<b>Amount disclosed under other current financial liabilities</b>	<b>47.54</b>	<b>52.84</b>	<b>72.23</b>
<b>Amount disclosed under borrowings</b>	<b>215.27</b>	<b>307.66</b>	<b>426.00</b>

#### Sensitivity

Below is the sensitivity of profit or loss in interest rates.

(₹ crores)

Particulars	31 March 2017	31 March 2016
<b>Interest sensitivity*</b>		
Interest rates – increase by 100 basis points (100 bps)	1.62	2.15
Interest rates – decrease by 100 basis points (100 bps)	(1.62)	(2.15)

\* Holding all other variables constant

##### ii) Assets

The Company's fixed deposits are carried at amortised cost and are fixed rate deposits. They are therefore not subject to interest rate risk as defined in Ind AS 107, since neither the carrying amount nor the future cash flows will fluctuate because of a change in market interest rates.

#### c) Price risk

##### i) Exposure

The Company's exposure price risk arises from investments held and classified in the balance sheet either as fair value through other comprehensive income or at fair value through profit or loss. To manage the price risk arising from investments, the Company diversifies its portfolio of assets.

##### ii) Sensitivity

The table below summarises the impact of increases/decreases of the index on the Company's equity and profit for the period :

**Impact on profit after tax** (₹ crores)

Particulars	31 March 2017	31 March 2016
<b>Mutual funds</b>		
Net assets value – increase by 100 bps (500bps)	1.69	0.23
Net assets value – decrease by 100 bps (500bps)	(1.69)	(0.23)

#### Impact on other comprehensive income

(₹ crores)

Particulars	31 March 2017	31 March 2016
<b>Unquoted equity instruments</b>		
Value per share – increase by 500 bps (500bps)	1.79	1.40
Value per share – decrease by 500 bps (500bps)	(1.79)	(1.40)
<b>Quoted equity instruments</b>		
Market price – increase by 500 bps (500bps)	0.03	0.02
Market price – decrease by 500 bps (500bps)	(0.03)	(0.02)

## Notes forming part of the Financial Statements for the year ended 31 March 2017

### 38 Capital management

The Company's capital management objectives are

- to ensure the Company's ability to continue as a going concern
- to provide an adequate return to shareholders

The Company monitors capital on the basis of the carrying amount of equity less cash and cash equivalents as presented on the face of balance sheet.

Management assesses the Company's capital requirements in order to maintain an efficient overall financing structure while avoiding excessive leverage. This takes into account the subordination levels of the Company's various classes of debt. The Company manages the capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares, or sell assets to reduce debt.

Particulars	31 March 2017	31 March 2016	1 April 2015
Net debts	262.81	360.50	498.23
Total equity	1,991.16	1,837.68	1,762.64
<b>Net debt to equity ratio</b>	<b>13%</b>	<b>20%</b>	<b>28%</b>

Particulars	31 March 2017	31 March 2016
<b>(i) Equity shares</b>		
Final dividend for the year ended 31 March 2016 of ₹1.20 per share (excluding tax)	14.71	-
Final dividend for the year ended 31 March 2015 of ₹1.20 per share (excluding tax)	-	14.71
<b>(ii) Dividends not recognised at the end of the reporting period</b>		

In addition to the above dividends, since year end the directors have recommended the payment of a final dividend of ₹1.50 per fully paid equity share. This proposed dividend is subject to the approval of shareholders in the ensuing annual general meeting.

### 39 Employee benefits

#### Gratuity

The Company provides for gratuity for employees in India as per the Payment of Gratuity Act, 1972. Employees who are in continuous service for a period of 5 years are eligible for gratuity. The amount of gratuity payable on retirement/termination is the employees' last drawn basic salary per month computed proportionately for 15 days salary multiplied for the number of years of service.

#### (i) Amount recognised in the balance sheet is as under:

(₹ crores)

Particulars	31 March 2017		31 March 2016		1 April 2015	
	Current	Non-current	Current	Non-current	Current	Non-current
Gratuity	45.63	-	51.56	-	55.57	-

## Notes forming part of the Financial Statements for the year ended 31 March 2017

### 39 Employee benefits (contd.)

#### (ii) Amount recognised in the statement of profit and loss is as under:

(₹ crores)

Description	31 March 2017	31 March 2016
Current service cost	4.26	4.50
Net interest cost	4.10	4.42
Net impact on profit (before tax)	8.36	8.92
Continuing operations	8.05	8.39
Discontinued operations	0.31	0.54
Actuarial loss/(gain) recognised during the year (Continuing operations)	2.64	(0.66)
<b>Amount recognised in the statement of profit and loss</b>	<b>11.00</b>	<b>8.26</b>

#### (iii) Movement in the present value of defined benefit obligation recognised in the balance sheet is as under:

(₹ crores)

Description	31 March 2017	31 March 2016
<b>Present value of defined benefit obligation as at the start of the year</b>	<b>86.52</b>	<b>88.86</b>
Current service cost	4.26	4.50
Interest cost	6.92	7.11
Actuarial loss/(gain) recognised during the year	2.69	(0.55)
Benefits paid	(17.78)	(13.40)
<b>Present value of defined benefit obligation as at the end of the year</b>	<b>82.61</b>	<b>86.52</b>

#### (iv) Movement in the plan assets recognised in the balance sheet is as under:

(₹ crores)

Description	31 March 2017	31 March 2016
<b>Fair Value of plan assets at beginning of year</b>	<b>34.96</b>	<b>33.29</b>
Expected return on plan assets	2.83	2.69
Employer's contribution	16.92	12.27
Benefits paid	(17.78)	(13.40)
Actuarial gain/(loss) on plan assets	0.05	0.11
<b>Fair Value of plan assets at the end of the year</b>	<b>36.98</b>	<b>34.96</b>
Actual return on plan assets	2.88	2.79

#### (v) Breakup of actuarial (gain)/loss:

(₹ crores)

Description	31 March 2017	31 March 2016
Actuarial (gain)/loss on arising from change in demographic assumption	-	-
Actuarial (gain)/loss on arising from change in financial assumption	(0.20)	(0.11)
Actuarial (gain)/loss on arising from experience adjustment	2.84	(0.55)
<b>Total actuarial (gain)/loss</b>	<b>2.64</b>	<b>(0.66)</b>

#### (vi) Actuarial assumptions

(₹ crores)

Description	31 March 2017	31 March 2016	1 April 2015
Discount rate	7.52%	8.00%	8.00%
Future salary increase	5.00%	5.50%	5.50%
Expected average remaining working lives of employees (years)	16.89	16.64	16.04

## Notes forming part of the Financial Statements for the year ended 31 March 2017

### 39 Employee benefits (contd.)

Gratuity is payable to the employees on death or resignation or on retirement at the attainment of superannuation age. To provide for these eventualities, the Actuary has used Indian Assured Lives Mortality (2006-08) Ultimate table.

These assumptions were developed by management with the assistance of independent actuarial appraisers. Discount factors are determined close to each year-end by reference to government bonds of relevant economic markets and that have terms to maturity approximating to the terms of the related obligation. Other assumptions are based on management's historical experience.

#### (vii) Sensitivity analysis for gratuity liability

(₹ crores)

Description	31 March 2017	31 March 2016	1 April 2015
<b>Impact of the change in discount rate</b>			
Present value of obligation at the end of the year	82.61	86.52	88.85
Impact due to increase of 0.50 %	(2.17)	(2.33)	(2.38)
Impact due to decrease of 0.50 %	2.29	2.46	2.51
<b>Impact of the change in salary increase</b>			
Present value of obligation at the end of the year	82.61	86.52	88.85
Impact due to increase of 0.50 %	2.34	2.50	2.56
Impact due to decrease of 0.50 %	(2.23)	(2.39)	(2.45)

The above sensitivity analysis are based on a change in an assumption while holding all other assumptions constant. In practice, this is unlikely to occur and changes in some of the assumptions may be correlated. When calculating the sensitivity of the defined benefit obligation to significant actuarial assumptions the same method (present value of the defined benefit obligation calculated with the projected unit credit method at the end of the reporting period) has been applied which was applied while calculating the defined benefit obligation liability recognised in the balance sheet.

The methods and types of assumptions used in preparing the sensitivity analysis did not change compared to prior period.

#### (viii) Maturity profile of defined benefit obligation

(₹ crores)

Description	31 March 2017	31 March 2016
Within next 12 months	11.99	11.56
Between 1-5 years	16.02	46.13
Beyond 5 years	54.60	28.82

#### (ix) Category of plan assets

(₹ crores)

Particulars	31 March 2017	31 March 2016	1 April 2015
LIC of India - Group Gratuity Cash Accumulation Fund	36.63	34.78	32.54
Others	0.35	0.18	0.75
<b>Total</b>	<b>36.98</b>	<b>34.96</b>	<b>33.29</b>

(x) The Company expects to contribute ₹7.66 crores (previous year ₹8.83) to its gratuity plan for the next year.

#### B Compensated absences (unfunded)

The leave obligations cover the Company's liability for sick and earned leaves. The Company does not have an unconditional right to defer settlement for the obligation shown as current provision balance above. However based

## Notes forming part of the Financial Statements for the year ended 31 March 2017

### 39 Employee benefits (contd.)

on past experience, the Company does not expect all employees to take the full amount of accrued leave or require payment within the next 12 months, therefore based on the independent actuarial report, only a certain amount of provision has been presented as current and remaining as non-current. Amount of ₹4.24 crores ( Previous year: ₹5.17 crores) has been recognised in the statement of profit and loss.

(₹ crores)

Particulars	31 March 2017		31 March 2016		1 April 2015	
	Current	Non-current	Current	Non-current	Current	Non-current
Compensated absences (unfunded)	2.66	12.42	2.82	13.51	2.66	13.97

#### C Defined contribution plans

The Company makes contributions, determined as a specified percentage of employee salaries, in respect of qualifying employees towards Provident Fund and Employee State Insurance Scheme which are defined contribution plans. The Company has no obligations other than to make the specified contributions. The contributions are charged to the statement of profit and loss as they accrue. The amount recognised as an expense towards contribution to Provident Fund for the year aggregated to ₹16.37 crores (Previous year: ₹17.05 crores) and contribution to Employee State Insurance Scheme for the year aggregated to ₹0.35 crores (Previous year: ₹0.45 crores).

D The Company has taken an Insurance policy for medical benefits in respect of its retired and working employees. The Insurance policy for on-roll employees is fully funded by the Company.

#### 40 Share-based payments

The option plan is designed to provide incentives to employees of the Company. Under the plan, participants have been granted options which will vest as follows:

Scheme	Vesting conditions	Exercise period	Exercise price per share (₹)
Employees Stock Option Scheme, 2006	Vested after one year from the date of grant	Two years from the date of vesting	85.00

Options are granted under the plan for the consideration of ₹85 per share and carry no dividend or voting rights. When exercisable, each option is convertible into one equity share. For the options which were vested before 31 March 2015, using the Ind AS transition exemption (as explained in the accounting policies) the expense related to options is arrived at using intrinsic value of the shares on the date of grant.

Set out below is a summary of options granted under the plan:

Particulars	31 March 2017	31 March 2016
	Number of options	Number of options
Opening balance	1,11,100	1,92,000
Granted during the year	-	2,56,000
Exercised during the year*	84,000	1,08,000
Lapsed during the year	-	2,28,900
Closing balance	27,100	1,11,100

\* The weighted average share price at the date of exercise of options during the year ended 31 March 2017 was ₹260 (31 March 2016 ₹153.30).

Weighted average remaining contractual life of options as at 31 March 2017 was 1.5 years (31 March 2016 : 0.99 years and 1 April 2015 : 1.5 years).



## Notes forming part of the Financial Statements for the year ended 31 March 2017

### 40 Share-based payments

The value of the options has been determined by an independent valuer. The following assumptions were used for calculation of fair value of options in accordance with Black Scholes model :

	31 March 2016
Risk free interest rate (%)	7%
Expected life	3 Years
Expected volatility (%)	2.20%
Expected dividends (%)	12%

The risk free interest rates are determined based on the 'Zero Coupon Yield Curve' with maturity equal to the expected term of the option. Volatility calculation is based on historical stock prices using standard deviation of daily change in stock price. The historical period is taken into account to match the expected life of the option. Dividend yield has been calculated taking into account expected rate of dividend on equity share price as on grant date.

### 41 Leases – Assets taken on lease

#### Operating leases

The Company has leased certain land and buildings under operating lease arrangements. The leases are renewable on periodical basis and cancellable at Company's option. Total lease payments recognised in the statement of profit and loss is ₹7.01 crores (31 March 2016: ₹4.94 crores)

#### Finance leases

The Company has a leasehold land at Rudrapur which has been taken on a lease for a period of 90 years in the year 2004. Initial land premium of ₹1.7 crores has been paid. In addition to the land premium, the Company pays an annual rent of ₹0.02 every year.

Also, the management has revalued the amount of land in 2009 and has created a revaluation reserve of ₹7.13 crores pertaining to the same. The said lease of land was considered to be finance lease by the company.

31 March 2017 (₹ crores)

	Minimum lease payments due			
	within 1 year	1 to 5 years	after 5 years	Total
Lease payments	0.01	0.06	1.02	1.09
Finance charges	-	0.02	0.95	0.97
<b>Net present values</b>	<b>0.01</b>	<b>0.04</b>	<b>0.07</b>	<b>0.12</b>

31 March 2016 (₹ crores)

	Minimum lease payments due			
	within 1 year	1 to 5 years	after 5 years	Total
Lease payments	0.01	0.06	1.03	1.10
Finance charges	-	0.02	0.97	0.99
<b>Net present values</b>	<b>0.01</b>	<b>0.04</b>	<b>0.07</b>	<b>0.12</b>

01 April 2015 (₹ crores)

	Minimum lease payments due			
	within 1 year	1 to 5 years	after 5 years	Total
Lease payments	0.37	0.06	1.05	1.48
Finance charges	0.03	0.02	0.98	1.03
<b>Net present values</b>	<b>0.34</b>	<b>0.04</b>	<b>0.07</b>	<b>0.45</b>

## Notes forming part of the Financial Statements for the year ended 31 March 2017

42 During 2008 the Haryana State Government introduced Haryana Tax on Entry of Goods into Local Area Act, 2008 ("Entry Tax") by repealing the Haryana Local Area Development Tax Act, 2000 ("HLADT"). The said Act was held unconstitutional by the Hon'ble Punjab & Haryana High Court in their judgment dated 1 October 2008. The State Government of Haryana has preferred an appeal before the Hon'ble Supreme Court which is pending for adjudication before the Constitutional Bench. Based on the legal advice received by the Company no further provision on this account is considered necessary after 31 March 2008.

43 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 have not been given.

44 The Scheme of Compromise and Arrangement pending before the Delhi High Court to bail out the fixed deposit holders of Escorts Finance Limited stands disposed-off vide order dated 4 March 2011. On the interim directions of the said High Court, fixed deposit liability of ₹130.32 crores has already been discharged by the Hardship Committee constituted under the directions of the said High Court for discharging the unclaimed deposit, balance 2,401,050 shares have been transferred to Escorts Benefit Trust (Trust) and the Hardship Committee has been dissolved. The Hon'ble High Court has confirmed that Escorts Limited has no outstanding liability towards payment to Escorts Finance Limited deposit holders.

Escorts Benefit Trust has realised the investments held by it and remitted the surplus of ₹15.00 crores to the Company (beneficiary) after retaining sufficient funds for meeting its liability towards Escorts Finance Limited deposits.

45 Escorts Benefit and Welfare Trust (the Trust) holds 37,300,031 equity shares of the Company and 23,497,478 equity shares of Escorts Finance Limited. The Company is the sole beneficiary of the Trust. The dividend received by the trust on the Company's shares is credited directly in "Retained earnings" in note 17 - Other equity. Market value of these shares held by Trust on 31 March 2017 is ₹2038.70 crores (31 March 2016: ₹528.64 crores) (1 April 2015: ₹483.32 crores).

46 The Company has presented segment information in the consolidated financial statements which are presented in the same financial report. Accordingly, in terms of Paragraph 4 of Ind AS 108 'Operating Segments', no disclosures related to segments are presented in these financial statements.

### 47 Assets pledged as security (₹ crores)

	Note	31 March 2017	31 March 2016	1 April 2015
<b>Current</b>				
<b>Financial assets</b>				
First charge				
Trade receivables	12	458.02	390.07	372.90
Specific fixed deposits	14	18.93	29.34	-
<b>Non Financial assets</b>				
Inventories	11	429.48	396.98	423.36
<b>Total current assets pledged as security</b>		<b>906.43</b>	<b>816.39</b>	<b>796.26</b>
<b>Non-current</b>				
First charge				
Land & Building	3 (i)	203.46	204.23	256.03
Plant & machinery	3 (i)	41.55	161.03	136.26
Other movable Assets	3 (i)	-	-	1.85
Second Charge				
Other movable Assets (other than specifically charged to other term lenders)	3 (i)	278.68	206.15	250.87
Furniture, fittings and equipment acquired under finance lease	3 (i)	-	0.03	4.20
<b>Total non-currents assets pledged as security</b>		<b>523.69</b>	<b>571.44</b>	<b>649.21</b>
<b>Total assets pledged as security</b>		<b>1,430.12</b>	<b>1,387.83</b>	<b>1,445.47</b>

## Notes forming part of the Financial Statements for the year ended 31 March 2017

### 48 Related party transactions

The Company's related party transactions and outstanding balances are with its subsidiaries, associates and joint venture, key management and others as described below.

#### A Relationships

##### Subsidiaries

##### Domestic

EDDAL Credit Limited  
Escorts Asset Management Limited  
Escorts Securities Limited  
Escorts Benefit and Welfare Trust  
Escorts Finance Limited  
Escorts Benefit Trust

##### Overseas

Farmtrac Tractors Europe Sp. Z.o.o, Poland

##### Joint venture

Adico Escorts Agri Equipment Private Limited

##### Associates

Escorts Consumer Credit Limited

#### B Key management personnel and Directors

Mr. Rajan Nanda	Chairman and Managing Director
Mr. Nikhil Nanda	Managing Director
Mr. Bharat Madan	Group Chief Financial Officer
Mr. Ajay Sharma	Group General Counsel and Company Secretary

##### Other Directors

Ms. Nitasha Nanda  
Mr. Hardeep Singh  
Mr. P.H Ravikumar  
Ms. Vibha Paul Rishi  
Mr. Sutanu Behuria  
Mr. Darius Jehangir Kakalia  
Mr. G. B. Mathur

#### Enterprises over which key management personnel and relatives of such personnel exercise significant influence

Rimari India Private Limited	Breeze Trading Private Limited
Tashaka India Private Limited	Niky Tasha Electronics Limited
AAA Portfolios Private Limited	Escorts Investment Trust Limited
Escorts Skill Development	Sun & Moon Travels (India) Private Limited
Niky Tasha Energies Private Limited	Charak Ayurvedic Treatments Private Limited
Rimari IT Solutions Private Limited	Crystal Care Advisors Private Limited
Momento Communications Private Limited	Sharak Healthcare Private Limited
Rakshak Health Service Private Limited	Big Apple Clothing Private Limited
Har Parshad and Company Private Limited	Sietz Technologies India Private Limited
Raksha TPA Private Limited	Niky Tasha Communications Private Limited
Ritu Nanda Insurance Service Private Limited	Sun & Moon Advisory Services Private Limited
Escolife IT Services Private Limited	Escorts Employees Welfare Limited
Academy of Management and Financial Planing Private Limited	Powermech Projects Limited

#### List of other related parties

Mrs. Ritu Nanda  
Escorts Limited Employees' Group Gratuity Fund Trust (refer note 39 for transaction)

## Notes forming part of the Financial Statements for the year ended 31 March 2017

### 48 Related party transactions (contd.)

Key management personnel remuneration includes the following expenses:

	(₹ crores)	
	31 March 2017	31 March 2016
Short-term employee benefits:	19.66	11.88
Post-employment benefits:	0.54	0.52
<b>Total remuneration</b>	<b>20.20</b>	<b>12.40</b>

#### C Transactions with related party

##### (i) Transactions with joint ventures

During 2016-17, Adico Escorts Agri Equipment Private Limited provided rental services valued at ₹0.01 crores (2015-16: ₹0.01 crores) and sold tractors to Escorts Limited valued at ₹16.94 crores (2015-16: ₹13.14 crores). There is a recoverable outstanding on account of transactions as at 31 March 2017 of ₹0.02 crores (31 March 2016: Nil) (1 April 2015: Nil).

##### (ii) Transactions with associates

There is a payable outstanding on account of transactions as at 31 March 2017 of ₹2.09 crores (31 March 2016: ₹2.09 crores) (1 April 2015: Nil) against Escorts Consumer Credit Limited.

##### (iii) Transactions with Subsidiaries :

	(₹ crores)								
Nature of transactions*	Sale of goods	Discounting Charges	Services received	Purchase of goods	Warranty reimbursements	Dividend Paid**	Distribution received	Debtors / Receivables	Payables
Farmtrac Tractors Europe Sp. Z.o.o, Poland	6.41	-	0.15	1.55	0.42	-	-	27.97	0.37
	(20.38)	-	(0.40)	(0.13)	(0.28)	-	-	(34.98)	(0.11)
EDDAL Credit Limited	-	0.04	-	-	-	-	-	-	1.72
	-	(0.12)	-	-	-	-	-	-	(2.15)
Escorts Benefit Trust	-	-	-	-	-	-	15.00	-	-
	-	-	-	-	-	-	-	-	-
Escorts Benefit and Welfare Trust	-	-	-	-	-	4.48	-	-	-
	-	-	-	-	-	(4.48)	-	-	-

\*Numbers in brackets represents financial year ending 31 March 2016

\*\* The Company receives the same dividend back from Escorts Benefit and Welfare Trust in the same year as the Company is the sole beneficiary of this trust (refer note 45)

	(₹ crores)	
Outstanding balances as at 1 April 2015	Debtors / receivables	Payables
Farmtrac Tractors Europe Sp. Z.o.o, Poland	22.40	0.15
EDDAL Credit Limited	-	2.07

## Notes forming part of the Financial Statements for the year ended 31 March 2017

### 48 Related party transactions (contd.)

#### (iii) Transactions with key management personnel, their relatives and entities in which they exercise control/significant influence

(₹ crores)

Nature of transactions*	Royalty	Remuneration / commission	Rent received	Rent paid	Purchase of goods	Sale of goods and services	Services received	Dividend paid	Advance given	Debtors / Receivables	Payables
Rajan Nanda	-	8.76	-	-	-	-	-	0.12	-	-	3.50
	-	(5.26)	-	-	-	-	-	(0.12)	-	-	-
Ritu Nanda	-	-	-	0.36	-	-	-	0.01	-	-	-
	-	-	-	(0.36)	-	-	-	(0.01)	-	-	-
Nikhil Nanda	-	8.58	0.49	-	-	-	-	0.03	-	-	3.50
	-	(5.13)	(0.44)	-	-	-	-	(0.03)	-	-	-
Nitasha Nanda	-	2.48	-	0.41	-	-	0.02	-	0.06	-	1.00
	-	(1.46)	-	(0.39)	-	-	(0.04)	-	(0.06)	-	-
Bharat Madan	-	1.87	-	-	-	-	-	-	-	-	-
	-	(1.28)	-	-	-	-	-	-	-	-	-
Ajay Sharma	-	0.98	-	-	-	-	-	-	-	-	-
	-	(0.73)	-	-	-	-	-	-	-	-	-
Girish Bihari Mathur	-	-	-	-	-	-	1.03	-	-	-	0.08
	-	-	-	-	-	-	(1.81)	-	-	-	(0.07)
S.A. Dave	-	-	-	-	-	-	0.02	-	-	-	-
	-	-	-	-	-	-	(0.07)	-	-	-	-
Hardeep Singh	-	0.08	-	-	-	-	0.06	-	-	-	0.08
	-	-	-	-	-	-	(0.08)	-	-	-	-
P.H Ravikumar	-	0.08	-	-	-	-	0.05	-	-	-	0.08
	-	-	-	-	-	-	(0.03)	-	-	-	-
Vibha Paul Rishi	-	0.08	-	-	-	-	0.03	-	-	-	0.08
	-	-	-	-	-	-	(0.03)	-	-	-	-
Sutanu Behuria	-	0.08	-	-	-	-	0.04	-	-	-	0.08
	-	-	-	-	-	-	(0.03)	-	-	-	-
Darius Jehangir Kakalia	-	0.08	-	-	-	-	0.02	-	-	-	0.08
	-	-	-	-	-	-	-	-	-	-	-
Harpashad & Co.Private Limited	20.62	-	-	-	-	-	-	1.26	-	-	0.22
	(17.28)	-	-	-	-	-	-	(1.26)	-	-	(5.84)
Raksha TPA Private Limited	-	-	0.79	-	-	-	-	-	0.53	-	-
	-	-	(0.75)	-	-	-	-	-	(0.37)	-	-
Rimari India Private Limited	-	-	-	-	-	-	0.05	-	0.12	-	-
	-	-	-	-	-	-	(0.01)	-	(0.12)	-	(0.01)
Momento Communications Private Limited	-	-	-	-	-	-	0.37	-	-	-	-
	-	-	-	-	-	-	(0.15)	-	-	-	(0.03)
AAA Portfolios Private Limited	-	-	-	-	-	-	-	0.20	-	-	-
	-	-	-	-	-	-	-	(0.20)	-	-	-
Big Apple Clothing Private Limited	-	-	-	-	-	-	-	0.21	-	-	-
	-	-	-	-	-	-	-	(0.21)	-	-	-
Niky Tasha Communications Private Limited	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-
Niky Tasha Energies Private Limited	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-
Sietz Technologies India Private Limited	-	-	0.36	1.22	232.53	1.44	0.28	-	0.97	1.36	15.39
	-	-	(0.36)	(1.16)	(190.22)	(1.34)	(0.25)	-	(0.65)	(1.40)	(11.50)
Sun & Moon Travels (India) Private Limited	-	-	0.02	-	-	-	11.25	-	0.51	-	0.74
	-	-	(0.02)	-	-	-	(7.05)	-	(0.01)	-	(0.14)
Escorts Employee Welfare Limited (gross of provisions)	-	-	-	-	-	-	-	-	3.00	0.15	-
	-	-	-	-	-	-	-	-	(3.00)	-	-
Escorts Skill Development	-	-	-	-	-	-	0.50	-	-	-	6.60
	-	-	-	-	-	-	(0.50)	-	-	-	-
Powermech Projects Limited	-	-	-	-	-	0.73	-	-	-	0.01	-
	-	-	-	-	-	(0.36)	-	-	-	(0.01)	-

\*Numbers in brackets represents financial year ending 31 March 2016

## Notes forming part of the Financial Statements for the year ended 31 March 2017

### 48 Related party transactions (contd.)

(₹ crores)

Outstanding balances as at 1 April 2015	Advance given	Debtors / receivables	Payables
Nitasha Nanda	0.06	-	-
Harpashad & Co.Private Limited	-	-	7.21
Raksha TPA Private Limited	0.29	-	0.01
Rimari India Private Limited	0.12	-	-
Sietz Technologies India Private Limited	0.37	1.21	9.14
Sun & Moon Travels (India) Private Limited	-	-	0.18
Escorts Employee Welfare Limited (gross of provisions)	3.04	-	-

### 49 First time adoption of Ind AS

These are the Company's first financial statements prepared in accordance with Ind AS.

The accounting policies set out in note 2.2 have been applied in preparing the financial statements for the year ended 31 March 2017, the comparative information presented in these financial statements for the year ended 31 March 2016 and in the preparation of an opening Ind AS balance sheet at 1 April 2015 (the Company's date of transition). An explanation of how the transition from previous GAAP to Ind AS has affected the Company's financial position, financial performance and cash flows is set out in the following tables and notes.

#### A Ind AS optional exemptions

##### 1 Deemed cost for property, plant and equipment, investment property and intangible assets

Ind AS 101 permits a first-time adopter to elect to continue with the carrying value for all of its property, plant and equipment as recognised in the financial statements as at the date of transition to Ind AS, measured as per the previous GAAP and use that as its deemed cost as at the date of transition after making necessary adjustments for de-commissioning liabilities. This exemption can also be used for intangible assets covered by Ind AS 38 Intangible Assets and investment property covered by Ind AS 40 Investment Properties. Accordingly, the Company has elected to measure all of its property, plant and equipment, intangible assets and investment property at their Previous GAAP carrying value.

##### 2 Designation of previously recognised financial instruments

Ind AS 101 allows an entity to designate investments in equity instruments at FVOCI on the basis of the facts and circumstances at the date of transition to Ind AS. The Company has elected to apply this exemption for its investment in equity investments.

##### 3 Share based payments

Ind AS 102 Share based payments requires an entity to recognise the equity settled share based payment plans based on fair value of the stock options granted to employees instead of intrinsic value. Ind AS 101 permits a first time adopter to ignore such requirement for the options already vested as on transition date that is 01 April 2015. The Company has elected to apply this exemptions for such vested options.

##### 4 Assets held for sale

The company has elected to measure non-current assets held for sale at the lower of carrying value and fair value less cost to sell at the date of transition and recognize directly in retained earnings any difference between that amount and the carrying amount of those assets at the date of transition.

##### 5 Deemed cost for investments in subsidiaries, associates and joint ventures

The Company has elected to continue with the carrying value of all of its investments in subsidiaries, joint ventures and associates recognised as of 1 April 2015 (transition date) measured as per the Previous GAAP as its deemed cost as at the date of transition.



## Notes forming part of the Financial Statements for the year ended 31 March 2017

### 49 First time adoption of Ind AS (contd.)

#### B Ind AS mandatory exceptions

##### 1 Estimates

An entity's estimates in accordance with Ind ASs at the date of transition to Ind AS shall be consistent with estimates made for the same date in accordance with Previous GAAP (after adjustments to reflect any difference in accounting policies), unless there is objective evidence that those estimates were in error.

Ind AS estimates as at 1 April 2015 are consistent with the estimates as at the same date made in conformity with Previous GAAP. The Company made estimates for following items in accordance with Ind AS at the date of transition as these were not required under Previous GAAP:

- Investment in equity instruments carried at FVTPL or FVOCI
- Impairment of financial assets based on expected credit loss model.

##### 2 Classification and measurement of financial assets and liabilities

The classification and measurement of financial assets will be made considering whether the conditions as per Ind AS 109 are met based on facts and circumstances existing at the date of transition.

Financial assets can be measured using effective interest method by assessing its contractual cash flow characteristics only on the basis of facts and circumstances existing at the date of transition and if it is impracticable to assess the use of effective interest method, fair value of financial asset at the date of transition shall be the new carrying amount of that asset. The measurement exemption applies for financial liabilities as well.

##### 3 Impairment of financial assets

At the date of transition to Ind AS, determine whether there has been a significant increase in credit risk since the initial recognition of a financial instrument would require undue cost or effort, the Company has recognised a loss allowance at an amount equal to lifetime expected credit losses at each reporting date until that financial instrument is derecognised.

#### C Reconciliations between previous GAAP and Ind AS

Ind AS 101 requires an entity to reconcile equity, total comprehensive income and cash flows for prior periods. The following tables represent the reconciliations from Previous GAAP to Ind AS.

##### 1 Reconciliation of total equity as at 31 March 2016 and 1 April 2015

	Note	31 March 2016	1 April 2015
(₹ crores)			
<b>Total equity (shareholder's funds) as per Previous GAAP</b>		<b>1,872.29</b>	<b>1,796.30</b>
Impact of componentisation of property, plant and equipment recognised in retained earnings	Note – 14	-	(1.16)
<b>Adjustments:</b>			
Adjustment for proposed dividend	Note – 1	17.70	17.70
Measurement of financial assets and financial liabilities at amortised cost	Note – 2	9.16	16.39
Measurement of investments at fair value through Profit or Loss (FVTPL)	Note – 3	0.66	0.76
Recognition of loss allowance for expected credit losses on financial assets measured at amortised cost	Note – 4	(18.72)	(23.19)
Deferral of revenue for after sale services and extended warranties being separately identifiable components of assets	Note – 5	(4.74)	(3.68)
Adjustments for consolidation of Escorts Employees Benefit and Welfare Trust ('ESOP Trust')	Note – 6	2.74	2.34
Other adjustments	Note – 7	(3.51)	(3.45)

## Notes forming part of the Financial Statements for the year ended 31 March 2017

### 49 First time adoption of Ind AS (contd.)

	Note	31 March 2016	1 April 2015
(₹ crores)			
Deferred tax impact on above Ind AS and other transition adjustments	Note – 8	(59.91)	(58.65)
Measurement of investments designated at fair value through Other Comprehensive Income (OCI)	Note – 9	22.00	19.29
<b>Total adjustments</b>		<b>(34.62)</b>	<b>(33.65)</b>
<b>Total equity as per Ind AS</b>		<b>1,837.67</b>	<b>1,762.65</b>

##### 2 Reconciliation of total comprehensive income for the year ended 31 March 2016

	Note	31 March 2016
(₹ crores)		
<b>Profit after tax as per Previous GAAP</b>		<b>89.38</b>
<b>Adjustments:</b>		
Measurement of financial assets and financial liabilities at amortised cost	Note – 2	(7.23)
Recognition of loss allowance for expected credit losses on financial assets measured at amortised cost	Note – 4	4.47
Deferral of revenue for after sale services and extended warranties being separately identifiable components of assets	Note – 5	(1.05)
Measurement of investments at fair value through Profit or Loss (FVTPL)	Note – 3	(0.10)
Re-measurement gains on defined benefit plans	Note – 10	(0.66)
Others	Note – 7	(0.04)
Deferred tax impact on above Ind AS and other transition adjustments	Note – 8	(1.02)
<b>Total adjustments</b>		<b>(5.63)</b>
<b>Profit for the year ended 31 March 2016</b>		<b>83.75</b>
<b>Other comprehensive income</b>		
Remeasurement of defined benefit obligations	Note – 10	0.43
Measurement of investments designated at fair value through Other Comprehensive Income (OCI)	Note – 9	2.71
<b>Total comprehensive income for the year ended 31 March 2016</b>		<b>86.89</b>

##### 3 Reconciliation of the assets and liabilities presented in the balance sheet prepared as per Previous GAAP and as per Ind AS as at 31 March 2016 is as follows:

Description	Note	Per Previous GAAP	Ind AS adjustments	Per Ind AS
(₹ crores)				
<b>Non-current assets</b>				
Property, plant and equipment	Note – 12, 7	1,557.34	(37.13)	1,520.21
Capital work-in-progress		21.36	-	21.36
Investment property	Note – 12	-	23.88	23.88
Intangible assets		15.21	-	15.21
Intangible assets under construction		36.83	-	36.83
<b>Financial assets</b>				
Investments	Note – 9	386.03	24.87	410.90
Loans	Note – 2	4.57	(0.40)	4.17

## Notes forming part of the Financial Statements for the year ended 31 March 2017

### 49 First time adoption of Ind AS (contd.)

(₹ crores)

Description	Note	Per Previous GAAP	Ind AS adjustments	Per Ind AS
Other financial assets	Note – 4	2.93	(2.93)	-
Deferred tax assets (net)	Note – 8, 9, 13	40.23	0.65	40.88
Income tax assets (net)		15.90	-	15.90
Other non-current assets	Note – 2	10.92	0.32	11.24
<b>Total non-current assets</b>		<b>2,091.32</b>	<b>9.26</b>	<b>2,100.58</b>
<b>Current assets</b>				
Inventories	Note – 7	390.01	6.97	396.98
Financial assets				
Investments	Note – 3	3.96	0.66	4.62
Trade receivables	Note – 4	414.96	(24.89)	390.07
Cash and cash equivalents	Note – 6	31.15	0.11	31.26
Other bank balances		218.36	-	218.36
Loans		4.12	-	4.12
Other financial assets	Note – 6, 7, 13	71.70	(60.78)	10.92
Other current assets	Note – 2	102.03	0.34	102.37
<b>Total current assets</b>		<b>1,236.29</b>	<b>(77.59)</b>	<b>1,158.70</b>
Assets held for sale	Note – 7	-	9.00	9.00
<b>Total assets</b>		<b>3,327.61</b>	<b>(59.33)</b>	<b>3,268.28</b>
<b>EQUITY AND LIABILITIES</b>				
<b>Equity</b>				
Equity share capital	Note – 6	119.39	3.19	122.58
Other equity	Note -1, 2, 3, 4, 5, 6, 7, 8, 9	1,752.90	(37.80)	1,715.10
<b>Total equity</b>		<b>1,872.29</b>	<b>(34.61)</b>	<b>1,837.68</b>
<b>Non-current liabilities</b>				
Financial liabilities				
Borrowings	Note – 2	87.53	(0.07)	87.46
Other financial liabilities	Note – 2	20.88	(8.86)	12.02
Provisions	Note – 2	29.94	(3.29)	26.65
Other non-current liabilities	Note – 7	9.00	7.89	16.89
<b>Total non-current liabilities</b>		<b>147.35</b>	<b>(4.33)</b>	<b>143.02</b>
<b>Current liabilities</b>				
Financial Liabilities				
Borrowings		220.20	-	220.20
Trade payables	Note – 5	746.94	(9.22)	737.72
Other financial liabilities	Note – 2	110.04	(0.21)	109.83
Other current liabilities	Note – 5, 7	75.84	11.32	87.16
Provisions	Note – 1, 7	154.95	(22.28)	132.67
<b>Total current liabilities</b>		<b>1,307.97</b>	<b>(20.39)</b>	<b>1,287.58</b>
<b>Total equity and liabilities</b>		<b>3,327.61</b>	<b>(59.33)</b>	<b>3,268.28</b>

## Notes forming part of the Financial Statements for the year ended 31 March 2017

### 49 First time adoption of Ind AS (contd.)

#### 4 Reconciliation of the assets and liabilities presented in the balance sheet prepared as per Previous GAAP and as per Ind AS as at 1 April 2015 is as follows:

(₹ crores)

Description	Note	Per Previous GAAP	Ind AS adjustments	Per Ind AS
<b>Non-current assets</b>				
Property, plant and equipment	Note – 12, 7, 14	1,566.98	(39.03)	1,527.95
Capital work-in-progress		19.40	-	19.40
Investment property	Note – 12	-	24.00	24.00
Intangible assets		15.98	-	15.98
Intangible assets under development		36.07	-	36.07
Financial assets				
Investments	Note – 9	380.03	21.80	401.83
Loans	Note – 2	5.47	(0.52)	4.95
Other financial assets	Note – 4	2.93	(2.93)	-
Deferred tax assets (net)	Note – 8, 9, 13, 14	47.81	(15.46)	32.35
Income tax assets (net)		36.06	-	36.06
Other non-current assets	Note – 2	11.55	0.37	11.91
<b>Total non-current assets</b>		<b>2,122.28</b>	<b>(11.78)</b>	<b>2,110.50</b>
<b>Current assets</b>				
Inventories	Note – 7	415.92	7.44	423.36
Financial assets				
Investments	Note – 3	3.42	0.76	4.18
Trade receivables	Note – 4	402.70	(29.80)	372.90
Cash and cash equivalents	Note – 6	51.82	0.05	51.87
Other bank balances		190.89	-	190.89
Loans		2.79	-	2.79
Other financial assets	Note – 6, 7, 13	51.70	(42.79)	8.91
Other current assets	Note – 2	151.77	0.10	151.87
<b>Total current assets</b>		<b>1,271.01</b>	<b>(64.24)</b>	<b>1,206.77</b>
Assets held for sale	Note – 7	-	9.00	9.00
<b>Total assets</b>		<b>3,393.29</b>	<b>(67.02)</b>	<b>3,326.27</b>
<b>EQUITY AND LIABILITIES</b>				
<b>Equity</b>				
Equity share capital	Note – 6	119.29	3.29	122.58
Other equity	Note -1, 2, 3, 4, 5, 6, 7, 8, 9, 14	1,677.00	(36.94)	1,640.06
<b>Total equity</b>		<b>1,796.29</b>	<b>(33.65)</b>	<b>1,762.64</b>
<b>Non-current liabilities</b>				
Financial liabilities				
Borrowings	Note – 2	105.81	(0.19)	105.62
Other financial liabilities	Note – 2	21.16	(10.24)	10.92
Provisions	Note – 2	113.55	(15.47)	98.08
Other non-current liabilities	Note – 7	9.00	9.48	18.48
<b>Total non-current liabilities</b>		<b>249.52</b>	<b>(16.42)</b>	<b>233.10</b>

## Notes forming part of the Financial Statements for the year ended 31 March 2017

### 49 First time adoption of Ind AS (contd.)

(₹ crores)

Description	Note	Per Previous GAAP	Ind AS adjustments	Per Ind AS
<b>Current liabilities</b>				
Financial Liabilities				
Borrowings		320.38	-	320.38
Trade payables	Note – 5	714.36	(8.22)	706.14
Other financial liabilities	Note – 2	131.78	(0.35)	131.43
Other current liabilities	Note – 5, 7	95.83	9.32	105.15
Provisions	Note – 1, 7	85.13	(17.70)	67.43
<b>Total current liabilities</b>		<b>1,347.48</b>	<b>(16.95)</b>	<b>1,330.53</b>
<b>Total equity and liabilities</b>		<b>3,393.29</b>	<b>(67.02)</b>	<b>3,326.27</b>

### 5 Impact of Ind AS on the adoption in the statement of Cash Flows for the year ended 31 March 2016

There are no material adjustments of transition to the statement of Cash Flows to conform to Ind AS presentation for the year ended 31 March 2016.

#### Note – 1

##### Adjustment for proposed dividend

Under the Previous GAAP, dividends proposed by the board of directors after the balance sheet date but before the approval of the financial statements were considered as adjusting events. Accordingly, provision for proposed dividend was recognised as a liability. Under Ind AS, such dividends are recognised when the same is approved by the shareholders in the general meeting. Accordingly, the liability for proposed dividend included under provisions has been reversed with corresponding adjustment to retained earnings.

#### Note – 2

##### Measurement of financial assets and financial liabilities at amortised cost

Under Previous GAAP, all financial assets and financial liabilities were carried at cost.

Under Ind AS, certain financial assets and financial liabilities are subsequently measured at amortised cost which involves the application of effective interest method. In applying the effective interest method, an entity identifies fees that are an integral part of the effective interest rate of a financial instrument. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial asset or financial liability to the gross carrying amount of the financial asset or financial liability.

For certain financial liabilities, the fair value of the financial liability at the date of transition to Ind AS has been considered as the new amortised cost of that financial liability at the date of transition to Ind AS.

#### Note – 3

##### Measurement of investments at fair value through Profit or Loss (FVTPL)

Under Previous GAAP, current investments were stated at lower of cost and fair value.

Under Ind AS, these financial assets have been classified as FVTPL on the date of transition and changes in fair value after the date of transition has been recognised in profit or loss.

#### Note – 4

##### Recognition of loss allowance for expected credit losses on financial assets measured at amortised cost

Under Previous GAAP, provision for doubtful debts was recognised based on the estimates of the outcome and of the financial effect of contingencies determined by the management of the Company. This judgement was based on consideration of information available up to the date on which the financial statements were approved and included a review of events occurring after the balance sheet date.

## Notes forming part of the Financial Statements for the year ended 31 March 2017

### 49 First time adoption of Ind AS (contd.)

Under Ind AS, a loss allowance for expected credit losses is recognised on financial assets carried at amortised cost. Expected loss on individually significant receivables is assessed when they are past due and based on company's historical counterparty default rates and forecast of macro-economic factors. Other receivables have been segmented by reference to the industry of the counterparty and other shared credit risk characteristics to evaluate the expected credit loss. The expected credit loss estimate is then based on recent historical counterparty default rates for each identified segment.

#### Note – 5

##### Deferral of revenue for after sale services and extended warranties being separately identifiable components of assets

Under Previous GAAP, the amount of revenue was usually determined at consideration received or receivable for the product or service explicitly specified in the contract between the parties.

Under Ind AS, where the sale transaction of the Company includes separately identifiable components, such as after sales services and extended warranties, it is necessary to apply the recognition criteria to those separately identifiable components in order to reflect the substance of the transaction. Revenue from each component so identified is only recognized when such goods are sold or services are rendered. Accordingly, revenue attributable to specifically identifiable components where services are pending to be rendered has been deferred.

#### Note – 6

##### Adjustments for consolidation of Escorts Employees Benefit and Welfare Trust ('ESOP Trust')

ESOP Trust, financed through interest free loan by the Company and warehousing the shares which have not vested yet, for distribution to employees of the Company, has been consolidated on line by line basis by reducing from Other equity of the Company the value of such shares held by the trust as treasury shares.

#### Note – 7

##### Other adjustments

Other adjustments comprise of the following :

- Employee stock option plan** - Under Previous GAAP, the intrinsic value of the employee stock option plan was recognised as an expense over the vesting period. Under Ind AS, the compensation cost of employee stock option plan is recognised based on the fair value of the options determined using an appropriate pricing model at the date of grant.
- Assets held for sale** - Under Previous GAAP, non-current asset held for sale were carried at historical cost. Under Ind AS, non-current assets held for sale is to be carried at lower of carrying amount and fair value less costs to sell. The company has classified some of its non-current assets as held for sale and the resulting loss has been transferred to retained earnings.
- Other miscellaneous adjustments

#### Note – 8

##### Deferred tax impact on above Ind AS and other transition adjustments

Under Previous GAAP, deferred tax was accounted using the income statement approach, on the timing differences between the taxable profit and accounting profits for the period. Under Ind AS, deferred tax is recognized following balance sheet approach on the temporary differences between the carrying amount of asset or liability in the balance sheet and its tax base. In addition, various transitional adjustments has also led to recognition of deferred taxes on new temporary differences.

#### Note – 9

##### Measurement of investments designated at fair value through Other Comprehensive Income (OCI)

Investments in equity instruments have been measured at fair value through profit or loss as against cost less diminution of other than temporary nature, if any, under the Previous GAAP.

Certain equity investments (other than investments in subsidiaries, joint ventures and associates) have been measured at fair value through other comprehensive income (FVTOCI).



## Notes forming part of the Financial Statements for the year ended 31 March 2017

### 49 First time adoption of Ind AS (contd.)

The difference between the fair value and Previous GAAP carrying value on transition date has been recognized as an adjustment to separate component of other equity.

#### Note – 10

##### Re-measurement gains on defined benefit plans

Under Ind AS, Remeasurements i.e. actuarial gains and losses and the return on plan assets, excluding amounts included in the net interest expense on the net defined liability, are recognized in other comprehensive income instead of profit or loss in Previous GAAP.

#### Note – 11

##### Excise duty

Under Previous GAAP, revenue from sale of goods was presented net of excise duty whereas under Ind AS the revenue from sale of goods is presented inclusive of excise duty. The excise duty is presented on the face of the Statement of profit and loss as part of expenses.

#### Note – 12

##### Investment property

Under the Previous GAAP, investment properties were presented as part of property, plant and equipment. Under Ind AS, investment properties are required to be separately presented on the face of the balance sheet. There is no impact on the total equity or profit as a result of this adjustment.

#### Note – 13

##### Minimum Alternate Tax ('MAT')

Ind AS 12 requires classification of MAT credit as deferred tax asset. Accordingly, the Company has reclassified MAT credit from loans and advances to deferred tax asset on each reporting date. There is no impact on the total equity or profit as a result of this adjustment.

#### Note – 14

##### Componentisation

The Company had realigned the remaining useful life of a component of a item of its plant and machinery in accordance with the provisions of component accounting prescribed under Schedule II to the Companies Act, 2013. Consequently, the carrying value of the item of plant and machinery which has completed its useful life amounting to ₹1.16 crores (net of deferred tax ₹0.62 crores) has been adjusted in opening retained earnings.

For and on behalf of the Board

**RAJAN NANDA**  
Chairman and Managing Director  
(DIN: 00043256)

**NIKHIL NANDA**  
Managing Director  
(DIN: 00043432)

**HARDEEP SINGH**  
Director  
(DIN: 00088096)

As per our Report of even date attached

for **S.N.DHAWAN & CO. LLP**  
Chartered Accountants  
(Firm Regn No. 000050N/N500045)

**P.H. RAVIKUMAR**  
Director  
(DIN: 00280010)

**BHARAT MADAN**  
Group Chief Financial Officer

**AJAY SHARMA**  
Group General Counsel  
& Company Secretary

**VIJAY DHAWAN**  
Partner  
M No. 12565

Place : Faridabad  
Date : 29 May 2017

## Independent Auditor's Report

To the Members of Escorts Limited

### Report on the Consolidated Ind AS Financial Statements

We have audited the accompanying consolidated Indian Accounting Standard (Ind AS) financial statements of Escorts Limited, ("the Holding Company") and its subsidiaries (the Holding Company and its subsidiaries together referred to as "the Group") and jointly controlled entity, comprising of the Consolidated Balance Sheet as at March 31, 2017, the Consolidated Statement of Profit and Loss including other comprehensive income, the Consolidated Statement of Cash Flows, the Consolidated Statement of Changes in Equity, for the year then ended, and a summary of the significant accounting policies and other explanatory information (herein after referred to as "the consolidated Ind AS financial statements").

### Management's Responsibility for the Consolidated Ind AS Financial Statements

The Holding Company's Board of Directors is responsible for the preparation of these consolidated Ind AS financial statements in terms of the requirements of the Companies Act, 2013 ("the Act") that give a true and fair view of the consolidated financial position, consolidated financial performance including other comprehensive income, consolidated cash flows and consolidated statement of changes in equity of the Group including its jointly controlled entity in accordance with the accounting principles generally accepted in India, including the Indian Accounting Standards specified under Section 133 of the Act. The respective Board of Directors of the companies included in the group and of its jointly controlled entity (which is incorporated in India) are responsible for maintenance of adequate accounting records in accordance with the provisions of the act for safeguarding the assets of the group its jointly controlled entity and for preventing and detecting frauds and other irregularities; selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent; and the design, implementation and maintenance of adequate internal financial controls, that were operating effectively for ensuring the accuracy and completeness of the accounting records, relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error, which have been used for the purpose of preparation of the consolidated Ind AS financial statements by the directors of the Holding Company, as aforesaid.

### Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated Ind AS financial statements based on our audit.

While conducting the audit, we have taken into account the provisions of the Act, the accounting and auditing standards and matters which are required to be included in the audit report under the provisions of the Act and the Rules made thereunder.

We conducted our audit in accordance with the Standards on Auditing specified under Section 143(10) of the Act. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated Ind AS financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and the disclosures in the consolidated Ind AS financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated Ind AS financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal financial controls relevant to the Holding Company's preparation of the consolidated Ind AS financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of the accounting estimates made by the Holding Company's Board of Directors, as well as evaluating the overall presentation of the consolidated Ind AS financial statements.

We believe that the audit evidence obtained by us and the audit evidence obtained by the other auditors in terms of their reports referred to in sub-paragraph (a) and (b) of the Other Matters paragraph below, is sufficient and appropriate to provide a basis for our audit opinion on the consolidated Ind AS financial statements.

**Opinion**

In our opinion and to the best of our information and according to the explanations given to us and based on the consideration of the reports of the other auditors on the separate financial statements and on the other financial information of the subsidiaries and jointly controlled entity as noted below, the aforesaid consolidated Ind AS financial statements give the information required by the Act in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India, of the consolidated state of affairs of the Group and its jointly controlled entity as at March 31, 2017, and their consolidated financial performance (including other comprehensive income), their consolidated cash flows and consolidated statement of changes in equity for the year ended on that date.

**Other Matters**

- (a) The comparative financial information for the year ended March 31, 2016 and the transition date opening balance sheet as at April 1, 2015 in respect of six subsidiaries and a jointly controlled entity included in this consolidated Ind AS financial statements prepared in accordance with the Ind AS have been audited by other auditors and have been relied upon by us.
- (b) We did not audit the financial statements / financial information of six subsidiaries and a jointly controlled entity, whose financial statements / financial information reflect total assets of ₹65.05 crores as at March 31, 2017, total revenues of ₹56.39 crores and net cash flows amounting to ₹12.16 for the year ended on that date, as considered in the consolidated Ind AS financial statements. The consolidated Ind AS financial statements also include the Group's share of net loss of ₹1.09 crores for the year ended March 31, 2017, as considered in the consolidated Ind AS financial statements, in respect of a jointly controlled entity, whose financial statements / financial information have not been audited by us. These financial statements / financial information have been audited by other auditors whose reports have been furnished to us by the Management and our opinion on the consolidated Ind AS financial statements, in so far as it relates to the amounts and disclosures included in respect of these subsidiaries and jointly controlled entity, and our report in terms of sub-section (3) of Section 143 of the Act, in so far as it relates to the aforesaid subsidiaries and jointly controlled entity, is based solely on the reports of the other auditors.

One of these subsidiaries is located outside India whose financial statements and other financial information have been prepared in accordance with accounting principles generally accepted in their respective country and which have been audited by other auditor under generally accepted auditing standards applicable in their country. The Company's management has converted the financial statements of such subsidiary located outside India from accounting principles generally accepted in their country to accounting principles generally accepted in India. We have audited these conversion adjustments made by the Company's management. Our opinion in so far as it relates to the balances and affairs of such subsidiary located outside India is based on the report of other auditor and the conversion adjustments prepared by the management of the Company and audited by us.

Our opinion above on the consolidated Ind AS financial statements, and our report on Other Legal and Regulatory Requirements below, is not modified in respect of the above matters with respect to our reliance on the work done by and the reports of the other auditors.

**Report on Other Legal and Regulatory Requirements**

As required by Section 143(3) of the Act, we report, to the extent applicable, that:

- a) We have sought and obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit of the aforesaid consolidated Ind AS financial statements;
- b) In our opinion, proper books of account as required by law relating to preparation of the aforesaid consolidated Ind AS financial statements have been kept so far as it appears from our examination of those books and the reports of the other auditors.
- c) The Consolidated Balance Sheet, the Consolidated Statement of Profit and Loss, the Consolidated Cash Flow Statement,

and Consolidated Statement of Changes in Equity dealt with by this Report are in agreement with the relevant books of account maintained for the purpose of preparation of the consolidated financial statements.

- d) In our opinion, the aforesaid consolidated financial statements comply with the Indian Accounting Standards specified under Section 133 of the Act.
- e) On the basis of the written representations received from the directors of the Holding Company as on March 31, 2017 taken on record by the Board of Directors of the Holding Company and the reports of the other statutory auditors of its subsidiaries and jointly controlled entity incorporated in India, none of the directors of the Group companies and its jointly controlled entity, incorporated in India is disqualified as on March 31, 2017 from being appointed as a director in terms of Section 164 (2) of the Act.
- f) With respect to the adequacy of the internal financial controls over financial reporting of the Holding Company, its subsidiaries and jointly controlled entity incorporated in India and the operating effectiveness of such controls, refer to our separate Report in "Annexure A" ,
- g) With respect to the other matters to be included in the Auditor's Report in accordance with Rule 11 of the Companies (Audit and Auditor's) Rules, 2014 (as amended), in our opinion and to the best of our information and according to the explanations given to us and based on the auditor's reports and other financial information of the Holding Company, subsidiaries and jointly controlled entity, as noted in the 'Other Matters' paragraph:
- (i) The consolidated Ind AS financial statements disclose the impact of pending litigations on the consolidated financial position of the Group and its jointly controlled entity - Refer Note 34 to the consolidated Ind AS financial statements;
- (ii) Provision has been made in the consolidated Ind AS financial statements, as required under the applicable law or accounting standards, for material foreseeable losses, if any, on long-term contracts including derivative contracts – Refer Note 35 to the consolidated Ind AS financial statements in respect of such items as it relates to the Group and its jointly controlled entity;
- (iii) There has been no delay in transferring amounts, required to be transferred, to the Investor Education and Protection Fund by the Holding Company, and its subsidiaries and jointly controlled entity incorporated in India during the year ended March 31, 2017.
- (iv) The Group and its jointly controlled entity incorporated in India has provided requisite disclosures in the financial statements as to holdings as well as dealings in Specified Bank Notes during the period from 8 November 2016 to 30 December 2016. Based on audit procedures and relying on the management representation we report that the disclosures are in accordance with books of account maintained by the Group and its jointly controlled entity incorporated in India and as produced to us by the Management and the reports of the other auditors. – Refer Note 13.

Place: New Delhi  
Date: 29 May 2017

For **S.N. Dhawan & Co. LLP**  
Chartered Accountants  
(Firm's Registration No.:000050N/N500045)

per **Vijay Dhawan**  
Partner  
Membership No.: 012565

## Annexure - A to the Independent Auditor's Report

Referred to in Paragraph (f) under "Report on Other Legal and Regulatory Requirements" section of our report of even date

### Report on the Internal Financial Controls under Clause (i) of Sub-section 3 of Section 143 of the Companies Act, 2013 ("the Act")

We have audited the internal financial controls over financial reporting of Escorts Limited ("the Holding Company") and its subsidiary companies which are companies incorporated in India, as of March 31, 2017 in conjunction with our audit of the consolidated Ind AS financial statements of the Company for the year ended on that date.

#### Management's Responsibility for Internal Financial Controls

The Respective Board of Directors of the Holding Company and its subsidiary companies, which are companies incorporated in India, are responsible for establishing and maintaining internal financial controls based on the internal control over financial reporting criteria established by the Company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls over Financial Reporting issued by the Institute of Chartered Accountants of India ('ICAI'). These responsibilities include the design, implementation and maintenance of adequate internal financial controls that were operating effectively for ensuring the orderly and efficient conduct of its business, including adherence to company's policies, the safeguarding of its assets, the prevention and detection of frauds and errors, the accuracy and completeness of the accounting records, and the timely preparation of reliable financial information, as required under the Companies Act, 2013.

#### Auditor's Responsibility

Our responsibility is to express an opinion on the Company's internal financial controls over financial reporting based on our audit. We conducted our audit in accordance with the Guidance Note on Audit of Internal Financial Controls over Financial Reporting (the "Guidance Note") and the Standards on Auditing, issued by ICAI and deemed to be prescribed under section 143(10) of the Companies Act, 2013, to the extent applicable to an audit of internal financial controls, both applicable to an audit of Internal Financial Controls and, both issued by the ICAI. Those Standards and the Guidance Note require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether adequate internal financial controls over financial reporting was established and maintained and if such controls operated effectively in all material respects.

Our audit involves performing procedures to obtain audit evidence about the adequacy of the internal financial controls system over financial reporting and their operating effectiveness. Our audit of internal financial controls over financial reporting included obtaining an understanding of internal financial controls over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated Ind AS financial statements, whether due to fraud or error.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the Company's internal financial controls system over financial reporting.

#### Meaning of Internal Financial Controls over Financial Reporting

A company's internal financial control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal financial control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorisations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorised acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

#### Inherent Limitations of Internal Financial Controls Over Financial Reporting

Because of the inherent limitations of internal financial controls over financial reporting, including the possibility of collusion or improper management override of controls, material misstatements due to error or fraud may occur and not be detected. Also, projections of any evaluation of the internal financial controls over financial reporting to future periods are subject to the risk that the internal financial control over financial reporting may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

#### Opinion

In our opinion, the Holding Company and its subsidiary companies, which are companies incorporated in India, have, in all material respects, an adequate internal financial controls system over financial reporting and such internal financial controls over financial reporting were operating effectively as at March 31, 2017, based on the internal control over financial reporting criteria established by the Company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting issued by the ICAI.

For **S.N. Dhawan & Co. LLP**  
Chartered Accountants  
(Firm's Registration No.:000050N/N500045)

per **Vijay Dhawan**  
Partner  
Membership No.: 012565

Place: New Delhi  
Date: 29 May 2017



## Consolidated Balance Sheet as at 31 March 2017

(₹ crores)

Note	As at 31 March 2017	As at 31 March 2016	As at 1 April 2015
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	3 (i)	1,513.43	1,523.66
Capital work-in-progress	3 (ii)	26.56	21.60
Investment property	4	23.38	23.88
Intangible assets	5 (i)	44.33	15.36
Intangible assets under development	5 (ii)	8.14	36.83
Investments accounted for using equity method	6 (i)	1.07	2.11
Financial assets			
Investments	6 (i)	37.92	30.31
Loans	7 (i)	8.11	7.15
Other financial assets	8 (i)	10.30	9.32
Deferred tax assets (net)	9	51.50	46.90
Income tax assets (net)		0.81	17.41
Other non current assets	10 (i)	13.41	11.31
<b>Total non-current assets</b>		<b>1,738.96</b>	<b>1,745.84</b>
<b>Current assets</b>			
Inventories	11	450.30	432.57
Financial assets			
Investments	6 (ii)	173.35	7.36
Trade receivables	12	456.45	374.97
Cash and cash equivalents	13	69.22	33.12
Bank balances other than above	14	174.88	219.91
Loans	7 (ii)	4.99	4.19
Other financial assets	8 (ii)	13.67	14.49
Other current assets	10 (ii)	102.54	102.54
<b>Total current assets</b>		<b>1,445.40</b>	<b>1,189.15</b>
Assets held for sale	15	14.86	9.00
<b>Total assets</b>		<b>3,199.22</b>	<b>2,943.99</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>			
Equity share capital	16	122.58	122.58
Other equity	17	1,498.35	1,343.90
<b>Total of equity (for shareholders of parent)</b>		<b>1,620.93</b>	<b>1,466.48</b>
Non-controlling interests	18	1.74	1.88
<b>Total equity</b>		<b>1,622.67</b>	<b>1,468.36</b>
<b>Liabilities</b>			
<b>Non-current liabilities</b>			
Financial liabilities			
Borrowings	19(i)	58.59	89.67
Other financial liabilities	20 (i)	13.05	12.18
Provisions	22 (i)	20.73	27.89
Other non-current liabilities	21 (i)	17.07	17.04
<b>Total non-current liabilities</b>		<b>109.44</b>	<b>146.78</b>
<b>Current liabilities</b>			
Financial Liabilities			
Borrowings	19 (ii)	159.30	225.61
Trade payables	23	910.14	750.75
Other financial liabilities	20 (ii)	143.48	129.47
Other current liabilities	21 (ii)	117.67	89.00
Provisions	22 (ii)	131.51	132.73
Income tax liabilities		5.01	1.29
<b>Total current liabilities</b>		<b>1,467.11</b>	<b>1,328.85</b>
<b>Total equity and liabilities</b>		<b>3,199.22</b>	<b>2,943.99</b>

The accompanying notes (1 to 49) are integral part of the financial statements.

For and on behalf of the Board

**RAJAN NANDA**  
Chairman and Managing Director  
(DIN: 00043256)

**NIKHIL NANDA**  
Managing Director  
(DIN: 00043432)

**HARDEEP SINGH**  
Director  
(DIN: 00088096)

As per our Report of even date attached  
for **S.N.DHAWAN & CO. LLP**  
Chartered Accountants  
(Firm Regn No. 000050N/N500045)

**P.H. RAVIKUMAR**  
Director  
(DIN: 00280010)

**BHARAT MADAN**  
Group Chief Financial Officer

**AJAY SHARMA**  
Group General Counsel  
& Company Secretary

**VIJAY DHAWAN**  
Partner  
M No. 12565

Place : Faridabad  
Date : 29 May 2017

## Consolidated Statement of Profit and Loss for the year ended 31 March 2017

(₹ crores)

Note	Year ended 31 March 2017	Year ended 31 March 2016
Revenue from operations	24	4,219.76
Other income	25	47.09
<b>Total income</b>		<b>4,266.85</b>
<b>Expenses</b>		
Cost of material consumed	26	2,633.66
Purchases of stock-in-trade		244.12
Changes in inventories of finished goods, stock-in-trade and work-in-progress	26	(46.49)
Excise duty		74.43
Employee benefits expense	27	451.01
Finance costs	28	32.21
Depreciation and amortisation expense	29	63.42
Other expenses	30	553.48
<b>Total expenses</b>		<b>4,005.84</b>
<b>Profit before exceptional items, share of net profit of investment accounted for using the equity method and tax</b>		<b>261.01</b>
Share of loss of equity accounted investments		(1.06)
<b>Profit before exceptional items and tax</b>		<b>259.95</b>
Exceptional items	31	11.24
<b>Profit before tax from continuing operations</b>		<b>248.71</b>
Tax expense	9	
Current tax		81.75
Deferred tax (credit)/charge		(4.50)
<b>Total tax expense</b>		<b>77.25</b>
<b>Profit for the period from continuing operations</b>		<b>171.46</b>
<b>Discontinued operations</b>		
Loss from discontinued operations	32 (ii)	(58.46)
Tax expense of discontinued operations	32 (ii)	(17.75)
Loss from discontinued operations after tax		<b>(40.71)</b>
<b>Net profit for the year</b>		<b>130.75</b>
<b>Other comprehensive income</b>		
Items that will not be reclassified to profit and loss		
(a) Net changes in fair values of equity instruments carried at fair value through OCI		7.76
(b) Re-measurements of defined employee benefit plans		(2.63)
Income tax relating to items that will not be reclassified to profit or loss		0.02
Items that will be reclassified to profit or loss		
(a) Exchange differences on translation of foreign operations		(0.07)
Income tax relating to items that will be reclassified to profit or loss		-
<b>Total other comprehensive income for the year</b>		<b>5.08</b>
<b>Total comprehensive income for the year</b>		<b>135.83</b>
<b>Profit attributable to:</b>		
Owners		131.27
Non-controlling interests		(0.52)
<b>Other comprehensive income attributable to:</b>		
Owners		5.08
Non-controlling interests		-
<b>Total comprehensive income attributable to:</b>		
Owners		136.35
Non-controlling interests		(0.52)
<b>Earnings per equity share (for continuing operations):</b>	33	
Basic (₹)		20.94
Diluted (₹)		20.93
<b>Earnings per equity share (for discontinued operations):</b>		
Basic (₹)		(4.96)
Diluted (₹)		(4.95)
<b>Earnings per equity share (for discontinued and continuing operations):</b>		
Basic (₹)		15.98
Diluted (₹)		15.98

The accompanying notes (1 to 49) are integral part of the financial statements.

For and on behalf of the Board

**RAJAN NANDA**  
Chairman and Managing Director  
(DIN: 00043256)

**NIKHIL NANDA**  
Managing Director  
(DIN: 00043432)

**HARDEEP SINGH**  
Director  
(DIN: 00088096)

As per our Report of even date attached  
for **S.N.DHAWAN & CO. LLP**  
Chartered Accountants  
(Firm Regn No. 000050N/N500045)

**P.H. RAVIKUMAR**  
Director  
(DIN: 00280010)

**BHARAT MADAN**  
Group Chief Financial Officer

**AJAY SHARMA**  
Group General Counsel  
& Company Secretary

**VIJAY DHAWAN**  
Partner  
M No. 12565

Place : Faridabad  
Date : 29 May 2017

## Consolidated Cash Flow Statement for the year ended 31 March 2017

(₹ crores)

	Year ended 31 March 2017	Year ended 31 March 2016
<b>A Cash flow from operating activities</b>		
<b>Profit before tax from</b>		
Continuing operations	248.71	99.39
Discontinued operations	(58.46)	(25.96)
<b>Profit before tax including discontinued operations</b>	<b>190.25</b>	<b>73.43</b>
<b>Adjustments for:</b>		
Depreciation and amortisation expense	64.87	60.74
Bad debts and advances written off, allowance for doubtful trade receivable, writte backs & others (net)	34.15	12.09
Interest Expense	36.06	54.32
Interest Income	(27.52)	(32.65)
Share of loss of equity accounted investments	1.06	1.36
Gain on disposal of property, plant and equipment (net)	(1.63)	0.03
Net gain on investment	(4.41)	(0.47)
Unrealised foreign exchange gain	(0.15)	(0.82)
<b>Operating profit before working capital changes</b>	<b>292.68</b>	<b>168.03</b>
<b>Movement in working capital</b>		
Inventories	(42.67)	21.21
Trade Receivable	(92.48)	1.50
Other Financial Assets	(5.69)	(7.84)
Other Assets	(1.66)	46.48
Trade Payables	159.23	31.56
Other Financial Liability	23.63	(4.45)
Other Liability	14.47	(51.57)
<b>Cash flow from operating activities post working capital changes</b>	<b>347.51</b>	<b>204.92</b>
Income tax paid (net)	(43.68)	7.32
<b>Net cash flow from operating activities (A)</b>	<b>303.83</b>	<b>212.24</b>
<b>B Cash flows from investing activities</b>		
Purchase of property, plant and equipment (including capital advances)	(65.89)	(48.69)
Sale of property, plant and equipment	13.40	2.20
Purchase of intangible assets	(13.00)	(5.51)
Sale of intangible assets	0.10	-
Purchase of investment (net)	(161.48)	(2.85)
Bank deposit (having original maturity of more than 3 months)	52.65	(24.85)
Margin/bank deposits others	(10.78)	2.98
Interest received	30.41	31.67
Dividend received	0.01	0.03
<b>Net cash flows used in investing activities (B)</b>	<b>(154.58)</b>	<b>(45.02)</b>

## Consolidated Cash Flow Statement for the year ended 31 March 2017

(₹ crores)

	Year ended 31 March 2017	Year ended 31 March 2016
<b>C Cash flows from financing activities</b>		
Proceeds from treasury shares	29.52	0.91
Proceeds/(repayment) of preference shares	1.90	(1.60)
Repayment of long term borrowings	(53.32)	(71.95)
Proceeds from long term borrowings	16.58	35.00
Repayment of short term borrowings (net)	(66.34)	(94.77)
Interest Paid	(28.70)	(45.73)
Dividend and tax thereon paid	(12.76)	(12.75)
<b>Net cash used in financing activities (C)</b>	<b>(113.12)</b>	<b>(190.89)</b>
Increase in cash and cash equivalents (A+B+C)	36.13	(23.67)
Cash and cash equivalents at the beginning of the year (refer note 13)	33.12	55.86
Exchange difference on translation of foreign currency cash and cash equivalents	(0.03)	0.93
<b>Cash and cash equivalents at the end of the year (refer note 13)</b>	<b>69.22</b>	<b>33.12</b>

Note: The above statement of Cash Flow has been prepared under the 'Indirect Method' as set out in Ind AS 7, 'Statement of Cash Flows'.

For and on behalf of the Board

**RAJAN NANDA**  
Chairman and Managing Director  
(DIN: 00043256)

**NIKHIL NANDA**  
Managing Director  
(DIN: 00043432)

**HARDEEP SINGH**  
Director  
(DIN: 00088096)

As per our Report of even date attached

for **S.N.DHAWAN & CO. LLP**  
Chartered Accountants  
(Firm Regn No. 000050N/N500045)

**P.H. RAVIKUMAR**  
Director  
(DIN: 00280010)

**BHARAT MADAN**  
Group Chief Financial Officer

**AJAY SHARMA**  
Group General Counsel  
& Company Secretary

**VIJAY DHAWAN**  
Partner  
M No. 12565

Place : Faridabad  
Date : 29 May 2017

## Statement of changes in equity for the year ended 31 March 2017

A Equity share capital		Changes in equity share capital during the year		Balance as at 31 March 2016
				(₹ Crores)
Balance as at 1 April 2015	122.58	-	-	122.58
<b>A Equity share capital</b>				
Balance as at 1 April 2016	122.58	-	-	122.58

	Other comprehensive income - Reserve										Total				
	Treasury shares	Capital reserve	Capital redemption reserve	Securities premium reserve	General reserve	Employee's stock options outstanding account	Retained earnings	Additional paid up capital - equity component	Special reserve	Other Equity Instruments through Comprehensive Income		Remeasurement of defined benefit plans	Foreign currency translation reserve	Total attributable to owners of the Company	Attributable to Non-controlling interest
Balance as at 1 April 2015	(384.66)	97.40	4.00	456.54	513.33	0.05	570.05	3.14	0.02	19.29	-	-	1,279.16	1.73	1,280.89
Profit for the year	-	-	-	-	-	-	70.61	-	-	-	-	-	70.61	(0.46)	70.15
Dividends	-	-	-	-	-	-	(10.93)	-	-	-	-	-	(10.93)	-	(10.93)
Tax on dividends	-	-	-	-	-	-	(2.99)	-	-	-	-	-	(2.99)	-	(2.99)
Transfers within equity	-	-	2.00	-	-	-	(2.05)	-	0.05	-	-	-	-	-	-
Employee stock option charge for the year	-	-	-	-	-	0.05	-	-	-	-	-	-	0.05	-	0.05
Transferred from employee stock option reserve in respect to exercised options	-	-	-	0.03	-	(0.03)	-	-	-	-	-	-	-	-	-
Other comprehensive income for the year	-	-	-	-	-	-	-	-	-	2.71	0.43	0.71	3.85	-	3.85
Movement during the year	0.91	-	-	-	-	-	-	3.24	-	-	-	-	4.15	0.61	4.76
Balance as at 31 March 2016	(383.75)	97.40	6.00	456.57	513.33	0.07	624.69	6.38	0.07	22.00	0.43	0.71	1,343.90	1.88	1,345.78
Profit for the year	-	-	-	-	-	-	131.27	-	-	-	-	-	131.27	(0.52)	130.75
Dividends	-	-	-	-	-	-	(10.07)	-	-	-	-	-	(10.07)	-	(10.07)
Tax on dividends	-	-	-	-	-	-	(2.99)	-	-	-	-	-	(2.99)	-	(2.99)
Gain on sale of treasury shares	-	-	-	-	-	-	16.48	-	-	-	-	-	16.48	-	16.48
Employee stock option charge for the year	-	-	-	-	-	0.05	-	-	-	-	-	-	0.05	-	0.05
Transfer from employee stock option reserve in respect to exercised options	-	-	-	0.02	-	(0.02)	-	-	-	-	-	-	-	-	-
Other comprehensive income for the year	-	-	-	-	-	-	-	-	-	6.87	(1.72)	(0.07)	5.08	-	5.08
Movement during the year	13.04	-	6.00	456.59	513.33	0.10	759.38	7.97	0.07	28.87	(1.29)	0.64	14.63	0.38	15.01
Balance as at 31 March 2017	(370.71)	97.40	6.00	456.59	513.33	0.10	759.38	7.97	0.07	28.87	(1.29)	0.64	1,498.35	1.74	1,500.09

For and on behalf of the Board  
**RAJAN NANDA**  
 Chairman and Managing Director  
 (DIN: 00043256)

**P.H. RAVIKUMAR**  
 Director  
 (DIN: 00280010)  
 Place : Faridabad  
 Date : 29 May 2017

**NIKHIL NANDA**  
 Managing Director  
 (DIN: 00043432)

**BHARAT MADAN**  
 Group Chief Financial Officer

**HARDEEP SINGH**  
 Director  
 (DIN: 00088096)

**AJAY SHARMA**  
 Group General Counsel  
 & Company Secretary

As per our Report of even date attached for **S.N.DHAWAN & CO. LLP**  
 Chartered Accountants  
 (Firm Regn No. 000050N/N500045)

**VIJAY DHAWAN**  
 Partner  
 M No. 12565

## Notes forming part of the Consolidated Financial Statements for the year ended 31 March 2017

## 1. Corporate information

Escorts Limited ("the Company") is a public limited company incorporated and domiciled in India and having its registered office at 15/5, Mathura Road, Faridabad (Haryana). The Company's shares are listed with Bombay Stock Exchange, National Stock Exchange and Delhi Stock Exchange. The Company is engaged in the business of manufacturing of agricultural tractors, engines for agricultural tractors, construction, earth moving and material handling equipment, round and flat tubes, heating elements, double acting hydraulic shock absorbers for railways coaches, center buffer couplers, automobile shock absorbers, telescopic front fork & Mcpherson struts, brake block, internal combustion engines and all types of brake used by railways. It also trades in oils & lubricants, implements, trailers, tractors, compressor accessories and spares, construction, earth moving and material handling equipment and aero business.

The Company, its subsidiaries and its joint venture (jointly referred to as the 'Group' herein under) considered in these consolidated financial statements are:

## A. Subsidiaries

Name of the entity	Principal activities	Country of incorporation	% Equity Interest		
			31 March 2017	31 March 2016	1 April 2015
Escorts Finance Limited	Recovery of delinquent loan assets	India	69.42%	69.42%	69.42%
Escorts Asset Management Limited	Management & administrative services to deploy funds	India	78.99%	78.99%	78.99%
Escorts Securities Limited	Provide security trading services	India	98%	98%	98%
EDDAL Credit Limited	Crop solution Services	India	99.86%	99.86%	99.86%
Escorts Benefit & Welfare Trust	Holding stocks on behalf of Settler Escorts Limited	India	100%	100%	100%
Escorts Benefit Trust	Holding securities & fund for payment of dues of fixed deposit holders of Escorts Finance Limited	India	100%	100%	100%
Farmtrac Tractors Europe Spolka z.o.o	Production/development/import/sale of farm tractors.	Poland	100%	100%	100%

## B. Interests in associates and joint ventures

Name of the entity	Principal activities	Country of incorporation	% ownership interest	Relationship	Accounting method
Adico Escorts Agri Equipment Private Limited	Manufacturing & trading of agricultural equipments and its spares and implements	India	40%	Joint Venture	Equity method
Escorts Consumer Credit Limited	Financing Activity	India	29.4%	Associate	Equity method
Pancha Sakha Agri Services, Balasore (Partnership)	Crop solutions services	India	50%	Associate	Equity method
Jay Jagannath Agri Services, Balipal (Partnership)	Crop solutions services	India	50%	Associate	Equity method



## Notes forming part of the Consolidated Financial Statements for the year ended 31 March 2017

Name of the entity	Principal activities	Country of incorporation	% ownership interest	Relationship	Accounting method
Baba Chadaneswar Agri Services, Balasore (Partnership)	Crop solutions services	India	50%	Associate	Equity method
Haritha Raithu Mithra Agri Services LLP (LLP)	Crop solutions services	India	51%	Associate	Equity method
Revanpalli Raytu Sangam Agri Services LLP (LLP)	Crop solutions services	India	51%	Associate	Equity method
Baba Chadaneswar Agri Services LLP, Balasore (LLP)	Crop solutions services	India	51%	Associate	Equity method
Pancha Sakha Agri Services LLP, Balasore (LLP)	Crop solutions services	India	51%	Associate	Equity method
Jay Jagannath Agri Services LLP, Balipal (LLP)	Crop solutions services	India	51%	Associate	Equity method

### C. Additional information as required by Paragraph 2 of the General Instructions for Preparation of Consolidated Financial Statements to Schedule III to the Companies Act, 2013.

Name of the entity	Net assets i.e. total assets minus total liabilities		Share in profit or loss		Share in other comprehensive income		Share in total comprehensive income	
	%	Amount (₹ crore)	%	Amount (₹ crore)	%	Amount (₹ crore)	%	Amount (₹ crore)
<b>Parent</b>								
Escorts Limited	122.71%	1,991.16	122.71%	160.44	101.18%	5.14	121.90%	165.58
<b>Indian subsidiaries</b>								
EDDAL Credit Limited	0.12%	1.90	-0.02%	(0.02)	-	-	-0.01%	(0.02)
Escorts Asset Management Limited	0.56%	9.05	-0.54%	(0.70)	-	-	-0.52%	(0.70)
Escorts Securities Limited	0.49%	8.02	-0.31%	(0.41)	0.20%	0.01	-0.29%	(0.40)
Escorts Benefit and Welfare Trust	-	0.01	-	-	-	-	-	-
Escorts Finance Limited	-10.92%	(177.20)	-0.05%	(0.06)	-	-	-0.04%	(0.06)
Escorts Benefit Trust	0.71%	11.54	21.50%	28.11	-	-	20.69%	28.11
<b>Foreign subsidiaries</b>								
Farmtrac Tractors Europe Sp. Z.o.o, Poland	-0.28%	(4.57)	-8.83%	(11.54)	-1.38%	(0.07)	-8.55%	(11.61)
<b>Joint venture &amp; Associate (Investment as per the equity method)</b>								
<b>Indian</b>								
Adico Escorts Agri Equipment Private Limited	-	-	-0.83%	(1.09)	-	-	-0.80%	(1.09)
Escorts Consumer Credit Limited	-	-	-	-	-	-	-	-
Interest in Partnership/LLP	-	-	0.02%	0.03	-	-	0.02%	0.03
Non-Controlling interest in all subsidiaries	0.11%	1.74	-0.40%	(0.52)	-	-	-0.38%	(0.52)
Intercompany elimination & consolidation adjustment	-13.50%	(218.98)	-33.26%	(43.49)	-	-	-32.02%	(43.49)
<b>Total</b>	<b>100%</b>	<b>1,622.67</b>	<b>100%</b>	<b>130.75</b>	<b>100%</b>	<b>5.08</b>	<b>100%</b>	<b>135.83</b>

## 2. Basis of preparation, measurement, consolidation and significant accounting policies

### 2.1 Overall consideration

## Notes forming part of the Consolidated Financial Statements for the year ended 31 March 2017

### Basis of preparation and measurement

These financial statements have been prepared in accordance with the Indian Accounting Standards (hereinafter referred to as the 'Ind AS') as notified by Ministry of Corporate Affairs pursuant to section 133 of the Companies Act, 2013 read with Rule 3 of the Companies (Indian Accounting Standards) Rules, 2015 and Companies (Indian Accounting Standards) Amendment Rules, 2016.

The consolidated financial statements for the year ended 31 March 2017 were approved for issue by the Board of Directors on 29 May 2017.

These financial statements for the year ended 31 March, 2017 are the first financial statements prepared by the Group as per Ind AS. For all periods upto and including the year ended 31 March 2016, the Group prepared its financial statements in accordance with the accounting standards notified under the section 133 of the Companies Act 2013, read together with paragraph 7 of the Companies (Accounts) Rules, 2014 (hereinafter referred to as 'Previous GAAP') used for its statutory reporting requirement in India immediately before adopting Ind AS. The financial statements for the comparative year ended 31 March 2016 and opening balance sheet at the beginning of the comparative year as at 1 April 2015 have been restated in accordance with Ind AS for comparative information. Reconciliations and explanations of the effect of the transition from Previous GAAP to Ind AS on the Group's Balance Sheet, Statement of Profit and Loss and Statement of Cash Flows are provided in note 49.

The financial statements have been prepared on accrual and going concern basis. The accounting policies are applied consistently to all the periods presented in the financial statements, including the preparation of the opening Ind AS Balance Sheet as at 1 April 2015 being the date of transition to Ind AS. All assets and liabilities have been classified as current or non-current as per the Group's normal operating cycle and other criteria as set out in the Division II of Schedule III to the Companies Act, 2013. Based on the nature of products and the time between acquisition of assets for processing and their realisation in cash and cash equivalents, the Group has ascertained its operating cycle as 12 months for the purpose of current or non-current classification of assets and liabilities.

The financial statements have been prepared under the historical cost convention basis except for the following –

- Certain financial assets which are measured at fair value;
- Defined benefit plans – plan assets measured at fair value;
- Share based payments which are measured at fair value of the options; and
- Assets held for sale – measured at lower of carrying amount and fair value less cost to sell

### Basis of consolidation

#### Subsidiaries

Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the relevant activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases. Profit/(loss) and OCI ('OCI') of subsidiaries acquired or disposed of during the period are recognised from the effective date of acquisition, or up to the effective date of disposal, as applicable. All the consolidated subsidiaries have a consistent reporting date of 31 March 2017.

The Group combines the financial statements of the parent and its subsidiaries line by line adding together like items of assets, liabilities, equity, income and expenses. Intercompany transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Non-controlling interests, presented as part of equity, represent the portion of a subsidiary's statement of profit and loss and net assets that is not held by the Group. Profit/(loss) and each component of OCI are attributed to the equity holders of the parent company and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. The Group attributes total comprehensive income or loss of the subsidiaries between the owners of the

## Notes forming part of the Consolidated Financial Statements for the year ended 31 March 2017

parent and the non-controlling interests based on their respective ownership interests.

The Group treats transactions with non-controlling interests that do not result in a loss of control as transactions with equity owners of the group. Such a change in ownership interest results in an adjustment between the carrying amounts of the controlling and non-controlling interests to reflect their relative interests in the subsidiary. Any difference between the amount of the adjustment to non-controlling interests and any consideration paid or received is recognised within equity.

### Associates and joint ventures

#### Associates

Investment in entities in which there exists significant influence but not a controlling interest are accounted for under the equity method i.e. the investment is initially recorded at cost, identifying any goodwill/capital reserve arising at the time of acquisition, as the case may be, which will be inherent in investment. The carrying amount of the investment is adjusted thereafter for the post acquisition change in the share of net assets of the investee, adjusted where necessary to ensure consistency with the accounting policies of the Group. The consolidated statement of profit and loss includes the Group's share of the results of the operations of the investee. Dividends received or receivable from associate ventures are recognised as a reduction in the carrying amount of the investment. Unrealised gains on transactions between the Group and associates are eliminated to the extent of the Group's interest in these entities.

#### Joint ventures

Investments in joint arrangements are classified as either Joint operations or Joint ventures. The classification depends on the contractual rights and obligations of each investor, rather than the legal structure of the Joint arrangement.

Joint ventures – Interest in joint venture are accounted for using the equity method, after initially being recognised at cost. The carrying amount of the investment is adjusted thereafter for the post acquisition change in the share of net assets of the investee, adjusted where necessary to ensure consistency with the accounting policies of the Group. The consolidated statement of profit and loss includes the Group's share of the results of the operations of the investee. Dividends received or receivable from joint ventures are recognised as a reduction in the carrying amount of the investment. Unrealised gains on transactions between the Group and joint ventures are eliminated to the extent of the Group's interest in these entities.

When the Group's share of losses in an equity-accounted investment equals or exceeds its interest in the entity, including any other unsecured long-term receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the other entity.

## 2.2 Summary of significant accounting policies

### a) Revenue recognition

Revenue from sale of goods is recognised when all the significant risks and rewards of ownership in the goods are transferred to the buyer as per the terms of the contract, there is neither continuing managerial involvement with nor effective control over the goods sold, it is probable that economic benefits will flow to the Group, the costs incurred or to be incurred in respect of the transaction can be measured reliably and the amount of revenue can be measured reliably.

Revenue from services rendered is recognised in proportion to the stage of completion of the transaction at the reporting date when the outcome of the transaction can be estimated reliably.

Revenues from the sale of extended warranties and maintenance contracts embedded in the original sales contracts are recognized over the life of the contract and matched to related costs.

Income from export incentives are recognised on accrual basis.

Revenue is measured at fair value of the consideration received or receivable, after deduction of any trade discounts, volume rebates and any taxes or duties collected on behalf of the government which are levied on sales such as sales tax, value added tax, etc. In case of multi-element revenue arrangements, which involve delivery or performance of multiple products, services, evaluation will be done of all deliverables in an arrangement to determine whether they

## Notes forming part of the Consolidated Financial Statements for the year ended 31 March 2017

represent separate units of accounting at the inception of arrangement. Total arrangement consideration related to the bundled contract is allocated among the different elements based on their relative fair values (i.e., ratio of the fair value of each element to the aggregated fair value of the bundled deliverables). In case the relative fair value of different components cannot be determined on a reasonable basis, the total consideration is allocated to the different components based on residual value method.

### Rental income

Rental income is recognised on a straight-line basis over the term of the lease, except for contingent rental income which is recognised when it arises and where scheduled increase in rent compensates the lessor for expected inflationary costs.

### Interest Income

Interest income is recognized on time proportion basis taking into account the amount outstanding and rate applicable. For all financial assets measured at amortised cost (refer 'h' below), interest income is recorded using the effective interest rate (EIR) i.e. the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the net carrying amount of the financial assets. The future cash flows include all other transaction costs paid or received, premiums or discounts if any, etc.

### Dividend income

Dividend income is recognised at the time when right to receive the payment is established, which is generally when the shareholders approve the dividend.

## b) Foreign currency translation

### Functional and presentation currency

The financial statements are presented in Indian Rupee (₹) and are rounded to two decimal places of crores, which is also the functional and presentation currency of the Group.

### Transactions and balances

Foreign currency transactions are recorded in the functional currency, by applying to the exchange rate between the functional currency and the foreign currency at the date of the transaction.

Foreign currency monetary items are converted to functional currency using the closing rate. Non-monetary items denominated in a foreign currency which are carried at historical cost are reported using the exchange rate at the date of the transactions.

Exchange differences arising on monetary items on settlement, or restatement as at reporting date, at rates different from those at which they were initially recorded, are recognized in the statement of profit and loss in the year in which they arise.

### Foreign operations

In the Group's financial statements, all assets, liabilities and transactions of the Group entities with functional currency other than the Indian Rupee are translated into Indian Rupee upon consolidation. The functional currency of the entities in the Group has remained unchanged during the reporting period. On consolidation, assets and liabilities have been translated into Indian Rupee at the closing rate at the reporting date. Fair value adjustments arising on the acquisition of a foreign entity have been treated as assets and liabilities of the foreign entity and translated into Indian Rupee at the closing rate. Income and expenses have been translated into Indian Rupee at the average rate over the reporting period. Exchange differences are charged/ credited to other comprehensive income and recognized in the currency translation reserve in equity. On disposal of a foreign operation, the related cumulative translation differences recognized in equity are reclassified to the statement of profit or loss and are recognized as part of the gain or loss on disposal.

## c) Borrowing costs

## Notes forming part of the Consolidated Financial Statements for the year ended 31 March 2017

Borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset are capitalized during the period of time that is necessary to complete and prepare the asset for its intended use or sale. A qualifying asset is one that necessarily takes substantial period of time to get ready for its intended use. Capitalisation of borrowing costs is suspended in the period during which the active development is delayed due to, other than temporary, interruption. All other borrowing costs are charged to the statement of profit and loss as incurred.

### d) Property, plant and equipment

#### Recognition and initial measurement

Property, plant and equipment are stated at their cost of acquisition. The cost comprises purchase price, borrowing cost if capitalization criteria are met and directly attributable cost of bringing the asset to its working condition for the intended use. Any trade discount and rebates are deducted in arriving at the purchase price. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits attributable to such subsequent cost associated with the item will flow to the Group. All other repair and maintenance costs are recognised in statement of profit and loss as incurred.

In case an item of property, plant and equipment is acquired on deferred payment basis, interest expenses included in deferred payment is recognised as interest expense and not included in cost of asset.

#### Subsequent measurement (depreciation and useful lives)

Depreciation on property, plant and equipment is provided on the straight-line method, computed on the basis of useful lives mentioned below:

Asset category	Estimated useful life (in years)
Factory buildings	30
Office buildings	60
Tubewells and fencing	5
Roads	10
Sheds	3
Plant and machinery	3-25*
Furniture and fixtures	5-10*
Office equipment	3-10
Vehicles	8-20
Leasehold improvements	Over the effective term of the lease
Electrical appliances	10
IT equipments	6
Computers	3

\*Based on technical evaluation, the management believes that the useful lives as given above best represent the period over which management expects to use these assets. Hence, the useful lives for certain items within these classes of assets is different from the useful lives as prescribed under Part C of Schedule II to the Companies Act 2013.

The residual values, useful lives and method of depreciation are reviewed at each financial year end and adjusted prospectively, if appropriate.

Where, during any financial year, any addition has been made to any asset, or where any asset has been sold, discarded, demolished or destroyed, or significant components replaced; depreciation on such assets is calculated on a pro rata basis as individual assets with specific useful life from the month of such addition or, as the case may be, up to the month on which such asset has been sold, discarded, demolished or destroyed or replaced.

#### De-recognition

## Notes forming part of the Consolidated Financial Statements for the year ended 31 March 2017

An item of property, plant and equipment and any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on de-recognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the income statement when the asset is derecognised.

### e) Investment properties

#### Recognition and initial measurement

Investment properties are properties held to earn rentals or for capital appreciation, or both. Investment properties are measured initially at their cost of acquisition. The cost comprises purchase price, borrowing cost if capitalization criteria are met and directly attributable cost of bringing the asset to its working condition for the intended use. Any trade discount and rebates are deducted in arriving at the purchase price.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group. All other repair and maintenance costs are recognised in statement of profit and loss as incurred.

Though the Group measures investment property using cost based measurement, the fair value of investment property is disclosed in the notes to the financial statements. Fair values are determined based on an annual evaluation performed by an accredited external independent valuer who holds a recognised and relevant professional qualification and has recent experience in the location and category of the investment property being valued.

#### Subsequent measurement (depreciation and useful lives)

Depreciation on investment properties is provided on the straight-line method, computed on the basis of useful lives prescribed under Part C of Schedule II to the Companies Act, 2013.

The residual values, useful lives and method of depreciation are reviewed at each financial year end and adjusted prospectively, if appropriate.

Where during any financial year, any addition has been made to any asset, or where any asset has been sold, discarded, demolished or destroyed, or significant components replaced; depreciation on such assets is calculated on a pro rata basis as individual assets with specific useful life from the month of such addition or, as the case may be, up to the month on which such asset has been sold, discarded, demolished or destroyed or replaced.

#### De-recognition

Investment properties are derecognised either when they have been disposed of or when they are permanently withdrawn from use and no future economic benefit is expected from their disposal. The difference between the net disposal proceeds and the carrying amount of the asset is recognised in profit or loss in the period of de-recognition.

### f) Intangible assets

#### Recognition and initial measurement

Purchased intangible assets are stated at cost less accumulated amortization and impairment, if any.

#### Internally developed intangible assets

Expenditure on the research phase of projects is recognised as an expense as incurred.

Costs that are directly attributable to a project's development phase are recognised as intangible assets, provided the Group can demonstrate the following:

- the technical feasibility of completing the intangible asset so that it will be available for use.
- its intention to complete the intangible asset and use or sell it
- its ability to use or sell the intangible asset
- how the intangible asset will generate probable future economic benefits
- the availability of adequate technical, financial and other resources to complete the development and to use or



## Notes forming part of the Consolidated Financial Statements for the year ended 31 March 2017

sell the intangible asset.

- its ability to measure reliably the expenditure attributable to the intangible asset during its development

Development costs not meeting these criteria for capitalisation are expensed as incurred.

Directly attributable costs include employee costs incurred on development of prototypes along with an appropriate portion of relevant overheads and borrowing costs.

### Subsequent measurement (amortisation)

All finite-lived intangible assets, including internally developed intangible assets, are accounted for using the cost model whereby capitalised costs are amortised on a straight-line basis over their estimated useful lives. The estimated useful life of an identifiable intangible asset is based on a number of factors including the effects of obsolescence, demand, competition, and other economic factors (such as the stability of the industry, and known technological advances), and the level of maintenance expenditures required to obtain the expected future cash flows from the asset

Residual values and useful lives are reviewed at each reporting date. The following useful lives are applied:

Asset category	Estimated useful life (in years)
Software	6
Prototypes	4
Technical know how	6

### g) Leases

#### Finance leases

Management applies judgement in considering the substance of a lease agreement and whether it transfers substantially all the risks and rewards incidental to ownership of the leased asset. Key factors considered include i) the length of the lease term in relation to the economic life of the asset ii) the present value of the minimum lease payments in relation to the asset's fair value, and iii) whether the Group obtains ownership of the asset at the end of the lease term. Where the Group is a lessee in this type of arrangement, the related asset is recognised at the inception of the lease at the fair value of the leased asset or, if lower, the present value of the lease payments plus incidental payments, if any. A corresponding amount is recognized as a finance lease liability. Assets held under finance leases (including land) are depreciated over their estimated useful lives. The corresponding finance lease liability is reduced by lease payments net of finance charges. The interest element of lease payments represents a constant proportion of the outstanding capital balance and is charged to statement of profit and loss, as finance costs over the period of the lease.

Refer note 2.2 (d) for the depreciation methods and useful lives for assets held under finance leases.

The interest element of lease payments is charged to profit or loss, as finance costs over the period of the lease.

#### Operating lease

All leases other than finance leases are treated as operating leases. Where the Group is a lessee, lease rentals are charged to statement of profit and loss on straight line basis except where scheduled increase in rent compensate the lessor for expected inflationary costs. Associated costs, such as maintenance and insurance, are expensed as incurred.

Where the Group is a lessor, the respective leased assets are included in the balance sheet based on their nature. Rental income is recognized on straight line basis over the lease term except where scheduled increase in rent compensates the Group with expected inflationary costs.

### h) Financial instruments

Financial instruments are recognised when the Group becomes a party to the contractual provisions of the instrument and are measured initially at fair value adjusted for transaction costs, except for those carried at fair value through profit or loss which are measured initially at fair value.

If the Group determines that the fair value at initial recognition differs from the transaction price, the Group accounts

## Notes forming part of the Consolidated Financial Statements for the year ended 31 March 2017

for that instrument at that date as follows:

- at the measurement basis mentioned above if that fair value is evidenced by a quoted price in an active market for an identical asset or liability (i.e. a Level 1 input) or based on a valuation technique that uses only data from observable markets. The Group recognises the difference between the fair value at initial recognition and the transaction price as a gain or loss.
- in all other cases, at the measurement basis mentioned above, adjusted to defer the difference between the fair value at initial recognition and the transaction price. After initial recognition, the Group recognises that deferred difference as a gain or loss only to the extent that it arises from a change in a factor (including time) that market participants would take into account when pricing the asset or liability.

Subsequent measurement of financial assets and financial liabilities is described below.

### Financial assets

#### Classification and subsequent measurement

For the purpose of subsequent measurement, financial assets are classified into the following categories upon initial recognition:

- Financial assets at amortised cost** – the financial instrument is measured at amortised cost if both the following conditions are met:
  - The asset is held within a business model whose objective is to hold assets for collecting contractual cash flows, and
  - Contractual terms of the asset give rise on specified dates to cash flows that are solely payments of principal and interest (SPPI) on the principal amount outstanding.

After initial measurement, such financial assets are subsequently measured at amortised cost using the effective interest method.

- Investments in equity instruments of subsidiaries, joint ventures and associates** – Investments in equity instruments of subsidiaries, joint ventures and associates are accounted for at cost in accordance with Ind AS 27 Separate Financial Statements.

- Financial assets at fair value**

- Investments in equity instruments other than above** – All equity investments in scope of Ind AS 109 are measured at fair value. Equity instruments which are held for trading are generally classified as at fair value through profit and loss (FVTPL). For all other equity instruments, the Group decides to classify the same either as at fair value through other comprehensive income (FVOCI) or fair value through profit and loss (FVTPL). The Group makes such election on an instrument by instrument basis. The classification is made on initial recognition and is irrevocable.

If the Group decides to classify an equity instrument as at FVOCI, then all fair value changes on the instrument, excluding dividends, are recognized in the other comprehensive income (OCI). There is no recycling of the amounts from OCI to P&L, even on sale of investment. However, the Group may transfer the cumulative gain or loss within equity. Dividends on such investments are recognised in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment.

Equity instruments included within the FVTPL category are measured at fair value with all changes recognized in the P&L.

- Mutual funds** – All mutual funds in scope of Ind-AS 109 are measured at fair value through profit and loss (FVTPL).

#### De-recognition of financial assets

A financial asset is primarily de-recognised when the rights to receive cash flows from the asset have expired or the Group has transferred its rights to receive cash flows from the asset.

### Financial liabilities

## Notes forming part of the Consolidated Financial Statements for the year ended 31 March 2017

### Subsequent measurement

After initial recognition, the financial liabilities are subsequently measured at amortised cost using the effective interest method.

Amortised cost is calculated by considering any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The effect of EIR amortisation is included as finance costs in the statement of profit and loss.

### De-recognition of financial liabilities

A financial liability is de-recognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the de-recognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the statement of profit and loss.

### Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the balance sheet if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, to realise the assets and settle the liabilities simultaneously.

### i) Impairment of financial assets

All financial assets except for those at FVTPL are subject to review for impairment at least at each reporting date to identify whether there is any objective evidence that a financial asset or a group of financial assets is impaired. Different criteria to determine impairment are applied for each category of financial assets.

In accordance with Ind-AS 109, the Group applies expected credit loss (ECL) model for measurement and recognition of impairment loss for financial assets carried at amortised cost.

ECL is the weighted average of difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive, discounted at the original effective interest rate, with the respective risks of default occurring as the weights. When estimating the cash flows, the Group is required to consider –

- All contractual terms of the financial assets (including prepayment and extension) over the expected life of the assets.
- Cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

### Trade receivables

(i) For debtors that are not past due – The Group applies approach permitted by Ind AS 109 Financial Instruments, which requires lifetime expected credit losses to be recognised upon initial recognition of receivables. Lifetime ECL are the expected credit losses resulting from all possible default events over the expected life of a financial instrument.

Life time expected credit losses are assessed and accounted based on group's historical counter party default rates and forecast of macro-economic factors, by dividing receivables that are not considered to be individually significant by reference to the business segment of the counter party and other shared credit risk characteristics to evaluate the expected credit loss. The expected credit loss estimate is then based on recent historical counter party default rates for each identified segment.

The Group defines default as an event when the financial asset is past due for more than 365 days. This definition is based on management's expectation of the time period beyond which if a receivable is outstanding, it is an objective evidence of impairment.

(ii) For debtors considered past due – any enhancement in the accrual done for expected credit loss on individually significant receivables is made to recognise any additional expected credit loss on amount recoverable. The

## Notes forming part of the Consolidated Financial Statements for the year ended 31 March 2017

Group writes off trade receivables when there is no objective evidence that such amounts would not be recovered. Financial assets that are written-off are still subject to enforcement activity by the Group.

### Other financial assets

For recognition of impairment loss on other financial assets and risk exposure, the Group determines whether there has been a significant increase in the credit risk since initial recognition. If the credit risk has not increased significantly since initial recognition, the Group measures the loss allowance at an amount equal to 12-month expected credit losses, else at an amount equal to the lifetime expected credit losses.

When making this assessment, the Group uses the change in the risk of a default occurring over the expected life of the financial asset. To make that assessment, the Group compares the risk of a default occurring on the financial asset as at the balance sheet date with the risk of a default occurring on the financial asset as at the date of initial recognition and considers reasonable and supportable information, that is available without undue cost or effort, that is indicative of significant increases in credit risk since initial recognition. The Group assumes that the credit risk on a financial asset has not increased significantly since initial recognition if the financial asset is determined to have low credit risk at the balance sheet date.

### j) Impairment of non-financial assets

For impairment assessment purposes, assets are grouped at the lowest levels for which there are largely independent cash inflows (cash generating units). As a result, some assets are tested individually for impairment and some are tested at cash-generating unit level.

At each reporting date, the Group assesses whether there is any indication based on internal/external factors, that an asset may be impaired. If any such indication exists, the Group estimates the recoverable amount of the asset. If such recoverable amount of the asset or the recoverable amount of the cash generating unit to which the asset belongs is less than its carrying amount, the carrying amount is reduced to its recoverable amount and the reduction is treated as an impairment loss and is recognised in the statement of profit and loss. If, at the reporting date there is an indication that a previously assessed impairment loss no longer exists, the recoverable amount is reassessed which is the higher of fair value less costs of disposal and value-in-use and the asset is reflected at the recoverable amount subject to a maximum of depreciated historical cost. Impairment losses previously recognized are accordingly reversed in the statement of profit and loss.

To determine value-in-use, management estimates expected future cash flows from each cash-generating unit and determines a suitable discount rate in order to calculate the present value of those cash flows. The data used for impairment testing procedures are directly linked to the Group's latest approved budget, adjusted as necessary to exclude the effects of future re-organisations and asset enhancements. Discount factors are determined individually for each cash-generating unit and reflect current market assessment of the time value of money and asset-specific risk factors.

### k) Fair value measurement

The Group measures certain financial instruments, such as, investments at fair value at each balance sheet date.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability

The principal or the most advantageous market must be accessible by the Group.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

Refer Note 35 for fair value hierarchy.

### l) Inventories

## Notes forming part of the Consolidated Financial Statements for the year ended 31 March 2017

Inventories are stated at the lower of cost and net realisable value. The cost of inventories comprises of all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition. Costs of inventories are computed using the weighted average cost formula. Net realisable value is the estimated selling price in the ordinary course of business less any applicable selling expenses. Provision for obsolescence and slow moving inventory is made based on management's best estimates of net realisable value of such inventories.

### m) Income taxes

Tax expense recognised in profit or loss comprises the sum of deferred tax and current tax not recognised in other comprehensive income or directly in equity.

Current income tax is measured at the amount expected to be paid to the tax authorities in accordance with the Income-tax Act, 1961. Current tax items are recognised in correlation to the underlying transaction either in other comprehensive income or directly in equity.

Deferred tax liabilities are generally recognised in full for all taxable temporary differences. Deferred tax assets are recognised to the extent that it is probable that the underlying tax loss, unused tax credits (Minimum alternate tax credit entitlement) or deductible temporary difference will be utilised against future taxable income. This is assessed based on the Group's forecast of future operating results, adjusted for significant non-taxable income and expenses and specific limits on the use of any unused tax loss or credit. Unrecognised deferred tax assets are re-assessed at each reporting date and are recognised to the extent that it has become probable that future taxable profits will allow deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date. Deferred tax items are recognised in correlation to the underlying transaction either in other comprehensive income or directly in equity.

Current tax assets and current tax liabilities are offset when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle the asset and liability on a net basis. Deferred tax assets and deferred tax liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities; and the deferred tax assets and the deferred tax liabilities relate to income taxes levied by the same taxation authority.

### n) Government grants

Government grants are recognised where there is reasonable assurance that the grant will be received and all attached conditions will be complied with. When the grant relates to an expense item, it is recognised as income on a systematic basis over the periods that the related costs, for which it is intended to compensate, are expensed. When the grant relates to an asset, it is recognised as income in equal amounts over the expected useful life of the related asset.

When the Group receives grants for non-monetary assets, the asset and the grant are recorded at fair value amounts and released to profit or loss over the expected useful life in a pattern of consumption of the benefit of the underlying asset i.e. by equal annual instalments.

### o) Cash and cash equivalents

Cash and cash equivalents comprise cash in hand, demand deposits with banks/corporations and short-term highly liquid investments (original maturity less than 3 months) that are readily convertible into known amount of cash and are subject to an insignificant risk of change in value.

### p) Post-employment, long term and short term employee benefits

The Group provides post-employment benefits through various defined contribution and defined benefit plans

#### Defined contribution plans

A defined contribution plan is a plan under which the Group pays fixed contributions into an independent fund administered by the government. The Group has no legal or constructive obligations to pay further contributions after its payment of the fixed contribution, which are recognised as an expense in the year that related employee

## Notes forming part of the Consolidated Financial Statements for the year ended 31 March 2017

services are received.

### Defined benefit plans

The defined benefit plans sponsored by the Group define the amount of the benefit that an employee will receive on completion of services by reference to length of service and last drawn salary. The legal obligation for any benefits remains with the Group.

Gratuity is post-employment benefit and is in the nature of a defined benefit plan. The liability recognised in the financial statements in respect of gratuity is the present value of the defined benefit obligation at the reporting date, together with adjustments for unrecognised actuarial gains or losses and past service costs. The defined benefit obligation is calculated at or near the reporting date by an independent actuary using the projected unit credit method.

Actuarial gains and losses arising from past experience and changes in actuarial assumptions are credited or charged to the statement of OCI in the year in which such gains or losses are determined.

### Other long-term employee benefits

Liability in respect of compensated absences becoming due or expected to be availed more than one year after the balance sheet date is estimated on the basis of an actuarial valuation performed by an independent actuary using the projected unit credit method.

Actuarial gains and losses arising from past experience and changes in actuarial assumptions are charged to statement of profit and loss in the year in which such gains or losses are determined.

### Short-term employee benefits

Expense in respect of other short term benefits is recognised on the basis of the amount paid or payable for the period during which services are rendered by the employee.

### q) Non-current assets held for sale and discontinued operations

An entity shall classify a non-current asset (or disposal group) as held for sale if its carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the asset is available for immediate sale in its present condition subject only to terms that are usual and customary for sale of such asset and its sale is highly probable. Management must be committed to sale which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

Non-current assets classified as held for sale are presented separately and measured at the lower of their carrying amounts immediately prior to their classification as held for sale and their fair value less costs to sell. However, some held for sale assets such as financial assets, assets arising from employee benefits and deferred tax assets, continue to be measured in accordance with the Group's relevant accounting policy for those assets. Once classified as held for sale, the assets are not subject to depreciation or amortisation.

A discontinued operation is a component of the Group that either has been disposed of, or is classified as held for sale. Profit or loss from discontinued operations comprise the post-tax profit or loss of discontinued operations and the post-tax gain or loss resulting from the measurement and disposal of assets classified as held for sale. Any profit or loss arising from the sale or re-measurement of discontinued operations is presented as part of a single line item, profit or loss from discontinued operations.

### r) Share based payments

The Group has equity-settled share-based remuneration plans for its employees. None of the Group's plans are cash-settled.

Where employees are rewarded using share-based payments, the fair value of employees' services is determined indirectly by reference to the fair value of the equity instruments granted. This fair value is appraised at the grant date and excludes the impact of non-market vesting conditions (for example profitability and sales growth targets and performance conditions).

All share-based remuneration is ultimately recognised as an expense in profit or loss with a corresponding credit to



## Notes forming part of the Consolidated Financial Statements for the year ended 31 March 2017

equity. If vesting periods or other vesting conditions apply, the expense is allocated over the vesting period, based on the best available estimate of the number of share options expected to vest.

Upon exercise of share options, the proceeds received, net of any directly attributable transaction costs, are allocated to share capital up to the nominal (or par) value of the shares issued with any excess being recorded as share premium.

### s) Provisions, contingent assets and contingent liabilities

Provisions are recognized only when there is a present obligation, as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and when a reliable estimate of the amount of obligation can be made at the reporting date. These estimates are reviewed at each reporting date and adjusted to reflect the current best estimates. If the effect of the time value of money is material, provisions are discounted to reflect its present value using a current pre-tax rate that reflects the current market assessments of the time value of money and the risks specific to the obligation. When provisions are discounted, the increase in the provision due to the passage of time is recognised as a finance cost.

#### Contingent liability is disclosed for:

- Possible obligations which will be confirmed only by future events not wholly within the control of the Group or
- Present obligations arising from past events where it is not probable that an outflow of resources will be required to settle the obligation or a reliable estimate of the amount of the obligation cannot be made.

Contingent assets are not recognized. However, when inflow of economic benefits is probable, related asset is disclosed.

### t) Treasury shares

Treasury shares are presented as a deduction from equity. The original cost of treasury shares and the proceeds of any subsequent sale are presented as movements in equity.

### u) Segment Reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker.

The board of directors assess the financial performance and position of the Group, and makes strategic decisions and therefore the board would be the chief operating decision maker.

The Group has the following operating/reportable segments: Agri machinery, Construction equipment, Railway equipment and Auto ancillary products (Discontinued in financial year 2016-17). In identifying these operating segments, management generally follows the Group's service lines representing its main products and services.

Each of these operating segments is managed separately as each requires different technologies, marketing approaches and other resources. All inter-segment transfers are carried out at arm's length prices based on prices charged to unrelated customers in standalone sales of identical goods or services.

For management purposes, the Group uses the same measurement policies as those used in its financial statements.

In addition, corporate assets which are not directly attributable to the business activities of any operating segment are not allocated to a segment.

### v) Earnings per share

Basic earnings per share is calculated by dividing the net profit or loss for the period attributable to equity shareholders (after deducting attributable taxes) by the weighted average number of equity shares outstanding during the period. The weighted average number of equity shares outstanding during the period is adjusted for events including a bonus issue.

For the purpose of calculating diluted earnings per share, the net profit or loss for the period attributable to equity shareholders and the weighted average number of shares outstanding during the period are adjusted for the effects of all dilutive potential equity shares.

## Notes forming part of the Consolidated Financial Statements for the year ended 31 March 2017

### 2.3 Significant management judgement in applying accounting policies and estimation uncertainty

The following are the critical judgments and the key estimates concerning the future that management has made in the process of applying the Group's accounting policies and that may have the most significant effect on the amounts recognized in the financial Statements or that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

**Allowance for doubtful debts** – The allowance for doubtful debts reflects management's estimate of losses inherent in its credit portfolio. This allowance is based on the Group's estimate of the losses to be incurred, which derives from past experience with similar receivables, current and historical past due amounts, dealer termination rates, write-offs and collections, the careful monitoring of portfolio credit quality and current and projected economic and market conditions. Should the present economic and financial situation persist or even worsen, there could be a further deterioration in the financial situation of the Group's debtors compared to that already taken into consideration in calculating the allowances recognized in the financial statements.

**Allowance for obsolete and slow-moving inventory** – The allowance for obsolete and slow-moving inventory reflects management's estimate of the expected loss in value, and has been determined on the basis of past experience and historical and expected future trends in the used vehicle market. A worsening of the economic and financial situation could cause a further deterioration in conditions in the used vehicle market compared to that taken into consideration in calculating the allowances recognized in the financial statements.

**Product warranties** – The Group makes provisions for estimated expenses related to product warranties at the time products are sold. Management establishes these estimates based on historical information of the nature, frequency and average cost of warranty claims. The Group seeks to improve vehicle quality and minimize warranty expenses arising from claims. Warranty costs may differ from those estimated if actual claim rates are higher or lower than historical rates.

**Useful lives of depreciable/amortisable assets** – Management reviews its estimate of the useful lives of depreciable/amortisable assets at each reporting date, based on the expected utility of the assets. Uncertainties in these estimates relate to technical and economic obsolescence that may change the utility of certain software, IT equipment and other plant and equipment.

**Defined benefit obligation (DBO)** – Management's estimate of the DBO is based on a number of critical underlying assumptions such as standard rates of inflation, mortality, discount rate and anticipation of future salary increases. Variation in these assumptions may significantly impact the DBO amount and the annual defined benefit expenses.

**Capitalisation of internally developed intangible assets** – Distinguishing the research and development phases for new products and design enhancements determining whether the recognition requirements for the capitalisation of development costs are met requires judgement. After capitalisation, management monitors whether the recognition requirements continue to be met and whether there any indicators that capitalised costs may be impaired.

**Evaluation of indicators for impairment of assets** – The evaluation of applicability of indicators of impairment of assets requires assessment of several external and internal factors which could result in deterioration of recoverable amount of the assets.

**Recognition of deferred tax assets** – The extent to which deferred tax assets can be recognized is based on an assessment of the probability of the future taxable income against which the deferred tax assets can be utilized.

**Non-consolidation of Farmtrac North America LLC (FNA)** – At the behest of the creditors of FNA (subsidiary under Previous GAAP), the authorities had appointed receiver who has taken over all the assets, books and records of FNA. Therefore, the Group has lost its control on the relevant activities of FNA, hence the Group has not considered FNA for consolidation in these financial statements.

**Contingent liabilities** – The Group is the subject of legal proceedings and tax issues covering a range of matters, which are pending in various jurisdictions. Due to the uncertainty inherent in such matters, it is difficult to predict the final outcome of such matters. The cases and claims against the Group often raise difficult and complex factual and legal issues, which are subject to many uncertainties, including but not limited to the facts and circumstances of each particular case and claim, the jurisdiction and the differences in applicable law. In the normal course of business management consults with

## Notes forming part of the Consolidated Financial Statements for the year ended 31 March 2017

legal counsel and certain other experts on matters related to litigation and taxes. The Group accrues a liability when it is determined that an adverse outcome is probable and the amount of the loss can be reasonably estimated.

### 2.4 Standards issued but not yet effective

In March 2017, the Ministry of Corporate Affairs issued the Companies (Indian Accounting Standards) (Amendments) Rules, 2017, notifying amendments to Ind AS 7, 'Statement of cash flows' and Ind AS 102, 'Share-based payment.' These amendments are in accordance with the recent amendments made by International Accounting Standards Board (IASB) to IAS 7, Statement of cash flows, and IFRS 2, Share-based payment, respectively. The amendments are applicable to the Group from 1 April 2017.

#### Amendment to Ind AS 7:

The amendments to Ind AS 7 inter-alia require the entities to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes, suggesting inclusion of a reconciliation between the opening and closing balances in the balance sheet for liabilities arising from financing activities, to meet the disclosure requirement.

The Group is evaluating the requirements of the amendment and the effect on the financial statements is being evaluated.

#### Amendment to Ind AS 102:

The amendments to Ind AS 102 inter-alia provide specific guidance to measurement of cash-settled awards, modification of cash-settled awards and awards that include a net settlement feature in respect of withholding taxes.

It clarifies that the fair value of cash-settled awards is determined on a basis consistent with that used for equity-settled awards. Market-based performance conditions and non-vesting conditions are reflected in the 'fair values', but non-market performance conditions and service vesting conditions are reflected in the estimate of the number of awards expected to vest. Also, the amendment clarifies that if the terms and conditions of a cash-settled share-based payment transaction are modified with the result that it becomes an equity-settled share-based payment transaction, the transaction is accounted for as such from the date of the modification. Further, the amendment requires the award that includes a net settlement feature in respect of withholding taxes to be treated as equity-settled in its entirety. The cash payment to the tax authority is treated as if it was part of an equity settlement.

The Group is evaluating the requirements of the amendment and the impact on the financial statements is being evaluated.

## Notes forming part of the Consolidated Financial Statements for the year ended 31 March 2017

### 3 (i) Property, plant and equipment

(₹ crores)

Description	Freehold land	Leasehold land	Buildings	Leasehold improvements	Plant and machinery	Furniture and fixtures	Vehicles	Office equipment	Total
<b>Gross carrying value</b>									
As at 1 April 2015	1,049.04	9.28	375.59	0.05	779.18	102.18	10.88	9.83	2,336.03
Additions	-	-	5.61	-	35.68	4.53	3.20	0.39	49.41
Disposals	-	-	-	-	(8.91)	(2.07)	(2.07)	(0.98)	(14.03)
Exchange differences	-	0.02	0.12	-	0.03	0.01	0.01	-	0.19
<b>As at 31 March 2016</b>	<b>1,049.04</b>	<b>9.30</b>	<b>381.32</b>	<b>0.05</b>	<b>805.98</b>	<b>104.65</b>	<b>12.02</b>	<b>9.24</b>	<b>2,371.60</b>
Additions	-	-	1.70	-	46.22	9.57	1.41	0.43	59.33
Transfer to assets held for sale	-	-	-	-	(13.49)	-	(0.54)	-	(14.03)
Disposals	-	-	-	-	(65.99)	(8.69)	(0.24)	(0.62)	(75.54)
Exchange differences	-	(0.02)	(0.13)	-	(0.01)	(0.02)	(0.01)	-	(0.19)
<b>As at 31 March 2017</b>	<b>1,049.04</b>	<b>9.28</b>	<b>382.89</b>	<b>0.05</b>	<b>772.71</b>	<b>105.51</b>	<b>12.64</b>	<b>9.05</b>	<b>2,341.17</b>
<b>Accumulated depreciation</b>									
As at 1 April 2015	-	0.71	228.72	0.01	490.80	74.02	2.78	7.67	804.71
Charge for the year	-	0.10	6.71	-	38.26	7.35	1.63	0.96	55.01
Disposals	-	-	-	-	(8.00)	(2.03)	(0.85)	(0.90)	(11.78)
<b>As at 31 March 2016</b>	<b>-</b>	<b>0.81</b>	<b>235.43</b>	<b>0.01</b>	<b>521.06</b>	<b>79.34</b>	<b>3.56</b>	<b>7.73</b>	<b>847.94</b>
Charge for the year	-	0.10	6.76	-	35.73	7.41	1.58	0.53	52.11
Disposals	-	-	-	-	(54.86)	(8.67)	(0.14)	(0.58)	(64.25)
Transfer to assets held for sale	-	-	-	-	(7.92)	-	(0.13)	-	(8.05)
Exchange differences	-	-	(0.01)	-	-	-	-	-	(0.01)
<b>As at 31 March 2017</b>	<b>-</b>	<b>0.91</b>	<b>242.18</b>	<b>0.01</b>	<b>494.01</b>	<b>78.08</b>	<b>4.87</b>	<b>7.68</b>	<b>827.74</b>
<b>Net block as at 1 April 2015</b>	<b>1,049.04</b>	<b>8.57</b>	<b>146.87</b>	<b>0.04</b>	<b>288.38</b>	<b>28.16</b>	<b>8.10</b>	<b>2.16</b>	<b>1,531.32</b>
<b>Net block as at 31 March 2016</b>	<b>1,049.04</b>	<b>8.49</b>	<b>145.89</b>	<b>0.04</b>	<b>284.92</b>	<b>25.31</b>	<b>8.46</b>	<b>1.51</b>	<b>1,523.66</b>
<b>Net block as at 31 March 2017</b>	<b>1,049.04</b>	<b>8.37</b>	<b>140.71</b>	<b>0.04</b>	<b>278.70</b>	<b>27.43</b>	<b>7.77</b>	<b>1.37</b>	<b>1,513.43</b>

#### Contractual obligations

Refer note 34 for disclosure of contractual commitments for the acquisition of property, plant and equipment.

#### Property plant and equipment pledged as security

Refer note 46 for information on property, plant and equipment pledged as security by the Group.

#### Finance leases

The Group had taken land and certain IT equipments on finance lease. Out of which, all of the leased IT equipments having a net block of ₹2.72 crores as at 1 April 2015 (Date of expiry of the lease term) are owned by the Group now. Refer note 41 for contractual commitments for lease payments in respect to these assets.

#### Discontinued operations

Depreciation for the current year includes depreciation for discontinued operations ₹1.41 crores (31 March 2016: ₹2.56 crores).

## Notes forming part of the Consolidated Financial Statements for the year ended 31 March 2017

## 3 (ii) Capital work-in-progress (₹ crores)

	31 March 2017	31 March 2016	1 April 2015
Capital work-in-progress	26.56	21.60	19.61

## Movement in capital work in progress: (₹ crores)

Particulars	Amount
<b>Capital work-in-progress as at 1 April 2015</b>	<b>19.61</b>
Add: additions during the year	51.12
Less: capitalisation during the year	(49.13)
<b>Capital work-in-progress as at 31 March 2016</b>	<b>21.60</b>
Add: additions during the year	64.28
Less: Foreign exchange translation	(0.01)
Less: capitalisation during the year	(59.31)
<b>Capital work-in-progress as at 31 March 2017</b>	<b>26.56</b>

## Capitalised borrowing cost

The borrowing costs capitalised during the year ended 31 March 2017 was ₹ Nil (31 March 2016 ₹1.85 crores ) (1 April 2015 ₹2.22 crores ).

## 4 Investment property (₹ crores)

Description	Freehold land	Building	Total
<b>Gross carrying value</b>			
As at 1 April 2015	20.04	4.88	24.92
Additions	-	-	-
Disposals	-	-	-
<b>As at 31 March 2016</b>	<b>20.04</b>	<b>4.88</b>	<b>24.92</b>
Additions	-	-	-
Disposals	(0.34)	(0.02)	(0.36)
<b>As at 31 March 2017</b>	<b>19.70</b>	<b>4.86</b>	<b>24.56</b>
<b>Accumulated depreciation</b>			
As at 1 April 2015	-	0.92	0.92
Charge for the year	-	0.12	0.12
Disposals	-	-	-
<b>As at 31 March 2016</b>	<b>-</b>	<b>1.04</b>	<b>1.04</b>
Charge for the year	-	0.15	0.15
Disposals	-	(0.01)	(0.01)
<b>As at 31 March 2017</b>	<b>-</b>	<b>1.18</b>	<b>1.18</b>
<b>Net block as at 1 April 2015</b>	<b>20.04</b>	<b>3.96</b>	<b>24.00</b>
<b>Net block as at 31 March 2016</b>	<b>20.04</b>	<b>3.84</b>	<b>23.88</b>
<b>Net block as at 31 March 2017</b>	<b>19.70</b>	<b>3.68</b>	<b>23.38</b>

## Notes forming part of the Consolidated Financial Statements for the year ended 31 March 2017

## 4 Investment property (contd.)

## (i) Amount recognised in profit and loss for investment property

	31 March 2017	31 March 2016
Rental income	0.36	0.36
Direct operating expenses that generated rental income	0.21	0.11
Direct operating expenses that did not generate rental income	-	-
<b>Profit from leasing of investment properties</b>	<b>0.15</b>	<b>0.25</b>

## (ii) Leasing arrangements

Certain investment properties are leased to tenants under long-term operating leases with rentals payable monthly. However all the leases are cancellable at the option of lessee, hence there is no lease disclosure as required by Ind AS 17 "Leases".

## (iii) Fair value of investment property

Particulars	31 March 2017	31 March 2016	1 April 2015
Fair value	23.75	33.87	39.36

The Group obtains independent valuations for its investment property at least annually. The best evidence of fair value is current prices in an active market for similar properties.

Where such information is not available, the independent valuer consider information from a variety of sources including:

- In case of valuation of land, current prices in an active market for similar properties of the same area and localities have been taken. The rates of which are based on verbal enquiries from the property dealers of the areas and localities;
- in case of constructed building, rates derived from CPWD/CWC PARS as on 01-10-2010-12/1997 have been taken as the basis of valuation.

These rates have further been modified to bring them at par with the present day price index and as per specifications found at site. Necessary depreciation for age and life of the structure has been taken into account. Where the work is not covered under any of the standard specifications the rates have been assessed as on the date of valuations.

## 5 (i) Intangible assets (₹ crores)

Description	Prototypes	Technical know how	Software	Total
<b>Gross carrying value</b>				
As at 1 April 2015	3.07	7.91	31.21	42.19
Additions	-	4.02	0.72	4.74
Disposals	-	-	(1.00)	(1.00)
Exchange differences	-	0.02	-	0.02
<b>As at 31 March 2016</b>	<b>3.07</b>	<b>11.95</b>	<b>30.93</b>	<b>45.95</b>
Additions	28.49	6.77	6.42	41.68
Disposals	-	-	(0.31)	(0.31)
Exchange differences	-	(0.04)	-	(0.04)
<b>As at 31 March 2017</b>	<b>31.56</b>	<b>18.68</b>	<b>37.04</b>	<b>87.28</b>



## Notes forming part of the Consolidated Financial Statements for the year ended 31 March 2017

## 5 (i) Intangible assets (contd.) (₹ crores)

Description	Prototypes	Technical know how	Software	Total
<b>Accumulated amortisation</b>				
As at 1 April 2015	2.10	6.91	16.96	25.97
Charge for the year	0.62	0.60	4.39	5.61
Disposals	-	-	(1.00)	(1.00)
Exchange differences	-	0.01	-	0.01
<b>As at 31 March 2016</b>	<b>2.72</b>	<b>7.52</b>	<b>20.35</b>	<b>30.59</b>
Charge for the year	6.28	1.85	4.47	12.60
Disposals	-	-	(0.22)	(0.22)
Exchange differences	-	(0.02)	-	(0.02)
<b>As at 31 March 2017</b>	<b>9.00</b>	<b>9.35</b>	<b>24.60</b>	<b>42.95</b>
<b>Net block as at 1 April 2015</b>	<b>0.97</b>	<b>1.00</b>	<b>14.25</b>	<b>16.22</b>
<b>Net block as at 31 March 2016</b>	<b>0.35</b>	<b>4.43</b>	<b>10.58</b>	<b>15.36</b>
<b>Net block as at 31 March 2017</b>	<b>22.56</b>	<b>9.33</b>	<b>12.44</b>	<b>44.33</b>

## Contractual obligations

Refer note 34 for disclosure of contractual commitments for the acquisition of intangible assets.

## Discontinued operations

Amortisation for the current year includes amortisation for discontinued operations ₹0.03 crores (31 March 2016: ₹0.05 crores).

## 5 (ii) Intangible assets under development (₹ crores)

	31 March 2017	31 March 2016	1 April 2015
Intangible assets under development	8.14	36.83	36.07

## Movement in intangible assets under development : (₹ crores)

Particulars	Amount
<b>Intangible assets under development as at 1 April 2015</b>	<b>36.07</b>
Add: additions during the year	5.27
Less: capitalisation during the year	(4.51)
<b>Intangible assets under development as at 31 March 2016</b>	<b>36.83</b>
Add: additions during the year	12.56
Less: capitalisation during the year	(41.25)
<b>Intangible assets under development as at 31 March 2017</b>	<b>8.14</b>

## Notes forming part of the Consolidated Financial Statements for the year ended 31 March 2017

## 6 Investments

## (i) Investments - Non-current (₹ crores)

	As at 31 March 2017	As at 31 March 2016	As at 1 April 2015
<b>Investments accounted for using equity method</b>			
Fully paid equity shares (unquoted)	1.02	2.11	-
Interest in partnership firms (refer note 1B)	0.05	-	-
<b>Investment carried at fair value through OCI</b>			
Fully paid equity shares (quoted)	0.52	0.42	0.45
Fully paid equity shares (unquoted)	35.73	28.07	24.98
<b>Investment carried at fair value through profit and loss</b>			
Fully paid equity shares (quoted)	0.10	0.03	0.04
<b>Debt instruments quoted at amortised cost</b>			
Fully paid preference shares (unquoted)	1.57	1.79	1.40
	<b>38.99</b>	<b>32.42</b>	<b>26.87</b>

The market value of quoted investments is equal to the carrying value.

## (ii) Investments - Current (₹ crores)

	As at 31 March 2017	As at 31 March 2016	As at 1 April 2015
<b>Investment carried at fair value through profit or loss</b>			
Investment in equity shares (quoted)	1.00	1.26	1.37
Debentures (quoted)	0.39	0.47	0.46
Mutual funds (quoted)	171.95	5.62	4.17
Bonds (unquoted)	0.01	0.01	0.01
	<b>173.35</b>	<b>7.36</b>	<b>6.01</b>

The market value of quoted investments is equal to the carrying value.

## Details of investment is as follows:

## Non-current investments (₹ crores)

	31 March 2017	31 March 2016	1 April 2015
<b>In equity instruments<sup>^</sup></b>			
<b>Joint ventures and associates (unquoted)</b>			
Adico Escorts Agri Equipment Private Limited	1.02	2.11	-
Interest in partnership firms (refer note 1B)	0.05	-	-
Escorts Consumer Credit Limited	-	-	-
	<b>1.07</b>	<b>2.11</b>	<b>-</b>
<b>Others (quoted)</b>			
Asahi India Glass Limited (face value of ₹1 each)	0.41	0.30	0.28
Godavari Drugs Limited	0.07	0.07	0.11
Twenty First Century Medicare Limited	0.04	0.05	0.07
Tamilnadu Newsprints & Papers Limited*	-	-	-
Nagarjuna Fertilizers and Chemicals Limited (face value of ₹1 each)	0.06	-	-

## Notes forming part of the Consolidated Financial Statements for the year ended 31 March 2017

### 6 Investments (contd.)

#### Non-current investments

	(₹ crores)		
	31 March 2017	31 March 2016	1 April 2015
Gujarat State Financial Corporation Limited	0.04	0.03	0.03
Reliance Power Limited*	-	-	-
GVK Power & Infra Limited (face value of ₹1 each)*	-	-	-
	<b>0.62</b>	<b>0.45</b>	<b>0.49</b>
<b>Others (unquoted)</b>			
Escorts Skill Development*	-	-	-
Hughes Communications India Limited.	34.47	27.16	24.16
Escorts Motors Limited	1.26	0.91	0.82
	<b>35.73</b>	<b>28.07</b>	<b>24.98</b>
<b>In preference shares</b>			
Allgrow Finance & Investment Private Limited (face value of ₹10 each, 10% redeemable non-cumulative Preference Share)	0.60	0.95	0.84
Diamond Leasing and Finance Limited (face value of ₹100 each, 4% redeemable non-cumulative Preference Share)	0.71	0.61	0.56
Emerald Wealth Management Limited (face value of ₹10 each, 8% redeemable non-cumulative Preference Share)	0.26	0.23	-
	<b>1.57</b>	<b>1.79</b>	<b>1.40</b>

^All equity shares are of ₹10 each unless otherwise stated.

\*Amount less than a lakh

#### Current investments

	(₹ crores)		
	31 March 2017	31 March 2016	1 April 2015
<b>Mutual funds and others (quoted)</b>			
Birla Sun Life Corporate Bond Fund (Direct) (Growth)	0.81	-	-
Birla Sun Life Dynamic Bond Fund (Growth)	2.70	2.45	2.28
Birla Sun Life Dynamic Bond Fund (Direct) (Growth)	24.62	-	-
Birla Sun Life Medium Term Plan (Regular) (Growth)	0.05	-	-
Birla Sun Life Medium Term Plan (Direct) (Growth)	37.60	-	-
Fidelity Short Term Income Fund (Growth)	-	0.72	-
HDFC Medium Term Opportunities (Direct) (Growth)	21.26	-	-
ICICI Pru Income Opportunities (Direct) (Growth)	37.52	-	-
IDFC SSIF Short Term Plan (Growth)	-	1.44	1.89
Kotak Medium Term Fund (Direct) (Growth)	20.37	-	-
UTI Short Term Income Fund (Direct) (Growth)	23.86	-	-
Escorts Mutual Fund	3.16	1.01	-
	<b>171.95</b>	<b>5.62</b>	<b>4.17</b>
<b>Bonds (unquoted)</b>			
ICICI Deep Discount Bonds	0.01	0.01	0.01
	<b>0.01</b>	<b>0.01</b>	<b>0.01</b>
<b>Others*</b>			
Equity shares	1.00	1.26	1.37
Debentures	0.39	0.47	0.46
<b>Total</b>	<b>173.35</b>	<b>7.36</b>	<b>6.01</b>

\* This item contains investment in multiple companies which have been held by the group to earn short term capital appreciation, hence these investments are carried at FVTPL. The individual amounts of investment in each company is considered insignificant by the management, hence not disclosed.

## Notes forming part of the Consolidated Financial Statements for the year ended 31 March 2017

### 7 Loans

#### (i) Non-current loans

	(₹ crores)		
	As at 31 March 2017	As at 31 March 2016	As at 1 April 2015
Unsecured, considered good			
Security deposits	8.11	7.15	7.44
	<b>8.11</b>	<b>7.15</b>	<b>7.44</b>

#### (ii) Current loans

	(₹ crores)		
	As at 31 March 2017	As at 31 March 2016	As at 1 April 2015
Unsecured, considered good			
Security deposits	4.99	4.19	2.85
	<b>4.99</b>	<b>4.19</b>	<b>2.85</b>

Refer note 35 - Financial instruments for disclosure of fair values in respect of financial assets measured at amortised cost and assessment of expected credit losses.

### 8 Other financial assets

#### (i) Non-current financial assets

	(₹ crores)		
	As at 31 March 2017	As at 31 March 2016	As at 1 April 2015
Deposits with remaining maturity more than 12 months	8.50	7.65	2.24
Advances to related parties	2.93	2.93	2.93
Others	15.38	15.25	13.64
	<b>26.81</b>	<b>25.83</b>	<b>18.81</b>
Allowance for doubtful advances	(16.51)	(16.51)	(16.57)
	<b>10.30</b>	<b>9.32</b>	<b>2.24</b>

#### (ii) Current financial assets

	(₹ crores)		
	As at 31 March 2017	As at 31 March 2016	As at 1 April 2015
Export incentives receivable	4.85	3.94	4.31
Claims receivable	2.63	3.87	3.39
Other recoverables (refer note 47 for related party advances)	6.19	6.68	9.03
	<b>13.67</b>	<b>14.49</b>	<b>16.73</b>

Refer note 35 - Financial instruments for disclosure of fair values in respect of financial assets measured at amortised cost and assessment of expected credit losses.

## Notes forming part of the Consolidated Financial Statements for the year ended 31 March 2017

### 9 Income taxes

The income tax expense consists of the following:

	(₹ crores)	
	Year ended 31 March 2017	Year ended 31 March 2016
Current tax:		
Current tax expense for current year	74.51	24.50
Current tax expense / (benefit) pertaining to prior periods	7.24	(2.76)
	<b>81.75</b>	<b>21.74</b>
Deferred tax expense / (benefit)	(4.50)	(9.47)
<b>Total income tax expense recognised in the current year for continuing operations</b>	<b>77.25</b>	<b>12.27</b>
Tax expense of discontinued operations	(17.75)	(8.99)
<b>Total income tax expense</b>	<b>59.50</b>	<b>3.28</b>

(i) The reconciliation of estimated income tax expense at statutory income tax rate to income tax expense reported in statement of profit and loss is as follows:

	(₹ crores)	
	Year ended 31 March 2017	Year ended 31 March 2016
Profit before income tax from continuing and discontinued operations	190.25	73.43
Statutory income tax rate	34.61%	34.61%
Expected income tax expense	65.84	25.41
<b>Tax effect of adjustment to reconcile expected income tax expense to reported income tax expense</b>		
Tax on expense not eligible for deduction	1.62	7.88
Weighted and standard deduction under Income Tax Act,1961	(18.98)	(20.68)
Tax pertaining to prior years	7.24	(2.76)
Changes in deferred tax and MAT credit entitlement due to assessments of tax returns	-	(9.66)
Tax rate differences in respect of foreign subsidiary	1.50	1.61
Tax losses on which no deferred tax is recognised	1.82	1.96
Others	0.46	(0.48)
<b>Total income tax expense</b>	<b>59.50</b>	<b>3.28</b>

(ii) (a) Significant components of net deferred tax assets and liabilities for the year ended 31 March 2017 are as follows:

	(₹ crores)			
	Opening balance	Recognised / reversed through profit and loss	Recognised / reversed from OCI/equity	Closing balance
<b>Deferred tax assets/(liabilities) in relation to:</b>				
Property, plant and equipment, investment property and intangible assets	(80.28)	1.27	-	(79.00)
Receivables, financial assets and liabilities at amortised cost	32.91	5.03	0.10	38.04
Provision for employee & others liabilities deductible on actual payment	32.18	(1.25)	0.90	31.81
MAT credit entitlement	63.60	-	-	63.60
Unrealised gain on investment carried at fair value	(3.16)	(1.24)	(0.89)	(5.30)
Unabsorbed losses	1.65	0.69	-	2.35
<b>Net deferred tax assets/(liabilities)</b>	<b>46.90</b>	<b>4.50</b>	<b>0.11</b>	<b>51.50</b>

## Notes forming part of the Consolidated Financial Statements for the year ended 31 March 2017

### 9 Income taxes (contd.)

(ii) (b) Significant components of net deferred tax assets and liabilities for the year ended 31 March 2016 are as follows:

	(₹ crores)			
	Opening balance	Recognised / reversed through profit and loss	Recognised / reversed from OCI/equity	Closing balance
<b>Deferred tax assets/(liabilities) in relation to:</b>				
Property, plant and equipment, investment property and intangible assets	(81.86)	1.58	-	(80.28)
Receivables, financial assets and liabilities at amortised cost	41.46	(9.27)	0.72	32.91
Provision for employee & others liabilities deductible on actual payment	33.81	(1.43)	(0.20)	32.18
MAT credit entitlement	45.20	18.40	-	63.60
Unrealised gain on investment carried at fair value	(2.84)	0.04	(0.36)	(3.16)
Unabsorbed losses	1.50	0.15	-	1.65
<b>Net deferred tax assets/(liabilities)</b>	<b>37.27</b>	<b>9.47</b>	<b>0.16</b>	<b>46.90</b>

(iii) Unused tax losses and credits

#### (a) Minimum alternate tax

The Group had unused MAT credit amounting to ₹63.60 crores as at 31 March 2017 (31 March 2016: ₹63.60 crores) (1 April 2015: ₹45.20 crores). Such tax credits have been recognised on the basis that recovery is probable in the foreseeable future. This recognised MAT credit expires, if unutilized, based on the year of origination as follows:

Financial year ending	(₹ crores)
31 March 2019	2.96
31 March 2020	0.93
31 March 2021	15.67
31 March 2022	9.44
31 March 2023	19.05
31 March 2024	4.84
31 March 2025	1.67
31 March 2026	9.04
	<b>63.60</b>

#### (b) Capital losses

The Group has not recognised deferred tax asset of ₹13.23 crores on unused losses under the head Capital Gains as the Group is not likely to generate taxable income under the same head in foreseeable future. The significant portion of these losses will expire in financial year ending 31 March 2019.

(iv) Unrecognised temporary difference

	(₹ crores)	
	Year ended 31 March 2017	Year ended 31 March 2016
Temporary difference relating to investment in subsidiaries for which deferred tax liability have not been recognised		
Undistributed earnings	1.19	1.56
Unrecognised deferred tax liabilities relating to the above temporary difference	0.24	0.32

A subsidiary of the group have undistributed earnings which, if paid out as dividends, would be subject to tax in the hands of recipient. An assessable temporary difference exists, but no deferred tax liability has been recognised as the parent entity is able to control the timing of distributions from a subsidiary and is not expected to distribute these profits in the foreseeable future.



## Notes forming part of the Consolidated Financial Statements for the year ended 31 March 2017

### 10 Other assets

#### (i) Other non-current assets

(₹ crores)

	As at 31 March 2017	As at 31 March 2016	As at 1 April 2015
Prepaid expenses	0.13	0.06	0.10
Capital advances	7.35	5.76	8.47
Deposits with statutory authorities	7.44	6.38	4.13
	14.92	12.20	12.70
Allowance for doubtful advances	(1.51)	(0.89)	(0.73)
	<b>13.41</b>	<b>11.31</b>	<b>11.97</b>

#### (ii) Other current assets

(₹ crores)

	As at 31 March 2017	As at 31 March 2016	As at 1 April 2015
Advances recoverable in kind	22.96	20.49	18.53
Advances to suppliers	16.38	8.13	24.45
Prepaid expenses	7.50	8.15	6.53
Balances with statutory authorities	81.68	107.49	142.72
	128.52	144.26	192.23
Allowance for doubtful advances	(25.98)	(41.72)	(40.15)
	<b>102.54</b>	<b>102.54</b>	<b>152.08</b>

### 11 INVENTORIES

(₹ crores)

	As at 31 March 2017	As at 31 March 2016	As at 1 April 2015
<b>Raw materials and components</b>	174.78	179.19	238.89
Goods-in-transit	3.03	0.72	0.46
Allowance for obsolete and slow moving	(14.06)	(10.74)	(41.13)
	<b>163.75</b>	<b>169.17</b>	<b>198.22</b>
<b>Work-in-progress</b>	<b>36.15</b>	<b>37.18</b>	<b>38.43</b>
<b>Finished goods</b>	147.49	130.17	142.79
Goods-in-transit	22.35	19.42	5.95
Allowance for obsolete and slow moving	(0.92)	(0.92)	(1.02)
	<b>168.92</b>	<b>148.67</b>	<b>147.72</b>
<b>Stock-in-trade</b>	68.88	58.55	55.47
Goods-in-transit	1.94	0.39	0.36
Allowance for obsolete and slow moving	(11.43)	(12.53)	(18.84)
	<b>59.39</b>	<b>46.41</b>	<b>36.99</b>
<b>Stores and spares</b>	<b>13.25</b>	<b>20.59</b>	<b>25.13</b>
<b>Loose tools</b>	8.84	10.55	13.64
Allowance for obsolete and slow moving	-	-	(1.59)
	<b>8.84</b>	<b>10.55</b>	<b>12.05</b>
	<b>450.30</b>	<b>432.57</b>	<b>458.54</b>

Inventories have been pledged as security for liabilities, for details refer note 19 and 46

## Notes forming part of the Consolidated Financial Statements for the year ended 31 March 2017

### 12 Trade receivables

(₹ crores)

	As at 31 March 2017	As at 31 March 2016	As at 1 April 2015
Secured : considered good	57.56	52.00	32.94
Unsecured : considered good	413.52	338.75	362.87
: considered doubtful	53.05	59.17	74.28
	524.13	449.92	470.09
Allowance for doubtful receivables			
Unsecured : considered good (expected credit loss)	(14.63)	(15.78)	(20.25)
: considered doubtful	(53.05)	(59.17)	(74.28)
	(67.68)	(74.95)	(94.53)
	<b>456.45</b>	<b>374.97</b>	<b>375.56</b>

(i) Trade receivables have been pledged as security for liabilities, for details refer note 19 and 46.

(ii) Refer note 35 - Financial instruments for disclosure of fair values in respect of financial assets measured at amortised cost and assessment of expected credit losses.

### 13 Cash and cash equivalents

(₹ crores)

	As at 31 March 2017	As at 31 March 2016	As at 1 April 2015
Balances with banks in current accounts	53.31	30.15	30.48
Cheques / drafts in hand	15.00	0.12	-
Cash on hand	0.41	0.34	0.34
Debit balance of cash credit accounts	0.50	2.51	3.04
Bank deposits with maturity less than 3 months	-	-	22.00
	<b>69.22</b>	<b>33.12</b>	<b>55.86</b>

In accordance with the MCA notification G.S.R 308(E) dated March 30, 2017 details of Specified Bank Notes (SBN) and Other Denomination Notes (ODN) held and transacted during the period from November 8, 2016 to December 30, 2016, is given below:

	(₹)		
Particulars	SBNs	ODN	Total
Closing cash in hand as on November 8, 2016	45,27,500	1,94,844	47,22,344
(+) Permitted receipts	-	4,28,249	4,28,249
(-) Permitted payments	-	(1,07,820)	(1,07,820)
(-) Amount deposited in banks	(45,27,500)	-	(45,27,500)
(+) Amount drawn from banks	-	11,38,000	11,38,000
Closing cash in hand as on December 30, 2016	-	<b>16,53,273</b>	<b>16,53,273</b>

## Notes forming part of the Consolidated Financial Statements for the year ended 31 March 2017

### 14 Other bank balances

(₹ crores)

	As at 31 March 2017	As at 31 March 2016	As at 1 April 2015
Earmarked bank balances	1.15	1.16	1.02
Fixed deposits maturity for more than 3 months but less than 12 months	45.56	98.20	73.35
Margin money deposits	0.41	0.41	11.20
Escrow account	127.76	120.14	111.64
	<b>174.88</b>	<b>219.91</b>	<b>197.21</b>

- (i) Earmarked balances with banks significantly pertains to unclaimed dividends.
- (ii) ₹17.80 crores (31 March 2016: ₹27 crores), (1 April 2015: ₹ Nil) representing deposits with original maturity for more than 3 months but less than 12 months, held by the entity that are not available for use by the Group, as these are pledged against loans.
- (iii) ₹0.10 crores (31 March 2016: ₹0.13 crores), (1 April 2015: ₹0.11 crores) representing margin money pledged with various authorities.
- (iv) There are no repatriation restrictions with respect to cash and bank balances as at the end of the reporting period and prior periods

### 15 Assets held for sale

(₹ crores)

	As at 31 March 2017	As at 31 March 2016	As at 1 April 2015
Assets held for sale	14.86	9.00	9.00
	<b>14.86</b>	<b>9.00</b>	<b>9.00</b>
<b>Particulars</b>			
Land	9.00	9.00	9.00
Helicopter	5.57	-	-
Vehicle	0.29	-	-
<b>Total</b>	<b>14.86</b>	<b>9.00</b>	<b>9.00</b>

- (i) The Group has executed an agreement to sell, for transfer of 25 acres of land at Plot No. 219, Sector 58, Ballabhgarh, Haryana for a consideration of ₹9.00 crores. The said transfer is subject to necessary approval from HUDA and accordingly the consideration amount of ₹9.00 crores is being classified in Other current liabilities.
- (ii) The Group has executed an aircraft purchase and sale agreement for transfer of its Bell 407 helicopter for a consideration of ₹8.75 crores. The said transfer is subject to deregistration from Indian Civil Aviation Authority. An advance of ₹2.5 crores is being classified in Other current liabilities.
- (iii) The Group has executed a sale agreement for transfer of a vehicle for a consideration of ₹0.29 crores.

#### Non-recurring fair value measurements

Asset classified as held for sale during the reporting period was measured at the lower of its carrying amount and fair value less costs to sell at the time of re-classification, resulting in the recognition of a total write down of ₹0.76 crores as impairment loss in retained earnings and statement of profit and loss. This is Level 3 measurement as per fair value hierarchy set out in fair value measurement disclosure (refer note 35).

## Notes forming part of the Consolidated Financial Statements for the year ended 31 March 2017

### 16 Equity share capital

(₹ crores)

	As at 31 March 2017	As at 31 March 2016	As at 1 April 2015
<b>Authorised</b>			
40,10,00,000 (previous year 40,10,00,000) equity shares of ₹10 each	401.00	401.00	401.00
88,80,00,000 (previous year 88,80,00,000) unclassified shares of ₹10 each	888.00	888.00	888.00
	<b>1,289.00</b>	<b>1,289.00</b>	<b>1,289.00</b>
<b>Issued, Subscribed and Fully paid-up</b>			
12,25,76,878 (previous year 12,25,76,878) equity shares of ₹10 each	122.58	122.58	122.58
	<b>122.58</b>	<b>122.58</b>	<b>122.58</b>

#### (a) Reconciliation of number of shares

	As at 31 March 2017		As at 31 March 2016	
	No of shares	₹ crores	No of shares	₹ crores
Equity shares at the beginning of the year	12,25,76,878	122.58	12,25,76,878	122.58
Changes during the year	-	-	-	-
<b>Equity shares at the end of the year</b>	<b>12,25,76,878</b>	<b>122.58</b>	<b>12,25,76,878</b>	<b>122.58</b>

#### (b) Rights/preferences/restrictions attached to equity shares

The Group has only one class of shares, i.e., equity shares having a face value of ₹10 per share. Each holder of equity shares is entitled to one vote per share. Dividend is paid in Indian Rupees. The final dividend @ ₹1.50 per share, recommended by the Board of Directors is subject to the approval of the shareholders at the ensuing Annual General Meeting. In the event of liquidation of the Group, equity shareholders will be entitled to receive remaining assets of the Group after distribution of all preferential amounts. The distribution will be in proportion to the number of equity shares held by the shareholders.

#### (c) Details of shareholders holding more than 5% shares in the company

	As at 31 March 2017		As at 31 March 2016	
	No of shares	% holding	No of shares	% holding
Escorts Benefit and Welfare Trust	3,73,00,031	30.43	3,73,00,031	30.43
Harprasad & Company Private Limited	1,05,26,308	8.59	1,05,26,308	8.59
Jhunjunwala Rakesh Radheyshyam	1,12,25,000	9.16	1,12,25,000	9.16

#### (d) Aggregate number of shares issued for consideration other than cash and shares bought back during the period of five years immediately preceding the date 31 March 2017

	As at 31 March 2017	As at 31 March 2016	As at 1 April 2015
	No of shares	No of shares	No of shares
Equity shares allotted as fully paid pursuant to consideration other than cash	1,69,58,842	1,69,58,842	2,82,55,770

In addition, the Group has issued total 5,10,000 (31 March 2016: 4,26,000) equity shares to employees (through Escorts Employees Benefit and Welfare Trust) on exercise of option granted under the Employee Stock Option Scheme 2006, wherein part consideration was received in form of employee services.

## Notes forming part of the Consolidated Financial Statements for the year ended 31 March 2017

## 16 Equity share capital (contd.)

## (e) Shares reserved for issue under options

	As at	As at	As at
	31 March 2017	31 March 2016	1 April 2015
	No of shares	No of shares	No of shares
Under the Employee stock option plan (ESOP) 2006, equity share of ₹10 each, at an exercise price of ₹85 per share	31,01,612	31,85,612	32,93,612

For terms and other details refer note 40

## 17 Other equity

(₹ crores)

	As at	As at
	31 March 2017	31 March 2016
<b>Capital reserve</b>	<b>97.40</b>	<b>97.40</b>
<b>General reserve</b>	<b>513.33</b>	<b>513.33</b>
<b>Capital redemption reserve</b>		
Opening balance	6.00	4.00
Transferred from retained earnings	-	2.00
	<b>6.00</b>	<b>6.00</b>
<b>Securities premium reserve</b>		
Opening balance	456.57	456.54
Transferred from Employee's stock option outstanding account	0.02	0.03
	<b>456.59</b>	<b>456.57</b>
<b>Employee stock option outstanding account</b>		
Opening balance	0.07	0.05
Charge for the year	0.05	0.05
Transferred to Securities premium reserve on exercise of options	(0.02)	(0.03)
	<b>0.10</b>	<b>0.07</b>
<b>Treasury Shares</b>		
Opening balance	(383.75)	(384.66)
Changes during the year	13.04	0.91
	<b>(370.71)</b>	<b>(383.75)</b>
<b>Retained earnings</b>		
Opening balance	624.69	570.05
Net profit for the year	131.27	70.61
Equity dividend (net of dividend on treasury shares)	(10.07)	(10.93)
Tax on equity dividend	(2.99)	(2.99)
Gain on sale of treasury shares	16.48	-
Transferred to capital redemption reserve	-	(2.00)
Transferred to special reserve	-	(0.05)
	<b>759.38</b>	<b>624.69</b>
<b>Additional paid up capital-equity component</b>		
Opening balance	6.38	3.14
Changes during the year	1.59	3.24
	<b>7.97</b>	<b>6.38</b>
<b>Special reserve</b>		
Opening balance	0.07	0.02
Changes during the year	-	0.05
	<b>0.07</b>	<b>0.07</b>

## Notes forming part of the Consolidated Financial Statements for the year ended 31 March 2017

## 17 Other equity (contd.)

(₹ crores)

	As at	As at
	31 March 2017	31 March 2016
<b>Other comprehensive income, net of tax</b>		
<b>Equity instruments classified as fair value through other comprehensive income</b>		
Opening balance	22.00	19.29
Changes during the year	6.87	2.71
	<b>28.87</b>	<b>22.00</b>
<b>Re-measurements of defined employee benefit plans</b>		
Opening balance	0.43	-
Changes during the year	(1.72)	0.43
	<b>(1.29)</b>	<b>0.43</b>
<b>Foreign currency translation reserve</b>		
Opening balance	0.71	-
Changes during the year	(0.07)	0.71
	<b>0.64</b>	<b>0.71</b>
	<b>1,498.35</b>	<b>1,343.90</b>

## Nature and purpose of other reserves

## Securities premium reserve

Securities premium reserve represents premium received on issue of shares. The reserve is utilised in accordance with the provisions of the Companies Act.

## Employee's stock options outstanding account

The account is used to recognise the grant date value of options issued to employees under Employee stock option plan.

## Capital redemption reserve

This reserve represents reserve created on redemption of preference shares. The reserve is utilised in accordance with the provisions of the Companies Act.

## Capital reserve

This reserve represents the excess of net assets taken, over the cost of consideration paid at the time of amalgamation done previously. This reserve is not available for the distribution to the shareholders.

## Treasury shares

This reserve represents the cost of parent company's own equity shares held by the Employee Stock Option ("ESOP") Trust, Escorts Benefit and Welfare Trust and Escorts Benefit Trust which has been consolidated in these financial statements. During the year, shares held by Escorts Benefit Trust are sold and the surplus funds are transferred to the parent company.

## General reserve

The Group has transferred a portion of the net profit of the group before declaring dividend to general reserve pursuant to the earlier provision of Companies Act 1956. Mandatory transfer to general reserve is not required under the Companies Act 2013.

## Other comprehensive income (OCI) reserve

- The Group has elected to recognise changes in the fair value of certain investments in equity securities in other comprehensive income. These changes are accumulated within the FVOCI equity investments reserve within equity. The Group transfers amounts from this reserve to retained earnings when the relevant equity securities are derecognised.
- The Group has recognised remeasurements benefits on defined benefits plans through other comprehensive income.
- The Group recognised exchange differences arising on translation of the foreign operations in other comprehensive income and accumulated in foreign currency translation reserve in other equity.



## Notes forming part of the Consolidated Financial Statements for the year ended 31 March 2017

## 18 Non-controlling interest

(₹ crores)

	Year ended 31 March 2017	Year ended 31 March 2016
Opening balance	1.88	1.73
Additions during the year	0.38	0.61
Share of profit/(loss) for the year	(0.52)	(0.46)
Closing non-controlling interest	<b>1.74</b>	<b>1.88</b>

Refer note 38 for summarised financial information of subsidiary that has non-controlling interest that are material to the Group

## 19 Borrowings

## (i) Non-Current

(₹ crores)

	As at 31 March 2017	As at 31 March 2016	As at 1 April 2015
<b>Secured</b>			
Term loans from banks	55.80	87.31	105.32
Other loans from financial institutions	0.33	0.03	0.18
Finance lease obligations	0.12	0.12	0.12
<b>Unsecured</b>			
Liability portion of compound instruments	2.34	2.21	7.78
	<b>58.59</b>	<b>89.67</b>	<b>113.40</b>

## (a) Security and other details:

(₹ crores)

	31 March 2017	31 March 2016	1 April 2015
Total long term borrowings	58.59	89.67	113.40
Current maturities of long-term borrowings (refer note 20)	47.54	52.84	71.90
Current maturities of finance lease obligation (refer note 20)	-	-	0.33
	<b>106.13</b>	<b>142.51</b>	<b>185.63</b>

**Rate of interest** - The Group borrowings from banks are at an effective weighted average rate of 10.80% (31 March 2016: 11.75%) (1 April 2015: 12.45%)

(₹ crores)

	31 March 2017	31 March 2016	1 April 2015
(i) Term loan from State bank of India is secured by exclusive first charge on the plant and machinery/equipment acquired/to be acquired out of the said term loan and the same is repaid till 30 September 2016	-	2.75	10.15
(ii) Term loan from Punjab national bank is secured by exclusive charge on land and building and hypothecation of plant and other assets of Escorts construction equipment division excluding plant and machinery specifically charged to other term lenders and the same is repaid till 30 June 2015.	-	-	3.57
(iii) Term loan from Industrial development bank of India is secured by first charge by way of equitable mortgage of freehold immovable property being a part of site no.2, sector-13, Faridabad. The same is repayable in equal quarterly installments till 1 July 2018.	52.50	80.00	95.00

## Notes forming part of the Consolidated Financial Statements for the year ended 31 March 2017

## 19 Borrowings (contd.)

(₹ crores)

	31 March 2017	31 March 2016	1 April 2015
(iv) Term loan from Oriental bank of commerce is secured by first charge by way of equitable mortgage of freehold immovable property being a part of site no.2, sector-13, Faridabad. The same is repayable in equal quarterly installments till 31 May 2016.	-	15.00	45.00
(v) Term loan from Oriental bank of commerce is secured by exclusive first charge on the plant and machinery acquired/to be acquired out of the said term loan collateralised by first charge by way of equitable mortgage of freehold immovable property being a part of site no.2, sector-13, Faridabad. The same is repayable till 30 November 2016.	-	7.62	21.58
(vi) Term loan from State bank of India is secured by exclusive first charge on the plant and machinery acquired/to be acquired out of the said term loan and exclusive charge by way of equitable mortgage of freehold immovable property being a part of site no.2, sector-13, Faridabad. The same is repayable in equal quarterly installments after a moratorium of 24 months from the first date of disbursement.	50.89	35.00	-
(vii) Finance lease obligations are secured by the hypothecation of assets financed. Refer note 41 for repayment schedule for these obligations.	0.12	0.12	0.45
(viii) These loans are secured by the hypothecation of respective equipments and vehicles and are repayable in equal monthly installments.	0.45	0.19	2.77
(ix) Unsecured - liability portion of compound instruments in respect to:	2.34	2.21	7.78
- 9% non cumulative redeemable Preference Shares, Payable in October 2035			
- 9.5% non cumulative redeemable Preference Shares, Payable in September 2036			
- 7% non cumulative redeemable Preference Shares, Payable in April 2021			
- 7% non cumulative redeemable Preference Shares, Payable in February 2036			
- 8% non cumulative redeemable Preference Shares, Payable in July 2023			
Less: Adjustment for processing fees on long term loans recognised using effective interest rate	(0.17)	(0.38)	(0.67)
	<b>106.13</b>	<b>142.51</b>	<b>185.63</b>

(b) Refer note 35 - Financial instruments for disclosure of fair values in respect of financial liabilities measured at amortised cost and analysis of their maturity profiles.

## Notes forming part of the Consolidated Financial Statements for the year ended 31 March 2017

## 19 Borrowings (contd.)

	(₹ crores)		
	As at 31 March 2017	As at 31 March 2016	As at 1 April 2015
<b>(ii) Current</b>			
<b>Secured</b>			
Cash credit and other working capital facilities from banks	153.99	219.64	302.60
Loan against factored receivables	5.31	5.97	17.78
	<b>159.30</b>	<b>225.61</b>	<b>320.38</b>

## Security details

- (i) Cash credit and other working capital facilities from banks are secured against first charge on current assets and second charge on moveable fixed assets (excluding assets specifically charged to other term lenders) and specific fixed deposits. These facilities carried interest in the range of 7.66%- 10.80% p.a. in 31 March 2017 ( 31 March 2016: 7.75%-12% p.a) (1 April 2015: 10.5%-12.5% p.a).
- (ii) Loan against factored receivables is secured by first charge on trade receivables subject to factoring arrangement. This facility carry a rate of interest of 10.45% p.a as on 31 March 2017 (Interest rate on this loan is broadly consistent for all periods presented).

Refer note 35 - Financial instruments for disclosure of fair values in respect of financial liabilities measured at amortised cost and analysis of their maturity profiles.

## 20 Other financial liabilities

	(₹ crores)		
	As at 31 March 2017	As at 31 March 2016	As at 1 April 2015
<b>(i) Other non-current financial liabilities</b>			
Security deposits	13.05	12.18	11.08
	<b>13.05</b>	<b>12.18</b>	<b>11.08</b>

**(ii) Other current financial liabilities** (₹ crores)

	As at 31 March 2017	As at 31 March 2016	As at 1 April 2015
Current maturities of long-term borrowings (refer note 19)	47.54	52.84	71.90
Current maturities of finance lease obligation (refer note 19)	-	-	0.33
Interest accrued but not due on borrowings	-	0.51	-
Interest accrued and due on borrowings	-	-	0.12
Security deposits	6.74	0.68	1.57
Unpaid dividends*	1.17	1.16	1.02
Payable to related parties	2.09	2.09	2.09
Employee related payables	46.45	42.11	47.00
Retention money	0.77	7.09	7.33
Other payables	38.72	22.99	21.65
	<b>143.48</b>	<b>129.47</b>	<b>153.01</b>

\*Investor Education and Protection Fund will be credited as and when due

Refer note 35 - Financial instruments for disclosure of fair values in respect of financial liabilities measured at amortised cost and analysis of their maturity profiles.

## Notes forming part of the Consolidated Financial Statements for the year ended 31 March 2017

## 21 Other liabilities

	(₹ crores)		
	As at 31 March 2017	As at 31 March 2016	As at 1 April 2015
<b>(i) Other non-current liabilities</b>			
Advance against sale of land	9.00	9.00	9.00
Deferred income	7.92	7.89	9.48
Others	0.15	0.15	0.15
	<b>17.07</b>	<b>17.04</b>	<b>18.63</b>

**(ii) Other current financial liabilities** (₹ crores)

	As at 31 March 2017	As at 31 March 2016	As at 1 April 2015
Advances received from customers	43.95	25.21	25.41
Advance against sale of Property, plant and equipment	2.50	-	-
Payable to statutory authorities	59.78	52.48	70.58
Deferred income	11.44	11.31	9.32
	<b>117.67</b>	<b>89.00</b>	<b>105.31</b>

## 22 Provisions

	(₹ crores)		
	As at 31 March 2017	As at 31 March 2016	As at 1 April 2015
<b>(i) Non-current</b>			
<b>Provision for employee benefits (refer note 39)</b>			
Provision for gratuity	0.52	0.50	0.38
Provision for leave encashment	13.27	14.25	14.27
<b>Others</b>			
Provision for contingencies	6.57	12.75	83.79
Provision for warranty	0.37	0.39	0.32
	<b>20.73</b>	<b>27.89</b>	<b>98.76</b>

**(ii) Current** (₹ crores)

	As at 31 March 2017	As at 31 March 2016	As at 1 April 2015
<b>Provision for employee benefits (refer note 39)</b>			
Provision for gratuity	45.65	51.57	57.41
Provision for superannuation	-	0.03	1.30
Provision for leave encashment	2.69	2.87	2.70
<b>Others</b>			
Provision for warranty	10.81	10.26	7.90
Provision for contingencies/claims	72.36	68.00	-
	<b>131.51</b>	<b>132.73</b>	<b>69.31</b>

## Notes forming part of the Consolidated Financial Statements for the year ended 31 March 2017

### 22 Provisions (contd.)

#### (iii) Information about individual provisions and significant estimates

##### Provision for contingencies

- a) During the year 2004-05, the Company sold its entire shareholding in Escorts Heart Institute and Research Center Limited (EHIRCL) vide Share Purchase Agreement (SPA) dated 25 September 2005. At the time of sale, EHIRCL had certain pending disputed income tax demands of ₹52.33 crores and interest thereon amounting to ₹29.16 crores. In accordance with the terms of said SPA, the Company has undertaken to indemnify the purchaser to the extent of ₹64.99 crores plus one-third of any amount in excess of ₹64.99 crores, upon the final adjudication of the demand in law or its final settlement. For this purpose and in terms of said SPA, an amount of ₹64.99 crores has been kept in an Escrow Account as fixed deposit, which after renewal(s) along with interest amounts to ₹127.76 crores as on 31 March 2017 (31 March 2016: ₹120.14 crores) (1 April 2015: ₹111.64 crores). Correspondingly, a provision was created earlier on prudent basis to meet this liability, if and when the same arises, whose carrying value is ₹65.00 crores on 31 March 2017 (31 March 2016: ₹60.45 crores) (1 April 2015: ₹56.23 crores).
- b) Farmtrac North America, LLC (FNA), previously subsidiary of the Company had entered into a distribution agreement for distribution of tractors manufactured by M/s L S Mtron (LSC). FNA however defaulted in making payments to LSC for the tractors supplied to them. LSC initiated International Arbitration conducted by ICC against the Company. FNA is currently under receivership and its assets had been disposed off by the Receiver and proceeds were distributed to secured creditors. A settlement agreement was executed between EL and LSC during FY 2015-16 and according to such settlement agreement, out of the total amount payable ₹47.67 crores, 50% was paid during FY 2015-16 and balance is payable in three equal yearly installments, there after. In terms of the settlement agreement, the Company has paid first two installments and the remaining installments are payable in FY2017-18 and FY 2018-19. The carrying balance of provision for such amount payable to LSC is ₹13.93 crores on 31 March 2017 (31 March 2016: ₹20.30 crores) (1 April 2015: ₹27.56 crores).

##### Provision for warranty

The Group 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 to two years. The provision is based on estimates made from historical warranty data associated with similar products and services. The Group expects to incur the related expenditure over the next year.

#### (iv) Movement in provisions :

(₹ crores)

	Provision for contingencies	Provision for warranty
<b>Provision at 1 April 2015</b>	83.79	8.22
Additions during the year	11.07	8.12
Amounts used during the year	(20.41)	(5.73)
Unwinding of discount and effect of change in discount rate	6.30	0.04
<b>Provision at 31 March 2016</b>	<b>80.75</b>	<b>10.65</b>
Additions during the year	-	10.22
Amounts used during the year	(7.99)	(9.76)
Unwinding of discount and effect of change in discount rate	6.50	0.07
Exchange fluctuation	(0.33)	-
<b>Provision at 31 March 2017</b>	<b>78.93</b>	<b>11.18</b>

## Notes forming part of the Consolidated Financial Statements for the year ended 31 March 2017

### 23 Trade payables

(₹ crores)

	As at 31 March 2017	As at 31 March 2016	As at 1 April 2015
Acceptances	168.22	150.66	155.04
Trade payables due to other than micro and small enterprises (refer note 43)	571.43	480.77	466.77
Other accrued liabilities	170.49	119.32	107.87
	<b>910.14</b>	<b>750.75</b>	<b>729.68</b>

### 24 Revenue from operations

(₹ crores)

	Year ended 31 March 2017	Year ended 31 March 2016
<b>Operating revenue</b>		
Sale of products (including excise duty)		
Export	109.85	91.11
Domestic	4,087.87	3,390.27
	<b>4,197.72</b>	<b>3,481.38</b>
<b>Other operating revenue</b>		
Sale of Services	6.45	6.68
Export incentives	1.70	1.04
Scrap sales	4.13	5.63
Management Fee/Brokerage income	5.58	4.71
Others	4.18	4.46
	<b>22.04</b>	<b>22.52</b>
	<b>4,219.76</b>	<b>3,503.90</b>

### 25 Other income

(₹ crores)

	Year ended 31 March 2017	Year ended 31 March 2016
<b>Interest from</b>		
Bank deposits	15.15	19.28
Financial asset carried at amortised cost	12.29	13.13
Others	0.07	0.24
	<b>27.51</b>	<b>32.65</b>
<b>Other income</b>		
Unclaimed balances and excess provisions written back	6.58	12.65
Gain on foreign currency transactions (net)	-	2.83
Rent received	1.88	1.58
Gain on investments carried at fair value through profit or loss (net)	4.73	0.44
Miscellaneous income	6.39	10.69
	<b>19.58</b>	<b>28.19</b>
	<b>47.09</b>	<b>60.84</b>



## Notes forming part of the Consolidated Financial Statements for the year ended 31 March 2017

## 26 Cost of materials consumed

(₹ crores)

	Year ended 31 March 2017	Year ended 31 March 2016
<b>Cost of material consumed</b>		
Opening stock	179.91	239.35
Purchases	2,647.32	2,176.58
	2,827.23	2,415.93
Closing Stock	(177.81)	(179.91)
Foreign currency translation	(1.31)	1.56
Less: cost of material consumed for discontinued operations	(14.45)	(50.36)
	<b>2,633.66</b>	<b>2,187.22</b>
<b>Changes in inventories of work-in-progress, stock-in-trade and finished goods</b>		
<b>Opening stock</b>		
Finished goods	149.59	147.72
Work-in-progress	37.18	38.43
Stock-in-trade	58.94	36.99
	<b>245.71</b>	<b>223.14</b>
<b>Closing stock</b>		
Finished goods	(169.84)	(149.59)
Work-in-progress	(36.15)	(37.18)
Stock-in-trade	(70.82)	(58.94)
	<b>(276.81)</b>	<b>(245.71)</b>
Foreign currency translation	(0.47)	0.57
Adjustment/transfer for discontinued operations	(14.92)	(2.88)
	<b>(46.49)</b>	<b>(24.88)</b>

## 27 Employee benefit expense

(₹ crores)

	Year ended 31 March 2017	Year ended 31 March 2016
Salaries, wages and bonus	392.81	355.30
Share based payments to employees (refer note 40)	0.05	0.05
Defined benefit plan expenses (refer note 39)	8.14	8.48
Contribution to provident and other funds (refer note 39)	16.38	16.71
Staff welfare	33.63	31.20
	<b>451.01</b>	<b>411.74</b>

## 28 Finance costs

(₹ crores)

	Year ended 31 March 2017	Year ended 31 March 2016
Interest on		
Long term loans	16.33	17.64
Cash credit and short term loans	8.22	25.74
Others	4.09	3.74
Finance and bank charges	5.38	5.68
Unwinding of discount on provisions and financial liabilities	7.43	7.20
	<b>41.45</b>	<b>60.00</b>
Less: transfer for discontinued operations	(9.24)	(8.94)
	<b>32.21</b>	<b>51.06</b>

## Notes forming part of the Consolidated Financial Statements for the year ended 31 March 2017

## 29 Depreciation and amortisation

(₹ crores)

	Year ended 31 March 2017	Year ended 31 March 2016
<b>Depreciation on</b>		
Property, plant and equipment	50.70	52.45
Investment property	0.15	0.12
<b>Amortisation on</b>		
Intangible assets	12.57	5.56
	<b>63.42</b>	<b>58.13</b>

## 30 Other expenses

(₹ crores)

	Year ended 31 March 2017	Year ended 31 March 2016
Stores and spares consumed	36.33	30.92
Power, fuel and electricity	38.84	36.01
Excise duty on increase/(decrease) in stock of finished goods	(0.56)	(0.45)
Repair and maintenance		
Building	9.07	7.31
Machinery	17.47	15.97
Others	55.91	44.62
Warranties	14.79	19.38
Rent	7.40	5.20
Research and testing expense on projects	14.11	10.97
Rates and taxes	3.41	2.64
Insurance	3.70	3.47
Traveling and conveyance	46.29	42.47
Postage and telephones	7.18	6.65
Legal and professional	57.71	52.68
Commission, discounts and sales incentive	19.73	17.76
Advertisement and promotional expenses	72.45	59.21
Royalty	20.39	16.82
Packing, freight and forwarding	68.15	57.89
Security charges	6.44	5.16
Printing and stationery	3.23	3.54
Director's sitting fees and commission	8.69	0.59
Corporate social responsibility (CSR) expenditure *	3.30	1.16
Provision for doubtful debts/advances and deposits	6.26	5.00
Bad debts & inventory written off	28.32	61.00
Less : Provision already held	(28.32)	(61.00)
Amounts/assets written off	0.69	1.26
Miscellaneous expenses	32.50	28.20
	<b>553.48</b>	<b>474.43</b>

## \* CSR Expenditure

(i) Gross amount required to be spent by the company during the year	3.42	3.27
(ii) Amount spent (in cash) during the year on:		
a) Construction/acquisition of any asset	-	-
b) For the purposes other than (a) above	3.30	1.16

## Notes forming part of the Consolidated Financial Statements for the year ended 31 March 2017

## 31 Exceptional items

(₹ crores)

	Year ended 31 March 2017	Year ended 31 March 2016
Voluntary retirement scheme expenses	11.24	1.23
Claims and damages	-	11.06
	<b>11.24</b>	<b>12.29</b>

## 32 Discontinued operations

## (i) Description

Pursuant to approval of the Board of Directors and execution of the Asset Purchase Agreement (Agreement) dated 11 August 2016, the Company had divested its OEM and Export business of its Auto Product Division. The said divestment become effective w.e.f. 6 December 2016 upon completion of defined actions and covenants as per the Agreement. The Company shall continue to pursue its sale of auto products in after market operations.

## (ii) Financial performance and cash flow information

(₹ crores)

	Year ended 31 March 2017	Year ended 31 March 2016
<b>Total income</b>	<b>53.91</b>	<b>102.42</b>
<b>Total expenses</b>	<b>73.45</b>	<b>128.38</b>
<b>Loss before exceptional items and tax</b>	<b>(19.54)</b>	<b>(25.96)</b>
Profit on disposal of non-current assets of discontinued operation	3.00	-
Exceptional items*	(41.92)	-
<b>Loss before tax from discontinued operations</b>	<b>(58.46)</b>	<b>(25.96)</b>
Income tax expense	(17.75)	(8.99)
<b>Loss for the year from discontinued operations</b>	<b>(40.71)</b>	<b>(16.97)</b>

\*This includes expenses on providing/writing off various unrecoverable amounts in respect to various items of inventories, trade receivables and other assets

(₹ crores)

	Year ended 31 March 2017	Year ended 31 March 2016
Net cash inflow (outflow) from operating activities	(1.25)	10.46
Net cash inflow (outflow) from investing activities	10.26	(1.92)
Net cash (outflow) from financing activities	(9.01)	(8.61)
Net cash (outflow) from discontinued operation	-	(0.07)

## 33 Earnings per share (EPS)

(₹ crores)

	Year ended 31 March 2017	Year ended 31 March 2016
<b>Net Profit from:</b>		
Continuing operations attributable to owner of the Company	171.98	87.58
Discontinued operations	(40.71)	(16.97)
<b>Net profit for the year from continuing and discontinued operations</b>	<b>131.27</b>	<b>70.61</b>
<b>Profit from continuing operations attributable to owners of the Company (A)</b>	<b>171.98</b>	<b>87.58</b>
<b>Weighted-average number of equity shares for basic EPS (B)</b>	<b>8,21,44,857</b>	<b>8,13,20,562</b>

## Notes forming part of the Consolidated Financial Statements for the year ended 31 March 2017

## 33 Earnings per share (EPS) (contd.)

(₹ crores)

	Year ended 31 March 2017	Year ended 31 March 2016
Effect of Dilution :		
Weighted average number of share options granted to employees	21,099	48,307
<b>Weighted average number of Equity shares adjusted for the effect of dilution ( C )</b>	<b>8,21,65,956</b>	<b>8,13,68,869</b>
Basic EPS (Amount in ₹) (A/B)	20.94	10.77
Diluted EPS (Amount in ₹) (A/C)	20.93	10.76
<b>Loss from discontinued operations attributable to owners of the Company (A)</b>	<b>(40.71)</b>	<b>(16.97)</b>
<b>Weighted-average number of equity shares for basic EPS (B)</b>	<b>8,21,44,857</b>	<b>8,13,20,562</b>
Effect of Dilution :		
Weighted average number of share options granted to employees	21,099	48,307
<b>Weighted average number of Equity shares adjusted for the effect of dilution ( C )</b>	<b>8,21,65,956</b>	<b>8,13,68,869</b>
Basic EPS (Amount in ₹) (A/B)	(4.96)	(2.09)
Diluted EPS (Amount in ₹) (A/C)	(4.95)	(2.09)
<b>Profit from continuing operations and discontinued operations attributable to owners of the Company (A)</b>	<b>131.27</b>	<b>70.61</b>
<b>Weighted-average number of equity shares for basic EPS (B)</b>	<b>8,21,44,857</b>	<b>8,13,20,562</b>
Effect of Dilution :		
Weighted average number of share options granted to employees	21,099	48,307
<b>Weighted average number of Equity shares adjusted for the effect of dilution ( C )</b>	<b>8,21,65,956</b>	<b>8,13,68,869</b>
Basic EPS (Amount in ₹) (A/B)	15.98	8.68
Diluted EPS (Amount in ₹) (A/C)	15.98	8.68

## 34 Commitments and contingencies\*

(₹ crores)

	As At 31 March 2017	As At 31 March 2016
(i) Estimated Amounts of contracts Remaining to be Executed on Capital Account and not provided for	52.50	30.71
(ii) Claims not acknowledged as debts	0.59	0.59
(iii) There is a contingent liability of :		
Excise duty/ customs duty /service tax demands not acknowledged as liability	471.44	106.97
ESI additional demand not acknowledged as liability	5.55	0.13
Sales Tax and other demands not acknowledged as liability	80.84	58.63
Pending legal cases - personnel	4.46	4.04
- Others	37.92	39.75
Demand raised by Faridabad Municipal Corporation for external development charges where the Group is in litigation	2.38	2.38
Guarantees given to banks under channel finance program and bills discounting	6.81	11.15
Letter of credit/guarantees executed in favour of others	42.99	40.04
Demand raised by Income Tax department, disputed by the Group and pending in appeal (Against demand the Group has deposited a sum of ₹0.28 crores (Previous period ₹25.89 crores) under protest)	22.62	1.28

## Notes forming part of the Consolidated Financial Statements for the year ended 31 March 2017

## 34 Commitments and contingencies\* (contd.) (₹ crores)

	As At 31 March 2017	As At 31 March 2016
Liability towards surety bond in favour of Governor of Haryana for Sales Tax registration under VAT	4.46	4.46
Contingencies regarding Income tax cases pending in Escorts Heart Institute and Research Center Limited for which amount is indeterminable (refer note 22 for details)		

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

## 35 Financial instruments

## A Financial assets and liabilities

The carrying amounts and fair values of financial instruments by class are as follows:

	Note	As at 31 March 2017	As at 31 March 2016	As at 1 April 2015
<b>Financial assets measured at fair value</b>				
Investments measured at				
Fair value through other comprehensive income	6 (i)	36.25	28.49	25.43
Fair value through profit and loss	6 (ii)	173.45	7.39	6.05
<b>Financial assets measured at amortised cost</b>				
Investments	6 (i)	1.57	1.79	1.40
Trade receivables	12	456.45	374.97	375.56
Loans	7	13.10	11.34	10.29
Cash and cash equivalents	13	69.22	33.12	55.86
Other bank balances	14	174.88	219.91	197.21
Others	8	23.97	23.81	18.97
<b>Total</b>		<b>948.89</b>	<b>700.82</b>	<b>690.77</b>
<b>Financial liabilities measured at amortised cost</b>				
Borrowings	19	217.89	315.28	433.78
Trade payables	23	910.14	750.75	729.68
Other financial liabilities	20	156.53	141.65	164.09
<b>Total</b>		<b>1,284.56</b>	<b>1,207.68</b>	<b>1,327.55</b>

Investment in joint ventures and associates are measured using equity method and hence, not presented here.

## B Fair values hierarchy

The fair value of financial instruments as referred to in note (A) above has been classified into three categories depending on the inputs used in the valuation technique. The hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities [Level 1 measurements] and lowest priority to unobservable inputs [Level 3 measurements].

The categories used are as follows:

**Level 1:** Quoted prices for identical instruments in an active market;

**Level 2:** Directly (i.e. as prices) or indirectly (i.e. derived from prices) observable market inputs, other than Level 1 inputs; and

**Level 3:** Inputs which are not based on observable market data (unobservable inputs). Fair values are determined in whole or in part using a net asset value or valuation model based on assumptions that are neither supported by prices from observable current market transactions in the same instrument nor are they based on available market data.

## Notes forming part of the Consolidated Financial Statements for the year ended 31 March 2017

## 35 Financial instruments (contd.)

## B.1 Financial assets and liabilities measured at fair value - recurring fair value measurements

As at 31 March 2017 (₹ crores)				
Assets at fair value	Level 1	Level 2	Level 3	Total
Investments measured at				
Fair value through other comprehensive income	0.52	-	35.73	36.25
Fair value through profit and loss	173.45	-	-	173.45

As at 31 March 2016 (₹ crores)				
Assets at fair value	Level 1	Level 2	Level 3	Total
Investments measured at				
Fair value through other comprehensive income	0.42	-	28.07	28.49
Fair value through profit and loss	7.39	-	-	7.39

As at 1 April 2015 (₹ crores)				
Assets at fair value	Level 1	Level 2	Level 3	Total
Investments measured at				
Fair value through other comprehensive income	0.45	-	24.98	25.43
Fair value through profit and loss	6.05	-	-	6.05

## Valuation process and technique used to determine fair value

- The fair value of investments in government securities and quoted equity shares is based on the current bid price of respective investment as at the balance sheet date.
- The fair value of investments in mutual fund units is based on the net asset value (NAV) as stated by the issuers of these mutual fund units in the published statements as at the Balance Sheet date. NAV represents the price at which the issuer will issue further units of mutual fund and the price at which issuers will redeem such units from the investors.
- In order to arrive at the fair value of unquoted investments, the Group obtains independent valuations. The techniques used by the valuer are as follows:
  - Asset approach - Net assets value method
  - Income approach - Discounted cash flows ("DCF") method
  - Market approach - Enterprise value/Sales multiple method

## Significant unobservable inputs used in Level 3 fair values

## Unquoted equity shares

Description	31 March 2017	31 March 2016	1 April 2015
<b>Impact on fair value if change in earnings growth rate</b>			
Impact due to increase of 0.50 % for 2017 and 1.0% for 2015 and 2016	0.27	0.91	0.55
Impact due to decrease of 0.50 % for 2017 and 1.0% for 2015 and 2016	(0.25)	(0.76)	(0.46)
<b>Impact on fair value if change in risk adjusted discount rate</b>			
Impact due to increase of 0.50 % for 2017 and 1.0% for 2015 and 2016	(0.61)	(1.05)	(0.77)
Impact due to decrease of 0.50 % for 2017 and 1.0% for 2015 and 2016	0.67	1.27	0.93



## Notes forming part of the Consolidated Financial Statements for the year ended 31 March 2017

### 35 Financial instruments (contd.)

The following table presents the changes in level 3 items for the periods ended 31 March 2017 and 31 March 2016:

Particulars	(₹ crores)
	Unquoted equity shares
<b>As at 1 April 2015</b>	<b>24.98</b>
Gains recognised in other comprehensive income	3.09
<b>As at 31 March 2016</b>	<b>28.07</b>
Gains recognised in other comprehensive income	7.66
<b>As at 31 March 2017</b>	<b>35.73</b>

### B.2 Fair value of instruments measured at amortised cost

Fair value of instruments measured at amortised cost for which fair value is disclosed is as follows, these fair values are calculated using Level 3 inputs:

As at 31 March 2017	(₹ crores)	
	Carrying value	Fair value
Loans	8.11	8.12
Liability portion of compound instruments	2.34	3.49
Investments	1.57	1.72
Security deposits received	13.05	14.48

As at 31 March 2016	(₹ crores)	
	Carrying value	Fair value
Loans	7.15	7.18
Liability portion of compound instruments	2.21	2.29
Investments	1.79	1.85
Security deposits received	12.18	12.70

As at 1 April 2015	(₹ crores)	
	Carrying value	Fair value
Loans	7.44	7.43
Liability portion of compound instruments	7.78	7.74
Investments	1.40	1.39
Security deposits received	11.08	11.05

The management assessed that fair values of cash and cash equivalents, trade receivables, other receivables, short term borrowings, trade payables and other current financial liabilities approximate their respective carrying amounts largely due to the short-term maturities of these instruments. The fair value of the financial assets and liabilities is included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. The following methods and assumptions were used to estimate the fair values:

- Long-term fixed-rate receivables are evaluated by the Group based on parameters such as interest rates, individual creditworthiness of the customer and other market risk factors.
- The fair values of the Group's fixed interest-bearing loans and receivables are determined by applying discounted cash flows ('DCF') method, using discount rate that reflects the issuer's borrowing rate as at the end of the reporting period. The own non-performance risk as at 31 March 2017 was assessed to be insignificant.

## Notes forming part of the Consolidated Financial Statements for the year ended 31 March 2017

### 35 Financial instruments (contd.)

- All the other long term borrowing facilities availed by the Group are variable rate facilities which are subject to changes in underlying Interest rate indices. Further, the credit spread on these facilities are subject to change with changes in Group creditworthiness. The management believes that the current rate of interest on these loans are in close approximation from market rates applicable to the Group. Therefore, the management estimates that the fair value of these borrowings are approximate to their respective carrying values.

### C Financial Risk Management

#### Risk Management

The Group's activities expose it to market risk, liquidity risk and credit risk. The Group's board of directors has overall responsibility for the establishment and oversight of the Group risk management framework. This note explains the sources of risk which the entity is exposed to and how the entity manages the risk and the related impact in the financial statements.

#### C.1 Credit risk

Credit risk is the risk that a counterparty fails to discharge its obligation to the Group. The Group exposure to credit risk is influenced mainly by cash and cash equivalents, trade receivables and financial assets measured at amortised cost. The Group continuously monitors defaults of customers and other counterparties and incorporates this information into its credit risk controls.

#### a) Credit risk management

The Group assesses and manages credit risk based on internal credit rating system. Internal credit rating is performed for each class of financial instruments with different characteristics. The Group assigns the following credit ratings to each class of financial assets based on the assumptions, inputs and factors specific to the class of financial assets.

- Low credit risk on financial reporting date
- Moderate credit risk
- High credit risk

The Company provides for expected credit loss based on the following:

Asset group	Basis of categorisation	Provision for expected credit loss
Low credit risk	Cash and cash equivalents, other bank balances, loans, trade receivables and other financial assets	12 month expected credit loss
Moderate credit risk	Trade receivables and other financial assets	Life time expected credit loss or 12 month expected credit loss
High credit risk	Trade receivables and other financial assets	Life time expected credit loss fully provided for

In respect of trade receivables, the Group recognises a provision for lifetime expected credit loss.

Based on business environment in which the Group operates, a default on a financial asset is considered when the counter party fails to make payments within the agreed time period as per contract. Loss rates reflecting defaults are based on actual credit loss experience and considering differences between current and historical economic conditions.

Assets are written off when there is no reasonable expectation of recovery, such as a debtor declaring bankruptcy or a litigation decided against the Group. The Group continues to engage with parties whose balances are written off and attempts to enforce repayment. Recoveries made are recognised in statement of profit and loss.

## Notes forming part of the Consolidated Financial Statements for the year ended 31 March 2017

## 35 Financial instruments (contd.)

## Financial assets that expose the entity to credit risk

(₹ crores)

	As at 31 March 2017	As at 31 March 2016	As at 1 April 2015
<b>(i) Low credit risk on financial reporting date</b>			
Loans	13.10	11.34	10.29
Investments	1.96	2.26	1.86
Trade receivables	57.56	52.00	32.94
Cash and cash equivalents	69.22	33.12	55.86
Other bank balances	174.88	219.91	197.21
Other financial assets	23.97	23.81	18.97
<b>(ii) Moderate credit risk</b>			
Trade receivables	413.52	338.75	362.87
<b>(iii) High credit risk</b>			
Trade receivables	53.05	59.17	74.28
Other financial assets	16.51	16.51	16.57

**Cash & cash equivalents and bank deposits**

Credit risk related to cash and cash equivalents and bank deposits is managed by only accepting highly rated banks and diversifying bank deposits and accounts in different banks across the country.

**Trade receivables**

Credit risk related to trade receivables are mitigated by taking bank guarantees/letter of credit, from customers where credit risk is high. The Group closely monitors the credit-worthiness of the debtors through internal systems that are configured to define credit limits of customers, thereby, limiting the credit risk to pre-calculated amounts. The Group assesses increase in credit risk on an ongoing basis for amounts receivable that become past due and default is considered to have occurred when amounts receivable become one year past due.

**Other financial assets measured at amortised cost**

Other financial assets measured at amortized cost includes loans and advances to employees, security deposits and others. Credit risk related to these other financial assets is managed by monitoring the recoverability of such amounts continuously.

**b) Expected credit losses for financial assets other than trade receivables**

- i) Group provides for expected credit losses on loans and advances other than trade receivables by assessing individual financial instruments for expectation of any credit losses. Since the Group deals with only high-rated banks and financial institutions, credit risk in respect of cash and cash equivalents, other bank balances and bank deposits is evaluated as very low. In respect of loans, comprising of security deposits, credit risk is considered low because the Group is in possession of the underlying asset. In respect of other financial assets, credit risk is evaluated based on Group knowledge of the credit worthiness of those parties and loss allowance is measured as lifetime expected credit losses.

The Group does not have any expected loss based impairment recognised on such assets considering their low credit risk nature, though incurred loss provisions are disclosed under each sub-category of such financial assets.

## Notes forming part of the Consolidated Financial Statements for the year ended 31 March 2017

## 35 Financial instruments (contd.)

## 31 March 2017

(₹ crores)

Particulars	Gross carrying amount	Expected probability of default	Expected credit losses	Carrying amount net of impairment provision
Cash and cash equivalents	69.22	0%	-	69.22
Other bank balances	174.88	0%	-	174.88
Loans	13.10	0%	-	13.10
Other financial assets	40.48	40.8%	16.51	23.97

## 31 March 2016

(₹ crores)

Particulars	Gross carrying amount	Expected probability of default	Expected credit losses	Carrying amount net of impairment provision
Cash and cash equivalents	33.12	0%	-	33.12
Other bank balances	219.91	0%	-	219.91
Loans	11.34	0%	-	11.34
Other financial assets	40.32	40.9%	16.51	23.81

## 1 April 2015

(₹ crores)

Particulars	Gross carrying amount	Expected probability of default	Expected credit losses	Carrying amount net of impairment provision
Cash and cash equivalents	55.86	0%	-	55.86
Other bank balances	197.21	0%	-	197.21
Loans	10.29	0%	-	10.29
Other financial assets	35.54	47%	16.57	18.97

**ii) Expected credit loss for trade receivables under simplified approach**

The Group recognizes lifetime expected credit losses on trade receivables using a simplified approach, wherein Group has defined percentage of provision by analysing historical trend of default relevant to each business segment based on the criteria defined above and such provision percentage determined have been considered to recognise life time expected credit losses on trade receivables (other than those where default criteria are met).

## 31 March 2017

(₹ crores)

Particulars	Agri machinery	Auto products	Construction equipment	Railway products	Financing & Others
Gross sales in respect of customers where no specific default has occurred	3,247.73	-	589.82	233.40	-
Expected loss rate	0.11%	0%	1.59%	0.78%	-
Receivables due from customers where specific default has occurred	14.59	9.96	17.84	3.12	7.55
Expected credit loss( loss allowance provision)	3.46	-	9.35	1.82	-

## Notes forming part of the Consolidated Financial Statements for the year ended 31 March 2017

## 35 Financial instruments (contd.)

31 March 2016						(₹ crores)
Particulars	Agri machinery	Auto products	Construction equipment	Railway products	Financing & Others	
Gross amount of trade receivables where no default (as defined above) has occurred	2,646.53	66.79	482.23	214.82	-	-
Expected loss rate	0.08%	2.14%	1.56%	2.19%	-	-
Receivables due from customers where specific default has occurred	14.46	8.26	19.99	8.15	8.31	-
Expected credit loss( loss allowance provision)	2.15	1.43	7.51	4.70	-	-

1 April 2015						(₹ crores)
Particulars	Agri machinery	Auto products	Construction equipment	Railway products	Financing & Others	
Gross amount of trade receivables where no default (as defined above) has occurred	3,001.59	68.67	537.76	190.94	-	-
Expected loss rate	0.11%	1.29%	2.13%	2.35%	0%	-
Receivables due from customers where specific default has occurred	11.76	7.46	25.78	20.43	8.84	-
Expected credit loss( loss allowance provision)	3.40	0.89	11.48	4.49	-	-

Reconciliation of loss allowance provision from beginning to end of reporting period:			(₹ crores)
Reconciliation of loss allowance		Trade receivables	Other financial assets
<b>Loss allowance on 1 April 2015</b>		<b>94.53</b>	<b>16.57</b>
Increase of provision due to assets originated during the year		0.53	-
Loss allowance written back		(0.54)	-
Write – offs		(19.56)	(0.06)
<b>Loss allowance on 31 March 2016</b>		<b>74.96</b>	<b>16.51</b>
Assets originated or purchased		8.90	-
Loss allowance written back		(0.57)	-
Write – offs		(15.61)	-
<b>Loss allowance on 31 March 2017</b>		<b>67.68</b>	<b>16.51</b>

## C.2 Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Group's approach to managing liquidity is to ensure as far as possible, that it will have sufficient liquidity to meet its liabilities when they are due.

Management monitors rolling forecasts of the Group liquidity position and cash and cash equivalents on the basis of expected cash flows. The Group takes into account the liquidity of the market in which the entity operates.

## (a) Financing arrangements

The Group had access to the following undrawn borrowing facilities at the end of the reporting period:

## Notes forming part of the Consolidated Financial Statements for the year ended 31 March 2017

## 35 Financial instruments (contd.)

Floating rate				(₹ crores)
	31 March 2017	31 March 2016	1 April 2015	
- Expiring within one year (cash credit and other facilities- Fixed rate)	305.27	242.40	147.40	
- Expiring beyond one year (bank loans - Floating rate)	99.00	115.00	-	
	<b>404.27</b>	<b>357.40</b>	<b>147.40</b>	

The bank overdraft facilities may be drawn at any time and may be terminated by the bank without notice. Subject to the continuance of satisfactory credit ratings, the bank loan facilities can be drawn till 31 December 2017 in ₹ and have an average maturity of 6.5 years (31 March 2016: 7.5 years).

## (b) Maturities of financial liabilities

The tables below analyse the Group financial liabilities into relevant maturity groupings based on their contractual maturities.

The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant

31 March 2017						(₹ crores)
	Less than 1 year	1-2 year	2-3 year	More than 3 years	Total	
<b>Non-derivatives</b>						
Borrowings	215.61	45.99	14.10	10.56	286.26	
Finance lease obligation	0.01	0.01	0.01	1.05	1.08	
Trade payable	910.14	-	-	-	910.14	
Security deposits	0.70	-	0.42	21.85	22.97	
Other financial liabilities	89.20	-	-	-	89.20	
<b>Total</b>	<b>1,215.66</b>	<b>46.00</b>	<b>14.53</b>	<b>33.46</b>	<b>1,309.65</b>	

31 March 2016						(₹ crores)
	Less than 1 year	1-2 year	2-3 year	More than 3 years	Total	
<b>Non-derivatives</b>						
Borrowings	286.51	56.43	46.82	21.43	411.19	
Finance lease obligation	0.01	0.01	0.01	1.06	1.09	
Trade payable	750.75	-	-	-	750.75	
Security deposits	0.68	0.20	-	20.84	21.72	
Other financial liabilities	75.95	-	-	-	75.95	
<b>Total</b>	<b>1,113.90</b>	<b>56.64</b>	<b>46.83</b>	<b>43.33</b>	<b>1,260.70</b>	

1 April 2015						(₹ crores)
	Less than 1 year	1-2 year	2-3 year	More than 3 years	Total	
<b>Non-derivatives</b>						
Borrowings	411.34	68.31	56.43	69.85	605.93	
Finance lease obligation	0.37	0.01	0.01	1.08	1.47	
Trade payable	729.68	-	-	-	729.68	
Security deposits	1.57	-	-	21.29	22.86	
Other financial liabilities	79.21	-	-	-	79.21	
<b>Total</b>	<b>1,222.17</b>	<b>68.32</b>	<b>56.44</b>	<b>92.22</b>	<b>1,439.15</b>	

## Notes forming part of the Consolidated Financial Statements for the year ended 31 March 2017

### 35 Financial instruments (contd.)

#### C.3 Market risk

##### a) Foreign currency risk

The Group is exposed to foreign exchange risk arising from foreign currency transactions, primarily with respect to the US Dollar, EURO, GBP and JPY. Foreign exchange risk arises from recognised assets and liabilities denominated in a currency that is not the functional currency of the Group. Considering the low volume of foreign currency transactions, the Group's exposure to foreign currency risk is limited and the Group hence does not use any derivative instruments to manage its exposure. Also, the Group does not use forward contracts and swaps for speculative purposes.

##### (i) Foreign currency risk exposure in USD:

The Group exposure to foreign currency risk at the end of the reporting period expressed in ₹, are as follows

Particulars	(₹ crores)		
	31 March 2017 USD	31 March 2016 USD	1 April 2015 USD
Financial assets	19.09	17.22	16.98
Financial liabilities	20.63	25.98	3.22
<b>Net exposure to foreign currency risk (liabilities)</b>	<b>(1.54)</b>	<b>(8.76)</b>	<b>13.76</b>

##### Sensitivity

The sensitivity of profit or loss to changes in the exchange rates arises mainly from foreign currency denominated financial instruments.

Particulars	(₹ crores)	
	31 March 2017	31 March 2016
USD sensitivity		
INR/USD- increase by 150 bps (31 March 2016 150 bps)*	(0.02)	(0.13)
INR/USD- decrease by 150 bps (31 March 2016 150 bps)*	0.02	0.13

\* Holding all other variables constant

##### (ii) Foreign currency risk exposure in EURO:

The Group's exposure to foreign currency risk at the end of the reporting period expressed in ₹, are as follows:

Particulars	(₹ crores)		
	31 March 2017 EURO	31 March 2016 EURO	1 April 2015 EURO
Financial assets	0.15	6.54	8.90
Financial liabilities	5.92	3.06	0.82
<b>Net exposure to foreign currency risk (liabilities)</b>	<b>(5.77)</b>	<b>3.48</b>	<b>8.08</b>

##### Sensitivity

The sensitivity of profit or loss to changes in the exchange rates arises mainly from foreign currency denominated financial instruments.

Particulars	(₹ crores)	
	31 March 2017	31 March 2016
EURO sensitivity		
INR/EURO- increase by 200 bps (31 March 2016 200 bps)*	(0.12)	0.07
INR/EURO- decrease by 200 bps (31 March 2016 200 bps)*	0.12	(0.07)

\* Holding all other variables constant

## Notes forming part of the Consolidated Financial Statements for the year ended 31 March 2017

### 35 Financial instruments (contd.)

#### (iii) Foreign currency risk exposure in JPY:

The Group's exposure to foreign currency risk at the end of the reporting period expressed in ₹, are as follows

Particulars	(₹ crores)		
	31 March 2017 JPY	31 March 2016 JPY	1 April 2015 JPY
Financial assets	-	-	-
Financial liabilities	0.13	0.05	0.21
<b>Net exposure to foreign currency risk (liabilities)</b>	<b>(0.13)</b>	<b>(0.05)</b>	<b>(0.21)</b>

##### Sensitivity

The sensitivity of profit or loss to changes in the exchange rates arises mainly from foreign currency denominated financial instruments.

Particulars	(₹ crores)	
	31 March 2017	31 March 2016
JPY sensitivity		
INR/JPY- increase by 500 bps (31 March 2016 500 bps)*	(0.01)	-
INR/JPY- decrease by 500 bps (31 March 2016 500 bps)*	0.01	-

\* Holding all other variables constant

#### (iv) Foreign currency risk exposure in GBP:

The Group's exposure to foreign currency risk at the end of the reporting period expressed in ₹ are as follows

Particulars	(₹ crores)		
	31 March 2017 GBP	31 March 2016 GBP	1 April 2015 GBP
Financial assets	0.04	0.04	0.03
Financial liabilities	0.05	-	0.68
<b>Net exposure to foreign currency risk (liabilities)</b>	<b>(0.01)</b>	<b>0.04</b>	<b>(0.65)</b>

##### Sensitivity

The sensitivity of profit or loss to changes in the exchange rates arises mainly from foreign currency denominated financial instruments.

Particulars	(₹ crores)	
	31 March 2017	31 March 2016
GBP sensitivity		
INR/GBP- increase by 150 bps (31 March 2016 150 bps)*	-	-
INR/GBP- decrease by 150 bps (31 March 2016 150 bps)*	-	-

\* Holding all other variables constant

#### b) Interest rate risk

##### i) Liabilities

The Group's policy is to minimise interest rate cash flow risk exposures on long-term financing. At 31 March 2017, the Group is exposed to changes in market interest rates through bank borrowings at variable interest rates. The Group's investments in fixed deposits all pay fixed interest rates.

##### Interest rate risk exposure

Below is the overall exposure of the Group to interest rate risk:

Particulars	(₹ crores)		
	31 March 2017	31 March 2016	1 April 2015
Variable rate borrowing	162.50	220.56	329.88
Fixed rate borrowing	102.94	147.55	176.13
<b>Total borrowings</b>	<b>265.44</b>	<b>368.11</b>	<b>506.01</b>



## Notes forming part of the Consolidated Financial Statements for the year ended 31 March 2017

### 35 Financial instruments (contd.)

(₹ crores)

Particulars	31 March 2017	31 March 2016	1 April 2015
Amount disclosed under other current financial liabilities	47.54	52.84	72.23
Amount disclosed under borrowings	217.90	315.27	433.78

#### Sensitivity

Below is the sensitivity of profit or loss in interest rates.

(₹ crores)

Particulars	31 March 2017	31 March 2016
<b>Interest sensitivity*</b>		
Interest rates – increase by 100 basis points (100 bps)	1.62	2.21
Interest rates – decrease by 100 basis points (100 bps)	(1.62)	(2.21)

\* Holding all other variables constant

#### ii) Assets

The Group's fixed deposits are carried at amortised cost and are fixed rate deposits. They are therefore not subject to interest rate risk as defined in Ind AS 107, since neither the carrying amount nor the future cash flows will fluctuate because of a change in market interest rates.

#### c) Price risk

##### i) Exposure

The Group's exposure price risk arises from investments held and classified in the balance sheet either as fair value through other comprehensive income or at fair value through profit or loss. To manage the price risk arising from investments, the Group diversifies its portfolio of assets.

##### ii) Sensitivity

The table below summarises the impact of increases/decreases of the index on the Group's equity and profit for the period :

#### Impact on profit after tax

(₹ crores)

Particulars	31 March 2017	31 March 2016
<b>Equity Share (quoted)</b>		
Net assets value – increase by 100 bps (500bps)	0.01	0.06
Net assets value – decrease by 100 bps (500bps)	(0.01)	(0.06)

#### Debenture (quoted)

Net assets value – increase by 100 bps (500bps)	-	0.02
Net assets value – decrease by 100 bps (500bps)	-	(0.02)

#### Mutual funds

Net assets value – increase by 100 bps (500bps)	1.72	0.28
Net assets value – decrease by 100 bps (500bps)	(1.72)	(0.28)

#### Impact on other comprehensive income

(₹ crores)

Particulars	31 March 2017	31 March 2016
<b>Unquoted equity instruments</b>		
Value per share – increase by 500 bps (500bps)	1.79	1.40
Value per share – decrease by 500 bps (500bps)	(1.79)	(1.40)
<b>Quoted equity instruments</b>		
Market price – increase by 500 bps (500bps)	0.03	0.02
Market price – decrease by 500 bps (500bps)	(0.03)	(0.02)

## Notes forming part of the Consolidated Financial Statements for the year ended 31 March 2017

### 36 Capital management

The Group's capital management objectives are

- to ensure the Group's ability to continue as a going concern
- to provide an adequate return to shareholders

The Group monitors capital on the basis of the carrying amount of equity less cash and cash equivalents as presented on the face of balance sheet.

Management assesses the Group's capital requirements in order to maintain an efficient overall financing structure while avoiding excessive leverage. This takes into account the subordination levels of the Group's various classes of debt. The Group manages the capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares, or sell assets to reduce debt.

#### (a) Debt equity ratio

(₹ crores)

Particulars	31 March 2017	31 March 2016	1 April 2015
Net debts	265.43	368.12	506.01
Total equity	1,622.67	1,468.36	1,403.47
<b>Net debt to equity ratio</b>	<b>16%</b>	<b>25%</b>	<b>36%</b>

#### (b) Dividends

(₹ crores)

Particulars	31 March 2017	31 March 2016
<b>(i) Equity shares</b>		
Final dividend for the year ended 31 March 2016 of ₹1.20 per share (excluding tax)	14.71	-
Final dividend for the year ended 31 March 2015 of ₹1.20 per share (excluding tax)	-	14.71
<b>(ii) Dividends not recognised at the end of the reporting period</b>		

In addition to the above dividends, since year end the directors have recommended the payment of a final dividend of ₹1.50 per fully paid equity share. This proposed dividend is subject to the approval of shareholders in the ensuing annual general meeting.

### 37 Summarised financial information for joint venture that are material to the Group:

(₹ crores)

Summarised balance sheet	Adico Escorts Agri Equipment Private Limited	
	31 March 2017	31 March 2016
<b>Current assets</b>		
Cash and cash equivalents	0.07	0.04
Other assets	4.47	3.54
<b>Total current assets</b>	<b>4.54</b>	<b>3.58</b>
<b>Total non-current assets</b>	<b>8.12</b>	<b>7.42</b>
Current liabilities		
Financial liabilities	7.20	2.86
Other liabilities	0.33	0.27
<b>Total current liabilities</b>	<b>7.53</b>	<b>3.13</b>
Non-current liabilities		
Financial liabilities	-	-
Other liabilities	2.59	2.58
<b>Total non-current liabilities</b>	<b>2.59</b>	<b>2.58</b>
<b>Net assets</b>	<b>2.54</b>	<b>5.29</b>

## Notes forming part of the Consolidated Financial Statements for the year ended 31 March 2017

## 37 Summarised financial information for joint venture that are material to the Group: (contd.) (₹ crores)

Reconciliation to carrying amounts	Adico Escorts Agri Equipment Private Limited	
	31 March 2017	31 March 2016
Opening net assets	5.29	8.70
Profit/(loss) for the year	(2.75)	(3.41)
Other comprehensive income	-	-
<b>Closing net assets</b>	<b>2.54</b>	<b>5.29</b>
Group's share in %	40%	40%
Group's share in Indian Rupees	1.02	2.11
<b>Carrying amount</b>	<b>1.02</b>	<b>2.11</b>

(₹ crores)

Summarised statement of profit and loss	Adico Escorts Agri Equipment Private Limited	
	31 March 2017	31 March 2016
Revenue	18.00	13.20
Profit/(loss) for the year	(2.75)	(3.41)
<b>Total comprehensive income/(loss)</b>	<b>(2.75)</b>	<b>(3.41)</b>

## 38 Summarised financial information for subsidiary that has non-controlling interest that are material to the Group:

(₹ crores)

Summarised balance sheet	Escorts Asset Management Limited	
	31 March 2017	31 March 2016
Current assets	3.82	2.49
Current liabilities	1.45	1.02
<b>Net current assets</b>	<b>2.37</b>	<b>1.47</b>
Non-current assets	7.86	7.62
Non-current liabilities	1.17	0.85
<b>Net non-current assets</b>	<b>6.69</b>	<b>6.77</b>
<b>Net assets</b>	<b>9.06</b>	<b>8.24</b>
<b>Accumulated NCI</b>	<b>1.90</b>	<b>1.73</b>

(₹ crores)

Summarised statement of profit and loss	Escorts Asset Management Limited	
	31 March 2017	31 March 2016
Revenue	1.56	1.59
Profit/(loss) for the year	(0.70)	(0.59)
Other comprehensive income/(loss)	-	-
<b>Total comprehensive income/(loss)</b>	<b>(0.70)</b>	<b>(0.59)</b>
Profit/(loss) allocated to NCI	(0.15)	(0.12)

(₹ crores)

Summarised cash flows	Escorts Asset Management Limited	
	31 March 2017	31 March 2016
Cash flows from operating activities	(0.71)	1.78
Cash flows from investing activities	0.12	(1.78)
Cash flows from financing activities	2.00	-
<b>Net increase/ (decrease) in cash and cash equivalents</b>	<b>1.41</b>	<b>-</b>

## Notes forming part of the Consolidated Financial Statements for the year ended 31 March 2017

## 39 Employee benefits

## Gratuity

The Group provides for gratuity for employees in India as per the Payment of Gratuity Act, 1972. Employees who are in continuous service for a period of 5 years are eligible for gratuity. The amount of gratuity payable on retirement/termination is the employees last drawn basic salary per month computed proportionately for 15 days salary multiplied for the number of years of service.

## (i) Amount recognised in the balance sheet is as under:

(₹ crores)

Particulars	31 March 2017		31 March 2016		1 April 2015	
	Current	Non-current	Current	Non-current	Current	Non-current
Gratuity	45.65	0.52	51.57	0.50	57.41	0.38

## (ii) Amount recognised in the statement of profit and loss is as under:

(₹ crores)

Description	31 March 2017	31 March 2016
Current service cost	4.31	4.56
Net interest cost	4.14	4.45
Net impact on profit (before tax)	8.45	9.02
Continuing operations	8.14	8.48
Discontinued operations	0.31	0.54
Actuarial loss/(gain) recognised during the year (Continuing operations)	2.63	(0.67)
<b>Amount recognised in the statement of profit and loss</b>	<b>11.08</b>	<b>8.35</b>

## (iii) Movement in the present value of defined benefit obligation recognised in the balance sheet is as under:

(₹ crores)

Description	31 March 2017	31 March 2016
<b>Present value of defined benefit obligation as at the start of the year</b>	<b>86.94</b>	<b>89.22</b>
Current service cost	4.31	4.56
Interest cost	6.96	7.14
Actuarial loss/(gain) recognised during the year	2.69	(0.56)
Benefits paid	(17.81)	(13.42)
<b>Present value of defined benefit obligation as at the end of the year</b>	<b>83.09</b>	<b>86.94</b>

## (iv) Movement in the plan assets recognised in the balance sheet is as under:

(₹ crores)

Description	31 March 2017	31 March 2016
<b>Fair value of plan assets at beginning of year</b>	<b>34.96</b>	<b>33.29</b>
Expected return on plan assets	2.83	2.69
Employer's contribution	16.95	12.29
Benefits paid	(17.81)	(13.42)
Actuarial gain/(loss) on plan assets	0.05	0.11
<b>Fair value of plan Assets at the end of the year</b>	<b>36.98</b>	<b>34.96</b>
Actual return on plan assets	2.88	2.79

## Notes forming part of the Consolidated Financial Statements for the year ended 31 March 2017

### 39 Employee benefits (contd.)

#### (v) Breakup of actuarial (gain)/loss:

(₹ crores)

Description	31 March 2017	31 March 2016
Actuarial (gain)/loss on arising from change in demographic assumption	-	-
Actuarial (gain)/loss on arising from change in financial assumption	(0.20)	(0.11)
Actuarial (gain)/loss on arising from experience adjustment	2.83	(0.56)
Total actuarial (gain)/loss	2.63	(0.67)

#### (vi) Actuarial assumptions

(₹ crores)

Description	31 March 2017	31 March 2016	1 April 2015
Discount rate	7.52%	8.00%	8.00%
Future salary increase	5.00%	5.50%	5.50%
Expected average remaining working lives of employees (years)	16.89	16.64	16.04

Gratuity is payable to the employees on death or resignation or on retirement at the attainment of superannuation age. To provide for these eventualities, the Actuary has used Indian Assured Lives Mortality (2006-08) Ultimate table.

These assumptions were developed by management with the assistance of independent actuarial appraisers. Discount factors are determined close to each year-end by reference to government bonds and that have terms to maturity approximating to the terms of the related obligation. Other assumptions are based on management's historical experience.

#### (vii) Sensitivity analysis for gratuity liability

(₹ crores)

Description	31 March 2017	31 March 2016	1 April 2015
<b>Impact of the change in discount rate</b>			
Present value of obligation at the end of the year	83.09	86.94	88.85
- Impact due to increase of 0.50 %	(2.17)	(2.33)	(2.38)
- Impact due to decrease of 0.50 %	2.29	2.46	2.51
<b>Impact of the change in salary increase</b>			
Present value of obligation at the end of the year	83.09	86.94	88.85
- Impact due to increase of 0.50 %	2.34	2.50	2.56
- Impact due to decrease of 0.50 %	(2.23)	(2.39)	(2.45)

The above sensitivity analysis are based on a change in an assumption while holding all other assumptions constant. In practice, this is unlikely to occur and changes in some of the assumptions may be correlated. When calculating the sensitivity of the defined benefit obligation to significant actuarial assumptions the same method (present value of the defined benefit obligation calculated with the projected unit credit method at the end of the reporting period) has been applied which was applied while calculating the defined benefit obligation recognised in the balance sheet.

The methods and types of assumptions used in preparing the sensitivity analysis did not change compared to prior period.

## Notes forming part of the Consolidated Financial Statements for the year ended 31 March 2017

### 39 Employee benefits (contd.)

#### (viii) Maturity profile of defined benefit obligation

(₹ crores)

Description	31 March 2017	31 March 2016
Within next 12 months	11.99	11.56
Between 1-5 years	16.02	46.13
Beyond 5 years	54.60	28.82

#### (ix) Category of plan assets

(₹ crores)

Particulars	31 March 2017	31 March 2016	1 April 2015
LIC of India - Group gratuity cash accumulation fund	36.63	34.78	32.54
Others	0.35	0.18	0.75
<b>Total</b>	<b>36.98</b>	<b>34.96</b>	<b>33.29</b>

(x) The Company expects to contribute ₹7.66 crores (previous year ₹8.83) to its gratuity plan for the next year.

#### B Compensated absences (unfunded)

The leave obligations cover the Company's liability for sick and earned leaves. The Company does not have an unconditional right to defer settlement for the obligation shown as current provision balance above. However based on past experience, the Company does not expect all employees to take the full amount of accrued leave or require payment within the next 12 months, therefore based on the independent actuarial report, only a certain amount of provision has been presented as current and remaining as non-current. Amount of ₹4.24 crores (previous year: ₹5.17 crores) has been recognised in the statement of profit and loss.

(₹ crores)

Particulars	31 March 2017		31 March 2016		1 April 2015	
	Current	Non-current	Current	Non-current	Current	Non-current
Compensated absences (unfunded)	2.69	13.27	2.87	14.25	2.70	14.27

#### C Defined contribution plans

The Group makes contributions, determined as a specified percentage of employee salaries, in respect of qualifying employees towards Provident Fund and Employee State Insurance Scheme which are defined contribution plans. The Group has no obligations other than to make the specified contributions. The contributions are charged to the statement of profit and loss as they accrue. The amount recognised as an expense towards contribution to Provident Fund for the year aggregated to ₹16.53 crores (Previous year: ₹17.20 crores) and contribution to Employee State Insurance Scheme for the year aggregated to ₹0.35 crores (Previous year: ₹0.46 crores).

D The Group has taken an Insurance policy for medical benefits in respect of its retired and working employees. The Insurance policy for on-roll employees is fully funded by the Group.

## Notes forming part of the Consolidated Financial Statements for the year ended 31 March 2017

### 40 SHARE-BASED PAYMENTS

The option plan is designed to provide incentives to employees of the Company. Under the plan, participants have been granted options which will vest as follows –

Scheme	Vesting conditions	Exercise period	Exercise price per share (₹)
Employees Stock Option Scheme, 2006	Vested after one year from the date of grant	Two years from the date of vesting	85.00

Options are granted under the plan for the consideration of ₹85 per share and carry no dividend or voting rights. When exercisable, each option is convertible into one equity share. For the options which were vested before 31 March 2015, using the Ind AS transition exemption (as explained in the accounting policies above) the expense related to options is arrived at using intrinsic value of the shares on the date of grant.

Set out below is a summary of options granted under the plan:

Particulars	31 March 2017	31 March 2016
	Number of options	Number of options
Opening balance	1,11,100	1,92,000
Granted during the year	-	2,56,000
Exercised during the year*	84,000	1,08,000
Lapsed during the period	-	2,28,900
Closing balance	27,100	1,11,100

\* The weighted average share price at the date of exercise of options during the year ended 31 March 2017 was ₹260 (31 March 2016 ₹153.30).

Weighted average remaining contractual life of options as at 31 March 2017 was 1.5 years (31 March 2016 : 0.99 years and 1 April 2015 : 1.5 years).

The value of the options has been determined by an independent valuer. The following assumptions were used for calculation of fair value of options in accordance with Black Scholes model :

	31 March 2016
Risk free interest rate (%)	7%
Expected life	3 Years
Expected volatility (%)	2.20%
Expected dividends (%)	12%

The risk free interest rates are determined based on the 'Zero Coupon Yield Curve' with maturity equal to the expected term of the option. Volatility calculation is based on historical stock prices using standard deviation of daily change in stock price. The historical period is taken into account to match the expected life of the option. Dividend yield has been calculated taking into account expected rate of dividend on equity share price as on grant date.

## Notes forming part of the Consolidated Financial Statements for the year ended 31 March 2017

### 41 Leases – Assets taken on lease

#### Operating leases

The Company has leased certain land and buildings under operating lease arrangements. The leases are renewable on periodical basis and cancellable at Company's option. Total lease payments recognised in the statement of profit and loss is ₹7.01 crores (31 March 2016: ₹4.94 crores)

#### Finance leases

The Company has a leasehold land at Rudrapur which has been taken on a lease for a period of 90 years in the year 2004. Initial land premium of ₹1.7 crores has been paid. In addition to the land premium, the Company pays an annual rent of ₹0.02 every year.

Also, the management has revalued the amount of land in 2009 and has created a revaluation reserve of ₹7.13 crores pertaining to the same. The said lease of land was considered to be finance lease by the company.

31 March 2017 (₹ crores)

	Minimum lease payments due			
	within 1 year	1 to 5 years	after 5 years	Total
Lease payments	0.01	0.06	1.02	1.09
Finance charges	-	0.02	0.95	0.97
<b>Net present values</b>	<b>0.01</b>	<b>0.04</b>	<b>0.07</b>	<b>0.12</b>

31 March 2016 (₹ crores)

	Minimum lease payments due			
	within 1 year	1 to 5 years	after 5 years	Total
Lease payments	0.01	0.06	1.03	1.10
Finance charges	-	0.02	0.96	0.98
<b>Net present values</b>	<b>0.01</b>	<b>0.04</b>	<b>0.07</b>	<b>0.12</b>

01 April 2015 (₹ crores)

	Minimum lease payments due			
	within 1 year	1 to 5 years	after 5 years	Total
Lease payments	0.37	0.06	1.05	1.48
Finance charges	0.03	0.02	0.98	1.03
<b>Net present values</b>	<b>0.34</b>	<b>0.04</b>	<b>0.07</b>	<b>0.45</b>

42 During 2008 the Haryana State Government introduced Haryana Tax on Entry of Goods into Local Area Act, 2008 ("Entry Tax") by repealing the Haryana Local Area Development Tax Act, 2000 ("HLADT"). The said Act was held unconstitutional by the Hon'ble Punjab & Haryana High Court in their judgment dated 1 October 2008. The State Government of Haryana has preferred an appeal before the Hon'ble Supreme Court which is pending for adjudication before the Constitutional Bench. Based on the legal advice received by the Company no further provision on this account is considered necessary after 31 March 2008.

43 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 have not been given.



## Notes forming part of the Consolidated Financial Statements for the year ended 31 March 2017

**44** The Scheme of Compromise and Arrangement pending before the Delhi High Court to bail out the fixed deposit holders of Escorts Finance Limited stands disposed-off vide order dated 4 March 2011. On the interim directions of the said High Court, fixed deposit liability of ₹130.32 crores has already been discharged by the Hardship Committee constituted under the directions of the said High Court for discharging the unclaimed deposit, balance 2,401,050 shares have been transferred to Escorts Benefit Trust (Trust) and the Hardship Committee has been dissolved. The Hon'ble High Court has confirmed that Escorts Limited has no outstanding liability towards payment to Escorts Finance Limited deposit holders.

Escorts Benefit Trust has realised the investments held by it and remitted the surplus of ₹15.00 crores to the Company (beneficiary) after retaining sufficient funds for meeting its liability towards Escorts Finance Limited deposits.

**45** Escorts Benefit and Welfare Trust (the Trust) holds 37,300,031 equity shares of the Company and 23,497,478 equity shares of Escorts Finance Limited. The Company is the sole beneficiary of the Trust. The dividend received by the trust on the Company's shares is credited directly in "Retained earnings" in note 17 - Other equity. Market value of these shares held by Trust on 31 March 2017 is ₹2038.70 crores (31 March 2016: ₹528.64 crores) (1 April 2015: ₹483.32 crores).

### 46 Assets pledged as security

(₹ crores)

	Note	31 March 2017	31 March 2016	1 April 2015
<b>Current</b>				
<b>Financial assets</b>				
First charge				
Trade receivables	12	456.45	374.97	375.56
Specific fixed deposits	14	18.93	29.34	-
<b>Non Financial assets</b>				
Inventories	11	450.30	432.57	458.54
<b>Total current assets pledged as security</b>		<b>925.68</b>	<b>836.88</b>	<b>834.10</b>
<b>Non-current</b>				
First charge				
Land and Building	3 (i)	203.46	204.23	256.03
Plant and machinery	3 (i)	41.55	161.03	136.26
Other movable Assets	3 (i)	-	-	1.85
Second Charge				
Other movable assets (other than specifically charged to other term lenders)	3 (i)	278.68	206.15	250.87
Furniture, fittings and equipment acquired under finance lease	3 (i)	-	0.03	4.20
<b>Total non-currents assets pledged as security</b>		<b>523.69</b>	<b>571.44</b>	<b>649.21</b>
<b>Total assets pledged as security</b>		<b>1,449.37</b>	<b>1,408.32</b>	<b>1,483.31</b>

## Notes forming part of the Consolidated Financial Statements for the year ended 31 March 2017

### 47 Related party transactions

#### A Joint venture

Adico Escorts Agri Equipment Private Limited

#### B Associates

Escorts Consumer Credit Limited  
 Pancha Sakha Agri Services, Balasore (Partnership)  
 Jay Jagannath Agri Services, Balipal (Partnership)  
 Baba Chadaneswar Agri Services, Balasore (Partnership)  
 Haritha Raithu Mithra Agri Services (LLP)  
 Revanpalli Raytu Sangam Agri Services (LLP)  
 Baba Chadaneswar Agri Services, Balasore (LLP)  
 Pancha Sakha Agri Services, Balasore (LLP)  
 Jay Jagannath Agri Services, Balipal (LLP)

#### C Key managerial personnel and Directors (specified persons) and close members of their family in the Group:

Mr. Rajan Nanda	Chairman and Managing Director
Mr. Nikhil Nanda	Managing Director
Mr. Bharat Madan	Group Chief Financial Officer
Mr. Ajay Sharma	Group General Counsel and Company Secretary
Mr. Ashok Aggarwal	Managing Director/Whole Time Director
Ms. Pushpa Rai	Director
Mr. Priyank Kalra	Director
Mr. Sachin Tyagi	Director
Ms. Sunjit Sahel	Company Secretary
Mr. Pradeep Kumar Jain	Company Secretary
Mr. Vicky Chauhan	Company Secretary
Mr. Sushant Arora	Finance controller
Mr. P. K. Marwah	Manager (ceased to be exists w.e.f. 10th October 2016)
Mr. Donald Fernandez	Chief Financial Officer

#### Other Directors in the Group

Ms. Nitasha Nanda  
 Mrs. Ritu Nanda  
 Mr. Hardeep Singh  
 Mr. P.H Ravikumar  
 Ms. Vibha Paul Rishi  
 Mr. Sutanu Behuria  
 Mr. Darius Jehangir Kakalia  
 Mr. G. B. Mathur

#### Enterprises over which key management personnel and relatives of such personnel exercise significant influence

Rimari India Private Limited	Breeze Trading Private Limited
Tashaka India Private Limited	Niky Tasha Electronics Limited
AAA Portfolios Private Limited	Escorts Investment Trust Limited
Escorts Skill Development	Sun & Moon Travels (India) Private Limited
Niky Tasha Energies Private Limited	Charak Ayurvedic Treatments Private Limited
Rimari IT Solutions Private Limited	Crystal Care Advisors Private Limited
Momento Communications Private Limited	Sharak Healthcare Private Limited

## Notes forming part of the Consolidated Financial Statements for the year ended 31 March 2017

### 47 Related party transactions (contd.)

Rakshak Health Service Private Limited	Big Apple Clothing Private Limited
Har Parshad And Company Private Limited	Sietz Technologies India Private Limited
Raksha TPA Private Limited	Niky Tasha Communications Private Limited
Ritu Nanda Insurance Service Private Limited	Sun & Moon Advisory Services Private Limited
Escolife IT Services Private Limited	Escorts Employees Welfare Limited
Academy of Management and Financial Planing Private Limited	Pleasure Trading Private Limited
BR Holdings Private Limited	Powermech Projects Limited

#### List of other related parties

Mrs. Ritu Nanda  
Escorts Limited Employees' Group Gratuity Fund Trust (refer note 39 for transaction)

#### Key management personnel remuneration includes the following expenses:

	(₹ crores)	
	31 March 2017	31 March 2016
Short-term employee benefits:	21.98	13.32
Post-employment benefits:	0.56	0.54
<b>Total remuneration</b>	<b>22.54</b>	<b>13.86</b>

#### (i) Transactions with joint ventures

During 2016-17, Adico Escorts Agri Equipment Private Limited provided rental services valued at ₹0.01 crores (2015-16: ₹0.01 crores) and sold tractors to Escorts Limited valued at ₹16.94 crores (2015-16: ₹13.14 crores). There is a payable outstanding on account of transactions as at 31 March 2017 of ₹(0.02) crores (31 March 2016: Nil; 1 April 2015: Nil).

#### (ii) Transactions with associates

- There is a payable outstanding on account of transactions as at 31 March 2017 of ₹2.09 crores (31 March 2016: ₹2.09 crores; 1 April 2015: Nil) against Escorts Consumer Credit Limited.
- During the year, EDDAL Credit Limited (subsidiary of Escorts Ltd.) have taken interest in partnerships & LLP's of ₹2 lacs.

## Notes forming part of the Consolidated Financial Statements for the year ended 31 March 2017

### 47 Related party transactions (contd.)

#### (iii) Transactions with key management personnel, their relatives and entities in which they exercise control/significant influence

Nature of transactions*	Royalty	Remu- neration / commis- sion	Rent received	Rent paid	Purchase of goods and services	Sale of goods and services	Services received	Interest Income	Dividend paid	Advance given	Debtors / Receivables	Redemption of Preference Shares	Issue of Preference Shares	Payables
Rajan Nanda	-	8.76 (5.26)	-	-	-	-	-	-	0.12 (0.12)	-	-	-	-	3.50
Ritu Nanda	-	-	-	0.36 (0.36)	-	-	(0.01)	-	0.01 (0.01)	-	-	-	-	-
Nikhil Nanda	-	8.58 (5.13)	0.49 (0.44)	-	-	-	-	-	0.03 (0.03)	-	-	-	-	3.50
Nitasha Nanda	-	2.48 (1.46)	-	0.41 (0.39)	-	-	0.03 (0.05)	-	-	0.06 (0.06)	-	-	-	1.00
Bharat Madan	-	1.87 (1.28)	-	-	-	-	-	-	-	-	-	-	-	-
Ajay Sharma	-	0.98 (0.73)	-	-	-	-	-	-	-	-	-	-	-	-
S.A. Dave	-	-	-	-	-	-	0.02 (0.07)	-	-	-	-	-	-	-
Hardeep Singh	-	0.08	-	-	-	-	0.06 (0.08)	-	-	-	-	-	-	0.08
P.H Ravikumar	-	0.08	-	-	-	-	0.05 (0.03)	-	-	-	-	-	-	0.08
Vibha Paul Rishi	-	0.08	-	-	-	-	0.03 (0.03)	-	-	-	-	-	-	0.08
Sutanu Behuria	-	0.08	-	-	-	-	0.04 (0.03)	-	-	-	-	-	-	0.08
Darius Jehangir Kakalia	-	0.08	-	-	-	-	0.02	-	-	-	-	-	-	0.08
Harparshad & Co. Private Limited	20.62 (17.28)	-	-	-	-	-	-	-	1.26 (1.26)	-	-	-	-	0.22 (5.84)
Girish Bihari Mathur	-	-	-	-	-	-	1.03 (1.81)	-	-	-	-	-	-	0.08 (0.07)
Raksha TPA Private Limited	-	-	0.79 (0.75)	-	-	-	-	-	-	0.53 (0.37)	-	-	-	-
Rimari India Private Limited	-	-	-	-	-	-	0.05 (0.01)	-	-	0.12 (0.12)	-	-	-	(0.01)
Momento Communications Private Limited	-	-	-	-	-	-	0.37 (0.15)	-	-	-	-	-	-	(0.03)
AAA Portfolios Private Limited	-	-	-	-	-	-	-	-	0.20 (0.20)	-	-	-	-	-
Big Apple Clothing Private Limited	-	-	-	-	-	-	-	-	0.21 (0.21)	-	-	-	-	-

## 47 Related party transactions (contd.)

Nature of transactions*	Royalty	Remuneration / commission	Rent received	Rent paid	Purchase of goods	Sale of goods and services	Services received	Interest Income	Dividend paid	Advance given	Debtors / Receivables	Redemption of Preference Shares	Issue of Preference Shares	Payables
Niky Tasha Communications Private Limited	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Niky Tasha Energies Private Limited	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Sietz Technologies India Private Limited	-	-	0.36 (0.36)	1.22 (1.16)	232.53 (190.22)	1.44 (1.34)	0.28 (0.25)	-	-	0.97 (0.65)	1.36 (1.40)	-	-	15.39 (11.50)
Sun & Moon Travels (India) Private Limited	-	-	0.02 (0.02)	-	-	-	11.27 (7.06)	-	-	0.51 (0.01)	-	-	-	0.75 (0.14)
Escorts Employee Welfare Limited (Gross of provisions)	-	-	-	-	-	-	-	-	-	3.00 (3.00)	0.15	-	-	-
Escorts Skill Development	-	-	-	-	-	-	0.50 (0.50)	-	-	-	-	-	-	6.60
Powermech Projects Limited	-	-	-	-	-	0.73 (0.36)	-	-	-	-	0.01 (0.01)	-	-	-
Dr. Ashok Aggarwal	-	0.55 (0.45)	-	-	-	-	-	-	-	-	-	-	-	-
Ms. Pushpa Rai	-	0.16 (0.02)	-	-	-	-	-	-	-	-	-	-	-	-
Ms. Sunjit Sahel	-	0.09 (0.08)	-	-	-	-	-	-	-	-	-	-	-	-
Charak Ayurvedic Treatments Private Limited	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Pradeep Kumar Jain	-	0.14 (0.14)	-	-	-	-	-	-	-	-	-	(3.05)	(1.20)	-
Sushant Arora	-	0.11	-	-	-	-	-	-	-	-	-	-	-	-
Priyank Kalra	-	0.72 (0.18)	-	-	-	-	-	-	-	-	-	-	-	-
Sachin Tyagi	-	0.51 (0.53)	-	-	-	-	-	-	-	-	-	-	-	-
Donald Fernandez	-	0.06 (0.06)	-	-	-	-	-	-	-	-	-	-	-	-

\*Numbers in brackets represents financial year ending 31 March 2016

## Notes forming part of the Consolidated Financial Statements for the year ended 31 March 2017

## 47 Related party transactions (contd.)

Outstanding balances as at 1 April 2015	(₹ crores)		
	Advance given	Debtors / receivables	Payables
Nitasha Nanda	0.06	-	-
Harpashad & Co. Private Limited	-	-	7.21
Raksha TPA Private Limited	0.29	-	0.01
Rimari India Private Limited	0.12	-	-
Sietz Technologies India Private Limited	0.37	1.21	9.14
Sun & Moon Travels (India) Private Limited	-	-	0.18
Escorts Employee Welfare Limited (Gross of provisions)	3.04	-	-

## 48 Segment information

The Group has determined following reportable segments based on the information reviewed by the Group's management:

- Agri machinery products
- Construction equipments
- Railway equipments
- Auto ancillary products (discontinued operation)
- Others

## 48 Segment information (contd.)

## A Segment revenue and results

Particulars	31 March 2017							31 March 2016								
	Agri machinery products	Construction equipments	Railway equipments	Auto ancillary products (discontinued operation)	Others	Unallocated	Inter segment adjustment	Total	Agri machinery products	Construction equipments	Railway equipments	Auto ancillary products (discontinued operation)	Others	Unallocated	Inter segment adjustment	Total
	(₹ crores)	(₹ crores)	(₹ crores)	(₹ crores)	(₹ crores)	(₹ crores)	(₹ crores)	(₹ crores)	(₹ crores)	(₹ crores)	(₹ crores)	(₹ crores)	(₹ crores)	(₹ crores)	(₹ crores)	(₹ crores)
Revenue	3,392.54	606.76	242.47	51.34	5.65	2.03	(29.68)	4,271.11	2,794.07	496.52	227.76	100.54	5.44	1.79	(21.68)	3,604.44
Segment result before interest income	336.43	(13.82)	30.67	(10.29)	(0.89)	(73.49)	-	268.61	213.15	(25.73)	22.45	(17.02)	1.96	(66.03)	-	128.78
unallocable, exceptional items, finance cost and tax																
Add: Interest income unallocable								14.31								18.30
Less: Finance cost								(41.45)								(60.00)
Less: Exceptional items								(50.16)								(12.29)
Add: Share of profit or (loss) from associates and joint ventures								(1.06)								(1.36)
<b>Profit before tax</b>								<b>190.25</b>								<b>73.43</b>
Less: Tax expense								59.50								3.28
<b>Profit after tax</b>								<b>130.75</b>								<b>70.15</b>
Other comprehensive income/ (loss)								5.08								3.85
<b>Total other comprehensive income</b>								<b>135.83</b>								<b>74.00</b>

## Notes forming part of the Consolidated Financial Statements for the year ended 31 March 2017

## 48 Segment information (contd.)

## B Other information

Particulars	Segment assets		Segment liabilities	
	As on 31 March 2017	As on 31 March 2016	As on 31 March 2017	As on 31 March 2016
Agri machinery products	1,924.05	1,756.33	1,036.53	918.26
Construction equipments	309.45	287.08	255.14	248.04
Railway equipments	149.12	154.93	77.19	61.61
Auto ancillary products (discontinued operation)	7.25	104.51	15.37	86.37
Others	64.62	43.70	53.86	34.80
Unallocated	746.46	599.58	140.18	128.69
<b>Total</b>	<b>3,200.95</b>	<b>2,946.13</b>	<b>1,578.27</b>	<b>1,477.77</b>

## C Additional information by geographies

	(₹ crores)	
	Year ended 31 March 2017	Year ended 31 March 2016
<b>Revenue by geographical market</b>		
India	4,218.16	3,524.27
Outside India	52.95	80.17
	<b>4,271.11</b>	<b>3,604.44</b>
<b>Carrying amount of segment assets</b>		
India	3,171.11	2,888.12
Outside India	29.84	58.01
	<b>3,200.95</b>	<b>2,946.13</b>

## Notes:

- Operating segments have been identified by the Group taking into account nature of services, associated risks and returns and internal reporting system that reflects the manner in which operating results are regularly reviewed by the Chief Operating Decision Maker for purpose of making decisions on resources to be allocated to such segments and assess their performance.
- Segment revenue, segment results, segment assets and segment liabilities include the respective amount identifiable for each operating segment.



## Notes forming part of the Consolidated Financial Statements for the year ended 31 March 2017

### 49 First time adoption of Ind AS

These are the Group's first financial statements prepared in accordance with Ind AS.

The accounting policies set out in note 2.2 have been applied in preparing the financial statements for the year ended 31 March 2017, the comparative information presented in these financial statements for the year ended 31 March 2016 and in the preparation of an opening Ind AS balance sheet at 1 April 2015 (the Group's date of transition). An explanation of how the transition from Previous GAAP to Ind AS has affected the Group's financial position, financial performance and cash flows is set out in the following tables and notes.

#### A Ind AS optional exemptions

##### 1 Deemed cost for property, plant and equipment, investment property and intangible assets

Ind AS 101 permits a first-time adopter to elect to continue with the carrying value for all of its property, plant and equipment as recognised in the financial statements as at the date of transition to Ind AS, measured as per the Previous GAAP and use that as its deemed cost as at the date of transition after making necessary adjustments for de-commissioning liabilities. This exemption can also be used for intangible assets covered by Ind AS 38 Intangible Assets and investment property covered by Ind AS 40 Investment Property. Accordingly, the Group has elected to measure all of its property, plant and equipment, intangible assets and investment property at their Previous GAAP carrying value.

##### 2 Designation of previously recognised financial instruments

Ind AS 101 allows an entity to designate investments in equity instruments at FVOCI on the basis of the facts and circumstances at the date of transition to Ind AS. The Company has elected to apply this exemption for its investment in equity instruments.

##### 3 Foreign currency translation reserve

The Group has deemed the cumulative translation differences for foreign operations at the date of transition to be zero. Adjustments to give effect to this are recorded against opening equity. After the date of transition, translation differences arising on translation of foreign operations are recognised in other comprehensive income and included in a separate translation reserve within equity.

##### 4 Share based payments

Ind AS 102 Share based payments requires an entity to recognise the equity settled shared based payment plans based on fair value of the stock options granted to employees instead of intrinsic value. Ind AS 101 permits a first time adopter to ignore such requirement for the options already vested as on transition date that is 01 April 2015. The Company has elected to apply this exemptions for such vested options.

##### 5 Assets held for sale

The Group has elected to measure non-current assets held for sale at the lower of carrying value and fair value less cost to sell at the date of transition and recognize directly in retained earnings any difference between that amount and the carrying amount of those assets at the date of transition.

##### 6 Deemed cost for investments in subsidiaries, associates and joint ventures

The Group has elected to continue with the carrying value of all of its investments in subsidiaries, joint ventures and associates recognised as of 1 April 2015 (transition date) measured as per the Previous GAAP as its deemed cost as at the date of transition.

#### B Ind AS mandatory exemptions

##### 1 Estimates

An entity's estimates in accordance with Ind ASs at the date of transition to Ind AS shall be consistent with estimates made for the same date in accordance with Previous GAAP (after adjustments to reflect any difference in accounting policies), unless there is objective evidence that those estimates were in error.

Ind AS estimates as at 1 April 2015 are consistent with the estimates as at the same date made in conformity with Previous

## Notes forming part of the Consolidated Financial Statements for the year ended 31 March 2017

### 49 First time adoption of Ind AS (contd.)

GAAP. The Group made estimates for following items in accordance with Ind AS at the date of transition as these were not required under Previous GAAP:

- Investment in equity instruments carried at FVTPL or FVOCI
- Impairment of financial assets based on expected credit loss model.

### 2 Classification and measurement of financial assets and liabilities

The classification and measurement of financial assets will be made considering whether the conditions as per Ind AS 109 are met based on facts and circumstances existing at the date of transition.

Financial assets can be measured using effective interest method by assessing its contractual cash flow characteristics only on the basis of facts and circumstances existing at the date of transition and if it is impracticable to assess elements of modified time value of money i.e. the use of effective interest method, fair value of financial asset at the date of transition shall be the new carrying amount of that asset. The measurement exemption applies for financial liabilities as well.

Applying a requirement is impracticable when the entity cannot apply it after making every reasonable effort to do so. It is impracticable to apply the changes retrospectively if:

- The effects of the retrospective application or retrospective restatement are not determinable;
- The retrospective application or restatement requires assumptions about what management's intent would have been in that period;

The retrospective application or retrospective restatement requires significant estimates of amounts and it is impossible to distinguish objectively information about those estimates that existed at that time.

### 3 De-recognition of financial assets and liabilities

Ind AS 101 requires a first-time adopter to apply the de-recognition provisions of Ind AS 109 prospectively for transactions occurring on or after the date of transition to Ind AS. However, Ind AS 101 allows a first-time adopter to apply the de-recognition requirements in Ind AS 109 retrospectively from a date of the entity's choosing, provided that the information needed to apply Ind AS 109 to financial assets and financial liabilities derecognised as a result of past transactions was obtained at the time of initially accounting for those transactions.

The Group has elected to apply the de-recognition provisions of Ind AS 109 prospectively from the date of transition to Ind AS.

### C Reconciliations between previous GAAP and Ind AS

Ind AS 101 requires an entity to reconcile equity, total comprehensive income and cash flows for prior periods. The following tables represent the reconciliations from Previous GAAP to Ind AS.

#### 1 Reconciliation of total equity as at 31 March 2016 and 1 April 2015

	Note	31 March 2016	1 April 2015
(₹ crores)			
<b>Total equity (shareholder's funds) as per Previous GAAP</b>		1,882.48	1,845.34
Impact of componentisation of property, plant and equipment recognised in retained earnings	Note – 15	-	(1.16)
<b>Adjustments:</b>			
Adjustment for proposed dividend	Note – 1	17.70	17.70
Measurement of financial assets and financial liabilities at amortised cost	Note – 2	6.28	12.04
Measurement of investments at fair value through Profit or Loss (FVTPL)	Note – 3	0.27	0.78

## Notes forming part of the Consolidated Financial Statements for the year ended 31 March 2017

## 49 First time adoption of Ind AS (contd.)

(₹ crores)

	Note	31 March 2016	1 April 2015
Recognition of loss allowance for expected credit losses on financial assets measured at amortised cost	Note – 4	(18.72)	(23.19)
Deferral of revenue for after sale services and extended warranties being separately identifiable components of assets	Note – 5	(4.74)	(3.68)
Impact on change of group structure upon transition	Note – 6	(28.57)	(51.82)
Treasury shares adjusted in equity	Note – 6	(344.50)	(344.50)
Equity instruments under Previous GAAP classified as Financial liabilities measured at amortised cost (net of distributions)	Note – 7	(1.35)	(5.61)
Other GAAP and consolidation adjustments	Note – 8	(3.30)	(3.59)
Deferred tax impact on above Ind AS and other transition adjustments	Note – 9	(59.19)	(58.13)
Measurement of investments designated at fair value through Other Comprehensive Income (OCI)	Note – 10	22.00	19.29
<b>Total adjustments</b>		<b>(414.12)</b>	<b>(441.87)</b>
<b>Total equity as per Ind AS</b>		<b>1,468.36</b>	<b>1,403.47</b>

## 2 Reconciliation of total comprehensive income for the year ended 31 March 2016

(₹ crores)

	Note	31 March 2016
<b>Profit after tax as per Previous GAAP</b>		76.70
<b>Adjustments:</b>		
Measurement of financial assets and financial liabilities at amortised cost	Note – 2	(5.76)
Recognition of loss allowance for expected credit losses on financial assets measured at amortised cost	Note – 4	4.47
Deferral of revenue for after sale services and extended warranties being separately identifiable components of assets	Note – 5	(1.05)
Measurement of investments at fair value through Profit or Loss (FVTPL)	Note – 3	(0.52)
Subsidiary companies consolidated for the first time under Ind AS	Note – 6	0.36
Re-measurement gains on defined benefit plans	Note – 11	(0.67)
Others	Note – 8	(2.55)
Tax impact on above adjustments	Note – 9	(0.83)
<b>Total adjustments</b>		<b>(6.55)</b>
<b>Profit for the year ended 31 March 2016</b>		<b>70.15</b>
<b>Other comprehensive income (net of tax)</b>		
Foreign currency translation reserve		0.71
Remeasurement of the net defined benefit plans	Note – 11	0.43
Measurement of investments designated at fair value through Other Comprehensive Income (OCI)	Note – 10	2.71
<b>Total comprehensive income for the year ended 31 March 2016</b>		<b>74.00</b>

## Notes forming part of the Consolidated Financial Statements for the year ended 31 March 2017

## 49 First time adoption of Ind AS (contd.)

## 3 Reconciliation of the assets and liabilities presented in the balance sheet prepared as per Previous GAAP and as per Ind AS as at 31 March 2016 is as follows:

(₹ crores)

Description	Note	Per Previous GAAP	Ind AS adjustments	Per Ind AS
<b>Non-current assets</b>				
Property, plant and equipment	Note – 13, 8, 6	1,562.00	(38.34)	1,523.66
Capital work-in-progress		21.60	-	21.60
Investment property	Note – 13	-	23.88	23.88
Intangible assets	Note – 6	15.53	(0.17)	15.36
Intangible assets under development		36.83	-	36.83
Investments accounted for using equity method	Note – 6	-	2.11	2.11
Financial assets			-	
Investments	Note – 6, 10	370.75	(340.44)	30.31
Loans	Note – 2	7.61	(0.46)	7.15
Other financial assets	Note – 4	12.25	(2.93)	9.32
Deferred tax assets (net)	Note – 9, 10, 14	46.08	0.82	46.90
Income tax assets (net)		17.41	-	17.41
Other non-current assets	Note – 2, 6	10.92	0.39	11.31
<b>Total non-current assets</b>		<b>2,100.98</b>	<b>(355.14)</b>	<b>1,745.84</b>
<b>Current assets</b>				
Inventories	Note – 6, 8	426.51	6.06	432.57
Financial assets			-	
Investments	Note – 3, 6	7.62	(0.26)	7.36
Trade receivables	Note – 4	399.85	(24.88)	374.97
Cash and cash equivalents	Note – 6	32.71	0.41	33.12
Other bank balances	Note – 6	219.91	-	219.91
Loans		4.19	-	4.19
Other financial assets	Note – 6, 8, 14	72.72	(58.23)	14.49
Other current assets	Note – 2, 6	102.69	(0.15)	102.54
<b>Total current assets</b>		<b>1,266.20</b>	<b>(77.05)</b>	<b>1,189.15</b>
Assets held for sale	Note – 8	-	9.00	9.00
<b>Total assets</b>		<b>3,367.18</b>	<b>(423.19)</b>	<b>2,943.99</b>
<b>EQUITY AND LIABILITIES</b>				
<b>Equity</b>				
Equity share capital	Note – 6	119.39	3.19	122.58
Other equity	Note – 1, 2, 3, 4, 5, 6, 7, 8, 9, 10, 15	1,750.39	(406.49)	1,343.90
<b>Total of equity (for shareholders of parent)</b>		<b>1,869.78</b>	<b>(403.30)</b>	<b>1,466.48</b>
Non-controlling interest	Note – 6, 7	12.69	(10.81)	1.88
<b>Total equity</b>		<b>1,882.47</b>	<b>(414.11)</b>	<b>1,468.36</b>

## Notes forming part of the Consolidated Financial Statements for the year ended 31 March 2017

### 49 First time adoption of Ind AS (contd.)

(₹ crores)

Description	Note	Per Previous GAAP	Ind AS adjustments	Per Ind AS
<b>Non-current liabilities</b>				
Financial liabilities				
Borrowings	Note – 2, 7	87.53	2.14	89.67
Other financial liabilities	Note – 2	21.04	(8.86)	12.18
Provisions	Note – 2, 6	31.16	(3.27)	27.89
Other non-current liabilities	Note – 8	9.15	7.89	17.04
<b>Total non-current liabilities</b>		<b>148.88</b>	<b>(2.10)</b>	<b>146.78</b>
<b>Current liabilities</b>				
Financial Liabilities				
Borrowings		225.92	(0.31)	225.61
Trade payables	Note – 5	760.79	(10.04)	750.75
Other financial liabilities	Note – 2, 6	116.25	13.22	129.47
Other current liabilities	Note – 5, 6, 8	77.77	11.23	89.00
Provisions	Note – 1, 6, 8	155.07	(22.34)	132.73
Current tax liabilities (net)	Note – 6	0.01	1.28	1.29
<b>Total current liabilities</b>		<b>1,335.81</b>	<b>(6.96)</b>	<b>1,328.85</b>
<b>Total equity and liabilities</b>		<b>3,367.16</b>	<b>(423.17)</b>	<b>2,943.99</b>

### 4 Reconciliation of the assets and liabilities presented in the balance sheet prepared as per Previous GAAP and as per Ind AS as at 1 April 2015 is as follows:

(₹ crores)

Description	Note	Per Previous GAAP	Ind AS adjustments	Per Ind AS
<b>Non-current assets</b>				
Property, plant and equipment	Note – 13, 8, 6	1,579.11	(47.79)	1,531.32
Capital work-in-progress	Note – 6	19.66	(0.05)	19.61
Investment property	Note – 13	-	24.00	24.00
Intangible assets	Note – 6	16.42	(0.20)	16.22
Intangible assets under development		36.07	-	36.07
Financial assets				
Investments	Note – 6, 10	367.40	(340.53)	26.87
Loans	Note – 2	8.00	(0.56)	7.44
Other financial assets	Note – 4, 6	7.76	(5.52)	2.24
Deferred tax assets (net)	Note – 6, 9, 10, 14	54.30	(17.03)	37.27
Income tax assets (net)		37.45	0.02	37.47
Other non-current assets	Note – 2, 6	11.97	-	11.97
<b>Total non-current assets</b>		<b>2,138.14</b>	<b>(387.66)</b>	<b>1,750.48</b>
<b>Current assets</b>				
Inventories	Note – 6, 8	452.82	5.72	458.54

## Notes forming part of the Consolidated Financial Statements for the year ended 31 March 2017

### 49 First time adoption of Ind AS (contd.)

(₹ crores)

Description	Note	Per Previous GAAP	Ind AS adjustments	Per Ind AS
Financial assets				
Investments	Note – 3, 6	5.24	0.77	6.01
Trade receivables	Note – 4, 6	419.90	(44.34)	375.56
Cash and cash equivalents	Note – 6	58.20	(2.34)	55.86
Other bank balances	Note – 6	197.41	(0.20)	197.21
Loans		2.85	-	2.85
Other financial assets	Note – 6, 8, 14	56.97	(40.24)	16.73
Other current assets	Note – 2, 6	163.82	(11.74)	152.08
<b>Total current assets</b>		<b>1,357.21</b>	<b>(92.37)</b>	<b>1,264.84</b>
Assets held for sale	Note – 8	-	9.00	9.00
<b>Total assets</b>		<b>3,495.35</b>	<b>(471.03)</b>	<b>3,024.32</b>
<b>EQUITY AND LIABILITIES</b>				
<b>Equity</b>				
Equity share capital	Note – 6	119.29	3.29	122.58
Other equity	Note – 1, 2, 3, 4, 5, 6, 7, 8, 9, 10, 15	1,711.38	(432.22)	1,279.16
<b>Total of equity (for shareholders of parent)</b>		<b>1,830.67</b>	<b>(428.93)</b>	<b>1,401.74</b>
Non-controlling interest	Note – 6, 7	14.68	(12.95)	1.73
<b>Total equity</b>		<b>1,845.35</b>	<b>(441.88)</b>	<b>1,403.47</b>
<b>Non-current liabilities</b>				
Financial liabilities				
Borrowings	Note – 2, 6, 7	106.82	6.58	113.40
Other financial liabilities	Note – 2	21.32	(10.24)	11.08
Provisions	Note – 2, 6	114.45	(15.69)	98.76
Other non-current liabilities	Note – 8	9.15	9.48	18.63
<b>Total non-current liabilities</b>		<b>251.74</b>	<b>(9.87)</b>	<b>241.87</b>
<b>Current liabilities</b>				
Financial Liabilities				
Borrowings	Note – 6	322.43	(2.05)	320.38
Trade payables	Note – 5, 6	750.43	(20.75)	729.68
Other financial liabilities	Note – 2, 6	140.90	12.11	153.01
Other current liabilities	Note – 5, 6, 8	97.29	8.02	105.31
Provisions	Note – 1, 6, 8	87.21	(17.90)	69.31
Current tax liabilities (net)	Note – 6	-	1.29	1.29
<b>Total current liabilities</b>		<b>1,398.26</b>	<b>(19.28)</b>	<b>1,378.98</b>
<b>Total equity and liabilities</b>		<b>3,495.35</b>	<b>(471.03)</b>	<b>3,024.32</b>

### 5 Impact of Ind AS on the adoption in the statement of Cash Flows for the year ended 31 March 2016

There are no material adjustments of transition to the statement of Cash Flows to conform to Ind AS presentation for the year ended 31 March 2016.

## Notes forming part of the Consolidated Financial Statements for the year ended 31 March 2017

### 49 First time adoption of Ind AS (contd.)

#### Note – 1

##### Adjustment for proposed dividend

Under the Previous GAAP, dividends proposed by the board of directors after the balance sheet date but before the approval of the financial statements were considered as adjusting events. Accordingly, provision for proposed dividend was recognised as a liability. Under Ind AS, such dividends are recognised when the same is approved by the shareholders in the general meeting. Accordingly, the liability for proposed dividend included under provisions has been reversed with corresponding adjustment to retained earnings.

#### Note – 2

##### Measurement of financial assets and financial liabilities at amortised cost

Under Previous GAAP, all financial assets and financial liabilities were carried at cost.

Under Ind AS, certain financial assets and financial liabilities are subsequently measured at amortised cost which involves the application of effective interest method. In applying the effective interest method, an entity identifies fees that are an integral part of the effective interest rate of a financial instrument. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial asset or financial liability to the gross carrying amount of the financial asset or financial liability.

For certain financial liabilities, the fair value of the financial liability at the date of transition to Ind AS has been considered as the new amortised cost of that financial liability at the date of transition to Ind AS.

#### Note – 3

##### Measurement of investments at fair value through Profit or Loss (FVTPL)

Under Previous GAAP, current investments were stated at lower of cost and fair value.

Under Ind AS, these financial assets have been classified as FVTPL on the date of transition and changes in fair value after the date of transition has been recognised in profit or loss.

#### Note – 4

##### Recognition of loss allowance for expected credit losses on financial assets measured at amortised cost

Under Previous GAAP, provision for doubtful debts was recognised based on the estimates of the outcome and of the financial effect of contingencies determined by the management of the Company. This judgement was based on consideration of information available up to the date on which the financial statements were approved and included a review of events occurring after the balance sheet date.

Under Ind AS, a loss allowance for expected credit losses is recognised on financial assets carried at amortised cost. Expected loss on individually significant receivables is assessed when they are past due and based on company's historical counterparty default rates and forecast of macro-economic factors. Other receivables have been segmented by reference to the industry of the counterparty and other shared credit risk characteristics to evaluate the expected credit loss. The expected credit loss estimate is then based on recent historical counterparty default rates for each identified segment.

#### Note – 5

##### Deferral of revenue for after sale services and extended warranties being separately identifiable components of assets

Under Previous GAAP, the amount of revenue was usually determined at consideration received or receivable for the product or service explicitly specified in the contract between the parties.

Under Ind AS, where the sale transaction of the Company includes separately identifiable components, such as after sales services and extended warranties, it is necessary to apply the recognition criteria to those separately identifiable components in order to reflect the substance of the transaction. Revenue from each component so identified is only recognized when such goods are sold or services are rendered. Accordingly, revenue attributable to specifically identifiable components where services are pending to be rendered has been deferred.

## Notes forming part of the Consolidated Financial Statements for the year ended 31 March 2017

### 49 First time adoption of Ind AS (contd.)

#### Note – 6

##### Impact on change of group structure upon transition

6.1 Under Previous GAAP, one entity controls another entity when it has the ownership of more than one-half of the voting power of the other entity or control of the composition of the board of directors so as to obtain economic benefits from its activities. Based on the control assessment carried out by the group under Ind AS 110, the following companies have been assessed as subsidiaries of the group:

- a. Escorts Finance Limited
- b. Escorts Benefit and Welfare Trust
- c. Escorts Benefit Trust\*

6.2 Under Previous GAAP, Hughes Communications India Limited was classified as joint venture for consolidating 31 March 2015 financials and accounted for using the proportionate consolidation method. Under Ind AS, based on the control assessment carried out Hughes Communications India Limited has not been consolidated in these financials.

Under Previous GAAP, Adico Escorts Agri Equipment Pvt. Limited was classified as joint venture and accounted for using the proportionate consolidation. Under Ind AS, the entity has been consolidated using the equity method.

#### Note – 7

##### Equity instruments under Previous GAAP classified as Financial liabilities measured at amortised cost (net of distributions)

Redeemable preference shares issued by the Group have been classified as borrowings and recognized at amortised cost on transition date as against part of Minority interest under previous GAAP. The difference on the transition date has been recognized in other equity. Interest charge at effective interest rate on such instruments has been recognized as finance cost in subsequent periods.

#### Note – 8

##### Other adjustments

Other adjustments comprise of the following :

- a) Employee stock option plan - Under Previous GAAP, the intrinsic value of the employee stock option plan was recognised as an expense over the vesting period. Under Ind AS, the compensation cost of employee stock option plan is recognised based on the fair value of the options determined using an appropriate pricing model at the date of grant.
- b) Assets held for sale - Under Previous GAAP, non-current asset held for sale were carried at historical cost. Under Ind AS, non-current assets held for sale is to be carried at lower of carrying amount and fair value less costs to sell. The company has classified some of its non-current assets as held for sale and the resulting loss has been transferred to retained earnings.
- c) Other miscellaneous adjustments

#### Note – 9

##### Deferred tax impact on above Ind AS and other transition adjustments

Under Previous GAAP, deferred tax was accounted using the income statement approach, on the timing differences between the taxable profit and accounting profits for the period. Under Ind AS, deferred tax is recognized following balance sheet approach on the temporary differences between the carrying amount of asset or liability in the balance sheet and its tax base. In addition, various transitional adjustments has also led to recognition of deferred taxes on new temporary differences.

#### Note – 10

##### Measurement of investments designated at fair value through Other Comprehensive Income (OCI)

Investments in equity instruments have been measured at fair value through profit or loss as against cost less diminution of other than temporary nature, if any, under the Previous GAAP.

Certain equity investments (other than investments in subsidiaries, joint ventures and associates) have been measured at fair value through other comprehensive income (FVTOCI).



## Notes forming part of the Consolidated Financial Statements for the year ended 31 March 2017

### 49 First time adoption of Ind AS (contd.)

The difference between the fair value and Previous GAAP carrying value on transition date has been recognized as an adjustment to separate component of other equity. The amount stated above is net of deferred tax.

#### Note – 11

##### Re-measurement gains on defined benefit plans

Under Ind AS, Remeasurements i.e. actuarial gains and losses and the return on plan assets, excluding amounts included in the net interest expense on the net defined liability, are recognized in other comprehensive income instead of profit or loss in Previous GAAP.

#### Note – 12

##### Excise duty

Under Previous GAAP, revenue from sale of goods was presented net of excise duty whereas under Ind AS the revenue from sale of goods is presented inclusive of excise duty. The excise duty is presented on the face of the Statement of Profit and Loss as part of expenses.

#### Note – 13

##### Investment property

Under the Previous GAAP, investment properties were presented as part of property, plant and equipment. Under Ind AS, investment properties are required to be separately presented on the face of the balance sheet. There is no impact on the total equity or profit as a result of this adjustment.

#### Note – 14

##### Minimum Alternate Tax ('MAT')

Ind AS 12 requires classification of MAT credit as Deferred tax asset. Accordingly, the Group has reclassified MAT credit from loans and advances to Deferred tax asset on each reporting date. There is no impact on the total equity or profit as a result of this adjustment.

#### Note – 15

##### Componentisation

The Group had realigned the remaining useful life of a component of a item of its plant and machinery in accordance with the provisions of component accounting prescribed under Schedule II to the Companies Act, 2013. Consequently, the carrying value of the item of plant and machinery which has completed its useful life amounting to ₹1.16 crores (net of deferred tax ₹0.62 crores) has been adjusted in opening retained earnings.

For and on behalf of the Board

**RAJAN NANDA**  
Chairman and Managing Director  
(DIN: 00043256)

**NIKHIL NANDA**  
Managing Director  
(DIN: 00043432)

**HARDEEP SINGH**  
Director  
(DIN: 00088096)

As per our Report of even date attached

for **S.N.DHAWAN & CO. LLP**  
Chartered Accountants  
(Firm Regn No. 000050N/N500045)

**P.H. RAVIKUMAR**  
Director  
(DIN: 00280010)  
Place : Faridabad  
Date : 29 May 2017

**BHARAT MADAN**  
Group Chief Financial Officer

**AJAY SHARMA**  
Group General Counsel  
& Company Secretary

**VIJAY DHAWAN**  
Partner  
M No. 12565

## Form AOC-1 forming part of the consolidated financial statements

### Statement containing salient features of the consolidated financial statements of subsidiaries/joint venture for the year 2016-17

A Subsidiaries								(₹ crores)
Name of the subsidiaries	Escorts Finance Limited	Escorts Asset Management Limited	Farmtrac Tractors Europe Sp. Z.o.o, Poland	Escorts Securities Limited	EDDAL Credit Limited	Escorts Benefit and Welfare Trust	Escorts Benefit Trust	
Reporting period	31 March 2017	31 March 2017	31 March 2017	31 March 2017	31 March 2017	31 March 2017	31 March 2017	
Share capital	40.17	10.00	15.53	4.00	0.05	-	-	
Reserves & Surplus	(217.38)	(0.95)	(20.10)	4.02	1.85	0.01	11.54	
Total assets	8.39	11.67	30.71	42.38	2.71	0.02	11.55	
Total liability	185.60	2.62	35.28	34.36	0.81	0.01	0.01	
Investments	4.89	3.86	-	4.69	0.02	-	-	
Turnover	0.30	1.56	54.50	4.78	0.04	-	-	
Profit/(loss) before taxation	(0.06)	(1.31)	(9.59)	(0.41)	(0.02)	-	28.11	
Provision for taxation	-	(0.61)	1.95	-	-	-	-	
Profit/(loss) after taxation	(0.06)	(0.70)	(11.54)	(0.41)	(0.02)	-	28.11	
Proposed dividend	-	-	-	-	-	-	-	
% of shareholding	69.42%	78.99%	100%	98%	99.86%	100%	100%	

Note : Converted into indian rupee at the exchange rate 1 PLN= 16.29 rupee in Farmtrac Tractors Europe Sp. Z.o.o, poland

B Joint venture		(₹ crores)
Name of the Joint venture	Adico Escorts Agri Equipment Private Limited	
Latest audited balancesheet date	31st March 2017	
Shares held by company		
Numbers	60,00,000	
Amount of investment	6.00	
Holding %	40%	
Description of how there is significant influence	Joint venture agreement	
Reason For not concidered for consolidation	Not applicable	
Networth attributable to shareholding	1.02	
Profit/(loss) for the Year	(2.75)	
Concidered in consolidation	(1.09)	
Not considered in consolidation	(1.66)	

Note:-Refer note 1 C of the consolidated financial statements for information on associates.

For and on behalf of the Board

**RAJAN NANDA**  
Chairman and Managing Director  
(DIN: 00043256)

**NIKHIL NANDA**  
Managing Director  
(DIN: 00043432)

**HARDEEP SINGH**  
Director  
(DIN: 00088096)

**P.H. RAVIKUMAR**  
Director  
(DIN: 00280010)  
Place : Faridabad  
Date : 29 May 2017

**BHARAT MADAN**  
Group Chief Financial Officer

**AJAY SHARMA**  
Group General Counsel  
& Company Secretary



## Notes

### Corporate Information

#### Board of Directors

Mr. Rajan Nanda,  
Chairman and Managing  
Director

Mr. Nikhil Nanda,  
Managing Director

Mr. Hardeep Singh,  
Director

Mr. P.H. Ravikumar,  
Director

Dr. Sutanu Behuria,  
Director

Mr. D. J. Kakalia,  
Director

Mrs. Vibha Paul Rishi,  
Director

Ms. Nitasha Nanda,  
Director

Mr. G. B. Mathur,  
Director

#### GROUP GENERAL COUNSEL AND COMPANY SECRETARY

Mr. Ajay Sharma

#### SECRETARIAL AUDITORS

M/s. Jayant Gupta & Associates

#### INTERNAL AUDITORS

Ernst & Young LLP

#### STATUTORY AUDITORS

M/s S. N. Dhawan & Co.

#### COST AUDITORS

M/s. Ramanath Iyer & Co.

#### CORPORATE CENTRE & REGISTERED OFFICE

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

#### BANKERS

Axis Bank

IDBI Bank

ICICI Bank

IndusInd Bank

Oriental Bank of Commerce





Punjab National Bank

State Bank of India

The Hongkong and Shanghai Banking Corporation Limited

Escorts Limited

Corporate Centre & Registered Office  
15/5 Mathura Road  
Faridabad -121003, Haryana, India

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