ESCORTS

The Escorts Group | 66th Annual Report 2010-11

Elevating lives

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.

Contents

At Escorts India, the focal point of all our business, research and strategy is the CUSTOMER.

We are calibrating resource allocation in response to the evolving customer aspirations.

Initiating structural changes in the organisation to accelerate decision-making and implementation.

Developing strategic values that are aimed at customer centricity, excellence, innovation and agility.

Raising the bar and defying limitations with a sense of urgency.

THIS IS JUST THE BEGINNING OF A FRESH WAVE OF REGENERATION.

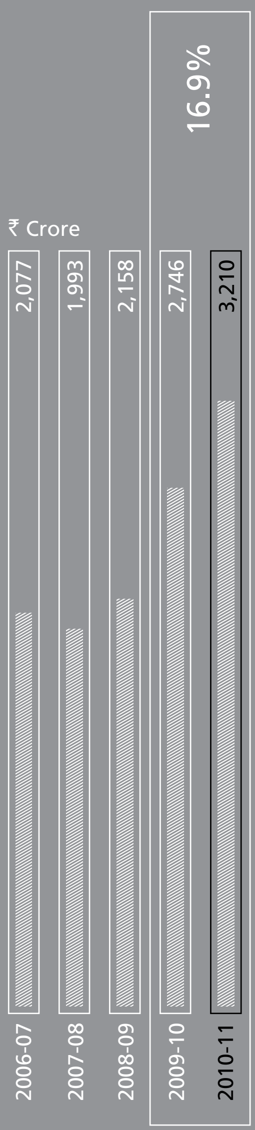
TO MAKE LIVES OF THOSE WE SERVE AND WORK WITH... SIMPLER, HAPPIER AND MORE PRODUCTIVE.

We believe, the more closely we can simulate on-ground conditions at the customer's end, the better capable we are to cater to his/her requirements.

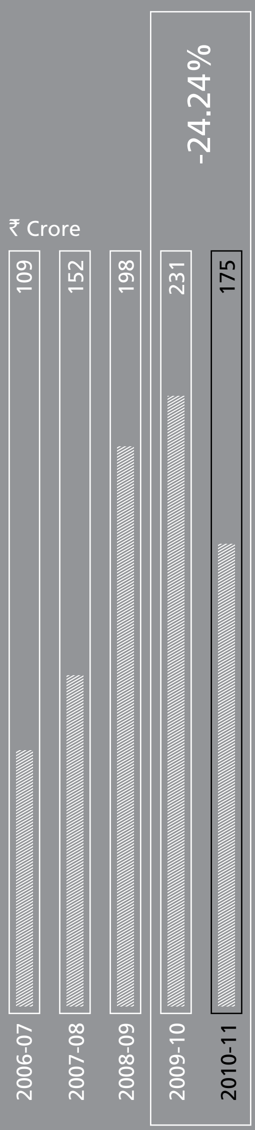
ESCORTS, TODAY HAS A NEW FACE AND YOUTHFUL DYNAMISM.

Performance at a glance

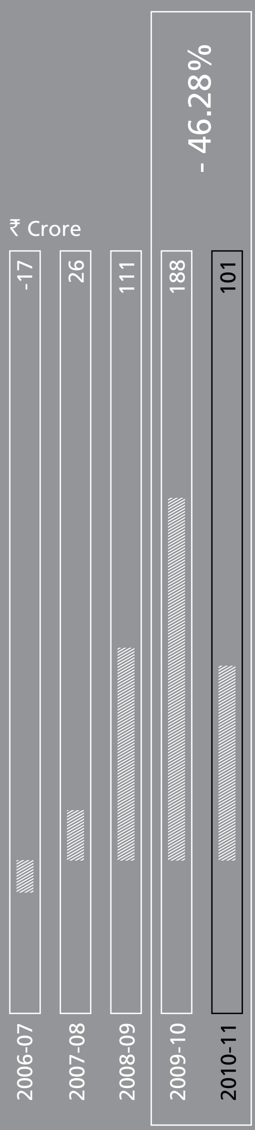
Financials*



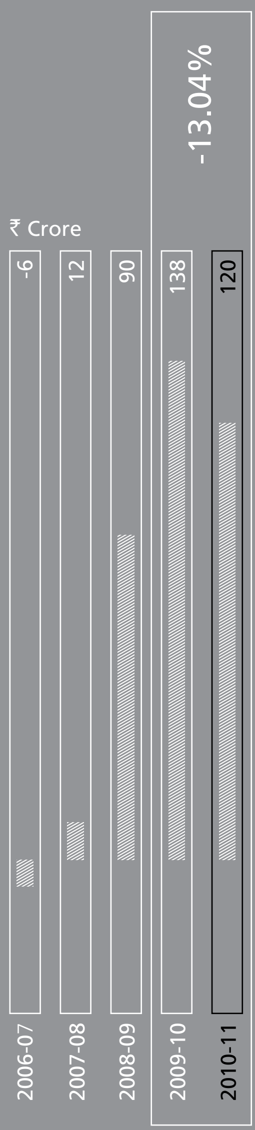
Net sales



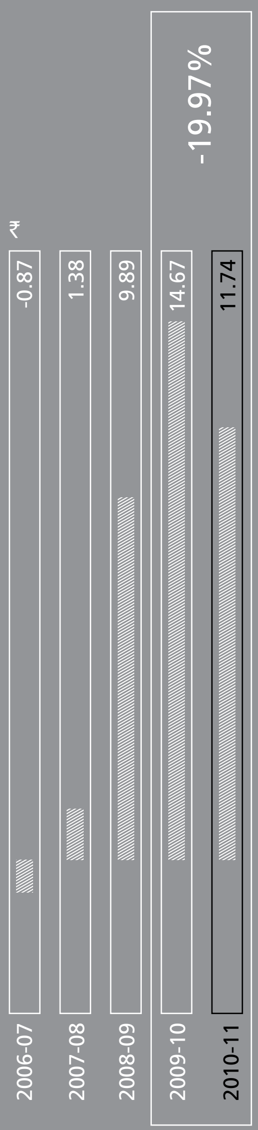
EBIDTA



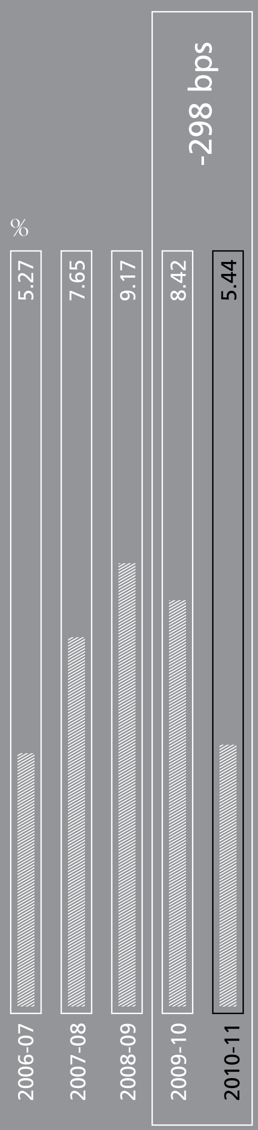
Profit before tax



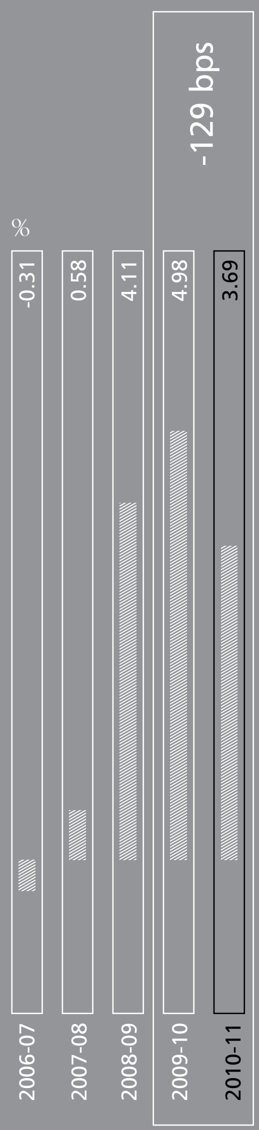
Profit after tax



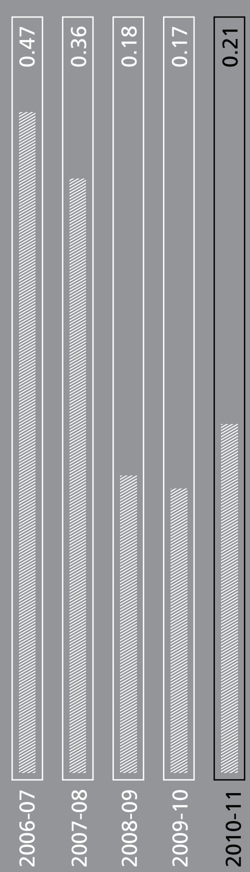
EPS



Operating profit margin



Net profit margin



Debt equity

*Standalone financials

Letter from the CMD

Rajan Nanda, Chairman and Managing Director

AT ESCORTS, WE NEVER CLAIM TO PREDICT THE FUTURE, BUT WE DO THINK THAT WE CAN CO-CREATE IT BY MAKING OUR ORGANISATION MORE FLEXIBLE AND RESPONSIVE TO CHANGING REALITIES.

Dear Shareowners,

We are all aware of the prevailing global economic and business challenges. This is a time, when businesses need to think afresh to create value for their stakeholders, and stay relevant to their customers for today and tomorrow. At Escorts, we never claim to predict the future, but we do think that we can co-create it by making our organisation more flexible and responsive to changing realities.

First, let us consider the internal culture of the organisation. For decades we have created a high-performance internal culture. Now, we are making it more customer-centric, more responsive to daily requirements and realities. This is necessary, because the customer's requirements and aspirations are fast evolving in a growing economy like India. For example, in a single farming family, two members can have altogether different expectations from a single Escorts tractor. As an organisation, we need to manufacture products that serve the purposes of both; and also create advanced capabilities, so that even to future generations, Escorts products can be the first choice in a competitive market.

This is never easy. It requires careful planning and implementation of a set of strategies that transform the way we engage with our customers and position the Escorts brand to them.

The purpose of this initiative is not just to ensure escalating revenues or a stronger balance sheet; but a more humane strategy to understand and assist the customer in elevating his/her life. If our initiatives can bring qualitative transformation to the lives of our customers; it would mean we have achieved in creating a roadmap for long-term sustainability to create enduring value for the society and the economy.

The Indian economy has now reached such a stage, when it needs to be driven by innovation. The emphasis now is not just on how big is the domestic market, or how efficiently we are leveraging that market. The crucial question to ask is how Indian businesses can create product differentiation in the existing market and build future markets. Such a transformation can only help sustain India's high rate of GDP growth in the long-term, especially when the global economic conditions are not congenial for smooth and hassle-free growth. Our great advantage is our young people, who account for more than half of the population, and are reasonably educated with high awareness levels to drive the nation forward. This is in sharp contrast to the fast ageing population of the developed West.

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We believe value extended to the customer is never destroyed, it comes back in other forms and helps strengthen organisational sustainability or even social sustainability. Excellence (in strategy and execution), Innovation (in products and processes) and Alacrity (in responding to customer aspirations) are all inextricably linked to this grand enterprise of value generation.

The strategic values of Escorts underline our definition of transformation. When we say, customer centricity, it does not mean selling a product to the customer, but striving hard to provide maximum value to him/her; value that can uplift his/her quality of life. We believe value is never destroyed; it comes back in other forms to strengthen organisational sustainability or even social sustainability. Excellence (in strategy and execution), Innovation (in products and processes) and Alacrity (in responding to customer aspirations) are all inextricably linked to this grand enterprise of value generation.

Let me now discuss our inherent business optimism. We believe the full potential of India's agrarian sector still remains unexplored. Even today agriculture employs 52 per cent of the country's workforce, but contributes only 17 per cent of the GDP (*Source: Businessworld, December 2011*). The Planning Commission has emphasised on targeting a minimum 4 per cent growth in agriculture, as it envisions broad-based income benefits to the rural population. Such an attempt will also contribute in reducing the spiralling rise in food prices.

The Government has earmarked USD 40.66 billion for various programmes in 2011-12 and has adopted multiple policy initiatives and missions to strengthen the farm credit delivery system. The objective is to provide credit at affordable rates of interest to support the resource requirements of the agricultural sector. This will facilitate timely and adequate credit support to farmers with particular focus on small and marginal farmers. These initiatives will motivate the farmers to adopt modern technology and improved agricultural practices to enhance agricultural productivity.

We believe farm mechanisation needs to be addressed with greater focus and policy initiatives to enhance agriculture's contribution to GDP. At present, only 12 per cent of India's farmers own tractors. Around 4,80,000 tractors were sold across India in the previous fiscal. A sad reality, considering the fact that with the outflow of farm labour to other economic sectors, India is expected to witness an acute shortage of farm labour in future. Enhanced awareness and automation can only drive agricultural productivity and improve living condition of farmers.

Our customer-oriented business model has encouraged us to bring to the market the 'Jai Kisan Series' of tractors. These tractors are tailor-made for multiple applications. It's a complete divergence from a one-shoe-fits-all strategy of productisation. We have received encouraging response from farmers and that has reinforced our confidence. Our objective is to deliver advanced equipment to the farmers at affordable prices.

The demand in the construction equipment sector is driven by the steady growth in the construction-related activities across India. Infrastructure creation, like the agrarian sector, is a priority sector for a developing economy like India. Notwithstanding

temporary challenges in infra investment, the demand for various earthmoving and construction segments shall witness acceleration, and is expected to achieve revenues of over USD 12-13 billion by 2015 (Source: ECE Vision 2015 – Scaling new heights in the Indian earthmoving and construction equipment industry). We have upgraded our existing product mix, and have introduced new product variants to explore the additional demand that will be generated over the years.

India's auto-component sector is having a rough ride owing to global recessionary trends and persistently high fuel prices and interest rates. However, the long-term prospects of the sector continue to be bright owing to enhanced disposable income and rising proportion of young earners in the workforce. The introduction of a steady stream of new vehicles with advanced features and conveniences in all segments will also drive demand. The sector is expected to touch USD 113 billion by 2020. Thanks to our global alliances and improved engineering processes, we are ready to grab the opportunity to fulfil the demands from the OEMs and after-sales market.

To enhance safety, capacity and efficiency in railway operations, the Ministry of Railways has prepared the Vision 2020 for Railway modernisation. It involves progressive implementation of route relay, electronic interlocking, installation of block proving axle counters and data loggers, track circuiting, along with multi aspect colour light signalling system and upgrading traction technology. It shall also introduce anti-collision devices, implement mechanised maintenance of track and adopt German technology for building coaches. At Escorts, we will leverage our R&D capabilities for successfully developing home-grown products (like BMBS for wagons and AARH Coupler with BDG for LHB Coaches) to cater to the requirements of Indian Railways.

In over six decades of our existence, Escorts has never restricted itself to being just one of India's largest engineering companies. It has played a key role in driving industrial growth and enhancing living conditions of people across the social spectrum. Let me assure all stakeholders that this process will continue and accelerate in future.

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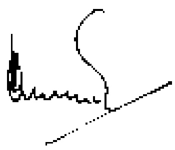
I have often wondered what drives Escorts above all else. I think it is the smile of our customers. That is the highest reward for the efforts of our motivated workforce in all areas of operation. I am thankful to all our stakeholders for keeping their faith in our potential to widen that smile.



Rajan Nanda
Chairman and Managing Director

INDIA HAS VAST RESERVES OF UNTAPPED POTENTIAL IN THE FORM OF KNOWLEDGE AND SKILL BASE AND GROWING AWARENESS LEVELS TO UTILISE RESOURCES OPTIMALLY.

Nikhil Nanda, Joint Managing Director

Message from the JMD

Dear Shareowners,

There was a time, not many years ago, when people in the developing countries sought guidance and inspiration from the developed West to create efficient and resilient economies. Now we see a complete reversal of that paradigm. At present in any economic discourse in the West, analogies are drawn with Chinese and Indian models of sustained economic growth. This is because these two countries have been the prime movers of global growth for a good many years. On the contrary, the developed economies are facing sure signs of inertia and irreconcilable contradictions.

India has vast reserves of untapped potential in the form of knowledge and skill base and growing awareness levels to utilise resources optimally. Besides, the country presents an extensive domestic market created by a billion-plus people with growing aspirations to elevate their lives. This aspiration is the fuel that drives Escorts

Performance

We are striving hard to emerge as one of the top three engineering companies in India, as enunciated in our Vision 2020 document. To achieve that objective we have evolved our core values and strategic values. The core values enshrine how we engage with our people and help enhance their capabilities. In an environment of mutual respect, transparency and camaraderie, ideas can grow and strike deep roots. The result is progressive empowerment of people.

How do we generate stakeholder value with an empowered team? The answer lies in our strategic values: through sensitised customer responsiveness (customer centricity); raising the bar of day-to-day operations (excellence); creating futuristic solutions for customers (innovation) and evolving faster, streamlined operations (agility)

The year 2010-11 tested the resilience of our business model in the face of sticky inflation, high interest rates and moderate demand slowdown. Despite challenges, our revenues increased 17.6 per cent from ₹ 2,765 crores in 2009-10 to ₹ 3,251 crores in 2010-11 and the tractor volumes improved 5.5 per cent from 60,086 in 2009-10 to 63,420 in 2010-11. However, our bottomline was impacted. EBIDTA and PAT de-grew to ₹ 175 crores and ₹ 120 crores, respectively.

Notwithstanding the temporary aberrations, we are evolving aggressive market strategies across verticals by enriching existing product mix and launching need-based products for a wide customer fraternity. We have also undertaken price revision and cost compression exercises to provide some cushion in the event of continued inflationary pressures.

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Key developments

At Escorts Agri Machinery, innovation is high on our intellectual radar. We are looking more closely at how technological upgradation can elevate product convenience for customers without driving up prices. We are exploring how better application-focused products can enhance customer centricity through improved dealer experience.

In the tractor space, we are looking at significant product expansions and improving our geographical reach. We are, therefore, focusing on providing customers a range of crop solutions and implements to complement our brands Farmtrac® and Powertrac®. Farm mechanisation will catalyse farmer productivity and profitability in future. Escorts caters to the need for customised tractors ('Jai Kisan Series') to maximise farm productivity.

Escorts Construction Equipment has also been on a growth path following an expansion in product portfolio as well as strong demand in the Indian earth moving and construction industry. After our successful stint with the launch of backhoe loader in the earth moving segment last year, we are now exploring opportunities to upgrade the machine for higher capacities. We also introduced new variants of Pick-and-Carry cranes - HYDRA 1242 (12T capacity crane with 13m reach), HYDRA 1665 (16T capacity crane with 19m reach) and HYDRA 14 (with straight axle) - with higher capacities to address the demand for high-end cranes.

We also entered into an exclusive distributorship contract with the Spain-based Comansa Jie, the third largest tower crane manufacturer globally and leveraged this partnership by achieving order for supplying cranes to construct India's tallest cooling tower in Rajasthan. In the past 12 months, ECEL has achieved an invoicing value of about ₹ 1,000 Crore. The year 2010-11 witnessed significant endeavours in the auto-component vertical. We have put the basic infrastructure in place and have made provisions for de-bottlenecking capacities. Our zeal to succeed is driven by the long-term potential of the sector.

For our railway equipment business, we signed an exclusive agreement with the Czech Republic based DAKO-CZ a.s., a globally renowned company in railway braking equipment systems, for supplying disc brake system for railway coaches. We also entered the niche domain of railway traction system through another exclusive agreement with Spain based Ingeteam, which will enable us to provide world class traction systems to the Indian Railways (IR). Such an initiative will enhance locomotive functionality and safety. The new products will be commercialised post IR's approval. We also signed an exclusive license and technology assistance agreement with U.S. based Honeywell International for providing technology for friction materials for railway application. This agreement will further strengthen our position in brake block braking system and allow us to substantially raise the bar of technological offerings and achieve a dominant position in this space. Although there may not be any significant improvement in divisional turnover in the immediate term, the EBIDTA margins for the division is expected to escalate with better price realisation and cost reduction. Escorts will also benefit from the annual maintenance contract with IR for its new-generation technology products.

Strengthening intellectual capabilities

During the year under review, we undertook measures to enhance our intellectual capabilities to empower and motivate our people. The building blocks of Escorts are its people who shape our growth trajectory. During 2010-11, we appointed Ernst and Young to create a template on our corporate governance and integrate it into a Standard Operating Procedure for all positions across the hierarchy. We are in the process of implementing their suggestions. Once fully implemented, we expect a resurgence of constructive ideas and implementation from our people.

Contribution to the community

We organised health check-up camps and blood donations in Haryana. We also enhanced awareness about child labour in and around Faridabad through hoardings in association with the Labour Department, Government of Haryana. Going ahead, we have plans to initiate medical check-up of slum children in and around Faridabad with an experienced medical team. As a responsible corporate citizen, we took initiatives towards environment protection with the help of forest department personnel.

The way ahead

At Escorts, we have always been an enthusiastic participant of India's growth story. We have tried to imbibe the vibrancy and dynamism of this great country and listen to the aspirations of its people. Our engineering research and innovation aim to maximise farm productivity to ensure India's food security and help drive industrial expansion. We believe the greatest strength of Escorts in all these decades has been its widening community of satisfied customers. This is because we chose to listen to not just those who bought our products, but who did not, making micro-customer segmentation and targeted marketing campaigns effectively, while improving supply chain efficiencies, attracting new customers and opening up new revenue streams. We will accelerate such initiatives to gain new insights into consumer perceptions, create consumer-aligned products and help drive India's socio-economic development.

In this endeavour, your trust and support remain our greatest inspiration.

Nikhil Nanda
Joint Managing Director

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Profile of the Board of Directors

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1 **Mr. Rajan Nanda,** Chairman and Managing Director, alumnus of Doon School, Dehradun, took over as Chairman of Escorts Group in 1994. He undertook a major restructuring programme to elevate the Group's businesses to a new level of excellence. The Escorts Group has made major strides in agri-machinery, construction equipment, railway equipment and auto components under his stewardship. He is an active member of several apex trade and industry bodies and a member of the CII National Council. He has served as the Chairman of its Agriculture Committee in the past.

2 **Mr. Nikhil Nanda,** Joint Managing Director, alumnus of Wharton Business School, Philadelphia (majors in Management and Marketing) is a member on the Board of most Group companies since 1997. Responsible for managing the Group's agri-machinery, construction equipment, auto products and railway equipment businesses, Mr. Nikhil Nanda drives the Group's growth initiatives by converging contemporary management techniques with real-life practical approach.

3 **Dr. M. G. K. Menon,** Director, recipient of Padma Shri, Padma Bhushan and Padma Vibhushan, is a distinguished scientist of international repute. A former minister, Mr Menon has also served as a Member of the Planning Commission, scientific adviser to the Prime Minister, secretary to various departments of the Government of India for 12 years, President of the Indian Statistical Institute, a member and Chairman of various bodies in India and abroad. He is also an FRS and an Honorary Member of IEEE.

4 **Dr. S. A. Dave,** Director, is an economist of international repute. He has a rich experience across multiple facets of financial and capital markets. Former Executive Director of IDBI, former Chairman of UTI and the first Chairman of SEBI, Mr Dave is acting Chairman of the Centre for Monitoring Indian Economy, Mumbai and is also the Director of HDFC Limited, and many other reputed companies.

5 **Dr. P. S. Pritam,** Director, has held important managerial positions in mammoth financial institutions for over four decades with diverse functional expertise — Legal & Mortgage, Finance & Accounts, Insurance Underwriting & Claims and all aspects of Client Servicing. He retired as the Executive Director (Marketing & International Operations) of LIC India, worked as the National Head (Sales & Marketing) for Allianz Bajaj Life Insurance and served on the Board of Bihar State Financial Corporation, Gujarat State Financial Corporation, Bihar State Housing Federation and various other companies.

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

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

Board of Management

1 **Mr. Rajan Nanda,** Chairman and Managing Director, is an alumnus of Doon School, Dehradun. Mr. Nanda, Chairman of Escorts Group since 1994 spearheaded a major restructuring programme to expand the Group's businesses.

2 **Mr. Nikhil Nanda,** Joint Managing Director, 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 manages the Group's agri-machinery, construction equipment, auto products and railway equipment businesses.

3 **Mr. G B Mathur,** Executive VP, Law & Company Secretary, is an ACS and LLB by profession. He has more than three decades of rich experience in the field of Corporate Law. He is part of all the major restructuring and all other important corporate decisions taken by the company from time to time. Before joining the Escorts Group he was working with Chambal Fertilisers and Chemicals Limited.

4 **Mr. O K Balraj,** Executive VP, Group Chief Financial Officer, possesses an advanced degree/diploma from the Harvard University on Project Finance. Mr Balraj possesses over 31 years of experience in financial operations and executive management. He previously worked with NSL Group, Goghenheim Infrastructure Fund, New York, Essar Group, IDFC, ANZ Grindlays and Tata Group.

5 **Mr. Ishan Mehta,** Executive VP, HR & ER, alumnus of Xavier's Labour Research Institute (XLRI), possesses over 31 years of experience in HR and ER strategies, organisational effectiveness and workplace improvement. He previously worked with DCM Limited, Ballarpur industries, Eicher Group and East India Hotels (EIH).

6 **Mr. S Sridhar,** CEO, Escorts Agri Machinery, agriculture engineer, possesses rich experience in engineering, automotive industry and manufacturing. Mr. Sridhar started his career at Mahindra and Mahindra Limited's tractor division business and acquired vast experience in TVS – Suzuki. He was the former CEO (2 wheeler) and then the President (Motorcycle Division) of Bajaj Auto Limited.

7 **Mr. Kanwal Kishore Vij,** ED & CEO, Escorts Construction Equipment Limited, mechanical engineer, has completed 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 Eicher Group, Baxy Motors (Div. of Continental Engines Ltd.) and Vege Intermotor B.V. Netherlands.

8 **Mr. Vikram Singhal,** ED & Business Head, Escorts Railways Products, is a mechanical engineer with over three decades of rich and varied experience in business re-engineering, sales and marketing, international business, manufacturing, turnaround, conceptualisation and execution of strategic initiatives. He has previously worked with Alfa Laval (Swedish), Danfoss (Danish), Amtek Auto and the Eicher Group.

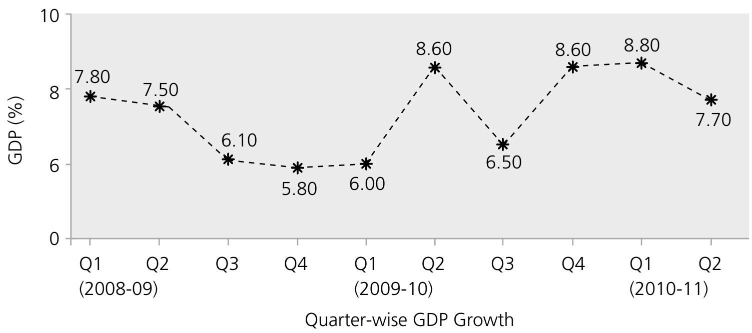
9 **Mr. Lalit K Phawa,** CEO, Escorts Auto Products, BE (Mech), MBA (Symbiosis Pune), possesses over 30 years of experience of which 16 years he has shouldered different responsibilities as CEO and MD of engineering, manufacturing and automation businesses. He has vast experience in identifying and executing M&As, JVs and business alliances as a part of growth and turn around strategies for midsized Indian and global companies. He has worked with Jervis B Webb, American Axle Inc and the Tata Group, where he turned-around a very stressed company and strategised & managed rapid growth of others.

Management Discussion and Analysis

KEY ECONOMIC TRENDS

Against the backdrop of a benign macro-economic environment in India, dark clouds loom on the horizon: rising interest rates, persistent inflation, spiralling fuel prices and depreciating rupee against other currencies. Double-digit inflation continues to be an area of concern, despite monetary tightening policy. Besides, policy slowdown is expected to jeopardise economic expansion. These factors, cumulatively, do not augur well for the economy and can lead to a moderation in GDP growth, going forward.

GDP at factor cost (at 2004-05 prices)



Source: CSO, Ministry of Statistics and Programme implementation

The agricultural sector has grown 7.5 per cent in the quarter ended March 2011 vis-à-vis a growth of 9.9 per cent registered in the previous quarter, driven primarily by bumper *Rabi* harvest. The agricultural sector grew by 1.1 per cent during the same period of last year. The quarter ending June 2011 grew 3.9 per cent against 2.4 per cent of the corresponding period last year, reinforcing optimism. The first advance estimates demonstrated an upward revision in the *Kharif* food grain production for the

Domestic tractor sales grew by about 20 per cent in 2010-11 owing to normal monsoons in most states, strong farm output with high MSPs (Minimum Support Prices), increase in farm incomes and steady availability of finance.

2011-12 cropping season. The total foodgrain production is estimated at 123.9 MT as compared to 120.2 MT in 2010-11, a 3.1 per cent increase. India's rice production, the world's second largest, in FY12 *Kharif* season is likely to be 87.1 MT, compared to 80.7 MT last year.

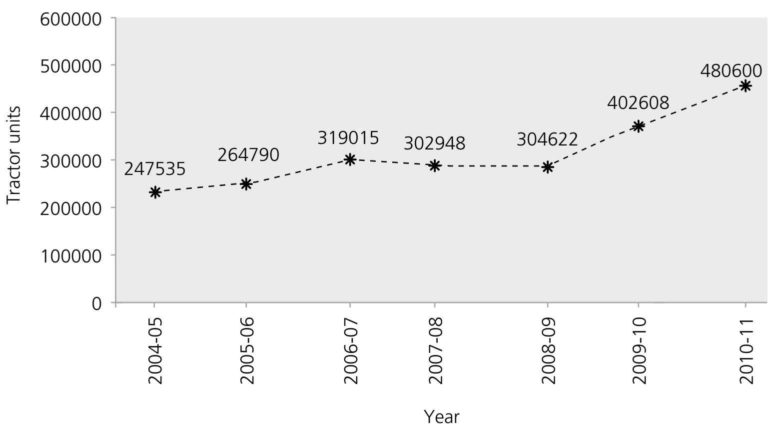
INDUSTRY TRENDS

India's Tractor Industry

Domestic tractor sales grew by about 20 per cent in 2010-11. The robust growth rate can be attributed to normal monsoons in most states, strong farm output with high MSPs (Minimum Support Prices), increase in farm incomes and steady availability of finance. In addition, schemes such as NREGA (National Rural Employment Guarantee Act) led to a shortage of agricultural labour, encouraging tractor use. Besides, government initiatives like Bharat Nirman helped in boosting rural infrastructure, thereby encouraging non-farm tractor use.

Sustained income and relatively low penetration led to a strong growth in the southern and western regions. In the northern region, the growth was subdued due to flood-like situations in Haryana and Punjab, and relatively high tractor penetration. The Eastern region also witnessed moderate growth due to delayed monsoon in Bihar, resulting in a drought like situation, impacting tractor sales.

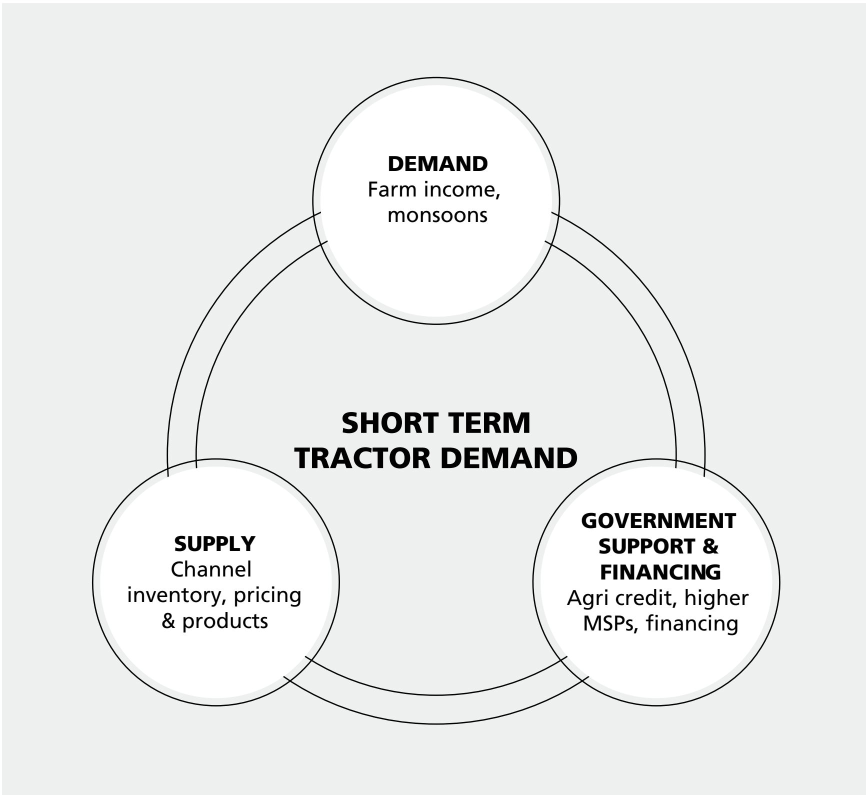
Indian Domestic Tractor market trend



Source: TMA

Some of the factors that affect tractor demand are classified into short-term and long-term factors

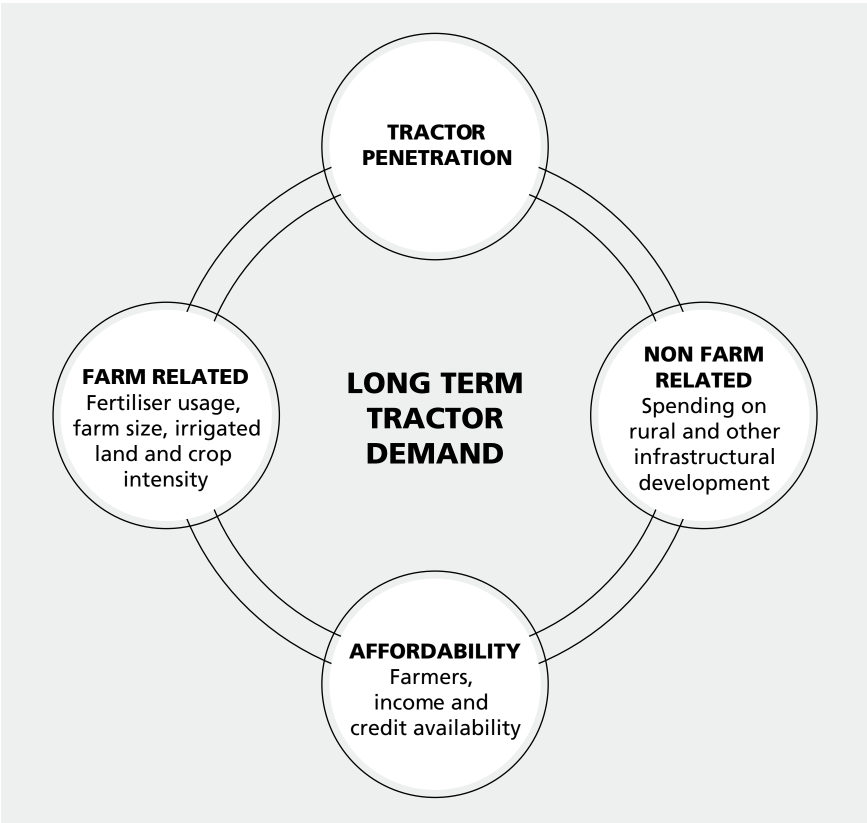
Short-term tractor demand:



The MSPs for 2011-12 are estimated to remain at 2010-11 levels. Crop output is expected to be higher during the year, aided by normal rainfall, increased availability of finance, coupled with favourable government initiatives in the form of higher agricultural credit. This would lead to an increase in farm income (value of crop output) and drive sector's growth. Escalating demand and government policy are favourable factors that will drive tractor demand.

According to CRISIL estimates, the domestic tractor sales are expected to grow by about 11-14 per cent in 2011-12, owing to an increase in farm income, improving MSPs and higher farm output. Credit availability will also be stable with NBFCs increasing focus on tractor financing. The key drivers of rural farm incomes are estimated to grow by 16 per cent in 2010-11, which will lead to another year of stable growth, further aiding tractor sales. Government initiatives towards rural development and usage patterns of farmers represent the major drivers that influence rural demand.

Long-term tractor demand:



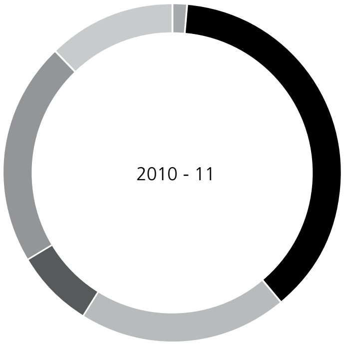
Growing need for farm power per hectare and increasing substitution of manual and animal labour for various farming operations continue to drive the structural growth for tractor sales. Increasing finance penetration with more affordable finance rates have enabled a larger number of farmers to own tractors. Concurrently, the economics of tractor operation improved owing to increasing custom hiring for agricultural and other purposes, including transit of farm produce, and transport of people and materials for road construction and other infrastructure projects.

However, a sharp growth rate is unlikely to continue because of the narrowing gap between current and potential penetration levels in some states. Besides, problems or perceptions related to credit quality or inadequate irrigation would continue to constrain growth in less penetrated states.

Region-wise tractor sales for the industry

The Northern region forms the largest Indian market. It comprises Punjab, Haryana, UP and Bihar, contributing nearly 38 per cent of the total tractor sale. This is followed by West India (Maharashtra and Gujarat) with 22 per cent of total tractor sales; South India (AP, Karnataka, Tamil Nadu) with 21 per cent of total sales, Central India (with 12 per cent) and East India with 7.5 per cent of total sales.

Regional Tractor Sales (October-June 2011)

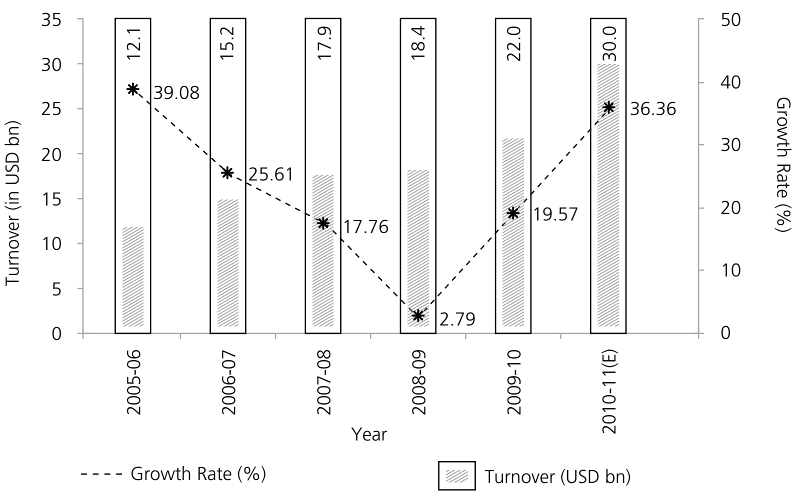


	%
North	37.9
West	21.6
South	20.7
Central	12.1
East	7.5
Instt	0.3

India's Auto Component Industry

India's automobile market has emerged leaner and more efficient, post downturn of 2008-09. With the rapidly growing Indian market, several international OEMs are exploring opportunities in setting up production bases in the country. The ACMA (Auto Components Manufacturing Association) has estimated the industry growth at 36 per cent in FY2010-11 (USD 30bn turnover), of which exports account for 17 per cent (USD 5bn exports) growing 27 per cent YoY. The exports comprise 80 per cent OEMs and 20 per cent aftermarket demand. The investments in the industry were estimated to have increased to USD10.3 bn in FY2010-11 from USD 9 bn in the previous year.

Turnover and growth of the Indian auto component industry



Source: ACMA

Industry Structure

India's auto component industry is large and highly fragmented with around 400 organised players, contributing around 80 per cent of the revenues and predominantly catering to the original equipment (OE) markets. With over 2 million vehicles of its origin, India is destined to become the global hub for auto components by the middle of this decade. True to its tradition, Escorts intends to perform its role of a leading manufacturer and supplier of global markets. Competence in manufacturing and sourcing for domestic and international markets, operating in and out of India, China, Taiwan and Korea will be developed to cater to OE and after markets respectively.

Market Size

The automotive component industry's output in 2010-11 increased 36 per cent over 2009-10 to USD 30 billion. India's auto component industry has the opportunity to tap around USD 110 billion by 2020.

The major Indian auto parts makers are on track to report a strong growth, on the back of robust after-sales demand and growing exports. The revenue growth rate of auto ancillary companies is expected to be in line with auto OEMs. In the first half of the fiscal, production by all OEMs in the auto industry had demonstrated positive growth, compared to the corresponding period of last year, resulting in corresponding growth in customer demand.

Suspension Industry

Global Automotive Industry Trends

The global auto component demand is expected to grow from ₹ 66 lakh crore to ₹ 101 lakh crore at a CAGR of 4 per cent during the period 2009-20. North America, Western Europe and Japan (the tried markets), which have traditionally been the largest markets for vehicles and components will continue to dominate the market although their share is expected to reduce over the next 10 years. The next wave of demand growth would to be driven by emerging markets like China, India, Brazil, Russia and Thailand.

Within the auto component industry, body & structural, engine & exhaust and electronics & electrical systems are the largest component segments, each accounting for ~20 per cent of the total market. Suspension and braking segment accounts for ~11 per cent of the total auto component demand and is expected to grow from ₹ 7 lakh crore to ₹ 11 lakh crore during the period 2009-20.

Auto Suspension Industry

Indian Auto Suspension market (including railway suspension) is worth ₹ 5,300 crore (in year 2011). The OEM segment accounts for approx 90 per cent of this market and rest being replacement industry. Two wheelers form the largest segment and account for 60 per cent of the total suspension market followed by passenger vehicles (35 per cent).

The Auto Suspension market is growing at a CAGR of 13 per cent, in line with the strong growth in vehicle production. This large and fast growing industry is fragmented with a significant number of small and medium sized companies serving it. Several players also have multi-site operations due to factors such as customer needs, proliferation of tax exempted zones and varying labor laws and policies across states. The top five players (Munjal Showa, Gabriel, Endurance, Tenneco and Escorts) account for approx 58 per cent of the total market while around 100 small and regional players hold 22 per cent market share.

The Auto Suspension market is growing at a CAGR of 13 per cent, in line with the strong growth in vehicle production.

Optimism from the passenger vehicles

* Passenger vehicles are expected to see the largest capacity expansion – which implies a 24 per cent production CAGR assuming similar capacity utilisation rates as seen in FY10
* Passenger vehicles production grew 28 per cent in FY10 primarily driven by domestic volumes augmented by export growth of around 33 per cent YoY; hence, for the implied 24 per cent production CAGR between FY10 and FY12, exports proportion to total volumes should increase from around 19 per cent in FY10 to around 21 per cent in FY12
* Large passenger car OEMs have set up capacities to specifically address export opportunities, hence we believe exports proportion increasing in the next two years is likely

Exports

During 2010-11, the industry exported goods worth USD 5 billion (around 17 per cent of its output). The principal export items include replacement parts, tractor parts, motorcycle parts, piston rings, gaskets, engine valves, fuel pump nozzles, fuel injection parts, filter and filter elements, radiators, gears, leaf springs, brake assemblies and bearings, clutch facings, head lamps, auto bulbs and halogen bulbs, spark plugs and body parts. These exports are expected to grow by 20-25 per cent in 2011-12.

Growth Drivers

* Rising vehicle demand:- Vehicle production surged to around 17.9 million in 2010-11 and is expected to increase further with Global Original Equipment Manufacturers (OEMs) increasing their penetration in India to establish their manufacturing base.
* Low-cost and high-quality standards:- India enjoys the dual benefit of low labour costs and superior international standards, reducing cost significantly. An average cost reduction of nearly 25-30 per cent has attracted several global automobile manufacturers to enter the Indian market post liberalisation.
* Availability of low-cost skilled manpower:- India produces close to 0.4 million engineering graduates annually with the cost of entry-level engineers as low as USD 8,000 a year. The country accounts for 26 per cent of the world's Engineering Service Outsourcing (ESO).
* Policy initiatives:- De-regulation and policy initiatives, such as lower excise duties, realisation of value added tax (VAT), among others, have been implemented. Foreign direct investment (FDI) up to 100 per cent is permitted through the automatic route for the manufacture of automobiles and components.

Road Ahead

The automotive component industry in India displays strong potential in generating employment and promoting entrepreneurship in the country. The series of new investment plans announced by global and domestic automobile manufacturers reinstates the emergence of India as a global hub for auto components. The demand surge, with the growth of the automobile industry, will see the emergence of several new players in the industry. The extensive market for auto components, and the diverse products and technology involved ensures a place and role for many. Among the smaller players in the unorganised segment, the industry could witness a shift from being standalone companies, to entering into either contract manufacturing or being ancillary units. The newly defined rules of specialisation, development and delivery, holds the key to success in the auto component industry.

Indian Railways in its roadmap, Vision 2020, outlined its growth strategy, wherein it proposes a ₹ 14,000 bn investment over the next 10 years towards modernisation and network expansion.

India's Railway Component Industry

Indian Railways: Upcoming modernisation and expansion

Indian Railways in its roadmap, Vision 2020, outlined its growth strategy, wherein it proposes a ₹ 14,000 bn investment over the next 10 years towards modernisation and network expansion. Indian Railways is also expected to increase its capacity by adding additional lines as well as doubling existing lines over the next decade. It plans to lay 2,500 km of new lines and double or multiple of around 30,000 km rail route by 2020.

The major priorities of the Indian Railways under the XI Five Year Plan comprise:

1. Building capacity through network augmentation by constructing new lines, including dedicated freight corridors, gauge conversion and doubling of congested routes.
2. Enhancing capacities on high density network and other line capacity improvement works and traffic facilities.
3. Augmenting capacity for rolling stock production and increased procurement of rolling stock including wagons, EMUs, among others
4. Technological upgradation and modernisation of fixed infrastructure and rolling stock, upgradation of routes for heavy axle load movement.
5. Modernisation of freight and passenger terminals, developing world class stations.

Capacity Enhancement (in ₹ bn)

Projects	Short Term (2010-2012)	Long Term (2012-2020)
New Line/doubling / tripling	160	2,940
Gauge conversion	70	280
Metro transport project	94.5	510
Track renewal & 25T axle load	162.7	551
Bridges	10	70
High speed corridor	0	2,000

Source: Ministry of railway "Indian Railways Vision 2020"

Vision 2020 of Indian Railways offers the following opportunities

The thrust of Vision 2020 is to move away from the incremental approach to capacity followed so far and embrace bold programmes for creating capacity ahead of demand. Some of the major goals outlined in the Vision 2020 document include:

a. Benchmarking the quality of service to the best of Railway systems globally

b. Expanding the route network at the rate of 2,500 kms annually; by 2020, 2,500 kms of new line is targeted to be added and almost the entire network should be in Broad Gauge

c. Doubling quadrupled lines of 12,000 kms, electrification of 14,000 kms of routes which would take the total length of electrified route to 33,000 kms

d. Having over 6,000 kms for quadrupled lines with segregation of passenger and freight service in separate double-line corridors. This shall include Delhi-Kolkata, Delhi-Mumbai, Delhi-Chennai and Kolkata-Mumbai routes

e. Eliminating shortage and attaining a state of 'availability on demand' in freight, passenger and parcel services

f. Targeting to achieve zero accidents and zero failures in equipment

g. Utilising at least 10 per cent of its energy requirement from renewable sources and institute a fool-proof eco-friendly waste management system

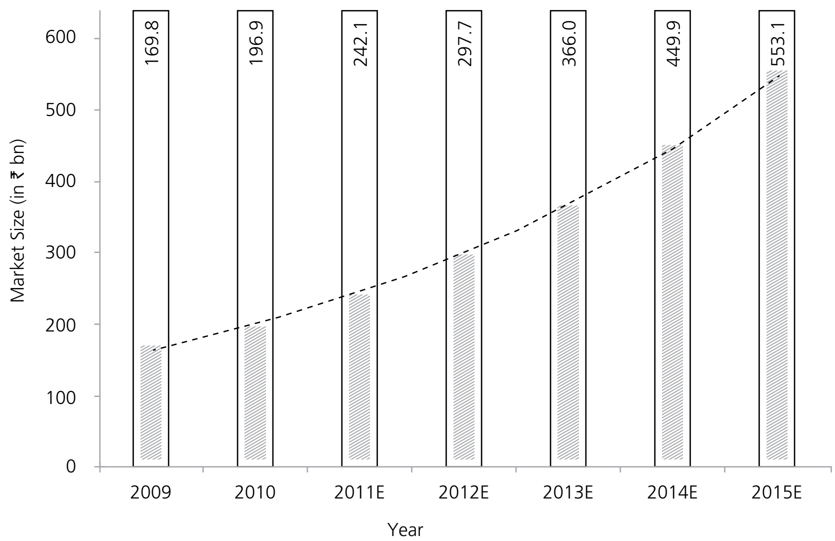
h. Completing four high-speed corridors and plan the development of eight others

India's Construction Equipment Industry

Increasing investment in infrastructure development will lead to the growth in the construction market

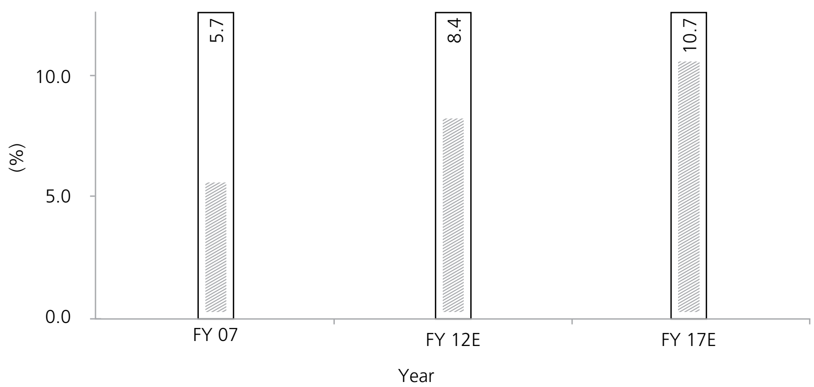
* Construction industry in India is growing rapidly with a major contribution from infrastructure development. It is expected that various projects in transportation infrastructure, power, urban infrastructure and real estate will drive the market. The development aided by a stable Government and improved macro-economic environment will lead to further growth.
* The Government of India has allocated ₹ 2.14tn (2011-12) to infrastructure growth, indicating strong commitment to the development of infrastructure in India.
* With the development in infrastructure, construction equipment market is expected to witness a rapid growth. It is expected that with the implementation of large projects, demand for specialised construction equipment will increase, which includes crawler excavators, wheeled loaders, crawler dozers and compaction equipment.

Construction Equipment Market Size



- Development of infrastructure will be supported by the Indian government. Recently, it has been forwarded that the government will invest ₹ 46 tn in infrastructure by 2020. Bulk of this investment will be for construction equipment in areas, such as roads, irrigation and mining.

Expected share of infrastructure in GDP



Greater penetration of global original equipment manufacturers will develop the market

India's construction equipment market will be further encouraged with increasing presence and engagement of global OEMs in India, on the back of cost competitiveness and availability of skilled manpower. This would lead to new equipment manufacturers setting up their base in India by 2012.

India's construction equipment market will be further encouraged with increasing presence and engagement of global OEMs in India, on the back of cost competitiveness and availability of skilled manpower.

Industry challenges

Construction equipment manufacturers are facing challenges in terms of imports from low-cost countries, especially from China, who are increasing their distribution centres and after-sales network in India. China, along with Korea, is expected to offer competition to Indian construction equipment exports to the developed markets.

Although Chinese imports have been considered to be a threat, quality awareness among Indian consumers will curb large scale imports.

COMPANY'S PERFORMANCE

In line with its consistent focus on Indian agricultural growth, your Company invested significant (over one year) engineering and product development effort to launch the Escorts 'Jai Kisan Series'. This is a path-breaking initiative that recognises the new market order for varied needs of the Indian farmer, changing tractor usage for specialised applications and use of modern and heavy-duty implements and attachments, thereby offering wider options for agricultural, infrastructure as well as specialised applications for land development activities.

Promoting the thought behind this innovation through its slogan 'Ab kaam jaisa, tractor waisa', the new initiative has been launched in the markets of Punjab, Haryana, Rajasthan and Uttar Pradesh. The New 'Jai Kisan range of tractor' series offers a differentiated product portfolio catering to specific application needs of various agro-climatic zones in the country and offering improved product features and performance. The new Escorts 'Jai Kisan Series' comes in five new categories - ValueMaxx, LoadMaxx, AgMaxx, InfraMaxx and SuperMaxx.

The five variants are detailed below

SuperMaxx
For agricultural and haulage

* Easy to drive
* Ideal for heavy machinery
* Big tyres to enhance speed
* Best for rotavator, laser leveller, reaper, loaded trolley and potato farming

AgMaxx
For special applications in agriculture

* Heavy lifting capacity
* Better brake system
* Easy to attach and detach heavy trolleys
* Ideal for sugarcane and potato farming

LoadMaxx
Specialised for haulage

* Strong Engine - adjusts RPM on overloading
* High-speed on road, better brakes, low maintenance, cerametallic clutch
* Easy drive through muddy stretches
* Best for single, double and triple axle trailer

ValueMaxx
Ideal for basic agri purposes

* Easy-to-change gear, easy to turn
* Fuel efficient, long-standing engine life
* With 1250 tn lifting capacity – apt for rotavator
* Minimum water for radiator maintenance

Inframaxx
Ideal for infrastructure and agri purposes

- Tractor for infrastructure-based applications
- Specialised Heavy Duty front axle for high load applications

The Company's Railway division has signed an exclusive agreement for the supply of disc brake systems for railway coaches with the Czech Republic based DAKO-CZ a.s. , a globaly renowned company in railway braking equipment systems. This partnership will enable Escorts to offer cutting-edge technology and world-class disc braking systems for LHB design 'High Speed Passenger Coaches' of the Indian Railways.

Today, your Company is investing in critical technology-oriented tasks to introduce new products and provide complete solutions to realise the modernisation plans of Indian Railways. The agreement with DAKO-CZ will unleash new business streams for Escorts in the domain of high-end disc braking system. It will give the organisation an edge over competition, both in terms of quality of products as well as price.

In the construction equipment division, your Company has launched various models to suit customer needs. It has introduced new variants of its Pick-n-Carry cranes in Rajasthan – HYDRA 1242 (12T capacity crane with 13m reach with option of 3 part standard boom and 3 part slotted boom) and HYDRA 1665 (16T capacity crane with 19m reach). These models will cater to the rising market demand for high-end cranes. Keeping the need and requirements of the hiring segment, the Company also introduced HYDRA 14 (with straight axle).

Escorts is investing in critical technology-oriented tasks to introduce new products and provide complete solutions to realise the modernisation plans of Indian Railways.

Historically, large number of tractors are sold on credit, despite an increase in the non-performing assets (NPAs) for financial institutions over the last few years, which has led to some tightening of credit norms.

Opportunities & threats

The long-term prospects of the Indian tractor industry are highly dependent on Government policies for the agriculture sector. Historically, large number of tractors are sold on credit, despite an increase in the non-performing assets (NPAs) for financial institutions over the last few years, which has led to some tightening of credit norms. There has also been a sharp increase in the cash purchases since 2009-10, indicating an increase in disposable incomes in the rural markets. Most of the tractor financing done by banks comes under priority sector lending, a directed-lending mechanism of the Government of India.

Competition

The Indian tractor industry is dominated by three players namely Mahindra & Mahindra Limited, TAFE and Escorts; together they contribute more than 75 per cent of the total domestic market as of 2009-10. M&M continued to lead the industry in 2009-10 with the acquisition of Punjab Tractors in 2007-08. M&M’s market share is double that of TAFE, its nearest competitor. However, the entry of strong MNC players like John Deere (formerly L&T John Deere), New Holland India and Same Deutz Fahr in the Indian market during the last five years has further intensified competition.

Risks & concerns

Raw material cost

The raw material cost represents the largest expense head of the tractor industry with alloy steel and pig iron (primary components), accounting for 75-80 per cent of the total raw material cost.

Over the past preceding three years, the prices of both pig iron and alloy steel have been volatile and rose by 30.6 per cent and 9.7 per cent, respectively in 2008-09, before declining by 10.2 per cent 14.0 per cent, respectively, in 2009-10. For 2010-11, the prices of pig iron and steel are estimated to have increased by 24-25 per cent and 12-13 per cent, respectively. The rubber prices have surged by 39 per cent during the current year.

Fuel price

With the price of crude oil rising significantly over the past few months, the price of automotive fuel is likely to face upward pressure.

However, going by the trends, in the coming year we are expecting global softening of commodity prices, though currency depreciation can have some adverse impact.

Monsoons

With the normal monsoons in the country so far till September 2011, we expect good agricultural growth for the year. The tractor sales to some extent run the risk of a demand drop in case of a significant variation in monsoon.

Outlook

a). Agri machinery

Industry research projects domestic tractor sales to increase at 8-10 per cent CAGR from 2010-11 to 2015-16 as against 12 per cent CAGR from 2004-05 to 2009-10. The overall decadal average for tractors has been 6-7 per cent over the last three decades. The experts estimate this average to be higher going ahead, with reducing replacement cycles, stable farm income and increased focus of government on agri and rural development. The exports are also expected to surge by about 40-45 per cent in 2010-11 and record a CAGR of 17-18 per cent by 2014-15, chiefly on account of increasing demand from the African countries, coupled with recovery in the US economy. The industry's profitability is however expected to remain moderate in the medium term, considering the high competitive intensity and low capacity utilisation levels, although larger players could benefit from scale economies. The margins, on the other hand, are expected to remain vulnerable to adverse changes in commodity prices and recent currency depreciation.

b). Auto suspension

Auto sales continued to be healthy across the industry notwithstanding the signs of expected slowdown, rising interest rates, tightening credit, commodity inflation (translating into higher vehicle prices) and higher fuel prices. Cars are the only segment, which witnessed weak growth YoY, dragged down by few large OEMS.

The industry is positive on the automobile component sector, driven by strong OEM volume growth (passenger cars, commercial vehicles and 2-wheelers) as well as its significant capacity expansion plans over the ensuing two years. The auto component manufacturers would have a higher bargaining/ pricing power, supported by high replacement demand and superior technology and R&D.

Your Company's Auto Products Division is well aware of the challenges in the wake of increasing competition, and is equipped to handle those challenges. We believe that the following measures that we have undertaken will keep us ready for the changes going forward:

Rejuvenating our brand

Escorts' brand rejuvenation is going to be achieved through business vertical of consumable product division, enabling the flag bearers in the field to enter into any auto shop and sell at least one product to every shop owner.

Advertising and internet marketing efforts

Traditionally, this market is dominated by personal selling mode of promotion. Advertising and publicity creates very low tremors, whenever applied by top end brands at consumption levels. The scenario will encounter slow change in favour of internet selling through cataloguing. The Indian version of web portal Tecdoc (ESCOMP) will be launched by Escorts and is expected to play a dominant role in 2014-15.

Supply chain revamping

The supply chains are being designed to meet GST loaded One India Market with Delivery time of 48-72-96 hours at retail outlet from the warehouse on hub and spoke network.

Adoption of latest technology

Inventory software will be in place for better demand forecasting models with inventory controls and global standard warehousing facility to develop an

The supply chains are being designed to meet GST loaded One India Market with Delivery time of 48-72-96 hours at retail outlet from the warehouse on hub and spoke network.

Following a surge in the infrastructure industry, the construction equipment market is expected to grow as there is a direct link between construction equipment and infrastructure development.

expertise, which forces incoming global giants to opt for Escorts facility for selling and distribution network.

c). Railway equipment

Your Company is one of the key suppliers to the Indian Railways for products including brake systems, couplers and shock absorbers, among others. The wide product range, combined with in-house R&D capabilities will enable your Company to capture the immense opportunity from the Indian Railways capital outlay over the next decade.

The majority of Railway components division is aimed at Indian Railways, with more than 90 per cent of the total turnover coming from the Indian Railways supplies. This division is into three aspects of Indian railways --- safety, comfort and environment. The bulk of our supplies are into safety aspect like brake systems, couplers and brake blocks. Quality is the main deciding factor in this segment and Indian Railways is never known for any compromise on quality, when it comes to safety segment. Thus assuring quality and at the same time ensuring our brand association with quality will be marketing formula. Indian Railways has always been a quality-focused customer and because of the same reason the main priority of Railway Division's marketing plan is to associate quality with Escorts brand image.

d). Construction equipment

Following a surge in the infrastructure industry, the construction equipment market is expected to grow as there is a direct link between construction equipment and infrastructure development. Government of India (GoI) plans to step up its infrastructure expenditure as a percentage of the national gross domestic product (GDP) from its earlier levels of 6.5 per cent in 2008–09 to around 9 per cent by 2014. The GoI has also announced that investment in the infrastructure sector is expected to total USD 1 trillion in the Twelfth Five Year Plan (2012–17), compared with USD 514.04 billion in the Eleventh Five Year Plan (2007–2012).

The construction equipment market will foresee a significant demand from sectors, such as power, road, railways, irrigation, port, airport and real estate. A majority of this demand has been created due to the initiative and investment made by the government.

Material developments in human resources / industrial relations

Corporate Social Responsibility

Community development

- As part of the community development, we indulge ourselves in multiple health-related activities, such as check-up camps, blood donations, among others in Haryana. This year also we will be organising the Health check up camps. Going ahead, we will be organising the Blood Donation Camp in association with the Red Cross Society (district Faridabad), in our premises.
- Spread awareness about child labour in and around Faridabad through hoardings in association with Labour Department, Govt. of Haryana. This year too we will be carrying out the abolition of Child Labour along with the Labour Dept. of Faridabad and also planning to spread awareness programme on AIDS through government hospitals.
- We have definite plans for the Medical checkup of Slum children in and around Faridabad through our Doctors team.
- Environment Preservation: Tree plantation done in and around Faridabad with the help of forest department.

Some of the awards and accolades won by your Company are as follows:

a). Greentech Environment Excellence Award-2011:

Your Company is pleased to announce that ESCORTS LIMITED – Knowledge Management Centre (KMC) has bagged the Gold Category award in Engineering Sector instituted by Greentech Foundation, Delhi for outstanding performance in "Environment Management"

b). Escorts Agri Machinery (EAM) wins accolades at INSSAN:

Employees of EAM participated in various competitions organised by the Indian National Suggestion Scheme Association New Delhi (INSSAN) at ESSEX farms, Convention Centre, New Delhi on 3rd and 4th June 2011. INSSAN is a platform to recognise the value of employees for their intelligence, experience, attitude and feelings.

c). Escorts won Flower Festival Awards 2011 organised by Haryana Urban Development Authority.

d). Recognition of Escorts R&D Centre renewed for next five years i.e. up to 31st March 2016 based on R&D Projects under taken during last three years.

e). Your Company was the First Winner in Solid Model Contest 2011- this award is about the focus on 3D imaging and predictive analysis to reduce the number of physical prototype to save time, cost and energy consumption.

f). Escorts Limited receives prestigious Haryana State Safety Awards.

Employee Development

Escorts manages 5,338 employees at all levels. Some of the major initiatives undertaken towards employee development include:

- Organised more than 100 technical training programmes; this year too, the same initiative is being undertaken for the technical department of our employees in all our Group Companies
- Organised behavioural workshops by renowned trainers; this year also we will be conducting behavioural workshops for our employees
- Organised Health and Safety seminars for employees and vendors; this is an on-going activity and this year too it will be conducted
- Organised Yoga classes for employees
- Facilitated participation and involvement of employees in SGAs and Suggestion schemes and other committees; SGA is an ongoing activity and this year it is being further extended to all the service departments and the programme has already started.

Human Resource/Industrial Relations

To align the organisational structure with business growth and strategy, your company has sought the services of Ernst & Young, a global consultant for organisation study and re-designs. The output of this initiative is expected to overhaul Performance

Management System, help in Career planning 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 (with the help of E&Y) has also 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.

In February 2010, 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. The same is currently in force.

Recently, our Union (HMS) has conducted the election for next 2 years. Our ER department is responsible to oversee its work and its peaceful completion on time without creating any trouble for the Union and or the Management. It was successfully arranged the same by the ER department.

Internal control systems

The Company maintains adequate internal control systems, which provide, among other things, reasonable assurance of recording the transactions of its operations in all material respects and of providing protection against significant misuse or loss of Company assets. 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 an internal audit team. The aim was to develop, ensure and sustain an effective risk-management framework to manage risks. It has recently introduced an Enterprise Resource Planning ("ERP") package, which enhances the internal control mechanism. The Company has a strong and independent internal audit function.

Financial performance with respect to operational performance

The financial statements have been prepared in compliance with the requirements of the Companies Act, 1956 and Generally Accepted Accounting Principles (GAAP) in India. The Company has provided segment reporting on a consolidated basis as per standard AS 17 on segment reporting. This information appears along with the consolidated accounts.

Financial information

a). Fixed Assets

As at 30th September, 2011, the Fixed Assets was ₹ 1,515.40 crores as compared to ₹ 1469.14 crores as at 30th September, 2010. The major items of capital expenditure were on new product development, de-bottlenecking and research & development.

b). Inventories

The inventories increased to ₹ 327.36 crores in 2010-11 from ₹ 295.50 crores in 2009-10 owing to higher level of activity and enhanced project inventory due to new product launches.

c). Sundry Debtors

Sundry debtors increased to ₹ 340.53 crores in 2010-11 from ₹ 332.62 crores in 2009-10. In absolute terms, the debtors increased owing to increased sales but the debtors' level as a percentage of gross sales and income from operations reduced to 10.4 per cent in 2010-11 from 12.03 per cent in 2009-10. This is a result of judicious credit management, control and its emphasis on collections.

d). Cash Balance

Cash & Bank Balance increased to ₹ 287.19 crores in 2010-11 from ₹ 174.41 crores in 2009-10

e). Loan Funds

Loan (both Secured and Unsecured) increased to ₹ 372.60 crores in 2010-11 from ₹ 298.60 crores in 2009-10 on account of capex requirement for the existing facilities.

Corporate Finance

Working Capital

Your Company continued to focus on efficient cash management and ensured that it had adequate liquidity and cash to meet seasonal variations. Its ability to contain interest costs through a mix of initiatives, such as faster sales realisation, better access to low-cost funds for working capital and increased earnings through treasury operations is considered to be one of the significant achievements during the year. Going forward, we expect to continue to benefit from cost efficiencies and effective cash management initiatives adopted in response to the challenging market conditions last year, including active management of working capital, effective use of our ERP systems for developing systems and processes for enhancing control.

Escorts continued to focus on efficient cash management and ensured that it had adequate liquidity and cash to meet seasonal variations.

Channel Finance

Your Company facilitated dealer finance tie-ups with banks and financial institutions by leveraging the strengths of its relationships with banks. A dedicated team was appointed to visit dealers across India at regular intervals to conduct this initiative. In the previous year , your Company has formalised 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 programme size of ₹ 250 crores (State Bank of Patiala ₹ 50 crores and Punjab National Bank-200 crores). In a span of 5-6 months, the dealer portfolio under channel finance has touched 193 dealers.

Enterprise Resource Planning

Following a detailed review of the different Enterprise Resource Planning instances, running in the various Escorts divisions, it was decided to consolidate all the Enterprise Resource Planning instances into a single group-wide instance, based on the latest advanced version of Oracle Enterprise Resource Planning. This would help your Company in bringing about operating synergies across the different divisions by standardising, to the maximum extent possible, the operating processes, master data and applying the checks and controls as per SOPs.

Following a detailed review of the different Enterprise Resource Planning instances, running in the various Escorts divisions, it was decided to consolidate all the Enterprise Resource Planning instances into a single group-wide instance, based on the latest advanced version of Oracle Enterprise Resource Planning.

The project scope includes implementing the Purchase, Material, Planning, Manufacturing, Sales, Finance, Enterprise Asset Management, Warehouse Management and Collaboration modules. This would allow most of the transactional functions of business to be mapped onto the new Enterprise Resource Planning.

Since this project will bring the different Escorts divisions to use the common Enterprise Resource Planning platform for managing their operations, the project has been aptly named 'SANGAMAM' meaning coming together of people/ideas/things for a common cause.

This implementation will result in capturing clean and accurate data, enforce system enabled controls, allow seamless integration of different functions, facilitate consolidation of accounts and help generate system-driven MIS. Most importantly, it would allow the management to view the state of various business critical parameters like inventory, production, sales, cash flow and outstanding positions in a near online state thus increasing the transparency and accountability across the enterprise. This project will create a cost-control environment and greatly help in monitoring and reducing operating cost.

As part of this initiative, a state-of-the-art data centre has been built in the corporate office, housing high-end network devices, fail-proof clustered RISC based servers and Building Management Software. This will result in consolidating the infrastructure backbone to service our internal and external customers from a single location.

To implement this initiative we have partnered with some of the leading names of the IT industry including Oracle, IBM, Wipro & Cisco. Currently, the Enterprise Resource Planning project is in an advanced stage of implementation with the go-live planned in next year.

Investor Relations

During the year, your Company has actively participated in a number of Domestic and International Investor Meets organised by reputed International Banks and Financial Services Companies. Your Company also periodically conducted Analysts' meets and plant visits to communicate details of performance, important developments and exchange information.

Operational performance

The Company's Net Revenue increased 17.6 per cent to ₹ 3,251.49 crores in 2010-11 from ₹ 2,764.77 crores in 2009-10. The sale of tractors increased 5.5 per cent to 63,420 in 2010-11 from 60,086 in 2009-10.

Earnings before Interest, Depreciation, Amortisation (EBITDA) stood at ₹ 174.53 crores in 2010-11 as against ₹ 231.30 crores in 2009-10.

Profit Before Tax (PBT) stood at ₹ 100.62 crores in 2010-11 as against ₹ 188.02 crores in 2009-10 and Profit After Tax (PAT) stood at ₹ 120.09 crores as against ₹ 137.55 crores in the previous year. Earnings per share stands at ₹ 11.74 for the current year vis a vis ₹ 14.67 last year.

Segment performance

The Escorts Agri Machinery division grew 19.3 per cent to ₹ 2,951.18 crores in 2010-11 from ₹ 2,473.79 crores in 2009-10. The sale of tractors increased by 5.5 per cent to 63,420 from 60,086 in the previous year. The EBIT in this division stood at ₹ 176.56 crores against ₹ 223.36 crores in the last year.

The Escorts Auto Products division grew 11 per cent to ₹ 123.04 crores in 2010-11 from ₹ 110.89 crores in 2009-10. The EBIT stood at ₹ (17.24) crores against ₹ (17.33) crores last year.

The Escorts Railway Products division registered sales of ₹ 192.27 crores against ₹ 197.76 crores in the last year. The EBIT stood at ₹ 24.15 crores against ₹ 22.84 crores last year. The EBIT margins improved from last year at 11.5 per cent to 12.6 per cent in the current financial year.

Disclaimer: "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/-

Place: Faridabad
Date: 28th November, 2011

RAJAN NANDA
Chairman & Managing Director

Directors' Report

Dear Shareholders,

Your Directors have pleasure in presenting the Sixty Sixth Annual Report for the financial year ended 30th September, 2011.

FINANCIAL RESULTS

(₹ Crores)

	INCOME & PROFIT/(LOSS)	Year Ended 30.09.2011	Year Ended 30.09.2010
1.	Net Sales & Business Incomes	3,251.49	2,764.77
2.	Total Expenses	3,076.96	2,533.47
3.	Profit before Interest, Depreciation, Amortisation & Exceptional Items (1-2)	174.53	231.30
4.	Interest & Finance Charges	25.51	11.74
5.	Cash Profit before Tax (3-4)	149.02	219.56
6.	Depreciation & Amortisation	38.91	43.47
7.	Profit/(Loss) before Tax & Exceptional Items (5-6)	110.11	176.09
8.	Exceptional Income/(Expense)	9.49	(11.93)
9.	Tax & Deferred Tax	(19.47)	50.47
10.	Profit after Tax	120.09	137.55

The Net Revenue of the Company for the year was ₹ 3,251.49 crores as against ₹ 2,764.77 crores in the previous year showing a growth of 17.60 per cent.

FINANCIAL PERFORMANCE

The Net Revenue of the Company for the year was ₹ 3,251.49 crores as against₹ 2,764.77 crores in the previous year showing a growth of 17.60 per cent. Sale of Tractors increased by 5.50 per cent to 63,420 from 60,086 in the previous year.

Earnings before Interest, Depreciation, Amortisation (EBITDA) stood at ₹ 174.53 crores against ₹ 231.30 crores in the previous year.

Profit Before Tax (PBT) stood at ₹ 100.62 crores against ₹ 188.02 crores in the previous year and Profit After Tax (PAT) stood at ₹ 120.09 crores against ₹ 137.55 crores in the previous year. Earnings per share stands at ₹ 11.74 for the current year vis a vis ₹ 14.67 last year.

MANAGEMENT DISCUSSION & ANALYSIS

Management Discussion & Analysis (refer page 14 to 33) , which forms an integral part of this Annual Report; provides a more detailed analysis on the performance of individual businesses and their outlook.

DIVIDEND

Your Directors are pleased to recommend a dividend @ 15 per cent i.e. ₹ 1.50 per Equity Share of ₹ 10 each for the year ended 30th September, 2011, 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.

SCHEME OF ARRANGEMENT & COMPROMISE

The Scheme of compromise and arrangement pending before the Hon'ble Delhi High Court (High Court) to bail out the Fixed Deposit Holders of Escorts Finance Limited stand disposed off vide order dated 4th March, 2011. On the interim direction of the High Court, fixed deposit liability of ₹ 130.32 crores has already been discharged by the Hardship Committee constituted under the direction of the High Court. For discharging the liability of Unclaimed deposit holders, balance 2,401,050 Equity Shares of Escorts Limited, have been transferred to Escorts Benefit Trust (Trust) and the Hardship Committee has been dissolved. The Trust in due course and in terms of the direction of the High Court is discharging the unclaimed deposit holders as and when claimed by the deposit holders.

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 this Directors' Report for the year ended 30th September 2011.

DIRECTORS

In accordance with the provisions of Companies Act, 1956 and Articles of Association of Company, Dr. M.G.K.Menon, Director retires by rotation at the ensuing Annual General Meeting of your Company, and being eligible, offers himself for re-appointment.

The Board of Directors, in their meeting held on 28th November, 2011, co-opted Mr. Hardeep Singh as an Additional Director on the Board of the Company. He shall hold office of Director upto date of ensuing Annual General Meeting. A notice under Section 257 of the Companies Act, 1956, proposing his candidature as Director at the ensuing Annual General Meeting of the Company, have been received.

Mr. Nikhil Nanda, has been re-appointed as Joint Managing Director for a further period of 5 years with effect from 19th September, 2012, subject to the approval of the shareholders in the ensuing Annual General Meeting.

The brief resumes and other details relating to the Directors who are proposed to be appointed/re-appointed, as required to be disclosed under Clause 49 of the Listing Agreement, forms part of the Report on Corporate Governance.

Your Directors recommend the appointment/re-appointment of the above said Directors at the ensuing Annual General Meeting.

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

CONSOLIDATED FINANCIAL STATEMENTS

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

SUBSIDIARY COMPANIES

The Ministry of Corporate Affairs (MCA), Government of India vide General Circular No. 2/2011 dated 8th February, 2011 has issued directions under Section 212(8) of the Companies Act, 1956 granting general exemption from the applicability of the provisions of Section 212 of the Companies Act,1956, in relation to the Subsidiary Companies, subject to the consent of the Board of Directors and fulfillment of the other conditions specified in the said Circular.

The Board of Directors, in their meeting held on 28th November, 2011 has given its consent for not attaching the Balance Sheet of the Subsidiary Companies in terms of the said circular and accordingly, the documents mentioned in Section 212 of the Companies Act, 1956 relating to the Company's Subsidiaries are not attached to the Accounts of the Company. In terms of the said Circular, your Company has fulfilled the prescribed conditions and has also made the necessary disclosures in the Consolidated Balance Sheet and further undertakes that the Annual Accounts of the Subsidiary Companies and the related detailed information shall be made available to Shareholders of the Company and its Subsidiary Companies seeking such information. These documents will also be available for inspection during business hours at the Head/Corporate office of the Company and of the respective Subsidiary Companies.

AUDITORS

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

PARTICULARS OF EMPLOYEES

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

DIRECTORS' RESPONSIBILITY STATEMENT

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

i. In the preparation of Annual Accounts for the year ended 30th September, 2011, the applicable accounting standards have been followed along with proper explanation relating to material departures;

ii. Accounting policies selected and applied are consistent and judgement and estimates made are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the financial year and of the profit of the Company for that period;

iii. Proper and sufficient care has been taken for the maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities; and

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

PUBLIC DEPOSITS

The Company has not accepted/renewed any Fixed Deposit during the year. All Fixed Deposits which were due and claimed by the deposit holders have been paid on time.As on 30th September, 2011, 869 deposits aggregating to ₹ 1.58 crores matured but were not claimed. Subsequently, out of the above, deposits of ₹ 0.08 crores 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

Sd/-

RAJAN NANDA
Chairman & Managing Director

Place: Faridabad
Date: 28th November, 2011

Annexure – A to the Directors' Report- 2010 – 2011

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

<table>
<tr><td>(a)</td><td>Total Number of Options as on 30/09/2010</td><td colspan="5">65,000</td></tr>
<tr><td rowspan="5">(b)</td><td rowspan="5">Options granted during the year</td><td></td><td></td><td>Options</td><td colspan="2">Grant date</td></tr>
<tr><td>1.</td><td>Grant 1</td><td>45,000</td><td colspan="2">01/10/2010</td></tr>
<tr><td>2.</td><td>Grant 2</td><td>10,000</td><td colspan="2">01/11/2010</td></tr>
<tr><td>3.</td><td>Grant 3</td><td>20,000</td><td colspan="2">01/04/2011</td></tr>
<tr><td></td><td>Total</td><td>75,000</td><td colspan="2"></td></tr>
<tr><td rowspan="6">(c)</td><td rowspan="6">Pricing Formula</td><td colspan="5">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:</td></tr>
<tr><td></td><td></td><td>Options</td><td>GP (₹)</td><td>MP (₹)</td></tr>
<tr><td>1.</td><td>Grant 1</td><td>45,000</td><td>85/-</td><td>227.75</td></tr>
<tr><td>2.</td><td>Grant 2</td><td>10,000</td><td>85/-</td><td>229.70</td></tr>
<tr><td>3.</td><td>Grant 3</td><td>20,000</td><td>85/-</td><td>145.25</td></tr>
<tr><td></td><td>Total</td><td>75,000</td><td></td><td></td></tr>
<tr><td>(d)</td><td>Options Vested</td><td colspan="5">0</td></tr>
<tr><td>(e)</td><td>Options Exercised</td><td colspan="5">30,000</td></tr>
<tr><td>(f)</td><td>The Total number of shares arising as a result of exercise of options</td><td colspan="5">30,000</td></tr>
<tr><td>(g)</td><td>Options Lapsed</td><td colspan="5">0</td></tr>
<tr><td>(h)</td><td>Variation of terms of options</td><td colspan="5">Nil</td></tr>
<tr><td>(i)</td><td>Money realised by exercise of options</td><td colspan="5">₹ 25.35 Lakhs</td></tr>
<tr><td>(j)</td><td>Total number of options in force</td><td colspan="5">110,000 as on 30.09.2011</td></tr>
</table>

(k)	Employee wise details of options granted to :					
	• Senior managerial personnel during the year.	1.	Mr. G. B. Mathur EVP & CS	20,000	01/10/2010	
		2.	Mr. Rohtash Mal CEO	25,000	01/10/2010	
		3.	Mr. K. K. Vij CEO	20,000	01/04/2011	
	• Any other employee who receives a grant in any one year of options amounting to 5 per cent or more of option granted during the year.	All the senior managerial personnel, as stated above, have been granted options amounting to 5 per cent or more of options granted during the year. Except the above no other employees has been granted options amounting to 5 per cent or more options granted during the year.				
	• Identified employees who were granted option, during any one year, equal to or exceeding 1 per cent 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'.				₹ 11.66 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 recognised 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 ₹ 90.80 lakhs. The EPS for the year would have been higher by ₹ 0.09.	

(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 01/10/2010 weighted average fair value option is ₹ 77.07 and weighted average Exercise Price is ₹ 85.		
		(ii)	Grant 2 date 01/11/2010 weighted average fair value option is ₹ 81.25 and weighted average Exercise Price is ₹ 85.		
		(iii)	Grant 3 date 01/04/2011 weighted average fair value option is ₹ 24.44 and weighted average Exercise Price is ₹ 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	7.44%	7.58%	7.42%
	•	Expected life	3 Years	3 Years	3 Years
	•	Expected volatility	N.A.	2.33	0.03
	•	Expected dividends, and	15%	15%	15%
	•	The price of the underlying share in market at the time of option grant	227.85	229.70	145.25
			The shares to be issued under stock options shall rank pari passu, including the right to receive dividend. Expected dividend payouts to be paid during the life of the option reduce the value of a call option by creating drop in market price of the stock. Adjustments for known anticipated dividend payouts over the life of the option are made to the formulae under the Black Scholes method.		

On behalf of the Board

Sd/-

RAJAN NANDA
Chairman & Managing Director

Place: Faridabad
Date: 28th November, 2011

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

In the year 2010-11 all the plants at the Escorts Group have taken a lot of initiatives in the power cost reduction by not only reducing the consumption through new technologies but also by improving the production processes at the machine shop. This has resulted in enormous saving by directly reducing the Power Cost in the Escorts Plants. We have taken special projects in the field of Energy Conservation & achieved high level of saving through implementation of those.

In pursuit of the continual improvement in Energy Conservation in the Generation Distribution & Consumption Areas, following initiatives were taken in the year 2010-11:

a) Use of PNG in place of Electrical Heaters in Washing machines thus reducing the Power Consumption (Electrical Saving of 90 per cent) at the AMG plant.

b) Laying Aluminum Pipe Line in place of GI Pipe line in New Building to save Compressed Air Losses in the air distribution network Plant PT to obtain saving (5 per cent saving on energy consumption of compressed Air) in Compressed Air Generation.

c) Installed Air Demand Sensors to control the Air Flow as per Plant Requirement & thus saving the Compressed Air during Non-Production hours.

d) Increased the Specific Fuel Consumption of Power Generating Sets (Diesel Generators) from 3.50 to 3.73 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.

e) Replacing the Plant Production unit lights of 280 watts with 112 watts Lights maintaining the lux level.

f) 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.

g) Power Consumption Reduction in Furnaces through FIBROTHAL Heating System - AMG Plants.

h) Purchasing low cost Power through Open Access by daily Power Bidding during the peak load hours & "C" shifts in Plant FT, Plant PT & Plant Component.

i) Separate Power Source through Independent Transformer with constant voltage output for plant lighting system.

j) Replacing Power Starters with Variable Speed drive for reduction in power consumption & reduce losses.

2. Additional Investment & Proposals

a) Conversion from 11 KV Power Transmission Lines to 66 KV Power Lines.

b) Low Cost Power through Bilateral Agreements with Power Suppliers.

c) Independent Power Feeders for KMC & CHD Plant.

d) Replacement of heater based ovens with gas based in plant3 (Quantity -2 nos of 150 kw each).

e) Use of Magnetic Lights Lamp (150 Watt in place of 280 Watt) in Production areas across AMG Plants.

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

a) Reduction in Power consumption

b) Reduction in Power generation expenses

c) 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 2010-11

- Engine Technology up gradation was taken across the 25 to 75 HP range of engines to meet BT 3A emission norms along with improved fuel efficiency and higher reliability.

- Transmission technology also being upgraded to meet emerging applications in domestic market and higher reliability for heavy duty applications, Hydraulic technology being upgraded for precision farming and higher lift capacity.
- Tractor technology has also been upgraded to make tractor field performance more productive and user friendly. Host of new features added under new "*Jai Kisan Series*".
- Specific focus was given to material cost reduction through Design optimisation and adopting new technologies.

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

- During the year under review, Designed & developed New series of tractors with focus on new applications and a theme "*Kaam jaisa Tractor waisa*" (Tractors as per Application needs).
- Total in FT series- 5 models & 36 variants and in PT series- 4 model & 28 variants are launched.
- The entire existing range of Farmtrac & Powertrac tractors upgraded to meet the BT 3A emission norms with high power & better fuel efficiency.
- Introduced new FT 45 XT Xtra Torque tractor for PTO driven rotary tillers, FT 60 EPI for Heavy ploughing, FT 65 EPI ROW crop & FT 45 OIB for deep puddling. Significant reliability improvement incorporated in FT & PT Series.
- For International markets, developed and launched FT 680 & FT 690 tractors significantly expanding Company's tractor range.
- 65HP – 75 HP range of engines are developed, meeting Euro IV interim emission norms.
- During the year 40 Nos. Patents & Design registration applied for in house innovations.

c) Future plan of Actions

New Product Introduction

- To develop new products speedily to meet changing requirement of Indian farmers.
- Continuous up-gradation of existing tractor models.
- To develop new products / variants to meet changing applications requirement.
- Compliance to safety and emission regulations.
- Cost effective design solutions to meet customer emerging needs.
- New Technologies absorption for continuous improvements.
- More Innovative features.
- EPA Tier 4 & Euro Stage 3B compliant New Engine Series for agriculture tractor and offload applications.

d) Expenditure on R&D

(₹ Crores)

		2010-11	2009-10
a)	Capital Expenditure*	7.39	2.87
b)	Recurring Expenditure	25.54	19.86
	Total	**32.93**	**22.73**
Total R&D expenses as a percentage of			
•	Gross Sales	1.03%	0.83%
•	Net Sales	1.03%	0.83%

*Doesn't include capital advance/capital work in progress

2. Technology Absorption, Adaption & Innovation

a) Efforts in brief made during the year towards technology absorption, adaptation & innovation

- Up-gradation of R&D infrastructure to develop & absorb new contemporary technologies.
- Joint Technology Workshops with International institutions & R&D Houses.
- Capability enhancement for Engine, Transmission, Hydraulic technologies & design optimisation through advanced training and usage of predictive softwares.
- Design validation & virtual testing through softwares and load accelerated test rigs.
- Digitisation of Design Processes & maintenance of Company Design standards.

- Presentation, Publication of technical papers and filing of patents / design registrations.
- 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 renewal of Escorts R&D Unit with DSIR, Ministry of Science & Technology, Government of India upto 2016.

b) Benefit derived as a result of above efforts

- Weighted tax deduction of 200 per cent on in-house R&D expenditure effective 2010-11 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 products for emerging applications.
- Engine & transmission design & development for Pick n Carry cranes & loaders.

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

1. Activities Related to Exports

During the year, your Company

a) Successfully executed the big order from Tanzania.
b) Appointed new dealers in 6 countries in Africa (Mozambique, Ethiopia, Gabon, Madagascar, Algeria, Tunisia) & entered in three new markets in South East Asia including Myanmar.
c) Entered into Marketing Alliance with Tata International for Laos & Cambodia.
d) Farmtrac Europe launched 100 hp & 110 hp tractors for the European market.
e) Farmtrac Europe sales started in new markets such as France & Romania.

2. Total Foreign Exchange used and earned

(₹ Crores)

		2010-11	2009-10
a)	Foreign Exchange used :		
	- Imports (including capital goods)	55.87	26.47
	- Others	32.20	142.38
	Total	**88.07**	**168.85**
b)	Foreign Exchange earned :	225.17	63.81

On behalf of the Board

Sd/-

Place: Faridabad
Date: 28th November, 2011

RAJAN NANDA
Chairman & Managing Director

Annexure – C to the Directors' Report

Report on Corporate Governance

I. COMPANY'S PHILOSOPHY ON CORPORATE GOVERNANCE

Your Company's philosophy on Corporate Governance is founded upon a rich legacy of fair, ethical, professional and transparent governance practices. Your 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 is committed to practicing sound corporate governance and upholding sound business standards in conducting its business. Accordingly, your Company is continuously working towards building trust with shareholders, employees, customers, suppliers and other stakeholders based on the principles of good corporate governance, viz. integrity, equity, transparency, fairness, disclosure, accountability and commitment to values.

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. To achieve this, your Company inculcates a culture in which high standards of ethical behavior, individual accountability and transparent disclosure are ingrained in all its business dealings and shared by its Board of Directors, management and employees. Your Company strives towards establishing systems and procedures to ensure that its Board of Directors is well informed and well – equipped to fulfill its overall responsibilities and to provide the management with the strategic direction needed to create long term shareholder value.

The Company is in full Compliance with the requirement of Code of Corporate Governance as prescribed in the Listing Agreement and in this regard the following details are provided for the information of stakeholders and public at large.

II. BOARD OF DIRECTORS

The composition of the Board of Directors is in conformity with Clause 49 of the Listing Agreement, as amended from time to time. The Board of Director(s) along with its Committee(s) provide leadership and guidance to the Company's management and directs, supervises and controls the performance of the Company. The Board of Director(s) of the Company comprises of distinguished personalities, who have been acknowledged in their respective fields. As on the end of the financial year, four out of the six Directors on the Board, 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 of the Company and both of them are in wholetime 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 'Independent' 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 Director(s) has any 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 disclosure to the Board confirming that there are no material, financial and/ or commercial transactions between them and the Company, which could have potential conflict of Interest with the Company at large.

As on 30th September, 2011 the Board comprises of six Directors. The names and categories of Directors, the number of Directorship and Committee position(s) held by them in the companies, meetings attended by them and other relevant particulars are given below.

Sr. No	Name	Designation	Category	Relationship with each other	No. of Board meetings attended during the year	Whether attended the last AGM	No. of Directorships in Public Companies**	No. of Committee Memberships / (Chairman-ships) in Public Companies ***
1.	Mr. Rajan Nanda	Chairman & Managing Director	Executive & Non-Independent (Promoter)	Father of Mr. Nikhil Nanda	4	N	3	-
2.	Mr. Nikhil Nanda	Joint Managing Director	Executive & Non-Independent (Promoter)	Son of Mr. Rajan Nanda	4	N	5	2
3.	Dr. P. S. Pritam	Director	Non Executive and Independent	*	4	N	2	2
4.	Dr. M. G. K. Menon	Director	Non Executive and Independent	*	4	Y	1	(2)
5.	Dr. S. A. Dave	Director	Non Executive and Independent	*	3	N	8	5(1)
6.	Mr. S. C. Bhargava	Director	Non Executive and Independent	*	4	N	12	5(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 they are Director. All the Director 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 financial year 2010-2011 the Board of Directors met Four (4) times on the following dates:-

29th November, 2010, 25th February, 2011, 27th May, 2011, 22nd September, 2011.

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 discussion and consideration at Board Meetings.

Information Supplied to the Board

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

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

Code of Conduct

The Board had prescribed the Code of Conduct for all Board Member(s) 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 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

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 2010-11 ended on 30th September, 2011.

Sd/-
Place: Faridabad — RAJAN NANDA
Date: 28th November, 2011 — Chairman & Managing Director

V. AUDIT COMMITTEE

Constitution

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

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

The Audit Committee meetings are Chaired by Dr. M. G. K. Menon who has a vast experience in the area of Finance. He is a internationally reputed Scientist and has been awarded the Padma Shri, the Padma Bhushan and the Padma Vibhushan. He had also been the 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 and Commission 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. Oversight of the company's financial reporting process and the disclosure of its financial information to ensure that the financial statement is correct, sufficient and credible.
2. Recommending to the Board, the appointment, re-appointment and, if required, the replacement or removal of the statutory auditors and the fixation of audit fees.
3. Approval of payment to statutory auditors for any other services rendered by the statutory auditors.
4. Reviewing, with the management, the annual financial statements before submission to the Board for approval, with particular reference to:
    a. Matters required to be included in the Directors' Responsibility Statement to be included in the Board's Report in terms of Clause (2AA) of Section 217 of the Companies Act, 1956.
    b. Changes, if any, in accounting policies and practices and reasons for the same.
    c. Major accounting entries involving estimates based on the exercise of judgment by the management.
    d. Significant adjustments made in the financial statements arising out of audit findings.
    e. Compliance with listing and other legal requirements relating to financial statements.
    f. Disclosure of any related party transactions.
    g. Qualifications in the draft audit report.
5. Reviewing, with the management, the quarterly financial statements before submission to the Board for approval.
6. Reviewing, with the management, the statement of uses / application of funds raised through an issue (public issue, rights issue, preferential issue, etc.), the statement of funds utilised for purposes other than those stated in the offer document/prospectus/notice and the report submitted by the monitoring agency monitoring the utilisation of proceeds of a public or rights issue and making appropriate recommendations to the Board to take up steps in this matter.
7. Reviewing, with the management, performance of statutory and internal auditors, adequacy of the internal control systems.
8. Reviewing the adequacy of internal audit function, if any, including the structure of internal audit department, staffing and seniority of the official heading the department, reporting structure coverage and frequency of internal audit.

9. Discussion with internal auditors of any significant findings and followup thereon.
10. Reviewing the findings of any internal investigations by the internal auditors into matters where there is suspected fraud or irregularity or a failure of internal control systems of a material nature and reporting the matter to the Board.
11. Discussion with statutory auditors before the audit commences, about the nature and scope of audit as well as post-audit discussion to ascertain any area of concern.
12. To Look into the reasons for substantial defaults in the payment to the depositors, debenture holders, shareholders (in case of non payment of declared dividends) and creditors.
13. To review the functioning of the Whistle Blower mechanism, in case the same is existing.
14. Approval of appointment of CFO (i.e., the whole- time Finance Director or any other person heading function of discharging that function) after assessing the qualification, experience & background, etc. of the candidate.
15. Carrying out any other function as may be referred by the Board from time to time.
16. Recommending to the Board, the terms of appointment, re-appointment and, if required, the replacement or removal of the Cost Auditors.
17. The Committee shall mandatory review the following information:
    a. Management discussion and analysis of financial condition and results of operations;
    b. Statement of significant related party transactions (as defined by the Audit Committee), submitted by management;
    c. Management letters / letters of internal control weaknesses issued by the statutory auditors;
    d. Internal audit reports relating to internal control weaknesses; and
    e. The appointment, removal and terms of remuneration of the Chief internal auditor shall be subject to review by the Audit Committee.

The Audit Committee is endowed with the following powers

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

Meetings & Attendance

During the Financial Year 2010-2011, the Committee met on seven (7) occasions. The following table summarizes the date of each meeting and meetings attended by the members:

Date of Meeting	29.10. 2010	28.11. 2010	31.01. 2011	21.02. 2011	03.05. 2011	27.05. 2011	05.08. 2011
Dr. M. G. K. Menon (Chairman)	A	A	A	A	A	A	A
Dr. S. A. Dave	NA	NA	NA	A	A	A	NA
Dr. P. S. Pritam	A	A	A	A	A	A	A

A = Attended NA= Not Attended

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

The Committee, in its meeting held on 28th November, 2010 reviewed the Annual Accounts for the period ended 30th September, 2010.

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.

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 2010-2011, the committee met once on 28th November, 2010 in which two members of committee namely Dr. M. G. K. Menon 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 ₹ 20,000 per meeting was paid. The company has paid sitting fees of ₹ 5,000 per meeting in respect of all other Committee meetings. The aggregate amount of sitting fees paid during the financial year was ₹ 12.30 lakhs.

The Shareholders of the Company has approved the payment of Commission to Non-Executive Directors in the Annual General Meeting held on 12th March, 2010 for a period of five years. Accordingly, for the financial year ended 30th September, 2011 the Independent Directors have been paid commission of ₹ 500,000 (Rupees Five lakhs) each, aggregating to ₹ 2,000,000 (Rupees Twenty lakhs) and the same is within the limits of 1% of the net profits of the Company calculated under Section 198 of the Companies Act, 1956.

Furthur, 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 30th September, 2011 are as follows:

Per Annum (₹)

Particular	Mr. Rajan Nanda	Mr. Nikhil Nanda
Basic Salary	14,400,000	12,000,000
Allowances & Perquisites	23,770,934	22,328,657
Provident Fund Contribution	1,728,000	1,440,000
Superannuation Allowance	2,160,000	1,800,000
Gratuity	-	624,997
Commission (Proposed)*	14,500,000	5,000,000
Amount paid as Arrears for previous year	5,400,000	5,892,498

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	10000	0.01
Mr. S .C. Bhargava	500	Negligible

IX. INVESTORS' GRIEVANCE COMMITTEE

Constitution

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

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

Terms of Reference

The Committee looks into redressing of investors complaints like delay in transfer of shares, Demat, Remat, 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 financial year 2010-2011, the Committee met on 28th November, 2010 in which Dr. M. G. K. Menon and Dr. P. S. Pritam were present and leave of absence was granted to Dr. S.A. Dave.

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, 28 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, 2011.

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
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
2010	25th February, 2011	11.00 A.M.	Hotel KC Cross Road, Site No. 1, Sector- 10, Opp. Bus stand, Panchkula- 134113 (Haryana)	Three

XI. POSTAL BALLOT

During the year, the Company has not passed any Special Resolution through Postal Ballot. At present, there is no proposal for passing 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.

d. Details of the compliance with mandatory requirement and adoption of the non-mandatory requirement of this clause.

   The details of Mandatory requirements are mentioned in this Report and adoption of the non-mandatory requirement are mentioned in Clause No. XV.

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

Pursuant to the approval of the Central Government under Section 233B of the Companies Act, 1956, the Company has appointed M/s. Ramanath Iyer & Co., Cost Accountants as Cost Auditor of the Company. Further, the due date of filing the Cost Audit Report for the previous year was 31st March, 2011 and the same has been filed on 21st March, 2011.

XIII. MEANS OF COMMUNICATION

Quarterly Results released during the year 2010-2011

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

- For Quarter ended 31.12.10 : Economic Times (English), Financial Times (English), Jansatta (Hindi), Financial Express (English).
- For Quarter ended 31.03.11 : Economic Times (English), Financial Times (English), Jansatta (Hindi), Financial Express (English).
- For Quarter ended 30.06.11 : Economic Times (English), Financial Times (English), Jansatta (Hindi), Financial Express (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 Page 14 to 33) forms part of the Annual Report.

XIV. GENERAL SHAREHOLDER INFORMATION

Annual General Meeting (AGM)

Date : Thursday, 15th March, 2012

Time : 11.00 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

In accordance with the provisions of Companies Act, 1956 and Articles of Association of the Company, Dr. M.G.K.Menon, Director retires by rotation at the ensuing Annual General Meeting of your Company, and being eligible, offers himself for re-appointment.

Mr. Nikhil Nanda, has been re-appointed as Joint Managing Director for a further period of 5 years with effect from 19th September, 2012, subject to the approval of the shareholders in the ensuing Annual General Meeting.

Mr. Hardeep Singh, presently Additional Director, is proposed to be appointed as a Director of the Company, liable to retire by rotation, at the ensuing Annual General Meeting.

The brief resumes and other details relating to the Directors who are proposed to be appointed/re-appointed, as required to be disclosed under Clause 49 of the Listing Agreement, forms integral part of this Report.

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

Name	Qualification	Brief Resume and Area of Expertise	Other Directorships	Committee Memberships
Dr. M.G.K. Menon	B.Sc., M.Sc., Ph.D., D.Sc. (h.c.), F.R.S.	Dr. M.G.K. Menon has a vast experience in the area of Finance. He is an internationally reputed Scientist and has been awarded the Padma Shree, Padma Bhushan and Padma Vibhushan. He was Minister for Science and Technology, Government of India and also served as Member of the Planning Commission and Scientific Advisor to the Prime Minister. He was Secretary to various departments of the Government of India for 12 years. He is President of the Indian Statistical Institute and a member and Chairman of various bodies in India and abroad. He is an FRS and Honorary Member IEEE.	Center for Study of Science Technology and Policy	**Escorts Limited** • Audit Committee • Investor Grievance Committee • Remuneration Committee • Technology Committee • Selection Committee • Share Transfer Committee • Borrowing Committee • Loans and Guarantee Committee • Financial Results Committee • Share Allotment Committee • Share Issue cum Allotment Committee • Merger Committee
Mr. Nikhil Nanda	Graduate of Wharton School of Management, USA	Prior to joining the Company, Mr. Nikhil Nanda has worked as Joint Managing Director of Escorts Yamaha Motors Limited during the period 1997 to 2000. He was appointed as a Executive Director of the company from 1st May, 2000 to 16th August, 2005. Thereafter, he was appointed as Executive Director and Chief Operating Officer of the Company on 17th October, 2005 and elevated as Joint Managing Director for a period of 5 years from 19th September, 2007 to 18th September, 2012. He is presently working as Joint Managing Director (JMD) of the Company. As JMD he is responsible for business diversification, business process re-engineering, organisational development in the Company.	1. Escorts Securities Limited 2. Escorts Motors Limited 3. Escorts Construction Equipment Limited 4. Sietz Technologies India Pvt. Limited 5. Escorts Finance Investments and Leasing Pvt. Limited 6. Escotrac Finance and Investments Pvt. Limited 7. Escolife IT Services Pvt. Limited 8. Har Parshad and Company Pvt. Limited 9. Ritu Nanda Insurance Service Pvt. Limited 10. AAA Portfolios Pvt. Limited 11. Big Apple Clothing Pvt. Limited	**Escorts Construction Equipment Limited** • Borrowing Committee • Audit Committee • Appointment Committee **Escorts Motors Limited** • Audit Committee

Name	Qualification	Brief Resume And Area of Expertise	Other Directorships	Committee Memberships
Mr. Hardeep Singh	Graduate in Economics from Pune University & Alumnus of Kellogg School of Management	Mr. Hardeep Singh has rich experience, having held top management positions in leading Indian and foreign companies. He had served as Executive Chairman of Cargill South Asia and Amalgamated Plantations (A Tata Enterprise). Earlier in his career, Mr. Singh was Director – Agro Chemicals at Rallis India Limited. Mr. Singh has also served as Non-Executive Chairman of HSBC Invest Direct India Limited and Invest Direct Financial Services India Limited. Mr. Singh is a Director of Advanta India Limited, Agresource Holdings Private Limited, Swaraj Engines Limited, Swaraj Automotives Limited. He is a General Partner of Exalta LLC. Mr. Singh is Chairman of the monitoring committee on Minimum Support Price constituted by Planning Commission, Govt. of India and Chairman of the Confederation of Indian Industry (CII) National Task Force on Food Security. He has been a member of National Council of CII, National Committee for Agriculture of FICCI and served as honorary advisor on Agriculture to the Chief Minister of Punjab. Mr. Singh had also been an Invited speaker at forums including the World Bank, US Department of Agriculture Global summit, International Food Policy Research Institute in Washington DC and Imperial College in the UK. He is an occasional guest lecturer at Indian Institute of Management, (IIM), Ahmedabad.	1. Advanta India Limited 2. Swaraj Engines Limited 3. HSBC Invest Direct Securities [India] Limited 4. Swaraj Automotives Limited 5. Agresource Holdings Pvt. Limited	**Advanta India Limited** • Remuneration Committee • Audit Committee **Swaraj Engines Limited** • Remuneration Committee **HSBC Invest Direct Securities (India) Limited** • Compensation Committee

Dr. M.G.K.Menon holds 13,000 Shares and Mr. Hardeep Singh holds nil Shares in the Company.

Financial Calendar 2011-2012 (Tentative)

Meetings of Board / Committee thereof to take on record :

Financial results for Quarter ended 31.12.2011	By 14.02.2012
Financial results for Quarter ended 31.03.2012	By 15.05.2012
Financial results for Quarter ended 30.06.2012	By 14.08.2012
Financial results for Quarter / Year ended 30.09.2012	By 14.11.2012 If unaudited quarterly results or alternatively last week of November, 2012 in case of audited results for the year.

Annual General Meeting for the Financial Year ending 30th September, 2012

By 31st March, 2013.

Date of Book Closure

4th March, 2012 to 15th March, 2012 (both days inclusive) fixed for the purpose of payment of Dividend for the financial year 2010-2011.

Dividend Payment Date

The Board of Directors of the Company have decided to recommend dividend @ ₹ 1.50 per share (being 15per cent of the nominal value of ₹ 10 per share) (Proposed) for the financial year 2010-11, 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 27th March, 2012. The intimation for credit of dividend amount through NECS shall also be sent to the shareholders through post/email.

Listing

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

LISTING	STOCK CODE
National Stock Exchange of India Limited 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 Limited 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

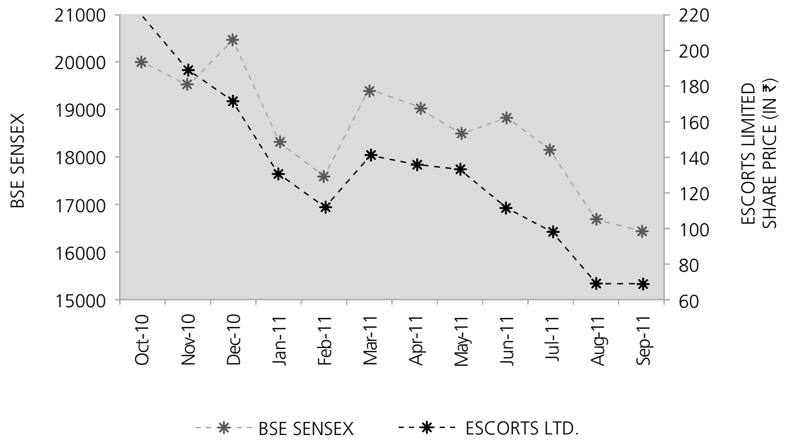
Year	Equity Shares		Name of the Stock Exchange
	High (₹)	Low (₹)	
1999-00	269.00	51.00	Bombay Stock Exchange Limited
2000-01	156.00	66.75	- do -
2001-02	89.35	37.95	- do -
2002-03	76.20	35.00	- do -
2003-04	113.30	34.70	- do -
2004-05	117.35	53.00	- do -
2005-06	127.30	53.00	- do -
2006-07	157.10	72.70	- do -
2007-08	174.00	52.20	-do-
2008-09	113.00	30.65	-do-
2009-10	221.00	99.00	-do-
2010-11	245.95	63.60	-do-

Monthly Stock Market Data

High and Low prices of Equity Shares during the 12 months period ended 30th September, 2011 were as follows:

Month	National Stock Exchange of India Limited		Bombay Stock Exchange Limited	
	High	Low	High	Low
	(₹)	(₹)	(₹)	(₹)
October, 2010	237.35	208.60	237.50	208.55
November, 2010	245.80	189.10	245.95	188.10
December, 2010	205.40	152.15	205.65	152.20
January, 2011	186.20	130.10	186.90	130.45
February, 2011	134.60	94.00	133.80	94.10
March, 2011	145.85	113.60	145.80	114.00
April, 2011	149.00	130.55	149.15	130.70
May, 2011	140.40	116.65	140.35	116.60
June, 2011	134.85	97.90	134.75	98.00
July, 2011	120.00	98.25	119.40	98.20
August, 2011	100.60	62.85	100.40	63.60
September, 2011	78.60	66.25	78.60	66.40

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



Registrar and Share Transfer Agents

The Company carries on the Share Transfer Work in-house at:

ESCORTS LIMITED
Corporate Secretariat & Law
15/5, Mathura Road, Faridabad - 121003
Phone: 0129 - 2250222, Extension - 4275 / 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

Investors Communication

All enquiries, Transfer / Transmission / Transposition / Demat / Remat requests in respect of shares both physical and electronic, nomination, change of address and payment of dividend 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%	10th September, 1997
1997-1998	45%	15th September, 1998
1998-1999	45%	18th October, 1999
1999-2000	45%	29th May, 2000
2000-2001	45%	22nd October, 2001
2001-2002	10%	11th October, 2002
2002-2003	10%	24th 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%	23rd March, 2010
2009-2010	15%	10th March, 2011
2010-2011	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. The said form can be downloaded from the Company's website www.escortsgroup.com

Shareholding Pattern as on 30th September, 2011

	Category of Shareholders	% to the Capital
1.	Promoters and Promoter Group	27.57
2.	Foreign Institutional Investors	20.62
3.	Domestic Institutional Investors, Banks & Mutual Funds	17.49
4.	Public & Others	34.32
	Total	**100.00**

Distribution of Shareholding as on 30th September, 2011

Range of holding	Number of shareholders	% of Total
1 to 100	56956	58.75
101 to 500	32063	33.07
501 to 1,000	4409	4.55
1,001 to 5,000	2905	3.00
5,001 to 10,000	284	0.29
10,001 to 50,000	245	0.25
50,001 to 1,00,000	23	0.02
Above 1,00,000	68	0.07
Total	**96953**	**100.00**

Dematerialisation of Shares

Approximately 94 per cent Equity Shares have been dematerialised till the closing of the Financial Year 2011. Trading in Equity Shares of the Company is permitted only in dematerialised form as per the notification issued by the Securities and Exchange Board of India.

Shares Liquidity

The trading volumes at major Stock Exchanges, during the Financial Year 2010-2011, are given below :

Months	National Stock Exchange of India Ltd		Bombay Stock Exchange Ltd	
	No. of Shares	Value (₹ In Lakhs)	No. of Shares	Value (₹ in Lakhs)
October, 2010	11,604,661	26,086.41	3,174,408	7,161.55
November, 2010	12,630,857	28,305.66	2,776,140	6,229.03
December, 2010	19,184,909	33,355.55	4,291,292	7,508.73
January, 2011	15,215,719	24,480.71	3,122,374	5,016.85
February, 2011	28,952,177	32,991.16	7,240,473	8,249.72
March, 2011	27,062,751	35,785.18	6,902,848	9,076.80
April, 2011	10,166,321	14,242.36	2,893,425	4,067.73
May, 2011	12,964,154	16,724.17	3,365,902	4,353.45
June, 2011	20,072,082	23,046.65	4,820,147	5,616.09
July, 2011	23,623,316	25,404.59	4,836,976	5,193.50
August, 2011	33,530,597	25,295.17	8,413,972	6,334.47
September, 2011	31,914,501	23,333.41	9,950,496	7,266.86
Total	**246,922,045**	**309,051.02**	**61,788,453**	**76,074.78**

Outstanding GDRs / ADRs / Warrants/ Stock Options etc.

There is no outstanding ADRs/GDRs/Warrants for conversion into equity shares except 110,000 stock options. Each stock option, upon exercise of the same, would be converted into one equity share of ₹ 10/- each fully paid up. These options vest after one year from date of grant and can be exercise 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, Uttrakhand– 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

Sd/-

Place: Faridabad
RAJAN NANDA
Date: 28th November, 2011
Chairman & Managing Director

CEO/CFO CERTIFICATION

The Chairman and Managing Director and the Group Chief Financial Officer have certified to the Board on financial reporting and internal controls to the Board in terms of Clause 49(V) of the Listing Agreement pertaining to CEO and CFO certification for the Financial Year ended 30th September, 2011.

The Board of Directors,
Escorts Limited

Dear Sir,

We, Rajan Nanda, Chairman and Managing Director and O.K. Balraj, Executive Vice President & 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, 2011 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 they have become aware and the involvement therein, if any, of the management or an employee having a significant role in the Company's internal control system over financial reporting.

	Sd/-	Sd/-
Place : Faridabad	**RAJAN NANDA**	**O.K. BALRAJ**
Date : 28th November, 2011	Chairman & Managing Director	EVP & 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 the conditions of Corporate Governance by Escorts Limited for the year ended 30th September, 2011 as stipulated in Clause 49 of the Listing Agreement of the said Company with the Stock Exchanges in 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, 2011 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

Sd/-
VIJAY DHAWAN
Partner
M. No.-12565

Date : 28th November, 2011
Place : New Delhi

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, 2011.

A. Employed throughout the period and in receipt of remuneration not less than ₹ 6,000,000 p.a.

Name of the Employee	Age (Yrs)	Qualification	Experience Years	Date of Employment	Designation and Nature of Duties	Remuneration Gross (₹)	Received Net (₹)	Last Employment held
Agarwal Shailendra	50	B.E.	29	05.11.2008	Chief of Operations	13,901,452	8,516,077	1Yr. 9Mths President, Hero Motors
Balraj O. K.	55	CA	30	27.08.2009	Executive Vice President & Group CFO	17,825,305	10,513,046	1 Yr. Director Finance, NSL Group
Madan Bharat	44	B.Com (Hons.), FCA	24	16.12.2005	Financial Controller (AMG)	8,512,518	5,417,217	14 Yrs.; Financial Controller, Electrolux Kelvinator Ltd.
Mal Rohtash	57	B.Tech, MBA	31	26.11.2007	ED & CEO (AMG)	33,494,066	19,882,571	2 Yrs. 6 Mths. Chief Executive, Bharati Fieldfresh Ltd.
Mathur G.B.	61	B.Sc. ACS, LLB	37	16.08.1993	Executive Vice President Law & Company Secretary	12,240,939	7,671,654	3 Yrs.; Co.Secy, Chambal Fertiliser & Chemicals Ltd.
Nanda Nitasha *	42	B.Com.	17	01.04.1998	Head Group Investment Companies	11,128,772	7,061,502	2 Yrs. 5 Mths. CEO, Niky Tasha India Ltd.
Oswal Sangeet	49	B.Tech.	27	12.10.2007	Head - Materials	7,397,708	4,645,014	3 Yrs. General Manager, Maruti Udyog Ltd.
Rane N. S.	51	B.Tech.	28	25.02.2006	Head Component Plant & CHD	7,703,953	5,072,924	23 Yrs. GM - Production, Maruti Udyog Ltd.
Singh Inderjit	54	B.Tech.	31	22.01.2007	Chief of Technology	11,692,104	6,771,453	7 Yrs.; Head Horizon - 1 & 2, Mahindra & Mahindra (FES)
Singhal Vikram	52	B.E.MECH	30	01.07.2010	Executive Director & Business Head - ERP	10,719,927	6,310,578	5 Yrs.; Executive Director & CEO, Amteck Auto Ltd.

B. Employed for part of the period and in receipt of remuneration not less than ₹ 500,000 per month

Name of the Employee	Age (Yrs)	Qualification	Experience Years	Date of Employment	Designation and Nature of Duties	Remuneration Gross (₹)	Received Net (₹)	Last Employment held
Chilana R.K.	57	B.A., DIP/RPM, DBM	35	14.03.1994	Associate Vice President - Corporate ER	3,631,499	2,531,607	08 Yrs.; Factory Manager, Victor Cables Industries Ltd.
Jaikanth Aswin D	42	B.E.	21	25.08.2006	Head Marketing (AMG)	1,573,502	1,085,888	06 Yrs.; DGM (South India-AP, Karnataka & TN) Eicher Tractors Ltd.
Kapur Malind	50	B.Sc., MBA, DIP MKTG & FUNDAMENTALS OF LUB	28	01.10.2010	Chief Sales & Marketing Officer	3,598,858	2,324,305	7 Yrs. Country Head & VP Sales & Mktg., Force Motors Ltd.
Mehta Ishan	55	PGD IN IR & Labour Welfare	32	05.10.2010	Exective Vice President - HR & ER, Escorts Group	11,920,816	7,211,416	03 Yrs. Group Head HR (CHRO), Emaar MGF Land Ltd.
Nandi Amit Shankar	42	B.E., MBA	18	01.04.2011	Chief Sales & Marketing Officer	7,860,732	5,329,157	05 Yrs. Vice President, Bajaj Auto Ltd.
Pahwa Lalit Kumar	53	B.E., PGDM	29	31.05.2011	Chief Executive Officer - EAP	3,047,481	1,939,746	03 Yrs. Advisor (on his own)

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 in contractual in nature.
2. Remuneration received gross includes Salary,Bonus,Commission,ex-gratia,actual expenditure for provision of rent free accommodation or benefits or ameneties,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.
3. Remuneration received net includes salary,bonus,commission ex-gratia and other allowances but excluding house rent allowance,Provident Fund and Gratuity less Income Tax deducted at source.
4. Employees whose services have been loaned to other Companies have been excluded.
5. All the employees have adequate experience to discharge the responsibilities assigned to them.
6. None of the employees own more than 2 per cent of the outstanding shares of the Company as at 30th September, 2011.

On behalf of the Board

Sd/-

Place: Faridabad
Date: 28th November, 2011

RAJAN NANDA
Chairman & Managing Director

Auditors' Report

To The Members of Escorts Limited

1. We have audited the attached Balance Sheet of Escorts Limited as at 30th September, 2011, 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. Attention is drawn to Note No. 16 of Schedule-19. As explained therein, pursuant to the order of the Hon'ble High Court, an amount of ₹ 32.53 crores has been utilised from Business Reconstruction Reserve and the consequential impact on the Balance Sheet and Profit and Loss Account.
5. Further to our comments in the Annexure referred to above, we report that :
   - (a) We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit.
   - (b) In our opinion, proper books of account as required by law have been kept by the Company so far as appears from our examination of those books.
   - (c) The Balance Sheet, Profit & Loss Account and Cash Flow Statement dealt with by this report are in agreement with the books of account.
   - (d) In our opinion, the Balance Sheet, Profit & Loss Account and Cash Flow Statement dealt with by this report comply with the Accounting Standards referred to in sub-section (3C) of Section 211 of the Companies Act, 1956, except accounting treatment as described in paragraph 4 above regarding utilisation of Business Reconstruction Reserve pursuant to the order of the Hon'ble High Court.
   - (e) On the basis of written representations received from the directors, as on 30th September, 2011 and taken on record by the Board of Directors, we report that none of the directors is disqualified as on 30th September, 2011 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, 2011,
     - 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

Place : New Delhi
Dated : 28th November, 2011

Annexure Referred

To in paragraph 3 of our Report of even date on the Accounts of Escorts Limited, for the year ended 30th September, 2011.

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 ₹ 1.46 crores and balance of the loans granted to such company was ₹ 1.46 crores as at 30th September, 2011.

(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 ₹ 3.72 crores and the balance of loan taken from such company was ₹ 2.93 crores as at 30th September, 2011.

(f) In our opinion and according to the information and explanations given to us, the rate of interest and other terms and conditions of such loans are not, prima facie, prejudicial to the interest of the Company.

(g) The Company has been regular in repaying the principal amount and interest, as stipulated.

iv) In our opinion and according to the information and explanations given to us, there are adequate internal control procedures commensurate with the size of the Company and the nature of its business, for the purchase of inventory and fixed assets and for the sale of goods and services. During the course of our audit, we have neither come across nor have been informed of any continuing failure to correct major weaknesses in the internal control systems.

v) (a) According to the information and explanations given to us, we are of the opinion that the transactions that need to be entered into the register maintained under section 301 of the Companies Act, 1956 have been so entered.

(b) In our opinion and according to the information and explanations given to us, the transactions made in pursuance of contracts or arrangements entered in the register maintained under Section 301 of the Companies Act, 1956 and exceeding the value of Rupees five lakhs in respect of any party during the year have been made at prices which are reasonable having regard to the prevailing market prices at the relevant time except for items stated to be of a specialised nature where no comparison is possible.

vi) In our opinion and according to the information and explanations given to us, the Company has complied with the provisions of Sections 58A, 58AA and other relevant provisions of the Companies Act, 1956 and the Companies (Acceptance of Deposits) Rules, 1975 with regard to unpaid matured fixed deposits accepted from the public. The Company has however, not accepted any fresh deposits during the year under review.

vii) In our opinion, the Company has an internal audit system commensurate with the size and nature of its business.

viii) We have broadly reviewed the books of account maintained by the Company pursuant to the Rules made by the Central Government for the maintenance of cost records under Section 209(1)(d) of the Companies Act, 1956 in respect of the tractors and auto-ancillary products and are of the opinion that prima-facie the prescribed accounts have been made and maintained. We have, however, not made a detailed examination of the records with a view to determine whether they are accurate and complete.

ix) (a) The Company is generally regular in depositing with appropriate authorities undisputed statutory dues including provident fund, investor education and protection fund, employees' state insurance, income-tax, sales-tax, wealth-tax, service tax, custom duty, excise duty, cess and other material statutory dues applicable to it.

According to the information and explanations given to us, no undisputed amounts payable in respect of provident fund, investor education and protection fund, employees state insurance, income-tax, sales-tax, wealth-tax, service tax, custom duty, excise duty & cess were in arrears, as at 30th September, 2011 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 (₹ crore)	Period to which the amount relates	Forum where dispute is pending
Sales Tax Acts	Sales Tax	6.73	1987-2011	Appellate Authority/High Court
Central Excise Act, 1944	Excise Duty	0.61	1992-2008	Appellate Authority
Central Excise Act, 1944	Excise Duty	8.35	1995-2009	CESTAT
Finance Act, 1994	Service Tax	0.04	2000-2005	Appellate Authority
Income Tax Act, 1961	Income Tax	14.44	2001-2002	High Court
Income Tax Act, 1961	Income Tax	116.08	2006-2007	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, 2011 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, in our opinion, there are no funds raised on short-term basis which 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

Place : New Delhi
Dated : 28th November, 2011

Balance Sheet As At 30th September, 2011

₹ Crores

	Schedule	As At 30.09.2011		As At 30.09.2010	
SOURCES OF FUNDS					
Share Capital	1		102.31		102.28
Reserves & Surplus	2		1,696.14		1,635.55
Total Shareholders' Funds			1,798.45		1,737.83
Loans					
Secured	3	359.87		283.78	
Unsecured	4	12.73	372.60	14.82	298.60
Total			2,171.05		2,036.43
APPLICATION OF FUNDS					
Fixed Assets					
Gross Block		2,141.12		2,095.45	
Less : Depreciation/Amortisation		679.24		645.74	
Net Block		1,461.88		1,449.71	
Capital Work-in-Progress & Capital Advances		53.52		19.43	
Total Fixed Assets	5		1,515.40		1,469.14
Investments	6		365.80		365.80
Deferred Tax Assets (Net)			16.44		5.09
Current Assets, Loans & Advances					
Current Assets	7				
Inventories		327.36		295.50	
Sundry Debtors		340.53		332.62	
Cash & Bank Balances		287.19		174.41	
Other Current Assets		7.14		0.82	
		962.22		803.35	
Loans & Advances	8	270.85		258.86	
Total Current Assets, Loans & Advances		1,233.07		1,062.21	
DEDUCT					
Current Liabilities & Provisions	9				
Current Liabilities		881.90		731.03	
Provisions		79.63		136.73	
Total Current Liabilities & Provisions		961.53		867.76	
Net Current Assets			271.54		194.45
Miscellaneous Expenditure					
(to the extent not written off or adjusted)			1.87		1.95
Total			2,171.05		2,036.43
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)

VIJAY DHAWAN
Partner
M No. 12565

Place : Faridabad
Dated : 28th November, 2011

Profit & Loss Account For The Year Ended 30th September, 2011

₹ Crores

	Schedule	Year Ended 30.09.2011		Year Ended 30.09.2010	
INCOME					
Gross Sales		3,236.12		2,767.72	
Less : Excise Duty		25.97		21.99	
Net Sales			3,210.15		2,745.73
Business Income	10		41.34		18.94
Income from Investments	11		-		0.10
Total			3,251.49		2,764.77
EXPENDITURE					
Material, Manufacturing & Operating	12		2,410.55		1,951.83
Personnel	13		327.92		289.24
Sales & Administration	14		338.49		292.40
Interest & Finance Charges (Net)	15		25.51		11.74
Depreciation	5	47.63		49.04	
Less : Transfer from Revaluation Reserve		9.66	37.97	10.50	38.54
Amortisation of Miscellaneous Expenditure	16		0.94		4.93
			3,141.38		2,588.68
PROFIT BEFORE TAX & EXCEPTIONAL ITEMS			110.11		176.09
Exceptional Items	17		9.49		(11.93)
PROFIT BEFORE TAX			100.62		188.02
Provision for Taxation					
Current Tax		30.37		27.72	
Excess Provision for Earlier Years Written Back		(38.49)		-	
Deferred Tax		(11.35)	(19.47)	22.75	50.47
PROFIT AFTER TAX			120.09		137.55
APPROPRIATIONS					
General Reserve			6.00		6.88
Proposed Dividend			15.84		16.20
Tax on Dividend			2.57		2.69
BALANCE CARRIED TO BALANCE SHEET			95.68		111.78
Earnings Per Share (in ₹) (face value ₹ 10/- each)					
- Basic			11.74		14.67
- Diluted			11.66		14.42

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 : 28th November, 2011

Schedules 1 - 19 Forming part of the Balance Sheet and Profit & Loss Account

₹ Crores

		As At 30.09.2011		As At 30.09.2010	
SCHEDULE 1 : SHARE CAPITAL					
Authorised Capital					
120,000,000	Equity Shares of ₹ 10 each		**120.00**		120.00
	(Previous year 120,000,000 shares)				
73,000,000	Unclassified Shares of ₹ 100 each		**730.00**		730.00
	(Previous year 73,000,000 shares)				
			850.00		850.00
Issued, Subscribed and Paid-Up Capital					
105,618,036	Equity Shares of ₹ 10 each	**105.62**		105.62	
	(Previous year 105,618,036 shares)				
	Less: Amount recoverable from Escorts Employees Benefit & Welfare Trust (face value of 3,313,612 (Previous year 3,343,612) shares allotted to Trust)	**3.31**	**102.31**	3.34	102.28
			102.31		102.28

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 - 10,505,306) fully paid Equity Shares of ₹ 10/- each issued to the members of Hardship Committee appointed by Hon'ble High Court, Delhi for consideration other than cash.

(iii) 4,195,878 (previous year - 4,195,878) fully paid Equity Shares of ₹ 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) 298,000 (previous year - 268,000) fully paid Equity Share of ₹ 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 ₹ 0.22 crores and General Reserve of ₹ 19.21 crores.

₹ Crores

SCHEDULE 2 : RESERVES AND SURPLUS	Securities Premium Account	Capital Reserve	General Reserve	Profit & Loss Account	Revaluation Reserve	Employee Stock Option Outstanding	Deferred Employee Compensation Expenses	Business Reconstruction Reserve	Total
As at 30th September, 2010	430.59	0.30	504.87	162.53	64.47	0.48	(0.29)	472.60	1,635.55
Additions during the year									
Transfer from Profit and Loss Account	-	-	6.00	95.68	-	-	-	-	101.68
Premium on issue of Equity Share	0.22	-	-	-	-	-	-	-	0.22
Employees Compensation Expenses	-	-	-	-	-	0.91	-	-	0.91
	430.81	**0.30**	**510.87**	**258.21**	**64.47**	**1.39**	**(0.29)**	**472.60**	**1,738.36**
Deductions during the year	-	-	-	-	-	-	(0.20)	32.53	32.33
On Assets Sold	-	-	-	-	0.23	-	-	-	0.23
Transfer to Profit & Loss Account	-	-	-	-	9.66	-	-	-	9.66
As at 30th September, 2011	**430.81**	**0.30**	**510.87**	**258.21**	**54.58**	**1.39**	**(0.09)**	**440.07**	**1,696.14**

Schedules 1 - 19 Forming part of the Balance Sheet and Profit & Loss Account

₹ Crores

	As At 30.09.2011	As At 30.09.2010
SCHEDULE 3 : SECURED LOANS		
From Banks		
Cash Credit/Export Packing Credit & Working Capital Demand Loans	89.15	80.70
Term Loans		
From Banks	270.47	200.98
From Others	0.25	0.74
Interest Accrued & Due	-	1.36
Total	359.87	283.78

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.

2. Term Loans from Banks
   a) State Bank of Patiala — ₹ 16.20 Crores
      Secured by first pari-passu charge on movable assets
   b) State Bank of Hyderabad, Andhra Bank & State Bank of Travancore — ₹ 42.12 Crores
      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, State Bank of Travancore & Andhra Bank — ₹ 55.90 Crores
      First charge on the specified movable fixed assets viz. plant and machinery
   d) Oriental Bank of Commerce — ₹ 100.00 Crores
      Secured by way of exclusive first charge on specified immovable property
   e) Punjab National Bank — ₹ 56.24 Crores
      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 — ₹ 0.10 Crores
      Secured against Insurance Policies
   b) Vehicle loans secured against the Vehicles financed — ₹ 0.15 Crores

₹ Crores

	As At 30.09.2011	As At 30.09.2010
SCHEDULE 4 : UNSECURED LOANS		
Short Term Loans		
Lease Finance	2.22	1.90
Other Loans		
Lease Finance	1.60	2.82
From Others	7.94	10.04
Book Overdraft - Banks	0.97	0.06
Total	12.73	14.82

SCHEDULE 5 : FIXED ASSETS

₹ Crores

Description	Cost as at 30.09.2010	Additions	Deductions	Cost as at 30.09.2011	Depreciation / Amortisation upto 30.09.2010	Depreciation/ Amortisation for the year	Deductions during the year	Depreciation / Amortisation upto 30.09.2011	Net Book Value as on 30.09.2011	Net Book Value as on 30.09.2010
Tangible Assets										
Owned asset										
Land Freehold	1,071.33	0.21	-	1,071.54	-	-	-	-	1,071.54	1,071.33
Land Leasehold	8.89	-	-	8.89	0.24	0.11	-	0.35	8.54	8.65
Buildings	315.38	7.33	-	322.71	161.55	12.96	-	174.51	148.20	153.83
Plant & Machinery	554.27	40.50	11.61	583.16	369.19	26.85	10.41	385.63	197.53	185.08
Furniture & Fixtures	77.03	8.46	3.68	81.81	62.25	3.35	3.41	62.19	19.62	14.78
Vehicles	8.28	1.87	0.79	9.36	3.39	1.44	0.31	4.52	4.84	4.89
Leasehold Improvements	3.46	-	-	3.46	3.41	-	-	3.41	0.05	0.05
Leased asset										
Plant Machinery	3.68	-	-	3.68	0.29	0.18	-	0.47	3.21	3.39
IT Equipments	5.63	1.11	-	6.74	3.02	1.35	-	4.37	2.37	2.61
Vehicles	0.23	-	-	0.23	0.06	0.05	-	0.11	0.12	0.17
Sub Total - A	2,048.18	59.48	16.08	2,091.58	603.40	46.29	14.13	635.56	1,456.02	1,444.78
Intangible Assets										
Prototypes	1.24	-	-	1.24	1.21	-	-	1.21	0.03	0.03
Technical Know-how	24.10	-	-	24.10	24.09	0.01	-	24.10	-	0.01
Software Development	21.93	2.27	-	24.20	17.04	1.33	-	18.37	5.83	4.89
Sub Total - B	47.27	2.27	-	49.54	42.34	1.34	-	43.68	5.86	4.93
Sub Total - (A+B)	2,095.45	61.75	16.08	2,141.12	645.74	47.63	14.13	679.24	1,461.88	1,449.71
Capital Work-in-Progress	10.99	91.36	57.08	45.27	-	-	-	-	45.27	10.99
Capital Advances	8.44	22.02	22.21	8.25	-	-	-	-	8.25	8.44
Sub Total - C	19.43	113.38	79.29	53.52	-	-	-	-	53.52	19.43
Total - (A+B+C)*	2,114.88	175.13	95.37	2,194.64	645.74	47.63	14.13	679.24	1,515.40	1,469.14
Previous Year Figures	2,070.54	81.67	37.33	2,114.88	602.93	49.04	6.23	645.74	1,469.14	

NOTES :

1. *Includes Escorts Research Center Assets :	166.68	19.82	10.45	176.06	40.94	2.95	0.59	43.31	132.75	

2. Freehold Land includes :
   (a) ₹ 37.75 crores pending registration in the name of the Company.
3. Buildings include (at net book value) :
   (a) ₹ 0.10 crores pending registration in the name of the Company.

Schedules 1 - 19 Forming part of the Balance Sheet and Profit & Loss Account

Name of the Company	Interest/ Dividend %Age	As At 30.09.2011			As At 30.09.2010		
		Face Value ₹	Quantity Nos.	Amount ₹ Crores	Face Value ₹	Quantity Nos.	Amount ₹ Crores
SCHEDULE 6 : INVESTMENTS							
Long Term (At Cost)							
Government Securities							
[Current year (₹ 10,000), Previous year (₹ 17,000)]				-			-
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 Construction Equipment Limited		10	113,964,497	170.00	10	113,964,497	170.00
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

Name of the Company	Interest/ Dividend %Age	As At 30.09.2011			As At 30.09.2010		
		Face Value ₹	Quantity Nos.	Amount ₹ Crores	Face Value ₹	Quantity Nos.	Amount ₹ Crores
SCHEDULE 6 : INVESTMENTS (Contd.)							
Other Companies							
Escorts Finance Investment & Leasing Private Limited (Non Cumulative)	5%	100	438,200,000	43.82	100	438,200,000	43.82
Escotrac Finance & Investments Private Limited (Non Cumulative)	10%	10	10,000,000	10.00	10	10,000,000	10.00
Escotrac Finance & Investments Private Limited (Non Cumulative)	5%	10	48,440,000	48.44	10	48,440,000	48.44
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 (₹ 1,000), Previous year (₹ 1,000)]		10	100	-	10	100	-
				367.03			367.03
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			365.80

NOTES

		30.09.2011	30.09.2010
1.	Quoted Investments		
	Book Value	4.01	4.01
	Market Value	2.47	5.55
2.	Unquoted Investments		
	At cost	363.02	363.02

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 Forming part of the Balance Sheet and Profit & Loss Account

₹ Crores

	As At 30.09.2011	As At 30.09.2010
SCHEDULE 7 : CURRENT ASSETS		
Interest Accrued on Investments and Deposits	7.14	0.82
Stocks (as taken, valued and certified by the Management)		
Raw Material and Components	138.93	137.86
Finished & Trading Goods	149.09	113.59
Work-in-Progress	24.22	24.84
Stores and Machinery Spares	9.94	9.59
Loose Tools	11.87	10.58
	334.05	296.46
Less : Provision for Obsolescence of Inventory	6.69	0.96
	327.36	295.50
Sundry Debtors		
(Refer Note 7 of Schedule 19)		
Debts outstanding for over six months		
Secured	1.31	0.31
Unsecured - Considered Good	20.21	33.30
- Considered Doubtful	71.09	147.55
	92.61	181.16
Less : Provision for doubtful debts	71.09	147.55
	21.52	33.61
Other Debts		
Secured	92.87	68.82
Unsecured - Considered Good	226.14	230.19
	319.01	299.01
	340.53	332.62
Cash & Bank Balances		
Cash in Hand	0.25	0.30
Cheques in Hand and in Transit	20.50	2.91
With Scheduled Banks :		
On Current Accounts	37.31	15.53
In Escrow Account	82.80	82.80
(Refer Note 9 (iv) of Schedule 19)		
On Short Term/Fixed Deposit with Scheduled Banks		
- Pledged with various Authorities and Banks	13.63	12.08
- Others	132.70	60.79
	287.19	174.41
Total	962.22	803.35

₹ Crores

	As At 30.09.2011		As At 30.09.2010	
SCHEDULE 8 : LOANS & ADVANCES *				
Loans				
Unsecured - Considered Good	0.97		0.74	
- Considered Doubtful	0.08		0.07	
	1.05		0.81	
Less : Provision for Doubtful Loan	0.08	0.97	0.07	0.74
Advances recoverable in cash or in kind or for value to be received				
Unsecured - Considered Good **	262.27		251.71	
- Considered Doubtful	6.80		6.42	
	269.07		258.13	
Less : Provision for Doubtful Advances	6.80	262.27	6.42	251.71
Deposits				
Deposits - Considered Good	7.61		6.41	
- Considered Doubtful	0.55		0.45	
	8.16		6.86	
Less : Provision for Doubtful Deposits	0.55	7.61	0.45	6.41
Total		270.85		258.86

*(Refer Note 8 of Schedule 19)
**(Refer Note 10 of Schedule 19)

₹ Crores

	As At 30.09.2011		As At 30.09.2010	
SCHEDULE 9 : CURRENT LIABILITIES & PROVISIONS				
Current Liabilities				
Acceptances		212.35		86.79
Sundry Creditors (Refer Note 15 of Schedule 19)		532.78		470.44
Advance from Customers		18.29		45.38
Security Deposit		63.99		70.77
Other Advances (Refer Note 14 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	0.34		0.23	
ii) Unpaid Matured Deposits	1.58		2.26	
iii) Interest Accrued on (i) to (ii) above	0.14	2.06	0.22	2.71
Local Area Development Tax/Entry Tax		13.24		13.24
Other Liabilities		32.19		34.68
Interest Accrued but not due on Loans		-		0.02
		881.90		731.03

Schedules 1 - 19 Forming part of the Balance Sheet and Profit & Loss Account

₹ Crores

	As At 30.09.2011		As At 30.09.2010	
SCHEDULE 9 : CURRENT LIABILITIES & PROVISIONS (Contd.)				
Provisions				
Leave Encashment		11.59		10.15
Gratuity		55.10		69.28
Superannuation		11.65		19.46
Proposed Dividend		15.84		15.84
Tax on Proposed Dividend		2.57		2.63
Fringe Benefit Tax	9.81		9.81	
Less : Advance Tax	10.59	(0.78)	10.59	(0.78)
Taxation	99.21		107.33	
Less : Advance Tax	115.55	(16.34)	87.18	20.15
		79.63		136.73
Total		961.53		867.76

₹ Crores

	Year Ended 30.09.2011	Year Ended 30.09.2010
SCHEDULE 10 : BUSINESS INCOME		
Export Incentives	7.40	4.24
Scrap Sales	6.20	4.83
Foreign Exchange Variation (Net)	7.60	-
Surplus on Sale of Assets (Net)	0.99	0.80
Others *	19.15	9.07
Total	41.34	18.94
* Income Tax Deducted at Source	0.43	0.41

₹ Crores

	Year Ended 30.09.2011	Year Ended 30.09.2010
SCHEDULE 11 : INCOME FROM INVESTMENTS		
Surplus on Sale of Investments		
Non - Trade		
Long Term Investments	-	0.10
Total	-	0.10

₹ Crores

	Year Ended 30.09.2011	Year Ended 30.09.2010
SCHEDULE 12 : MATERIAL, MANUFACTURING AND OPERATING EXPENSES		
Raw Material & Components Consumed *	2,110.35	1,787.20
* (Net of Duty Draw Back)		
(Increase)/Decrease in Finished Goods and WIP	(24.54)	(44.69)
Trading Goods	229.60	120.18
Excise Duty on increase/(decrease) in Stock of Finished Goods	0.18	0.65
Stores, Spares and Tools	31.31	27.91
Power and Fuel	35.22	31.99
Repairs to Building	6.97	5.96
Repairs to Machinery	21.06	22.41
Other Manufacturing Expenses	0.40	0.22
Total	2,410.55	1,951.83

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

₹ Crores

	Year Ended 30.09.2011	Year Ended 30.09.2010
SCHEDULE 13 : PERSONNEL EXPENSES		
Salary, Wages and Bonus	264.33	216.86
Contribution to Gratuity Fund	7.08	21.81
Contribution to Provident Fund and Other Funds	14.13	12.76
Staff Welfare Expenses	42.38	37.81
Total	327.92	289.24

₹ Crores

	Year Ended 30.09.2011	Year Ended 30.09.2010
SCHEDULE 14 : SALES AND ADMINISTRATION EXPENSES		
Warranties	21.01	16.91
Rent (Net)	4.48	4.64
Rates and Taxes	3.89	4.09
Insurance	4.29	2.27
Traveling & Conveyance	28.69	23.80
Postage, Telegrams and Telephones	5.59	4.69
Repair and Maintenance	12.58	12.51
Audit Fee, Legal & Professional Expenses	19.78	16.86
Sales Incentive & Other Selling Expenses	71.32	64.60
Advertisement	49.83	36.71
Royalty	16.39	14.00
Packing, Freight & Forwarding	79.51	58.27
Directors Sitting Fees & Commission	2.27	10.33
Loss on Foreign Exchange Variation (Net)	-	5.96
Other Expenses	18.86	16.76
Total	338.49	292.40

Schedules 1 - 19 Forming part of the Balance Sheet and Profit & Loss Account

₹ Crores

	Year Ended 30.09.2011		Year Ended 30.09.2010	
SCHEDULE 15 : INTEREST & FINANCE CHARGES (NET)				
Interest cost related to :				
Fixed Period Loans and Debentures	27.38		20.96	
Finance Charges on Leased Asset	1.16		1.09	
Others	34.52	63.06	21.01	43.06
Less : Interest Income *				
Others		45.01		40.24
Bank & Finance Charges		7.46		8.92
Total		25.51		11.74
* Income Tax Deducted at Source		1.29		0.81

₹ Crores

	Year Ended 30.09.2011	Year Ended 30.09.2010
SCHEDULE 16 : AMORTISATION OF MISCELLANEOUS EXPENDITURE		
Voluntary Retirement Compensation	-	4.24
Miscellaneous Expenditure Written Off	0.94	0.69
Total	0.94	4.93

₹ Crores

	Year Ended 30.09.2011		Year Ended 30.09.2010
SCHEDULE 17 : EXCEPTIONAL ITEMS			
Provisions for Doubtful Debts, Advances and Loans & Deposits		11.20	7.99
Obsolescence of Inventory		5.73	0.96
Amounts/Provision Written Off		0.31	0.39
Amount Written Back		(2.32)	(2.52)
Provisions no Longer Required Written Back		(1.77)	(29.67)
Fixed Assets written off		0.03	0.01
Tenancy Income/Service Tax Credit Pertaining to Earlier Years		(4.00)	(0.28)
Voluntary Retirement Compensation		0.31	11.19
Bad Debts	115.71		
Less: Provision Created in Earlier Years	115.71	-	-
Total		9.49	(11.93)

SCHEDULE 18: SIGNIFICANT ACCOUNTING POLICIES

1. Accounting Convention

The financial statements have been prepared under the historical cost convention on accrual basis in accordance with generally accepted accounting principles (GAAP) and the Accounting Standards notified by the Companies (Accounting Standards) Rules, 2006 and the relevant provisions of the Companies Act, 1956.

The preparation of financial statements in conformity with GAAP requires the management to make estimates and assumptions that affect the reported amounts of income and expenses, assets and liabilities and the disclosures relating to contingent liabilities as of the date of the financial statements. The difference between the actual results and the estimates are recognised in the period in which the results are known and/or materialised.

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/amortisation and impairment losses, if any. Cost of acquisition is inclusive of all incidentals and other attributable costs of bringing the asset to its working condition for its intended use and is net of available duty/tax credits.

Depreciation & Amortisation

a. Depreciation on Plant and Machinery is provided on Straight Line Method.

b. 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.

c. The depreciation on assets acquired/sold/discarded/demolished during the year is provided from/upto the month the asset is commissioned/sold or discarded.

d. Assets costing upto ₹ 5,000 are depreciated fully in the year of purchase.

e. 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.

a. 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.

b. 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 AS-28 "Impairment of Assets" issued by Institute of Chartered Accountants of India.

3. Inventory Valuation

a. Raw Material and Components, Stores and Machinery Spares are stated at lower of cost and net realisable value.

b. Loose Tools are stated at cost or under.

c. Work in Progress, Finished and Trading Goods/Spare Parts are stated at lower of cost and net realisable value.

d. 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.

e. Work in Progress and Finished Goods include cost of conversion and other costs incurred in bringing the Inventories to their present location and condition.

Schedules 1 - 19 Forming part of the Balance Sheet and Profit & Loss Account

4. Employee Benefits

i) Defined Contribution Plan

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

ii) Defined Benefit Plan

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

iii) Other Long Term Benefits

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

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

5. Foreign Exchange Fluctuation

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

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

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

6. Investments

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

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

7. Revenue Recognition

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

8. Borrowing Costs

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

9. Deferred Revenue Expenditure

i. 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.

ii. 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.

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

i. 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.

ii. 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 Forming part of the Balance Sheet and Profit & Loss Account

₹ Crores

	2010-2011		2009-2010	
SCHEDULE 19 : NOTES ON BALANCE SHEET AND PROFIT & LOSS ACCOUNT				
1 Managerial Remuneration				
(a) Managing and Whole-Time Directors' Remuneration*:				
Salary		8.69		3.67
Perquisites		0.09		0.26
Contribution to Provident & Other Fund		0.38		0.28
Commission Payable		1.95		10.00
*Include ₹ 1.08 crores pertaining to previous year		11.11		14.21
(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		100.62		188.02
Add:				
- Depreciation as per books (Net of transfer from Revaluation Reserve)	37.97		38.54	
- Directors' Remuneration	9.16		4.21	
- Directors' Sitting Fees	0.12		0.13	
- Commission to Directors'	1.95		10.00	
- Commission to Non-Executive Directors'	0.20	49.40	0.20	53.08
		150.02		241.10
Deduct:				
- Depreciation as per section 350 of the Companies Act, 1956	37.97		38.54	
- Profit on sale of Fixed Assets	0.99		0.80	
- Profit on sale of Investments	-	38.96	0.10	39.44
Net Profit as per Section 349 of the Companies Act, 1956		111.06		201.66
Maximum permissible Remuneration to Whole-Time Directors under Section 198 of Companies Act, 1956 @ 10% of the profit computed above		11.11		20.17
Maximum permissible Remuneration to Non-Executive Directors under Section 198 of Companies Act, 1956 @ 1% of the profit computed above		1.11		2.02

2 Miscellaneous Expenditure (to the extent not written off or adjusted) represents

₹ Crores

	Year Ended 30.09.2011		Year Ended 30.09.2010	
(a) Upfront Fee	1.95		1.18	
Add : Additions during the year	0.86		1.46	
Less : Written off during the year	0.94	1.87	0.69	1.95
		1.87		1.95

3 Earnings Per Shares

₹ Crores

		Year Ended 30.09.2011	Year Ended 30.09.2010
Net Profit after Tax (₹ Crores)	Basic	**120.09**	137.55
	Diluted	**120.09**	137.55
Weighted average number of shares outstanding	Basic	**102,300,232**	93,734,773
	Diluted	**102,950,266**	95,362,575
Earnings per share (face value ₹ 10 per share)	Basic	**11.74**	14.67
	Diluted	**11.66**	14.42

4 Audit & Legal Expenses include Auditors Remuneration

₹ Crores

		Year Ended 30.09.2011	Year Ended 30.09.2010
(a)	Audit Fee	**0.45**	0.35
(b)	Tax Audit Fee	**0.13**	0.10
(c)	In Other Capacity		
	Limited review of quarterly results	**0.19**	0.14
	Certification and other services	**0.33**	0.21
(d)	Service Tax	**0.12**	0.08
(e)	Out of Pocket Expenses	**0.04**	0.03

5 The Outstanding Derivative Instruments as at 30th September, 2011

The Exports receivables of the Company as at year end have been hedged by forward contracts US$ 1.92 Million (Previous Year : US$ 3 Million)

The Foreign Currency Exposure not hedged by a derivative instrument or otherwise as on 30th September, 2011 are as follows:

Amount (Millions)

		Currency	2010-11	2009-10
i)	Amount receivable on account of Sales of Goods/Services	USD	**2.98**	25.12
		EURO	**10.88**	8.71
		AUD	-	0.01
ii)	Amount payable on account of Purchase of Material/Services:	USD	**1.32**	19.00
		EURO	**1.84**	0.04
		JPY	**8.55**	45.00

6 Deferred Tax

The Deferred Tax Assets (Net) as at 30th September, 2011 comprise of the following :

₹ Crores

	Deferred tax assets (liabilities) as at 01.10.2010	(Charge)/credit during the year	Deferred tax assets (liabilities) as at 30.09.2011
Depreciation	(42.68)	5.70	**(36.98)**
Deferred Revenue Expenditure	0.86	(1.28)	**(0.42)**
Disallowance u/s 43B	40.53	0.89	**41.42**
Provision for Doubtful Debts	6.38	6.04	**12.42**
Total	5.09	11.35	**16.44**

Schedules 1 - 19 Forming part of the Balance Sheet and Profit & Loss Account

₹ Crores

		2010-11	2009-10
7	Sundry Debtors include amount due from Subsidiary Companies	86.55	182.65

8 Balance due from Subsidiary Companies

₹ Crores

Company	On account of loans / advances as at 30.09.2011	Maximum balance outstanding at any time during the year	On account of loans / advances as at 30.09.2010	Maximum balance outstanding at any time during the year
Subsidiaries:				
Escorts Construction Equipment Limited	1.66	1.81	0.73	1.41
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'

₹ Crores

	Year Ended 30.09.2011	Year Ended 30.09.2010
(a) Contingent Liabilities		
I) Estimated amounts of contracts remaining to be executed on capital account and not provided for	61.91	52.61
II) * Claims not acknowledged as debts	0.51	0.52
III) There is a Contingent liability of :		
* (a) Excise duty/Customs duty demands not acknowledged as liability	8.98	46.57
* (b) ESI additional demand not acknowledged as liability	4.14	4.14
* (c) Sales Tax demand not acknowledged as liability	6.73	9.75
* (d) Pending Legal Cases - Personnel	3.21	4.11
- Others	79.87	30.04
* (e) Demand raised by Faridabad Municipal Corporation for external development charges where the Company is in litigation	2.38	2.38
(f) Guarantees given to banks under Channel Finance Program	28.18	42.52
(g) Guarantees executed in favour of Others	9.59	8.33
(h) Demand raised by Income Tax Department, disputed by the Company and pending in appeal	130.52	14.44

* 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 25th September, 2005. There were certain pending disputed Income Tax Demands of ₹ 52.33 crores and interest thereon amounting to ₹ 29.16 crores on EHIRCL and in terms of the agreement EL has undertaken to indemnify the purchaser to the extent of ₹ 65 crores plus one-third of any amount in excess of ₹ 65.00 crores, in case the appeal is decided against EHIRCL. In view of the above, in terms of Share Purchase Agreement an amount of ₹ 64.99 crores has been kept in an Escrow Account as fixed deposit, which after renewal amounts to ₹ 82.80 crores as on 30th September 2011.

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

₹ Crores

Class of Provision	As At 01.10.2010	Additions	Amount Used	Unused Amounts reversed	As at 30.09.2011
Product Warranties	**7.97**	**7.00**	**0.41**	**4.55**	**10.01**
	(7.09)	(5.26)	(1.12)	(3.26)	(7.97)

(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 The Scheme of Compromise and Arrangement pending before the Delhi High Court to bail out the fixed deposit holders of Escorts Finance Limited stands disposed-off vide order dated 4th March, 2011. On the interim directions of the said High Court, fixed deposit liability of ₹130.32 crores has already been discharged by the Hardship Committee constituted under the directions of the said High Court. For discharging the unclaimed deposit, balance 2,401,050 shares have been transferred to Escorts Benefit Trust (Trust) and the Hardship Committee has been dissolved. The trust shall, in due course and in terms of the directions of the High Court, discharge the unclaimed deposits.

11 The Company revalued its freehold land as on 1st September, 2006 and amount added on revaluation was ₹ 387.64 crores, further the Company has revalued its all land & buildings as on 1st April, 2009 and amount added on revaluation is ₹ 672.72 crores. Both revaluations were carried out by reputed independent valuer.

12 The Company has issued 3,611,612 Equity Shares of ₹ 10 each fully paid up at a price of ₹ 84.50 per share (including premium of ₹ 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 629,500 options to its employees, in accordance with the guidelines issued by SEBI, out of which 221,500 options have been forfeited till 30th September, 2011 and balance 298,000 options have been exercised leaving 110,000 options pending for exercise.

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 by the Company no further provision on this account is considered necessary.

14 The Company has executed an Agreement to Sell for transfer of 20 acres of land at Plot No. 219, Sector 58, Balabhgarh, Haryana for a consideration of ₹ 7.00 crores. The said transfer is subject to necessary approval from HUDA and accordingly the consideration amount of ₹ 7.00 crores is being treated as advance.

15 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.

16 Pursuant to the order of the Hon'ble High Court of Punjab & Haryana dated 17th September, 2009 an amount of ₹ 32.53 crores on account of exports receivables from Farmtrac Tractors Europe Sp. Z.o.o., Poland, which is doubtful of recovery and exports incentives availed thereon to be refunded, has been provided for and adjusted through Business Reconstruction Reserve. Had the Scheme not prescribed for the aforesaid accounting treatment as approved by the Hon'ble High Court, the balance sheet (including reserve & surplus) and the profit and loss account would have been impacted to that extent.

Schedules 1 - 19 Forming part of the Balance Sheet and Profit & Loss Account

17 Employee Benefits

₹ Crores

	30.09.2011		30.09.2010	
	Gratuity	Leave Encashment	Gratuity	Leave Encashment
(a) Reconciliation of opening and closing balances of defined benefit obligation				
Defined benefit obligation at the beginning of the year	84.34	10.15	70.92	9.75
Current Service Cost	3.67	1.25	3.48	0.87
Past Service Cost	-	-	1.82	-
Interest Cost	7.17	0.86	5.67	0.78
Actuarial (Gain)/Loss	(0.81)	2.77	12.09	1.73
Benefits Paid	(9.45)	(3.35)	(9.65)	(2.97)
Defined benefit obligation at year end	84.92	11.68	84.34	10.15
(b) Reconciliation of opening and closing balances of fair value of plan assets				
Fair value of plan assets at beginning of the year	84.35	-	70.92	-
Expected return on plan assets	7.51	-	5.67	-
Actuarial Gain/(Loss)	(5.62)	-	(4.42)	-
Employer Contribution	-	-	-	-
Benefits Paid	(9.45)	-	(9.65)	-
Fair value of plan assets at year end	76.79	-	62.52	-
(c) Reconciliation of fair value of assets and obligations				
Fair value of plan assets as at 30th September 2011	76.79	-	62.52	-
Present value of obligation as at 30th September 2011	84.92	11.68	84.34	10.15
Net assets/(liability) recognised in Balance Sheet	(8.13)	(11.68)	(21.82)	(10.15)
(d) Expenses recognised during the year				
Current Service Cost	3.67	1.25	3.48	0.87
Past Service Cost	-	-	1.82	-
Interest Cost	7.17	0.86	5.67	0.78
Expected return on plan assets	(7.51)	-	(5.67)	-
Actuarial (Gain)/Loss	4.81	2.77	16.52	1.73
Net Cost	8.14	4.88	21.82	3.38

18 (i) Expenses on Research & Development Centre included under following heads

₹ Crores

		2010-11	2009-10
- Materials	- Schedule 12	2.96	1.32
- Personnel Expenses	- Schedule 13	13.88	11.60
- Administration Expenses	- Schedule 14	5.75	4.37
- Depreciation		2.95	2.57
		25.54	19.86

(ii) Assets purchased/capitalised for Research & Development ₹ 7.39* crores (Previous Year ₹ 2.87 crores)

(iii) Expenses on Research & Development as percentage to turnover is 1.03% (Previous Year 0.83%)

*Doesn't include capital advance/capital work in progress

₹ Crores

	2010-11	2009-10
19 Expenses pertaining to previous years		
Sales and Administration	0.10	0.25
Personnel	1.18	0.06

20 Profit & Loss account of Agricultural business is as follows

₹

	2010-11	2009-10
Opening Stock	3,000.00	5,000.00
Expenses	515,083.00	823,585.00
Sales and Other Income	508,352.00	134,273.00
Closing Stock	-	3,000.00
Net Profit/(Loss)	(9,731.00)	(691,312.00)

21 Net Dividend Remitted in Foreign Currrency

₹ Crores

	2010-11	2009-10
Period to Which it Relates	2009-10	2008-09
Number of Non-Resident Shareholders	9	11
Number of Equity Shares Held	3200	3992
Amount Remitted (in ₹)	4800	3992
Amount Remitted (in US$)	106.22	88.31

22 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
		(formerly Long Agri Business LLC, USA)
(ii)	Joint Ventures and Associates	
	Hughes Communications India Limited	
	Escotrac Finance & Investment Private Limited	
	Escorts Finance Investment & Leasing Private Limited	
	Escorts Motors Limited	
(iii)	Key Management personnel (whole-time directors) & their relatives	
	Mr. Rajan Nanda	
	Mrs. Ritu Nanda	
	Mr. Nikhil Nanda	
	Mrs. Shweta Nanda	
	Ms. Nitasha Nanda	
(iv)	Others	
	Har Parshad & Company Private Limited	Big Apple Clothing Private Limited
	Raksha TPA Private Limited	Niky Tasha Communications Private Limited
	Rimari India Private Limited	Niky Tasha Energies Private Limited
	Momento Communications Private Limited	Sun & Moon Travels (India) Private Limited
	AAA Portfolios Private Limited	
(v)	Related Party transactions - Refer Annexure - I	

Schedules 1 - 19 Forming part of the Balance Sheet and Profit & Loss Account

23 Clause 32 disclosure - Details as per Annexure - II

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

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

ANNEXURE-I

Disclosure of Related Parties

Transactions with Subsidiaries

₹ Crores

Nature of Transactions	Escorts Construction Equipment Limited	Escorts Securities Limited	Escorts Assets Management Limited	Farmtrac Tractors Europe Sp. Z.o.o.	Farmtrac North America, LLC, USA	Total
For the Year Ended 30.09.2011						
Sale of Goods	**31.08**	-	-	**20.95**	-	**52.03**
	(24.88)	-	-	(21.70)	-	(46.58)
Sale of Fixed Assets	**0.39**	-	-	-	-	**0.39**
	-	-	-	-	-	-
Rendering of Services (Income)	**1.78**	-	-	-	-	**1.78**
	(0.96)	-	-	-	-	(0.96)
Rent Income	**0.06**	-	-	-	-	**0.06**
	(0.06)	-	-	-	-	(0.06)
Purchases of Goods	**1.34**	-	-	**0.33**	-	**1.67**
	(5.59)	-	-	(0.21)	-	(5.80)
Dividend Paid	-	-	-	-	-	-
	-	(0.02)	-	-	-	(0.02)
Balances As At 30.09.2011						
Investments	**170.00**	**1.20**	**3.00**	**2.59**	-	**176.79**
	(170.00)	(1.20)	(3.00)	(2.59)	-	(176.79)
Advances	**1.65**	**1.46**	-	-	-	**3.11**
	(0.73)	(1.46)	-	-	-	(2.19)
Receivables/Debtors	**15.24**	-	-	**71.31**	-	**86.55**
	(10.03)	-	-	(56.91)	(115.71)	(182.65)
Payables	**0.01**	-	-	**0.37**	**1.28**	**1.66**
	(0.01)	-	-	(0.21)	(1.28)	(1.50)
Provisions	-	-	-	**48.53**	-	**48.53**
(Debts/Loans/Advances/Deposits Investments)	-	-	-	(20.00)	(115.71)	(135.71)

Transactions with Joint Ventures

₹ 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 30.09.2011					
Dividend Paid	**2.03**	**1.03**	-	-	**3.06**
	(1.33)	(0.71)	-	-	(2.04)
Balances As At 30.09.2011					
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**
	(18.24)	(5.90)	(0.02)	-	(24.17)

ANNEXURE-I (Contd.)

Transactions With Directors and their Relatives for the Year Ended 30.09.2011

₹ Crores

Nature of Transactions	Rajan Nanda	Ritu Nanda	Nikhil Nanda	Shweta Nanda*	Nitasha Nanda	Harparshad & Co. Private Limited	Raksha TPA Private Limited	Rimari India Private Limited	Momento Communications Private Limited	AAA Portfolios Private Limited	Big Apple Clothing Private Limited	Niky Tasha Communications Private Limited*	Niky Tasha Energies Private Limited*	Sun & Moon Travels (India) Private Limited	Total
For the Year Ended 30.09.2011															
Royalty	-	-	-	-	-	16.39	-	-	-	-	-	-	-	-	16.39
	-	-	-	-	-	(13.73)	-	-	-	-	-	-	-	-	(13.73)
Remuneration	6.20	-	4.91	-	1.16	-	-	-	-	-	-	-	-	-	12.27
	(8.29)	-	(5.92)	-	(0.90)	-	-	-	-	-	-	-	-	-	(15.11)
Rent Received	-	-	0.42	-	-	-	1.02	-	-	-	-	-	-	0.01	1.45
	-	-	(0.42)	-	-	-	-	-	-	-	-	-	-	-	(0.42)
Rent Paid	-	0.33	-	-	0.39	-	-	-	-	-	-	-	-	-	0.72
	-	(0.32)	-	-	(0.38)	-		-	-	-	-	-	-	-	(0.70)
Purchase of Goods	-	-	-	-	-	-	-	0.03	-	-	-	-	-	-	0.03
	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Purchase of Fixed Assets	-	-	-	-	-	0.11	-	-	-	-	-	-	-	-	0.11
	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Receiving of services (Expense)	-	-	-	-	-	-	-	-	0.13	-	-	-	-	4.56	4.69
	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Dividend Paid *	0.16	0.01	-	-	-	0.57	-	-	-	0.21	0.22	-	-	-	1.17
	(0.10)	(0.01)	-	-	-	(0.37)	-	-	-	(0.14)	(0.15)	-	-	-	(0.78)
Balances As At 30.09.2011															
Advances	-	-	-	-	0.06	-	-	-	-	-	-	-	-	-	0.06
	-	-	-	-	(0.06)	-	-	-	-	-	-	-	-	-	(0.06)
Debtors/Receivables	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Payables	0.81	-	1.14	-	-	5.73	0.09	-	-	-	-	-	-	(0.33)	7.44
	(6.00)	-	(4.00)	-	-	(12.30)	-	-	-	-	-	-	-	-	(22.30)

* Nil Amount represents dividend paid less than a lakh.

Schedules 1 - 19 Forming part of the Balance Sheet and Profit & Loss Account

ANNEXURE-II

Disclosure pursuant to Clause 32 of the Listing Agreement

₹ Crores

Loanees	Amount of loan/advances in nature of loan outstanding with no repayment schedule		Advances in nature of loan carrying Nil Interest	
	As At 30th September 2011	Max. amount outstanding during 2010-11	As At 30th September 2011	Max. amount outstanding during 2010-11
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, 2011 and present value thereof are as under:

₹ Crores

	Minimum lease payments outstanding	Present value of minimum lease payments outstanding	Future interest on outstanding lease payments
- Total amount due	**4.33**	**3.82**	**0.51**
	(5.63)	(4.72)	(0.91)
- Due within one year	**2.60**	**2.22**	**0.38**
	(2.44)	(1.90)	(0.54)
- Due later than one year and not later than five years	**1.73**	**1.60**	**0.13**
	(3.19)	(2.82)	(0.37)

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

(a) Expenditure in Foreign Currency

₹ Crores

	Year Ended 30.09.2011	Year Ended 30.09.2010
(i) Royalty/Technical know-how/Technical Fee	-	0.33
(ii) Travelling Expenses	**1.52**	1.94
(iii) Others	**30.68**	140.11
Total	**32.20**	142.38

(b) Earnings in Foreign Currency

₹ Crores

	Year Ended 30.09.2011	Year Ended 30.09.2010
(i) Export of goods including partly executed sales contracts on F.O.B basis	**215.28**	63.81
(ii) Others	**9.89**	-
Total	**225.17**	63.81

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

(i) Manufacturing Operations

		Installed Capacities*	Actual Production	Opening Balance		Closing Balance		Sales	
				Quantity	Value ₹ Crores	Quantity	Value ₹ Crores	Quantity	Value ₹ Crores
1.	**Agricultural Tractors	98,940	63,744	2,619	84.48	2,839	103.11	63,420	2,579.09
		(98,940)	(60,906)	(1,907)	(51.24)	(2,619)	(84.48)	(60,086)	(2,259.00)
2.	**Internal Combustion Engine	98,940	66,821	629	4.37	715	6.03	3,283	32.30
	**Engine for Agricultural Tractors	(98,940)	(63,465)	(740)	(4.93)	(629)	(4.37)	(3,102)	(28.38)
3.	Round and Flat Tubes Heating Elements (Meters)	180,000	59,665	5,978	0.28	4,896	0.39	60,032	9.30
		(180,000)	(56,980)	(4,201)	(0.21)	(5,978)	(0.28)	(54,619)	(9.54)
4.	Double Acting Hydraulic Shock Absorbers	36,000	19,098	-	-	-	-	19,098	13.36
	for Railway Coaches	(36,000)	(19,355)	(200)	(0.08)	-	-	(19,555)	(14.46)
5.	Centre Buffer Couplers	1,200	476	-	-	-	-	476	3.57
		(1,200)	(895)	-	-	-	-	(895)	(13.77)
6.	Automobile Shock Absorbers, Telescopic	4,000,000	1,867,369	121,179	3.04	105,989	6.62	1,882,559	108.25
	Front Fork & McPherson Struts	(4,000,000)	(2,360,508)	(180,548)	(4.55)	(121,179)	(3.04)	(2,419,877)	(96.84)
7.	Brake Block	1,800,000	699,714	640.00	0.01	-	-	700,354	23.55
		(1,800,000)	(722,320)	-	-	(640)	(0.01)	(721,180)	(24.44)
8.	All types of Brakes used by Railways	36,000	7,472	-	-	-	-	7,472	51.17
		(36,000)	(9,085)	-	-	-	-	(9,085)	(49.56)
9.	Others	-	-	-	-	-	3.15	-	119.60
		-	-	-	-	-	(0.30)	-	(101.71)

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.

(ii) Trading Operations

	Opening Balance		Purchases		Sales		Closing Balance	
	Quantity Nos.	Value ₹ Crores	Quantity Nos.	Value ₹ Crores	Quantity Nos.	Value ₹ Crores	Quantity Nos.	Value ₹ Crores
Implements Trailers, Compressor	-	17.01	-	201.98	-	242.58	-	26.53
Accessories, spares and others	-	(8.11)	-	(94.88)	-	(122.53)	-	(17.01)
Oils & Lubricants	-	0.08	-	20.51	-	26.72	-	0.16
	-	(0.01)	-	(13.39)	-	(18.67)	-	(0.08)
Others	-	8.39	-	17.45	-	26.63	-	9.13
	-	(7.01)	-	(22.98)	-	(28.82)	-	(8.39)

NOTES :

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

Schedules 1 - 19 Forming part of the Balance Sheet and Profit & Loss Account

(d) Value of Imports - CIF basis

₹ Crores

	Year Ended 30.09.2011	Year Ended 30.09.2010
(i) Raw Material	8.57	13.07
(ii) Components & Spare Parts	29.44	8.57
(iii) Capital Goods	17.86	4.83
Total	55.87	26.47

(e) Imported and indigenous raw materials and components, stores and spares and tools consumed

	Year Ended 30.09.2011		Year Ended 30.09.2010	
	₹ Crores	Percentage	₹ Crores	Percentage
(i) Imported	24.64	1.15	24.56	1.35
(ii) Indigenous	2,117.02	98.85	1,790.55	98.65
Total	2,141.66	100.00	1,815.11	100.00

(f) Details of Raw Materials & Components Consumed

	Unit of Measure	Quantity		Value ₹ Crores	
		2010-11	2009-10	2010-11	2009-10
(i) Castings & Forgings	Nos	2,377,920	2,057,306	312.05	205.24
(ii) Other Metal Parts				14.79	9.80
(iii) Others				1,783.50	1,572.16
Total				2,110.35	1,787.20

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

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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 : 28th November, 2011

Cash Flow Statement

₹ Crores

	Year Ended 30.09.2011		Year Ended 30.09.2010	
A. CASH FLOW FROM OPERATING ACTIVITIES				
Net Profit before tax	100.62		188.02	
Adjustments for :				
Gain on sale of Long Term Investments	-		(0.10)	
Gain on sale of Asset	(0.99)		(29.67)	
Depreciation	37.97		(0.80)	
Misc. Exp./Assets Write off/Provisions	15.11		38.54	
Interest Expense	63.06		11.86	
Dividend Income	-		43.06	
Interest Income	(45.01)		(40.24)	
Operating Profit before working capital changes	170.76		210.67	
Adjustments for :				
Trade and other Receivables	(45.06)		(11.24)	
Money in Escrow Account	-		(17.81)	
Inventories	(37.59)		(96.97)	
Trade Payables	128.26		41.34	
Miscellaneous Expenditure	(0.86)		(1.46)	
	44.75		(86.14)	
Cash Generated from Operations		215.51		124.53
Direct Taxes (Paid)/Refunds		(28.37)		(39.31)
Net Cash Flow from Operating Activities		187.14		85.22
B. CASH FLOW FROM INVESTING ACTIVITIES				
Purchase of Fixed Assets	(95.84)		(48.37)	
Proceeds from sale of Fixed Assets	2.74		3.41	
Movement in Loans and Advances	(12.31)		(42.46)	
Sale/(Purchase) of Investments	-		(129.90)	
Short Term Deposits with schedule Banks	(1.55)		(0.26)	
Interest Received	38.69		54.49	
Net Cash Flow from Investing Activities		(68.27)		(163.09)
C. CASH FLOW USED IN FINANCING ACTIVITIES				
Proceeds from Share Capital & Securities Premium	-		30.52	
Proceeds from Long Term Borrowings	67.64		107.78	
Proceeds/(Repayment) from short term borrowings (net)	6.35		(14.96)	
Interest Paid	(63.16)		(42.90)	
Dividend & Tax thereon paid	(18.47)		(11.03)	
Net Cash used in Financing Activities		(7.64)		69.41
Net Increase/(Decrease) in Cash and Cash equivalents		111.23		(8.46)
Cash and Cash equivalents as at 01.10.2010		79.53		87.99
Cash and Cash equivalents as at 30.09.2011		190.76		79.53

NOTES :

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

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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 : 28th November, 2011

Balance Sheet Abstract and Company's General Business Profile

I. REGISTRATION DETAILS

Registration No.	C-1860	State Code	55
Balance Sheet Date	30 09 2011		

II. CAPITAL RAISED DURING THE YEAR (Amount in ₹ Thousands)

Public Issue	-	Right Issue	-
Bonus Issue	-	Private Placement	300

III. POSITION OF MOBILISATION AND DEPLOYMENT OF FUNDS (Amount in ₹ Thousands)

Total Liabilities	21710539	Total Assets	21710539
Sources of Funds			
Paid-Up-Capital	1023100	Reserves & Surplus	16961389
Secured Loans	3598672	Unsecured Loans	127279
Application of Funds			
Net Fixed Assets	15154010	Investments	3658016
Net Current Assets	2715432	Misc. Expenditure	18700
+ ✓ Deferred Tax Asset(Net)	164398		
Accumulated Losses	-		

IV. PERFORMANCE OF COMPANY (Amount in ₹ Thousands)

Turnover including Other Income	32514900	Total Expenditure	31413820
+ ✓ Profit/Loss Before Tax	1006189	- ✓ Deferred Taxation	(113500)
- ✓ Provision for Tax	(81200)	+ ✓ Profit/Loss After Tax	1200889
+ ✓ Earning per Share in ₹	11.74	Final Dividend Rate %	15

V. GENERIC NAMES OF THREE PRINCIPAL PRODUCTS OF THE COMPANY

Item Code No.	870130.09
Product Description	TRACTORS
Item Code No.	870880.00
Product Description	SHOCK ABSORBERS
Item Code No.	860729.00
Product Description	RAILWAY PARTS

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, 2011 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 ₹ 12.27 crores as at 30th September, 2011 and the total revenues of ₹ 0.57 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 a subsidiary and a joint venture company. These unaudited financial statements have been compiled by the management and reflect total assets of ₹ 75.22 crores as at 30th September, 2011 and the total revenues of ₹ 94.00 crores for the year then ended, and our opinion, insofar as it relates to the amounts included in respect of the subsidiary and joint venture companies is based solely on these compiled financial statements. Since the financial statements for the year ended 30th September, 2011, 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 and Beaver Creeks Holdings LLC in preparation of consolidated financial statements. In absence of financial statements, we are not able to give our opinion on amounts not included in respect of these subsidiaries. (Refer Note 2 (b) & 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.

   (a) in the case of Consolidated Balance Sheet, of the state of affairs of the Escorts Limited Group as at 30th September, 2011;

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

(Vijay Dhawan)
Partner
M.No.: 12565

Place: New Delhi
Dated: 28th November, 2011

Consolidated Balance Sheet As At 30th September, 2011

₹ Crores

	Schedule	As At 30.09.2011		As At 30.09.2010	
SOURCES OF FUNDS					
Share Capital	1		92.14		92.11
Reserves & Surplus	2		1,691.63		1,593.87
Total Shareholders' Funds			1,783.77		1,685.98
Minority Interest			9.06		8.38
Loans					
Secured	3	463.85		366.88	
Unsecured	4	25.48	489.33	38.44	405.32
Deferred Tax Liabilities(Net)			44.22		139.90
Total			2,326.38		2,239.58
APPLICATION OF FUNDS					
Fixed Assets					
Gross Block		2,347.71		2,293.74	
Less : Depreciation/Amortisation		727.59		685.54	
Net Block	5	1,620.12		1,608.20	
Capital Work-in- Progress & Capital Advances		56.16		20.32	
Total Fixed Assets			1,676.28		1,628.52
Investments			108.55		107.53
Deferred Tax Assets(Net)			57.43		143.93
Current Assets, Loans & Advances					
Current Assets	6				
Inventories		499.08		436.50	
Sundry Debtors		540.25		450.14	
Cash & Bank Balances		319.11		211.68	
Other Current Assets		7.55		2.08	
		1,365.99		1,100.40	
Loans & Advances	7	329.35		301.67	
Total Current Assets, Loans & Advances		1,695.34		1,402.07	
Less: Current Liabilities & Provisions	8				
Current Liabilities		1,134.38		910.78	
Provisions		78.96		133.80	
Total Current Liabilities & Provisions		1,213.34		1,044.58	
Net Current Assets			482.00		357.49
Miscellaneous Expenditure					
(to the extent not written off or adjusted)			2.12		2.11
Total			2,326.38		2,239.58
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

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Director

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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 : 28th November, 2011

Consolidated Profit & Loss Account For The Year Ended 30th September, 2011

₹ Crores

	Schedule	Year Ended 30.09.2011		Year Ended 30.09.2010	
INCOME					
Gross Sales			4,148.84		3,394.54
Less : Excise Duty			98.51		70.33
Net Sales			4,050.33		3,324.21
Business Income	9		73.11		54.10
Income from Investments	10		1.92		1.90
Total			4,125.36		3,380.21
EXPENDITURE					
Material, Manufacturing & Operating	11		3,100.42		2,425.30
Personnel	12		373.71		329.60
Sales & Administration	13		445.80		378.43
Interest & Finance Charges (Net)	14		37.18		18.10
Depreciation			47.60		48.22
Amortisation of Miscellaneous Expenditure	15		1.06		5.00
Exceptional Items	16		9.85		(5.72)
			4,015.62		3,198.93
Profit & Loss before Tax & Minority Interest			109.74		181.28
Provision for Taxation					
Current Tax		32.34		24.16	
Excess Provision for Earlier Years Written Back		(38.49)		-	
Deferred Tax		(9.18)	(15.33)	24.81	48.97
PROFIT/(LOSS) AFTER TAX			125.07		132.31
Minority Interest			(1.32)		0.31
PROFIT AFTER TAX ATTRIBUTABLE TO THE COMPANY			126.39		132.00
APPROPRIATIONS					
General Reserve			6.40		7.53
Proposed Dividend			15.84		16.20
Tax on Proposed Dividend			2.57		2.69
Balance carried to Balance Sheet			101.58		105.58
Total			126.39		132.00
Earnings Per Share (in ₹) (Face Value ₹ 10 Each)					
- Basic			13.72		15.80
- Diluted			13.62		15.49
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)

Place : Faridabad
Dated : 28th November, 2011

VIJAY DHAWAN
Partner
M No. 12565

Schedules 1 - 19 Forming part of the Consolidated Balance Sheet and Profit & Loss Account

₹ Crores

			As At 30.09.2011		As At 30.09.2010
SCHEDULE 1 : SHARE CAPITAL					
Authorised Capital					
120,000,000	Equity Shares of ₹ 10 each		120.00		120.00
	(Previous year 120,000,000 shares)				
73,000,000	Unclassified Shares of ₹ 100 each		730.00		730.00
	(Previous year 73,000,000 shares)				
			850.00		850.00
Issued, Subscribed and Paid-Up Capital					
105,618,036	Equity Shares of ₹ 10 each	105.62		105.62	
	(Previous year 105,618,036 shares)				
	Less: Amount recoverable from Escorts Employees Benefit & Welfare Trust	3.31	102.31	3.34	102.28
	(face value of 3,313,612 (Previous year 3,343,612) shares allotted to Trust)				
	Less : Share capital held by Joint ventures		10.17		10.17
	(based on proportionate consolidation)				
			92.14		92.11

₹ Crores

	Securities Premium Account	Capital Redemption Reserve	Capital Reserve	General Reserve	Profit & Loss Account	Revaluation Reserve	Employee Stock Option Outstanding	Deferred Employee Compensation Expenses	Business Reconstruction Reserve	Total
SCHEDULE 2 : RESERVES AND SURPLUS										
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
Additions during the year										
Premium on issue of Equity Share	0.22	-	-	-	-	-	-	-	-	0.22
Transfer from Profit and Loss Account	-	-	-	6.40	101.58	-	-	-	-	107.98
Transfer from Debenture Redemption Reserve	-	-	-	-	-	-	-	-	-	-
Employees Compensation Expenses	-	-	-	-	-	-	0.91	-	-	0.91
Adjustment for Consolidation	-	-	-	28.53	2.34	-	-	-	(28.53)	2.34
	432.07	**1.99**	**0.30**	**544.33**	**216.99**	**64.47**	**1.39**	**(0.29)**	**444.07**	**1,705.32**
Deductions during the year	-	-	-	-	-	-	-	(0.20)	4.00	3.80
On Assets Sold	-	-	-	-	-	0.23	-	-	-	0.23
Depreciation on Revalued Assets	-	-	-	-	-	9.66	-	-	-	9.66
As at 30th September, 2011	**432.07**	**1.99**	**0.30**	**544.33**	**216.99**	**54.58**	**1.39**	**(0.09)**	**440.07**	**1,691.63**

	2010-11	2009-10
Includes Joint Venture Share	4.66	(0.12)

Schedules 1 - 19 Forming part of the Consolidated Balance Sheet and Profit & Loss Account

₹ Crores

	As At 30.09.2011	As At 30.09.2010
SCHEDULE 3 : SECURED LOANS		
From Banks		
Cash Credit/Export Packing Credit & Working Capital Demand Loans	184.12	139.73
Loans from		
Banks	279.48	225.05
Interest Accrued & Due	-	1.36
Others	0.25	0.74
Total	463.85	366.88
Includes Joint Venture Share	-	0.26

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.

₹ Crores

	As At 30.09.2011	As At 30.09.2010
SCHEDULE 4 : UNSECURED LOANS		
Short Term Loans & Advances		
Lease Finance	2.22	1.95
Other Loans		
Lease Finance	1.60	3.07
From Others	8.69	10.04
Inter Corporate Deposits	11.45	23.32
Interest Accrued & Due	0.55	-
Book Overdraft - Bank	0.97	0.06
Total	25.48	38.44
Includes Joint Venture Share	12.74	23.62

₹ Crores

Description	Original Cost as at 30.09.2010	Additions	Deductions Adjustments	Original Cost as at 30.09.2011	Depreciation upto 30.09.2010	Depreciation & w/off for the period	Deductions during the period	Depreciation Upto 30.09.2011	Net Book Value as on 30.09.2011	Net Book Value as on 30.09.2010
SCHEDULE 5 : FIXED ASSETS*										
Tangible Assets										
Owned asset										
Land Freehold	1,082.40	0.22	-	1,082.62	-	-	-	-	1,082.62	1,082.40
Land Leasehold	8.96	-	-	8.96	0.25	0.10	-	0.35	8.61	8.71
Buildings	366.67	7.83	-	374.50	170.66	17.01	-	187.67	186.83	196.01
Plant & Machinery	612.38	46.62	13.08	645.92	386.03	29.86	11.26	404.63	241.29	226.35
Furniture & Fixtures	87.21	9.07	3.83	92.45	68.93	4.35	3.56	69.72	22.73	18.28
Vehicles	9.02	1.96	0.81	10.17	3.78	1.56	0.33	5.01	5.16	5.24
Leasehold Improvements	3.89	0.05	-	3.94	3.81	0.02	-	3.83	0.11	0.08
Leased asset										-
Plant Machinery	4.41	1.07	0.08	5.40	0.68	0.53	0.06	1.15	4.25	3.73
IT Equipments	5.64	1.10	-	6.74	3.02	1.35	-	4.37	2.37	2.62
Vehicles	0.23	-	-	0.23	0.06	0.04	-	0.10	0.13	0.17
Sub Total (A)	2,180.81	67.92	17.80	2,230.93	637.22	54.82	15.21	676.83	1,554.10	1,543.59
Intangible Assets										
Goodwill (on consolidation)	56.04	-	-	56.04	-	-	-	-	56.04	56.04
Prototype	1.24	-	-	1.24	1.21	-	-	1.21	0.03	0.03
Technical knowhow	31.80	1.04	-	32.84	29.62	0.81	-	30.43	2.41	2.18
Software	23.85	2.81	-	26.66	17.49	1.63	-	19.12	7.54	6.36
Sub-Total (B)	112.93	3.85	-	116.78	48.32	2.44	-	50.76	66.02	64.61
Sub-Total (A+B)	2,293.74	71.77	17.80	2,347.71	685.54	57.26	15.21	727.59	1,620.12	1,608.20
Capital Work-in-Progress	11.86	94.02	57.98	47.90	-	-	-	-	47.90	11.86
Capital Advances	8.46	22.02	22.22	8.26	-	-	-	-	8.26	8.46
Sub-Total (C)	20.32	116.04	80.20	56.16	-	-	-	-	56.16	20.32
Total (A+B+C)	2,314.06	187.81	98.00	2,403.87	685.54	57.26	15.21	727.59	1,676.28	1,628.52
Previous Year Figures	2,207.15	147.47	40.56	2,314.06	635.18	58.73	8.37	685.54	1,628.52	-

* Includes Joint Venture Share:	30.09.2011	30.09.2010
Original Cost	14.59	13.66
Depreciation	11.07	10.51
Net Book Value	3.52	3.15
Capital Work-in-progress	0.04	0.05
Total Fixed Assets	3.56	3.20

Schedules 1 - 19 Forming part of the Consolidated Balance Sheet and Profit & Loss Account

₹ Crores

	As At 30.09.2011	As At 30.09.2010
SCHEDULE 6 : CURRENT ASSETS		
Interest/Dividend accrued on Investments and Deposits	7.55	2.08
Stocks (as taken, valued and certified by the Management)		
Raw Material and Components	239.50	228.59
Finished & Trading Goods	197.09	154.15
Work-in-Progress	47.22	34.40
Stores and Machinery Spares	10.25	9.89
Loose Tools	11.91	10.58
	505.97	437.61
Less : Provision for Obsolete Stock	6.89	1.11
	499.08	436.50
Sundry Debtors		
Debts outstanding for over six months		
Secured	1.49	0.45
Unsecured - Considered Good	36.67	44.00
- Considered Doubtful	28.99	131.72
	67.15	176.17
Less : Provision for Doubtful Debts	28.99	131.72
	38.16	44.45
Other Debts		
Secured	93.32	74.45
Unsecured - Considered Good	408.77	331.24
	502.09	405.69
Total Debtors	540.25	450.14
Cash & Bank Balances		
Cash in Hand	3.25	1.13
Cheques in Hand and in Transit	22.50	2.91
On Current Accounts with Banks	42.39	24.99
Held in Escrow Account	82.80	82.80
On Short Term/Fixed Deposit with Scheduled Banks		
- Pledged with various Authorities and Banks	34.10	37.30
- Others	134.07	62.55
	319.11	211.68
Total	1,365.99	1,100.40
Includes Joint Venture Share		
Stocks/Inventory	2.02	1.63
Sundry Debtors	14.85	9.03
Cash and Bank balances	2.16	2.74
Other Current Assets	0.35	0.70
Total	19.38	14.10

₹ Crores

	As At 30.09.2011		As At 30.09.2010	
SCHEDULE 7 : LOANS & ADVANCES				
Loans				
Unsecured - Considered Good	0.97		0.74	
- Considered Doubtful	0.08		0.07	
	1.05		0.81	
Less : Provision for Doubtful Loan	0.08	0.97	0.07	0.74
Inter - Corporate Deposits				
Unsecured - Considered Good		10.61		16.39
Advances Recoverable in Cash or in Kind or for Value to be Received				
Unsecured - Considered Good	305.59		273.86	
- Considered Doubtful	6.91		6.49	
	312.50		280.35	
Less : Provision for Doubtful Advances	6.91	305.59	6.49	273.86
Deposits				
Deposits - Considered Good	12.18		10.68	
- Considered Doubtful	0.55		0.49	
	12.73		11.17	
Less : Provision for Doubtful Deposits	0.55	12.18	0.49	10.68
Total		329.35		301.67
Includes Joint Venture Share		9.50		18.95

₹ Crores

	As At 30.09.2011		As At 30.09.2010	
SCHEDULE 8 : CURRENT LIABILITIES & PROVISIONS				
Current Liabilities				
Acceptances		212.35		118.83
Sundry Creditors		758.49		593.08
Advance from Customers		23.10		62.63
Security Deposit		63.99		70.77
Other Advances		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	0.34		0.23	
ii) Unpaid matured Deposits	1.58		2.26	
iii) Unpaid matured Debentures	-		-	
iv) Interest accrued on (I) to (iii) above	0.14	2.06	0.22	2.71
Local Area Development Tax/Entry Tax		13.24		13.24
Other Liabilities		54.15		42.25
Interest accrued but not due on loans		-		0.27
		1,134.38		910.78

Schedules 1 - 19 Forming part of the Consolidated Balance Sheet and Profit & Loss Account

₹ Crores

	As At 30.09.2011		As At 30.09.2010	
SCHEDULE 8 : CURRENT LIABILITIES & PROVISIONS (Contd.)				
Provisions				
Leave Encashment		12.85		11.38
Superannuation		12.02		19.82
Gratuity		56.31		69.76
Proposed Dividend		15.84		15.84
Tax on Proposed Dividend		2.57		2.63
Fringe Benefit Tax	10.20		10.30	
Less : Advance Tax	10.59	(0.39)	10.69	(0.39)
Taxation	122.72		129.47	
Less : Advance Tax	142.96	(20.24)	114.71	14.76
		78.96		133.80
Total		1,213.34		1,044.58
Includes Joint Venture Share				
Current Liabilities		13.98		9.72
Provisions		(3.23)		(3.06)
Total		10.75		6.66

₹ Crores

	Year Ended 30.09.2011		Year Ended 30.09.2010	
SCHEDULE 9 : BUSINESS INCOME				
Income from Rendering of Services				
Investment, Management and Advisory	2.03		2.31	
Service Income	19.17		19.87	
Software Development/ISP/Other Services	9.89	31.09	5.14	27.32
Business Income : Others				
Commission	10.92		5.61	
Erection & Servicing	4.42		3.57	
Scrap Sale	6.32		4.93	
Foreign Exchange Variation (Net)	0.40		-	
Surplus on Sale of Assets (Net)	0.88		1.46	
Others	19.08	42.02	11.21	26.78
Total		73.11		54.10
Includes Joint Venture Share		21.48		18.37

₹ Crores

	Year Ended 30.09.2011		Year Ended 30.09.2010	
SCHEDULE 10 : INCOME FROM INVESTMENTS				
Dividends				
Trade Investments	0.02		-	
Other Investments	1.55	1.57	1.08	1.08
Surplus on sale of investments		0.35		0.80
Others		-		0.02
Total		1.92		1.90
Includes Joint Venture Share		1.47		1.79

₹ Crores

	Year Ended 30.09.2011	Year Ended 30.09.2010
SCHEDULE 11 : MATERIAL, MANUFACTURING AND OPERATING EXPENSES		
Raw Material & Components Consumed *	2,709.88	2,206.49
* (Net of Duty Draw Back)		
Finished & Trading Goods and Work-in-progress Consumed	274.22	116.04
Excise duty on increase/(decrease) in Stock of Finished Goods	1.00	1.35
Stores, Spares and Tools	40.53	31.47
Power and Fuel	40.09	36.11
Repairs to Building	8.03	6.46
Repairs to Machinery	23.17	24.46
Other Operating Expenses	3.50	2.92
Total	3,100.42	2,425.30
Includes Joint Venture Share	5.31	2.48

₹ Crores

	Year Ended 30.09.2011	Year Ended 30.09.2010
SCHEDULE 12 : PERSONNEL EXPENSES		
Salary, Wages and Bonus	303.14	250.72
Contribution to Gratuity Fund	7.79	22.10
Contribution to Provident Fund and Other Funds	15.89	14.21
Staff Welfare Expenses	46.89	42.57
Total	373.71	329.60
Includes Joint Venture Share	3.14	2.88

Schedules 1 - 19 Forming part of the Consolidated Balance Sheet and Profit & Loss Account

₹ Crores

	Year Ended 30.09.2011	Year Ended 30.09.2010
SCHEDULE 13 : SALES AND ADMINISTRATION EXPENSES		
Warranties	26.46	19.26
Rent (Net)	5.87	6.22
Rates and Taxes	6.76	6.03
Insurance	4.99	2.92
Travelling & Conveyance	34.94	29.24
Printing & Stationery	5.28	4.76
Communication Charges	7.63	6.48
Repairs and Maintenance	14.56	14.49
Audit Fee & Legal Expenses	36.67	30.21
Entertainment	0.52	0.59
Sales Incentives & Other Selling Expenses	103.10	88.20
Advertisement	52.39	39.17
Royalty	21.79	15.51
Packing, Freight & Forwarding	93.32	67.04
Directors Fee & Commission	2.43	10.45
General Charges	29.09	27.45
Foreign Exchange Variation (Net)	-	10.41
Total	445.80	378.43
Includes Joint Venture Share	14.27	12.00

₹ Crores

	Year Ended 30.09.2011		Year Ended 30.09.2010	
SCHEDULE 14 : INTEREST & FINANCE CHARGES (NET)				
Interest cost related to:				
Fixed Period Loans and Debentures	29.14		23.81	
Others	45.22	74.36	34.18	57.99
Less: Interest Income:				
Others*		48.65		52.10
Bank Charges		11.47		12.21
Total		37.18		18.10
Includes Joint Venture Share		0.22		0.51

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

₹ Crores

		Year Ended 30.09.2011	Year Ended 30.09.2010
SCHEDULE 15 : AMORTISATION OF MISCELLANEOUS EXPENDITURE			
Voluntary Retirement Scheme		-	4.24
Miscellaneous Expenditure Written-Off		1.06	0.76
Total		1.06	5.00
Includes Joint Venture Share		0.03	0.03

₹ Crores

		Year Ended 30.09.2011	Year Ended 30.09.2010
SCHEDULE 16 : EXCEPTIONAL ITEMS			
Obsolescence of Inventory		6.12	1.00
Loss/Write Off of Assets (net)		0.03	0.22
Amount Written Off		0.95	32.44
Provision for Doubtful Debts/Advances/Deposits/Investment		12.82	13.49
Amount Written Back		(2.36)	(2.92)
Provisions no Longer Required Written Back		(4.02)	(60.86)
Tenancy Compensation/Service Tax Credit Pertaining to Earlier Years		(4.00)	(0.28)
Voluntary Retirement Compensation		0.31	11.19
Bad Debts	115.71		
Less: Provision Created in Earlier Years	115.71	-	-
Total		9.85	(5.72)
Includes Joint Venture Share		(0.74)	0.51

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

Schedules 1 - 19 Forming part of the Consolidated Balance Sheet and Profit & Loss Account

Sl. No.	Name of Company	Country of Incorporation	Proportion of ownership as on 30.09.2009	Held by	Reporting Period
List of Subsidiaries					
1	Escorts Construction Equipment Limited (ECEL)	India	100%	Escorts Limited	October-Sep
2	FarmtracTractors Europe Sp. z.o.o	Poland	100%	Escorts Limited	January-Dec
3	Escorts Securities Limited (ESL) (Board Controlled)	India	49.00%	EAML	April-March
4	Escorts Asset Management Limited (EAML) (Board Controlled)	India	30.00%	Escorts Limited	April-March
List of Joint Ventures					
1	Escotrac Finance & Investments Private Limited (ESCOTRAC)	India	49.81% 49.81%	Escorts Limited EFILL	April-March April-March
2	Escorts Finance Investment & Leasing Private Limited (EFILL)	India	49.81% 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, 2011, the reporting date of the Parent company, to facilitate consolidation.

b) During the year, there were no transactions in Beaver Creek Holdings LLC (BCH), total assets being insignificant, the company has not considered the financial Statements of BCH for consolidation.

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 Edgecanbe, 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.

3. Recognition of Revenue

- Revenue from sale of goods are recognised on dispatch
- 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 recognised 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

Fixed assets are stated at cost or at replacement cost in case of revaluation, less accumulated depreciation/amortisation and impairment losses, if any. Cost of acquisition is inclusive of all incidentals and other attributable costs of bringing the asset to its working condition for its intended use and is net of available duty/tax credits

Depreciation & Amortisation

- Depreciation on Plant and Machinery is provided on Straight Line Method. Depreciation on all other Fixed Assets is calculated on the basis of Diminishing Balance Method at the rates prescribed in Schedule XIV of the Companies Act, 1956 .

- Leasehold Land is amortised over a period of lease .

- Leasehold Improvements are written over a period of six years.

- Depreciation in Companies related to e-commerce, software development and Overseas Companies is provided on straight-line method based on estimated useful life of the assets.

ii) Intangible

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

5. Impairment of Assets

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

6. Inventory Valuation

Raw Material and Components, stores and machinery spares are stated at lower of cost and net realisable value. Loose Tools are stated at cost or under.

Work in Progress, Finished and Trading goods spares are stated at lower of cost and net realisable value.

In determining the cost of Raw Materials and Components, tools, jigs and dies, stores and machinery spares Weighted Average Cost Method is used while in the case of Trading goods FIFO Method is used.

Work in Progress and Finished Goods include cost of conversion and other costs incurred in bringing the Inventories to their present location and condition.

7. Employee Benefits

i) Defined Contribution Plan

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

ii) Defined Benefit Plan

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

iii) Other Long Term Benefits

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

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

8. 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.

9. 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.

Schedules 1 - 19 Forming part of the Consolidated Balance Sheet and Profit & Loss Account

10. 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.

11. 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.

Upfront & Structuring fees are written off during the period of the term of the respective loan.

12. 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.

13. 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.

14. 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.

15. Leases

i. 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.

ii. 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.

iii. 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.

16. 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.

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

Segment Information For the Year Ended 30th September, 2011

₹ Crores

SCHEDULE 18 :

	Agri Machinery	Auto Ancillary Products	Railway Equipment	Construction Equipments	Others	Unallocated	Escorts Limited
External Revenue	2,963.85	106.19	190.74	826.01	33.73	2.92	4,123.44
	(2,487.39)	(92.96)	(195.71)	(565.99)	(32.58)	(3.68)	(3,378.31)
Internal Revenue	53.74	16.85	1.52	1.34	-	1.68	75.13
	(49.26)	(17.93)	(2.05)	(5.60)	-	(0.88)	(75.72)
Segment Revenue	3,017.59	123.04	192.26	827.35	33.73	4.60	4,198.57
	(2,536.65)	(110.89)	(197.76)	(571.59)	(32.58)	(4.56)	(3,454.03)
Eliminations	53.74	16.85	1.52	1.34	-	1.68	75.13
	(49.26)	(17.93)	(2.05)	(5.60)	-	(0.88)	(75.72)
Total Revenue							4,123.44
							(3,378.31)
Segment Result	171.89	(17.24)	24.15	23.93	(0.04)	(47.84)	154.85
	(213.78)	17.33	(22.84)	(11.18)	(2.46)	41.15	(191.78)
Interest Expense							85.83
							(70.20)
Interest Income							48.65
							(52.10)
Exceptional Items							9.85
							5.72
Dividend Income							1.57
							(1.08)
Surplus on Sale of Investment (Net)							0.35
							(0.80)
Profit before Taxation							109.74
							(181.28)
Provision for Taxation:							
- Current Tax							32.34
							(24.16)
- Tax Reversal Earlier Year							(38.49)
							-
- Deferred Tax							(9.18)
							(24.81)
Profit After Tax							125.07
							(132.31)
Minority Interest							(1.32)
							(0.31)

Other Information	As At 30.09.2011	As At 30.09.2011	As At 30.09.2011	As At 30.09.2011	As At 30.09.2011	As At 30.09.2011	As At 30.09.2011
Segment Assets	1,801.35	99.18	137.83	507.59	115.60	833.95	3,495.50
	(1,658.24)	(86.56)	(142.65)	(381.06)	(133.12)	(742.63)	(3,144.26)
Segment Liabilities	828.13	50.90	40.53	225.97	20.59	47.22	1,213.34
	(695.37)	(40.72)	(42.23)	(134.36)	(30.22)	(101.68)	(1,044.58)
Additions to Tangible Fixed Assets	51.44	0.81	2.62	6.77	1.54	4.74	67.92
	(16.97)	(1.25)	(2.86)	(6.69)	(1.28)	(19.41)	(48.46)
Addition to Intangible Fixed Assets	3.08	-	0.15	0.61	0.01	-	3.85
	(4.10)	-	(0.35)	(1.05)	(0.08)	(56.04)	(61.62)
Depreciation	27.57	2.10	4.20	7.97	1.27	4.49	47.60
	(28.37)	(2.29)	(4.34)	(7.95)	(1.35)	(3.92)	(48.22)
Non - Cash Expenses other than Depreciation	-	-	-	0.07	0.05	0.94	1.06
	(3.31)	(0.57)	(0.23)	-	(0.06)	(0.83)	(5.00)

Segment Information For the Period Ended 30th September, 2011

	India	Outside India	Consolidated Total
Revenue By Geographical Market - External	4,057.37	66.07	4,123.44
	(3,315.66)	(62.65)	(3,378.31)
Carrying Amount of Segement Assets	3,445.69	49.81	3,495.50
	(3,097.80)	(46.46)	(3,144.26)
Addition to Tangible Fixed Assets	67.89	0.03	67.92
	(48.42)	(0.04)	(48.46)
Addition to Intangible Fixed Assets	2.89	0.96	3.85
	(61.60)	(0.02)	(61.62)

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

1. The Scheme of Compromise and Arrangement pending before the Delhi High Court to bail out the fixed deposit holders of Escorts Finance Limited stands disposed-off vide order dated 4th March, 2011. On the interim directions of the said High Court, fixed deposit liability of ₹ 130.32 crores has already been discharged by the Hardship Committee constituted under the directions of the said High Court. For discharging the unclaimed deposit, balance 2,401,050 shares have been transferred to Escorts Benefit Trust (Trust) and the Hardship Committee has been dissolved. The trust shall, in due course and in terms of the directions of the High Court, discharge the unclaimed deposits.

2. The Company revalued its freehold land as on 1st September, 2006 and amount added on revaluation was ₹ 387.64 crores, further the Company has revalued its all land & buildings as on 1st April, 2009 and amount added on revaluation is ₹ 672.72 crores. Both revaluations were carried out by reputed independent valuer.

3. The Company has issued 3,611,612 Equity Shares of ₹ 10 each fully paid up at a price of ₹ 84.50 per share (including premium of ₹ 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 629,500 options to its employees, in accordance with the guidelines issued by SEBI, out of which 221,500 options have been forfeited till 30th September, 2011 and balance 298,000 options have been exercised leaving 110,000 options pending for exercise.

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 by the Company no further provision on this account is considered necessary.

5. The Company has executed an Agreement to Sell for transfer of 20 acres of land at Plot No. 219, Sector 58, Balabhgarh, Haryana for a consideration of ₹ 7.00 crores. The said transfer is subject to necessary approval from HUDA and accordingly the consideration amount of ₹ 7.00 crores is being treated as advance.

6. 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.

7. Pursuant to the order of the Hon'ble High Court of Punjab & Haryana dated 17th September, 2009 an amount of ₹ 32.53 crores on account of exports receivables from Farmtrac Tractors Europe Sp. Z.o.o., Poland, which is doubtful of recovery and exports incentives availed thereon to be refunded, has been provided for and adjusted through Business Reconstruction Reserve. Had the Scheme not prescribed for the aforesaid accounting treatment as approved by the Hon'ble High Court, the balance sheet (including reserve & surplus) and the profit and loss account would have been impacted to that extent.

8. Earnings per Share (EPS)

		Year Ended 30.09.2011	Year Ended 30.09.2010
Net Profit after Tax (₹ Crores)	Basic	**126.39**	132.00
	Diluted	**126.39**	132.00
Weighted average number of shares outstanding	Basic	**92,130,169**	83,564,710
	Diluted	**92,780,203**	85,192,512
Earnings per share (face value ₹ 10 per share)	Basic	**13.72**	15.80
	Diluted	**13.62**	15.49

Schedules 1 - 19 Forming part of the Consolidated Balance Sheet and Profit & Loss Account

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

₹ Crores

	Year Ended 30.09.2011		Year Ended 30.09.2010	
Upfront fees	1.95		1.16	
Add : Additions during the year	1.07		1.46	
Less : Written off/adjusted during the year	1.01	2.01	0.67	1.95
Other Deferred Revenue Expenditure	0.16		0.24	
Less : Written off during the year	0.05	0.11	0.08	0.16
Total		2.12		2.11

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

₹ Crores

	Year Ended 30.09.2011	Year Ended 30.09.2010
Net Sales	6.12	3.12
Depreciation	0.98	0.97
Provision for Taxation:		
Current Taxation	0.93	0.76
Deferred Taxation	0.16	(0.29)
Deferred Tax Assets	2.09	2.25
Investments	141.54	139.81
Miscellaneous Expenditure (to the extent not written off or adjusted)	0.11	0.14
Contingent Liability	109.06	129.65

11. Contingent Liability

₹ Crores

	Year Ended 30.09.2011	Year Ended 30.09.2010
a) Estimated amounts of contracts remaining to be executed on capital account not provided for	65.65	55.49
b) Claims not acknowledged as debts	0.70	0.71
c) There is a contingent liability of:		
(I) Excise Duty demands not acknowledged as liability	8.98	46.57
(ii) ESI additional demand not acknowledged as liability	4.18	4.16
(iii) Sales tax/Income tax demand not acknowledged as liability	16.30	15.97
(iv) Demand raised by Income Tax department ,disputed and pending in appeal	133.98	20.56
(v) Pending Legal Cases - Personnel	3.21	4.11
- Others	79.87	30.04
(vi) Faridabad Municipal Corporation (litigation against demand for external development charges)	2.38	2.38
(vii) Guarantees given to banks under Channel Finance Program	28.18	42.52
(viii) Demand raised by Department of Telecommunication (DOT)	11.73	11.73
(ix) Market value of shares pledged for loans taken by joint venture/associate and other companies.	-	17.64
(x) Guarantees executed in favour of customs/excise & Other Authorities	13.24	11.98
(xi) Guarantees (Financial and performance) to banks and financial institutions	116.83	118.94

12. Net Deferred Tax Assets/(liabilities) as at 30th September, 2011 comprises of the following:
Deferred Tax Assets/(Liability)

₹ Crores

	As At 30.09.2010		Charge/Adjustment During The Year		As At 30.09.2011	
	Deferred Tax Assets	Deferred Tax Liability	Deferred Tax Assets	Deferred Tax Liability	Deferred Tax Assets	Deferred Tax Liability
Depreciation	0.25	56.52	0.56	(12.34)	**0.81**	**44.18**
Deferred Revenue Expenditure	0.51	1.15	(0.69)	(1.15)	**(0.18)**	-
Provision for Doubtful Debts/ Loans/Advances	90.58	81.10	(76.73)	(81.10)	**13.85**	-
Disallowance u/s 43B	45.57	4.70	(3.56)	(4.70)	**42.01**	-
Unabsorbed Losses/Depreciation	6.35	0.33	(6.06)	(0.33)	**0.29**	-
Other	0.67	(3.90)	(0.02)	3.94	**0.65**	**0.04**
Total	**143.93**	**139.90**	**(86.50)**	**(95.68)**	**57.43**	**44.22**
Deferred Tax Assets/(Liabilities) as at 30.09.2011		**4.03**		**9.18**		**13.21**

13. Disclosure under Accounting Standard - 19 (Leases)

(a) In respect of 'Finance Lease' arrangements for the period 2010-11

₹ Crores

	Minimum Lease payments outstanding		Present Value of minimum lease payments outstanding		Future interest on outstanding lease payments	
	2010-11	2009-10	2010-11	2009-10	2010-11	2009-10
- Total amount due	**4.61**	6.05	**4.04**	5.03	**0.56**	1.02
- Due within one year	**2.70**	2.54	**2.29**	1.96	**0.41**	0.58
- Due later than one year and not later than five years	**1.91**	3.51	**1.75**	3.07	**0.15**	0.44

(b) Assets taken on Operating Cancellable leases

The total lease payments recognised in Profit and loss account for the year ended 30th September, 2011 is ₹ 0.34 crores (Previous Year - ₹ 0.36 crores)

14. 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)

VIJAY DHAWAN
Partner
M No. 12565

Place : Faridabad
Dated : 28th November, 2011

Consolidated Cash Flow Statement

₹ Crores

		Year ended 30.09.2011		Year ended 30.09.2010	
A.	**CASH FLOW FROM OPERATING ACTIVITIES**				
	Net Profit before tax	109.74		181.28	
	Adjustments for :				
	Depreciation	47.60		48.22	
	Misc. Exp./Assets Write off/Provisions/Adjustments	16.70		(8.29)	
	Interest Expense	74.35		57.99	
	Surplus on sale of assets (net)	(0.88)		(1.46)	
	Surplus on sale of investments	(0.35)		(0.80)	
	Dividend Income	(1.57)		(1.08)	
	Interest Income	(48.65)		(52.10)	
	Operating Profit before working capital changes	196.94		223.76	
	Adjustments for :				
	Trade and other Receivables	(102.03)		(59.72)	
	Inventories	(68.70)		(108.87)	
	Trade Payables & Provisions	210.77		72.78	
	Miscellaneous Expenses	(1.07)		(1.46)	
	Escrow Account	-		(17.81)	
		38.97		(115.08)	
	Cash Generated from Operations		235.91		108.68
	Direct Taxes Paid (net of refunds received)		(28.15)		(60.80)
	Net Cash Flow from Operating Activities		207.76		47.88
B.	**CASH FLOW FROM INVESTING ACTIVITIES**				
	Purchase of Fixed Assets	(107.61)		(57.45)	
	Sale of Fixed Assets	3.25		4.32	
	Sale/(Purchase) of Investments in Subsidiaries	(5.70)		(56.20)	
	Interest Received	43.18		66.85	
	Dividend Received	1.57		1.08	
	Short term/Fixed deposits with Banks	3.20		(9.15)	
	Movement in Loans & Advances	(27.87)		(51.10)	
	Net Cash used in Investing Activities		(89.98)		(101.65)
C.	**CASH FLOW USED IN FINANCING ACTIVITIES**				
	Proceeds from Issue of Share Capital	-		30.52	
	Proceeds from/(to) Minority Interest	2.00		(31.68)	
	Proceeds/(Repayment) from/(to) Long Term Borrowings	53.94		104.34	
	Payment of Dividend & Dividend Tax	(18.47)		(11.03)	
	Net Proceeds from Short Term Borrowings	30.88		9.87	
	Interest Paid	(75.51)		(59.88)	
	Net Cash used in Financing Activities		(7.16)		42.14
	Net Increase/(Decrease) in Cash and Cash equivalents		110.62		(11.63)
	Opening Cash and Cash Equivalents		91.58		103.21
	Closing Cash and Cash Equivalents		202.20		91.58

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

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

VIJAY DHAWAN
Partner
M No. 12565

Place : Faridabad
Dated : 28th November, 2011

Statement Regarding Subsidiary Companies

Pursuant to Section 212 of The Companies Act, 1956

(₹ '000)

Sr. No	Name of The Company	Share Capital	Reserves & Surplus	Total Assets							Total Liabilities			Details of Investments	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	Current Liability & Provisions	Other Than In Subsidiaries					
1	Escorts Asset Management Limited	110,000.00	6,180.68	1,517.81	31,293.88	87,949.48	3,634.17	60.00	-	1,285.86	-	-	9,560.52	11,595.88	22,208.44	(7,771.06)	(2,911.58)	(4,859.48)	-
2	Escorts Construction Equipment Limited	1,139,644.97	477,020.45	962,463.18	140.40	4,172,589.58	-	1,315.13	-	-	1,039,880.31	60,533.88	2,419,428.68	140.40	8,882,885.76	116,708.48	33,143.02	83,565.46	-
3	Escorts Securities Limited	62,000.00	43,357.36	10,780.02	8,995.55	306,811.17	3,776.18	-	-	-	-	-	225,005.56	8,995.55	81,926.24	4,111.66	302.57	3,809.10	-
4	Farmtrac Tractors Europe Spolka Zo.o (1PLN = ₹ 14.88 INR)	25,890.62	(293,592.09)	38,812.23	19,891.70	443,140.30	-	-	-	-	-	-	769,545.70	-	720,276.95	(64,204.96)	-	(64,204.96)	-

NOTES:

1 The Annual Accounts alongwith the reports thereon and other documents/statements as required to be attached in accordance with Section 212 of the subsidiary companies are not being attached in view of the consent given by the Board of Directors in terms of the general exemption granted by Government of India, Ministry of Corporate Affairs vide circular no. 2/2011 dated 8th February, 2011. 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. The annual accounts of the subsidiary companies will also be kept for inspection by any investor at the Head/Corporate office of the Company/subsidiary companies during the business hours.

2 During the year, there were no transactions in Beaver Creek Holdings LLC (BCH), total assets being insignificant, the company has not considered the financial statement of BCH for consolidation.

3 At the behest of the creditors of Farmtrac North America LLC(FNA) (a subsidiary of the Company), the Superior Court Division of Country of Edgecanbe, 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.

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Exec. Vice-President & Group Chief Financial Officer

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

Place : Faridabad
Dated : 28th November, 2011

Corporate Information

BOARD OF DIRECTORS

Mr. Rajan Nanda
Chairman and 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

Mr. Hardeep Singh
Director

EXECUTIVE VICE PRESIDENT LAW & COMPANY SECRETARY
Mr. G. B. Mathur

EXECUTIVE VICE PRESIDENT & GROUP CHIEF FINANCIAL OFFICER
Mr. O. K. Balraj

INTERNAL AUDITORS
Grant Thornton

SOLICITORS
Crawford Bayley & Co.

STATUTORY AUDITORS
M/s. S. N. Dhawan & Co

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Haryana, India

CONSULTANTS & ADVISORS
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Ernst & Young Private Limited

Pricewaterhouse Coopers Private Limited

BANKERS
Andhra Bank

Axis 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

YES Bank

ESCORTS

The Escorts Group

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Corporate Secretariat & Law
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This report is available online at
www.escortsgroup.com

The Escorts Group is among India's leading engineering conglomerates present across the high growth sectors of agri-machinery, construction & material handling equipment, auto components and railway equipments. It is among the leading contributors to India's socio-economic growth story through its presence across these sectors.

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