



a World of Respect



65th annual report 2010

our mission

Escorts endeavors to transform lives in rural and urban india by leading the revolution in agriculture mechanisation, modernisation of automotive and railway technology, as well as the transformation of indian construction industry.

our brand

The Escorts brand shall continue to guard its legacy of being a brand that customers trust; where employees attain their full potential; and where nation building is a way of life.

our commitment

We are committed to excellence in engineering, innovation in products, development of market-relevant technologies and the highest of cost efficiencies in order to create value for our customers and shareholders.

Contents

01	World of Respect
02	Chairman & Managing Director's Message
06	Joint Managing Director's Message
10	Corporate Information
11	Financial Highlights
12	Board of Directors
13	Board of Management
14	Management Discussion and Analysis
26	Directors' Report
34	Report on Corporate Governance

Standalone Financials

53	Auditors' Report
56	Balance Sheet
57	Profit and Loss Account
58	Schedules
80	Cash Flow Statement

Consolidated Financials

82	Auditors' Report
84	Balance Sheet
85	Profit and Loss Account
86	Schedules
103	Cash Flow Statement
104	Statement Regarding Subsidiary Companies

FORWARD LOOKING STATEMENT

We may from time to time make forward-looking statements in our annual reports to shareholders, in offering circulars and prospectuses, in press releases and other written materials and in oral statements made by our officers, directors or employees to financial analysts, institutional investors, representatives of the media and others.

Examples of such forward-looking statements may include:

- projections of revenues, operating income, net income (loss), net income (loss) per share capital expenditures, dividends, capital structure or other financial items or ratios,
- statements of our plans or objectives,

- changes in our regulatory environment,
- statements about our future economic performance or that of the marketplace, and
- statements of assumptions underlying such statements.

Words such as "believe," "anticipate," "plan," "expect," "intend," "target," "estimate," "project," "predict," "forecast," "guideline," "should" and similar expressions are intended to identify forward-looking statements but are not the exclusive means of identifying such statements. Forward-looking statements involve inherent risks and uncertainties. We caution you that a number of important factors could cause actual results to differ materially from the projections, plans, objectives, expectations, estimates and intentions

expressed in forward-looking statements. These factors, some of which are discussed above under "Risk Factors," include material changes in the performance or terms of our concessions, developments in legal proceedings, economic and political conditions and government policies in Escorts Limited or elsewhere, inflation rates, exchange rates, regulatory developments, customer demand and competition. We caution you that the foregoing list of factors is not exclusive and that eventualities related to other risks and uncertainties may cause actual results to differ materially from those expressed in forward-looking statements. Forward-looking statements speak only as of the date they are made, and we do not undertake any obligation to update them in light of new information or future developments.

Escorts Limited is India's leading choice for farming and construction equipment and solutions.

Today, we are amongst the most **focused** and **innovative** earth-handling equipment companies in India.

We earn the respect of all our stakeholders by keeping our promise to our most important stakeholder: our customers.

We promise to give them dependable and rugged 'workhorses' that deliver lasting value and peace of mind, thus enhancing their livelihoods and productivity.

Our respect for the world brings us **a world of respect.**



Chairman & Managing Director's Message



Dear Shareowners,

I wish you a warm welcome to the Annual Report for our financial year 2010. Over the years, your Company has progressed in three businesses that are deeply connected to every Indian and to the progress of India at large.

Whether it be agricultural mechanisation, construction equipments, railway components and automotive parts - through every branch of our business we're playing a meaningful role in the country's development. Of all businesses, our agri-based solutions are by far the ones that have the most direct connect with the vast majority of India.

This year I would like to focus on the broad question of India's food security and what can be done about it.

Success in Agriculture is Vital to India's Economic Future

The discussion on India's food security issue is a complex one.

Second in farm output world-wide, the agricultural sector is the backbone of the Indian economy providing employment and livelihood to nearly 70 per cent of the country's population. Undoubtedly, it plays the most significant role in the overall socio-economic development of India. Although India is second to China in population, our country is adding almost an entire population of Australia each year. Any stagnation in agriculture will lead to a decline in other spheres of the economy having wider implications for society. Apart from facing steady population growth, we are also experiencing complementary complicated issues such as climate change, water table de-

pletion, global food shortages and energy shortages. Inaction against fostering the growth of both our green and dry belts can lead to a severe shortage of food supply not in the very distant future.

A Great Deal More Needs Doing

Much is being done to alleviate this scenario. In the last few years, more than 8 million new farmers have been brought under the bank credit system each year and much to its tribute, India runs the largest program of micro-credit in the world. Our farmers are also benefitting from better understanding in crop planning, improved price discovery mechanisms and minimum support prices - significantly improving their cash intake and economic standing. However, much more needs to be done to alleviate still lingering problems such as illiteracy, general socio-economic backwardness and inadequate marketing schemes for farm

“In every action we take in managing our business, we are mindful of putting the interests of our customers and stakeholders first and foremost.”

Rajan Nanda

produce. We also need to make speedier progress in institutional reforms. This includes the redistribution of land ownership in favour of the cultivating classes. This would provide them a sense of participation in rural life, improving the size of farms, providing security of tenure and regulation of rent. Further liberalization of tenancy would not only increase the availability of land in the lease market but would also increase the poor people's access to land. It is also imperative that programmes for skill development, vocational trainings and technical education are taken up on a large scale in order to generate required employment opportunities in rural areas and reduced dependency

incentives and support should be provided on a liberal scale to promote overall agricultural modernization and the establishment of agro-processing industry and cold chain infrastructure in ear-



marked production catchments. As Jawaharlal Nehru once said for a nascent India - “Everything else can wait, but not agriculture.” Sixty-three years after our independence, I ardently believe that this holds true now more than ever before.

Technical Productivity is the Interim Answer

While I'm optimistic that we will eventually get solutions around these issues, there's much we can do that's within the farmer's own control. In the short term, we need to help our farmers improve the productivity of their existing land assets as they are. Even though the yields per unit area of all crops

average yield in India is generally of the best global benchmarks. Undoubtedly, there is still ample room for improvement and the answer lies in modernisation.

The Farmer is at the Centre of our Universe

At Escorts, we've made it our business to feel our farmers' pain, inhibitions, concerns and aspirations. We've delved in deep to understand every technological factor that helps raise productivity in agriculture, such as improved seeds, fertilizers, improved implements, rugged tractors, affordable harvesters and irrigation methods.

Chairman & Managing Director's Message

“Arguably, we are in the largest investment cycle the IR has ever undertaken and at Escorts, we are playing our part in giving them world class components, systems and solutions.”

Rajan Nanda Chairman & Managing Director

We believe that productivity levels can be nearly doubled if land is used in a more professional way with better technology and farm management practices. One cannot wish away more than 60 per cent of the holdings touching the lives of nearly 400 million of the country's population. It is a great challenge to the nation to make these units viable and sustainable.

At Escorts, we are engaging with one farmer at a time. By understanding him completely, we have synchronized our mechanisation solutions to bring clear and present value to him. In recent years, we've made great strides in extending the power, reliability and lifetime-cost-of-ownership of our tractors to ensure profitable returns for our farmers. We've spent extensive time in studying various different applications and evolved reliable and functioning solutions for them. We've also adapted our tractors to provide as much ease and convenience as possible to compensate for their rigorous and arduous lifestyle. By way of example, during FY10, we introduced the first ever “Inverter Tractor” which allows a farmer to double-up his tractor at nights to serve as a electricity generator for lighting up his home. This facility can give him better access to communi-

cation mediums for knowledge and improve the quality of his life significantly. Our role has not been limited to India alone: for over 10 years we have also been part of hundreds of farmers' lives in Europe and Africa through our fully owned subsidiary in Poland and channel partners respectively. We've also used our learnings in Europe and Africa to bring value to our farmers in India.

Enabling Road Infrastructure & Realty Construction

Construction activity is an integral part of India's infrastructure and industrial development. Hence it can rightly be termed as the basic input for socio-economic development. All statistics on the growth of four and two wheelers point to an irrefutable fact: India is becoming a nation of cars and bikes. However, our road infrastructure leaves much to be desired. Even though we have 3.3 million km. of road network, the second largest in the world, highways make up only 2 per cent of the overall road network by length. When one considers that they account for around 40 per cent of traffic, it's easy to see the need for enhancing our road networks at every level – highways, branch and rural roads. As the arteries of the nation, impact-

ing every city, town, village and neighborhood inhabited by over 1.2 billion people, we need to widen existing roads and build new branches to enable India's growth and efficiency as a nation. The Government of India is aware of this bottleneck to growth and is on the path of investing heavily for releasing access capacity. As a leading manufacturer of construction equipment in India, we are at the forefront of understanding the needs of the construction industry that has this task at hand. Our portfolio of construction equipment for road developments is second to none and we are closely working with our customers in grappling with the general shortage of skilled operators by offering in-depth training and accreditation.

Where there are roads and access, realty assets soon follow. Today, India is witnessing quantum growth in general construction of retail, affordable housing, hospitality, commercial and industrial assets across the country. According to IHS Global Insight, construction spending is expected to increase to US\$370 billion by the end of 2013, with residential totaling US\$63 billion and nonresidential registering US\$307 billion. This represents a compound



annual growth rate (CAGR) of 13.3 per cent. Undoubtedly, construction is an important part of the industrial sector and one of the core sectors of India's economy. Not surprisingly, the construction sector is also the second largest employer in the country following agriculture, employing some 18 million people directly and 14 million indirectly. With solid growth momentum forecasted over the next 20 years, our construction equipments business is well positioned for the future.

Serving the Railways Expansion Programmes

Indian Railways (IR) operates more than 8,500 passenger trains and transports around 5 billion people annually across twenty-seven states and three union territories (Delhi, Pondicherry and Chandigarh). With its 64,015 kilometres network, it is the third largest railway in the world under a single management. Undoubtedly, the railways form a key pillar to India's infrastructure impacting most Indians. The key challenges before it is to meet the accelerated transport demand and provide high quality service. Thus, capacity enhancement, technological upgradation and service improvement of Indian Railways are the major thrust areas of the current Plan.

The government also envisages a 51 per cent increase in freight traffic and 32 per cent increase in passenger traffic during the plan period. With an expenditure of Rs.2,51,000 Crores on various capacity enhancement and replacement programmes including new lines, doubling, gauge conversion, electrification, new dedicated freight corridors and new rolling stocks, your Company is deeply involved with the Indian Railways on multiple levels. Arguably, we are in the largest investment cycle the IR has ever undertaken and at Escorts, we are playing our part in giving them world class components, systems and solutions.

Prudent Financial Management

One of the significant achievements of your Company this year was its ability to reduce interest costs through a mix of initiatives such as quicker sales realisation, better access to low cost funds for working capital and increased earnings through treasury operations. We also enhanced key functional areas such as Risk Management through Standard Operating Procedures; Investor Relations through a dedicated desk to serve analysts and funds and new channel finance models for finance tie-ups with dealers.

Going forward, these initiatives along with post ERP implementation initiatives such as a shared resources department for accounting operations and automating risk management practices, should deliver robust financial controls, streamlined processes, reduced operating costs and sustainable business growth.

Conclusion

Despite myriad of complex issues facing the country, I am extremely optimistic about the potential of agriculture, infrastructure and transport development in India. I also believe that our home-grown agricultural mechanisation solutions can not only help improve the economic status of our farmers but also help generate a handsome surplus for the nation as well. Similarly our work within the construction and the railways industries should also leave a positive national imprint. I would like to take this opportunity to thank all our stakeholders for taking part with us in this exciting journey.

Rajan Nanda

Chairman and Managing Director

Joint Managing Director's Message



Dear Shareowners,

FY2010 has been a year in which we truly began to see the fruits of our strategy towards sustained profitability. For me, the year has been about strengthening our foundations further by continuing to focus on doing more of what we were doing before – directing our core competencies of innovation, engineering and manufacturing towards delighting our customers and widening our operational efficiencies further across the board.

I am pleased to report a compellingly successful year. We boldly negotiated the challenges the year threw at us and clocked a 27 per cent increase in our top line to Rs. 2,745.7 Crores, a testimony to a growing and deeply felt respect for our products and services. More gratifyingly, our consolidated EBIDTA increased by 17 per cent to Rs. 231.2 Crores, giving us more headroom to manage our liquidity and working capital

resources to reduce our interest cost down by 75 per cent from Rs. 47.2 Crores to Rs.11.7 Crores. Our net profit grew by 53.3 per cent to Rs. 137.5 Crores. Our efforts at cost savings, streamlining and cost management has put us in a situation where our sales growth is translating directly into both equivalent revenue and profit growth. Our liquidity has improved, interest costs have fallen substantially and debt/equity ratio is now very attractive.

Apart from these fundamental strategies, we also focused on leveraging our engineering and development skill-sets to upgrade our product lines into contemporary winners and introducing new product classes. A shining example of this was the introduction of our all new backhoe loader DIGMAX®, which positioned us as serious challengers to established market leaders. Going forward, I believe that our ability to research, understand, ideate, engineer and manufacture new home grown solutions that make a difference to our customers will continue to open new growth opportunities and set us apart in the industry. We also took a hard look and consolidated our channel mix by deepening our support to dealers that were highly service orientated and value creators for our end users. We further expanded our channel and retail

“We will continue to focus on creating a top-quality efficient business that is a strong platform for delivering growth and higher value to our stakeholders.”

Nikhil Nanda Joint Managing Director



finance initiatives that improved cash availability to customers and end-users, making it easier for them to buy and adequately stock our products. Finally, we continued to press on with strategic vendor partnerships and most advantageous manufacturing processes, making optimal use of our production and distribution resources.

Agri Machinery Business

For FY2010, the Agri Machinery Division recorded revenues of Rs. 2473.7 crores, up 30 per cent from Rs.1,899.8 crores. This was on the back of strong demand for our tractors – we sold 60,086 units

during the year, up by 31.6 per cent from 45,627 units in the previous year. Of this, exports grew by 56 per cent at 2,017 units against 1,291 units in previous year. Going forward, we will be investing in Agri machinery business to expand capacity and develop new technologies. We plan to launch 6-7 new products in the near future which are best suited for specialized application needs of the farmer. Keeping pace with the growing expectations of the farming community, we are today transforming ourselves to become a provider of mechanized farm solutions for our farmers. We have established strategic

tie-ups with leading implement and attachment manufacturers to provide farming solutions across various stages of the cropping cycle as well as non-farm applications.

The year saw some shining examples of these strategies already in play. The division has launched several new quality products, including India's first ever INVERTER TRACTOR and other high horse power tractors which provide extra torque and better applicability to the Indian farmer. The new tractor models address more segments and agro-climatic zones and have been well

Joint Managing Director's Message



received in the market. Further, we consolidated our position in the African market both at the retail and the institutional level, with a

from the Government of Tanzania. Substantial investments have been made in the Agri Machinery

product range. We are constantly aligning our products with emerging applications, to provide greater thrust for value-added farm mechanized solutions. Our overall success during the year vindicates our strategy of becoming a complete farm solutions provider. The year also

of our European presence in which we have made steady progress over the years.

Construction Equipment Business

To take advantage of an exciting construction equipments business

market opportunity, we are focusing on strengthening our peer position by concentrating on technological advancements, introducing new and enhanced products and tying up with international manufacturers. We continue to focus on earthmoving machinery and maintain our leadership position in the material

handling equipment business of cranes and soil compactors.

loader, an extremely well engineered and thought out product which has opened new

the earthmoving segment. The project is indeed testimony to the perseverance, speed, acting on customer feedback, stress testing and intellectual acumen

has the potential of becoming the lead revenue generator for the subsidiary.

The current pipeline of new projects under development goes very deep, giving the

of introducing several technologically advanced products to serve emerging applications and improve the speed of construction project execution. The aim of this business is to become a one-stop-shop for providing end-to-end solutions for the construction industry. In this endeavour, we have successfully launched several new products as line extensions through strategic alliances. Going

forward, this vertical is playing a meaningful role within a wider canvas of economic activity by becoming a function of India's road transportation and real estate infrastructure growth story.

Engineering Division

an era of modernisation and expansion of its network, the new high speed trains will call for the introduction of many new technologies and systems altogether. Through our in-house research and strategic alliances, Escorts is positioning itself to be part of this great opportunity. At the same time, we focused on getting better organised by upgrading our manufacturing processes through aggressive cost rationalisation, leaner production

supply chain management, setting right processes and up-skilling our personnel. The

with potential for further growth.

four new railway products for coaches and wagons that will be introduced in the current year. To widen our scope for growth, we are also in the midst of diversifying from the traditional rolling stock

“Escorts is well positioned to capitalize on the emerging opportunities in agriculture and infrastructure sectors.”

Nikhil Nanda Joint Managing Director

products to meet the emerging technology needs for faster trains and the Dedicated Freight Corridor Projects of the Indian Railways. We are now looking at green field projects in the auto component and railway space through technology alliances. In FY2010, Escorts became the first company to supply the EPA (Electro Pneumatic Assist) Brake system test rig to The Indian Railways. We also signed an MOU with FBO SAS, France, a leading manufacturer of pneumatic components and systems for locomotives and railway passenger cars.

The domestic and global auto ancillary industry is poised for solid expansion and Escorts is responding to capitalize on this exciting growth opportunity. Within our auto ancillary business, we are in the midst of graduating from being a 2 wheeler to also becoming a 4 wheeler products company. We are also redefining our business model that rests on 3 pillars: Manufactured Products catering to OE and export markets; Outsourced Products and Consumable Products. We are extending the Escorts brand not only for suspensions products, but also for everyday

needed consumables such as brake friction products, grease & oil products, power storage and engineering products such as exhausts. We have already made interesting progress on multiple fronts. On the OE side, we are poised to gain a significant market share of a leading Indian automobile major's requirements. On the export front, we recently entered into agreements to supply CV and LV axles to a leading US commercial vehicle major. Going forward, we also plan to be active participants in the global aftermarkets through additional JVs and alliances in the USA, China, Africa and Middle Eastern markets.

Going Forward

We are an endemic part of India's agricultural and infrastructure development story. Today, India's growth is amongst the highest in the world—making it a driving force of the global recovery. Rapid growth has lifted hundreds of millions out of poverty. As India evolves into a superpower status with a large middle class, new paradigms of expenditure, affordability and food security will be set. To capitalize on this consumption lead growth opportunity, we are leveraging

our ability to engineer technology to chart a growth path that spans a wider canvas of economic activity across agriculture, infrastructure and transportation sectors. With this backdrop, we expect the growth momentum of your Company to continue well into the next decade. In this journey, we intend to be mindful to focus on creating an efficient business that builds and delivers higher value for all stakeholders. Driven by the twin focus of winning in the market and operational efficiency, backed by our continued obsession to learn and listen, we intend to leverage our engineering skills to exceed expectations.

We are very pleased that we have been able to justify the faith that our shareholders have reposed in us and the track record of growth and profits on a sustained basis indicates that the Company is poised for great advancements. I am grateful to all of you for being part of the Escorts family.



Nikhil Nanda
Joint Managing Director

Corporate Information



Board of Directors

Mr. Rajan Nanda

Chairman & Managing Director

Mr. Nikhil Nanda

Joint Managing Director

Dr. M. G. K. Menon

Director

Dr. S. A. Dave

Director

Dr. P. S. Pritam

Director

Mr. S.C. Bhargava

Director

**Executive Vice President
Law & Company Secretary**

Mr. G. B. Mathur

Statutory Auditors

M/s. S. N. Dhawan & Co

Registered Office

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

Consultants & Advisors

KPMG India Pvt. Ltd.
Ernst & Young Pvt. Ltd.
Pricewaterhouse Coopers Pvt. Ltd.

Bankers

Andhra Bank
Citibank, N.A.
IDBI Bank
Punjab National Bank
State Bank of Hyderabad
State Bank of India
State Bank of Patiala
State Bank of Travancore

**Executive Vice President &
Group Chief Financial Officer**

Mr. O. K. Balraj

Internal Auditors

Grant Thornton

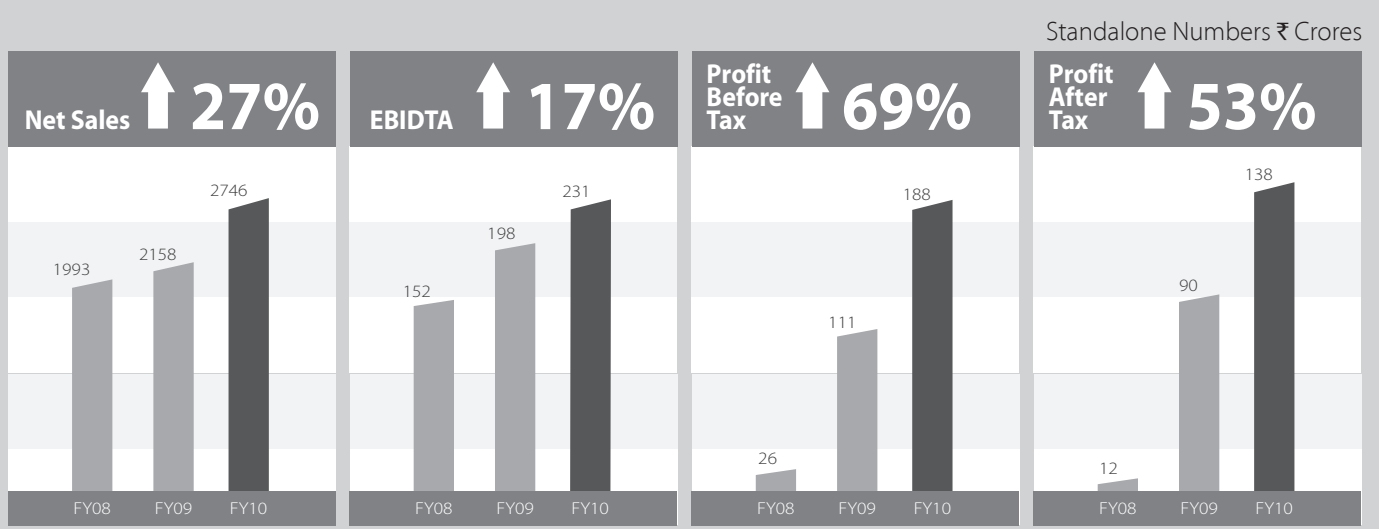
Corporate Centre

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

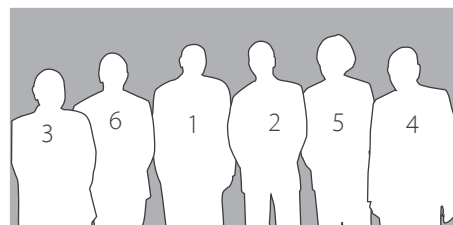
Solicitors

Crawford Bayley & Co.

Financial Highlights



- Net Sales up **27%**
2010: ₹ 2746 crores (2009: ₹ 2158 crores)
- EBITDA up **17%**
2010: ₹ 231 crores (2009: ₹ 198 crores)
- Interest Cost down **75%**
2010: ₹ 12 crores (2009: ₹ 47 crores)
- Profit Before Tax up **69%**
2010: ₹ 188 crores, 6.8% of sales (2009: ₹ 111 crores, 5.1% of Sales)
- Earnings Per Share up **48%**
2010: ₹ 14.67 (2009: ₹ 9.89)
- Consolidated Net Sales up **28%**
2010: ₹ 3324 crores (2009: ₹ 2598)
- Consolidated PAT up by **3.6 times**
2010: ₹ 132 crores (2009: ₹ 29 crores)
- Consolidated EPS up **345%**
₹ 15.8 against ₹ 3.5 last year



Board of Directors



Mr. Rajan Nanda

Chairman and Managing Director

1

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

Mr. Nikhil Nanda

Joint Managing Director

2

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

Dr. M. G. K. Menon

Director

3

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

Dr. S. A. Dave

Director

4

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

Dr. P. S. Pritam

Director

5

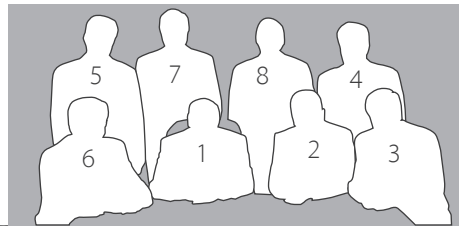
Dr. P.S. Pritam has a rich experience of having held Managerial Positions in a giant financial institutions for 37 years with expertise in diverse functional areas such as Legal & Mortgage, Finance & Accounts, Insurance Underwriting & Claims and all aspects of Policy Holders' servicing. He retired as Executive Director (Marketing & International Operations) of LIC of India. Post retirement he also worked as National Head (Sales & Marketing) for Allianz Bajaj Life Insurance. He has served on the Board of Bihar Financial Corporation, Gujarat Financial Corporation, Bihar Housing Federation and various other companies.

Mr. S. C. Bhargava

Director

6

Mr. S.C. Bhargava is an eminent personality with a rich experience in all facets of Finance and Insurance. He has extensive knowledge in the field of securities market, treasury operations, investments, etc. He has also worked as member of the Technical Advisory Committee on Money, Foreign Exchange and Government Securities Market, Reserve Bank of India. Currently, he is serving the Board of many reputed organisations.



Board of Management



<p>Mr. Rajan Nanda Chairman</p> <p style="text-align: right;">1</p>	<p>Mr. Nikhil Nanda Joint Managing Director</p> <p style="text-align: right;">2</p>	<p>Mr. G B Mathur Executive VP Law & Company Secretary</p> <p style="text-align: right;">3</p>	<p>Mr. O K Balraj Executive VP & Group Chief Financial Officer</p> <p style="text-align: right;">4</p>
<p>An alumnus of Doon School, Dehradun, Mr. Rajan Nanda took over as Chairman of Escorts Group in 1994. Displaying vision and leadership qualities, Mr. Nanda undertook a major restructuring programme to furnish a sharper focus to the Group's businesses.</p>	<p>Mr. Nikhil Nanda is an alumnus of Wharton Business School, Philadelphia, with majors in Management and Marketing. He is a member on the Board of most Group companies since 1997 and has the overall responsibility for managing the Group's agri, construction and engineering businesses.</p>	<p>An ACS and LLB by profession, Mr. Mathur has 35 years of experience in Secretarial and Legal matters. Having joined Escorts in 1993, he is responsible for all Company law related matters and is also the custodian of the shareholder related matters.</p>	<p>Mr. O. K. Balraj is a Chartered Accountant by profession, certified under the Indian Institute of Bankers, London, with an advanced degree/diploma from Harvard University on Project Finance. He has over 28 years of rich and valued experience in different facets of financial operations and executive management.</p>
<p>Mr. Ishan Mehta Executive VP HR & ER</p> <p style="text-align: right;">5</p>	<p>Mr. Rohtash Mal ED & CEO Agri Machinery Group</p> <p style="text-align: right;">6</p>	<p>Mr. Vikram Singhal ED & Business Head Engineering Division</p> <p style="text-align: right;">7</p>	<p>Mr. Kanwal Kishore Vij ED & CEO, Escorts Construction Equipment Ltd.</p> <p style="text-align: right;">8</p>
<p>An alumnus of Xavier's Labour Research Institute, Jamshedpur (XLRI), Mr. Ishan Mehta has more than 30 years of experience in HR/ER strategies, enhancing organizational effectiveness and work place improvement. He has earlier worked with DCM Limited, Ballarpur industries, Eicher Group and East India Hotels (EIH).</p>	<p>An alumnus of the Indian Institute of Management, Kolkata and IIT Delhi, Mr. Mal has over 31 years of rich and varied experience in business growth in sectors such as papers, automobiles, telecom and retail. He has worked with leading companies including Bharti Airtel Group, Bharti Delmonte Ltd, Maruti Udyog Ltd and Ballarpur Industries.</p>	<p>A Mechanical Engineer by profession, Mr. Vikram Singhal has got around 30 years of rich and varied experience in business re-engineering, sales & marketing, international business, manufacturing, turnaround, conceptualization and execution of strategic initiatives.</p>	<p>Mr. Kanwal Kishore Vij is a Mechanical Engineer and has studied advanced courses in Marketing and Management from Harvard, IIM (A) and Manila. He has over 26 years of experience in the Automobile/Engineering industry and has worked with leading companies including Eicher Group, Baxy Motors (Div. of Continental Engines Ltd.) and Vege Intermotor B.V. Netherlands.</p>

Management Discussion & Analysis

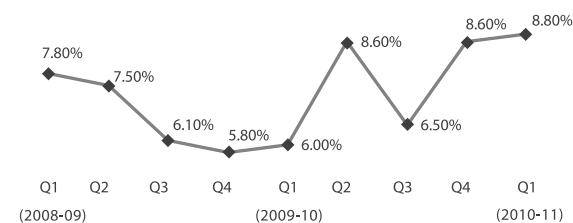


Key Economic Trends

Industrial performance over the last few months has been witnessing a strong recovery. With the fiscal incentives initiated by the government of India during the global slowdown, the Indian Economy is now in an exciting journey of more than 8 per cent growth.

GDP at Factor Cost

(at 2004-05 prices)



Source: CSO, Ministry of Statistics and Programme implementation

The Indian vehicle market also posted an impressive increase in passenger vehicle, commercial vehicle, farm equipments and two wheeler volumes. All of them registered double digit growth in 2010 over the previous year. The Tractor Industry, in particular, is expected to record a growth of 17-19 per cent in 2010-11 (against 32 per cent in 2009-10) as per the CRISIL report. Volumes in the first half of 2010-

11 (April-Sept) are estimated at 20-22 per cent. The Indian heartland is seeing a bout of prosperity and the mood in rural India is upbeat due to strong cash inflow post a bumper kharif crop; continuation of government schemes such as the National Rural Employment Guarantee Act (NREGA); Accelerated Irrigation Benefit Programme (AIBP) and growing bank support to agricultural and rural development.

Indian Tractor Industry

CRISIL research estimates the domestic tractor industry at Rs. 200 billion in 2009-10, after recording a CAGR of 18-20 per cent between 2004-05 and 2009-10 (in value terms). The research forecasts the industry to reach a size of Rs. 320-330 billion by 2014-15, growing at a CAGR of 8-10 per cent.

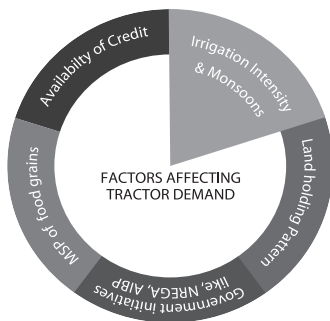
With growth in agriculture GDP, domestic volumes are expected to increase at a CAGR of 6-8 per cent by 2014-15. Exports are estimated to grow at 16-19 per cent leading to an overall volume growth of 7-9 per cent. Rural incomes- both farm and nonfarm, government focus on rural development, government aids to farmers and increasing farm mechanisation will be the key drivers aiding tractor sales in India.

According to Food and Agriculture Organisation (FAO), in 2006, tractor penetration was estimated to be around 18 units per 1,000 hectare of arable land, whereas the world average was around 20 units per 1,000 hectare of arable land. However, given use of higher hp tractors in the US and Western Europe, India's horse power (hp) per hectare may be lower than its peer countries.

Factors affecting Tractor Demand

The key factor enabling the demand growth of 2009-10 was strong rural liquidity, which in turn was sustained by several factors, including higher minimum support price (MSP) for crops; greater ability of farmers to make cash purchases; enhanced employment opportunities (with rural employment schemes being implemented by the Government of India); an improved credit environment and continuance of replacement demand. These factors apart, non-agricultural use of tractors (for haulage in construction and infrastructure projects) continued to increase, benefiting tractor demand. Also, with infrastructure projects and rural employment schemes increasing employment opportunities, availability of labour for agricultural activities continued to decline, persuading even farmers with medium-sized land holdings to either rent or purchase tractors.

FACTORS AFFECTING TRACTOR DEMAND

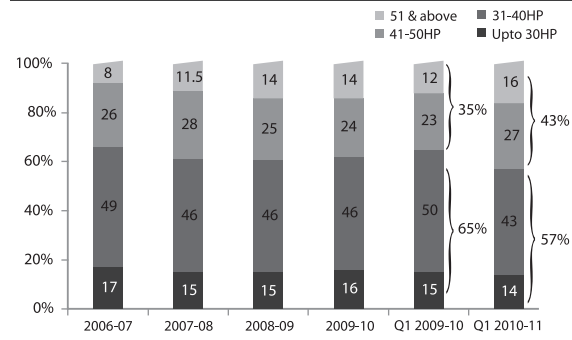


Reversal in Product Mix trend towards High HP Tractors

Share of over-40 horsepower (hp) tractors in total industry sales has been increasing steadily since 2003-04; it stood at 38 per cent in 2009-10 (from 25 per cent in 2002-03). This transition was due to the rising use of higher hp tractors in northern states and increasing share in southern and western states, where higher hp tractors are preferred given harder soil conditions.

In addition, growing share of exports, where >40 hp tractors dominate (more than 75 per cent in 2009-10), has also contributed to increasing offtake of higher hp tractors.

HP DISTRIBUTION



Source: CRISIL

Tractor Demand: Review and Outlook

Domestic tractor sales grew by about 32 per cent in 2009-10 mainly owing to increased farm incomes and improved availability of credit. Exports, however, declined by 2-3 per cent in the same period, chiefly due to the slowdown in world economy (especially the US).

Domestic tractor sales sustained their healthy growth mainly owing to prospects of a favourable monsoon, a continued increase in rural income with expected crop output set to rise. In addition, government initiatives such as the implementation of National Rural Employment Guarantee Act (NREGA), helped in pushing sales northwards.

Regulations and Alternative Fuels

With new regulation of emission norms to safeguard the environment for OTRs (off the roads) vehicles due in 2010, your Company is well geared in terms of technology to meet the changes in norms.

Raw Materials

After a year of decline in raw material prices till the first half of the current year and later firming up, financial year 2011 is expected to see a firming of prices in the international market. However, your Company will continue to focus on cost re-engineering and improving productivity to minimise the impact of this development.

Management Discussion & Analysis

Opportunities and Threats

The improvement in rural liquidity and increase in non-agri component of rural incomes is a strong positive since demand will have lesser sensitivity to monsoon.

Food security and rural development remain high on the Government agenda; with the Union Budget for 2010-2011 showing an increase in Agri credit outlay by 15 per cent to Rs.3.75 lacs crores; interest subvention on crop loans and various initiatives for rural development also have enhanced outlays. This, coupled with significantly low levels of mechanisation in Indian farms compared to the global average, indicates that there is significant growth potential for agricultural mechanisation in the country. Your Company is well poised to leverage this opportunity.

The demand from non-agri segment for tractors continues and this augurs well for the industry.

Competition

Having recorded a significant growth of over 30 per cent in this financial year, the market is expected to see more competition among the existing domestic and international players. Increased competition will lead to more frequent product launches in all industry segments and raise customer expectations in terms of performance, quality and technology. Escorts views all of this as an opportunity and a challenge.

Your Company introduced a new product range to encash on the demand growth. During the year, your Company has launched new models within its tractor range to suit the growing demand. The five models that were introduced during the year were PT429, FT60Xtra torque; FT45 Power steering, FT35 Rajasthan special and FT45 High Lift. The response for all these have been very good.

Establishes Foothold in African Markets

Your Company has set a new benchmark by winning the Indian tractor industry's largest ever single export order for tractors. Valued at USD 40 million (about Rs.185 crores) the prestigious order has been awarded to Escorts by the Government of Tanzania. Your Company has been chosen to supply over 1430 units of its premium range of Farmtrac tractors to Tanzania

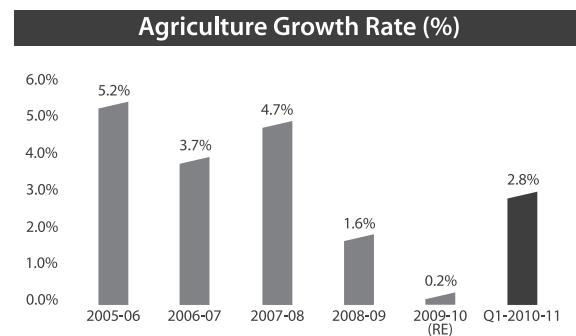
which is being implementing under a national "Food Sufficiency Programs" aimed at making it a Food Surplus country.

Sector Overview

A) AGRICULTURE – The potential for farm mechanisation

Agriculture– the mainstay of more than 600million Indians- is emerging as a new road to prosperity. This much beaten path is now being re-paved with price movements, which is reinvested in technology up-gradation. The growing promise is now being driven by higher income driven consumption and investment. This effect is increasing farm income, resulting in renewed investment in agriculture where we expect the big fillip to come from the private sector. Benefits of the growing GDP are beginning to positively affect rural India.

The sector contributes approximately 15.7 per cent of India's GDP and 10.23 per cent of total exports besides providing employment to around 60 per cent of the work force.



Source: Planning Commission, CSO

The agriculture and allied sector GDP has shown a growth of 0.2 per cent during 2009-10 as against the previous year's growth rate of 1.6 per cent. This is due to the impact of overall deficit of 23 per cent in rainfall during the south-west monsoon which adversely affected Kharif production. Lately, during the 1st quarter of 2010-11, the sector grew at 2.8 per cent and likely to close the year at around 4 per cent growth.

The share of agriculture and allied sectors in total gross capital formation has also progressively declined for nearly two decades. However, this trend has since

been arrested and the share of capital formation of the agriculture and allied sectors in GDP has increased from 14.1 per cent in 2004-05 to 21.3 per cent in 2008-09 (at 2004-05 prices). Of this, the share of public investment to GDP of the agriculture sectors has increased from 2.9 per cent in 2004-05 to 3.8 per cent in 2008-09. The share of private investment to GDP of agriculture sectors has increased from 11.2 per cent to 17.5 per cent for the same comparable period. As a result of the joint efforts made by the Government and the private sector, the level of mechanisation has been increasing steadily over the years.

Agri business has a lot going for it...

- The government's employment guarantee scheme has made farm labour expensive, compelling farmers to take a fresh look at mechanisation
- Real time price information, commodity spot exchanges, weather insurance and irrigation technologies are helping to modernize farming
- Huge internal demand will drive agricultural growth in India in the future and profits need not depend on exports

...But there are challenges aplenty

- Lack of modernized supply chain that can reduce wastage and get farmers a reasonable price every year
- New generation turning away from farming in a bid to avoid the drudgery and uncertainty
- Fragmented nature of business means it is difficult to scale up; large scale plans have no longer -than-anticipated gestation periods
- Government policies like minimum support price deter farmers from trying new crops or seeds.

Contribution of various segments to agriculture sector:

Indian agriculture is highly fragmented with 127mn cultivators and 107mn agricultural labourers, contributing to 5.7 per cent of India's GDP. Large parts

of the sector are unorganised and fragmented and the use of technology is low.

Agriculture Value

	INR bn	% GDP
Seeds	65	0.1
Fertilizers	1400	2.5
Pesticides	74	0.1
Irrigation equipments	37	0.1
Equipments (Tractors, tiller, harvesters)	180	0.3
Total value of Inputs	1756	3.1
Value addition by farmers	3156	5.7

Over the last 5 years (2004-05 to 2009-10), rural income has grown by 19 per cent CAGR, attributable to the above mentioned factors. This includes, agricultural credit, value of crop output, NREGA and farm loan waiver, which aggregates to a total of Rs. 8,438 billion in 2009-10. Over and above this, rural development spending of around Rs. 800 billion per annum will also have an indirect impact on rural income.

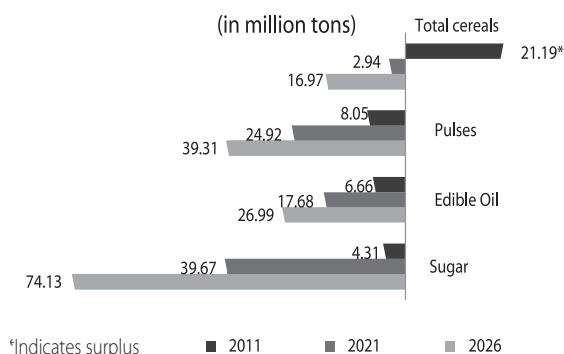
Government initiative towards rural development has increased manifold in the Tenth and the Eleventh Five Year Plans. In the Tenth Five Year Plan, expenditure on rural development was hiked by 1.6 times and in the Eleventh Plan, it was increased by an additional 2.5 times and was pegged at Rs. 3,011 billion. Of this, 64 per cent has been spent till date. Apart from this, specific government initiatives include- export of cotton and sugar, increased area under cultivation due to improved monsoons and NAC recommendations on food security.

Crop output: First advance estimates of crop production as released by the Ministry of Agriculture sees kharif production at 115 mt for the season. Total food production in the kharif season as per the first advance estimates are seen at 114.63 mt (million tonnes) for as compared to 103.84 mt in 2009- 10, an increase of ~11 mt. Rice production in Kharif 2010-11 is seen to be up at ~80 mt compared to ~76 mt last season. Acreage under Kharif crops as on Sept., 2010, stood at 990 lacs hectares from 923 lh last year; an increase of ~7 per cent.

Management Discussion & Analysis

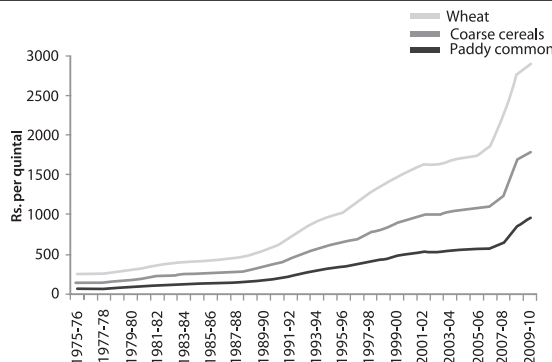
The demand-supply gap is expected to widen in key food items, thus keeping MSP at higher levels only:

Estimated Demand-Supply gap



Source: ICRIER Agriculture, Government of India

MSP For Foodgrains



Source: Ministry of Agriculture, Government of India

The Minimum Support Price (MSP) for major crops is increasing continuously. Between 2005-06 and 2009-10 only; the MSP for paddy increased by 67 per cent, coarse cereals by 60 per cent and wheat by 70 per cent - bringing in surplus money in the hands of rural population. This would help your company to cater to more mechanisation in the country as the purchasing power grows.

B) INFRASTRUCTURE GROWTH - The potential for Construction Equipment Industry

Infrastructure has received an increasing importance in the Central Government's Five year plans. Allocation to the infrastructure sector has increased 135 per cent, from Rs. 8716 bn in 10th Five Year Plan (2002-07) to Rs. 20561bn in the 11th Plan (2007-12). Continuity in the government's infrastructure policy gives strong support to the infrastructure story.

Notwithstanding the slippage from target, investment in infrastructure as a percentage of GDP has been rising and is intended to increase ratio of investment in infrastructure to GDP to 10.7 per cent by end of the XII five-year plan (FY17) and this forms the basis for US\$1trillion investment envisaged in the XII plan. The contribution from private sector is estimated at 36 per cent for the XI plan and is likely to increase further to 50 per cent in XII plan, according to the Planning Commission.

Investments in Infrastructure : by Segment (Rs. bn)

	10 th Plan	2007-08	2008-09	2009-10	2010-11	2011-12	11 th Plan
Power	2919	820	1016	1264	1580	1986	6666
Roads & Bridges	1449	518	548	592	684	800	3142
Telecom	1034	314	381	486	616	787	2584
Railways (Inc MRTs)	1197	342	410	495	604	767	2618
Irrigation	1115	275	359	472	623	804	2533
Water supply & Sanitation	648	193	228	273	333	411	1438
Ports	141	124	148	174	200	234	880
Airports	68	52	55	59	66	77	309
Storage	48	38	41	44	48	52	223
Gas	97	27	30	33	37	41	168
TOTAL INVESTMENT (Rs. bn)	8716	2703	3216	3892	4791	5959	20561

Source: Planning Commission

19. ESCORTS LIMITED

Annual Report 2010

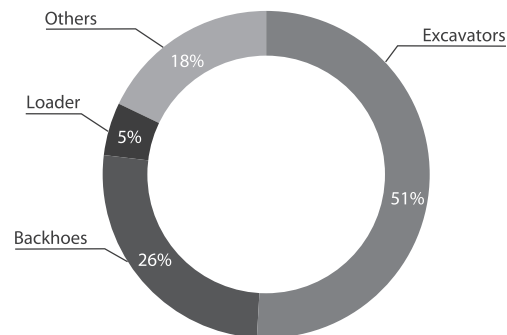
S. No.	Category	Products
1	Earthmoving Equipment	Backhoe loaders, Excavators, Wheeled loaders, Dumpers/tippers, Skid steer loaders etc.
2	Compaction Equipment	Dozers, Motor graders, Compactors and Finishers
3	Concrete equipment	Concrete pump, Aggregate crushers, Transit mixers, Asphalt pavers
4	Material Handling Equipment	Multiple types of cranes and Forklift trucks

With a wide production capacity base, India is perhaps the only developing country, which is totally self-reliant in such highly sophisticated equipment. India has only a few, mainly medium and large companies in the organized sector who manufacture these. The technology barriers are high, especially with respect to mining equipment and therefore the role of SME's is restricted to manufacture of components and some sub-assemblies. The last few years have witnessed a phase of restructuring in the industry through acquisitions and joint ventures. This also reflects the active interest of international majors in the domestic market. Many international players have also appointed selling agents for importing and selling complete equipment in India.

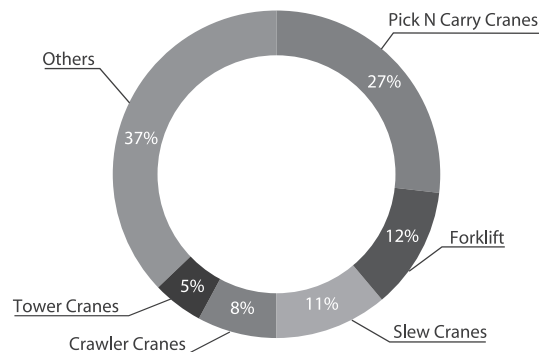
The construction equipment sector in India has evolved over the years and is at present in an intermediate stage of development. The industry is trying to bring in international levels of technology as demand and the scale of operation increases. Most global players are expected to strengthen their presence in India, attracted by one of the world's fastest growing construction equipment markets and their need to mitigate cyclicalities in developed markets.

Today, Excavators make up for 51 per cent of the Earthmoving Equipment Segment in India; Backhoes contribute to 26 per cent of the entire Earthmoving Equipment Segment. Other Equipment and Loaders contribute to 18 per cent and 5 per cent of the entire market.

Earth Moving Equipment Segment



Material Handling Equipment Segment



Material Handling Equipment Segment is dominated by Pick N Carry cranes with them making up to approximately 27 per cent of the entire market size in this segment. ECEL happens to enjoy a leadership position in Pick N Carry Cranes. Forklifts make up for 12 per cent share, Slew Cranes make up for 11 per cent and Crawler Cranes make up for 8 per cent share in the Material Handling Equipment Segment.

2008-09 was an unprecedented time for the Construction equipment industry worldwide and your group's construction business was also not isolated from the unprecedented turmoil that the world saw.

The industry saw a downfall in sales numbers across products during 2009 (as per Off Highway Research). The various products sales numbers over the past few years are as provided below:

Management Discussion & Analysis

Particulars	Sales	Sales	Sales	Sales	Sales
	2005	2006	2007	2008	2009
Articulated Dump Trucks	3	19	13	33	11
Asphalt Finishers	473	687	954	879	920
Backhoe Loaders	9133	13797	21769	16673	16001
Compaction Equipment	1445	2335	3219	2905	2787
Crawler Dozers	325	550	599	608	562
Crawler Excavators	4522	5904	9606	9897	7944
Crawler Loaders	1	3	6	5	4
Mini Excavators	22	24	22	64	71
Mobile Cranes	4140	5859	8115	7870	6050
Motor Graders	185	360	544	553	342
Rigid Dump Trucks	784	749	594	771	808
RTLs-Telescopic	0	3	11	6	15
Skid Steer Loaders	118	175	265	480	290
Wheeled Loaders < 80 hp	10	2	0	0	0
Wheeled Loaders > 80hp	1302	1877	2364	2540	1902
Total	22463	32348	48086	43284	37707

Source: Off Highway Research

The recent months have seen much consolidation in the industry and the market has revived considerably. As per off Highway Research, the Indian Construction Equipment industry is expected to expand to almost Rs. 20,000 Crores by FY 2014 as shown in the table below:

Particulars	2009		2010		2011		2012		2013		2014	
	Units	Rs. Crs	Units	Rs. Crs	Units	Ks Crs	Units	Rs. Crs	Units	Rs. Crs	Units	Rs. Crs
Articulated Dump Trucks	11	13.53	20	24.6	30	36.9	40	49.2	50	61.5	60	73.8
Rigid Dump Trucks	808	323.2	900	360	1000	400	1050	42	1100	440	1150	460
Total Hauling	819	336.7	920	984.6	1030	436.9	1090	469.2	1150	501.5	1210	533.8
Asphalt Finishers	920	322	1150	402.5	1350	472.5	1500	525	1600	560	1650	577.5
Compaction Equipment	2787	418.1	3400	510	3800	570	4200	630	4500	675	4800	720
Crawler Dozers	562	505.8	700	630	800	720	900	810	1000	900	1050	945
Motor Graders	342	212	600	372	700	434	800	496	900	558	950	589
Total Road Const Equipment	4611	1100	5850	1915	6650	2197	7400	2461	8000	2693	8450	2832
Crawler Excavators	7944	3019	10500	3990	13500	5130	16500	6270	19500	7410	22500	8550
Crawler Loaders	4	2.32	5	2.9	5	2.9	5	2.9	5	2.9	5	2.9
Mini Excavators	71	1476	100	20.5	150	30.75	200	41	300	61.5	400	82
Backhoe Loaders	16001	2560	17500	2800	20000	3200	22500	3600	25000	4000	30000	4800
Skid Steer Loaders	290	34.8	350	42	450	54	550	66	650	78	750	90
Wheel Loaders > 80 hp	1902	606.3	2500	800	3200	1024	3700	1184	4200	1344	4700	1504
Total Earth moving Equipment	26212	6237	30955	7655	37305	9442	43455	11164	49655	12896	58355	15029
Mobile Cranes	6050	647.5	7000	749	9000	963	10000	1070	11000	1177	11500	1231
RTLs Cranes	15	4.2	35	98	70	19.6	100	2	150	42	200	56
Total	37707	8683	44760	10802	54055	13058	62045	15192	69955	17310	79715	19681

Source: Off Highway Research

Introduction of new product range

Your Company has launched its backhoe loader-DIGMAX offering intelligent Hydraulics, maximum fuel efficiency and value to its customers. Escorts DIGMAX is equipped with proven 76HP KOEL Engine designed to give an edge over other competitive offerings in the country. The value it imbibes can be summed up as Efficient, Economical, Powerful and Reliable.

C) RAILWAYS

Looking to the growth trajectory of Indian economy and the GDP growth rate of around 8 per cent plus, there are unprecedented opportunities in the Rail Freight Transportation sector. The Rail Freight operations are the core business area and primal revenue stream of Indian Railways. Indian Railways in its roadmap, Vision 2020, outlined its growth strategy wherein it proposes an investment of ~INR14,000bn over the next 10 years to modernise itself by expanding its network and creating more capacity.

i) Network expansion

As outlined in Vision 2020, Indian Railways (IR) is planning a major network expansion by adding 25,000km of new lines by 2020, implying an average addition of ~2,500 km/annum, a far away from an average of ~180 km/annum that India has managed to add over the last 62 years. IR proposes to finance the INR1,800bn needed for this purpose by means of government funding and a major increase in Public Private Partnerships (PPPs).

ii) Capacity augmentation and setting up of Dedicated Freight Corridors:

IR also aims to augment its capacity by doubling and quadrupling the length of railway lines (involving an addition of 12,000 km by 2020 versus currently existing length of 18,000 km, an increase of ~66 per cent) and electrifying lines of 14,000 route km by 2020 versus currently existing electrified length of 19000 km, an increase of ~75 per cent. This will entail an investment of INR1,300bn.

iii) Manufacturing units of rolling stock

Indian Railways is also envisaging an investment of ~INR3900bn for augmenting its rolling stock production facilities. Railways is looking for partnership with the private sector to expand production of passenger coaches from the present level of 2,500 per annum to ~5,000 per annum within the next three years and further to

10,000 per annum. To meet the growing demand of freight movement it also plans to increase its annual procurement of wagons from ~25,000 wagons to 75,000 wagons in four wheeler units. Also, it plans to expand its production of diesel and electric locomotives, both in terms of capacity and higher horse power.

iv) Up gradation of stations

IR is targeting an investment of INR900bn in the next 10 years to develop 50 world class stations. A few pilot projects are likely to be taken up during 2010-11.

v) High speed rail corridors

Construction of high speed passenger rail corridors is another initiative that Railways is targeting in the coming years. As per Indian railways, these projects would require investments to the tune of INR2,000bn and will be executed through PPP mode. Six such corridors, capable of permitting 250 to 350 km/hr speed have been already been identified for technical studies on setting up of High Speed Rail Corridors and eight additional corridors are proposed to be developed by 2020.

vi) Metros – higher scope for private participation

The government is increasingly turning to the private sector for financing urban transport projects such as metros.

vii) Private participation

The Railway Ministry has allowed private rail operators to move bulk commodities, other than coal, iron ore and oil, by rail under two different schemes.

viii) Technology up-gradation and safety

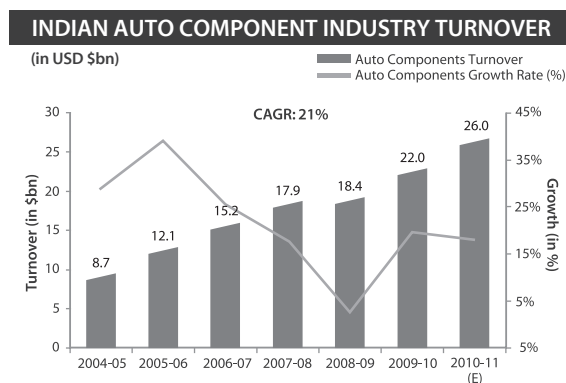
IR also entails a budget of about INR1250bn for track renewal & 25T axle load and also on safety measures.

As you are aware, your Company is one of a key suppliers to Indian Railways for products including brake systems, couplers and shock absorbers, with a focus on safety, comfort and environment. With this wide product range and in-house R&D capabilities, your company is well-poised to capture the immense opportunity from the Indian Railways capital outlay over next 10 years at least.

Management Discussion & Analysis

c) AUTO COMPONENTS

The Indian automobile market has seen a major revival since the slowdown of FY2009. With the Indian market growing at a rapid pace, several international OEMs are exploring setting up production bases in the country. The ACMA (Auto Components Manufacturing Association) has projected the industry to grow by 18 per cent in FY2010-11 to USD \$26bn turnover. This would account for around 20 per cent exports, i.e. \$5bn exports by 2010-11, or a growth of 32 per cent YoY. The exports account for 80 per cent OEMs and 20 per cent aftermarket demand. The investment in the industry is projected to the tune of \$12bn in FY2010-11 from \$9bn in the previous year.



Source: ACMA

The Auto component industry as per ACMA vision 2020 is likely to reach \$108-119bn by FY2020 from here, a growth of almost 4 times from here. With this vision, Auto Components industry in India is targeting 1-1.2 million additional jobs and 3.6 per cent of total GDP contribution by 2020 (from 2 per cent as of now).

Domestic market accounts for 85 per cent of demand (original equipment manufacturers: 50 per cent and replacement demand: 35 per cent) while exports account for 15 per cent of component demand. In terms of industry-wise split, two and three wheelers contribute 35 per cent of demand of auto component industry, while cars constitute 32 per cent. In terms of product profile, components related to engine and transmission parts account for 55 per cent of the Indian auto component industry sales (according to ACMA).

The demand for 2-Wheelers is being driven by the rural economic growth apart from the urban volumes. Government focus on rural initiatives and easy auto

loans is keeping the momentum going in rural areas. The 2 wheeler volumes are expected to grow at a CAGR of 12 per cent. Similarly, the passenger vehicle volumes have been growing at a CAGR of 18.4 per cent over the past 8 years. The CV segment has recovered rapidly from its cyclical downturn (in FY2009, when sales dropped 22 per cent), led by pick-up in industrial recovery as well as Government's stimulus measures.

India compares favorably on wage rates, access to cheap raw materials, availability of engineers and design capabilities (compared with other low cost locations). India's advantages lead to a minimum 20 per cent lower cost vis-à-vis the US and other developed nations. Key negatives are the high cost of electricity which might be lowered over time) and the high transit time to other auto hubs (locational disadvantage).

India is fast emerging as a global auto hub with auto majors like Ford, Nissan-Renault and Volkswagen aggressively ramping up their domestic presence. These companies are also looking at using their Indian operations as an export hub for overseas markets. The large Indian OEM's also have substantial expansion plans in India. India is turning into a global small-car hub with all major players setting up manufacturing facilities with plans to export. (e.g., Maruti, Hyundai, Ford, Nissan, Volkswagen, TATA Motors, GM, Honda and Renault)

The Government released a stimulus package towards the end of FY 2009. Also, under the National Automotive Testing R&D Infrastructure Project (NATRIP), the government has plans to invest \$17bn to strengthen automotive R&D infrastructure in India with features like tax holiday for investments exceeding Rs. 500 crores, one stop clearance for FDI proposals, 100 per cent tax deductions on export profits, etc. Some state governments like Uttaranchal have provided several tax benefits to auto companies.

Your Company is in the process of preparing a road map for the investment in auto sector and with a strong recall value of the "ESCORTS" brand, your Company is hopeful of creating a niche for its products and adding value to its overall business.

FINANCIAL REVIEW

(Rs. crore)

	Year ended 30.09.10	Year ended 30.09.09
Segment Revenue:		
a) Agri Machinery Products	2,473.79	1,899.89
b) Auto Ancillary Products	110.88	85.16
c) Railway Equipments	197.76	198.79
d) Unallocable	4.56	6.40
Total	2,786.99	2,190.24
Less: Inter Segment Revenue	22.32	10.15
Net sales/Income From Operations	2,764.67	2,180.09
Segment results		
a) Agri Machinery Products	223.36	147.78
b) Auto Ancillary Products	(17.33)	(12.09)
c) Railway Equipments	22.84	39.72
Total	228.87	175.41
Less :		
- Interest, Bank and Finance charges	11.73	47.26
- Exceptional Items	(11.93)	(7.99)
- Other unallocated expenditure (Net of unallocated income)	41.05	25.08
Profit Before Tax	188.02	111.06
Capital Employed (Segment assets – Segment Liabilities)		
a) Agri Machinery Products	992.47	928.45
b) Auto Ancillary Products	45.84	47.10
c) Railway Equipments	100.42	93.80
d) Un-allocable	897.70	640.10
Total	2,036.43	1,709.45

OPERATIONAL REVIEW:

Agri machinery division

As per reports, during fiscal ending March 2010-11, the tractor volumes is likely to grow by 17-19 per cent, with domestic sales growing by 15-16 per cent and exports increasing by 42-45 per cent. Sustained growth in farm incomes with expectation of good crop is expected to aid growth. The new products introduced, the business development efforts in Southern markets are expected to enhance volume growth and market share for this division.

Awards & Recognition

Your Company has been conferred with the "Industry Leadership Award 2010" by the Hon'ble Governor of Punjab on 30th September, 2010 organised by Agriculture Today.

Engineering division- Automotive components

The Auto component industry as per ACMA vision 2020 is likely to reach \$108-119bn by FY2020 from \$26bn by end of Fy2011, a growth of almost 4 times from here. As an integral part of the industry, the auto suspension division of your Company saw a growth of 30 per cent during 2009-10 at Rs.110 crores.

Your Company is one of the key suppliers to few well-known Original Equipment Manufacturers (OEMs) for ancillaries including auto suspension and shock absorbers. With this wide opportunity and in-house R&D capabilities, your Company is well-poised to capture the immense opportunity from the OEMs.

Management Discussion & Analysis

Engineering division- Railway Equipments

Escorts Limited's Railway Equipment division has been able to maintain business at the previous years' level despite the slow off-take from railways. However, the prospect from current year looks much better and with new products planned, the performance from this division is expected to improve in the coming year.

Corporate Finance

Working Capital:

Your Company has been able to reduce interest costs significantly in the current year through a mix of initiatives including faster sales realisation (Cash Management with IDBI/SBI), timely sourcing of low cost funds for working capital and deployment of surplus funds with banks as FDs/treasury operations.

Risk management:

Post roll-out of the Standard Operating Procedures (SOP's) in FY 2008-09, the Company further strengthened its risk management by ensuring all the departments are adhering to the SOP guidelines through regular audits by a newly constituted internal audit team. The aim was to develop, ensure and sustain an effective risk management framework to manage risks.

Investor Relations:

With the growing interest from the investors both domestic and globally, your Company has set up a dedicated investor relations desk, which service the interest of investors, through regular contact and timely communication.

Channel Finance:

Your Company has facilitated dealer finance tie-ups with banks and financial institutions by leveraging the strengths of its relationships with banks. A dedicated team is in place which visits dealers all over India at regular intervals to carry out this initiative. In the previous year, your Company has formalized arrangements with two of the major Public Sector Bank(s) who had agreed to extend the drawee bill discounting facility to accredited dealers of Escorts Limited with a total program size of Rs.250 crores (State Bank of Patiala-Rs. 50 crores and Punjab National Bank-200 crores). In a span of 5-6 months, the dealer portfolio under channel finance has grown up to over 150 dealers (57 new dealers).

Enterprise Resource Planning (ERP):

In the current year, your Company initiated a review of its current ERP versions in use across its various divisions to move over to an advance version which can support the growth plans and emerging regulatory requirements. Your Company believes that this initiative along with the improved risk management framework through SOP's will continue to deliver benefits for a long period of time by helping streamline processes, ensure financial controls, reduce costs, produce timely MIS and drive business growth.

Corporate Social Responsibility

Community Development:

- Organized Free Health checkup camps in Faridabad where in more than 1000 persons were benefited. Sh. Shiv Charan Sharma, Minister of State, Govt. of Haryana and Ms. Sharda Rathore, Chief Parliamentary Secretary, Govt. Of Haryana had inaugurated the camps.
- Organized Blood Donation Camp in association with Rotary Club & Lions Club Faridabad on 04.09.2010 wherein 275 units of blood were collected. The Chief Guest was Sh. Praveen Kumar-IAS, Deputy Commissioner, Faridabad.
- Sponsored National Level Football tournament at Faridabad wherein a total of 10 teams had participated and Sh. Mahender Partap Singh, Labour & Employment Minister, Govt. of Haryana had inaugurated the event.
- Spread awareness about Child Labour in and around Faridabad through hoardings in association with Labour Department, Govt. of Haryana.
- Environment Preservation: Trees were planted in and around Faridabad.

Employee Development

As of now, your Company manages 5,648 employees at all levels. Key employee development initiatives include:

- Organized more than 100 technical training programs
- Organized behavioral workshops by renowned trainers
- Organized Health & Safety seminars for employees and vendors

- Organized Yoga classes for employees
- Facilitated participation and involvement of employees in Small Group Activities (SGA) and Suggestion schemes and other committees

Human Resource/Industrial Relations

In order to align the organisational structure with its business growth and strategy, your Company has sought the services of Ernst & Young, a global consultant for an organization study and re-design. The output of this initiative is expected to overhaul Performance Management System, help in Career Planning and employee engagement. The work on this initiative has already started and your Company has made substantial progress.

Further, as part of compensation rationalisation, your Company has also, with the help of E&Y, looked into the need for Compensation Restructuring, redefining compensation policies and processes to attract, retain and reward talent across the Group.

Your Company believes the confluence of the above initiatives will take the Company to its goal of being a preferred employer.

Your Company, signed a Long Term Settlement (LTS) with the workers for productivity linked pay, without loss of man-hours and production. A 25-30 per cent increase in productivity pan Escorts, along with implementation of good work practices is expected out of this agreement.

CAPITAL EXPENDITURE

Escorts has carefully planned its CAPEX for the next two to three years with the main focus on cost reduction, capacity enhancement and productivity improvement. The focus would be on developing new models, next generation 4 Cylinder Engines, 4 Wheel Drive Kits and improving the quality of the Escorts brand of Tractors.

The CAPEX will also include modernisation of the manufacturing facilities and improve the flexibility across all the plants giving a competitive advantage to your Company to introducing many tractor models in the coming years.

COST SAVINGS

Your Company has appointed Eicher Consultancy to identify the areas where costs can be reduced and quantify the same. All the employees right to the shop floor are involved in this initiative, wherein each team has targets to achieve in cost savings. We have successfully implemented WAVE -1 of this initiative and are currently implementing WAVE – 2.

Profitability

Key issues are being addressed on an ongoing basis and margins are being closely monitored through improved MIS. Your Company's diversified revenue profile and presence in the key GDP growth drivers such as agriculture and infrastructure are expected to help your Company achieve a balance, both in revenues and margins in the coming years.

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."

On behalf of the Board

Sd/-

RAJAN NANDA

Chairman &
Managing Director

Place: Faridabad
Date: 29th November, 2010

Directors' Report



Your Directors have pleasure in presenting the Sixty Fifth Annual Report for the financial year ended 30th September, 2010.

FINANCIAL RESULTS

	(Rs. crores)	
	Year Ended 30.09.2010	Year Ended 30.09.2009
INCOME & PROFIT/(LOSS)		
1. Net Sales & Business Incomes	2764.77	2181.62
2. Total Expenses	2533.47	1982.14
3. Profit before Interest, Depreciation, Amortisation & Exceptional Items (1-2)	231.30	199.48
4. Interest & Finance Charges	11.74	47.26
5. Cash Profit before Tax (3-4)	219.56	152.22
6. Depreciation & Amortisation	43.47	49.15
7. Profit/(Loss) before Tax & Exceptional Items (5-6)	176.09	103.07
8. Exceptional Income/(Expense)	11.93	7.99
9. Tax & Deferred Tax	50.47	21.33
10. Profit after Tax	137.55	89.73

FINANCIAL PERFORMANCE

The Net Revenue of the Company for the year was Rs. 2,764.67 crores as against Rs. 2,180.08 crores in the previous year showing a growth of 27 per cent. Sale of Tractors increased by 32 per cent to 60,086 from 45,627 in the previous year.

Profit Before Interest, Depreciation, Amortisation (PBITDA) stood at Rs. 243.13 crores against Rs. 205.93 crores in the previous year.

Better working capital management has lead to the interest cost coming down by 75 per cent to Rs. 11.74 crores against Rs. 47.26 crores in the previous year.

Profit Before Tax (PBT) stood at Rs.187.92 crores against Rs. 109.52 crores in the previous year and Profit After Tax (PAT) stood at Rs. 137.55 crores against Rs. 89.73 crores in the previous year.

The Agri Machinery Group (AMG) saw a sales growth of 30.2percent at Rs.2,473 crores as against Rs.1,899 crores in the previous year, Auto Suspension Parts (ASP) division saw a sales growth of 30 per cent at Rs.110 crores against Rs. 85 crores sales in the previous year and Railway Equipment Division (RED) has maintained

its topline at Rs.197crores as against Rs. 198 crores in the previous year.

MANAGEMENT DISCUSSION & ANALYSIS

Management Discussion & Analysis (refer pages 14 - 25), which forms an integral part of this Directors' Report provides a more detailed analysis on the performance of individual businesses and their outlook.

DIVIDEND

Your Directors are pleased to recommend a dividend @15 per cent i.e. Re.1.50 per Equity Share of Rs. 10 each for the year ended 30th September, 2010, payable to those Shareholders whose names appear in the Register of Members as on the Book Closure Date, subject to the approval of shareholders at the ensuing Annual General Meeting.

SHARE CAPITAL

During the year your Company has allotted 1,49,08,540 Equity Shares of Rs.10/- each fully paid-up at a premium as per details given below and accordingly the share capital has been increased to Rs. 105.62 crores:

S. No.	Particulars of Shares Allotted	Date of Allotment	No of Shares Alloted	Premium Amount in Rs.
1	Shares issued under Escorts Employees Stock Option Scheme- 2006	09.11.2009	36,11,612	269,065,094.00
2	Shares issued pursuant to the Scheme of Arrangement & Compromise under Delhi High Court order dated 13.05.2010	14.05.2010	5,00,000	42,000,000.00
3	Shares issued pursuant to the Scheme of Arrangement & Compromise under Delhi High Court order dated 24.05.2010	31.05.2010	66,01,050	1,109,966,557.50
4	Shares issued on Conversion of 4.25% Secured Convertible Debenture Part B of Rs. 9900/- each	24.07.2010	18,94,035	255,694,725.00
5	Shares issued on Conversion of 4.25% Secured Convertible Debenture Part B of Rs. 9900/- each	30.08.2010	23,01,843	310,748,805.00

SCHEME OF ARRANGEMENT & COMPROMISE

Your company had filed a Scheme of Compromise & Arrangement ("Scheme") in the Hon'ble High Court of Delhi (High Court) to bail out fixed deposit holders of Escorts Finance Limited (EFL). The Scheme was approved by the Shareholders, Secured and Unsecured Creditors of your Company and the Fixed Deposit holders and Secured Creditors of EFL on 10th May, 2006 and 5th May, 2006 respectively in the court convened meetings. The approval of the scheme by the High Court is still awaited.

Pending approval of the Scheme, the Hon'ble High Court had constituted a Hardship Committee to settle payments to fixed deposit holders of EFL who are facing hardship such as medical, marriage, education and others. On 24th May, 2010 the High Court had directed the Hardship Committee to offer maturity value of fixed deposit amount (i.e. Principle + Interest till the date of maturity) as stated in the face of fixed deposit receipt ('Maturity Value') in full and final settlement of the fixed deposit liability of EFL towards the FD Holders. Accordingly, Hardship Committee had sent Letters to all FD Holders of EFL on 7th June, 2010 and also reminder

Directors' Report

letters on 20th July, 2010, 30th September, 2010 and also given public notice in all India editions of Times of India on 23rd October, 2010 and Dainik Jagran on 25th October, 2010 asking FD holders of EFL to submit documents so that Maturity value of their FD could be paid. In accordance with the directions of the High Court on 24th May 2010, the Company had also allotted 66,01,050 equity shares of Rs. 10/- each at a price of Rs. 178.15/- per share aggregating Rs.117.60 crores to Hardship Committee for the purpose of selling the same in the open market, realising the proceeds thereof and its distribution to the FD holders of EFL by issuing Demand Draft(s) to settle their outstanding liability (Maturity Value).

The Hardship Committee has so far paid an amount of Rs. 120 crores (approx) to FD holders of EFL and is in the process of paying the Maturity Value to the remaining FD holders in accordance with the above directions.

EMPLOYEE STOCK OPTION SCHEME

Disclosure pursuant to the SEBI (Employees Stock Option Scheme and Employees Stock Purchase Scheme) Guidelines, 1999 is enclosed at **Annexure-A** and forms part of the Directors' Report for the year ended 30th September, 2010.

DIRECTORS

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

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

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

CORPORATE GOVERNANCE

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

CONSOLIDATED FINANCIAL STATEMENTS

Pursuant to Clause 32 and 50 of the Listing Agreement, your Company has prepared Consolidated Financial

Statements as per the Accounting Standards applicable to the Consolidated Financial Statements issued by the Institute of Chartered Accountants of India. Audited Consolidated Financial Statements along with the Auditors' Report are annexed with this Report.

SUBSIDIARY COMPANIES

During the year under report, the Company has disinvested its entire equity shareholdings in Escorts Automotive Ltd. (EAL). Accordingly, EAL is no longer a subsidiary of the Company.

The Central Government has vide its letter No. 47/700/2010-CL-III dated 27th October, 2010 exempted the Company from attaching Annual Accounts and other documents in respect of its subsidiaries to the Annual Report of the Company for the year ended 30th September, 2010.

As required vide above letter, statement in respect of each of the subsidiary except EAL as stated above, as on 30th September, 2010, giving the details of capital, reserves, total assets and liabilities, details of investments, turnover, profit before taxation and proposed dividend is attached to the Consolidated Balance Sheet.

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

AUDITORS

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

PARTICULARS OF EMPLOYEES

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

DIRECTORS' RESPONSIBILITY STATEMENT

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

- i) In the preparation of Annual Accounts for the year ended 30th September, 2010, the applicable accounting standards have been followed along with proper explanation relating to material departures;

29. ESCORTS LIMITED

Annual Report 2010

- ii) Accounting policies selected and applied are consistent and judgement and estimates made are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the financial year and of the profit of the Company for that period;
- iii) Proper and sufficient care has been taken for the maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities; and
- iv) The Annual Accounts have been prepared on a going concern basis.

on time. 1255 Fixed Deposits aggregating to Rs.2.26 crores were unclaimed as on 30th September, 2010. Subsequently, out of the above, 24 fixed deposits amounting to Rs. 0.04 crore have been repaid till the date of this Report.

ACKNOWLEDGEMENT

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

On behalf of the Board

PUBLIC DEPOSITS

The Company has not accepted/renewed any Fixed Deposit during the year. All Fixed Deposits which were due and claimed by the deposit holder have been paid

Place: Faridabad
Date: 29th November, 2010

Sd/-
RAJAN NANDA
Chairman &
Managing Director

ANNEXURE – A TO THE DIRECTORS' REPORT

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

(a)	Total Number of Options as on 30.09.2009	3,19,500																						
(b)	Options granted during the year	<table border="1"> <thead> <tr> <th></th> <th>Options</th> <th colspan="2">Grant date</th> </tr> </thead> <tbody> <tr> <td>1. Grant 1</td> <td>20,000</td> <td colspan="2">01.10.2009</td> </tr> <tr> <td>2. Grant 2</td> <td>15,000</td> <td colspan="2">01.05.2010</td> </tr> <tr> <td>3. Grant 3</td> <td>20,000</td> <td colspan="2">01.09.2010</td> </tr> <tr> <td>Total</td> <td>55,000</td> <td colspan="2"></td> </tr> </tbody> </table>				Options	Grant date		1. Grant 1	20,000	01.10.2009		2. Grant 2	15,000	01.05.2010		3. Grant 3	20,000	01.09.2010		Total	55,000		
	Options	Grant date																						
1. Grant 1	20,000	01.10.2009																						
2. Grant 2	15,000	01.05.2010																						
3. Grant 3	20,000	01.09.2010																						
Total	55,000																							
(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:																						
		Options	Grant Price	Market Price (Rs.)																				
		1. Grant 1	20,000 85/-	111.10																				
		2. Grant 2	15,000 85/-	179.45																				
		3 Grant 3	20,000 85/-	195.45																				
		Total	55,000																					
(d)	Options Vested	2,78,000																						
(e)	Options Exercised	2,68,000																						
(f)	The Total number of shares arising as a result of exercise of options	2,68,000																						
(g)	Options Lapsed	41,500 Options																						
(h)	Variation of terms of options	Nil																						
(i)	Money realised by exercise of options	Rs. 2.26 crores																						
(i)	Money realised by exercise of options	Rs. 2.26 crores																						
(j)	Total number of options in force	65,000 as on 30.09.2010																						

Directors' Report

(k)	Employee wise details of options granted to :	Senior Managerial Personnel		
	• Senior managerial personnel during the year	1. Mr. O. K. Balraj (EVP & CFO)	20,000	01.10.2009
		2. Mr. S. Agarwal (VP & COO)	15,000	01.05.2010
		3. Mr. O. K. Balraj (EVP & CFO)	20,000	01.09.2010
	• any other employee who receives a grant in any one year of options amounting to 5% or more of option granted during the year	All the senior managerial personnel, as stated above, have been granted options amounting to 5% or more of options granted during the year. Except the above no other employees has been granted options amounting to 5% or more options granted during the year.		
	• 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 Accounting Standard(AS)-20 'Earnings Per Share'	Rs. 14.42 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 Rs. 11.76 lacs. The EPS for the year would have been higher by Rs. 0.04.		
(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.	(i) Grant 1 date 01.10.2009 weighted average fair value option is Rs. 1.25 and weighted average Exercise Price is Rs. 85. (ii) Grant 2 date 01.05.2010 weighted average fair value option is Rs. 88.26 and weighted average Exercise Price is Rs. 85. (iii) Grant 3 date 01.09.2010 weighted average fair value option is Rs. 171.24 and weighted average Exercise Price is Rs. 85.		
(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 used to compute the fair value of the options. The significant assumptions made are:		
		Grant 1	Grant 2	Grant 3
	• Risk free interest rate	6.51%	6.29%	7.63%
	• Expected life	3 Years	3 Years	3 Years
	• Expected volatility	Not Available		
	• Expected dividends, and	15%	15%	15%
	• The price of the underlying share in market at the time of option grant	111.10	179.45	195.45
		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 formulae under the Black Scholes method.		

On behalf of the Board

Place: Faridabad
Date: 29th November, 2010

Sd/-
RAJAN NANDA
Chairman & Managing Director

ANNEXURE – B TO THE DIRECTORS' REPORT

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

I) CONSERVATION OF ENERGY

1. ENERGY CONSERVATION MEASURES TAKEN

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

In pursuit of the Continual Improvement in Energy Conservation in the Generation Distribution & Consumption Areas, following initiatives were taken in the year 2009-10:

1. Use of PNG in place of Diesel fuel / LPG Burners in AMG Plant FT & PT resulting in diesel saving of 6000 liters/day. This will reduce the carbon emissions.
2. Replacing the Fixed Speed Air Compressors with Variable Speed Driven Air Compressors in Plant FT & Component to obtain saving (25 per cent saving on energy consumption of compressed Air) in Compressed Air Generation.
3. Increased the Specific Fuel Consumption of Power Generating Sets (Diesel Generators) from 3.40 to 3.50 units / liters of diesel across Escorts Limited AMG Plants by replacing the old Engine Model with improved SFC Model Engines / Optimising of Load-Management / improving the Engine Cooling Systems (2.94 per cent saving in diesel consumption).
4. Re-Lay outting of the Lighting Fixtures & arrangements of Natural Lights in Plant Production Areas in Power House & HT Cell (10 per cent saving in power cost).
5. Reducing the losses of Power Transformers by optimization of Loading pattern (10 per cent saving in power transformer losses).
6. Maintaining the Plant Power Factor to 0.99 lags throughout the Year, through optimum use of the Capacitor Banks & obtaining 5 per cent of rebate on the Electricity bill every month.
7. Replaced the tube lights Fixtures 40w with 20w Tube Lights (saved 25 per cent energy per Annum).

8. Use of Solar Water Heating System in Canteen in place of Electric Heaters & LPG Gas.

2. ADDITIONAL INVESTMENT & PROPOSALS

- Power Supply thru. Open Access from Tata Power Trading Company
- Conversion from 11 KV Power Transmission Lines to 66 KV Power Lines.
- Independent Power Feeders for KMC & CHD Plant
- Replacing the Old GI Air Line to Al. Pipe Line in PU Assy. Areas.
- Air Control Demand Sensors for Compressed Air network across AMG Plants to optimize compressed Air usage.
- Introduction of Solar Lighting System in Plant
- Use of retrofit kit for conversion of diesel engine generating set to PNG gas

3. IMPACT OF THE ABOVE MEASURES ON ENERGY CONSERVATION AND COST OF PRODUCTION

- Reduction in Power consumption
- Reduction in Power generation expenses
- Reduction in carbon emissions

4. TOTAL ENERGY CONSUMPTION AND ENERGY CONSUMPTION PER UNIT

Not Applicable

II) TECHNOLOGY ABSORPTION

1. RESEARCH & DEVELOPMENT

a) Specific areas in which R&D was carried out by the company in 2009-10

- In-house Technology development completed well in time for Bharat Trem 3 A (Below 50 HP) compliant fuel efficient tractor. Pilot production begins in Sept, 10. Emission norms would be effective from 1st Oct, 2010.
- In-House technology development completed for Bharat Trem 3A (above 50 HP) compliant fuel efficient tractors Emission norms would be effective from 1st April, 2011.
- Technology development for EPA Tier IV Interim / Stage IIIA emission norms applicable in USA & European markets.
- Design and Development of application-specific tractor models:

Directors' Report

- PTO Driven Rotary tillers
- Heavy Haulage
- Scrapping /leveling in sandy soil
- Row Crop farming
- Precision hydraulic for seed drill application
- Tipping trolley application
- Genset Engine with GPRS
- Design & Development of A Segment 25 HP Category Tractor
- Design & Development of tractor with integrated Inverter
- In-house design and Development of New 75 HP tractor
- Design & Development of 40KVA Genset engines
- Material cost reduction thru Design optimization
- Design & Development of New Innovative features
- Single reduction backend life enhancement

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

- In time start of production of Bharat Trem 3A (<50 HP) emission compliant tractors for domestic markets.
- Timely readiness of Bharat Trem 3A (> 50 HP) emission compliant engines to start manufacturing of tractors with effect from 1st April, 2011.
- Cost effective technology development for engines to meet EPA Tier IV Interim / Stage IIIA norms for USA & European markets.
- Application specific tractors for enhanced market share:
 - FT 60 Xtra Torque Tractor for PTO Driven Rotary tillers
 - FT 65 EPI High Speed Tractor with Heavy Haulage capability
 - FT 35 Swept back for scrapping / leveling in sandy soil
 - FT 65 EPI for Row Crop farming
 - PT 439 / PT 4455 with precision hydraulic for seed drill application
 - PT Series with responsive hydraulic system for tipping trolley application
 - G40 Genset Engine to enhance product portfolio & GPRS for customer delight

- Material cost reduction to improve value proposition
- Reliability enhancement to meet evolving domestic market duty cycle

c) Future Plan of Actions

In House Design & Development of :

- New series of application based tractors with new innovative features
- EPA Tier 4 & Euro Stage 3B compliant NEGF Engine Series for multiple applications
- High end transmissions & Hydraulic systems to meet emerging applications & customer needs
- Future NVH Norms compliant Tractors
- New Genset Engines

d) Expenditure on R & D (Rs. crores)

	2009-10	2008-09
a) Capital Expenditure	5.41	1.86
b) Recurring Expenditure	19.86	15.48
Total	25.27	17.34
The Total R & D Expenditure as a percentage of		
- Gross Sale	0.91%	0.79%
- Net Sale	0.91%	0.80%

2. TECHNOLOGY ABSORPTION, ADAPTATION & INNOVATION

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

- Up-gradation of R&D infrastructure to develop advance technologies:
 - Up gradation of Engine data acquisition & control systems
 - Installation of New Heavy duty Load Car
 - Commissioning of New Tractor mounted vibration Rig
- Joint Technology Workshop with institutions & R&D Houses
- Design validation & virtual testing thru software
- E-Library for Knowledge Management
- Presentation & Publication of technical papers
- Innovative Idea generation through sponsorship of events at educational institutes

- Knowledge enhancement through workshops with industry experts
- Participation in agriculture exhibitions & workshops in India & Abroad
- Joint Technology development with renowned global manufacturers
- **Registration of Escorts R&D Unit with DSIR, Ministry of Science & Technology, Government of India**

b) Benefit derived as a result of above efforts

- Weighted tax deduction of 200 per cent on in-house R&D expenditure effective 2009-10 for all in-house R&D units, registered with DSIR, Ministry of Science & Technology, Government of India
- Self-reliant design capability for Engines, Transmissions & agricultural Tractors with advanced technologies for emerging domestic & export market needs
- Introduction of New Innovative products
- Agriculture engine & transmission adaptation on CE Products
- 35 Nos Patents & Design Registrations applied for in-house innovations
- Conferred 2010 Industry leadership Award by Agriculture Today

c) In case of imported technology (imported during the last 5 years reckoned from the beginning of the financial year), following information may be furnished:

(a) Technology imported	- Nil
(b) Year of import	- Nil
(c) Has technology been fully absorbed?	- N.A.
(d) If not fully absorbed, areas where this has not taken place, reasons therefor and future plans of action.	- N.A.

III) FOREIGN EXCHANGE EARNINGS AND OUTGO

• **Activities relating to export**

The Company got an order of US\$ 40 mn from Tanzania, which is the single largest export order in the history of Indian Tractor Industry. This order is partly executable in 2009-10 and the rest in 2010-11. The Company has put efforts in approaching new markets for exports and the focus particularly is on Africa.

• **Total Foreign Exchange used and earned (Rs. crores)**

	2009-10	2008-09
a) Foreign Exchange used :		
- Imports (including capital goods)	26.47	33.23
- Others	142.38	4.91
Total	168.86	38.14
b) Foreign Exchange earned :	63.81	154.29

On behalf of the Board

Sd/-

RAJAN NANDA

Chairman &

Managing Director

Place: Faridabad

Date: 29th November, 2010

Report on Corporate Governance



ANNEXURE – C TO THE DIRECTORS' REPORT

I. COMPANY'S PHILOSOPHY ON CORPORATE GOVERNANCE

Escorts Limited is committed to transparency in all its dealings and places high emphasis on business ethics. Your Company's philosophy on Corporate Governance is founded upon a rich legacy of fair, ethical, professional and transparent governance practices. The Company's philosophy of good Corporate Governance is reflected in its commitment to achieve a balance between Stakeholder's Interest and Corporate Goals through the efficient conduct of its business guided by transparency, accountability and integrity. The Company has benchmarked itself against the global best practices and is conscious that accomplishments of an organisation are reflection of its professionalism, conduct and ethical values of its management and employees. Your Company has always believed that an independent Board following international practices, transparent disclosures and empowerment of shareholders are as necessary as its financial results for creating and sustaining shareholder value.

The Company is in full compliance with the requirements of Code of Corporate Governance as prescribed in the Listing Agreement and in this regard

the following details is provided for the information of stakeholders and public at large:

II. BOARD OF DIRECTORS

The composition of the Board is in conformity with Clause 49 of the Listing Agreement, as amended from time to time. The Board of Directors alongwith its Committees provide leadership and guidance to the Company's management and directs, supervises and controls the performance of the Company. The Board of Directors of the Company comprises of distinguished personalities, who have been acknowledged in their respective fields. Four out of the six Directors on the Board as on date, are independent and non-executive. Mr. Rajan Nanda, Chairman is also acting as Managing Director of the Company duly assisted by Mr. Nikhil Nanda, Joint Managing Director and both of them are in whole-time employment of the Company.

All Independent Non Executive Directors are compliant with the requirements of the Listing Agreement for being an Independent Director and have confirmed that they meet the 'Independence' criteria as mentioned under the above Clause 49 of the Listing Agreement. Apart from reimbursement of expenses incurred in the discharge of their duties, the payment of sitting fees and/or commission that these Directors are entitled under the Companies Act, 1956 as Non-Executive Directors, none of these

Directors has any other material pecuniary relationships or transactions with the Company, its Promoters, its Directors, its Senior Management or its Subsidiaries and Associates which would affect their independence.

The Senior Management have made disclosures 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.

Currently, the Board comprises of six Directors. The names and categories of Directors, the number of Directorships and Committee positions held by them in the companies, meetings attended by them and other relevant particulars are given below :

S. No.	Name	Designation	Category	Relationship with each other	No. of Board meetings attended during the year	Whether attended the last AGM	No. of directorships in Public Companies**	No of Committee memberships/ (Chairman-ships) in Public Companies ***
1.	Mr. Rajan Nanda	Chairman & Managing Director	Executive & Non-Independent (Promoter)	Father of Mr. Nikhil Nanda	6	Y	3	--
2.	Mr. Nikhil Nanda	Joint Managing Director	Executive & Non-Independent (Promoter)	Son of Mr. Rajan Nanda	5	Y	5	2
3.	Dr. P. S. Pritam	Director	Non Executive and Independent	*	6	Y	4	2
4.	Dr. M. G. K. Menon	Director	Non Executive and Independent	*	5	Y	1	2(2)
5	Dr. S. A. Dave	Director	Non Executive and Independent	*	5	Y	10	7(1)
6	Mr. S. C. Bhargava	Director	Non Executive and Independent	*	6	Y	15	6(1)

Y = Yes N = No

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

**Including Escorts Limited.

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

NOTE: 1) None of the Directors are representing a Lender or Equity Investor.
2) None of the Non-Executive Directors have substantial shareholding in the Company.

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

In terms of the Listing Agreement, 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 Investors' Grievance Committee) across all the companies in which he is a Director. 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 fifteen public companies.

IV. BOARD MEETINGS

During the year 2009-2010 the Board of Directors met Six (6) times on the following dates:-

25th November, 2009, 18th December, 2009, 27th December, 2009, 12th March, 2010, 22nd April, 2010, and 20th August, 2010.

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

Board Meeting Procedures

The detailed agenda papers containing all information relevant for discussions at the meeting are sent to the Directors in advance so that each director has enough time for a meaningful discussion at the Board

Meetings. Besides the business items, the agenda includes the items required to be considered by the Board of Directors as per the Listing Agreement. The required information as enumerated in Annexure I A to Clause 49 of the Listing Agreement are regularly made available to the Board of Directors for discussions 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 and Marketing, Compliances and all the other important business issues.

Report on Corporate Governance

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

Code of Conduct

The Board had prescribed the Code of Conduct for all Board Member and Senior Management. The Code of Conduct has been posted on Company's web site www.escortsgroup.com.

Declaration by C.E.O.

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

The Board of Directors,
Escorts Limited
15/5, Mathura Road,
Faridabad – 121003

Dear Sir,

I hereby confirm that:

The Company has obtained from all the members of the Board and Senior Management, affirmation that they have complied with the code of conduct for Directors and Senior Management in respect of the Financial Year 2009-10 ended on 30th September, 2010.

Sd/-

RAJAN NANDA

Chairman &
Managing Director

Place: Faridabad

Date: 29th November, 2010

V. AUDIT COMMITTEE Constitution

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

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

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

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

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

Terms of Reference

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

1. The Company's financial information to ensure that the financial statement is correct, sufficient and credible.
2. Recommending to the Board, the appointment, re-appointment and, if required, the replacement or removal of the statutory auditors and the fixation of audit fees.
3. Approval of payment to statutory auditors for any other services rendered by the statutory auditors.
4. Reviewing, with the management, the annual financial statements before submission to the Board for approval, with particular reference to:
 - a. Matters required to be included in the Directors' Responsibility Statement to be included in the Board's Report in terms of Clause (2AA) of Section 217 of the Companies Act, 1956.
 - b. Changes, if any, in accounting policies and practices and reasons for the same.
 - c. Major accounting entries involving estimates based on the exercise of Judgement by the management.
 - d. Significant adjustments made in the financial statements arising out of audit findings.
 - e. Compliance with listing and other legal requirements relating to financial statements.
 - f. Disclosure of any related party transactions.
 - g. Qualifications in the draft audit report.
5. Reviewing, with the management, the quarterly financial statements before submission to the Board for approval.
6. Reviewing, with the management, the statement of uses/application of funds raised through an issue (public issue, rights issue, preferential issue, etc.), the statement of funds utilized for purposes other than those stated in the offer document/prospectus/notice and the report submitted by the monitoring agency monitoring the utilisation of proceeds of a public or rights issue and making appropriate recommendations to the Board to take up steps in this matter.
7. Reviewing, with the management, performance of statutory and internal auditors, adequacy of the internal control systems.

8. Reviewing the adequacy of internal audit function, if any, including the structure of internal audit department, staffing and seniority of the official heading the department, reporting structure coverage and frequency of internal audit.
9. Discussion with internal auditors of any significant findings and followup thereon.
10. Reviewing the findings of any internal investigations by the internal auditors into matters where there is suspected fraud or irregularity or a failure of internal control systems of a material nature and reporting the matter to the Board.
11. Discussion with statutory auditors before the audit commences, about the nature and scope of audit as well as post-audit discussion to ascertain any area of concern.
12. To Look into the reasons for substantial defaults in the payment to the depositors, debenture holders, shareholders (in case of non payment of declared dividends) and creditors.

shall be subject to review by the Audit Committee.

The Audit Committee is endowed with the following powers:

- a) To investigate any activity within its terms of reference.
- b) To seek information from any employee.
- c) To obtain outside legal or other professional advice.
- d) To secure attendance of outsiders with relevant expertise, if it considers necessary.
- e) To invite such of the executives, as it considers appropriate (and particularly the head of the finance function) to be present at the meetings of the committee.

Meetings & Attendance

During the year 2009-2010, the Committee met on six (6) occasions. The following table summarizes the date of each meeting and meetings attended by the members:

Date of Meeting	30.10.2009	22.12.2009	15.01.2010	11.03.2010	22.04.2010	19.07.2010
Dr. M. G. K Menon (Chairman)	A	A	A	A	A	A
Dr. S. A. Dave	A	NA	NA	A	A	A
Dr. P. S. Pritam	A	A	A	A	A	A

A = Attended

NA= Not Attended

13. To review the functioning of the Whistle Blower mechanism, in case the same is existing.
14. Carrying out any other function as may be referred by the Board from time to time.
15. The Committee shall mandatory review the following information:
 - a. Management discussion and analysis of financial condition and results of operations;
 - b. Statement of significant related party transactions (as defined by the Audit Committee), submitted by management;
 - c. Management letters/letters of internal control weaknesses issued by the statutory auditors;
 - d. Internal audit reports relating to internal control weaknesses; and
 - e. The appointment, removal and terms of remuneration of the Chief internal auditor

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

The Committee, in its meeting held on 22nd December, 2009 reviewed the Annual Accounts for the period ended 30th September, 2009.

VI. SUBSIDIARY COMPANIES

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

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

Report on Corporate Governance

VII. REMUNERATION COMMITTEE

Constitution

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

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

Terms of Reference

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

Meetings & Attendance

During the year 2009-2010, the committee met once on 22.04.2010 in which all of three members of committee namely Dr. M. G. K. Menon, Dr. S. A. Dave and Dr. P. S. Pritam were present.

Remuneration Policy

The Remuneration Policy as outlined by the Committee aims at:

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

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

Details of Remuneration of Directors

The Company has not paid any remuneration to any of its Non-Executive Directors, except the Sitting Fees for attending meetings of the Board/Audit Committee and Share Transfer Committee meeting for which Rs. 20,000 per meeting was paid. The company has paid sitting fees of Rs. 5,000 per meeting in respect of all other Committee meetings. The aggregate amount of sitting fees paid during the financial year was Rs. 13.05 Lacs.

The Shareholders of the Company have approved the payment of Commission to Non Executive Directors in the last Annual General Meeting for a period of five years. Accordingly, it is proposed to pay commission to the Non Executive Directors amounting to Rs. 5 Lac (Rupees Five Lac) each, which in aggregate will be Rs.20 Lac (Rupees Twenty Lac) and which is within the limits of 1% of the net profits of the Company

calculated under Section 198 of the Companies Act, 1956 for the financial year ended 30.09.2010.

The remuneration paid/payable to Mr. Rajan Nanda, Chairman and Managing Director and Mr. Nikhil Nanda, Joint Managing Director of the Company for the financial year ended 30.09.2010 are as follows:

Particular	Per annum (In Rs.)	
	Mr. Rajan Nanda	Mr. Nikhil Nanda
Salary	1,16,85,000.00	91,70,307.00
Perquisites	80,02,312.00	73,92,652.00
Provident Fund Contribution	12,96,000.00	10,80,000.00
Superannuation Allowance	16,20,000.00	13,50,000.00
Gratuity	2,66,267.00	1,65,323.00
Commission (proposed)*	6,00,00,000.00	4,00,00,000.00
Total	8,28,69,579.00	5,91,58,282.00

*The Commission proposed is subject to the approval of the Shareholders by way of Special Resolution in the forthcoming Annual General Meeting.

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

The services of Chairman and Managing Director and Joint Managing Director can be terminated by 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 318 of the Companies Act, 1956.

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

VIII. SHAREHOLDING OF THE NON EXECUTIVE DIRECTORS IN THE COMPANY

Name	No. of Equity Shares held	% Of Total Paid-up Equity Capital
Dr. P. S. Pritam	500	Negligible
Dr. M. G. K. Menon	13000	0.01
Dr. S. A. Dave	500	Negligible
Mr. S.C. Bhargava	10000	0.01

IX. INVESTORS' GRIEVANCE COMMITTEE

Constitution

The Investors' Grievance Committee comprises of following Non-Executive Independent Directors:-

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

Terms of Reference

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

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

Meetings & Attendance

During the year 2009-2010, the Committee met once on 22nd December, 2009 in which Dr. M. G. K. Menon and Dr. P. S. Pritam were present.

Compliance Officer

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

Complaints received/resolved

During the period under review, 27 complaints were received from investors which were replied/resolved to the satisfaction of investors.

Pending Share Transfers

No requests for transfer and/or dematerialisation were pending for redressal as on 30th September, 2010.

X. GENERAL BODY MEETINGS

Details of last three Annual General Meetings of the Company:

Year	Date	Time	Place	No. of Special Resolutions Passed at AGM
2007	20th March, 2008	10.00 a.m.	Sri Sathya Sai International Centre, Near Pragati Vihar, Lodhi Road, New Delhi – 110 003	None
2008	15th June, 2009	11.30 a.m.	Hotel KC Cross Road, Site No. 1, Sector- 10, Opp. Bus stand, Panchkula- 134113 (Haryana)	None
2009	12th March, 2010	12.30 p.m.	Hotel KC Cross Road, Site No. 1, Sector- 10, Opp. Bus stand, Panchkula- 134113 (Haryana)	one

XI. POSTAL BALLOT

During the year, the Company has not passed any Special Resolution through Postal Ballot.

XII. DISCLOSURES

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

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

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

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

- c. Whistle Blower policy and affirmation that no personnel has been denied access to the audit committee.

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

XIII. MEANS OF COMMUNICATION

Quarterly Results released during the year 2009-2010

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

- For Quarter ended 31.12.09 : Jansatta (Hindi), Financial Express (English)

Report on Corporate Governance

- For Quarter ended 31.03.10 : Jansatta (Hindi), Financial Express (English), Economic Times (English), Financial Times (English) and Navbharat Times (Hindi)
- For Quarter ended 30.06.10 : Jansatta (Hindi), Financial Express (English), Navbharat Times (Hindi) and Economic Times (English)

The Quarterly Results were displayed on Company's website viz. www.escortsgroup.com in accordance with the requirement of Listing Agreement.

The website also displays official news releases.

News Releases, Presentation

Official News releases, detailed presentations made to media, analysts, institutional investors etc. are displayed on the Company's website, i.e. www.escortsgroup.com.

Management Discussion and Analysis Report

The Management Discussion and Analysis Report and Risk Management Process Highlights (refer pages 14-25) forms part of the Annual Report.

XIV. GENERAL SHAREHOLDER INFORMATION Annual General Meeting

Date : Friday, 25th February, 2011

Time : 11 a.m.

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

Financial Year:

1st October to 30th September

Appointment/Re-appointment of Directors

At the ensuing Annual General Meeting, Dr. P.S. Pritam retires by rotation and is proposed to be reappointed as Director of the Company. The information/details to be provided for the aforesaid Director are as under:

Name	Qualification	Brief Resume And Area of Expertise	Other Directorships as on 29 th November, 2010	Committee memberships
Dr. P.S. Pritam	M.A., LL.B. Ph.D. F.I.I.I.	Dr. P.S. Pritam has a rich experience of having held Managerial Positions in a giant financial institutions for 37 years with expertise in diverse functional areas such as Legal & Mortgage, Finance & Accounts, Insurance Underwriting & Claims and all aspects of Policy Holders' servicing. He retired as Executive Director (Marketing & International Operations) of LIC of India. Post retirement he also worked as National Head (Sales & Marketing) for Allianz Bajaj Life Insurance. He has served on the Board of Bihar Financial Corporation, Gujrat Financial Corporation, Bihar Housing Federation and various other companies.	<ul style="list-style-type: none"> • Jay Bharat Textiles and Real Estate Ltd. • Almondz Reinsurance Brokers Pvt. Ltd • Almondz Insurance Brokers Pvt. Ltd. 	<ul style="list-style-type: none"> 1. Escorts Ltd. • Audit Committee • Share Transfer Committee • Borrowing Committee • Loans and Guarantee Committee • Financial Results Committee • Investors' Grievance Committee • Remuneration Committee • Share Allotment Committee • Share Issue cum Allotment Committee • Merger Committee

41. ESCORTS LIMITED

Annual Report 2010

Financial Calendar 2010-2011 (Tentative)

Meetings of Board or Committee thereof to take on record:

Financial results for Quarter ended 31.12.10	: By 14.02.11
Financial results for Quarter ended 31.03.11	: By 15.05.11
Financial results for Quarter ended 30.06.11	: By 14.08.11
Financial results for Quarter/Year ended 30.09.11	: By 14.11.2011 if unaudited quarterly results or alternatively last week of November, 2011 in case of audited results for the year.

Annual General Meeting for the Financial Year ending 30th September, 2011 :

By 31st March, 2012

Date of Book Closure : 14th February, 2011 to 25th February, 2011 (both days inclusive) fixed for the purpose of payment of Dividend for the year 2009- 2010.

Dividend Payment Date: The Board of Directors of the Company have decided to recommend dividend @ Rs.1.50 per share (being 15% of the nominal value of Rs. 10 per share) for the financial year 2009-10, subject to the approval of the shareholders in the forthcoming AGM. The dividend, if declared in the AGM, shall be paid to those shareholders whose names appear in

the Register of members as on the last date of book closure or in the list of Beneficial holders provided by NSDL/CDSL. 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 on or before 26th March, 2011. The intimation for credit of dividend amount through NECS shall also be sent to the shareholders through post.

LISTING

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

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

LISTING FEES

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

Market Price Data

Yearly Stock Market Data

Year	Equity Shares		Name of the Stock Exchange
	High (Rs.)	Low (Rs.)	
1999-00	269.00	51.00	Bombay Stock Exchange Limited
2000-01	156.00	66.75	- do -
2001-02	89.35	37.95	- do -
2002-03	76.20	35.00	- do -
2003-04	113.30	34.70	- do -
2004-05	117.35	53.00	- do -
2005-06	127.30	53.00	- do -
2006-07	157.10	72.70	- do -
2007-08	174.00	52.20	- do -
2008-09	113.00	30.65	- do -
2009-10	221.00	99.00	- do -

Report on Corporate Governance

Monthly Stock Market Data

High and low prices of Equity Shares during the 12 months period ended 30th September, 2010 were as follows:

Month	National Stock Exchange of India Limited		Bombay Stock Exchange Limited	
	High (Rs.)	Low (Rs.)	High (Rs.)	Low (Rs.)
OCTOBER, 2009	133.70	102.00	134.00	102.25
NOVEMBER, 2009	119.00	98.15	119.20	99.00
DECEMBER, 2009	136.50	103.55	136.40	103.50
JANUARY, 2010	159.70	118.00	159.80	117.70
FEBRUARY, 2010	133.65	115.00	133.80	115.75
MARCH, 2010	161.40	129.65	161.30	129.60
APRIL, 2010	183.90	148.50	183.80	148.50
MAY, 2010	196.35	160.55	196.80	161.00
JUNE, 2010	206.75	172.10	206.75	175.35
JULY, 2010	212.30	188.00	212.30	188.65
AUGUST, 2010	202.95	179.55	203.00	180.10
SEPTEMBER, 2010	220.75	191.00	221.00	190.50

Registrar and Share Transfer Agents

The Company carries on the share transfer work in-house at:

ESCORTS LIMITED

Corporate Secretariat & Law,

15/5, Mathura Road, Faridabad, 121003

Phone: 0129 – 2250222 Extension 4275/4254

Fax: 0129 – 2250060

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

Website: www.escortsgroup.com

Share Transfer System

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

Investors Relation Centers

Escorts Limited

11, Scindia House,
Connaught Circus,
New Delhi – 110 001

Telephone No.:
(011) 43587400

Fax No.:
(011) 43587432

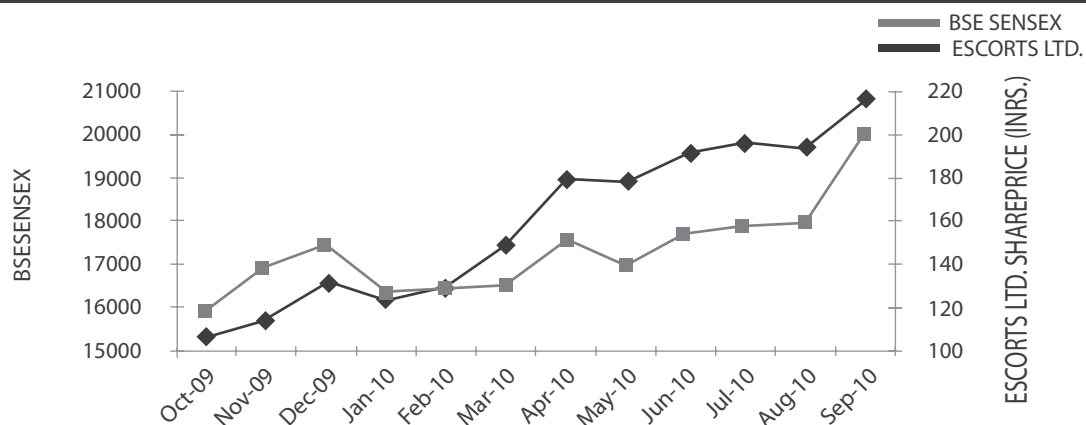
Escorts Limited

1st Floor, Part – 1,
AO Bldg. at Pandurang
Budhkar Marg,
Worli, Mumbai - 400 018

Telephone No.:
(022) 24218151-52

Fax No.:
(022) 24218153

Comparison of Escorts Scrip Movement with Mumbai Stock Exchange (BSE) Sensex



43. ESCORTS LIMITED

Annual Report 2010

Investors Communication

All enquiries, Transfer/Transmission/Transposition/ Demat/Remat requests in respect of shares and debentures both physical and electronic, nomination, change of address and payment of dividend/interest/

redemption should be addressed directly to **the Corporate Secretariat & Law department of Escorts Limited at 15/5, Mathura Road, Faridabad – 121 003.**

Statistics of Dividend Payment

Year	Rate	Date of Payment
1996-1997	45%	10 th September,1997
1997-1998	45%	15 th September,1998
1998-1999	45%	18 th October,1999
1999-2000	45%	29 th May,2000
2000-2001	45%	22 nd October,2001
2001-2002	10%	11 th October,2002
2002-2003	10%	24 th December,2003
2003-2004	Nil	N.A
2004-2005	Nil	N.A
2005-2006	Nil	N.A
2006-2007	Nil	N.A
2007-2008	Nil	N.A.
2008-2009	10%	23 rd March,2010
2009-2010	15%(Proposed)	To be paid within 30 days from the date of AGM

Nomination Facility

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

Shareholding Pattern as on 30th September,2010

Category of Shareholders	%age to the Capital
1. Promoters and Promoter Group	26.77
2. Foreign Institutional Investors	29.67
3. Domestic Institutional Investors & Mutual Funds	18.01
4. Public & Others	25.55
Total	100.00

Distribution of Shareholding as on 30th September, 2010

Range of holding	Number of shareholders	% of Total
1 to 100	42528	61.63
101 to 500	21591	31.29
501 to 1,000	2757	3.99
1,001 to 5,000	1705	2.47
5,001 to 10,000	180	0.26
10,001 to 50,000	133	0.19
50,001 to 1,00,000	34	0.05
Above 1,00,000	84	0.12
Total	69012	100.00

Dematerialization of Shares

Approximately 88% Equity Shares have been dematerialized till the closing of the Financial Year 2010. Trading in Equity Shares of the Company is permitted only in dematerialized form as per the notification issued by the Securities and Exchange Board of India.

Report on Corporate Governance

Shares Liquidity

The trading volumes at major Stock Exchanges, during the Financial Year 2009-2010, are given below:

Months	National Stock Exchange of India Ltd			Bombay Stock Exchange Ltd		
	No. of Shares	Value (Rs. In lacs)	No. of transactions	No. of Shares	Value (Rs. In lacs)	No. of transactions
October, 2009	47983431	55727.14	435238	28347015	32878.22	175327
November, 2009	23383791	25876.99	243077	13345325	14790.03	96850
December, 2009	30048897	36415.78	288686	15780142	19013.07	107019
January, 2010	29179921	42132.09	304666	13923369	20053.43	107248
February, 2010	13210566	16628.9	151296	5662956	7130.38	55388
March, 2010	19869864	29934.25	242243	8273679	12465.22	81035
April, 2010	27695366	47281.83	342707	9891559	16871.83	102548
May, 2010	14965921	27402.36	211858	6111854	11178.84	73851
June 2010	9855662	18898.79	178781	4078852	7844.92	56267
July, 2010	11947761	24124.08	206181	4528551	9137.37	64392
August, 2010	14340198	27686.17	178918	4028456	7790.22	50643
September, 2010	17474510	36503.39	249564	4992878	10445.13	68128
TOTAL	259955888	388611.77	3033215	118963636	169598.66	1038696

Outstanding GDRs/ADRs/Warrants/ Options etc.

There is no outstanding ADRs/GDRs/Warrants for conversion into equity shares except 65,000 options. Each stock option, upon exercise of the same, would be converted into one equity share of Rs. 10/- each fully paid up. These options vest after one year from

date of grant and can be exercised during a period of two years or such others period as the Employees Stock 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:

1. 18/4, Mathura Road, Faridabad - 121 007
2. Plot No. 2, Sector 13, Faridabad - 121 007
3. Plot No. 3, Sector 13, Faridabad - 121 007
4. 115, Sector 24, Faridabad - 121 003

5. Plot No. 9, Sector 1, Integrated Industrial Estate, Pant Nagar, Rudrapur, District Udham Singh Nagar, Uttranchal – 263145.

Address for Correspondence

ESCORTS LIMITED

Corporate Secretariat & Law,

15/5, Mathura Road, Faridabad-121003

Phone: 0129 – 2250222 Extension 4275/4254

Fax: 0129 – 2250060

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

Website: www.escortsgroup.com

XV. NON MANDATORY REQUIREMENTS

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

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

On behalf of the Board

Place: Faridabad
Date: 29th November, 2010

Sd/-
RAJAN NANDA
Chairman & Managing Director

Report on Corporate Governance

CEO/CFO CERTIFICATION

The Chairman & Managing Director and the Group Chief Financial Officer have certified to the Board on financial reporting and internal controls to the Board in accordance with Clause 49(V) of the Listing Agreement pertaining to CEO and CFO certification for the Financial Year ended 30th September, 2010.

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

Dear Sir,

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

- a. We have reviewed financial statements and the cash flow statement for the year ended 30th September, 2010 and that to the best of our knowledge and belief:
 - i. these statements do not contain any materially untrue statement or omit any material fact or contain statements that might be misleading;
 - ii. these statements together present a true and fair view of the company's affairs and are in compliance with existing accounting standards, applicable laws and regulations.
- b. There are, to the best of our knowledge and belief, no transactions entered into by the Company during the year which are fraudulent, illegal or violative of the Company's code of conduct.
- c. We accept responsibility for establishing and maintaining internal controls for financial reporting and we have evaluated the effectiveness of internal control systems of the Company pertaining to financial reporting and we have disclosed to the auditors and the Audit Committee, deficiencies in the design or operation of such internal controls, if any, of which we are aware and the steps we have taken or propose to take to rectify these deficiencies.
- d. We have indicated to the auditors and the Audit committee :
 - i. significant changes in internal control over financial reporting during the year;
 - ii. significant changes in accounting policies during the year and that the same have been disclosed in the notes to the financial statements; and
 - iii. instances of significant fraud of which we have become aware and the involvement therein, if any, of the management or an employee having a significant role in the company's internal control system over financial reporting.

Place : Faridabad
Date : 29th November, 2010

Sd/-
Rajan Nanda
Chairman & Managing Director

Sd/-
O.K. Balraj
Group Chief Financial Officer

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

To
The Members
Escorts Limited

We have examined the compliance of conditions of Corporate Governance by Escorts Limited for the year ended 30th September, 2010 as stipulated in Clause 49 of the Listing Agreement of the said Company with the Stock Exchanges of India.

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

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

We state that in respect of investor grievances received during the year ended 30th September, 2010 no investor grievances are pending against the Company for a period exceeding one month as per records maintained by the Company which are presented to the Shareholders / Investor Grievance Committee.

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

For S. N. Dhawan & Co.
Chartered Accountants
(Firm Regn. No. 000050N)

SD/-
(Vijay Dhawan)
Partner
M.No.: 12565

Place: New Delhi
Dated: 29th November, 2010

ANNEXURE - D TO DIRECTORS' REPORT

Information as per Section 217(2A) of the Companies Act, 1956 read with Companies (Particulars of Employees) Rules, 1975 and forming part of the Directors' Report for the year ended 30th September, 2010.

Name of the Employee	Age (Yrs)	Qualification	Experience (Yrs)	Date of Employment	Designation and Nature of Duties	Remuneration Gross (Rs.)	Received Net (Rs.)	Last Employment held
A. Employed throughout the period and in receipt of remuneration not less than Rs. 24,00,000 p.a.								
Agarwal Shailendra	49	B. E.	28	05.11.2008	Chief of Operations	12,807,303	8,021,163	01 Yr. 9 Mths - President, Hero Motors
Agarwal Shenu	40	B. Tech	18	01.02.1993	Exec. Asst. to CEO & Head Strategy	4,703,660	2,711,805	01 Yr - GET - Escorts Ltd.
Aggarwal Rajneesh	39	B. E.	17	12.10.1994	GM - Engine Design & New Product Development	3,979,271	2,618,277	-
Ahmed M Imteyaj	53	B.Sc. Engineering	28	25.01.1995	Head Tractor PU, Engine PU & Plant Engg.	3,796,856	2,171,359	02 Yrs. - Manager Manufacturing - UT Ltd.
Bagai Man Mohan	48	B. E.	25	07.07.1986	Head Mfg. Excellence & QA	3,819,266	2,420,020	-
Balraj O K	54	CA	29	27.08.2009	Executive Vice President & Group CFO	11,127,055	7,342,011	01 Yr. - Director Finance - NSL Group
C Anil Kumar	44	B.Com, PGD System Mgmt.	22	08.09.2008	GM - HR (AMG)	3,226,799	2,190,877	03 Yrs. Vice President - HR Consulting, Prerna Management Consulting
Chilana R K	56	B.A., Dip/RPM, DBM	34	14.03.1994	Associate Vice President - Corporate ER	3,897,694	2,269,483	08 Yrs. - Factory Manager, Victor Cables Industries Ltd.
Dass Rajeev	55	B.Com	32	01.04.2002	Head - Corporate Communications & Corporate Affairs	4,359,474	2,774,358	01 Yr. - Vice President - Business Development, Turbo Industries Ltd.
Gupta Ashok	41	B. Tech	20	02.07.1990	Head Supply & Development	4,298,413	2,770,299	-

49. ESCORTS LIMITED

Annual Report 2010

Name of the Employee	Age (Yrs)	Qualification	Experience Years	Date of Employment	Designation and Nature of Duties	Remuneration Gross (Rs.)	Received Net (Rs.)	Last Employment held
Gupta P. K.	59	CA	34	21.05.1979	Associate Vice President	3,305,275	1,941,758	02 Yrs. - Manager Accounts, Mohta Organisation, New Delhi
Jaikanth Aswin D	41	B. E.	20	25.08.2006	Head Marketing	5,174,858	3,443,923	06 Yrs. DGM (South India- AP, Karnataka & TN) - Eicher Tractors Ltd.
Jain S. K.	50	B. E., M. Tech.	26	06.09.1984	Head Product Management	3,599,084	2,125,425	-
Kapur Malind	49	B.Sc., MBA, DIP MKTG	27	01.10.2009	Chief Sales & Marketing Officer	5,040,058	2,619,699	07 Yrs; Country Head & VP Sales & Mktg., Force Motors Ltd.
Khanna Lalit K.	56	B.Sc., MBA	34	10.05.1978	Vice President	5,274,435	2,710,366	01 Yr. - Officer Grade 'C', Punjab National Bank
Khanna Rajeev	54	M Com, I C W A	31	28.11.2005	Controller Management A/C (AMG)	4,513,737	2,965,058	05 Mths. - Controller Management Accounts, LML Ltd.
Kharbanda V K	56	Diploma Engineering	36	04.12.1978	Head Mfg. Excellence	2,691,106	1,556,948	03 Mths.- Junior Engineer, Punjab Tractors Ltd.
Kumar N. R.	56	B. E.	33	07.08.1979	GM - Product Testing & Evaluation	2,738,304	1,575,937	02 Yrs. - Jr. Development Engineer - Jyoti Ltd.
Kumar Vipin	44	B. E.	16	26.11.2008	Chief General Manager - IT	4,449,543	3,092,367	02 Yrs., - GM & Group IT Head, Jindal Steel & Power Ltd.
Kumar Y V Anand	44	B. E.	19	20.12.2005	Head Service	2,768,831	1,886,410	06 Yrs. - DGM-Customer Care, LML Ltd.
Madan Bharat	43	B.Com (Hons.), FCA	23	16.12.2005	Financial Controller (AMG)	8,162,321	5,422,000	14 Yrs. - Financial Controller, Electrolux Kelvinator Ltd.

Name of the Employee	Age (Yrs)	Qualification	Experience Years	Date of Employment	Designation and Nature of Duties	Remuneration Gross (Rs.)	Received Net (Rs.)	Last Employment held
Mal Rohtas	56	B. Tech, MBA	30	26.11.2007	ED & CEO (AMG)	25,239,045	15,924,242	02 Yrs. 6 Mths. Chief Executive, Bharati Fieldfresh Ltd.
Mathur G B	60	B. Sc. ACS, LLB	36	16.08.1993	Executive Vice President Law & Company Secretary	9,938,416	5,968,874	03 Yrs. - Co.Secy, Chambal Fertiliser & Chemicals Ltd
Mehra Neeraj	37	DIP MECH ENGG, DIP MKTG, BA	16	01.07.1995	Head Brand Management	2,426,298	1,681,380	06 Mths; Jr. Sales & Service Engineer, Nucon Industries Pvt.Ltd.
Munshi B. N.	54	B. E.	32	19.04.1978	Head Transmission PU	2,864,250	1,710,659	-
Nanda Nitasha *	41	B.Com.	16	01.04.1998	Head Group Investment Companies	9,001,813	5,530,159	-
Oswal Sangeet	48	B. Tech.	26	12.10.2007	Head - Materials	7,221,264	4,547,596	03 Yrs. General Manager, Maruti Udhog Ltd.
Pandey S P	50	B. E., MBA	25	02.11.1992	Head Business Unit - North	3,142,673	1,984,789	02 Yrs. - Manager, JCB Operations - Fairdeal Merwar Carriages Pvt. Ltd
Puri V. K.	48	B. E.	25	04.11.1985	Head Market Excellence	3,001,905	1,848,821	06 Mths - GET -Escorts Ltd.
Rane N. S.	50	B. Tech.	27	25.02.2006	Head Component Plant & CHD	8,036,607	5,249,707	23 Yrs. - GM - Production, Maruti Udyog Ltd.
Sharma A C	55	B.Sc. Engineering, MBA	34	15.02.2008	Associate Vice President - Marketing	3,858,195	2,577,208	18 Yrs. - GM - ISGEC
Sharma Rajiv	49	B. Tech.	27	01.08.2008	Head R & D (ASP)	3,883,308	2,626,944	07 Yrs. - General Manager, Endurance Systems (India) Pvt. Ltd.
Singh Inderjit	53	B. Tech.	30	22.01.2007	Head - KMC	11,824,835	7,596,265	07 Yrs. Head Horizon - 1 & 2, Mahindra & Mahindra (FES)

Name of the Employee	Age (Yrs)	Qualification	Experience Years	Date of Employment	Designation and Nature of Duties	Remuneration Gross (Rs.)	Received Net (Rs.)	Last Employment held
Singh Upendra Pratap	41	B. E.	18	17.06.2006	Head Business Unit - South	3,088,169	2,132,271	14 Yrs. Sr. Manager-Marketing, Eicher Tractors Ltd.
Sinha Praveen Kumar	52	PGDPM & IR	28	14.11.2008	Chief General Manager - Corporate HR	3,803,759	2,492,659	12 Yrs.- GM - Corporate HR, Raymond Ltd
Vij Neeraj	50	B. E., M. E.	20	08.06.1995	GM - Transmission Design & Development	2,575,913	1,660,545	05 Yrs. - Sr. Engineer, Sri Ram Honda Power Equipment Ltd.
B. Employed for part of the period and in receipt of remuneration not less than Rs. 2,00,000.00 per month.								
Aggarwal Rajan	46	DIP MECH, MBS, PGDBM	26	26.07.2010	Head - Corp Solutions & Applications Marketing	641,283	358,187	03 Yrs; DGM, New Holland Fiat India (P) Ltd.
Anantharaman Ashok	50	B.E., PGDM	26	01.03.2007	Head - All India Sales (AMG)	5,443,248	3,628,447	06 months. - Senior VP - TNS India
Babbar Arun	56	B. E.	32	11.07.2007	Head Manufacturing - ED 1	1,522,632	1,067,612	05 Yrs. Head Materials - Yamaha Motors India Pvt. Ltd.
Budhiraja Rakesh Kumar	55	ACA, LLB, MBA Finance, CS	30	03.09.2007	Group Chief Financial Officer	1,767,821	1,313,437	05 Yrs. Vice President, J K Tyre Industries Ltd.
Dasgupta Partha Pratim	57	PGD PM & IR	32	26.05.2008	Group Head - HR & ER	6,524,298	3,794,937	Vice President, Raymond Ltd.,
Gupta Y K	56	B.Sc., LLB	33	15.02.1995	Head - Excise & Indirect Taxation - AMG	1,150,811	828,377	02 Yrs; Commercial Manager; Suvidha Engineers (I) Pvt.Ltd.
James Ciby Cyriac	51	B. Tech., PGDBM	27	23.01.2008	Vice President, Business Excellence & Quality	1,619,982	1,124,004	04 Yrs. Sr. Director of Global Quality, Converg Corporation
Jha Manoj	50	B. Tech.	28	23.04.2008	EVP	5,339,771	3,327,296	06 Yrs. Managing Director, Minda Sai Ltd.,
Khanna Vijay (Mrs.)	60	Higher Secondary	42	04.08.1969	Principal Secretary of Chairman's Office	497,086	409,982	01 Yr; Receptionist; Rattan Chand Harjan Roy
Khatuka Jyoti	40	CA, CS	14	21.06.2010	Head - Treasury & Banking Operations	874,024	647,282	12 Yrs; Chief Manager, ICICI Bank Ltd..
Marwah P K	58	B.Com., M.Com.	36	01.04.1982	Head - Recovery Cell	241,807	214,115	06 Yrs; Accountant, IDPL

Name of the Employee	Age (Yrs)	Qualification	Experience Years	Date of Employment	Designation and Nature of Duties	Remuneration Gross (Rs.)	Received Net (Rs.)	Last Employment held
Parab V Sachin	41	B.E. MECH, PGD IT	17	03.05.2010	Vice President - International Business	1,766,227	1,206,350	13 Yrs; GM (International Operation), Mahindra & Mahindra Ltd.
Singh Palvinder	38	B.E.	17	12.07.2010	General Manager - Quality Assurance	583,017	438,865	09 Yrs.; GM-Quality & Sales, Delphi Automobiles
Singhal Manish	45	B. E., MBA	22	20.04.2009	VP - International Business	3,310,921	2,354,216	06 Yrs.07 Mths - Head -International Business, Moser Baer India Ltd.
Singhal Vikram	51	B.E. MECH	29	01.07.2010	Executive Director & Business Head - ED	2,801,924	1,610,224	05 Yrs.; Executive Director & CEO, Amteck Auto Ltd..
Verma S M	48	B.E. MECH, MS DESIGN ENGG	25	09.12.2009	Head - Projects & Engineering	3,240,618	2,345,230	06 Mnth; EVP, Titagarh Wagons Ltd.

Notes:

* None of the employees except Ms. Nitasha Nanda, Head Group Investment Companies is a relative of Mr. Rajan Nanda, Chairman & Managing Director, Mr. Nikhil Nanda, Joint Managing Director.

1. Employees named above are/were whole time employees of the Company and all appointments are/ were contractual in nature.
2. All the employees have adequate experience to discharge the responsibilities assigned to them.
3. Employees whose services have been loaned to other companies have been excluded.
4. Remuneration received gross includes Salary,Bonus,Commission,ex-gratia,actual expenditure for provision of rent free accommodation or benefits or amenities,house rent allowance,medical expenses,leave travel assistance, other allowances,reimbursement of gas,water and electricity expenses, Company's contribution to provident fund, employee pension scheme and gratuity fund.
5. Remuneration received net includes salary,bonus,commission exgratia and other allowances but excluding house rent allowance,Provident Fund and Gratuity less Income Tax deducted at source.
6. None of the employees own more than 2% of the outstanding shares of the Company as at 30th September, 2010.

On behalf of the Board

sd/-

RAJAN NANDA
CHAIRMAN & MANAGING DIRECTOR

Place: Faridabad

Date: 29th November 2010

Auditors' Report

To The Members of Escorts Limited

1. We have audited the attached Balance Sheet of Escorts Limited as at 30th September, 2010, the Profit & Loss Account and also the Cash Flow Statement for the year ended on that date, annexed thereto. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We conducted our audit in accordance with Auditing Standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. As required by the Companies (Auditor's Report) Order, 2003, as amended, issued by the Central Government of India, in terms of sub-section (4A) of Section 227 of the Companies Act, 1956, we enclose in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said Order.
4. Further to our comments in the Annexure referred to above, we report that :
 - (a) We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit.
 - (b) In our opinion, proper books of account as required by law have been kept by the Company so far as appears from our examination of those books.
 - (c) The Balance Sheet, Profit & Loss Account and Cash Flow Statement dealt with by this report are in agreement with the books of account.
 - (d) In our opinion, the Balance Sheet, Profit & Loss Account and Cash Flow Statement dealt with by this report comply with the Accounting Standards referred to in sub-section (3C) of Section 211 of the Companies Act, 1956.
 - (e) On the basis of written representations received from the directors, as on 30th September, 2010 and taken on record by the Board of Directors, we report that none of the directors is disqualified as on 30th September, 2010 from being appointed as a director in terms of clause (g) of sub-section (1) of Section 274 of the Companies Act, 1956.
 - (f) In our opinion and to the best of our information and according to the explanations given to us, the said accounts, read together with the Significant Accounting Policies and Notes to Accounts thereon, give the information required by the Companies Act, 1956, in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:
 - i) in the case of the Balance Sheet, of the state of affairs of the Company as at 30th September, 2010,
 - ii) in the case of the Profit & Loss Account, of the Profit for the year ended on that date and
 - iii) in the case of the Cash Flow Statement, of the cash flows for the year ended on that date.

For S. N. Dhawan & Co.
Chartered Accountants
(Firm Regn. No. 000050N)

(Vijay Dhawan)

Partner

M.No.: 12565

Annexure Referred

To in paragraph 3 of our Report of even date on the Accounts of Escorts Limited, for the year ended September 30, 2010.

- i)
 - (a) The Company has maintained proper records showing full particulars including quantitative details and situation of fixed assets.
 - (b) According to the information and explanations given to us, physical verification of fixed assets is being conducted in a phased manner by the management under a programme designed to cover all the fixed assets over a period of three years, which, in our opinion, is reasonable having regard to the size of the Company and the nature of its assets. Discrepancies noticed on such verification were not material and have been properly dealt with in the books of account.
 - (c) According to the information and explanations given to us, the Company has not disposed off a substantial part of its fixed assets during the year under review.
- ii)
 - (a) As explained to us, the inventories have been physically verified by the management at reasonable intervals during the year, except for materials lying with third parties for which certificates confirming stocks held by them have been obtained in most of the cases.
 - (b) In our opinion and according to the information and explanations given to us, the procedures of physical verification of inventories followed by the management are reasonable and adequate in relation to the size of the Company and the nature of its business.
 - (c) In our opinion and according to information and explanations given to us, the Company has maintained proper records of its inventories. Discrepancies noticed on physical verification of inventories were not material and have been properly dealt with in the books of account.
- iii)
 - (a) The Company has granted unsecured loans to a company covered in the register maintained under Section 301 of the Companies Act, 1956. The maximum amount involved during the year was Rs. 1.46 crores and balance of the loans granted to such company was Rs. 1.46 crores as at 30th September, 2010.
 - (b) In our opinion and according to the information and explanations given to us, the rate of interest and other terms and conditions of such loans are not, prima-facie, prejudicial to the interest of the Company.
 - (c) The receipt of the principal amount and interest, wherever applicable, is as stipulated.
 - (d) There is no overdue amount of such loans granted to the aforesaid companies.
 - (e) The Company has taken loan from a company covered in the register maintained under Section 301 of the Companies Act, 1956. The maximum amount involved during the year was Rs. 4.42 crores and the balance of loan taken from such company was Rs. 3.72 crores as at 30th September, 2010.
 - (f) In our opinion and according to the information and explanations given to us, the rate of interest and other terms and conditions of such loans are not, prima facie, prejudicial to the interest of the Company.
 - (g) The Company has been regular in repaying the principal amount and interest, as stipulated.
- iv) In our opinion and according to the information and explanations given to us, there are adequate internal control procedures commensurate with the size of the Company and the nature of its business, for the purchase of inventory and fixed assets and for the sale of goods and services. During the course of our audit, we have neither come across nor have been informed of any continuing failure to correct major weaknesses in the internal control systems.
- v)
 - (a) According to the information and explanations given to us, we are of the opinion that the transactions that need to be entered into the register maintained under section 301 of the Companies Act, 1956 have been so entered.
 - (b) In our opinion and according to the information and explanations given to us, the transactions made in pursuance of contracts or arrangements entered in the register maintained under Section 301 of the Companies Act, 1956 and exceeding the value of Rupees five lakhs in respect of any party during the year have been made at prices which are reasonable having regard to the prevailing market prices at the relevant time except for items stated to be of a specialised nature where no comparison is possible.
- vi) In our opinion and according to the information and explanations given to us, the Company has complied with the provisions of Sections 58A, 58AA and other relevant provisions of the Companies Act, 1956 and the Companies (Acceptance of Deposits) Rules, 1975 with regard to unpaid matured fixed deposits accepted from the public. The Company has however, not accepted any fresh deposits during the year under review.
- vii) In our opinion, the Company has an internal audit system commensurate with the size and nature of its business.
- viii) We have broadly reviewed the books of account maintained by the Company pursuant to the Rules made by the Central Government for the maintenance of cost records under Section 209(1)(d) of the Companies Act, 1956 in respect of the tractors and auto-ancillary products and are of the opinion that prima-facie the prescribed accounts have been made and maintained. We have, however, not made a detailed examination of the records with a view to determine whether they are accurate and complete.
- ix)
 - (a) The Company is generally regular in depositing with appropriate authorities undisputed statutory dues including provident fund, investor education and protection fund, employees' state insurance, income-tax, sales-tax, wealth-tax, service tax, custom duty, excise duty, cess and other material statutory dues applicable to it.

55. ESCORTS LIMITED

Annual Report 2010

According to the information and explanations given to us, no undisputed amounts payable in respect of provident fund, investor education and protection fund, employees state insurance, income-tax, sales-tax, wealth-tax, service tax, custom duty, excise duty & cess were in arrears, as at 30th September, 2010 for a period of more than six months from the date they became payable.

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

Name of the Statute	Nature of Dues	Amount (Rs. Crores)	Period to which the amount relates	Forum where dispute is pending
Sales Tax Acts	Sales Tax	2.05	2009-2010	High Court
Sales Tax Acts	Sales Tax	7.66	1987-2010	Appellate Authority
Central Excise Act, 1944	Excise Duty	0.61	1992-2008	Appellate Authority
Central Excise Act, 1944	Excise Duty	25.99	1989-2008	CESTAT
Central Excise Act, 1944	Excise Duty	18.60	1995-1998	Supreme Court
Income Tax Act, 1961	Income Tax	14.44	2001-2002	High Court/CIT (Appeals)
Haryana Local Area Development Tax Act, 2000	Local Area Development Tax	12.90	2006-2008	Supreme Court

- x) The Company does not have accumulated losses as at 30th September, 2010 and has not incurred cash losses during the financial year covered by our audit and in the immediately preceding financial year.
- xi) In our opinion and according to the information and explanations given to us, the Company has not defaulted in repayment of dues to a financial institution or bank or debenture holders.
- xii) According to the information and explanations given to us, the Company has not granted loans and advances on the basis of security by way of pledge of shares, debentures and other securities.
- xiii) In our opinion, the Company is not a chit fund or a nidhi / mutual benefit fund/ society. Therefore, provisions of clause (xiii) of Paragraph 4 of the Order are not applicable to the Company.
- xiv) In our opinion and according to the information and explanations given to us, the Company is not dealing or trading in shares, securities, debentures and other investments. Accordingly, the provisions of clause (xiv) of Paragraph 4 of the Order are not applicable to the Company.
- xv) According to the information and explanations given to us, the Company has not given guarantees for loans taken by others from banks and financial institutions.
- xvi) To the best of our knowledge and belief and according to the information and explanations given to us, the term loans availed by the Company were applied for the purposes for which the loans were obtained.
- xvii) According to the information and explanations given to us and on an overall examination of the Balance Sheet of the Company, we report that the no funds raised on short-term basis have been used for long term investment.
- xviii) According to the information and explanations given to us, the Company has not made any preferential allotment of shares to parties and companies covered in the register maintained under Section 301 of the Companies Act, 1956.
- xix) The Company has not issued any debentures during the year. Therefore, the provisions of clause (xix) of Paragraph 4 of the Order are not applicable to the Company.
- xx) The Company has not raised any money by public issue during the year under review.
- xxi) To the best of our knowledge and belief and according to the information and explanations given to us, no fraud on or by the Company has been noticed or reported during the year.

For S. N. Dhawan & Co.
Chartered Accountants
(Firm Regn. No. 000050N)

(Vijay Dhawan)
Partner
M.No.: 12565

Balance Sheet

As At 30th September, 2010

Rs. Crores

	Schedule	As At 30.09.2010	As At 30.09.2009
SOURCES OF FUNDS			
Share Capital	1	102.28	90.71
Reserves & Surplus	2	1,635.55	1,353.48
Total Shareholders' Funds		1,737.83	1,444.19
Loans			
Secured	3	283.78	253.79
Unsecured	4	14.82	11.47
Total		298.60	265.26
Total		2,036.43	1,709.45
APPLICATION OF FUNDS			
Fixed Assets			
Gross Block		2,095.45	2,059.83
Less : Depreciation/Amortisation		645.74	602.93
Net Block		1,449.71	1,456.90
Capital Work-in-Progress & Capital Advances		19.43	10.71
Total Fixed Assets	5	1,469.14	1,467.61
Investments	6	365.80	235.80
Deferred Tax Assets (Net)		5.09	27.84
Current Assets, Loans & Advances			
Current Assets	7		
Inventories		295.50	199.49
Sundry Debtors		332.62	329.15
Cash & Bank Balances		174.41	164.80
Other Current Assets		0.82	15.07
		803.35	708.51
Loans & Advances	8	258.86	122.20
Total Current Assets, Loans & Advances		1,062.21	830.71
DEDUCT			
Current Liabilities & Provisions	9		
Current Liabilities		731.03	726.71
Provisions		136.73	131.22
Total Current Liabilities & Provisions		867.76	857.93
Net Current Assets		194.45	-27.22
Miscellaneous Expenditure (to the extent not written off or adjusted)		1.95	5.42
Total		2,036.43	1,709.45
Significant Accounting Policies	18		
Notes to Accounts	19		

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

RAJAN NANDA
Chairman and
Managing Director

NIKHIL NANDA
Joint Managing Director

Dr. P.S. PRITAM
Director

Dr. M.G.K. MENON
Director

Dr. S. A. DAVE
Director

S.C. BHARGAVA
Director

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

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

As per our audit report attached
for S.N.DHAWAN & CO.
Chartered Accountants
(Firm Reg. No. 000050N)

Place : Faridabad
Dated : 29th November, 2010

VIJAY DHAWAN
Partner
M No. 12565

Profit & Loss Account

For The Year Ended 30th September, 2010

Rs. Crores

	Schedule	Year Ended 30.09.2010	Year Ended 30.09.2009
INCOME			
Gross Sales		2,767.72	2,177.03
Less : Excise Duty		21.99	19.26
Net Sales		2,745.73	2,157.77
Business Income	10	18.94	22.31
Income from Investment	11	0.10	1.54
Total		2,764.77	2,181.62
EXPENDITURE			
Material, Manufacturing & Operating	12	1,951.83	1,506.56
Personnel	13	289.24	238.43
Sales & Administration	14	292.40	237.15
Interest & Finance Charges (Net)	15	11.74	47.26
Depreciation	5	49.04	46.85
Less : Transfer from Revaluation Reserve		10.50	9.01
Amortisation of Miscellaneous Expenditure	16	4.93	11.31
		2,588.68	2,078.55
PROFIT BEFORE TAX & EXCEPTIONAL ITEMS			
Exceptional Items	17	(11.93)	(7.99)
PROFIT BEFORE TAX		176.09	103.07
Provision for Taxation			
Current Tax		27.72	0.40
Fringe Benefits Tax		-	1.27
Deferred Tax (Asset)/Liability		22.75	19.66
		50.47	21.33
PROFIT AFTER TAX		137.55	89.73
APPROPRIATIONS			
Debenture Redemption Reserve		-	26.13
General Reserve		6.88	2.24
Proposed Dividend (includes last year adjustment)		16.20	9.07
Tax on Dividend		2.69	1.54
BALANCE CARRIED TO BALANCE SHEET		111.78	50.75
Earnings Per Share (in Rs.) (face value Rs.10/- each)			
- Basic		14.67	9.89
- Diluted		14.42	9.64

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

RAJAN NANDA
Chairman and
Managing Director

NIKHIL NANDA
Joint Managing Director

Dr. P.S. PRITAM
Director

Dr. M.G.K. MENON
Director

Dr. S. A. DAVE
Director

S.C. BHARGAVA
Director

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

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

As per our audit report attached
for S.N.DHAWAN & CO.
Chartered Accountants
(Firm Reg. No. 000050N)

VIJAY DHAWAN
Partner
M No. 12565

Place : Faridabad
Dated : 29th November, 2010

Schedules 1 - 19

Forming part of the Balance Sheet and Profit & Loss Account

SCHEDULE 1: SHARE CAPITAL

Rs. Crores

		As At 30.09.2010	As At 30.09.2009
AUTHORISED CAPITAL			
120,000,000	Equity Shares of Rs. 10 each (Previous year 120,000,000 shares)	120.00	120.00
73,000,000	Unclassified Shares of Rs. 100 each (Previous year 73,000,000 shares)	730.00	730.00
		850.00	850.00
ISSUED, SUBSCRIBED AND PAID-UP CAPITAL			
105,618,036	Equity Shares of Rs. 10 each (Previous year 90,709,496 shares)	105.62	90.71
	Less: Amount recoverable from Escorts Employees Benefit & Welfare Trust (face value of 3,343,612 shares allotted to Trust)	3.34	-
		102.28	90.71

NOTES :

1. Paid-up Capital includes :

- (i) 18,700 Equity Shares (previous year - 18,700) allotted as fully paid-up for consideration other than cash pursuant to contracts.
- (ii) 10,505,306 (previous year - 3,404,256) fully paid Equity Shares of Rs.10/- each issued to the members of Hardship Committee appointed by Hon'ble High Court, Delhi for consideration other than cash. (Refer Note 11 of Schedule 19)
- (iii) 4,195,878 (previous year - Nil) fully paid Equity Shares of Rs.10/- each issued on conversion of 61,455 4.25% Secured Convertible Debentures issued by the Company to the QIBs in terms of Clause 5.1(B)(i) of Section XII of the Placement Document dated 29th June, 2007 pursuant to Chapter XIII-A of SEBI DIP Guidelines.
- (iv) 268,000 (previous year - Nil) fully paid Equity Share of Rs. 10/- each issued to employees (through Escorts Employees Benefit & Welfare Trust) pursuant to an Employee Stock Option Scheme 2006.
- (v) Bonus Shares :
19,434,125 Equity Shares allotted before 1988 as fully paid-up bonus shares by capitalising Share Premium of Rs. 0.22 crores and General Reserve of Rs. 19.21 crores.

Schedules 1 - 19 (Contd.)

Particulars	Rs. Crores								Total	
	Securities Premium Account	Capital Reserve	General Reserve	Profit & Loss Account	Revaluation Reserve	Employee Stock Option Outstanding	Deferred Employee Compensation Expenses	Debt Redemption Reserve		Business Reconstruction Reserve
As at 30 th September, 2009	255.98	0.30	471.86	50.75	75.00	0.86	-	26.13	472.60	1,553.48
Additions during the year							(0.29)			(0.29)
Transfer from Profit and Loss Account			6.88	111.78						118.66
Premium on issue of Equity Share	199.52									199.52
Employees Compensation Expenses						(0.38)				(0.38)
Transferred from Other Reserve			26.13							26.13
	455.50	0.30	504.87	162.53	75.00	0.48	(0.29)	26.13	472.60	1,697.12
Deductions during the year										
On Assets Sold					0.03					0.03
Transfer to Profit & Loss Account					10.50					10.50
Transfer to General Reserve								26.13		26.13
Amount Recoverable from Escorts Employees Benefit & Welfare Trust (premium on 3,343,612 shares allotted to Trust)	24.91									24.91
As at 30th September, 2010	430.59	0.30	504.87	162.53	64.47	0.48	(0.29)	-	472.60	1,635.55

Schedules 1 - 19 (Contd.)

SCHEDULE 3 : SECURED LOANS

Rs. Crores

	As At 30.09.2010	As At 30.09.2009
Debentures		
Nil (previous year - 61,455), 4.25% Secured Convertible Debentures of Rs.9,900/- each	-	60.84
From Banks		
Cash Credit/ Export Packing Credit & Working Capital Demand Loans	80.70	99.01
Term Loans		
From Banks	200.98	93.59
From Others	0.74	0.35
Interest Accrued & Due	1.36	-
Total	283.78	253.79

NOTES :

1. Cash Credit/Export Packing Credit including Working Capital Demand Loans from Banks :

Secured by hypothecation of Company's stocks and book debts on pari-passu basis and 2nd pari-passu charge on the moveable assets of the company (joint documentation pending).

2. Term Loans from Banks

- | | |
|---|---------------|
| a) Punjab National Bank & State Bank of Patiala | Rs. 53.03 Crs |
| Secured by first pari-passu charge on movable assets | |
| b) State Bank of Hyderabad, Andhra Bank & State Bank of Travancore | Rs. 66.10 Crs |
| Secured by second pari - passu charge on current assets with the other term lenders and Sub servient charge on specified immovable property | |
| c) State Bank of India | Rs. 10.60 Crs |
| First charge on the specified movable fixed assets viz. plant and machinery | |
| d) Punjab National Bank | Rs. 71.25 Crs |
| Secured by way of exclusive charge on Land and Building and Hypothecation of Plant and Machinery and other assets of Escorts Construction Equipment Limited | |

3. Term Loans from Others

- | | |
|--|--------------|
| a) Life Insurance Corporation of India | Rs. 0.14 Crs |
| Secured against Insurance Policies | |
| b) Vehicle loans secured against the Vehicles financed | Rs. 0.60 Crs |

SCHEDULE 4 : UNSECURED LOANS

Rs. Crores

	As At 30.09.2010	As At 30.09.2009
Short Term Loans		
Lease Finance	1.90	1.75
Other Loans		
Lease Finance	2.82	4.19
From Others	10.04	5.53
Book Overdraft - Banks	0.06	-
Total	14.82	11.47

Schedules 1 - 19 (Contd.)

SCHEDULE 5 : FIXED ASSETS

Description	Cost as at 30.09.2009			Cost as at 30.09.2010			Depreciation/ Amortisation upto 30.09.2009	Depreciation/ Amortisation upto 30.09.2010	Deductions during the year	Rs. Crores
	Cost as at 30.09.2009	Additions	Deductions	Cost as at 30.09.2010	Depreciation/ Amortisation upto 30.09.2009	Depreciation/ Amortisation upto 30.09.2010				
Tangible Assets:										
Owned asset:										
Land Freehold	1,066.78	4.82	0.27	1,071.33	-	-	-	-	-	1,066.78
Land Leasehold	8.89	-	-	8.89	0.14	0.10	0.24	0.24	-	8.65
Buildings	304.51	10.87	-	315.38	147.96	13.59	161.55	153.83	-	156.55
Plant & Machinery	543.31	14.98	4.02	554.27	344.49	27.67	369.19	185.08	2.97	198.82
Furniture & Fixtures	74.80	3.56	1.33	77.03	60.25	3.20	62.25	14.78	1.20	14.55
Vehicles	7.46	4.06	3.24	8.28	3.93	1.52	3.39	4.89	2.06	3.53
Leasehold Improvements	3.41	0.05	-	3.46	3.41	-	3.41	0.05	-	-
Leased asset:										
Plant Machinery	3.68	-	-	3.68	0.12	0.17	0.29	3.39	-	3.56
IT Equipments	3.92	1.71	-	5.63	2.04	0.98	3.02	2.61	-	1.88
Vehicles	0.23	-	-	0.23	-	0.06	0.06	0.17	-	0.23
Sub Total - A	2,016.99	40.05	8.86	2,048.18	562.34	47.29	603.40	1,444.78	6.23	1,454.65
Intangible Assets:										
Prototypes	1.21	0.03	-	1.24	1.21	-	1.21	0.03	-	-
Technical Know-how	24.10	-	-	24.10	23.52	0.57	24.09	0.01	-	0.58
Software Development	17.53	4.40	-	21.93	15.86	1.18	17.04	4.89	-	1.67
Sub Total - B	42.84	4.43	-	47.27	40.59	1.75	42.34	4.93	-	2.25
Sub Total - (A+B)	2,059.83	44.48	8.86	2,095.45	602.93	49.04	645.74	1,449.71	6.23	1,456.90
Capital Work-in-Progress	8.15	24.10	21.26	10.99	-	-	-	10.99	-	8.15
Capital Advances	2.56	13.09	7.21	8.44	-	-	-	8.44	-	2.56
Sub Total - C	10.71	37.19	28.47	19.43	-	-	-	19.43	-	10.71
Total - (A+B+C)*	2,070.54	81.67	37.33	2,114.88	602.93	49.04	645.74	1,469.14	6.23	1,467.61
Previous Year Figures	1,430.36	709.68	69.50	2,070.54	593.41	46.85	602.93	1,467.61	37.33	

Notes :

- *Includes Escorts Research Center Assets : 163.19 Freehold Land includes : 2.67 (a) Rs. 37.75 crores pending approval for registration in the name of the Company. Buildings include (at net book value) : 38.39
- Buildings include (at net book value) : 2.57 0.02 40.94 125.74
- (a) Rs.0.11 crores pending approval for registration in the name of the Company.

Schedules 1 - 19 (Contd.)

SCHEDULE 6 : INVESTMENTS

Name of the Company	Interest/ Dividend %Age	As At 30.09.2010			As At 30.09.2009		
		Face Value Rs.	Quantity Nos.	Amount Rs. Crore	Face Value Rs.	Quantity Nos.	Amount Rs. Crore
LONG TERM (At Cost)							
GOVERNMENT SECURITIES							
[Current year (Rs. 10,000),				-			-
Previous year (Rs. 10,000)]							
Long Term Trade Investments							
Quoted Equity Shares (Fully Paid) in Other than Subsidiary							
Escorts Finance Limited		10	3,819,700	4.01	10	3,819,700	4.01
Asahi India Glass Limited		10	18,862	-	10	18,862	-
Unquoted Redeemable Preference Shares (Fully Paid) in other than Subsidiary							
Escorts Finance Limited (Cumulative)		10	9,500,000	-	10	9,500,000	-
Other Long Term Investments							
Unquoted Equity Shares (Fully Paid) in Subsidiary Companies							
Escorts Automotives Limited		-	-	-	10	10,000,000	-
Escorts Construction Equipment Limited		10	113,964,497	170.00	10	39,999,990	40.00
Escorts Assets Management Limited		10	3,000,000	3.00	10	3,000,000	3.00
Farmtrac Tractors Europe SP zoo, Poland			6,000	2.59		6,000	2.59
Farmtrac North America LLC, USA			8,820,000	-		8,820,000	-
Beaver Creek Holdings LLC, USA			78.25	-		78.25	-
Other Companies							
Escorts Finance Investment & Leasing Private Limited		10	40,000,000	40.00	10	40,000,000	40.00
The Faridabad Central Co-operative Consumers Stores Limited		10	447	-	10	447	-
Escotrac Finance & Investments Private Limited		10	40,000,000	40.04	10	40,000,000	40.04
Drillmac Limited (in liquidation)		10	20,000	0.02	10	20,000	0.02
Escorts Electronics Limited (in liquidation)		100	32,000	0.32	100	32,000	0.32
Hughes Communications India Limited		10	2,074,492	2.07	10	2,074,492	2.07
Escorts Motors Limited		10	100,000	1.50	10	100,000	1.50
Unquoted Redeemable Preference Shares (Fully Paid) in Subsidiary Companies							
Escorts Securities Limited (Cumulative)	10%	10	1,200,000	1.20	10	1,200,000	1.20

Schedules 1 - 19 (Contd.)

SCHEDULE 6 : INVESTMENTS

Name of the Company	Interest/ Dividend %Age	As At 30.09.2010			As At 30.09.2009		
		Face Value Rs.	Quantity Nos.	Amount Rs. Crore	Face Value Rs.	Quantity Nos.	Amount Rs. Crore
Other Companies							
Escorts Finance Investment & Leasing Private Limited (Non Cumulative)	5%	100	438,200,000	43.82	100	438,200,000	43.82
Escotracs Finance & Investments Private Limited (Non Cumulative)	10%	10	10,000,000	10.00	10	10,000,000	10.00
Escotracs Finance & Investments Private Limited (Non Cumulative)	5%	10	48,440,000	48.44	10	48,440,000	48.44
Other Investments							
Unit Trust of India Units under Venture Capital Unit Scheme - 1990 (VECAUS-II)		100	1,830	0.02	100	1,830	0.02
Credit Capital Finance Corporation Limited [Current year (Rs.1,000), Previous year (Rs.1,000)]		10	100	-	10	100	-
				367.03			237.03
Less : Provision for diminution in value of Investments in :							
Escorts Electronics Limited (in liquidation)				(0.32)			(0.32)
Drillmac Limited (in liquidation)				(0.02)			(0.02)
Escorts Finance Limited				(0.89)			(0.89)
Total				365.80			235.80

NOTES :

1. Quoted Investments :		
Book Value	4.01	4.01
Market Value	5.55	1.01
2. Unquoted Investments		
At cost	363.02	233.02
3. Other than the provision/write off made in respect of permanent diminution in value of investments, there is no investment, which in the opinion of the management has suffered a diminution other than temporary in nature.		

Schedules 1 - 19 (Contd.)

SCHEDULE 7 : CURRENT ASSETS		Rs. Crore	
	As At 30.09.2010	As At 30.09.2009	
Interest Accrued on Investments and Deposits	0.82	15.07	
Stocks (as taken, valued and certified by the Management)			
Raw Material and Components	137.86	99.88	
Finished & Trading Goods	113.59	71.22	
Work-in-Progress	24.84	12.18	
Stores and Machinery Spares	9.59	7.69	
Loose Tools	10.58	8.52	
	296.46	199.49	
Less : Provision for Obsolescence of Inventory	0.96	-	
	295.50	199.49	
Sundry Debtors			
(Refer Note 7 of Schedule 19)			
Debts Outstanding for over six months			
Secured	0.31	0.29	
Unsecured - Considered Good	33.30	50.41	
- Considered Doubtful	147.55	141.64	
	181.16	192.34	
Less : Provision for Doubtful Debts	147.55	141.64	
	33.61	50.70	
Other Debts			
Secured	68.82	78.44	
Unsecured - Considered Good	230.19	200.01	
	299.01	278.45	
	332.62	329.15	
Cash & Bank Balances			
Cash in hand	0.30	0.12	
Cheques in hand and in transit	2.91	8.91	
With Schedule Banks :			
On Current accounts	15.53	33.55	
In Escrow Account	82.80	64.99	
(Refer Note 9 (iv) of Schedule 19)			
On Short Term/Fixed Deposit with Scheduled Banks			
- Pledged with various Authorities and Banks	12.08	11.82	
- Others	60.79	45.41	
	174.41	164.80	
Total	803.35	708.51	

Schedules 1 - 19 (Contd.)

SCHEDULE 8 : LOANS & ADVANCES*

Rs. Crores

	As At 30.09.2010		As At 30.09.2009	
Loans				
Unsecured - Considered Good	0.74		0.69	
- Considered Doubtful	0.07		0.07	
	0.81		0.76	
Less : Provision for Doubtful Loan	0.07	0.74	0.07	0.69
Advances Recoverable in Cash or in Kind or for Value to be received				
Unsecured - Considered Good**	251.71		114.35	
- Considered Doubtful	6.42		6.32	
	258.13		120.67	
Less : Provision for Doubtful Advances	6.42	251.71	6.32	114.35
Deposits				
Deposits - Considered Good	6.41		7.16	
- Considered Doubtful	0.45		0.10	
	6.86		7.26	
Less : Provision for Doubtful Deposits	0.45	6.41	0.10	7.16
Total		258.86		122.20

*(Refer Note 8 of Schedule 19)

**(Refer Note 11 of Schedule 19)

SCHEDULE 9 : CURRENT LIABILITIES & PROVISIONS

Rs. Crores

	As At 30.09.2010		As At 30.09.2009	
Current Liabilities				
Acceptances	86.79		179.61	
Sundry Creditors (Refer Note 16 of Schedule 19)	470.44		379.27	
Advance from Customers	45.38		25.40	
Security Deposit	70.77		84.55	
Other Advances (Refer Note 15 of Schedule 19)	7.00		7.00	
Liability towards Investors Education and Protection Fund under Section 205C of the Companies Act, 1956 will be determined on the respective due dates				
i) Unpaid Dividends	0.23		0.14	
ii) Unpaid Matured Deposits	2.26		2.63	
iii) Unpaid Matured Debentures	-		0.05	
iv) Interest accrued on (i) to (iii) above	0.22	2.71	0.27	3.09
Local Area Development Tax/Entry Tax	13.24		28.69	
Other Liabilities	34.68		17.93	
Interest Accrued but not due on Loans	0.02		1.17	
	731.03		726.71	
Provisions				
Leave Encashment	10.15		9.75	
Gratuity	69.28		55.54	
Superannuation	19.46		22.59	
Proposed Dividend	15.84		9.07	
Tax on Proposed Dividend	2.63		1.54	
Fringe Benefit Tax	9.81		9.81	
Less : Advance Tax	10.59	(0.78)	10.78	(0.97)
Taxation	107.33		81.38	
Less : Advance Tax	87.18	20.15	47.68	33.70
	136.73		131.22	
Total		867.76		857.93

Schedules 1 - 19 (Contd.)

SCHEDULE 10: BUSINESS INCOME

Rs. Crores

	Year Ended 30.09.2010	Year Ended 30.09.2009
Export Incentives	4.24	1.61
Scrap Sales	4.83	3.38
Foreign Exchange Variation (Net)	-	6.57
Surplus on Sale of Assets (Net)	0.80	(0.11)
Others*	9.07	10.86
Total	18.94	22.31
*Income Tax Deducted at Source	0.41	0.70

SCHEDULE 11: INCOME FROM INVESTMENTS

Rs. Crores

	Year Ended 30.09.2010	Year Ended 30.09.2009
Surplus on Sale of Investments		
Non -Trade		
Long Term Investments	0.10	1.54
Total	0.10	1.54

SCHEDULE 12: MATERIAL, MANUFACTURING AND OPERATING EXPENSES

Rs. Crores

	Year Ended 30.09.2010	Year Ended 30.09.2009
Raw Material & Components Consumed*	1,787.20	1,355.54
*(Net of Duty Draw Back)		
(Increase)/Decrease in Finished Goods and WIP	(44.69)	(16.94)
Trading Goods	120.18	103.17
Excise Duty on increase/(decrease) in stock of finished goods	0.65	(0.67)
Stores, Spares and Tools	27.91	22.26
Power and Fuel	31.99	26.22
Repairs to Building	5.96	3.06
Repairs to Machinery	22.41	13.63
Other Manufacturing Expenses	0.22	0.29
Total	1,951.83	1,506.56

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

SCHEDULE 13: PERSONNEL EXPENSES

Rs. Crores

	Year Ended 30.09.2010	Year Ended 30.09.2009
Salary, Wages and Bonus	216.86	185.09
Contribution to Gratuity Fund	21.81	10.34
Contribution to Provident Fund and other Funds	12.76	11.33
Staff Welfare Expenses	37.81	31.67
Total	289.24	238.43

Schedules 1 - 19 (Contd.)

SCHEDULE 14: SALES AND ADMINISTRATION EXPENSES

Rs. Crores

	Year Ended 30.09.2010	Year Ended 30.09.2009
Warranties	16.91	15.00
Rent (Net)	4.64	4.22
Rates and Taxes	4.09	3.84
Insurance	2.27	1.81
Traveling & Conveyance	23.80	17.45
Postage, Telegrams and Telephones	4.69	4.10
Repair and Maintenance	12.51	9.97
Audit Fee, Legal & Professional Expenses	16.86	15.52
Sales Incentive & Other Selling Expenses	64.60	57.98
Advertisement	36.71	28.69
Royalty	14.00	5.69
Packing, Freight & Forwarding	58.27	56.58
Directors Sitting Fees & Commission*	10.33	0.30
Loss on Foreign Exchange Variation (Net)	5.96	-
Other Expenses	16.76	16.00
Total	292.40	237.15

*(includes commission to Wholetime Directors Rs. 10 crore - subject to Shareholder's approval)

SCHEDULE 15: INTEREST & FINANCE CHARGES (NET)

Rs. Crores

	Year Ended 30.09.2010	Year Ended 30.09.2009
Interest cost related to :		
Fixed Period Loans and Debentures	20.96	26.08
Finance Charges on Leased Asset	1.09	0.58
Others	21.01	37.71
Less : Interest Income*		
On Loans to Group Companies	-	3.16
Others	40.24	24.10
Bank & Finance Charges	8.92	10.15
Total	11.74	47.26
*Income Tax Deducted at Source	0.81	2.46

SCHEDULE 16: AMORTISATION OF MISCELLANEOUS EXPENDITURE

Rs. Crores

	Year Ended 30.09.2010	Year Ended 30.09.2009
Voluntary Retirement Compensation	4.24	8.25
Miscellaneous Expenditure Written Off	0.69	3.06
Total	4.93	11.31

SCHEDULE 17: EXCEPTIONAL ITEMS

Rs. Crores

	Year Ended 30.09.2010	Year Ended 30.09.2009
Provisions for Doubtful Debts, Advances and Loans & Deposits	7.99	0.35
Obsolescence of Inventory	0.96	0.15
Amounts/Provision Written Off	0.39	0.14
Amount Written Back	(2.52)	(0.57)
Provisions no longer required Written Back (Refer Note 13 of Schedule 19)	(29.67)	(3.11)
Fixed Assets Written Off	0.01	0.01
Service Tax Credit pertaining to earlier years	(0.28)	(4.96)
Voluntary Retirement Compensation	11.19	-
Total	(11.93)	(7.99)

Schedules 1 - 19 (Contd.)

SCHEDULE 18: SIGNIFICANT ACCOUNTING POLICIES

1. ACCOUNTING CONVENTION

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

2. FIXED ASSETS AND DEPRECIATION & AMORTISATION

i) Tangible

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

ii) Intangible

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

3. INVENTORY VALUATION

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

4. EMPLOYEE BENEFITS

• Defined Contribution Plan

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

• Defined Benefit Plan

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

• Other Long Term Benefits

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

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

5. FOREIGN EXCHANGE FLUCTUATION

Transactions in foreign currency are recorded at the exchange rates prevailing at the dates of the transactions. Gains/losses arising out of fluctuation in exchange rates on settlement are recognised in the Profit & Loss account.

Foreign currency monetary assets & liabilities are restated at the Exchange Rate prevailing at the year-end and the overall net gain/ loss is adjusted to the Profit & Loss Account.

In case of Forward Exchange Contracts, the difference between the forward rate and the exchange rate at the date of transaction is recognised in the Profit & Loss account over the life of the contract.

6. INVESTMENTS

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

Schedules 1 - 19 (Contd.)

A provision for diminution is made to recognise a decline other than temporary in the value of long term investments.

7. REVENUE RECOGNITION

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

8. BORROWING COSTS

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

9. DEFERRED REVENUE EXPENDITURE

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

10. DEFERRED TAX

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

11. EMPLOYEE STOCK OPTION SCHEME

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

12. LEASES

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

13. GOVERNMENT GRANTS

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

14. PROVISIONS, CONTINGENT LIABILITIES AND CONTINGENT ASSETS

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

Schedules 1 - 19 (Contd.)

SCHEDULE 19 : NOTES ON BALANCE SHEET AND PROFIT & LOSS ACCOUNT

1. Managerial Remuneration

	Rs. Crores	
	2009-2010	2008-2009
(a) Managing and Whole-Time Directors' Remuneration :		
Salary	3.67	3.16
Perquisites	0.26	0.41
Contribution to Provident & Other Fund	0.28	0.28
Commission	10.00	-
	14.21	3.85
(b) Commission to Non-Executive Directors :	0.20	0.20
(Included under Schedule 14 "Sales and Administration Expenses")		
(c) Computation of Net Profit under section 349/198 of the Companies Act, 1956 :		
Profit Before Tax	188.02	111.06
Add:		
- Depreciation as per books (Net of transfer from Revaluation Reserve)	38.54	37.84
- Directors' Remuneration	4.21	3.85
- Directors' Sitting Fees	0.13	0.10
- Commission to Directors'	10.00	-
- Commission to Non-Executive Directors'	0.20	0.20
	53.08	41.99
	241.10	153.05
Deduct:		
- Depreciation as per section 350 of the Companies Act, 1956	38.54	37.84
- Profit on sale of Fixed Assets	0.80	(0.11)
- Profit on sale of Investments	0.10	1.54
	39.44	39.27
Net Profit as per Section 349 of the Companies Act, 1956	201.66	113.78
Maximum permissible Remuneration to Whole-Time Directors under Section 198 of Companies Act, 1956 @ 10% of the profit computed above	20.17	11.38
Maximum permissible Remuneration to Non-Executive Directors under Section 198 of Companies Act, 1956 @ 1% of the profit computed above	2.02	1.14

2. Miscellaneous Expenditure

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

	Rs. Crores	
	Year Ended 30.09.2010	Year Ended 30.09.2009
(a) Payments under Voluntary Retirement Scheme	4.24	6.75
Add : Additions during the year	-	5.74
Less : Written off during the year	4.24	8.25
	-	4.24
(b) Upfront Fee	1.18	4.13
Add : Additions during the year	1.46	-
Less : Written off during the year	0.69	2.95
	1.95	1.18
	1.95	5.42

Schedules 1 - 19 (Contd.)

3. Earnings per Shares

		Year Ended 30.09.2010	Year Ended 30.09.2009
Net Profit After Tax (Rs. Crores)	Basic	137.55	89.73
	Diluted	137.55	91.44
Weighted average number of shares outstanding	Basic	93,734,773	90,709,496
	Diluted	95,362,575	94,905,389
Earnings per share (face value Rs.10 per share)	Basic	14.67	9.89
	Diluted	14.42	9.64

4. Audit & Legal Expenses include Auditors Remuneration :

Rs. Crores

		Year Ended 30.09.2010	Year Ended 30.09.2009
(a)	Audit Fee	0.35	0.35
(b)	Tax Audit Fee	0.10	0.10
(c)	In Other Capacity		
	Limited Review of Quarterly Results	0.14	0.14
	Certification and Other Services	0.21	0.10
(d)	Service Tax	0.08	0.07
(e)	Out of Pocket Expenses	0.03	0.03

5. The Outstanding Derivative Instruments as at 30th September, 2010.

The Exports receivables of the Company as at year end have been hedged by forward contracts US\$ 3 Million

(Previous Year : US\$ 0.50 Million)

The Foreign Currency Exposures not hedged by a derivative instrument or otherwise as on 30.09.2010 are as follows:

Amount (Millions)

		Currency	2009-10	2008-09
i)	Amount receivable on account of Sales of Goods/Services	USD	25.12	28.85
		EURO	8.71	8.03
		AUD	0.01	-
ii)	Amount payable on account of Purchase of Material/Services:	USD	19.00	2.82
		EURO	0.04	0.37
		JPY	45.00	-

6. Deferred Tax

The Deferred Tax Assets (Net) as at 30th September, 2010 comprise of the following :

Rs.Crores

Particulars	Deferred tax assets/(liabilities) as at 01.10.2009	(Charge)/credit during the year	Deferred tax assets/(liabilities) as at 30.09.2010
Depreciation	(49.03)	6.35	(42.68)
Deferred Revenue Expenditure	0.99	(0.13)	0.86
Disallowance u/s 43B	39.76	0.77	40.53
Provision For Doubtful Debts	14.81	(8.43)	6.38
Unabsorbed Loss	21.31	(21.31)	-
Total	27.84	(22.75)	5.09

Rs.Crores

		2009-10	2008-09
7.	Sundry Debtors include amount due from Subsidiary Companies :	182.65	183.03

Schedules 1 - 19 (Contd.)

8. Balance due from Subsidiary Companies :

Rs.Crores

Company	On account of loans/ advances as at 30.09.2010	Maximum balance outstanding at any time during the year	On account of loans/ advances as at 30.09.2009	Maximum balance outstanding at any time during the year
Escorts Construction Equipment Limited	0.73	1.41	0.67	1.06
Escorts Securities Limited	1.46	1.46	1.46	1.46

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

Rs. Crores

	Year Ended 30.09.2010	Year Ended 30.09.2009
(a) Contingent Liabilities		
i) Estimated amounts of contracts remaining to be executed on capital account and not provided for	52.61	13.27
ii) * Claims not acknowledged as debts	0.52	0.55
iii) There is a Contingent liability of :		
* (a) Excise duty/Customs duty demands not acknowledged as liability	46.57	46.54
* (b) ESI additional demand not acknowledged as liability	4.14	5.08
* (c) Sales Tax demand not acknowledged as liability	9.75	8.01
* (d) Pending Legal Cases - Personnel	4.11	3.19
- Others	30.04	21.12
* (e) Demand raised by Faridabad Municipal Corporation for external development charges where the Company is in litigation	2.38	2.38
(f) Bills discounted with Banks/Financial Institutions/NBFCs	111.33	23.82
(g) Guarantees given to banks under Channel Finance Program	3.21	22.34
(h) Guarantees executed in favour of Others	8.33	5.15
(i) Demand raised by Income Tax Department, disputed by the Company and pending in appeal	14.44	125.92
* The amounts indicated as contingent liability or claims against the Company only reflect the basic value. Interest, penalty if any or legal costs, being indeterminable are not considered.		
iv) During the period 2004-05, Escorts Limited (EL) sold its entire share holding in Escorts Heart Institute & Research Center Limited (EHIRCL) vide Sale Purchase Agreement dated 25 th September, 2005. There were certain pending disputed Income Tax Demands of Rs. 52.33 crores and interest thereon amounting to Rs. 29.16 crores on EHIRCL and in terms of the agreement EL has undertaken to indemnify the purchaser to the extent of Rs. 65 crores plus one-third of any amount in excess of Rs. 65 crores, in case the appeal is decided against EHIRCL. In view of the above the Company had kept an amount of Rs. 64.99 crores in an Escrow Account as fixed deposit, which has been renewed during the year and the balance in the account as on 30 th September, 2010 was Rs. 82.80 crores.		

b) (i) Movement in provisions: (Figures in brackets are in respect of the Previous Year)

Rs. Crores

Class of Provision	As at 01.10.2009	Additions	Amount Used	Unused Amounts Reversed	As at 30.09.2010
Product Warranties	7.09	5.26	1.12	3.26	7.97
	(7.25)	(12.74)	(10.66)	(2.24)	(7.09)

Schedules 1 - 19 (Contd.)

(ii) Nature of provision:

Product Warranties: The Company gives warranties on certain products and undertakes to repair or replace them if these fail to perform satisfactorily during the free warranty period. Such provision represents the amount of expected cost of meeting the obligations of such rectification/replacement. The timing of the outflows is expected to be within a period of one year.

10. Consequent to an agreement dated 31st March, 2000 between the Company and ICICI Bank Ltd (ICICI), the company sold 3,450,000 equity shares of Hughes Communication India Limited (HCIL) to Escorts Motors Limited (EML), ICICI thereafter subscribed to the equity share capital of EML to hold 49 % of its total equity share capital. Under the terms of the agreement, the Company had given an assurance to ICICI of a minimum return compounded annually for a period of four years. Subsequent to 31st March, 2004, the Company has in terms of earlier agreement agreed to purchase the 49% holding in EML from ICICI and had advanced Rs. 68 crores. The transfer of the shares in favour of the Company is awaited pending final settlement with ICICI.
11. The Scheme of Arrangement and Compromise filed before the Hon'ble Delhi High Court to bail out the fixed deposit holders and creditors of Escorts Finance Limited (EFL) is still pending. The Hon'ble High Court, Delhi had constituted a Hardship Committee to settle payments to fixed deposit holders of EFL who are facing hardship such as medical, marriage, education and others. On 24th May, 2010 the High Court has directed the Hardship Committee to offer maturity value of fixed deposit amount as stated in the face of fixed deposit receipt (Maturity Value) in full and final settlement of the fixed deposit liability of EFL towards the FD Holders. Accordingly Hardship Committee had sent letters to all FD Holders on 7th June, 2010 and also reminder letter on 20th July, 2010, 30th September, 2010 and also given public notice in the News paper on 23rd October, 2010 asking FD holders to submit documents so that Maturity value of their FD may be paid. In accordance with the directions of the Hon'ble High Court of Delhi on 24th May 2010 your Company has also allotted 6,601,050 equity shares to Hardship Committee for the purpose of selling the same in the open market, realising the proceeds thereof and its distribution to the FD holders to settle their outstanding liability (Maturity Value).

The Hardship Committee is in the process of paying the FD holders in accordance with these directions.

12. The Company revalued its freehold land as on 1st September, 2006 and amount added on revaluation was Rs.387.64 crores, further the Company has revalued its all land & buildings as on 1st April, 2009 and amount added on revaluation is Rs. 672.72 crores. Both revaluations were carried out by reputed independent valuer.
13. 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 1st 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, the Company has written-back an amount of Rs. 15.53 Crores in respect of the provisions made towards Entry Tax in earlier years and no further provision on this account is considered necessary.

14. The Company has issued 3,611,112 Equity Shares of Rs. 10 each fully paid up at a price of Rs. 84.50 per share (including premium of Rs. 74.50 per share) in favour of the trustees of Escorts Employees Benefit & Welfare Trust under Employee Stock Option Scheme, 2006 on 9th November, 2009. Accordingly the Company has so far granted 554,500 options to its employees, in accordance with the guidelines issued by SEBI, out of which 221,500 options have been forfeited till 30th September, 2010 and balance 268,000 options have been exercised leaving 65,000 options pending for exercise.
15. The Company has executed an Agreement to Sell for transfer of 20 acres of land at Plot No. 219, Sector 58, Balabgarh, Haryana for a consideration of Rs. 7.00 crores. The said transfer is subject to necessary approval from HUDA and accordingly the consideration amount of Rs. 7.00 crores is being treated as advance.

Schedules 1 - 19 (Contd.)

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

17. Employee Benefits:

Rs. Crores

Particulars	30.09.2010		30.09.2009	
	Gratuity	Leave Encasment	Gratuity	Leave Encasment
(a) Reconciliation of opening and closing balances of Defined Benefit Obligation:				
Defined Benefit Obligation at the beginning of the year	70.92	9.75	66.04	9.00
Current Service Cost	3.48	0.87	3.00	0.86
Past Service Cost	1.82	-	-	-
Interest Cost	5.67	0.78	5.28	0.72
Actuarial (Gain)/Loss	12.09	1.73	3.62	1.91
Benefits Paid	(9.65)	(2.97)	(7.02)	(2.74)
Defined Benefit Obligation at year end	84.34	10.15	70.92	9.75
(b) Reconciliation of opening and closing balances of fair value of plan assets				
Fair value of Plan Assets at beginning of the year	70.92	-	66.04	-
Expected return on Plan Assets	5.67	-	5.28	-
Actuarial Gain/(Loss)	(4.42)	-	(3.75)	-
Employer Contribution	-	-	-	-
Benefits Paid	(9.65)	-	(7.02)	-
Fair value of plan assets at year end	62.52	-	60.55	-
(c) Reconciliation of Fair value of Assets and Obligations				
Fair value of Plan Assets as at 30 th September, 2010	62.52	-	60.55	-
Present value of obligation as at 30 th September, 2010	84.34	10.15	70.92	9.75
Net Assets/(Liability) recognised in Balance Sheet	(21.82)	(10.15)	(10.37)	(9.75)
(d) Expenses recognised during the year				
Current Service Cost	3.48	0.87	3.00	0.86
Past Service Cost	1.82	-	-	-
Interest Cost	5.67	0.78	5.28	0.72
Expected Return on Plan Assets	(5.67)	-	(5.28)	-
Actuarial (Gain)/Loss	16.52	1.73	7.36	1.91
Share of Participating Companies	(0.01)	-	(0.02)	-
Net Cost	21.81	3.38	10.34	3.49

Schedules 1 - 19 (Contd.)

18. Expenses pertaining to previous years : **Rs. Crores**

	2009-10	2008-09
Sales and Administration	0.25	0.30
Others	0.06	0.32

19. Profit & Loss account of Agricultural business is as follows : **In Rupees**

Opening Stock	5,000.00	80,000.00
Expenses	823,585.00	653,204.00
Sales and Other Income	134,273.00	133,811.00
Closing Stock	3,000.00	5,000.00
Net Profit/(Loss)	(691,312.00)	(594,393.00)

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

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

(i) Subsidiary Companies	
Domestic	Overseas
Escorts Construction Equipment Limited	Beaver Creeks Holdings LLC, USA
Escorts Securities Limited	Farmtrac Tractors Europe Sp. Z.o.o, Poland
Escorts Asset Management Limited	Farmtrac North America LLC, USA
Escorts Automotives Limited <i>(ceased to be subsidiary w.e.f. 20.09.2010)</i>	<i>(formerly Long Agri Business LLC, USA)</i>
(ii) Joint Ventures and Associates	
Hughes Communications India Limited	
Escotrak Finance & Investment Private Limited	
Escorts Finance Investment & Leasing Private Limited	
Escorts Motors Limited	
(iii) Key Management personnel (whole-time directors) & their relatives	
Mr. Rajan Nanda	
Mrs. Ritu Nanda	
Mr. Nikhil Nanda	
Ms. Nitasha Nanda	
(iv) Others	
Har Parshad & Company Private Limited	
(v) Related Party transactions - Refer Annexure - I	

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

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

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

Schedules 1 - 19 (Contd.)

Disclosure under Accounting Standard - 18 (Related Party Transaction)

Annexure - I

Transactions with Subsidiaries

Rs. Crores

Nature of Transactions	Escorts Automotives Limited	Escorts Construction Equipment Limited	Escorts Securities Limited	Escorts Assets Management Limited	Farmtrac Tractors Europe SP Zoo	Farmtrac North America, LLC, USA	Total
For the year ended 30.09.2010							
Sale of goods	-	24.88	-	-	21.70	-	46.58
	-	(19.96)	-	-	(5.88)	(0.45)	(26.29)
Rendering of services (Income)	-	0.96	-	-	-	-	0.96
	(0.01)	(2.00)	-	-	-	-	(2.01)
Rent Income	-	0.06	-	-	-	-	0.06
	-	(0.26)	-	-	-	-	(0.26)
Interest income	-	-	-	-	-	-	-
	(3.16)	-	-	-	-	-	(3.16)
Purchases of goods	-	5.59	-	-	0.21	-	5.80
	-	(3.84)	-	-	-	-	(3.84)
Dividend Paid	-	-	0.02	-	-	-	0.02
	-	-	-	-	-	-	-
Balances as at 30.09.2010							
Investments	-	170.00	1.20	3.00	2.59	-	176.79
	-	(40.00)	(1.20)	(3.00)	(2.59)	-	(46.79)
Advances	-	0.73	1.46	-	-	-	2.19
	-	(0.59)	(1.46)	-	-	-	(2.05)
Receivables/Debtors	-	10.03	-	-	56.91	115.71	182.65
	-	(3.74)	-	-	(63.41)	(115.88)	(183.03)
Payables	-	0.01	-	-	0.21	1.28	1.50
	-	-	-	-	-	(1.17)	(1.17)
Provisions (Debts/Loans	-	-	-	-	20.00	115.71	135.71
Advances/Deposits Investments)	-	-	-	-	(20.00)	(115.88)	(135.88)

Transactions with Joint Ventures & Associates

Rs. Crores

Nature of Transactions	Escotrac Finance & Investment Private Limited	Escorts Finance Investment & Leasing Limited	Escorts Motors Limited	Hughes Communications India Limited	Total
For the year ended 30.09.2010					
Dividend Paid		1.33	0.71	-	2.04
		-	-	-	-
Balances as at 30.09.2010					
Investments	98.48	83.82	1.50	2.07	185.87
	(98.48)	(83.82)	(1.50)	(2.07)	(185.87)
Advances Given	18.24	5.90	0.02	-	24.17
	(18.25)	(5.90)	(0.02)	-	(24.17)

Schedules 1 - 19 (Contd.)

Transactions With Directors and their Relatives Rs. Crores

Nature of Transactions	Rajan Nanda	Ritu Nanda	Nikhil Nanda	Nitasha Nanda	Harpashad & Co.Pvt Ltd	Total
For the year ended 30.09.2010						
Royalty	-	-	-	-	13.73	13.73
	-	-	-	-	(5.39)	(5.39)
Remuneration	8.29	-	5.92	0.90	-	15.11
	(1.91)	-	(1.94)	(0.88)	-	(4.73)
Rent Received	-	-	0.42	-	-	0.42
	-	-	(0.21)	-	-	(0.21)
Rent Paid	-	0.32	-	0.38	-	0.70
	-	(0.26)	-	(0.27)	-	(0.53)
Dividend Paid	0.10	0.01	-	-	0.37	0.49
	-	-	-	-	-	-
Balances as at 30.09.2010						
Advances	-	-	-	0.06	-	0.06
	-	-	-	(0.06)	-	(0.06)
Payables	6.00	-	4.00	-	12.30	22.30
	(0.04)	(0.02)	(0.07)	(0.04)	(5.39)	(5.56)

Annexure-II

Disclosure pursuant to Clause 32 of the Listing Agreement Rs. Crores

Loanees	Amount of loan/advances in nature of loan outstanding with no repayment schedule		Advances in nature of loan carrying Nil Interest	
	As at 30 th September 2010	Max. amount outstanding during 2009-10	As at 30 th September 2010	Max. amount outstanding during 2009-10
Subsidiary Companies				
Escorts Securities Limited	1.46	1.46	1.46	1.46
	(1.46)	(1.46)	(1.46)	(1.46)

Annexure - III

Disclosure under Accounting Standard - 19 (Leases)

The details of Minimum Lease Payments outstanding as at 30th September, 2010 and present value thereof are as under:

	Minimum Lease payments outstanding	Present Value of minimum lease payments outstanding	Future interest on outstanding lease payments
-Total amount due	5.63	4.72	0.91
	(7.43)	(5.94)	(1.49)
-Due within one year	2.44	1.90	0.54
	(2.46)	(1.75)	(0.71)
-Due later than one year and not later than five years	3.19	2.82	0.37
	(4.97)	(4.19)	(0.78)

Schedules 1 - 19 (Contd.)

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

(a) Expenditure in Foreign Currency

Rs. Crores

	Year Ended 30.09.2010	Year Ended 30.09.2009
(i) Royalty/Technical know-how/Technical Fee	0.33	0.26
(ii) Travelling Expenses	1.94	1.25
(iii) Others	140.11	3.40
Total	142.38	4.91

(b) Earnings in Foreign Currency

Rs. Crores

	Year Ended 30.09.2010	Year Ended 30.09.2009
(i) Export of goods including partly executed sales contracts on F.O.B basis	63.81	154.29
Total	63.81	154.29

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

(i) MANUFACTURING OPERATIONS :

	Installed Capacities*	Actual Production	Opening Balance Quantity	Value Rs. Crores	Closing Balance Quantity	Value Rs. Crores	Sales Quantity	Value Rs. Crores
1. **Agricultural Tractors	98,940	60,906	1,907	51.24	2,619	84.48	60,086	2,259.00
	(98,940)	(46,696)	(874)	(26.02)	(1,907)	(51.24)	(45,627)	(1,712.51)
2. **Internal Combustion Engine	98,940	63,465	740	4.93	629	4.37	3,102	28.38
**Engine for Agricultural Tractors	(98,940)	(49,418)	(765)	(5.31)	(740)	(4.93)	(2,836)	(27.31)
3. Round and Flat Tubes	180,000	56,980	4,201	0.21	5,978	0.28	54,619	9.54
Heating Elements (Meters)	(180,000)	(76,634)	(8,337)	(0.37)	(4,201)	(0.21)	(80,274)	(10.37)
4. Double Acting Hydraulic Shock	36,000	19,355	200	0.08	-	-	19,555	14.46
Absorbers for Railway Coaches	(36,000)	(20,922)	-	-	(200)	(0.08)	(20,722)	(12.28)
5. Centre Buffer Couplers	1,200	895	-	-	-	-	895	13.77
	(1,200)	(1,905)	-	-	-	-	(1,905)	(22.26)
6. Automobile Shock Absorbers,	4,000,000	2,360,508	180,548	4.55	121,179	3.04	2,419,877	96.84
Telescopic Front Fork & McPherson struts	(4,000,000)	(1,886,470)	(227,662)	(5.68)	(180,548)	(4.55)	(1,933,584)	(81.17)
7. Brake Block	1,800,000	722,320	-	-	640	0.01	721,180	24.44
	(1,800,000)	(887,483)	-	-	-	-	(886,971)	(33.56)
8. All types of Brakes used by Railways	36,000	9,085	-	-	-	-	9,085	49.56
	(36,000)	(7,475)	-	-	-	-	(7,475)	(50.97)
9. Others	-	-	-	-	-	0.30	-	101.71
	-	-	-	-	-	-	-	(72.34)

Notes :

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

Schedules 1 - 19 (Contd.)

(ii) TRADING OPERATIONS :

	Opening Balance		Purchases		Sales		Closing Balance	
	Quantity Nos.	Value Rs. Crores	Quantity Nos.	Value Rs. Crores	Quantity Nos.	Value Rs. Crores	Quantity Nos.	Value Rs. Crores
Implements Trailers, Compressor Accessories, spares and others	-	8.11	-	94.88	-	122.53	-	17.01
	-	(13.95)	-	(74.34)	-	(110.98)	-	(8.11)
Oils & Lubricants	-	0.01	-	13.39	-	18.67	-	0.08
	-	(0.02)	-	(7.12)	-	(11.59)	-	(0.01)
Others	-	7.01	-	22.98	-	28.82	-	8.39
	-	(3.69)	-	(22.97)	-	(31.69)	-	(7.01)

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

(d) Value of Imports - CIF basis :

Rs. Crores

	Year Ended 30.09.2010	Year Ended 30.09.2009
(i) Raw Material	13.07	10.40
(ii) Components & Spare Parts	8.57	21.36
(iii) Capital Goods	4.83	1.47
Total	26.47	33.23

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

	Year Ended			
	30.09.2010		30.09.2009	
	Rs. Crores	Percentage	Rs. Crores	Percentage
(i) Imported	24.56	1.35	31.73	2.30
(ii) Indigenous	1,790.55	98.65	1,346.07	97.70
Total	1,815.11	100.00	1,377.80	100.00

(f) Details of Raw Materials & Components Consumed :

	Unit of Measure	Quantity		Value (Rs.Crores)	
		2009-10	2008-09	2009-10	2008-09
(i) Castings & Forgings	Nos	2,057,306	1,699,095	205.24	169.48
(ii) Other Metal Parts				9.80	9.02
(iii) Others				1,572.16	1,177.04
Total				1,787.20	1,355.54

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

RAJAN NANDA
Chairman and
Managing Director

NIKHIL NANDA
Joint Managing Director

Dr. P.S. PRITAM
Director

Dr. M.G.K. MENON
Director

Dr. S. A. DAVE
Director

S.C. BHARGAVA
Director

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

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

As per our audit report attached
for S.N.DHAWAN & CO.
Chartered Accountants
(Firm Reg. No. 000050N)

VIJAY DHAWAN

Partner

M No. 12565

Place : Faridabad
Dated : 29th November, 2010

Cash Flow Statement

	Rs. Crores	
	Year ended 30.09.2010	Year ended 30.09.2009
A. CASH FLOW FROM OPERATING ACTIVITIES		
Net Profit before tax	188.02	111.06
Adjustments for :		
Loss on sale/Provision for diminution in value of Long Term investments & loans	-	0.64
Gain on sale of Long Term Investments	(0.10)	(1.54)
Provisions no longer required written Back	(29.67)	-
Gain on sale of Asset	(0.80)	0.11
Depreciation	38.54	37.84
Misc. Exp./Assets Write off/Provisions	11.86	11.18
Interest Expense	43.06	50.95
Interest Income	(40.24)	(9.56)
Operating Profit before working capital changes	210.67	200.68
Adjustments for :		
Trade and other Receivables	(11.24)	18.71
Money in Escrow Account	(17.81)	-
Inventories	(96.97)	(20.76)
Trade Payables	41.34	54.02
Miscellaneous Expenditure	(1.46)	(5.73)
	(86.14)	46.24
Cash Generated from Operations	124.53	246.92
Direct Taxes (Paid)/Refunds	(39.31)	(9.38)
Net Cash Flow from operating activities	85.22	237.54
B. CASH FLOW FROM INVESTING ACTIVITIES		
Purchase of Fixed Assets	(48.37)	(18.70)
Proceeds from sale of Fixed Assets	3.41	0.71
Movement in Loans and Advances	(42.46)	(48.21)
Sale/(Purchase) of Investments in Subsidiaries	(129.90)	103.49
Short Term Deposits with schedule Banks	(0.26)	6.90
Interest Received	54.49	4.64
Net Cash Flow from Investing activities	(163.09)	48.83
C. CASH FLOW USED IN FINANCING ACTIVITIES		
Proceeds from Share Capital & Securities Premium	30.52	0.01
Proceeds from Long Term Borrowings	107.78	(104.57)
Proceeds/(Repayment) from short term borrowings (net)	(14.96)	(73.43)
Interest Paid	(42.90)	(51.19)
Dividend & Tax thereon paid	(11.03)	-
Net Cash used in financing activities	69.41	(229.18)
Net Increase/(Decrease) in Cash and Cash equivalents	(8.46)	57.19
Cash and Cash equivalents as at 01.10.2009	87.99	30.80
Cash and Cash equivalents as at 30.09.2010	79.53	87.99

Note:

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

RAJAN NANDA
Chairman and
Managing Director

NIKHIL NANDA
Joint Managing Director

Dr. P.S. PRITAM
Director

Dr. M.G.K. MENON
Director

Dr. S. A. DAVE
Director

S.C. BHARGAVA
Director

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

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

As per our audit report attached
for S.N.DHAWAN & CO.
Chartered Accountants
(Firm Reg. No. 000050N)

Place : Faridabad
Dated : 29th November, 2010

VIJAY DHAWAN
Partner
M No. 12565

Balance Sheet Abstract and Company's General Business Profile

I. Registration Details

Registration No.

C - 1 8 6 0

State Code

5 5

Balance Sheet Date

3 0 0 9 2 0 1 0

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

Public Issue

N I L

Rights Issue

N I L

Bonus Issue

N I L

Private Placement

1 1 5 7 0 0

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

Total Liabilities

2 9 0 4 1 9 3 8

Total Assets

2 9 0 4 1 9 3 8

Sources of Funds

Paid-up-Capital

1 0 2 2 8 0 0

Reserves & Surplus

1 6 3 5 5 3 8

Secured Loans

2 8 3 7 8 0 0

Unsecured Loans

1 4 8 2 0 0

Application of Funds

Net Fixed Assets

1 4 6 9 1 4 3 0

Investments

3 6 5 8 0 1 6

Net Current Assets

1 9 4 4 5 0 0

Misc. Expenditure

1 9 5 0 0

+ - Deferred Tax Asset(Net)

 5 0 9 0 0

Accumulated Losses

N I L

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

Turnover including Other Income

2 7 6 4 7 7 0 0

Total Expenditure

2 5 8 8 6 7 9 9

+ - Profit/Loss Before Tax

 1 8 8 0 2 0 1

+ - Deferred Taxation

 2 2 7 5 0 0

+ - Provision for Tax

 2 7 7 2 0 0

+ - Profit/Loss After Tax

 1 3 7 5 5 0 1

+ - Earning per Share in Rs.

 1 4 . 6 7

Dividend Rate %

1 5

V. Generic Names of Three Principal Products of the Company

Item Code No.

8 7 0 1 3 0 . 0 9

Product Description

T R A C T O R S

Item Code No.

8 7 0 8 8 0 . 0 0

Product Description

S H O C K A B S O R B E R S

Item Code No.

8 6 0 7 2 9 . 0 0

Product Description

R A I L W A Y P A R T S

Auditors' Report

to the Board of Directors of Escorts Limited on the Consolidated Financial Statements of Escorts Limited

1. We have audited the attached Consolidated Balance Sheet of Escorts Limited Group as at 30th September, 2010 and also the Consolidated Profit and Loss Account and the Consolidated Cash Flow Statement for the year ended on that date annexed thereto. These financial statements are the responsibility of the management of Escorts Limited and have been prepared by the management on the basis of separate financial statements and other financial information regarding components. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We conducted our audit in accordance with auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes, examining on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. We did not audit the financial statements of a subsidiary, whose financial statements reflect total assets of Rs.11.91 crores as at 30th September, 2010 and the total revenues of Rs. 2.70 crores for the year then ended. These financial statements and other financial information, have been audited by other auditors whose reports have been furnished to us, and our opinion, insofar as it relates to the amounts included in respect of these subsidiaries is based solely on the report of the other auditors.
4. We further report that :
 - a) *We did not carry out the audit of certain subsidiaries and a joint venture company. These unaudited financial statements have been compiled by the management and reflect total assets of Rs. 66.42 crores as at 30th September, 2010 and the total revenues of Rs. 84.38 crores for the year then ended, and our opinion, insofar as it relates to the amounts included in respect of these subsidiary and joint venture companies is based solely on these compiled financial statements. Since the financial statements for the year ended 30th September, 2010, which were compiled by the management of the companies, was not audited, any adjustments to their balances could have consequential effects on the attached consolidated financial statements.*
 - b) *The company has not considered the financial statements of Farmtrac North America LLC in preparation of consolidated financial statements. (Refer Note 2 (c) of Schedule 17).*
5. We report that the consolidated financial statements have been prepared by the management of Escorts Limited in accordance with the requirements of Accounting Standard AS-21, Consolidated Financial Statements, AS-23, Accounting for Investments in Associates and AS-27, Financial Reporting of Interest in Joint Ventures, issued by the Institute of Chartered Accountants of India.
6. Based on our audit and on consideration of the reports of other auditors on separate financial statement and on the other financial information of the components, and *subject to paragraph 4 above*, in our opinion and to the best of our information and according to the explanations given to us, the attached consolidated financial statements give a true and fair view in conformity with accounting principles generally accepted in India.

83. ESCORTS LIMITED

Annual Report 2010

- (a) in the case of Consolidated Balance Sheet, of the state of affairs of the Escorts Limited Group as at 30th September, 2010;
- (b) in the case of Consolidated Profit and Loss Account, of the profit for the year ended on that date; and
- (c) in the case of the Consolidated Cash Flow Statement, of the Cash Flows for the year ended on that date.

For S.N. Dhawan and Co.

Chartered Accountants
(Firm Regn. No. 000050N)

(Vijay Dhawan)

Partner

M.No. 12565

Place: New Delhi

Dated: 29th November, 2010

Consolidated Balance Sheet

As At 30th September, 2010

Rs. Crores

	Schedule	As At 30.09.2010	As At 30.09.2009
SOURCES OF FUNDS			
Share Capital	1	92.11	80.52
Reserves & Surplus	2	1,593.87	1,344.60
Total Shareholders' Funds		1,685.98	1,425.12
Minority Interest		8.38	40.06
Loans			
Secured	3	366.88	381.52
Unsecured	4	38.44	21.54
Net Deferred Tax Liabilities		139.90	144.07
Total		2,239.58	2,012.31
APPLICATION OF FUNDS			
Fixed Assets			
Gross Block		2,293.74	2,194.89
Less : Depreciation		685.54	635.18
Net Block	5	1,608.20	1,559.71
Capital Work-in-Progress & Capital Advances		20.32	12.26
Investments		107.53	106.67
Net Deferred Tax Assets		143.93	174.26
Current Assets, Loans & Advances			
Current Assets	6		
Inventories		436.50	329.19
Sundry Debtors		450.14	426.10
Cash & Bank Balances		211.68	196.35
Other Current Assets		2.08	24.09
		1,100.40	975.73
Loans & Advances	7	301.67	195.66
Total Current Assets, Loans & Advances		1,402.07	1,171.39
Less: Current Liabilities & Provisions	8		
Current Liabilities		910.78	880.68
Provisions		133.80	136.95
Total Current Liabilities & Provisions		1,044.58	1,017.63
Net Current Assets		357.49	153.76
Miscellaneous Expenditure (to the extent not written off or adjusted)		2.11	5.65
Total		2,239.58	2,012.31
Significant Accounting Policies	17		
Segment Information	18		
Notes to Accounts	19		

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

RAJAN NANDA
Chairman and
Managing Director

NIKHIL NANDA
Joint Managing Director

Dr. P.S. PRITAM
Director

Dr. M.G.K. MENON
Director

Dr. S. A. DAVE
Director

S.C. BHARGAVA
Director

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

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

As per our audit report attached
for S.N.DHAWAN & CO.
Chartered Accountants
(Firm Reg. No. 000050N)

VIJAY DHAWAN
Partner
M No. 12565

Place : Faridabad
Dated : 29th November, 2010

Consolidated Profit & Loss Account

For The Year Ended 30th September, 2010

Rs. Crores

	Schedule	Year Ended 30.09.2010	Year Ended 30.09.2009
INCOME			
Gross Sales		3,394.54	2,649.63
Less : Excise Duty		70.33	51.68
Net Sales		3,324.21	2,597.95
Business Income	9	54.10	52.98
Income from Investments	10	1.90	2.25
Total		3,380.21	2,653.18
EXPENDITURE			
Material, Manufacturing & Operating	11	2,425.30	1,847.41
Personnel	12	329.60	281.52
Sales & Administration	13	378.43	311.28
Interest & Finance Charges (Net)	14	18.10	67.41
Depreciation		48.22	47.97
Amortisation of Miscellaneous Expenditure	15	5.00	11.54
Exceptional Items	16	(5.72)	28.50
		3,198.93	2,595.63
Profit & Loss before Tax & Minority Interest		181.28	57.55
Provision for Taxation			
Current Tax		24.16	6.97
Fringe Benefit Tax		-	1.67
Deferred Tax (Asset)/Liability		24.81	20.31
PROFIT/(LOSS) AFTER TAX		132.31	28.60
Minority Interest		0.31	-
PROFIT/(LOSS) AFTER TAX ATTRIBUTABLE TO THE COMPANY		132.00	28.60
APPROPRIATIONS			
Debenture Redemption Reserve		-	26.13
Transferd to General Reserve		7.53	2.24
Proposed Dividend		16.20	9.07
Tax on Proposed Dividend		2.69	1.54
Dividend on Preference Share		-	1.55
Tax on Dividend on Preference Share		-	0.26
Balance carried to Balance Sheet		105.58	(12.19)
Total		132.00	28.60
EARNINGS PER SHARE (in Rs.) (Face Value Rs. 10 each)			
- Basic		15.80	3.55
- Diluted		15.49	3.55
Significant Accounting Policies	17		
Segment Information	18		
Notes to Accounts	19		

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

RAJAN NANDA
Chairman and
Managing Director

NIKHIL NANDA
Joint Managing Director

Dr. P.S. PRITAM
Director

Dr. M.G.K. MENON
Director

Dr. S. A. DAVE
Director

S.C. BHARGAVA
Director

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

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

As per our audit report attached
for S.N.DHAWAN & CO.
Chartered Accountants
(Firm Reg. No. 000050N)

VIJAY DHAWAN

Partner

M No. 12565

Place : Faridabad
Dated : 29th November, 2010

Schedules 1 - 19

Forming part of the Consolidated Balance Sheet and Profit & Loss Account

SCHEDULE 1: SHARE CAPITAL

Rs. Crores

		As At 30.09.2010	As At 30.09.2009
AUTHORISED CAPITAL			
120,000,000	Equity Shares of Rs. 10 each (Previous year 120,000,000 shares)	120.00	120.00
73,000,000	Unclassified Shares of Rs. 100 each (Previous year 73,000,000 shares)	730.00	730.00
		850.00	850.00
ISSUED, SUBSCRIBED AND PAID-UP CAPITAL			
105,618,036	Equity Shares of Rs. 10 each (Previous year 90,709,496 shares)	105.62	90.71
	Less: Amount recoverable from Escorts Employees Benefit & Welfare Trust (face value of 3,343,612 shares allotted to Trust)	3.34	102.28
	Less : Share capital held by Joint ventures (based on proportionate consolidation)	10.17	10.19
		92.11	80.52

Schedules 1 - 19 (Contd.)

Particulars	Rs. Crores											
	Securities Premium Account	Capital Redemption Reserve	Capital Reserve	General Reserve	Profit & Loss Account	Revaluation Reserve	Debt Redemption Reserve	Employee Stock Option Outstanding	Deferred Employee Compensation Expenses	Business Reconstruction Reserve	Total	Previous Year Figures
As at 30th September, 2009	256.20	1.99	0.30	465.20	46.32	75.00	26.13	0.86	-	472.60	1,344.60	854.78
Additions during the year									(0.29)		(0.29)	1,864.34
Premium on issue of Equity Share	200.56										200.56	-
Transfer from Profit and Loss Account				7.53	105.58						113.11	16.18
Transfer from Debt Redemption Reserve				26.13							26.13	-
Capital Investment Subsidy											-	0.30
Employees Compensation Expenses								(0.38)			(0.38)	(0.14)
Adjustment for Consolidation				10.54	(38.83) *						(28.29)	177.41
Transfer from Business Reconstruction Reserve	456.76	1.99	0.30	509.40	113.07	75.00	26.13	0.48	(0.29)	472.60	1,655.44	75.00
Deductions during the year											-	
Transfer to Business Reconstruction Reserve											-	1,189.62
Utilised Under Scheme of Arrangement											-	
- Profit & Loss Account											-	23.14
- Provisions made/Amount written off											-	198.24
- Diminution Impairment of Investments/Assets											-	148.25
On Asstes Sold						0.03					0.03	-
Depreciation on Revalued Assets						10.50					10.50	9.02
Amount Recoverable from												
Escorts Employees Benefit & Welfare Trust	24.91										24.91	-
(premium on 33,43,612 shares allotted to Trust)							26.13				26.13	-
Transfer to General Reserve											-	75.00
Transfer to Revaluation Reserve											-	
As at 30th September, 2010	431.85	1.99	0.30	509.40	113.07	64.47	-	0.48	(0.29)	472.60	1,593.87	1,344.60
											2009-10	2008-09
											(0.12)	(3.54)

Includes Joint venture share

* Adjustment of Rs. 37.83 crores is on account of sale of Investment in Escorts Automotive Limited (Subsidiary).

Schedules 1 - 19 (Contd.)

SCHEDULE 3 : SECURED LOANS

Rs. Crores

	As At 30.09.2010	As At 30.09.2009
From Banks		
Cash Credit/Working Capital Term Loans	139.73	146.78
Loans from		
Banks	225.05	118.78
Interest Accrued & Due	1.36	-
Others	0.74	21.12
Debentures		
4.25% Secured Convertible Debenture	-	60.84
9% Secured Convertible Debenture	-	34.00
Total	366.88	381.52
Includes joint venture share	0.26	3.32

NOTES :

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

SCHEDULE 4 : UNSECURED LOANS

Rs. Crores

	As At 30.09.2010	As At 30.09.2009
Short Term Loans & Advances		
Lease Finance	1.95	1.75
Other Loans		
Lease Finance	3.07	4.19
From Others	10.04	5.53
Inter Corporate Deposits	23.32	-
Interest Accrued & Due	-	0.07
9% Unsecured Redeemable Convertible Debenture	-	10.00
Banks Book Overdraft	0.06	-
Total	38.44	21.54
Includes joint venture share	23.62	0.05

Schedules 1 - 19 (Contd.)

Description	Rs. Crores								
	Original Cost as at 30.09.2009	Additions Cost as at 30.09.2009	Deductions/ Adjustments	Original Cost as at 30.09.2010	Depreciation upto 30.09.2009 & w/off for the period	Deductions during the period	Depreciation upto 30.09.2010	Net Book Value as on 30.09.2010	Net Book Value as on 30.09.2009
Tangible Assets:									
Owned asset:									
Land Freehold	1,077.85	4.82	0.27	1,082.40	-	-	-	1082.40	1,077.85
Land Leasehold	8.96	-	-	8.96	0.15	0.10	0.25	8.71	8.81
Buildings	353.40	13.27	-	366.67	152.74	17.92	170.66	196.01	200.66
Plant & Machinery	598.16	20.02	5.80	612.38	359.78	30.83	386.03	226.35	238.38
Furniture & Fixtures	84.47	4.47	1.73	87.21	66.19	4.30	68.93	18.28	18.28
Vehicles	8.29	4.06	3.33	9.02	4.23	1.69	3.78	5.24	4.06
Leasehold Improvements	3.83	0.06	-	3.89	3.80	0.01	3.81	0.08	0.03
Leased asset:									
Plant Machinery	4.36	0.05	-	4.41	0.40	0.28	0.68	3.73	3.96
IT Equipments	3.93	1.71	-	5.64	2.04	0.98	3.02	2.62	1.89
Vehicles	0.23	-	-	0.23	-	0.06	0.06	0.17	0.23
Sub Total (A)	2,143.48	48.46	11.13	2,180.81	589.33	56.17	637.22	1,543.59	1,554.15
Intangible Assets:									
Goodwill	-	56.04	-	56.04	-	-	-	56.04	-
Prototype	1.21	0.03	-	1.24	1.21	-	1.21	0.03	-
Technical knowhow	30.80	1.00	-	31.80	28.62	1.00	29.62	2.18	2.18
Software	19.40	4.55	0.10	23.85	16.02	1.56	17.49	6.36	3.38
Sub-Total (B)	51.41	61.62	0.10	112.93	45.85	2.56	48.32	64.61	5.56
Sub-Total (A+B)	2,194.89	110.08	11.23	2,293.74	635.18	58.73	685.54	1,608.20	1,559.71
Capital Work-in-Progress	9.71	24.27	22.12	11.86	-	-	-	11.86	9.71
Capital Advances	2.55	13.12	7.21	8.46	-	-	-	8.46	2.55
Total (A+B+C)	12.26	37.39	29.33	20.32	-	-	-	20.32	12.26
Total (A+B+C)	2,207.15	147.47	40.56	2,314.06	635.18	58.73	685.54	1,628.52	1,571.97
Previous Year Figures	1,634.71	733.66	161.22	2,207.15	667.34	56.60	635.18	1,571.97	-

* Includes Joint venture share:

Original Cost	30.09.2010	30.09.2009
Depreciation	13.66	13.45
Net Book Value	10.51	10.83
Capital Work-in-progress	3.15	2.62
Total Fixed Assets	0.05	0.62
	3.20	3.24

Schedules 1 - 19 (Contd.)

SCHEDULE 6 : CURRENT ASSETS

Rs. Crores

	As At 30.09.2010	As At 30.09.2009
Interest/Dividend accrued on Investments and Deposits	2.08	24.09
Stocks (as taken, valued and certified by the Management)		
Raw Material and Components	228.59	185.50
Finished & Trading Goods	154.15	104.81
Work-in-Progress	34.40	22.24
Stores and Machinery Spares	9.89	8.29
Loose Tools	10.58	8.57
	437.61	329.41
Less : Provision for Obsolete Stock	1.11	0.22
	436.50	329.19
Sundry Debtors		
Debts outstanding for over six months		
Secured	0.45	0.34
Unsecured - Considered Good	44.00	51.44
- Considered Doubtful	131.72	124.68
	176.17	176.46
Less : Provision for Doubtful Debts	131.72	124.68
	44.45	51.78
Other Debts		
Secured	74.45	78.81
Unsecured - Considered Good	331.24	295.51
- Considered Doubtful	-	0.32
	405.69	374.64
Less : Provision for Doubtful Debts	-	0.32
	405.69	374.32
Total Debtors	450.14	426.10
Cash & Bank Balances		
Cash in Hand	1.13	1.30
Cheques in Hand and in Transit	2.91	8.91
On Current Accounts with Banks	24.99	47.59
Held in Escrow Account	82.80	64.99
On Short/Fixed Deposit with Banks	37.30	28.15
(Pledged as various Banks/Govt Authorities/Financial Instt.)		
On Short/Fixed Deposit with Banks	62.55	45.41
	211.68	196.35
Total	1,100.40	975.73
Includes joint venture share		
Stocks/Inventory	1.63	0.12
Sundry Debtors	9.03	9.18
Cash and Bank balances	2.74	0.72
Other Current Assets	0.70	0.55
Total	14.10	10.57

Schedules 1 - 19 (Contd.)

SCHEDULE 7 : LOANS & ADVANCES

Rs. Crores

	As At 30.09.2010	As At 30.09.2009
Loans		
Unsecured - Considered Good	0.74	2.93
- Considered Doubtful	0.07	0.15
	0.81	3.08
Less : Provision for doubtful Loan	0.07	0.15
	0.74	2.93
Inter - Corporate Deposits		
Unsecured - Considered Good	16.39	61.75
- Considered Doubtful	-	25.17
	16.39	86.92
Less : Provision for Doubtful Inter - Corporate Deposits	-	25.01
	16.39	61.91
Advances Recoverable in Cash or in Kind or for Value to be received		
Unsecured - Considered Good	273.86	117.23
- Considered Doubtful	6.49	8.10
	280.35	125.33
Less : Provision for Doubtful Advances	6.49	8.10
	273.86	117.23
Deposits		
Deposits - Considered Good	10.68	13.59
- Considered Doubtful	0.49	0.24
	11.17	13.83
Less : Provision for Doubtful Deposits	0.49	0.24
	10.68	13.59
Total	301.67	195.66
Includes joint venture share	18.95	11.78

SCHEDULE 8 : CURRENT LIABILITIES & PROVISIONS

Rs. Crores

	As At 30.09.2010	As At 30.09.2009
Current Liabilities		
Acceptances	118.83	208.43
Sundry Creditors	593.08	490.01
Advance from Customers	62.63	27.53
Security Deposit	70.77	84.55
Other Advances	7.00	9.00
Liability towards Investors Education and Protection Fund under Section 205C of the Companies Act, 1956 will be determined on the respective due dates		
i) Unpaid Dividends	0.23	0.14
ii) Unpaid Matured Deposits	2.26	2.63
iii) Unpaid Matured Debentures	-	0.05
iv) Interest accrued on (i) to (iii) above	0.22	0.27
	2.71	3.09
Local Area Development Tax/Entry Tax	13.24	28.69
Other Liabilities	42.25	25.97
Interest accrued but not due on loans	0.27	3.41
	910.78	880.68
Provisions		
Leave Encashment	11.38	10.82
Superannuation	19.82	23.00
Gratuity	69.76	56.11
Proposed Dividend	15.84	9.07
Tax on Proposed Dividend	2.63	1.54
Fringe Benefit Tax	10.30	9.91
Less : Advance Tax	10.69	10.88
	(0.39)	(0.97)
Taxation	129.47	91.10
Less : Advance Tax	114.71	53.72
	14.76	37.38
	133.80	136.95
Total	1,044.58	1,017.63
Includes joint venture share		
Current Liabilities	9.72	9.37
Provisions	(3.06)	(2.71)
Total	6.66	6.66

Schedules 1 - 19 (Contd.)

SCHEDULE 9: BUSINESS INCOME

Rs. Crores

	Year Ended 30.09.2010	Year Ended 30.09.2009
Income from Rendering of Services		
Investment, Management and Advisory	2.31	2.23
Service Income	19.87	18.49
Software Development/ISP/Other Services	5.14	14.60
Business Income : Others		
Commission	5.61	2.59
Erection & Servicing	3.57	2.88
Scrap Sale	4.93	3.61
Surplus on Sale of Assets (Net)	1.46	(0.71)
Others	11.21	9.29
Total	54.10	52.98
Includes Joint Venture Share	18.37	19.23

SCHEDULE 10: INCOME FROM INVESTMENTS

Rs. Crores

	Year Ended 30.09.2010	Year Ended 30.09.2009
Dividends		
Other Investments	1.08	0.04
Surplus on Sale of Investments (Non Trade-Long Term)	0.80	1.84
Others	0.02	0.37
Total	1.90	2.25
Includes Joint Venture Share	1.79	-

SCHEDULE 11: MATERIAL, MANUFACTURING AND OPERATING EXPENSES

Rs. Crores

	Year Ended 30.09.2010	Year Ended 30.09.2009
Raw Material & Components Consumed*	2,206.49	1,670.61
*(Net of Duty Draw Back)		
Finished & Trading Goods and Work-in-progress Consumed	116.04	103.49
Excise duty on increase/(decrease) in Stock of Finished Goods	1.35	(0.07)
Stores, Spares and Tools	31.47	24.67
Power and Fuel	36.11	29.19
Repairs to Building	6.46	3.16
Repairs to Machinery	24.46	14.80
Other Operating Expenses	2.92	1.56
Total	2,425.30	1,847.41
Includes Joint Venture Share	2.48	1.91

SCHEDULE 12: PERSONNEL

Rs. Crores

	Year Ended 30.09.2010	Year Ended 30.09.2009
Salary, Wages and Bonus	250.72	222.02
Contribution to Gratuity Fund	22.10	10.96
Contribution to Provident Fund and Other Funds	14.21	12.75
Staff Welfare Expenses	42.57	35.79
Total	329.60	281.52
Includes Joint Venture Share	2.88	2.80

Schedules 1 - 19 (Contd.)

SCHEDULE 13: SALES AND ADMINISTRATION EXPENSES

Rs. Crores

	Year Ended 30.09.2010	Year Ended 30.09.2009
Warranties	19.26	17.24
Rent (Net)	6.22	5.68
Rates and Taxes	6.03	7.20
Insurance	2.92	2.39
Travelling & Conveyance	29.24	22.32
Printing & Stationery	4.76	4.17
Communication Charges	6.48	5.28
Repairs and Maintenance	14.49	11.95
Audit Fee & Legal Expenses	30.21	27.97
Entertainment	0.59	0.52
Sales Incentives & Other Selling Expenses	88.20	75.63
Advertisement	39.17	30.78
Royalty	15.51	8.09
Packing, Freight & Forwarding	67.04	63.09
Directors Fee & Commission	10.45	0.35
General Charges	27.45	27.27
Foreign Exchange Variation(Net)	10.41	1.35
Total	378.43	311.28
Includes Joint Venture Share	12.00	11.46

SCHEDULE 14: INTEREST & FINANCE CHARGES (NET)

Rs. Crores

	Year Ended 30.09.2010	Year Ended 30.09.2009
Interest cost related to :		
Fixed Period Loans and Debentures	23.81	38.47
Others	34.18	48.78
	57.99	87.25
Less : Interest Income		
Others*	52.10	32.04
Bank Charges	12.21	12.20
Total	18.10	67.41
Includes Joint Venture Share	0.51	0.81

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

SCHEDULE 15: AMORTISATION OF MISCELLANEOUS EXPENDITURE

Rs. Crores

	Year Ended 30.09.2010	Year Ended 30.09.2009
Voluntary Retirement Scheme	4.24	8.42
Miscellaneous Expenditure Written-Off	0.76	3.12
Total	5.00	11.54
Includes Joint Venture Share	0.03	0.03

Schedules 1 - 19 (Contd.)

SCHEDULE 16: EXCEPTIONAL ITEMS

Rs. Crores

	Year Ended 30.09.2010	Year Ended 30.09.2009
Obsolescence of Inventory	1.00	-
Loss/Write Off of Assets (Net)	0.22	0.02
Amount Written Off	32.44	2.24
Provision for Doubtful Debts/Advances/Deposits/Investment	13.49	38.75
Amount Written Back	(2.92)	(0.08)
Provisions no Longer Required Written Back	(60.86)	(7.47)
Service Tax Credit Pertaining to Earlier Years	(0.28)	(4.96)
Voluntary Retirement Compensation	11.19	-
Total	(5.72)	28.50
Includes Joint Venture Share	0.51	6.66

SCHEDULE 17: SIGNIFICANT ACCOUNTING POLICIES

1. ACCOUNTING CONVENTION

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

2. PRINCIPLES OF CONSOLIDATION

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

Sl. No.	Name of Company	Country of Incorporation	Proportion of ownership	Held by	Reporting Period
LIST OF SUBSIDIARIES					
1	Escorts Automotives Ltd. (EAL)	India	100%	Escorts Limited	April-March
2	Escorts Construction Equipment Ltd. (ECEL)	India	100%	Escorts Limited	Oct.-Sep.
3	FarmtracTractors Europe Sp. z.o.o	Poland	100%	Escorts Limited	Jan.-Dec.
4	Beaver Creeks Holdings LLC (BCH)	USA	78.25%	Escorts Limited	Jan.-Dec.
5	Escorts Securities Ltd. (ESL) (Board Controlled)	India	49.00%	EAML	April-March
6	Escorts Asset Management Ltd. (EAML) (Board Controlled)	India	30.00%	Escorts Limited	April-March
LIST OF JOINT VENTURES					
1	Escotracs Finance & Investments Pvt Ltd. (ESCOTRAC)	India	49.81%	Escorts Limited EFILL	April-March
2	Escorts Finance Investment & Leasing Pvt Ltd. (EFILL)	India	49.81%	Escorts Limited ESCOTRAC	April-March
3	Hughes Communications India Limited	India	13.38%	Escorts Limited	April-March

- (a) Since the above Subsidiaries and Joint Ventures follows different accounting year, the accounts of these companies are prepared for the year ended 30th September, 2010, the reporting date of the Parent company, to facilitate consolidation.

Schedules 1 - 19 (Contd.)

- (b) The account of Beaver Creek Holdings LLC (BCH) are not required to be audited under domestic law and are drawn on the basis of financial statement certified by the management.
- (c) At the behest of the creditors of Farmtrac North America LLC (FNA) (a subsidiary of the Company), the Superior Court Division of Country of Edgecombe, North Carolina, USA have appointed a Receiver for FNA, who has taken over all the assets, book & records of FNA accordingly the financial statement of FNA was not considered for consolidation.
- (d) Escorts Automotive Ltd has been sold on 20th September, 2010 and accordingly its financial results have been consolidated upto the date of transfer i.e. 20th September, 2010 based on financial statements certified by the management.

3. RECOGNITION OF REVENUE

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

4. FIXED ASSETS, DEPRECIATION AND AMORTISATION

i) Tangible

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

ii) Intangible

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

5. IMPAIRMENT OF ASSETS

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

Schedules 1 - 19 (Contd.)

6. INVENTORY VALUATION

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

7. RETIREMENT BENEFITS

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

8. LEAVE ENCASHMENT

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

9. FOREIGN EXCHANGE FLUCTUATION

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

10. INVESTMENTS

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

11. BORROWING COST

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

12. DEFERRED REVENUE EXPENDITURE

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

13. DEFERRED TAX

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

Schedules 1 - 19 (Contd.)

14. TRANSLATION OF FOREIGN SUBSIDIARIES

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

15. EMPLOYEE STOCK OPTION SCHEME

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

16. LEASES

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

17. GOVERNMENT GRANTS

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

18. PROVISIONS, CONTINGENT LIABILITIES AND CONTINGENT ASSETS

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

Schedules 1 - 19 (Contd.)

SCHEDULE 18: SEGMENT INFORMATION FOR THE YEAR ENDED 30th SEPTEMBER, 2010

(Rs. Crores)

	Agri Machinery	Auto Ancillary Products	Railway Equipment	Construction Equipments	Others	Unallocated	Escorts Limited
External Revenue	2,486.61 (1,918.24)	92.96 (79.56)	195.71 (197.16)	565.99 (410.87)	32.58 (38.77)	4.46 (6.33)	3,378.31 (2,650.93)
Internal Revenue	50.04 (31.46)	17.93 (5.60)	2.05 (1.63)	5.60 (3.83)	- (0.26)	0.10 (0.07)	75.72 (42.85)
Segment Revenue	2,536.65 (1,949.70)	110.89 (85.16)	197.76 (198.79)	571.59 (414.70)	32.58 (39.03)	4.56 (6.40)	3,454.03 (2,693.78)
Eliminations	50.04 (31.46)	17.93 (5.60)	2.05 (1.63)	5.60 (3.83)	- (0.26)	0.10 (0.07)	75.72 (42.85)
Total Revenue							3,378.31 (2,650.93)
Segment Result	213.78 (136.61)	(17.33) 12.09	22.84 (39.72)	11.18 (12.56)	2.46 (1.74)	(41.15) 26.96	191.78 (151.58)
Interest Expense							70.20 (99.45)
Interest Income							52.10 (32.04)
Exceptional Items							(5.72) (28.50)
Dividend Income							1.08 (0.04)
Surplus on Sale of Investment (Net)							0.80 (1.84)
Profit before Taxation							181.28 (57.55)
Provision for Taxation:							
- Fringe Benefit Tax							- (1.67)
- Current Tax							24.16 (6.97)
- Deferred Tax							24.81 (20.31)
Profit After Tax Before Minority Interest							132.31 (28.60)
Minority Interest							0.31 -

Other Information	As At 30.09.2010	As At 30.09.2010	As At 30.09.2010	As At 30.09.2010	As At 30.09.2010	As At 30.09.2010	As At 30.09.2010
Segment Assets	1,658.24 (1,632.39)	86.56 (79.93)	142.65 (135.26)	381.06 (344.22)	133.12 (210.66)	742.63 (483.41)	3,144.26 (2,885.87)
Segment Liabilities	695.37 (743.97)	40.72 (32.83)	42.23 (41.46)	134.36 (116.24)	30.22 (25.53)	101.68 (57.60)	1,044.58 (1,017.63)
Additions to Tangible Fixed Assets	16.97 (541.46)	1.25 (15.38)	2.86 (17.27)	6.69 (19.77)	1.28 (1.20)	19.41 (116.71)	48.46 (711.79)
Addition to Intangible Fixed Assets	4.10 (1.15)	- -	0.35 -	1.05 (0.84)	0.08 (0.01)	56.04 (0.01)	61.62 (2.01)
Depreciation	28.37 (28.41)	2.29 (2.33)	4.34 (4.17)	7.95 (7.75)	1.35 (2.00)	3.92 (3.31)	48.22 (47.97)
Non - Cash Expenses other than Depreciation	3.31 (6.62)	0.57 (1.10)	0.23 (0.38)	- (0.17)	0.06 (0.06)	0.83 (3.21)	5.00 (11.54)

SEGMENT INFORMATION FOR THE YEAR ENDED 30th SEPTEMBER, 2010

	India	Outside India	Consolidated Total
Revenue By Geographical Market - External	3315.66 (2602.27)	62.65 (48.66)	3378.31 (2650.93)
Carrying Amount of Segement Assets	3097.80 (2824.91)	46.46 (60.96)	3144.26 (2885.87)
Addition to Tangible Fixed Assets	48.42 (711.60)	0.04 (0.19)	48.46 (711.79)
Addition to Intangible Fixed Assets	61.60 (1.73)	0.02 (0.28)	61.62 (2.01)

Schedules 1 - 19 (Contd.)

SCHEDULE 19: NOTES ON CONSOLIDATED BALANCE SHEET AND PROFIT AND LOSS ACCOUNT

1. Consequent to an agreement dated 31st March, 2000 between the Company and ICICI Bank Ltd (ICICI), the company sold 3,450,000 equity shares of Hughes Communication India Limited (HCIL) to Escorts Motors Limited (EML), ICICI thereafter subscribed to the equity share capital of EML to hold 49 % of its total equity share capital. Under the terms of the agreement, the Company had given an assurance to ICICI of a minimum return compounded annually for a period of four years. Subsequent to 31st March, 2004, the Company has in terms of earlier agreement agreed to purchase the 49% holding in EML from ICICI and had advanced Rs. 68 crores. The transfer of the shares in favour of the Company is awaited pending final settlement with ICICI.
2. The Scheme of Arrangement and Compromise filed before the Hon'ble Delhi High Court to bail out the fixed deposit holders and creditors of Escorts Finance Limited (EFL) is still pending. The Hon'ble High Court, Delhi had constituted a Hardship Committee to settle payments to fixed deposit holders of EFL who are facing hardship such as medical, marriage, education and others. On 24th May, 2010 the High Court has directed the Hardship Committee to offer maturity value of fixed deposit amount as stated in the face of fixed deposit receipt (Maturity Value) in full and final settlement of the fixed deposit liability of EFL towards the FD Holders. Accordingly Hardship Committee had sent letters to all FD Holders on 7th June, 2010 and also reminder letter on 20th July, 2010, 30th September, 2010 and also given public notice in the News paper on 23rd October, 2010 asking FD holders to submit documents so that Maturity value of their FD may be paid. In accordance with the directions of the Hon'ble High Court of Delhi on 24th May 2010 your Company has also allotted 6,601,050 equity shares to Hardship Committee for the purpose of selling the same in the open market, realising the proceeds thereof and its distribution to the FD holders to settle their outstanding liability (Maturity Value).

The Hardship Committee is in the process of paying the FD holders in accordance with these directions.

3. The Company revalued its freehold land as on 1st September, 2006 and amount added on revaluation was Rs.387.64 crores, further the Company has revalued its all land & buildings as on 1st April, 2009 and amount added on revaluation is Rs. 672.72 crores. Both revaluations were carried out by reputed independent valuer.
4. 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 1st 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, the Company has written-back an amount of Rs. 15.53 Crores in respect of the provisions made towards Entry Tax in earlier years and no further provision on this account is considered necessary.

5. The Company has issued 3,611,112 Equity Shares of Rs. 10 each fully paid up at a price of Rs. 84.50 per share (including premium of Rs. 74.50 per share) in favour of the trustees of Escorts Employees Benefit & Welfare Trust under Employee Stock Option Scheme, 2006 on 9th November, 2009. Accordingly the Company has so far granted 554,500 options to its employees, in accordance with the guidelines issued by SEBI, out of which 221,500 options have been forfeited till 30th September, 2010 and balance 268,000 options have been exercised leaving 65,000 options pending for exercise.
6. The Company has executed an Agreement to Sell for transfer of 20 acres of land at Plot No. 219, Sector 58, Balabgarh, Haryana for a consideration of Rs. 7.00 crores. The said transfer is subject to necessary approval from HUDA and accordingly the consideration amount of Rs. 7.00 crores is being treated as advance.
7. The Company has not received information from vendors regarding their status under the Micro, Small and Medium Enterprises Development Act, 2006 and hence disclosure relating to amounts unpaid as at the year end together with interest paid/payable under this Act & as required by Schedule VI of Companies Act, 1956 have not been given.

Schedules 1 - 19 (Contd.)

8 Earnings per Share (EPS)

		Year Ended 30.09.2010	Year Ended 30.09.2009
Net Profit after Tax (Rs. Crores)	Basic	132.00	28.60
	Diluted	132.00	30.31
Weighted average number of shares outstanding	Basic	83,564,710	80,524,091
	Diluted	85,192,512	84,719,984
Earnings per share (face value Rs.10 per share)	Basic	15.80	3.55
	Diluted	15.49	3.55

9 Miscellaneous Expenditure (to the extent not written off or adjusted) represents: (Rs. Crores)

	Year Ended 30.09.2010		Year Ended 30.09.2009	
Development expenditure	0.06		0.17	
Less : Written off during the year	0.06	-	0.11	0.06
Payments under Voluntary Retirement Scheme/Other Intangible	4.19		6.87	
Add : Additions during the year	-		5.74	
Less : Written off during the year	4.19	-	8.42	4.19
Upfront fees	1.16		4.11	
Add : Additions during the year	1.46		-	
Less : Written off during the year	0.67	1.95	2.95	1.16
Other Deferred Revenue Expenditure	0.24		0.31	
Less : Written off during the year	0.08	0.16	0.07	0.24
Total		2.11		5.65

10 Proportionate share of Joint Ventures in the following line items is given below as there is no separate schedule attached (Rs. Crores)

	Year Ended 30.09.2010	Year Ended 30.09.2009
Net Sales	3.12	1.62
Depreciation	0.97	1.17
Provision for Taxation:		
Current Taxation	0.76	(1.77)
Deferred Taxation	(0.29)	0.64
Deferred Tax Assets	2.25	1.95
Investments	139.81	137.44
Miscellaneous Expenditure (to the extent not written off or adjusted)	0.14	0.17
Contingent Liability	129.65	124.51

Schedules 1 - 19 (Contd.)

Net Deferred Tax Liability				(Rs. Crores)
Particulars	Deferred Tax Assets/ (Liabilities) as at 30.09.2009	Adjustment	Credit/ (charge) During the period	Deferred Tax Assets/ (Liabilities) as at 30.09.2010
Accumulated Losses	0.33	-	-	0.33
Depreciation	60.80	-	(4.28)	56.52
Sales Tax Deposit	0.01	-	-	0.01
Deferred Revenue Expenditure	1.03	-	0.12	1.15
Disallowance U/s 43B	4.70	-	-	4.70
Provision for Doubtful Debts/Loans/Advances	81.10	-	-	81.10
Other Provisions	(3.90)	-	(0.01)	(3.91)
Total	144.07	-	(4.17)	139.90
Deferred Tax Assets/(Liabilities) as at 30.09.2010	30.19	(1.35)	(24.81)	4.03

17 Disclosure under Accounting Standard - 19 (Leases)

(a) In respect of 'Finance Lease' arrangements for the period 2009-10

(Rs. Crores)

Particulars	Minimum Lease Payments Outstanding		Present Value of Minimum Lease Payments Outstanding		Future Interest on Outstanding Lease Payments	
	2009-10	2008-09	2009-10	2008-09	2009-10	2008-09
- Total amount due	6.05	7.89	5.03	6.24	1.02	1.65
- Due within one year	2.54	2.53	1.96	1.78	0.58	0.75
- Due later than one year and not later than five years	3.51	5.36	3.07	4.46	0.44	0.90

(b) Assets taken on Operating Cancellable leases

The total lease payments recognised in Profit and loss account for the year ended 30th September, 2010 is Rs 0.36 crores (Previous Year - Rs 0.45 Crores)

(c) Assets taken under Non Cancellable Operating leases

Particulars	2009-10	2008-09
- Due within one year	0.01	0.02
- Due later than one year and not later than five years	0.02	0.01
- Due Later than five years	-	-

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

RAJAN NANDA
Chairman and
Managing Director

NIKHIL NANDA
Joint Managing Director

Dr. P.S. PRITAM
Director

Dr. M.G.K. MENON
Director

Dr. S. A. DAVE
Director

S.C. BHARGAVA
Director

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

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

As per our audit report attached
for S.N.DHAWAN & CO.
Chartered Accountants
(Firm Reg. No. 000050N)

Place : Faridabad
Dated : 29th November, 2010

VIJAY DHAWAN
Partner
M No. 12565

Consolidated Cash Flow Statement

Rs. Crores

	Year Ended 30.09.2010	Year Ended 30.09.2009
A. CASH FLOW FROM OPERATING ACTIVITIES		
Net Profit before tax	181.28	57.55
Adjustments for :		
Depreciation	48.22	47.97
Misc. Exp./Assets Write off/Provisions/Adjustments	(8.29)	47.48
Interest Expense	57.99	73.83
Surplus on sale of Assets (net)	(1.46)	0.71
Surplus on sale of Investments	(0.80)	(1.84)
Dividend Income	(1.08)	(0.04)
Interest Income	(52.10)	(14.34)
Operating Profit before working capital changes	223.76	211.32
Adjustments for :		
Trade and other Receivables	(59.72)	(70.65)
Inventories	(108.87)	(18.63)
Trade Payables & Provisions	72.78	145.88
Miscellaneous Expenses	(1.46)	(5.73)
Escrow Account	(17.81)	-
	(115.08)	50.87
Cash Generated from Operations	108.68	262.19
Direct Taxes Paid (net of refunds received)	(60.80)	(11.81)
Net Cash Flow from operating activities	47.88	250.38
B. CASH FLOW FROM INVESTING ACTIVITIES		
Payment of licence fees / pre-operative expenditure		
Purchase of Fixed Assets	(57.45)	(45.15)
Sale of Fixed Assets	4.32	8.87
Sale/(Purchase) of Investments	(56.20)	105.23
Interest Received	66.85	0.82
Dividend Received	1.08	0.04
Short term/Fixed deposits with Banks	(9.15)	0.58
Movement in Loans & Advances	(51.10)	(19.98)
Net Cash used in Investing activities	(101.65)	50.41
C. CASH FLOW USED IN FINANCING ACTIVITIES		
Proceeds from Issue of Share Capital	30.52	0.01
Proceeds from/(to) Minority Interest	(31.68)	1.14
Proceeds from Long Term Borrowings	104.34	(97.61)
Payment of Dividend & Dividend Tax	(11.03)	(1.81)
Net Proceeds from Short Term Borrowings	9.87	(73.61)
Interest Paid	(59.88)	(74.33)
Net Cash used in financing activities	42.14	(246.21)
Net Increase/(Decrease) in Cash and Cash equivalents	(11.63)	54.59
Opening Cash and Cash Equivalents	103.21	48.62
Closing Cash and Cash Equivalents	91.58	103.21

Note:

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

RAJAN NANDA
Chairman and
Managing Director

NIKHIL NANDA
Joint Managing Director

Dr. P.S. PRITAM
Director

Dr. M.G.K. MENON
Director

Dr. S. A. DAVE
Director

S.C. BHARGAVA
Director

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

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

As per our audit report attached
for S.N.DHAWAN & CO.
Chartered Accountants
(Firm Reg. No. 000050N)

VIJAY DHAWAN
Partner
M No. 12565

Place : Faridabad
Dated : 29th November, 2010

Statement Regarding Subsidiary Companies Pursuant to Section 212 of The Companies Act, 1956

(Rs. '000)

Sr. No.	Name of The Company	Share Capital	Reserves & Surplus	Total assets					Total Liabilities			Details of Investments Other Than In Subsidiaries	Turnover	Profit Before Tax	Provision For Tax	Profit After Tax	Proposed Dividend	
				Total Fixed Assets	Total Investments	Total Current Assets	Deferred Tax Assets	Misc Expenditure	Pre-Operative Exp. Pending Allocation	Profit & Loss	Total Loans							Deferred Tax Liability
1	Escorts Asset Management Limited	110,000.00	9,754.30	1,894.50	33,549.24	89,496.23	547.10	312.98	-	-	-	6,045.76	13,851.24	23,103.76	3,898.72	368.73	3,529.99	-
2	Escorts Construction Equipment Limited	1,139,644.97	393,455.19	946,481.18	140.40	2,900,045.95	-	-	-	-	-	828,351.72	35,859.48	1,449,356.17	41,298.92	20,178.10	21,120.82	-
3	Escorts Securities Limited	62,000.00	39,548.26	11,646.94	5,341.39	340,417.70	2,267.75	-	-	-	-	31,323.06	-	226,802.45	10,170.69	3,425.52	6,745.17	-
4	Farmtrac Tractors Europe Spolka Zo.o* (IPLN=Rs.15.10 INR)	90,579.38	(287,440.66)	38,226.71	-	382,461.05	-	-	-	-	-	-	-	617,549.03	-	-	(26,138.33)	-
5	Beaver Creek holdings LLC (USA) (IUS\$ =44.26)	-	(23,436.51)*	-	42,709.35	230.77	-	-	-	-	-	-	-	66,376.63	-	-	-	-

NOTES:

- The Annual Accounts alongwith the reports thereon of the subsidiary companies are not being attached in view of the exemption granted by Government of India, Ministry of Corporate Affairs. The said annual accounts and the related detailed information will be made available to the holding and subsidiary Companies' investor seeking such information, at any point of time (during the business hours). The annual accounts of the subsidiary companies will also be kept for inspection by any investor at the head office of the Company/subsidiary companies.
- *Figures are for nine months' period ended 30th September, 2010.
- *The above figure is net of reserve & surplus as per US GAAP.
- At the behest of the creditors of Farmtrac North America LLC (FNA) (a subsidiary of the Company), the Superior Court Division of County of Edgecombe, North Carolina, USA have appointed a Receiver for FNA, who has taken over all the assets, books & records of FNA, accordingly the information relating to Farmtrac North America LLC (FNA) has not been given.

RAJAN NANDA

Chairman and Managing Director

NIKHIL NANDA

Joint Managing Director

Dr. M.G.K. MENON

Director

Dr. S. A. DAVE

Director

Dr. P. S. PRITAM

Director

S. C. BHARGAVA

Director

O. K. BALRAJ

Exec. Vice-President &
Group Chief Financial Officer

G. B. MATHUR

Sr. Vice-President-Law &
Company Secretary

Place : Faridabad

Dated : 29th November, 2010



We respect **our customers** by making them the centre of our universe.

We respect **our shareholders** for their trust and faith. We display our respect by focusing on enhancing stakeholder value.

We respect **our partners** through fair business practices and engagement.

We respect **our people** through strong values and ethics.

**respect of the world.
a world of respect.**



15/5, Mathura Road, Faridabad - 121 003, India. Tel: (0129) 225 0222 Fax: (0129) 225 0060
e-mail: escortsgroup@escortscorporate.com

www.escortsgroup.com

