

Promising  
**solutions**  
Harvesting  
**smiles**



# OUR CORE VALUES

OUR CORE VALUES DEFINE WHO WE WANT TO BE. THESE ARE TO BE UPHELD AT ALL TIMES AND EMBEDDED INTO THE DNA OF THE ORGANISATION.

## RESPECT FOR PEOPLE

We will demonstrate dignity and respect for people in all our interactions. We will not tolerate belittling of people, regardless of position or circumstance.

## EMPOWERMENT

People at all levels must be vested with the power and confidence to take decisions concerning their area of work.

## TRANSPARENCY

People will understand the processes and criteria used to arrive at decisions concerning them.

## COLLABORATION

We will work with our colleagues with the spirit of collaboration and mutual respect

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### 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.

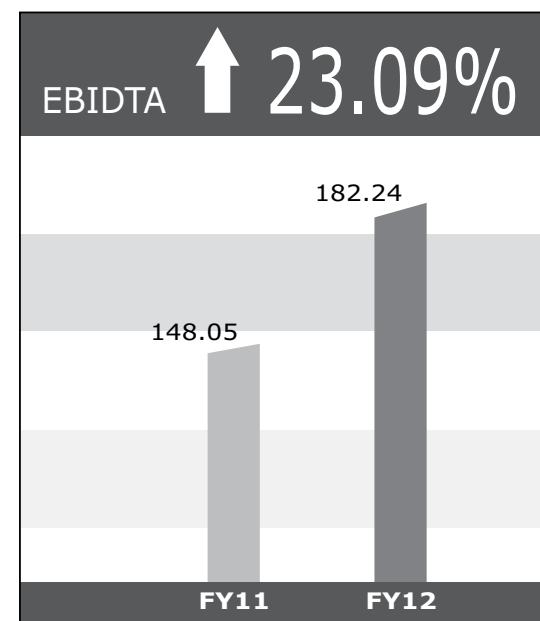
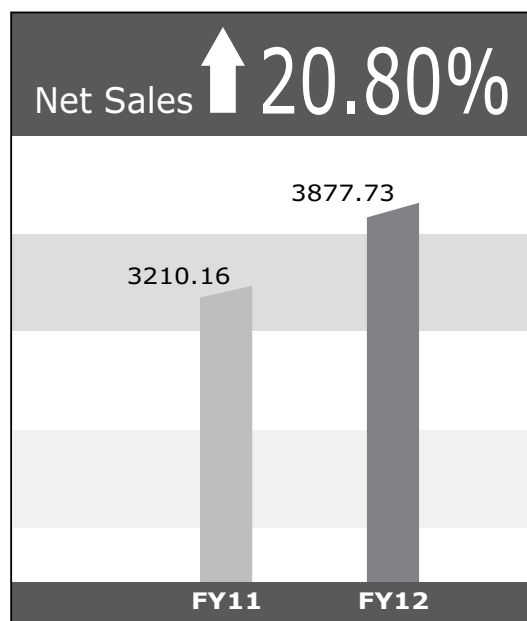
We caution you that the foregoing list of factors is not exclusive and that eventualities related to other risks and uncertainties may cause actual results to differ materially from those expressed in forward-looking statements. Forward-looking statements speak only as of the date they are made, and we do not undertake any obligation to update them in light of new information or future developments.



At **Escorts**, our **vision** and **values** are the guiding **force** behind all our **endeavours**.

We have always believed in being a customer centric Company for realising our aim of becoming one of the top engineering companies of India. We see ourselves not as just a supplier of products, but as a complete solutions provider to our customers. In doing so, we are working towards contributing our bit to India's growth story and bringing in quality change in the lives of people.

Financial Highlights



**ESCORTS LIMITED****Letter from the CMD****Dear Shareholders,**

The country, economy and industry are at a cusp where the only certainty is the inevitability of change. Food security has emerged on top of the agenda even as food inflation has stayed rampant. Industrial production has dipped dramatically and the green shoots of revival have yet to create a carpet of hope for investments and return to growth. However, the proactive cross-sectoral initiatives of the government hold out promise for the year ahead. We are fortunate at Escorts to have been able to read the tea leaves and forge strategies that have kept us profitable through a very difficult year.

Even as I share with you some of our larger ambitions in the context of continued overall optimism over the future of India, I would like to first thank you for your support this year for the major realignment in the way your Company does business. The combined strength of the Group implies greater flexibility to deal with downturns and to stay profitable in the toughest of market situations.

**Restructuring for Growth**

The restructured Escorts Limited will be the transformation driver for your Company and will bring significant benefits to customers, shareholders and wider stakeholders. In FY 2012-13, the Company has embarked on the process of becoming a large, collaborative engineering enterprise with seamless sharing and transfer of manufacturing best practices between divisions. The years ahead will demonstrate the necessity and gains from the merger of the Group companies.

As a strategic business initiative, we merged our construction equipment division with the parent Company to synergize our efforts at tapping the emerging market opportunities. Clearly, Escorts Construction Equipment business is in the right sector at the right time with the right set of products. Your Company has invested over the years in the construction equipment business and, as a part of the merged entity, we expect the impending construction take-off in a far more emphatic manner.

The last fiscal was challenging and Escorts battled successfully against the market dynamics both in the tractor and construction industry. Escorts has decided to take the path of driving growth by opening up markets and capturing market share while keeping a tight rein on costs.

**Co-creating the Future**

Indian economy is poised to take the leap and propel us into the league of developed countries. We as business groups have the responsibility to strategise on how to



YOUR COMPANY HAS EMBARKED ON THE PROCESS OF BECOMING A COLLABORATIVE ENGINEERING ENTERPRISE WITH SEAMLESS SHARING AND TRANSFER OF MANUFACTURING BEST PRACTICES BETWEEN DIVISIONS.

produce profitably and tap the global markets. We must resolve to occupy areas of innovation that can distinguish us from the crowd and seek to provide technologically advanced solutions.

The Escorts approach to business has helped us serve our loftier ambitions of contributing to the livelihoods of our customers. Long term success of any business requires a happy and sustainable society with an appetite for growth. Escorts products facilitate increased returns and a better quality of life for all our customers. This is our small but tangible contribution to the emerging India of 21st century. As we resolve to take Escorts onto a new growth trajectory, we also become part of the national endeavour towards an Indian renaissance.

In recent years, aggregate demand from the Indian market has become significant by global standards and is projected to sustain rapid growth over the next two decades or more. India now stands as an important source of growth for manufacturers. Today, while economy wakes to the necessity of customising their designs to meet the Indian requirements, we at Escorts have already taken the lead by co-creating the future with our customers. In times when global supply chain patterns are making strategic shift towards Asia, we at Escorts have renewed our trust and commitment with our suppliers to etch out business opportunities outside the Indian market.

The continued market faith finds resonance in the organisational strength of the Company. We believe, businesses are created and sustained with the sweat and passion of fellow travelers. In pursuance, we have engaged proactively with our employees. We cherish their energetic and imaginative contribution towards the Company and its business goals.

#### **Drivers of Change**

Turning to the overall picture, our progress will be as fast and as sure as those that we walk with. The Working Group of the 12th Plan has correctly pointed out that it is almost impossible to sustain 8 per cent growth in economy and 4 per cent growth in agriculture sector if crop sector remains stagnant. One cannot be vocal enough in endorsing the view of the Planning Commission that the crop sector needs to continue to remain at the centre of public measures like institutional reforms, infrastructure creation, generation and dissemination of improved technology, price and trade policy, spreading use of modern inputs, increasing credit, enhancing irrigation facilities, etc.

Our entrepreneurial propulsion towards value generation gets defined within the macro and micro economic indicators of the country and the world at large. Recent moves towards allowing FDI in retail sector will allow the farmers to participate more effectively in the growth story of India. With direct corporate sourcing of farm produce from farmers becoming a distinct possibility, India's rural landscape could be up for another wave of economic transformation. We, as providers of farm mechanisation solutions, see new opportunities in this unfolding saga. We now act with the conviction that India is on the cusp of a gigantic leap forward in agriculture and we are prepared to be a partner to the farmer in every facet of his powered machinery usage.

The immediate prognosis for the farm sector, though, isn't very bright with projections of a decline in overall sales due to lower kharif output in this fiscal. However, over the longer term, tractor sales are expected to continue to grow at 8 to 10 per cent. A number of reasons seem to support this projection, particularly the

## ESCORTS LIMITED



continued support to agriculture credit, rising MSPs and good crop output. Farm incomes are expected to continue to deliver strong growth as improvement of irrigation facilities, government support and strengthening of the commodity market takes place. The government's emphasis on increasing agricultural credit has been crucial in boosting the demand for tractors since almost 75 per cent of tractors are bought on credit.

We believe that the growth in the sector will be far more spread out, vertically across HP and horizontally across regions. Consequently, Escorts growth strategies have focused both on introducing higher HP tractors and mini-tractors for specialised needs even as we are aggressively creating a market for ourselves in the South. In addition, there is increasing use of tractors for non-farm activities and today accounts for around 30 per cent of the demand for tractors.

THE ESCORTS APPROACH TO  
BUSINESS HAS HELPED US  
CONTRIBUTE TO THE LIVELIHOODS  
OF OUR CUSTOMERS. THIS IS  
OUR SMALL BUT TANGIBLE  
CONTRIBUTION TO THE EMERGING  
INDIA OF 21ST CENTURY.

I draw your attention to the approach being taken by the agri machinery division which is introducing new products every six months, which not only brings value to the customers but will significantly increase Escorts' market share. The Company is today rolling out in the market a lot of what we had planned over the years. Escorts today is focused on building profitability by taking a higher share of the top end of the tractors market by launching higher HP tractors. Further, we are creating significant presence in the South while shoring up our portfolio in the North and West. We see the current phase as one of investment and expansion and we believe that we shall reap the rewards on the upturn of the market as the industry grows.

Our focus is on building a national market base, providing customers a range of crop solutions and implements, PTO and haulage applications for tractors, product upgrades and improvements as well as targeted marketing for non-agriculture usages. At the crux of our approach to the market is the increasing demand for farm mechanisation and the accessorised deployment of tractors for non-farm uses. We believe multi-domain growth drivers along with cost compression measures will enable Escorts to deliver profitable growth.

The year 2012 has continued to be a difficult one for the construction industry. The sluggishness in economy, policy inertia and lacklustre infrastructure projects have all impacted the much awaited boost in the country's infrastructure landscape. Infrastructure plays a key role in stimulating economic growth but unfortunately the roads sector has experienced difficulties in implementing national highway projects, the project closure of the four Ultra Mega Power Plants is unclear, and in the port projects too, the award rate has been around 50 per cent of the planned rate. The government is taking cognizance of this and in its 12th Five Year Plan envisages an increase in investment in infrastructure to \$1 trillion, taking annual investment in infrastructure from the current level of 6% of GDP to over 10%. With the government re-emphasising and providing the requisite impetus to infrastructure projects, we are bullish that the construction equipment industry will grow at a healthy pace.

With the expected return of the construction boom, Escorts Construction Equipment business has been introducing new application-based, high-end machines. Our focus is on innovative and optimal design, engineering, productivity and efficiency for enhanced products catering to customers' current and future needs. The potential of Indian market for lifting, loading and handling solutions is huge and we are capitalising on our engineering strength by developing products that suit the local application. In the recent years, our focus has been to enhance load capacities, reach and transmissions.

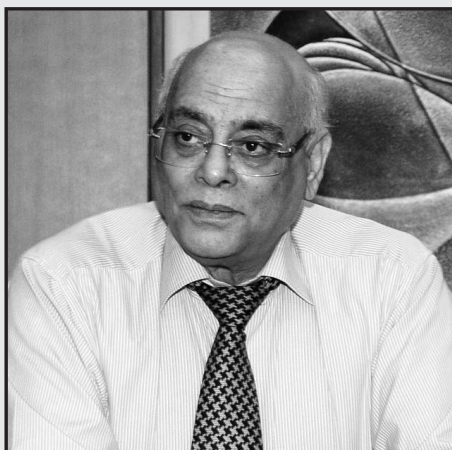
The construction equipment industry is witnessing a shift towards using safer and more advanced technology. To meet these needs we have introduced innovative and international standard safety features in our products. Introducing safety features in our entire range of products forms the central theme for all future product enhancements.

Our outlook on Indian Railways is positive. Correction of rail passenger tariffs should ease the pressure on availability of funds for growth and maintenance, resulting in a more vibrant business sentiment. The Indian Railways modernisation has the potential to add around 2% to GDP growth. Under the government's Vision 2020 plan of Indian Railways, radical modernisation process has been envisaged as part of the 12th Five Year Plan. Setting up of dedicated Railway Safety Authority, introduction of high-speed trains, new generation locomotives/coaches, installation of green toilets, capacity augmentation, manufacturing state-of-the-art railway technologies, components and equipment for global markets are some of the key points of the plan.

At Escorts, we are keen to help build a safer, a more reliable and a more comfortable Indian Railways by bringing in high technology, safety critical products available worldwide at Indian prices through innovation, technology partnerships, frugal engineering and quality excellence. We also look forward to tap world markets in SE Asia, Middle East and African countries, hitherto untapped by Escorts.

The auto component industry witnessed a moderate growth of 16 per cent in 2012, affected largely due to the rising fuel prices and high interest rates. Low-cost, ample production capacity, world-class technology and international quality standard products are factors that offer Indian auto component manufacturers an edge.

At Escorts, we have already positioned ourselves to meet the future demands by harping on global standard products and technology. We expect a surge in domestic demand for auto products too due to recent reform measures by the government and existing under penetration of vehicles. We are prepared to cash the new opportunities while continuing to tap the export market. Our strategy is to target newer markets, enrich our product range, reduce costs, and restructure the business. The Company won the "Best Supplier" award in 2012 from one of its key customers, an indicator of our in-house design and development capabilities that we can leverage to assure our global customers of our potential.



The performance of last year shows the success of strategies that your Company has adopted including launch of new products, deepening of sales and distribution network and robust brand building. This good performance is despite the market conditions which have toughened further. In the year ahead, your Company will continue an even more aggressive approach to expanding its product portfolio, strengthening its current product propositions and increasing its market share by being more aggressive in markets where it has had limited presence. This, we believe, is just a beginning as we

take a futuristic leap to further accelerate our efforts for building a stronger Escorts, that connects the lives of customers and communities at large.

#### **Investing in the Future**

The Escorts vision and values are the guiding force of our endeavours. We see ourselves not as just a supplier of products but as a service provider to our customers. Our successes are made possible by our ability to view the market from our customer's eyes. For us, lifetime value of our customer based on inherent value exchange is the growth driver and not just the price based profit motive. Our customers have reaffirmed our faith in our value system by becoming champions for the products they have bought and experienced.

Escorts has always believed in being a customer-centric Company for realising its aim of becoming one of the top engineering companies of India. We have worked towards contributing our bit to India's growth story and bringing in quality change in the lives of people. Our true reward is the confidence and trust of our customers which keep us driving and motivated for bringing the best for them. But, at the same time, I thank all our stakeholders with whose support the journey so far has been so comfortable.

As we enter the new fiscal, I am confident that we have the right combination of people, products and processes to take Escorts to the next level of performance and growth. As always, we are grateful to all our shareholders for the immense confidence you have placed in us and we are committed to continue to build and strengthen the Escorts brand.



**Rajan Nanda**  
Chairman and Managing Director

## ESCORTS LIMITED

### Message from the JMD



OUR CULTURE OF CONTINUOUS INNOVATION HAS ALLOWED US TO UTILISE OUR ADVANCED CAPABILITIES TO CONSISTENTLY CREATE TECHNOLOGY-DRIVEN SOLUTIONS FOR EVOLVING MARKET NEEDS.

#### **Dear Shareowners,**

The success of our business relies on Trust and Respect we get from our customers, our shareholders, and our people. It is with this underlying strength that Escorts is able to leverage opportunities and drive growth.

We are building your Company with exceptional care to ensure that we leverage our operating strengths, foster a culture of quality, establish benchmarks of performance, develop strong relations with partners, and provide a platform to have a competitive edge in the market.

#### **Fiscal 2012**

The year 2011-12 has been a significant year for Escorts. Our results are a reflection of our prudent and conservative strategy and our resilience to withstand turbulent market changes.

We have taken some strong strategic decisions when we merged our three divisions Escorts Construction Equipment Limited, EFILL & Escotrac into Escorts Ltd. This was done to streamline the Group structure. We now see the creation of One Company, One Culture which is vital as we enter a phase of aggressive growth and expansion.

Post the merger, actions are underway to realise not only the commercial but also the technological benefits to both the construction equipment and the tractor businesses. Centralisation of Materials, Manufacturing Excellence, Finance and the HR Departments has been one of the first steps. These areas have come under rationalisation, as a result of which the Company will begin to see significant operational and financial efficiencies. It will result in better working capital management and a disciplined approach to treasury management.

Logistics and strategic outsourcing are critical areas in an engineering Company and are central to our operational transformation. Both these areas are expected to yield savings and improved operational margins for our business.

Market synergies are under way between the channel partners of the construction equipment and tractor businesses. The extensive network of the tractor business will further assist the construction equipment business and will also result in optimum coverage and utilisation. Overlap elimination and common utilisation of facilities will further add to the savings.

Post the merger, balancing and rightsizing the fixed and operational cost has become imperative and is being addressed.



### Business Highlights 2012

Our promise is to delight our customers with highest-quality products and services. In 2012, we have achieved this by launching the first ever 'Executive' tractor for the progressive Indian farmer, India's most fuel efficient tractor, the power saver tractor, new technology cranes and hauling solutions.

Our culture of continuous innovation has allowed us to utilise our advanced capabilities to consistently create technology-driven solutions for evolving market needs. With our bold strategy of launching a new product every six months at Escorts Agri Machinery, we introduced a series of tractors for premium and marginal farmers that bring value to the customers and significantly increase Escorts' market share. With an aim of being the leader in premium tractor market with our Farmtrac brand and be predominant in the mid segment market, major product extensions have been aptly introduced along with a 360° marketing approach.

In order to meet ambitious infrastructure demands of the country, the Escorts Construction Equipment manufacturing facilities and our product portfolio has been significantly revved up. Our focus is on earth moving machinery, high end slew cranes and other machines with technically superior features, yielding better margins. Fabrication of low margin Pick n Carry Cranes will be outsourced to improve overall contribution levels. With the government planning to invest \$1 trillion in infrastructure development, we see huge market potential for our products.

Escorts Auto Products business is seeing a steady turnaround and is putting in place an active programme of product upgradation and technology induction.

Escorts Railway Products, too, is gearing itself to induct products that are aligned to the modernisation needs of the Indian Railways. Brakes, couplers and high-end brake pads will see a significant technological change in the months ahead, yielding and targeting profitability levels.

### Gearing up for the Future

With a new leadership team at the helm of our businesses, we are geared up not only to improve but to exceed profit expectations of our stakeholders.

Our target is to reach EBITDA levels of 15% within the next 36-48 months. Top line improvement is underway with focus on the product mix. Technology-led New Product Development has recently witnessed the launch of several new tractors in both the premium and economy segments.

Raw material costs, which form the largest chunk, are under active strategic management. State-of-the-art design capabilities will ensure that we optimise the



balance between design requirements and raw material costs.

Manpower cost management is also under intense review to ensure a balance between the human resource requirements of today with the needs of the future and that they both align at optimum business levels.

Last, but not the least, end-to-end operations optimisation is underway and within 36 months, we will see the tractor business shrink its plants from the current three to two. This will take the capacity to 120,000 tractors from the current 95,000 tractors. As a result, indirect costs are expected to reduce and yield significant savings.

### Strengthening our Core

Our people are our true ambassadors. Our strategy is to be a Company where employees can achieve their potential, grow and excel. Over the years, the Company has built a diverse and talented team. In the last few years, we have established our People, Performance and Growth framework, which provides us with a structure for managing the performance and development of our people and aligning them with the Group strategy. We continue to implement our leadership management programme to strengthen our talent pool and promote greater employee diversity.

As we move towards becoming a collaborative engineering enterprise, I am convinced that we shall collectively strive to transform and exceed our targets. I thank you all in extending your wholehearted support for growing the business.



**Nikhil Nanda**  
Joint Managing Director

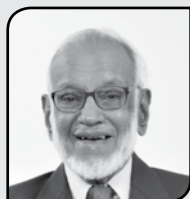
## ESCORTS LIMITED

### Board of Directors



**Mr. Rajan Nanda**

Mr. Rajan Nanda, Chairman and Managing Director of Escorts Group since 1994, is a visionary leader who has played a defining role in establishing Escorts as an organisation of repute. His astute leadership has resulted in giving Escorts a sharper focus in the high growth sectors of agri machinery, construction equipment, railway equipment and auto components. Mr. Nanda is an active member of several apex trade and industry bodies. As a member of the CII National Council, he has served as the Chairman of its Agriculture Committee. Mr. Nanda plays a pivotal role in promoting the cause of Indian agriculture and his endeavours resulted in the government announcing the long-awaited National Agriculture Policy.



**Dr. M.G. K. Menon**

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 advisor 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 Honorary Member of IEEE.



**Dr. S.A. Dave**

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 as Chairman of Centre for Monitoring Indian Economy, Mumbai, and is also the Director of HDFC Limited, and many other reputed companies.



**Dr. P.S. Pritam**

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 of India, worked as 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.



**Mr. Nikhil Nanda**

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



**Mr. S.C. Bhargava**

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 Institute of Chartered Accountants, has also worked as 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.



**Mr. Hardeep Singh**

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

## Board of Management



**Mr. Rajan Nanda**

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



**Mr. Nikhil Nanda**

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



**Mr. GB Mathur**

Mr. GB Mathur, Executive Vice President - 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 other important corporate decisions taken by the Company from time to time. Before joining the Escorts Group, he worked with Chambal Fertilisers and Chemicals Limited.



**Mr. Ishan Mehta**

Mr. Ishan Mehta, Executive Vice President - HR & ER, alumnus of Xavier's Labour Research Institute (XLRI), possesses over 32 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).



**Mr. S Sridhar**

Mr. S Sridhar, Chief Executive Officer, Escorts Agri Machinery, agriculture engineer, possesses 26 years of rich experience in engineering, automotive industry and manufacturing. Mr. Sridhar specialises in brand and business strategies. He started his career at Mahindra and Mahindra Limited's tractor division and acquired vast experience in TVS Suzuki. He was the former CEO (2 wheeler) and then the President (motorcycle) of Bajaj Auto Limited.



**Mr. G. V. R. Murthy**

Mr. G. V. R. Murthy, Chief Executive Officer, Escorts Construction Equipment, is a mechanical engineer with over 30 years of diverse experience in construction industry, cement products and mineral processing. Prior to joining Escorts, he was the Joint Managing Director at Tractors India Pvt. Ltd. Previously, he has served in senior management roles at Sandvik Asia, Svedala Industri, L&T, Fuller-KCP, and Hyderabad Industries.



**Mr. Lalit K Pahwa**

Mr. Lalit K Pahwa, Chief Executive Officer, Escorts Auto Products, BE (Mechanical), 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 worked with Jervis B. Webb, American Axle Inc. and the Tata Group.



**Mr. Dipankar Ghosh**

Mr. Dipankar Ghosh, Business Head, Escorts Railway Products, has 23 years of rich experience in full lifecycle product development, manufacturing operations, engineering management, business development, and technology transfer from many Railway OEMs to India. He is an ex-Indian Railway Service officer and was the Vice President with John Deere India in his last assignment. Mr. Ghosh is a post graduate in Engineering from BITS Pilani, and has done his management from Indian School of Business, Hyderabad, besides Advanced Global Leadership from London School of Economics as a British Chevening Scholar.

**ESCORTS LIMITED**

**Management Discussion & Analysis**



Escorts Limited has defined a set of core values - Respect for People, Empowerment, Transparency and Collaboration. These values underpin all actions in our drive to achieve growth and profitability not only for our stakeholders but also for society at large.

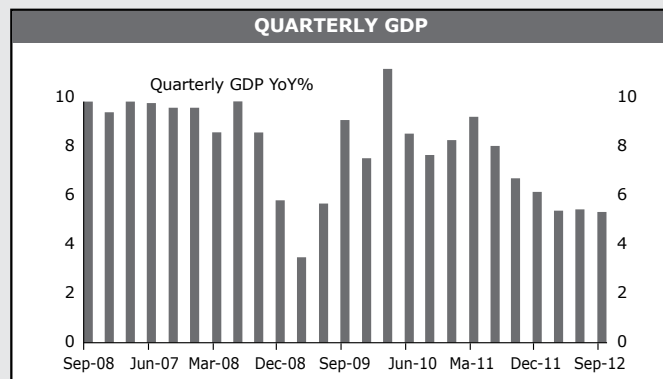
**Key Economic Trends**

The concluded financial year ending September 2012 was filled with economic challenges across the globe. The world witnessed financial turmoil stemming from sovereign debt issues in the Western economies, Eurozone crisis and the resultant recession in several countries therein, inconsistent revival signals emanating from the US, visible signs of economic excesses in China and chaos in the Middle East. We, in India, were also facing our own set of challenges in the form of high fiscal and current deficit, persistently high inflation and a corresponding high interest rate, depreciating rupee, dipping growth leading to devaluation by major credit rating agencies and capital outflows from the country. On the political front, a virtual policy paralysis and snail pace economic reforms aggravated the problems. Both external and internal factors led to a sub 6% GDP growth for a developing nation like ours.

The last few months have seen signs of positivity. An improvement in industrial performance - reforms push

given through allowing FDI in multi-brand retail and enhancing limits of the same in the airline and media sector, direct cash subsidy transfers and continuing hikes in fuel prices, and the certainty of a round in interest rate cut sooner than later is very encouraging and raises hopes of achieving the forecast of 8% growth in the next 3 years.

The stimulus package offered by the government during 2011-12 helped the Indian vehicle market post an impressive increase in passenger vehicles, commercial vehicles & two wheelers. All the above mentioned segments registered positive double digit growth over the previous year; however, it varied significantly during the year. The tractor industry, which defines the pulse of





Indian agriculture; is expected to grow between 2-3% in 2012-13. This is due to the injection of funds by the government through various schemes as a result of which the Indian heartland is seeing a bout of prosperity. The mood in rural India is upbeat due to strong cash inflow post a bumper kharif crop, simultaneously government schemes like National Rural Employment Guarantee Act (NREGA), Accelerated Irrigation Benefit Programme (AIBP) are providing impetus to consumption in the full period between the rabi and kharif seasons. The policy of continuously raising the MSP and the expected implementation of the Food Security Bill before the 2014 union elections are all aimed at providing more wealth in more hands of rural India. This will increase the purchasing power for the farmer and drive growth in the sector.

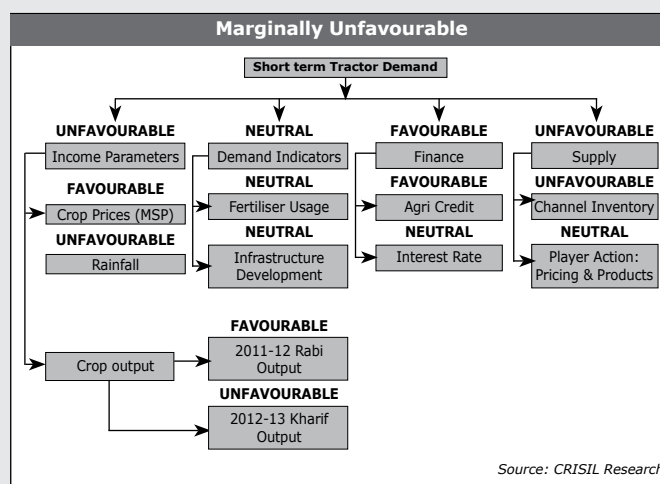
**1. AGRI MACHINERY BUSINESS**

The Indian tractors market sales saw modest traction in the fiscal gone by with demand from both agricultural and non-agricultural usage. The key factor boosting the tractor demand are strong rural liquidity, which in turn was sustained by several factors, including: higher MSP for crops; greater ability of farmers to make cash purchases; enhanced employment opportunities (rural employment schemes being implemented by the Government of India); improved credit environment; and continuance of replacement demand. These factors apart, usage of tractors for non-agricultural purposes, (for haulage in construction and infrastructure projects) continued to increase, further improving the tractor demand. With increasing employment avenues like infrastructure projects and rural employment schemes, availability of labour for agricultural activities continued to decline, further prompting farmers with medium-sized land holdings to either rent or purchase tractors.

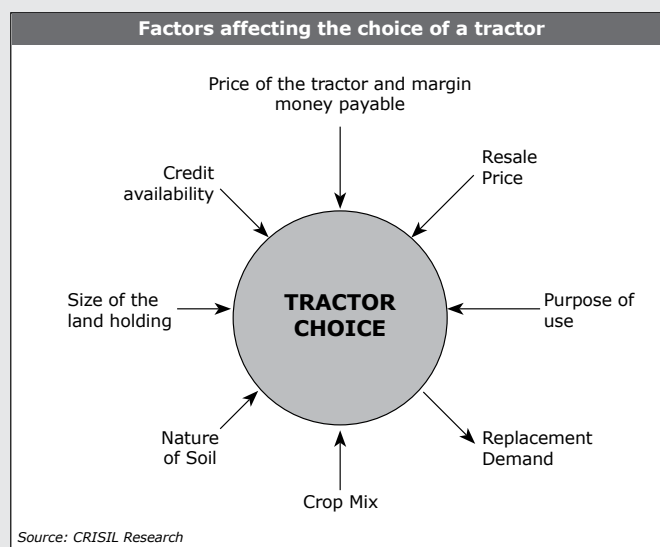
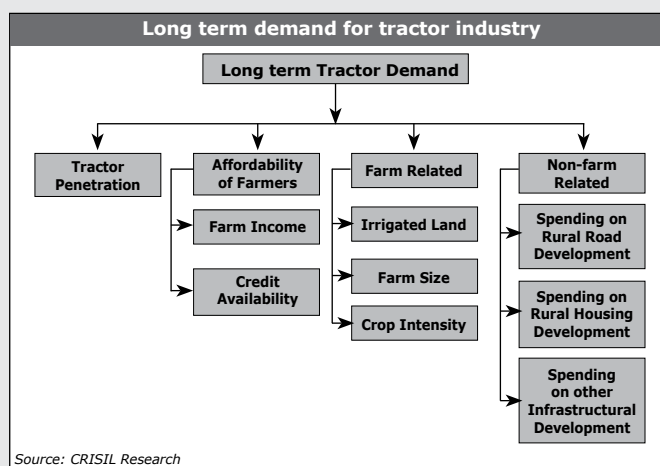
**Factors affecting Tractor Demand**

Demand for tractors is mainly driven by the farmer's ability to purchase a tractor and is affected both directly and indirectly by a number of factors:

- Irrigation intensity and monsoons
- Landholding pattern
- Availability of credit
- Minimum support prices of food grains
- Cropping pattern
- Increase in cash crop production
- Replacement demand
- Soil conditions
- Crop mix
- Nature of usage



Note: Factors analysed while assessing tractor demand for 2012-13 are classified as favourable, neutral and unfavourable.



## ESCORTS LIMITED

### Trend Reversal in Product Mix - Trend towards high HP Tractors

The proportion of higher power (greater than 50 HP+) segment has shown increase in total industry volume share by 380 bps from 12.6% in 2007-08 to 16.4% in 2011-12.

### Tractor Demand Outlook

Domestic tractor industry is expected to be flat in 2012-13 following a slowdown in farm income growth. Farm incomes will be impacted by a lower kharif output in 2012-13 as compared with the previous year. The growth in farm incomes is expected to moderate to 3-5 per cent from a 15 per cent CAGR recorded over the last two years.

Food grain output during the kharif season is expected to be 10 per cent below that of 2011-12 and 3 per cent below 2010-11 (based on first advance estimates from Department of Agriculture). This is expected to translate into lower tractor sales during the first 6-9 months of 2012-13. However, better rainfall in August and September has provided an opportunity for a good rabi season (November-February).

As per CRISIL's update, slowdown in infrastructure development will have a marginal negative impact on tractor sales. Key monitorables for the sector demand will be channel inventories, NPAs of captive financiers and mandi prices during the kharif marketing season.

### Opportunities and Threats

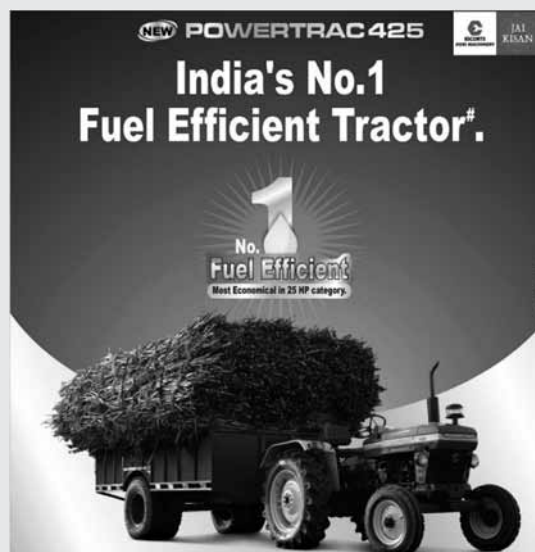
The improvement in rural liquidity and increase in non-agri component of rural incomes is a strong positive since demand will have lesser sensitivity to monsoon.

Food security and rural development remain high on the government agenda with the Union Budget for 2011-2012 showing an increase in Agri credit outlay, interest

subvention on crop loans and various initiatives for rural development also have enhanced outlays. This, coupled with significantly low levels of mechanisation in Indian farms compared to the global average, indicates that there is significant growth potential for agricultural mechanisation in the country. Your Company is well poised to leverage this opportunity.

### New Product Launches

- India's First 'Executive' Tractor: In higher HP Segment we launched Farmtrac 6060 and Farmtrac 6065, in 60 and 65 HP categories respectively
- Powertrac 425, another new model in 25HP category, was launched in March of this year
- Farmtrac 60EPI and Farmtrac 40 are two more new products launched in the current year
- The most recent product launch was- the Powertrac Diesel-Saver plus Series - with 10% extra power and 10% better mileage. This tractor range has seen instant, strong reception from our strong markets such as UP, MP and Bihar.



The complete potential of these and other new products shall be realised during the next year.

## 2. CONSTRUCTION EQUIPMENT BUSINESS

The construction sector in India witnessed exceptional growth in the decade under review, fuelled by unprecedented infrastructure development. The increasing significance of this sector in the country's overall economic progress was evidenced during the implementation of the Eleventh Five Year Plan. The contribution of the construction sector to the country's GDP has consistently been over 8 per cent in the last five years.

According to ICRA "The construction industry continues to face multiple challenges - capex deferrals by the private sector due to dwindling business confidence and stalemate in policy and decision-making has resulted in muted new order inflows; execution of existing order-book has slowed down due to delays in land acquisition, obtaining clearances and policy-level uncertainties that continue to plague key infrastructure sectors such as power, airports and ports; rising input and labour costs coupled with sluggish pace of execution has resulted in lower fixed cost absorption and pressurized operating profit margins. Further, delays in realizing receivables and in work certification coupled with the need to extend greater support to sub-contractors has elongated the working capital cycle and weakened cash-flows from core construction business. This, coupled with the need to support the asset-ownership business has resulted in an increase in debt levels and dented net profit margins through increased interest costs.

Execution concerns have intensified evidenced by the elevated quantum of stalled projects and declining year on year growth rate of projects under implementation; this has moderated the year on year revenue growth rates of construction companies. There is also a risk of protracted delays in government decision-making following the recent exposés by the CAG. In this environment management commentary remains mostly cautious with regards to order inflows, revenue growth and future profitability."

This impact of the economic slowdown has been noticed in the construction equipment sector in FY12, as sectoral growth has declined drastically from 27.8% to negative 8%.

Outlook allocation to the infrastructure sector has increased from \$200bn to \$450bn in the 11th Five Year Plan; and the equipment industry is directly linked with investment in infrastructure space in the country. The present construction equipment industry in India is approx \$6-6.5bn and is likely to grow at 12-13% till 2014-15. The construction equipment industry includes earthmoving equipment, road construction, material handling and concrete equipment. Of this, earthmoving equipment is the biggest in size with almost 57% of the total industry.

The share of construction GDP as percentage of total GDP is consistently growing for the past 10 years during which it rose from 5.8% to 7.3 % of the total GDP. The investment multiple is set to grow on an average by 2.5 times across the infrastructure spectrum. Thus, the scenario is set for a long and a sustainable growth in the demand of construction equipment. In fact the demand is to double itself every four years.

### Introduction of new product range:

In line with its consistent focus on Indian infrastructure growth, your Company invested significant (over one year) engineering and product development effort to launch following key products to cater to market demand.

#### A. RT 40 Slew Crane



#### Features:

- 40T Class – 4 wheel drive 4 Wheel Steer-Rough Terrain Crane
- Ergonomically designed controls for smooth and precision handling of loads

#### B. M 1000 Multi Loader



#### Features:

- Ideal solution for sugarcane handling
- Hydrostatic Transmission
- Skid steering, high maneuverability & short turning radius

## ESCORTS LIMITED

- Hydraulic oil cooler for heavy duty operations
- High visibility & operator friendly controls
- Saves time, lessens worries, reduces manpower and multiplies profit

### C. Sumo EHT Series



#### Features:

- For reliable hauling solutions
- Powerful
- Unmatched stability

### D. TRX Series



#### Features:

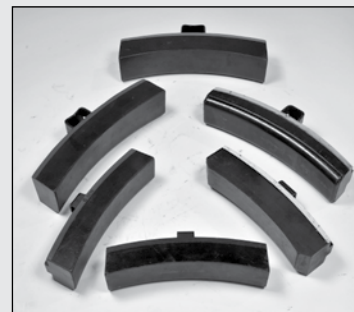
These next generation cranes boast of following features -

- Front Mounted Cabin for better visibility
- Chassis type design and optimised geometry for enhanced safety and stability
- Low creep speeds for better handling of loads
- Safe load indicators (SLI) with features like 1 hook/3 hook calibration & fail safe operations with hydraulic cut off and options of wheel guard, rear view camera with LCD display in the cabin increases its safety quotient

The complete potential of these and other new products shall be realised during the next year.

### 3. RAILWAY PRODUCTS BUSINESS

Your Company is a key supplier to Indian Railways for products including Brake Systems, Couplers, Shock Absorbers, etc - with a focus on safety, comfort and environment. With this wide product range and in-house R&D capabilities, your Company is well-poised to capture the immense opportunity offered by the Indian Railways.

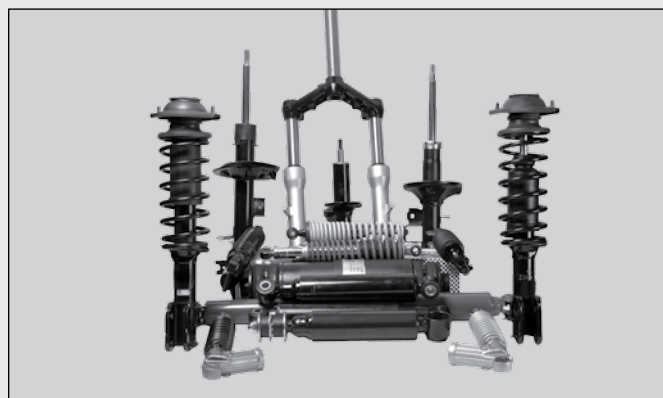


Currently Indian Railways is going through its own challenges and is on way to becoming the best in world. Your Company is now focusing on technology upgradation to cater to the growth of Indian Railways.

Now the government has been focusing on planned investment in Indian Railways followed by investment in metro and high speed rail segments. Your Company is also focussing on new markets such as Dedicated Freight Corridor, as the export market has good potential especially in South Asia, Africa, Middle East and Europe. Your Company has taken a very active step to focus on this opportunity.

### 4. AUTO PRODUCTS BUSINESS

The ₹ 1,600 billion Indian auto components industry witnessed a moderation in its revenue growth in 2011-12 following the deceleration in sales volume growth across all automobile segments. As per industry estimates, out of the total turnover of the Indian auto components



industry, domestic OEMs account for ~60% sales followed by domestic replacement market (~25%) and exports (~15%).

Despite this muted revenue growth in the auto components industry, Escorts Auto Products registered



a strong 20% growth in its revenues during this period on way to turnaround. This growth has been the result of dedicated efforts in the following areas:

**Product mix enrichment:** The Company increased focus on high-value, high-margin product and customer segments to enhance profitability while maintaining steady volumes of growth.

**Aggressive customer and product development efforts:** As the Indian vehicle industry scales to become a global manufacturing hub, it is imperative for component suppliers to strengthen their product development capabilities. In line with this expectation, Escorts developed several customised suspension solutions for many existing as well as new customers across vehicle categories during 2011-12. The Company also won the "Best Supplier" Award from one of its key customers during this period.

**Focus on capacity optimisation and operational efficiency:** The Company has undertaken activities for plant and machinery upgradation and is in the process of making significant investment for capacity optimisation and enhancement. This has resulted in sizeable and sustainable increase in production.

**Cost reduction efforts:** Profit margins in the highly competitive auto component industry are becoming increasingly thin. In view of this, Escorts Auto Products has been undertaking several cost reduction efforts such as vendor rationalisation, manpower productivity enhancement, etc. to streamline operations and reduce costs.

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

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

### Key Awards and Achievements

For the second year in a row, the Escorts Knowledge Management Centre has won the 3D Solid Model Contest organised by Siemens India. The award was in recognition of the outstanding work done by Escorts' Computer-Aided Engineering team in creating the 3D model for the newly-designed side gear shifting mechanism in Farmtrac tractors.



Mr. S.S. Verma (extreme left), Head – Plant Engineering, Knowledge Management Centre, and Mr. A. K. Srivastava (extreme right), Head – Health, Safety & Environment, Escorts Agri Machinery, receive the award from Greentech Foundation

The Escorts Knowledge Management Centre also won the Greentech Gold Environment Award 2012 in the R&D category. Escorts has won this award for the second year in a row, amidst intense competition from more than 400 automobile R&Ds across the country.



From L to R: Mr. Lalit K Pahwa, CEO, EAP, Mr. Tatsuya Shinkai - Suzuki Chairman, Mr. C.K. Dave - Sr. Purchase Advisor, Suzuki, Mr. Mohander Mehta, DGM-OEM, EAP

Escorts Auto Products won the 'Best Supplier for Development in Suspension' Award from Suzuki Motorcycle India Pvt. Ltd. The recognition came for the development of the front fork and rear shock absorber for the recently launched Suzuki motorbike, 'Suzuki Hayate'. The award was presented at an award ceremony attended by over 165 Suzuki Motor Corporation suppliers.

## ESCORTS LIMITED

Escorts Agri Machinery has been accredited with two international certifications – ISO 14001:2004 and OHSAS 18001:2007 – during the year. The certificates, awarded by M/s TUV Rhineland, are recognised world over as a testament to organisations' commitment to fostering the right Environment, Occupational Health and Safety in their manufacturing operations.

### 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 last three years, the prices of iron, alloy steel and rubber have been volatile. Any further variation will affect the profitability.

#### 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.

#### Monsoons

With the normal monsoons in the country so far, 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.

#### Investor Relations

With the growing interest from the investors, both domestic and globally, your Company maintains an active engagement with the investor community, through ongoing investor management meetings with shareholders and investors.

#### Enterprise Resource Planning (ERP)

Your Company successfully implemented ERP in use across its various divisions. This helps us in consolidation

of Company's growth plans and emerging regulatory requirements across the Group. The Company firmly believes that this initiative along with the improved risk management framework will continue to deliver benefits for a long period of time by helping streamline processes, ensure financial controls, reduce costs and drive business growth.

While implementing the ERP, special care was taken to ensure standardisation of operating business processes across the various divisions of Escorts. As part of this project, Escorts established a state-of-the-art corporate data centre based on green IT concepts. This data centre houses our high end RISC based servers operating in clustered environment to run the ERP, state-of-the-art networking & security equipment.

This project has created an important base for implementing other strategic initiatives like Customer Relationship Management, Business Intelligence/Analytics and a host of other important projects. Also this will greatly help Escorts in transforming itself into a world class, process-driven organisation.

To implement this initiative we partnered with some of the leading names of the IT industry including Oracle, IBM, Motorola, Emerson, Wipro and Cisco.

#### Corporate Social Responsibility

Our objective is to actively contribute to the social & economic development of the communities in which we operate. In doing so, we aim to build a better, sustainable way of life for the weaker sections of society and raise the country's human development index.

CSR at Escorts portrays the deep symbiotic relationship that the Group enjoys with the communities it is engaged with. As a responsible corporate citizen we try to contribute for social and environmental causes on regular basis.

CSR department works as the philanthropic arm to provide structure & focus to the ongoing social



Mrs. Seema Gupta, Chairperson, District Red Cross Society, inaugurating the blood donation camp



Mr. S Sridhar, CEO, EAM, donating blood during the camp

responsibility initiatives of the Company. The department has been formed with an express mission of empowering communities and creating opportunities for the underprivileged in areas of education, training and health. To ensure sustainable and inclusive growth, which are both environments friendly and socially uplifting.

**Community Development:** As part of the community – focused initiatives, we indulge ourselves in multiple health related activities, such as Community Health Checkup camps in which specialised services such as Gynaecologist & Paediatrician are present, Blood Donation camps, distribution of clothes to “Goonj” (NGO) and distribution of gifts to the orphan girl children of “Arya Kanya Sadan” on the auspicious occasion of Diwali.

As part of CSR activity on the occasion of Diwali personalised gifts were distributed to the Arya Kanya Sadan (girl’s orphanage) to make the Diwali special one for these less privileged kids.

#### **Community Development:**

- Organised free health checkup camps on 14th of October 2012 in Faridabad where in more than 1000 persons were benefited.
- Organised Blood Donation Camp in association with Rotary Club & Lions Club Faridabad wherein 275 units of blood were collected. Chief Guest was Sh. Praveen Kumar-IAS, Deputy Commissioner, Faridabad
- Spread awareness about child labour in and around Faridabad through hoardings in association with Labour Department, Govt. of Haryana.
- Blood Donation camp organised with the help of District Red Cross Society and Rotary Blood Bank.

**Environment Preservation:** In face of ever increasing urbanisation, Escorts has always been alive to environmental concerns. It is our intention to give back as much, if not more, as is being taken through the rigorous development process. Tree plantation is also being done.

#### **Employee Development:**

- Organised more than 100 technical training programs
- Organised behavioral workshops by renowned trainers
- Organised Health & Safety seminars for employees and vendors
- Organised Yoga classes for employees
- Facilitated participation and involvement of employees in SGAs and suggestion schemes and other committees

### **SAFETY**

**1. Escorts Limited – Agri Machinery** has bagged the “11th Annual Greentech Safety Award – 2012” Gold category in the Engineering Sector consecutively

for two years. This award is given for the achievements in safety management. The awards ceremony was held at Sher-i-Kashmir Conference Centre (SKICC), Srinagar on 12th July’12. Greentech Safety Awards are organised by Greentech Foundation to recognise excellence in fire & safety management. They also focus on the duties, responsibilities and concern to save the workplaces from accidents and damage with the help of preventive and protective measures for raising productivity. Moreover, they also work on the implementation of strategies for improvement in fire, safety & security standards and thereafter give global recognition to the companies,



organisations, units and individuals for their outstanding contribution.

2. It is a pleasure and matter of pride to inform you all that for three consecutive years, **Escorts Limited – EAM** has been declared winner of the prestigious “**Safety Innovation Award – 2012**” amongst 18 winners from different public & private sectors by the **Institution of Engineers (India), Quality and Safety Forum** for the **best & innovative practices in the field of Safety Management**.

#### **CAPITAL EXPENDITURE**

Your Company has carefully planned its CAPEX for the next two to three years with the main focus on cost reduction and productivity improvement. The focus would be on developing new models and improving the reliability and quality of the tractors.

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

#### **COST SAVINGS**

Your Company has continuously identified the areas where costs can be reduced and quantify the same. All the employees right to the shop floor are involved in this initiative, wherein each team has targets to achieve in cost savings.

## ESCORTS LIMITED

### 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.

### Operational Performance

The Company's Revenue at ₹ 3,942.8 crores in 2011-12 as against ₹ 3,279.8 crores in 2010-11. The tractors volume came down by 4.3 per cent to 60,673 in 2011-12 from 63,420 in 2010-11. Construction volumes on full year at 5,311 in FY12 as that of 6,244 in FY11

Profit before Interest, Depreciation, Amortisation, Exceptional Items and Tax were up by 21% at ₹ 231.1 crores in 2011-12 as against ₹ 189.7 crores in 2010-11.

Profit Before Tax (PBT) stood at ₹ 87.9 Cr. in 2011-12 as compare to ₹ 100.6 crores in 2010-11 and Profit After Tax (PAT) stood at ₹ 69.6 crores as against ₹ 120.1 crores in the previous year.

### Segment Performance

The Escorts Agri Machinery division revenues at ₹ 2,911.8 crores in 2011-12 from ₹ 2,950 crores in 2010-11. The EBIT for the division stood at ₹ 226.6 crores against ₹ 187.8 crores in the last year.

The Escorts Auto Product Division revenues grew by 16.3% to ₹ 143.1 crores in 2011-12 from ₹ 123.0 crores

in 2010-11. The EBIT stood at ₹ (11.8) crores against ₹ (17.6) crores last year.

The Escorts Railway Products Division registered sales of ₹ 148.8 crores against ₹ 192.3 crores in the last year. The EBIT stood at ₹ 9.7 crores against ₹ 16.4 crores last year. The EBIT margins down from last year at 8.6 per cent to 6.3 per cent in the current financial year.

The Escorts Construction Equipment Division revenue during full year FY12 stood at ₹ 742.5 crore as against ₹ 816 Cr. in FY11 down due to slow down in the industry demand.

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

On behalf of the Board

Sd/-

**RAJAN NANDA**

Chairman &  
Managing Director

Place: Faridabad  
Date: 27th November, 2012



## Directors' Report

Dear Shareholders,

Your Directors have pleasure in presenting the Sixty Seventh Annual Report for the financial year ended 30th September, 2012.

### FINANCIAL RESULTS

(₹ Crores)

Particulars	30.09.12	30.09.11
<b>Gross Revenue</b>	<b>4046.10</b>	<b>3305.78</b>
Excise Duty	103.32	25.96
<b>Net Revenue</b>	<b>3942.78</b>	<b>3279.82</b>
<b>Profit Before Interest, Depreciation, Amortisation, Exceptional Items &amp; Tax</b>	<b>231.14</b>	<b>189.71</b>
Finance Cost	96.44	55.77
<b>Profit Before Depreciation, Amortisation, Exceptional Items &amp; Tax</b>	<b>134.70</b>	<b>133.94</b>
Depreciation and Amortisation	48.43	37.97
<b>Profit/(loss) Before Tax, Exceptional Items &amp; Tax</b>	<b>86.27</b>	<b>95.97</b>
Exceptional Income	1.68	4.65
<b>Profit Before Tax</b>	<b>87.95</b>	<b>100.62</b>
Tax	18.35	(19.47)
<b>Profit After Tax</b>	<b>69.60</b>	<b>120.09</b>

### FINANCIAL PERFORMANCE

The Net Revenue of the Company for the year was ₹ 3942.78 Crores as against ₹ 3279.82 Crores in the previous year showing a growth of 20.21%. Sale of Tractors during the year was 60673 as against 63420 in the previous year.

Profit before Interest, Depreciation, Amortisation, Exceptional Items & Tax stood at ₹ 231.14 Crores against ₹ 189.71 Crores in the previous year.

Profit Before Tax (PBT) stood at ₹ 87.95 Crores against ₹ 100.62 Crores in the previous year and Profit After Tax (PAT) stood at ₹ 69.60 Crores against ₹ 120.09 Crores in the previous year. Earnings per share stands at ₹ 5.84 for the current year vis a vis ₹ 11.74 last year.

### MANAGEMENT DISCUSSION AND ANALYSIS

Management Discussion and Analysis (refer page 10 to 18), 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 @ 12% i.e. ₹ 1.20 per Equity Share of ₹ 10 each for the year ended 30th September, 2012, 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 AND COMPROMISE

A Scheme of Arrangement and Amalgamation under Section 391 to 394 of the Companies Act, 1956 for the amalgamation of Escorts Construction Equipment Limited ('ECEL'), Escotrac Finance and Investments Private Limited ('Escotrac') and Escorts Finance Investments and Leasing Private Limited ('EFILL') (together 'Transferor Companies') with the Company (hereinafter referred to as 'the Scheme'),

has been sanctioned by the Hon'ble High Court of Punjab and Haryana at Chandigarh vide its order dated 9th August, 2012 and upon necessary filings with the Registrar of Companies, NCT of Delhi and Haryana by the Transferor Companies and Transferee Company, the Scheme has become effective on 12th October, 2012 and the effect thereof has been given in the financial statements from 1st October, 2011 being the appointed date under the Scheme.

Pursuant to the Scheme, the issued and paid up share capital of the Company has increased from ₹ 105.62 crores to ₹ 122.58 crores as 1,69,58,842 equity shares were allotted to the shareholders of the transferor companies. The Authorized Share Capital of the Company stands enhanced to ₹ 1289 crores.

The investments held by the Company in the merging entities have been cancelled and wherever required the investment held by the later were transferred to the Escorts Benefit and Welfare Trust in accordance with the Scheme. Furthermore, pursuant to the scheme, ₹ 97.40 crores, being the difference between the net assets of the transferor companies and the purchase consideration issued by the Company is adjusted in Reserves of the Company.

### 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, 2012.

### DIRECTORS

In accordance with the provisions of Companies Act, 1956 and Articles of Association of Company, Dr. S.A. Dave and Mr. S.C. Bhargava, Directors retire by rotation at the ensuing Annual General Meeting of your Company, and being eligible, offer themselves for re-appointment.

## ESCORTS LIMITED

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 27th November, 2012 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 re-appointment. 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, (the Act) your Directors state that:

- i. In the preparation of Annual Accounts for the year ended 30th September, 2012, 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, 2012, 375 deposits aggregating to ₹ 0.75 crores matured but were not claimed. Subsequently, out of the above, 31 deposits of ₹ 0.07 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

**RAJAN NANDA**

Chairman &

Managing Director

Place: Faridabad

Date: 27th November, 2012



## Annexure – A to the Directors’ Report

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

(a) Total Number of Options as on 30/09/2011	1,10,000
(b) Options granted during the year	Options Grant date NIL
(c) Pricing Formula	At a price not less than the par value of Company’s share and not more than the closing Market Price of the Stock Exchanges: Options GP (₹) MP (₹) NIL
(d) Options Vested	NIL
(e) Options Exercised	NIL
(f) The Total number of shares arising as a result of exercise of options	NIL
(g) Options Lapsed	45,000
(h) Variation of terms of options	Not Applicable
(i) Money realised by exercise of options	NIL
(j) Total number of options in force	65,000 as on 30.09.2012
(k) Employee wise details of options granted to: <ul style="list-style-type: none"> <li>• Senior managerial personnel during the year</li> <li>• Any other employee who receives a grant in any one year of options amounting to 5% or more of option granted during the year.</li> <li>• Identified employees who were granted option, during any one year, equal to or exceeding 1% of the issued capital (excluding outstanding warrants and conversions) of the Company at the time of grant.</li> </ul>	Not Applicable Not Applicable Not Applicable
(l) Diluted Earnings Per Share(EPS) pursuant to issue of shares on exercise of option calculated in accordance with Accounting Standard(AS) 20 ‘Earnings Per Share’.	Not Applicable
(m) Where the Company has calculated the employee compensation cost using the intrinsic value of stock options, the difference between the employee compensation cost so computed and the employee compensation cost that shall have been recognized if it had used the fair value of options, shall be disclosed. The impact of this difference on profits and EPS of the Company shall also be disclosed.	Not Applicable
(n) Weighted-average exercise prices and weighted-average fair values of options shall be disclosed separately for options whose exercise price either equals or exceeds or is less than the market price of the stock.	Not Applicable
(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: <ul style="list-style-type: none"> <li>• Risk free interest rate</li> <li>• Expected life</li> <li>• Expected volatility</li> <li>• Expected dividends, and</li> <li>• The price of the underlying share in market at the time of option grant</li> </ul>	Not Applicable

On behalf of the Board

Sd/-

**RAJAN NANDA**

Chairman & Managing Director

Place: Faridabad

Date: 27th November, 2012

## ESCORTS LIMITED

# Annexure – B to the Directors' Report

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

#### I) CONSERVATION OF ENERGY

**1. Energy Conservation Measures Taken:** The Company has always been conscious of the need for Conservation of Energy and has been steadily making progress towards this end. Energy Conservation measures have been implemented at all the Escorts Plants and Offices. Company has also taken special efforts on undertaking Specific Energy Conservation Projects and achieved high level of saving through implementation.

In pursuit of the Continual Improvement in Energy Conservation in the Generation Distribution & Consumption Areas, many initiatives have been taken in the year 2011-12.

- a) Replacing the Fixed Speed Air Compressors with Variable Speed Driven Air Compressors in POWERTRAC & CRANKSHAFT & HYDRAULIC DIVISION to obtain saving (Annualized Saving ₹ 30.00 lacs) in Compressed Air Generation & Distribution Networks.
- b) Replacing the old Engine Model with improved Specific Fuel Consumption Model Engines for Power Generation Sets/Optimizing of Load-Management/improving the Power Generating Diesel Engine Cooling Systems in POWERTRAC & CRANKSHAFT & HYDRAULIC DIVISION.
- c) Re-Laying out/Replacing of Production Units Over-Head Lights with Energy Efficient Lights (4\*28Watt Fixtures – Annualized Saving ₹ 50.00 Lacs).
- d) Independent HT Power Feeder and use of low cost Power through Open Access after Independent Power feeder in CRANKSHAFT & HYDRAULIC DIVISION (Annualized Saving ₹ 12.00 lacs).
- e) Installation of Small Air Compressors in HT Cell & Paint Shop to work during Off days/Holidays to reduce the Power Consumption.
- f) Other small steps like switching off the lights and fans in selected areas, solar water heating in canteens also resulted in Power Consumption Reduction across EAM.
- g) Optimizing the Compressed Air Network for POWERTRAC & FARMTRAC through Single Air source (POWERTRAC OR FARMTRAC) during "C" Shift operation of New Machine Shop – POWERTRAC PLANT.

- h) Maximum use of low cost Power through Open Access (daily Power Bidding) to reduce the Power Cost for all Plants.
- i) Interlinking of Generators: Resulted in optimum utilization and saving of Diesel by approx. 9%.
- j) Central A.C. Plant of Admin. Bldg.: Replaced with low power consumption AC units (such as split AC).
- k) Installed variable speed drive air compressor, resulting in saving of approx. 20% of power consumption.
- l) Replaced 40W Tube Light with 28W.
- m) Old Package AC (high power consumption) replaced with latest technology tower AC in other office areas.

As a major initiative towards the ZERO Self Generation & also to minimize the Power Cost to Company, we have initiated installation of our own 66 KV Power Sub-Station (LOCATION-POWERTRAC PLANT). The Power will be fed to FARMTRAC & POWERTRAC from this New Sub-Station by May 13 with both Plant HT Load clubbing.

#### 2. Additional Investment and Proposals

- a) Working in Open Access Power for low Cost Power through Bilateral Agreements with Power Suppliers.
- b) Power Supply thru. Open Access from Tata Power Trading Company for KMC
- c) Replacing the Old GI Air Line to Al. Pipe Line in PU Assy. Areas.
- d) Air Control Demand Sensors for Compressed Air network across AMG Plants to optimize compressed Air usage.
- e) Introduction of Solar Lighting System in Plant.
- f) Modification in the Engine Testing Bed/Heat System – FARMTRAC PLANT
- g) Insulation of GCF furnaces in Heat treatment area (Fibrothal heating system) (qty. 3 nos. in FT)
- h) Installation of Heat Pumps to eliminate the Electrical Heating System in Washing Machines across EAM PLANTS.
- i) Replacement of old Roof Sheets with FRP Transparent Sheets to increase the natural Light in Shop Floor to reduce Power Consumption.
- j) Use of Wind Ventilators across 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
- d) Reduction in Manufacturing Cost (Cost per Tractor)

## II) TECHNOLOGY ABSORPTION

### 1. Research and Development

#### a) Specific areas in which R & D was carried out by the Company in 2011-12

##### DESIGN DEVELOPED

- Rebound hydraulic Cushion for LCV Shox
- Front Fork higher OD41 (New Design Series)
- Develop design with Piston Rod dia 22 (New Design Series)
- Gas Charged Shox - PCV
- Canister Shox – 2W
- Valve design for flat curve at mid velocity

##### SYSTEM DEVELOPED

- Master Strut/Shox concept introduced
- Product DVP introduced
- Oil Seal validation Standard completed
- All Shox design data compiled
- All major part design data compiled
- All Valve capability compiled
- All new designs in 3D environment

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

- To correlate DF machines with Escorts & OEs.
- To ensure product design validation as per OE specs
- To ensure complete validation & ensure no failure in production
- To help in faster response during costing
- To help in faster design and standardization
- To help in faster RFQ response
- To ensure minimum design error and speed up tooling development.

### c) Future plan of Actions

#### New Product Introduction

- Up-gradation of transmissions to meet emerging applications & offer customer convenience features.
- Design and development of new series of tractors with contemporary features 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.

#### d) Expenditure on R & D

₹ Crores

	2011-12	2010-11
a) Capital Expenditure*	9.77	7.39
b) Recurring Expenditure	37.66	25.54
<b>Total</b>	<b>47.43</b>	<b>32.93</b>
The total R & D Expenditure as a percentage of		
<b>Gross Sale</b>	<b>1.40%</b>	<b>1.03%</b>

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

### 2. Technology Absorption, Adaption and Innovation

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

- Successful implementation of ERP (Enterprise Resources Planning)
- Up-gradation of R & D infrastructure to develop & absorb new contemporary technologies.
- Joint Technology workshops with International institutions & R&D Houses.

## ESCORTS LIMITED

- Capability enhancement for Engine, Transmission, Hydraulic technologies & design optimization through advanced training and usage of predictive software's.
- Design validation and virtual testing through software's and load accelerated test rigs.
- Digitization of Design Processes and maintenance of Company Design standards.
- E-Library for Escorts Group
- Innovative Idea generation through sponsorship of events at educational institutes.
- Knowledge enhancement through workshops with industry experts.
- Participation in agriculture exhibitions and workshops in India and Abroad.
- Joint Technology development with renowned global manufacturers

### b) Benefit derived as a result of above efforts

- Introduction of new products for emerging applications.
- Self-reliant design capability for Engines, Transmissions and Agricultural Tractors with advanced technologies for emerging domestic and export market needs.
- Engine and transmission design and development for Pick-n-Carry cranes and loaders.

### • Total Foreign Exchange used and earned refer

	2011-12	2010-11
a) Foreign exchange used:		
- Imports (including capital goods)	75.78	55.87
- Others	17.84	32.20
<b>Total</b>	<b>93.62</b>	<b>88.07</b>
b) Foreign Exchange earned:	144.98	225.17

### 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

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

### III) FOREIGN EXCHANGE EARNINGS AND OUTGO

#### • Activities relating to export

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

On behalf of the Board

Place: Faridabad  
Date: 27th November, 2012

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



## Report on Corporate Governance

### Annexure – C to the Directors' Report

#### 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 organization 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 financial year, four out of the seven Directors on the Board are independent and non-executive and one is non-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, 2012, the Board comprises of seven 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/ (Chairmanships) in Public Companies ***
1.	Mr. Rajan Nanda	Chairman & Managing Director	Executive & Non-Independent (Promoter)	Father of Mr. Nikhil Nanda	4	Y	3	-
2.	Mr. Nikhil Nanda	Joint Managing Director	Executive & Non-Independent (Promoter)	Son of Mr. Rajan Nanda	4	N	5	1(1)
3.	Dr. P. S. Pritam	Director	Non- Executive and Independent	*	5	Y	3	2
4.	Dr. M. G. K. Menon	Director	Non- Executive and Independent	*	5	Y	1	1(1)

## ESCORTS LIMITED

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 ***
5.	Dr. S. A. Dave	Director	Non- Executive and Independent	*	3	Y	10	6(2)
6.	Mr. S. C. Bhargava	Director	Non- Executive and Independent	*	5	Y	11	4
7.	Mr. Hardeep Singh	Director	Non-Executive and Non- Independent	*	3	N	3	1

Y = Yes N = No

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

\*\* Including Escorts Limited and erstwhile Escorts Construction Equipment Limited which has since merged with Escorts Limited effective from 12.10.2012.

\*\*\* 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 2011-2012 the Board of Directors met Five (5) times on the following dates:-

28th November, 2011, 14th February, 2012, 15th March, 2012, 15th June, 2012, 24th September, 2012

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](http://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 2011-12 ended on 30th September, 2012.

Sd/-

**RAJAN NANDA**  
Chairman &  
Managing Director

Place: Faridabad  
Date: 27th November, 2012



## V. AUDIT COMMITTEE

### Constitution

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

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

The Audit Committee meetings are chaired by Dr. S. A. Dave, a reputed Economist, who is Ex-Chairman, UTI, and Ex-Chairman, SEBI.

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 management.
  - d) Significant adjustments made in the financial statements arising out of audit findings.
  - e) Compliance with listing and other legal requirements relating to financial statements.
  - f) Disclosure of any related party transactions.
  - g) Qualifications in the draft audit report.
5. Reviewing, with the management, the quarterly financial statements before submission to the Board for approval.
6. Reviewing, with the management, the statement of uses/application of funds raised through an issue (public issue, rights issue, preferential issue, etc.), the statement of funds utilized for purposes other than those stated in the offer document/prospectus/notice and the report submitted by the monitoring agency monitoring the utilisation of proceeds of a public or rights issue, and making appropriate recommendations to the Board to take up steps in this matter.
7. Reviewing, with the management, performance of statutory and internal auditors, adequacy of the internal control systems.
8. Reviewing the adequacy of internal audit function, if any, including the structure of internal audit department, staffing and seniority of the official heading the department, reporting structure coverage and frequency of internal audit.
9. Discussion with internal auditors of any significant findings and followup thereon.
10. Reviewing the findings of any internal investigations by the internal auditors into matters where there is suspected fraud or irregularity or a failure of internal control systems of a material nature and reporting the matter to the Board.
11. Discussion with statutory auditors before the audit commences, about the nature and scope of audit as well as post-audit discussion to ascertain any area of concern.
12. To Look into the reasons for substantial defaults in the payment to the depositors, debenture holders, shareholders (in case of non payment of declared dividends) and creditors.
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 the finance function or discharging that function) after assessing the qualifications, experience and 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;

## ESCORTS LIMITED

- 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 and Attendance

During the Financial Year 2011-2012, the Committee met on six (6) occasions. The following table summarizes the date of each meeting and meetings attended by the members:

Date of Meeting	28.11.2011	26.12.2011	02.02.2012	12.03.2012	10.05.2012	06.08.2012
Dr. S. A. Dave (Chairman)	NA	A	A	A	A	A
Dr. M. G. K. Menon	A	A	A	A	A	A
Dr. P. S. Pritam	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, 2011 reviewed the Annual Accounts for the period ended 30th September, 2011.

## VI. SUBSIDIARY COMPANIES

The Company had one material non-listed Indian Subsidiary Company, namely Escorts Construction Equipment Limited (ECEL). Mr. S.C. Bhargava, an Independent Director of the Company had been appointed as Director on the Board of ECEL. Consequent to the merger of ECEL with the Company effective from 12.10.2012, the Company has no material non-listed Indian Subsidiary Company.

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 and Attendance

During the year 2011-2012, the committee met once on 28.11.2011 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 ₹ 5000 per meeting in respect of all other Committee meetings. The aggregate amount of sitting fees paid during the financial year was ₹ 13.90 Lakhs.

The Shareholders of the Company has approved the payment of Commission to Non-Executive Directors in



the Annual General Meeting held on 12.03.2010 for a period of five years. Accordingly, for the financial year ended 30.09.2012 the Non-Executive Directors have been paid commission of ₹ 5,00,000 (Rupees Five Lakhs) each, aggregating to ₹ 25,00,000 (Rupees Twenty Five 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.

Further, the remuneration paid/payable to Mr. Rajan Nanda, Chairman and Managing Director and Mr. Nikhil Nanda, Joint Managing Director of the Company for the financial year ended 30.09.2012 are as follows:

Particular	Per Annum (In ₹)	
	Mr. Rajan Nanda	Mr. Nikhil Nanda
Basic Salary	1,80,00,000	1,44,00,000
Allowances & Perquisites	3,17,97,297	2,28,98,900
Provident Fund Contribution	21,60,000	17,28,000
Superannuation Allowance	27,00,000	21,60,000
Gratuity	-	59,418

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. M. G. K. Menon	13000	0.01
Dr. S. A. Dave	10000	0.01
Mr. S .C. Bhargava	500	Negligible
Mr. Hardeep Singh	1000	Negligible
Dr. P.S. Pritam	NIL	N.A.

\* Includes the effect of Merger

Year	Date	Time	Place	No. of Special Resolutions Passed at AGM
2009	12th March, 2010	12.30 P.M.	Hotel KC Cross Road, Site No. 1, Sector- 10, Opp. Bus stand, Panchkula- 134 113 (Haryana)	One
2010	25th February, 2011	11.00 A.M.	Hotel KC Cross Road, Site No. 1, Sector- 10, Opp. Bus stand, Panchkula- 134 113 (Haryana)	Three
2011	15th March, 2012	11.00 A.M.	Hotel KC Cross Road, Site No. 1, Sector- 10, Opp. Bus stand, Panchkula- 134 113 (Haryana)	Two

#### 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 and Attendance

During the financial year 2011-2012, the Committee met on 28th November, 2011 in which two members of committee namely 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, 27 complaints were received from investors which were replied/resolved to the satisfaction of investors.

##### Pending Share Transfers

No requests for transfer and/or dematerialisation were pending for redressal as on 30th September, 2012.

#### X. GENERAL BODY MEETINGS

Details of last three Annual General Meetings of the Company:

## ESCORTS LIMITED

### 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, 2012 and the same has been filed on 29th March, 2012.

### XIII. MEANS OF COMMUNICATION

#### Quarterly Results released during the year 2011-2012

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

- For Quarter ended 31.12.11: Economic Times (English), Financial Express (English), Jansatta (Hindi).
- For Quarter ended 31.03.12: Economic Times (English), Financial Express (English), Jansatta (Hindi).
- For Quarter ended 30.06.12: Economic Times (English), Financial Express (English), Jansatta (Hindi).

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

The website also displays official news releases.

#### News Releases, Presentation

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

#### Management Discussion and Analysis Report

The Management Discussion and Analysis Report and Risk Management Process Highlights (refer Page 10 to 18) forms part of the Annual Report.

### XIV. GENERAL SHAREHOLDER INFORMATION

#### Annual General Meeting (AGM)

Date : Friday, 22nd March, 2013  
 Time : 12:00 Noon  
 Venue : Hotel KC Cross Road, Site No. 1,  
 Sector 10, Opposite Bus stand,  
 Panchkula – 134 113 (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. S.A. Dave and Mr. S.C. Bhargava, Directors retire by rotation at the ensuing Annual General Meeting of your Company, and being eligible, offers themselves for re-appointment.

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. S. A. Dave	M.A. (Economics), Ph.D.	<p>Dr. Dave is an Economist of international repute with extensive interest and experience in all facets of financial and capital markets. Started his career with RBI, he moved to IDBI where he was Executive Director. He was first Chairman of SEBI and then became Chairman of UTI. Presently, he is acting as Chairman of Centre for Monitoring Indian Economy, Mumbai.</p> <p>He is Director of HDFC Limited and many other Companies of repute.</p>	<ol style="list-style-type: none"> <li>1. Housing Development Finance Corporation Limited</li> <li>2. Anand Rathi Financial Services Limited</li> <li>3. Nippo Batteries Co. Limited</li> <li>4. Nitin Fire Protection Industries Limited</li> <li>5. SBI DFHI Limited</li> <li>6. Shrenuj and Company Limited</li> <li>7. Phoenix Township Limited</li> <li>8. Centre for Monitoring Indian Economy Private Limited</li> <li>9. Ankar Capital India Private Limited</li> <li>10. India Value Fund Trustee Company Private Limited</li> <li>11. IVF Trustee Company Private Limited</li> <li>12. Deccan Cements Limited</li> <li>13. HDFC Standard Life Insurance Company Limited</li> </ol>	<p>Escorts Limited</p> <ul style="list-style-type: none"> <li>• Audit Committee</li> <li>• Investor's Grievance Committee</li> <li>• Compensation Committee</li> <li>• Remuneration Committee</li> </ul> <p>Housing Development Finance Corporation Limited</p> <ul style="list-style-type: none"> <li>• Audit Committee</li> <li>• Investors Relations Committee</li> </ul> <p>Nippo Batteries Co. Limited</p> <ul style="list-style-type: none"> <li>• Audit Committee</li> </ul> <p>Nitin Fire Protection Industries Limited</p> <ul style="list-style-type: none"> <li>• Investors Relations Committee</li> </ul> <p>Shrenuj &amp; Co. Limited</p> <ul style="list-style-type: none"> <li>• Audit Committee</li> </ul> <p>SBI DFHI Limited</p> <ul style="list-style-type: none"> <li>• HR Committee</li> </ul> <p>Phoenix Township Limited</p> <ul style="list-style-type: none"> <li>• Audit Committee</li> </ul>

## ESCORTS LIMITED

Name	Qualification	Brief Resume and Area of Expertise	Other Directorships	Committee Memberships
Mr. S.C. Bhargava	B.Com (Hons), F.C.A	Mr. S.C. Bhargava is an eminent personality with a rich experience in all facets of Finance and Insurance. He has held top position in LIC including as Executive Director (Investments) and also attended various seminars and workshops in India and abroad on behalf of LIC. He has extensive knowledge in the field of securities market, treasury operations, investments, etc. He had training in finance from reputed institutions like IIM, Ahmedabad and Manchester Business School, U.K. He has also worked as member of 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.	<ol style="list-style-type: none"> <li>1. Aditya Birla Nuvo Limited</li> <li>2. OTC Exchange of India</li> <li>3. Jaiprakash Associates Limited</li> <li>4. Swaraj Engines Limited</li> <li>5. A K Capital Services Limited</li> <li>6. Jaiprakash Power Ventures Limited</li> <li>7. Cox and Kings Limited</li> <li>8. Asahi Industries Limited (Earlier Asahi Fibres Limited)</li> <li>9. Antique Finance Private Limited</li> <li>10. GK Industrial Park Private Limited</li> <li>11. Swaraj Automotives Limited</li> <li>12. IIT Insurance Broking &amp; Risk Management Private Limited</li> <li>13. A.K. Capital Finance Pvt. Ltd.</li> </ol>	<p>Escorts Limited</p> <ul style="list-style-type: none"> <li>• Share Allotment Committee</li> <li>• Technology Committee</li> <li>• Compensation Committee</li> </ul> <p>Swaraj Engines Limited</p> <ul style="list-style-type: none"> <li>• Audit Committee</li> </ul> <p>Cox and Kings Limited</p> <ul style="list-style-type: none"> <li>• Audit Committee</li> <li>• Shareholder / Investors Grievance Committee</li> <li>• Finance Committee</li> </ul> <p>Asahi Industries Limited</p> <ul style="list-style-type: none"> <li>• Audit Committee</li> </ul>

Dr. S.A. Dave holds 10,000 Shares (excludes shares held as trustee) and Mr. S.C. Bhargava holds 500 Shares in the Company.

### Financial Calendar 2012-2013 (Tentative)

Meetings of Board/Committee thereof to take on record:

Financial results for Quarter ended 31.12.2012	By 14.02.2013
Financial results for Quarter ended 31.03.2013	By 15.05.2013
Financial results for Quarter ended 30.06.2013	By 14.08.2013
Financial results for Quarter/Year ended 30.09.2013	By 14.11.2013
	If unaudited quarterly results or alternatively last week of November, 2013 in case of audited results for the year.

**Annual General Meeting for the Financial Year ending 30th September, 2013:** By 31st March, 2014.

**Date of Book Closure:** 9th March, 2013 to 22nd March, 2013 (both days inclusive) fixed for the purpose of payment of Dividend for the year 2011-2012.

### Dividend Payment Date

1. The Board of Directors of the Company have decided to recommend dividend @ ₹ 1.20 per share (being 12% of the nominal value of ₹ 10 per share) (Proposed) for the financial year 2011-12, subject to the approval of the shareholders in the forthcoming AGM.



2. The dividend, if declared at the Annual General Meeting, would be paid/dispatched within 30 days from the date of declaration at the ensuing Annual General Meeting to those persons or their mandates:-
  - A) Whose names appear as Beneficial Owners as at the end of the business hours on 8th March, 2013 in the list of Beneficial Owners to be furnished by National Securities Depository Limited and Central Depository Services (India) Limited in respect of the shares held in electronic mode; and
  - B) Whose names appear as Members in the Register of Members of the Company after giving effect to valid share transfers in physical form lodged with the Company on or before 8th March, 2013.
3. The dividend amount shall be credited in the shareholders bank account directly through NECS. Alternatively physical warrant / Demand Draft shall be posted to the shareholders at their registered address available with the Depository/ Company. The intimation for credit of dividend amount through NECS shall also be sent to the shareholders through E-mail/ordinary post thereafter.

### LISTING

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

LISTING	STOCK CODE
<b>National Stock Exchange of India Ltd.</b> Exchange Plaza, Plot No. C/1, G Block, Bandra-Kurla Complex, Bandra East, Mumbai – 400 051, Phone – 022-26598100, Fax - 022 - 26598120	ESCORTS
<b>BSE Limited</b> Phiroze Jeejeebhoy Towers, Dalal Street, Mumbai - 400 001 Phone – 022-22721234, Fax – 022-22721919	500495
<b>Delhi Stock Exchange Limited</b> DSE House, 3/1, Asaf Ali Road, New Delhi – 110 002 Phone – 011-46470000, Fax – 011-46460053/54	00012

### Listing Fees

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

### Market Price Data

#### Yearly Stock Market Data

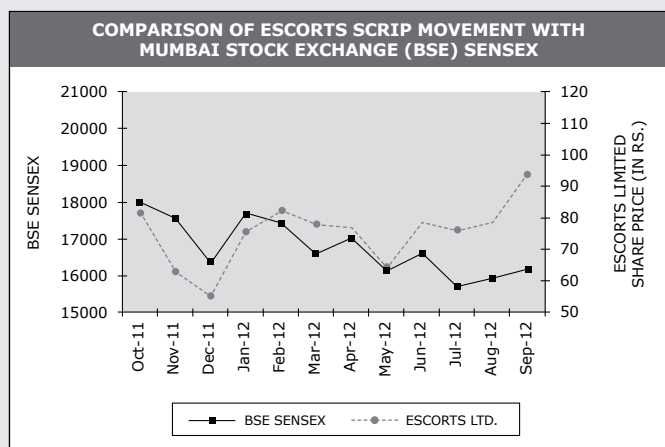
Year	Equity Shares		Name of the Stock Exchange
	High (₹)	Low (₹)	
1999-00	269.00	51.00	<b>BSE Limited</b>
2000-01	156.00	66.75	- do -
2001-02	89.35	37.95	- do -
2002-03	76.20	35.00	- do -
2003-04	113.30	34.70	- do -
2004-05	117.35	53.00	- do -
2005-06	127.30	53.00	- do -
2006-07	157.10	72.70	- do -
2007-08	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-
2011-12	93.30	55.45	-do-

## ESCORTS LIMITED

### Monthly Stock Market Data

High and low prices of Equity Shares during the 12 months period ended 30th September, 2012 were as follows:

Month	National Stock Exchange of India Limited		BSE Limited	
	High	Low	High	Low
	(₹)	(₹)	(₹)	(₹)
October, 2011	86.95	69.05	86.90	69.20
November, 2011	92.45	74.55	92.45	74.60
December, 2011	84.85	64.00	84.90	64.00
January, 2012	86.15	65.10	86.25	65.30
February, 2012	93.30	75.00	93.30	75.10
March, 2012	79.10	66.00	79.15	66.30
April, 2012	84.10	69.00	84.20	69.10
May, 2012	75.50	62.30	75.15	62.30
June, 2012	69.30	61.15	68.90	61.20
July, 2012	72.60	55.30	73.00	55.45
August, 2012	67.90	57.50	65.85	57.55
September, 2012	65.60	60.10	65.65	60.15



### 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 -121 003

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 and Issue of Duplicate Certificates etc., which normally meets twice in a month now to approve the requests of the investors.

### Investors Relation Centers

ESCORTS LIMITED	ESCORTS LIMITED
11, Scindia House, Connaught Circus, New Delhi – 110 001 Telephone: (011) 43587400 Fax No.: (011) 43587432	Times Square A Wing Unit No 1 3rd Floor, Andheri – Kurla Road, Andheri (East), Mumbai – 400 059 Telephone: (022) 67868607 Fax No.: (022) 67868687

### 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 can be addressed at email corpsect@ndb.vsnl.net.in or sent letter 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.



Year	Rate	Date of Payment
2008-2009	10%	23rd March, 2010
2009-2010	15%	10th March, 2011
2010-2011	15%	27th March, 2012
2011-2012	12% (Proposed)	To be paid within 30 days from the date of AGM

#### Nomination Facility

Shareholders can file their nominations against shares held under physical mode as well as electronic mode. The facility of nomination is not available to non-individual shareholders such as societies, trusts, bodies corporate, karta of Hindu Undivided families and holders of Powers of Attorney. The shareholders, who are holding shares in physical form and wish to avail this facility, may send prescribed form 2B duly filled in and signed to the Corporate Secretariat & Law. This form can be downloaded from our website [www.escortsgroup.com](http://www.escortsgroup.com).

#### Shareholding Pattern as on 30th September, 2012\*

Category of Shareholders	% to the Capital
1. Promoters and Promoter Group	41.98
2. Foreign Institutional Investors	9.70
3. Domestic Institutional Investors, Banks & Mutual Funds	4.21
4. Public & Others	44.11
<b>Total</b>	<b>100.00</b>

\* Includes the effect of Merger

#### Distribution of Shareholding as on 30th September, 2012

Range of holding	Number of shareholders	% of Total
1 to 100	63580	56.07
101 to 500	37913	33.43
501 to 1,000	6461	5.70
1,001 to 5,000	4460	3.93
5,001 to 10,000	502	0.44
10,001 to 50,000	367	0.32
50,001 to 1,00,000	54	0.05
Above 1,00,000	65	0.06
<b>Total</b>	<b>113402</b>	<b>100.00</b>

#### Dematerialization of Shares

Approximately 98% Equity Shares have been dematerialized till the closing of the Financial Year 2012. Trading in Equity Shares of the Company is permitted only in dematerialized form as per the notification issued by the Securities and Exchange Board of India.

#### Shares Liquidity

The trading volumes at major Stock Exchanges, during the Financial Year 2011-2012, are given below:

Months	National Stock Exchange of India Ltd		BSE Limited	
	No. of Shares	Value (₹ In Lakhs)	No. of Shares	Value (₹ in Lakhs)
October, 2011	29733031	23237.430	9025491	7062.52241
November, 2011	28438234	23686.750	8305899	6933.83910
December, 2011	18527412	13540.610	4769012	3509.05117
January, 2012	36951278	28332.740	10243807	7881.49177
February, 2012	73204459	61561.170	20635772	17383.45443
March, 2012	27889539	20449.590	6775071	4981.09368
April, 2012	47773980	37135.700	16440819	12719.37261
May, 2012	21928396	14862.000	5307398	3602.48790
June, 2012	19490118	12827.340	4185504	2753.72283
July, 2012	26714806	17788.690	7297500	4847.38626
August, 2012	24922127	15460.220	6337372	3927.38701
September, 2012	27203608	17126.280	5717594	3600.22048
<b>TOTAL</b>	<b>382776988</b>	<b>286008.520</b>	<b>105041239</b>	<b>79202.02965</b>

## ESCORTS LIMITED

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

There is no outstanding ADRs/GDRs/Warrants for conversion into equity shares except 65,000 stock options granted to the employees. Each stock option, upon exercise of the same, would be converted into one equity share of ₹ 10/- each fully paid up. These options vest after one year from date of grant and can be exercised during a period of two years or such other 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:

- 18/4, Mathura Road, Faridabad - 121 007
- Plot No. 2, Sector 13, Faridabad - 121 007

- Plot No. 3, Sector 13, Faridabad - 121 007
- 115, Sector 24, Faridabad - 121 003
- Plot No. 9, Sector 1, Integrated Industrial Estate, Pant Nagar, Rudrapur, District, Udham Singh Nagar, Uttrakhand – 263 145
- Plot No. 219, Sector – 58, Ballabgarh, Faridabad - 121 004

### Address for Correspondence

#### ESCORTS LIMITED

#### Corporate Secretariat & Law

15/5, Mathura Road, Faridabad - 121 003

Phone: 0129 – 2250222, Extension: 4275 / 4254

Fax: 0129 – 2250060

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

Website: www.escortsgroup.com

### XV. NON-MANDATORY REQUIREMENTS

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

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

On behalf of the Board

Place: Faridabad  
Date: 27th November, 2012

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



## CEO/CFO Certification

The Chairman and Managing Director has 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, 2012.

The Board of Directors,  
Escorts Limited

Dear Sir,

I, Rajan Nanda, Chairman and Managing Director, certify to the Board of Directors that:

- a) I have reviewed financial statements and the cash flow statement for the year ended 30th September, 2012 and that to the best of my 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 my 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) I accept responsibility for establishing and maintaining internal controls for financial reporting and I have evaluated the effectiveness of internal control systems of the Company pertaining to financial reporting and I have disclosed to the auditors and the Audit Committee, deficiencies in the design or operation of such internal controls, if any, of which I am aware and the steps I have taken or propose to take to rectify these deficiencies.
- d) I 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.

Place: Faridabad  
Date: 27th November, 2012

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

**ESCORTS LIMITED****Auditors' Certificate Regarding Compliance with the Conditions of Corporate Governance Under Clause 49 of the Listing Agreement.**

To,  
The Members  
Escorts Limited

We have examined the compliance of conditions of Corporate Governance by Escorts Limited for the year ended 30th September, 2012 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, 2012 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

Place: New Delhi  
Date: 27th November, 2012





## 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, 2012.

### A. Employed throughout the period and in receipt of remuneration not less than ₹ 60,00,000 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	51	B. E.	30	05.11.2008	Chief Operating Officer (EAM)	13,744,572	8,292,552	1 Yr. 9 Mths - President, Hero Motors
Banerjee Partha	58	B.Tech.	34	01.12.2010	Head - Manufacturing Operations (ECE)	6,769,525	4,001,128	10 yrs. Sr. Vice President, Mahindra & Mahindra
Dass Rajeev	57	B.Com	35	01.04.2002	Head - Corporate Communications & Corp. Affairs	6,669,180	4,145,813	1 Yr. - Vice President - Business Development, Toubro Industries Ltd.
Dr. Lal Shalini	41	BA, MBA, PHD	13	08.11.2010	Chief Human Resource Officer (EAM)	7,224,522	4,820,238	6 months - Chief OD & Change, Bharti Televentures
Madan Bharat	45	B.Com. (Hons.), FCA	25	16.12.2005	Financial Controller (EAM)	7,786,340	5,578,662	14 Yrs. - Financial Controller, Electrolux Kelvinator Ltd.
Mathur G B	62	B.Sc. ACS, LLB	38	16.08.1993	Executive Vice President Law & Company Secretary	13,340,094	8,334,246	3 Yrs. - Co.Secy, Chambal Fertiliser & Chemicals Ltd
Mehta Ishan	56	PGD IN IR & Labour Welfare	33	05.10.2010	Executive Vice President - HR & ER, Escorts Group	14,897,746	8,780,503	3 Yrs. Group Head HR (CHRO), Emaar MGF Land Ltd.
Nanda Nitasha *	43	B. Com.	18	01.04.1998	Head Group Investment Companies	10,172,355	6,361,583	2 Yrs. 5 Mths. - CEO, Niky Tasha India Ltd.
Oswal Sangeet	50	B. Tech.	28	12.10.2007	Associate Vice President - New Product Proto Development	7,134,976	4,615,390	3 Yrs. General Manager, Maruti Udyog Ltd.
Pahwa Lait Kumar	54	BE, PGDM	30	31.05.2011	Chief Executive Officer - EAP	9,076,656	5,855,407	03 Yrs. Advisor (on his own)
Rane N. S.	52	B. Tech.	29	25.02.2006	Head Component Plant & CHD	7,046,584	4,601,327	23 Yrs. - GM - Production, Maruti Udyog Ltd.
Sharma Rajesh	52	BE, FMS	26	28.09.1992	Head - Strategy, R & D & Business Development - ECE	8,889,239	5,220,257	6 yrs. Regional Manager (North Zone), Stanford Engineers Limited
Singh Inderjit	55	B. Tech.	32	22.01.2007	Chief of Technology (KMC)	11,840,965	7,102,319	7 Yrs. Head Horizon - 1 & 2, Mahindra & Mahindra (FES)
Singhal Vikram	53	BE Mech	31	01.07.2010	Chief Executive Officer - ERP	11,451,241	6,862,253	5 Yrs; Executive Director & CEO, Amteck Auto Ltd.
Vij K. K	55	BE Mech, Advance Course in Mktg & Mtrls Mgmt.	34	10.04.2009	Executive Director & CEO - ECE	17,235,165	10,714,655	4 Yrs. 6 Mths. CEO & Director, Vege Intermotor B.V. Netherlands.

## ESCORTS LIMITED

### B. Employed for part of the period and in receipt of remuneration not less than ₹ 5,00,000.00 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
Balraj O. K.	56	C. A.	31	27.08.2009	Executive Vice President & Group CFO	15,464,113	10,295,477	1 Yr. - Director Finance - NSL Group
Mal Rohtas	58	B. Tech, MBA	32	26.11.2007	ED & CEO (AMG)	10,369,047	6,690,796	2 Yrs. 6 Mths. Chief Executive, Bharati Fieldfresh Ltd.
Nandi Amit Shankar	42	BE, MBA	20	01.04.2011	Chief Sales & Marketing Officer - EAM	1,245,704	715,344	5 Yrs. Vice President, Bajaj Auto
Sharma A. C	57	B.Sc. Engg., MBA	36	15.02.2008	Vice President - Marketing (ERP)	2,201,794	1,554,736	18 Yrs. General Manager (Sales & Marketing), ISGEC
Sridhar Sambandam	50	BE, Masters Dip. In Business Admn.	26	10.10.2011	Chief Executive Officer - EAM	17,440,048	10,617,352	10 Yrs. Bajaj Auto, President (Motorcycle Business)
Tandon Samir	43	BE	20	14.05.2012	Chief Sales, Service & Spares - EAM	4,216,305	2,725,423	3 Yrs & 8 Months. National Sales Manager, Monsanto Holdings Pvt. Ltd.

#### Notes:

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

1. Employees named above are/were whole time employees of the Company and all appointments are/were 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 amenities, house rent allowance, medical expenses, leave travel assistance, other allowances. Company's contribution to provident fund, employee pension scheme & Gratuity Fund.
3. Remuneration received net includes salary, bonus, commission, exgratia and other allowances but excluding house rent allowance, Provident Fund and Gratuity less Income Tax deducted at source.
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% of the outstanding shares of the Company as at 30th September, 2012.

On behalf of the Board

Place: Faridabad  
Date: 27<sup>th</sup> November, 2012

Sd/-  
**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, 2012, the Statement of Profit and Loss 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. 40 of the financial statements. As explained therein, pursuant to the order of the High Court, an amount of ₹ 369.79 crores has been utilized from Business Reconstruction Reserve and the consequential impact on the Balance Sheet and Statement of Profit & Loss. The balance amount ₹ 70.28 crores in the Business Reconstruction Reserve has been transferred to General Reserve.
5. We also draw attention to Note No. 41 of the financial statements which describes in detail the salient features of the Scheme of Arrangement and amalgamation of Escorts Construction Equipment Limited (ECEL) and Escotracs Finance and Investments Private Limited (Escotracs) and Escorts Finance Investments and Leasing Private Limited (EFILL) with Escorts Limited sanctioned by the Hon'ble High Court of Punjab & Haryana involving the following:
  - (a) Escorts Construction Equipment Limited and Escotracs Finance and Investments Private Limited and Escorts Finance Investments and Leasing Private Limited have been amalgamated with the Company with effect from 1st October, 2011 (appointed date). The amalgamation has been accounted for under the "Pooling of Interest Method" in accordance with AS-14 Accounting for Amalgamations.
  - (b) Equity investments held by Escotracs and by EFILL in the share capital of the Company and equity investment held by Escotracs and by EFILL in the share capital of Escorts Finance Limited ultimately transferred to the Escorts Benefit & Welfare Trust. The beneficiary interest in the Escorts Benefit and Welfare Trust, has been accounted for as an Investment by the Company in the manner prescribed in the Scheme.
6. Further to our comments in the Annexure referred to above, we report that:
  - (a) We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit.
  - (b) In our opinion, proper books of account as required by law have been kept by the Company so far as appears from our examination of those books.
  - (c) The Balance Sheet, Statement of Profit and Loss and Cash Flow Statement dealt with by this report are in agreement with the books of account.
  - (d) In our opinion, the Balance Sheet, Statement of Profit and Loss 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 utilization 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, 2012 and taken on record by the Board of Directors, we report that none of the directors is disqualified as on 30th September, 2012 from being appointed as a director in terms of Clause (g) of sub-section (1) of

**ESCORTS LIMITED**

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, 2012,
  - ii) in the case of the Statement of Profit and Loss, 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

Dated: 27th November, 2012  
Place : New Delhi



## Annexure Referred

**to in paragraph 3 of our Report of even date on the Accounts of Escorts Limited, for the year ended 30th September, 2012.**

- 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 ₹ 1.43 crores as at 30th September, 2012.
  - (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 ₹ 2.93 crores and the balance of loan taken from such company was ₹ 2.02 crores as at 30th September, 2012.
  - (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

## ESCORTS LIMITED

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 products manufactured by the Company and are of the opinion that prima-facie the prescribed accounts have been made and maintained. We have, however, not made a detailed examination of the records with a view to determine whether they are accurate and complete.
- 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, customs 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 and cess were in arrears, as at 30th September, 2012 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 and cess which have not been deposited on account of dispute are given below:

Name of the Statute	Nature of Dues	Amount (₹ Crores)	Period to which the amount relates	Forum where dispute is pending
Sales Tax Acts	Sales Tax	13.43	1987-2011	Appellate Authority / High Court
Central Excise Act, 1944	Excise Duty	0.61	1992-2008	Appellate Authority
Central Excise Act, 1944	Excise Duty	14.34 (Deposited ₹ 3.84 crores)	1995-2009	CESTAT
Finance Act, 1994	Service Tax	1.53	2000-2010	CESTAT
Income Tax Act, 1961	Income Tax	14.44	2001-2002	High Court
Income Tax Act, 1961	Income Tax	116.08 (Deposited ₹ 20 Crores)	2006-2007	CIT (Appeals)
		0.81 (Deposited ₹ 0.28 crores)	2008-2009	ITAT
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, 2012 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

Dated: 27th November, 2012  
Place : New Delhi

**ESCORTS LIMITED****Balance Sheet as at 30th September, 2012**

	Notes	₹ Crores	
		<b>As at 30.09.2012</b>	As at 30.09.2011
<b>EQUITY AND LIABILITIES</b>			
<b>Shareholders' Funds</b>			
Share Capital	3	119.27	102.31
Reserves and Surplus	4	1,494.69	1,696.23
<b>Non-Current Liabilities</b>			
Long-Term Borrowings	5	169.65	196.49
Other Long-Term Liabilities	7	24.71	19.37
Long-Term Provisions	8	117.63	10.32
<b>Current Liabilities</b>			
Short-Term Borrowings	9	290.28	89.35
Trade Payables	10	884.55	702.04
Other Current Liabilities	11	234.07	221.67
Short-Term Provisions	8	81.06	99.38
<b>Total</b>		<b>3,415.91</b>	<b>3,137.16</b>
<b>ASSETS</b>			
<b>Non-Current Assets</b>			
Fixed Assets	12		
- Tangible Assets		1,575.60	1,456.02
- Intangible Assets		10.65	5.86
- Capital Work-in-Progress		53.74	40.99
- Intangible Assets under Development		12.75	4.28
Non-Current Investments	13	382.26	365.80
Deferred Tax Assets/(Liabilities) (Net)	6	(2.81)	16.44
Long-Term Loans and Advances	14	25.61	43.13
Other Non-Current Assets	15	98.17	97.82
<b>Current Assets</b>			
Current Investments	16	3.65	-
Inventories	17	496.61	327.36
Trade Receivables	18	445.44	340.53
Cash and Bank Balances	19	130.57	203.43
Short-Term Loans and Advances	14	181.96	233.06
Other Current Assets	15	1.71	2.44
<b>Total</b>		<b>3,415.91</b>	<b>3,137.16</b>
Summary of Significant Accounting Policies	2.1		

The accompanying Notes (1 to 52) are an integral part of the financial statements.

As per our audit report attached

For and on behalf of the Board

**For S. N. DHAWAN & CO.**

Chartered Accountants  
(Firm Regn. No. 000050N)

**RAJAN NANDA**  
Chairman and  
Managing Director

**NIKHIL NANDA**  
Joint Managing Director

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

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

**VIJAY DHAWAN**

Partner  
M No. 12565

Date: 27th November, 2012  
Place: Faridabad

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

**S. C. BHARGAVA**  
Director

**HARDEEP SINGH**  
Director

**G. B. MATHUR**  
EVP - Law & Company Secretary





# Statement of Profit and Loss for the year ended 30th September, 2012

Particulars	Notes	₹ Crores	
		Year Ended 30.09.2012	Year Ended 30.09.2011
<b>Income</b>			
Revenue from Operations (Gross)	20	3,997.20	3,264.12
Less: Excise Duty		103.32	25.96
<b>Revenue from Operations (Net)</b>		<b>3,893.88</b>	<b>3,238.16</b>
Other Income	21	48.90	41.66
<b>Total Revenue (I)</b>		<b>3,942.78</b>	<b>3,279.82</b>
<b>Expenses</b>			
Cost of Raw Material and Components Consumed	22	2,674.60	2,110.35
Purchases of Traded Goods	23	227.73	239.94
Changes in Inventories of Finished Goods, Work-in-Progress and Traded Goods	24	(57.81)	(34.87)
Employee Benefits	25	406.12	327.93
Finance Costs	26	96.44	55.77
Depreciation and Amortisation	27	48.43	37.97
Other Expenses	28	461.00	446.76
<b>Total Expenses (II)</b>		<b>3,856.51</b>	<b>3,183.85</b>
<b>Profit before Exceptional Items and Tax (I-II)</b>		<b>86.27</b>	<b>95.97</b>
Exceptional items	29	(1.68)	(4.65)
<b>Profit Before Tax</b>		<b>87.95</b>	<b>100.62</b>
Tax Expense:			
(a) Current Tax		19.47	30.37
(b) Minimum Alternative Tax Entitlement		(14.31)	-
(c) Excess Provision for Earlier Years Written Back		-	(38.49)
(d) Deferred Tax		13.19	(11.35)
<b>Profit for the year</b>		<b>69.60</b>	<b>120.09</b>
Earnings Per Share (in ₹) (face value ₹10/- each) (Refer Note 31)			
- Basic		5.84	11.74
- Diluted		5.84	11.66
Summary of Significant Accounting Policies	2.1		

The accompanying Notes (1 to 52) are an integral part of the financial statements.

As per our audit report attached

For and on behalf of the Board

**For S. N. DHAWAN & CO.**  
Chartered Accountants  
(Firm Regn. No. 000050N)

**RAJAN NANDA**  
Chairman and  
Managing Director

**NIKHIL NANDA**  
Joint Managing Director

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

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

**VIJAY DHAWAN**  
Partner  
M No. 12565

Date: 27th November, 2012  
Place: Faridabad

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

**S. C. BHARGAVA**  
Director

**HARDEEP SINGH**  
Director

**G. B. MATHUR**  
EVP - Law & Company Secretary

## ESCORTS LIMITED

# Notes to Financial Statements for the year ended 30th September, 2012

### 1. Corporate Information

Escorts Limited is a public limited company domiciled in India and incorporated under the provisions of Companies Act, 1956. The Company's shares are listed with Bombay Stock Exchange Limited, National Stock Exchange of India Limited and Delhi Stock Exchange Limited. The Company is engaged in the business of manufacturing of agricultural tractors, engines for agricultural tractors, round end flat tubes, heating elements, double acting hydraulic shock absorbers for railways coaches, center buffer couplers, automobile shock absorbers, telescopic front fork and Mcpherson struts, break block, internal combustion engine and all types of breaks used by railway's, construction, earth moving and material handling equipments. It also trades in oils and lubricants, implements, trailers, compressor accessories and spares, construction, earth moving and material handling equipments and aero business.

### 2. Basis of Preparation

The financial statements of the Company have been prepared and presented under the historical cost convention (except for land, building and plant & machinery acquired before 1st April, 2003 which are carried at revalued amounts) on the accrual basis of accounting in accordance with generally accepted accounting principles in india (GAAP) and comply with the accounting standard notified under the Companies (Accounting Standards) Rules, 2006 and the relevant provisions of the Companies Act, 1956.

The accounting policies adopted in the preparation of financial statements are consistent with those of previous year.

#### 2.1 Summary of Significant Accounting Policies

##### a) Presentation and Disclosure of Financial Statements

During the year ended 30th September, 2012, the revised Schedule VI notified under the Companies Act, 1956, has become applicable to the Company for preparation and presentation of its financial statements. The adoption of revised Schedule - VI does not impact recognition and measurement principles followed for preparation of financial statements. However, it has significant impact on presentation and disclosures made in the financial statements. The Company has also reclassified the previous figures in accordance with the requirements applicable in the current year.

##### b) Use of Estimates

The preparation of financial statements in conformity with Indian GAAP requires the management to make judgements, estimates and assumptions that effect the reported amount of revenues, expenses, assets and liabilities and the disclosure of the contingent liabilities, at the end of the reporting period. Although, these estimates are based on the management's best knowledge of current events and actions, actual results could differ from these estimates. Any revision to the accounting estimates is recognised in the period in which the results are known.

##### c) 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 or construction 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.

##### d) Intangible Fixed Assets

In accordance with AS 26 - Intangible Assets are valued at cost less accumulated amortisation and any impairment losses.

- i. Prototypes including work-in-progress developed during Research and 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.
- ii. Technical know-how fee and expenditure on major Software products are written off over a period of six years.



**e) Impairment of Assets**

Impairment is ascertained at each balance sheet date in respect of cash generating units as per Accounting Standard 28 - 'Impairment of Assets' issued by Institute of Chartered Accountants of India. An impairment loss is recognised in books of account in the financial year concerned whenever the carrying amount of an asset 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 factor.

**f) Depreciation and Amortisation**

- i. Depreciation on Plant and Machinery is provided on Straight Line Method.
- ii. 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.
- iii. The depreciation on assets acquired/ sold/ discarded/ demolished during the year is provided from/upto the month the asset is commissioned/sold or discarded.
- iv. Assets costing upto ₹ 5,000 are depreciated fully in the year of purchase.
- v. Leasehold Improvements are written off over a period of six years or lease period whichever is less.

**g) Inventory Valuation**

- i. Raw Material and Components, Stores and Machinery Spares are stated at lower of cost and net realisable value.
- ii. Loose Tools are stated at cost or under.
- iii. Work-in-Progress, Finished and Trading Goods/Spare Parts are stated at lower of cost and net realisable value.
- iv. 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.
- v. Work-in-Progress and Finished Goods include cost of conversion and other costs incurred in bringing the Inventories to their present location and condition.

**h) Revenue Recognition**

Dividend is accounted for an accrual basis when the right to receive the dividend is established.

Income recognition/provisions on non-performing assets is in accordance with the non-banking financial prudential norms (Reserve Bank) Directions, 2007.

**i) Research and Development**

Revenue expenditure incurred for research and development is charged to the Statement of Profit and Loss. Fixed assets purchased for research and development activities are capitalised in the year the same are put to use.

**j) Employee Benefits**

**i) Defined Contribution Plan:**

Employees benefits in the form of provident fund, employee state insurance and labour welfare fund are considered as defined contribution plans and the contributions are charged to the Statement of Profit and Loss of the year when the contribution to 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. Actuarial gain/losses are immediately recognised in the Statement Profit and Loss.

**ESCORTS LIMITED****Notes to Financial Statements** for the year ended 30th September, 2012**iii) Other Long-Term Benefits:**

Long-term compensated absence is 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 are immediately recognised in the Statement of Profit and Loss.

**k) Investment**

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.

**l) Foreign Currency Transactions**

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 Statement of Profit and Loss.

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

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 Statement of Profit and Loss over the life of the contract.

**m) Income Taxes**

Tax expense comprises current and deferred tax. Current income-tax is measured at the amount expected to be paid to the tax authorities in accordance with the Income-tax Act, 1961 enacted in India and tax laws prevailing in the respective tax jurisdictions where the company operates. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date.

Minimum alternate tax (MAT) paid in a year is charged to the Statement of Profit and Loss as current tax. The company recognizes MAT credit available as an asset only to the extent that there is convincing evidence that the Company will pay normal income tax during the specified period, i.e. the period for which MAT credit is allowed to be carried forward. In the year in which the Company recognizes MAT credit as an asset in accordance with the Guidance Note on Accounting for Credit Available in respect of Minimum Alternative Tax under the Income-tax Act, 1961, the said asset is created by way of credit to the Statement of Profit and Loss and shown as "Minimum Alternative Tax Entitlement" The Company reviews the "Minimum Alternative Tax Entitlement" asset at each reporting date and writes down the asset to the extent the Company does not have convincing evidence that it will pay normal tax during the specified period.

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

**n) 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.

**o) 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 and structuring fees are written off during the period of term of the respective loan.



**p) 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.

**q) 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 Statement of Profit and Loss on accrual basis.

**r) 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 and cash subsidies are credited to capital reserve.

**s) Provisions and Contingent Liabilities and Contingent Assets**

Provisions are recognised for liabilities that can be measured only by using a substantial degree of estimation, if

- i. the Company has a present obligation as a result of a past event,
- ii. a probable outflow of resources is expected to settle the obligation,
- iii. 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 case of

- i. 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.
- ii. A possible obligation, of which the probability of outflow of resources is remote.

Contingent assets are neither recognised nor disclosed.

Provisions, contingent liabilities and contingent assets are reviewed at each balance sheet date.

**ESCORTS LIMITED****Notes to Financial Statements** for the year ended 30th September, 2012**Note 3 : Share Capital**

	₹ Crores	
	<b>As at 30.09.2012</b>	As at 30.09.2011
<b>Authorised</b>		
(i) 401,000,000 (Previous Year - 12,00,00,000 Shares) Equity Shares of ₹ 10 each	401.00	120.00
(ii) 888,000,000 (Previous Year - 7,30,00,000 Shares) Unclassified Shares of ₹ 10 each (Previous Year - ₹ 100 each)	888.00	730.00
	<b>1,289.00</b>	<b>850.00</b>
<b>Issued, Subscribed and Paid-Up Capital</b>		
122,576,878 (Previous year 105,618,036) Equity Shares of ₹ 10 /- each	122.58	105.62
Less : Amount Recoverable from Escorts Employees Benefit & Welfare Trust (face value of 3,313,612 (Previous Year - 3,313,612) shares allotted to Trust)	3.31	3.31
<b>Total Share Capital</b>	<b>119.27</b>	<b>102.31</b>

**(a) Reconciliation of Number of Shares**

Name of the Shareholders	<b>As at 30.09.2012</b>	As at 30.09.2011
Share Outstanding at the Begning of the Year	105,618,036	105,618,036
Add: Issued during the Year	16,958,842	-
<b>Share Outstanding at the Closing of the Year</b>	<b>122,576,878</b>	<b>105,618,036</b>

**(b) Terms/Rights Attached to Equity Shares**

The Company has only one class of share, i.e., equity shares having the face value of ₹ 10 per share. Each holder of equity share is entitled to one vote per share.

Dividend is paid in Indian Rupees. The dividend recommended by the Board of Directors is subject to the approval of the shareholders at the ensuing Annual General Meeting. In the event of liquidation of the Company, equity shareholders will be entitled to receive remaining assets of the Company after distribution of all preferential amounts. The distribution will be in proportion to the number of equity shares held by the shareholders.

**(C) Detail of Shareholders Holding more than 5% Shares in the Company**

Particulars	As at 30.09.2012		As at 30.09.2011	
	% Held	Nos Of Share	% Held	Nos Of Share
Escorts Benefit and Welfare Trust (Refer Note 41)	30.43	37,300,031	-	-
Escotracs Finance & Investment Pvt. Ltd.	-	-	12.83	13,554,260
Escotracs Finance Investment & Leasing Pvt. Ltd.	-	-	6.50	6,862,142
Reliance Capital Trustee Company Limited	8.02	8,474,268	5.73	6,055,168
Emerging Market Management	-	-	7.29	7,703,144

**(d) Shares Issued for Consideration Other than Cash during the period of five years Immediately Preceding, 30th September, 2012:**

Particulars	<b>As at 30.09.2012</b>	As at 30.09.2011
	<b>No. of Shares</b>	<b>No. of Shares</b>
Equity Shares allotted as fully paid pursuant to Consideration Other than Cash	31,660,026	14,701,184

In addition, the company has issued total 298,000 (Previous Year 298,000) Equity Share to employees (through Escorts Employees Benefit & Welfare Trust) on exercise of option granted under the Employee Stock Option Scheme 2006, wherein part consideration was received in form of employee service.

**(e) Share Reserved for Issued Under Option**

For details of share reserved for issue under the Employee Stock Option Plan (ESOP) of the Company - (Refer Note 36).


**Note 4 : Reserves and Surplus**

₹ Crores

	<b>As at 30.09.2012</b>	As at 30.09.2011
<b>Capital Reserve</b>		
Balance as per the Last Financial Statements	0.30	0.30
Add: On Amalgamation *	97.40	-
<b>Closing Balance</b>	<b>97.70</b>	<b>0.30</b>
<b>Capital Redemption Reserve</b>		
Balance as per the Last Financial Statements	-	-
Add: On Amalgamation *	4.00	-
<b>Closing Balance</b>	<b>4.00</b>	<b>-</b>
<b>Securities Premium Reserve</b>		
Balance as per the Last Financial Statements	430.81	430.59
Add: On Amalgamation *	1.04	0.22
<b>Closing Balance</b>	<b>431.85</b>	<b>430.81</b>
<b>Revaluation Reserve</b>		
Balance as per the Last Financial Statements	54.58	64.47
Less: Amount transferred to the Statement of Profit and Loss as reduction from Depreciation	8.21	9.89
Less: Amount utilised for Assets Sold/Written off	0.08	-
<b>Closing Balance</b>	<b>46.29</b>	<b>54.58</b>
<b>Employee Stock Option Outstanding Account</b>		
Gross Employee Stock Compensation for Options granted in earlier years	1.39	0.48
Add: Gross Compensation for Option Granted during the year	-	0.91
Less: Gross Compensation for Option Lapsed during the year	0.58	-
<b>Closing Balance</b>	<b>0.81</b>	<b>1.39</b>
<b>General Reserve</b>		
Balance as per the Last Financial Statements	510.87	504.87
Add: Amount transferred from surplus balance in the Statement of Profit and Loss	1.74	6.00
Add: Transfer from Business Reconstruction Reserve and Reserve Fund	76.88	-
Add: On Amalgamation*	0.19	-
<b>Closing Balance</b>	<b>589.68</b>	<b>510.87</b>
<b>Reserves Fund</b>		
<i>(Maintain pursuant to Section 145-1C of Reserve Bank of India (Amendment) Act, 1997)</i>		
Balance as per the Last Financial Statements	-	-
Add: On Amalgamation*	6.60	-
Less: Transferred to General Reserve	6.60	-
<b>Closing Balance</b>	<b>-</b>	<b>-</b>

**ESCORTS LIMITED****Notes to Financial Statements** for the year ended 30th September, 2012

	₹ Crores	
	As at 30.09.2012	As at 30.09.2011
<b>Business Reconstruction Reserve</b>		
Balance as per the Last Financial Statements	440.07	472.60
Amount Utilised during the year (Refer Note 40)	369.79	32.53
Less: Amount Transferred to General Reserve	70.28	-
<b>Closing Balance</b>	<b>-</b>	<b>440.07</b>
<b>Surplus in the Statement of Profit and Loss</b>		
Balance as per the Last Financial Statements	258.21	162.53
Add: On Amalgamation*	15.39	-
Profit for the year	69.60	120.09
Less : Appropriations		
- Transfer to General reserve	1.74	6.00
- Proposed Dividend @ ₹ 1.20 (Previous year ₹ 1.50) per share	14.71	15.84
- Tax On Dividend	2.39	2.57
Total Appropriation	18.84	24.41
<b>Closing Balance</b>	<b>324.36</b>	<b>258.21</b>
<b>Total</b>	<b>1,494.69</b>	<b>1,696.23</b>

\* Refer Note 41 on Amalgamation

**Note 5 : Long-Term Borrowing**

	₹ Crores			
	Non-Current Portion		Current Maturities	
	As at 30.09.2012	As at 30.09.2011	As at 30.09.2012	As at 30.09.2011
<b>Term Loans (Secured)</b>				
From Banks	167.70	191.47	89.37	79.14
From Other Parties	0.06	0.08	0.02	0.02
Finance Lease Obligation (Unsecured)	0.42	1.60	1.44	2.22
Other Loans and Advances (Unsecured)	1.47	3.34	2.68	4.61
<b>Total</b>	<b>169.65</b>	<b>196.49</b>	<b>93.51</b>	<b>85.99</b>

Current maturities of long-term borrowings are classified as other current liabilities (Refer Note 11)

**(a) Term Loan From Bank**

(Term loan from banks carries interest @ 12.75% to 16.75%)

- (i) Secured by second *pari-passu* charge on current assets with the other term lenders and Sub servient charge on specified immovable property

**State Bank of Travancore** ₹ 3.48 Crores

(Repayable in 2 installment of ₹ 1.82 crores each upto 31.03.2013)

**State Bank of Hyderabad** ₹ 6.25 Crores

(Repayable in 3 installment of ₹ 2.08 crores each upto 31.05.2013)

**Andhra Bank** ₹ 8.33 Crores

(Repayable in 4 installment of ₹ 2.08 crores each upto 30.09.2013)





(ii) Exclusive first charge on the Plant and Machinery Equipment acquired/to be acquired out of the said term loan	
<b>State Bank of India</b>	<b>₹ 17.19 Crores</b>
(Repayable in 8 installment of ₹ 2.13 crores each upto 30.09.2014)	
<b>State Bank of India</b>	<b>₹ 28.13 Crores</b>
(Repayable in 16 installment of ₹ 1.75 crores each upto 30.09.2016)	
<b>State Bank Of Travancore</b>	<b>₹ 23.16 Crores</b>
(Repayable in 17 installment of ₹ 1.67 crores each upto 30.03.2017 including loan amount yet to be disbursed)	
<b>Andhra Bank</b>	<b>₹ 24.50 Crores</b>
(Repayable in 20 installment of ₹ 1.67 crores each upto 30.09.2017 including loan amount yet to be disbursed)	
<b>State Bank Of Hyderabad</b>	<b>₹ 0.98 Crores</b>
(Repayable in 16 installment of ₹ 2.14 crores each upto 31.03.2018 including loan amount yet to be disbursed)	
(iii) Exclusive charge on Land & Building and hypothecation of plant and other assets of Escorts Construction Equipment division excluding plant and machinery specifically charged to other term lenders	
<b>Punjab National Bank</b>	<b>₹ 41.05 Crores</b>
(Repayable in 11 installment of ₹ 3.75 crores each upto 30.06.2015)	
(iv) First charge by way of Equitable Mortgage of freehold immovable property being a part of site no.2, sector-13, Faridabad	
<b>Oriental Bank Of Commerce</b>	<b>₹ 94.82 Crores</b>
(Repayable in 12 installment of ₹ 5 crores each & 2 installment of ₹ 10 crores each & last installment of Rs 15 crores upto 31.05.2016)	
(v) Exclusive first Charge on Fixed Assets Acquired out of the said term loan	
<b>Oriental Bank Of Commerce</b>	<b>₹ 7.33 Crores</b>
(Repayable in 16 installment of ₹ 1.6 crs, 3 installment of ₹ 0.63 crores, 2 installment of ₹ 0.97 crores, upto 01.09.2017 including loan amount yet to be disbursed)	
(vi) Exclusive first charge on the Plant and Machinery	
<b>Indusind Bank</b>	<b>₹ 1.85 Crores</b>
(Repayable in 2 installment of ₹ 0.925 crs, upto 29.01.2013)	
<b>(b) Term Loan from Others</b>	
Life insurance Corporation of India	
Secured against insurance policy	<b>₹ 0.08 Crores</b>
<b>(c) Other Loan &amp; Advances</b>	
Repayment of loan as under :	
2012-13	₹ 2.68 Crores
2013-14	₹ 1.47 Crores

**ESCORTS LIMITED****Notes to Financial Statements** for the year ended 30th September, 2012**Note 6 : Deferred Tax Assets/(Liabilities) - Net**

	₹ Crores	
	<b>As at 30.09.2012</b>	As at 30.09.2011
<b>Deferred Tax Liability</b>		
Fixed Asstes: Impact Of Difference between tax depreciation and depreciation Charged for the financial reporting (Includes ₹ 7.01 crores addition pursuant to amalgamation - Refer Note 41)	49.01	36.98
<b>Total Deferred Tax Liability (A)</b>	<b>49.01</b>	<b>36.98</b>
<b>Deferred Tax Assets</b>		
Impact of expenditure charged to the Statement of Profit and Loss in current year but allowed for tax purpose on payment basis (Includes ₹ 0.95 crores addition pursuant to amalgamation - Refer Note 41)	46.20	53.42
<b>Total Deferred Tax Assets (B)</b>	<b>46.20</b>	<b>53.42</b>
<b>Total Deferred Tax Assets/(Liability) (A - B)</b>	<b>(2.81)</b>	<b>16.44</b>
<b>Net (increase)/decrease in Deferred Tax Assets represent by:</b>		
Deferred Tax Liability provided during the Year in Profit and Loss account	13.19	-
Deferred Tax Assets created during the Year in Profit and Loss account	-	11.35
Addition in Deferred Tax Liability on Amalgamation (Refer Note 41)	6.06	-
<b>Net (increase)/decrease in Deferred Tax Assets</b>	<b>19.25</b>	<b>11.35</b>

**Note 7 : Other Long-Term Liabilities**

	₹ Crores	
	<b>As at 30.09.2012</b>	As at 30.09.2011
<b>Others</b>		
Security Deposits	13.62	12.37
Advance Received (Refer Note 38)	11.09	7.00
<b>Total</b>	<b>24.71</b>	<b>19.37</b>

**Note 8 : Provisions**

	₹ Crores			
	<b>Long-Term</b>		<b>Short-Term</b>	
	<b>As at 30.09.2012</b>	As at 30.09.2011	<b>As at 30.09.2012</b>	As at 30.09.2011
<b>Provision for Employee Benefits</b>				
Gratuity (Refer Note 43)	0.85	-	46.65	55.10
Leave Encashment (Refer Note 43)	12.46	10.32	2.44	1.27
Superannuation	-	-	3.65	11.64
Others	-	-	3.06	2.95
	<b>13.31</b>	<b>10.32</b>	<b>55.80</b>	<b>70.96</b>
<b>Others</b>				
Provision for Warranty (Refer Note 34 c)	-	-	8.16	10.01
Provision for Contingency/Claims	104.32	-	-	-
Proposed Dividend	-	-	14.71	15.84
Dividend Tax	-	-	2.39	2.57
	<b>104.32</b>	<b>-</b>	<b>25.26</b>	<b>28.42</b>
<b>Total</b>	<b>117.63</b>	<b>10.32</b>	<b>81.06</b>	<b>99.38</b>


**Note 9 : Short Term Borrowings**

	₹ Crores	
	<b>As at 30.09.2012</b>	As at 30.09.2011
<b>From Bank</b>		
Cash Credit/Export Packing Credit & Working Capital Demand Loans	290.28	89.35
<b>Total</b>	<b>290.28</b>	<b>89.35</b>

**Nature of Security**

Cash Credit/Export Packing Credit and Working Capital Demand Loans from Banks are secured against First charge on current assets and second charge on movable fixed assets excluding assets specifically charges to the term lenders and repayable on demand and carries interest @ 11-13% per annum.

**Note 10 : Trade Payables**

	₹ Crores	
	<b>As at 30.09.2012</b>	As at 30.09.2011
Acceptances	296.58	212.36
Trade Payables (Refer Note 39)	587.97	489.68
<b>Total</b>	<b>884.55</b>	<b>702.04</b>

**Note 11 : Other Current Liabilities**

	₹ Crores	
	<b>As at 30.09.2012</b>	As at 30.09.2011
Current Maturities of Long-Term Debt (Refer Note 5 for detail)	93.51	85.99
Interest Accrued and due on Borrowings	1.01	-
Investor Education and Protection Fund will be credited by following amount (as and when due)		
Unpaid Dividends	0.59	0.34
Unpaid Matured Deposits and Interest Accrued thereon	0.82	1.72
Other Payables		
Statutory Dues	37.97	34.05
Advance from Customers	0.62	0.59
Security Deposites	22.55	51.69
Other Liabilities	77.00	47.29
<b>Total</b>	<b>234.07</b>	<b>221.67</b>

# ESCORTS LIMITED

## Notes to Financial Statements for the year ended 30th September, 2012

Particulars	GROSS BLOCK				DEPRECIATION			NET BLOCK			
	As at 01.10.2011	Adjustment on Amalgamation**	Addition	Deletion	As at 30.09.2012	As at 01.10.2011	Adjustment on Amalgamation **	For the year	Deductions during the year	As at 30.09.2012	As at 30.09.2011
	1,071.54	10.55	0.21	-	1,082.30	-	-	-	-	1,082.30	1,071.54
<b>Tangible Assets:</b>											
Land Freehold ***	322.71	48.35	1.88	1.13	371.81	174.51	12.61	16.09	1.02	202.19	169.62
Buildings****	583.16	50.51	70.22	10.29	693.60	385.63	8.64	29.75	8.66	415.36	278.24
Plant and Machinery	76.24	2.00	4.49	7.50	75.23	58.20	1.26	3.79	7.40	55.85	19.38
Furniture and Fixtures	5.57	6.32	6.45	0.37	17.97	3.99	4.17	1.67	0.33	9.50	8.47
Office Equipment	9.36	0.37	0.43	0.38	9.78	4.52	0.16	1.36	0.31	5.73	4.05
Vehicles	3.46	-	-	3.41	0.05	3.41	-	0.01	3.41	0.01	0.04
Leasehold Improvements	8.89	-	-	-	8.89	0.35	-	0.10	-	0.45	8.54
<b>Assets Under Lease:</b>	3.68	-	-	-	3.68	0.47	-	0.17	-	0.64	3.04
Land Leasehold	6.74	0.02	0.63	0.04	7.35	4.37	-	1.08	0.02	5.43	2.37
Plant Machinery	0.23	-	-	-	0.23	0.11	-	0.02	-	0.13	0.10
IT Equipments	<b>2,091.58</b>	<b>118.12</b>	<b>84.31</b>	<b>23.12</b>	<b>2,270.89</b>	<b>635.56</b>	<b>26.84</b>	<b>54.04</b>	<b>21.15</b>	<b>695.29</b>	<b>1,575.60</b>
<b>TOTAL - A</b>											<b>1,456.02</b>
<b>Intangible Assets:</b>											
Prototypes	1.24	-	1.22	1.21	1.25	1.21	-	0.03	1.21	0.03	1.22
Technical Knowhow	24.10	7.47	1.22	22.30	10.49	24.10	5.99	0.67	22.30	8.46	2.03
Software Development	24.20	1.66	2.56	14.79	13.63	18.37	0.75	1.90	14.79	6.23	7.40
<b>TOTAL - B</b>	<b>49.54</b>	<b>9.13</b>	<b>5.00</b>	<b>38.30</b>	<b>25.37</b>	<b>43.68</b>	<b>6.74</b>	<b>2.60</b>	<b>38.30</b>	<b>14.72</b>	<b>10.65</b>
<b>TOTAL - (A+B)*</b>	<b>2,141.12</b>	<b>127.25</b>	<b>89.31</b>	<b>61.42</b>	<b>2,296.26</b>	<b>679.24</b>	<b>33.58</b>	<b>56.64</b>	<b>59.45</b>	<b>710.01</b>	<b>1,586.25</b>
Capital Work-in-Progress (C)	40.99	2.61	88.37	78.23	53.74	-	-	-	-	-	53.74
Intangible Assets under Development (D)	4.28	-	8.47	-	12.75	-	-	-	-	-	12.75
<b>Total - (A+B+C+D)</b>	<b>2,186.39</b>	<b>129.86</b>	<b>186.15</b>	<b>139.65</b>	<b>2,362.75</b>	<b>679.24</b>	<b>33.58</b>	<b>56.64</b>	<b>59.45</b>	<b>710.01</b>	<b>1,652.74</b>
* Above assets include assets in use for In House Research & Development centres :											
- R & D Centre (Tractors)	172.75	-	7.97	4.60	176.12	43.31	-	3.97	4.39	42.88	133.24
- R & D Centre (Construction Equipments)	-	3.61	1.80	-	5.41	-	1.28	0.75	-	2.03	3.38
**Refer Note 41 on Amalgamation											
****Freehold Land Includes ₹ 37.75 crores pending approval for registration in the name of the Company.											
*****Building includes(at net book value) ₹ 0.10 crores pending approval for registration in the name of the Company.											

\* Above assets include assets in use for In House Research & Development centres :

- R & D Centre (Tractors) 172.75 - 7.97 4.60 176.12 43.31 - 3.97 4.39 42.88 133.24 129.44

- R & D Centre (Construction Equipments) - 3.61 1.80 - 5.41 - 1.28 0.75 - 2.03 3.38 2.33

\*\*Refer Note 41 on Amalgamation

\*\*\*\*Freehold Land Includes ₹ 37.75 crores pending approval for registration in the name of the Company.

\*\*\*\*\*Building includes(at net book value) ₹ 0.10 crores pending approval for registration in the name of the Company.


**Note 13 : Non Current Investments**

Particulars	Face Value Per Share	No. of Shares/Units		Amount (₹ Crores)	
		30.09.2012	30.09.2011	30.09.2012	30.09.2011
<b>Trade Investments</b> (Valued at cost unless stated otherwise)					
<b>a) Quoted (Fully Paid-up)</b>					
<b>Investment in Equity Shares</b>					
Escorts Finance Limited*	₹ 10	-	3,819,700	-	4.01
<b>b) Unquoted (Fully Paid-up)</b>					
<b>Investment in Equity Shares of Subsidiary</b>					
Escorts Construction Equipment Limited	₹ 10	-	113,964,497	-	170.00
Escorts Assets Management Limited	₹ 10	3,000,000	3,000,000	3.00	3.00
Escorts Securities Limited	₹ 10	1,960,000	-	1.97	-
Farmtrac Tractors Europe SP zoo, Poland	1000PLN	9,500	6,000	8.35	2.59
EDDAL Credit Limited	₹ 10	50,000	-	0.05	-
<b>Investment in Equity Shares of Joint Venture</b>					
Escorts Finance Investment & Leasing Private Limited	₹ 10	-	40,000,000	-	40.00
Escotrac Finance & Investments Private Limited	₹ 10	-	40,000,000	-	40.04
Hughes Communications India Limited.	₹ 10	2,074,492	2,074,492	2.07	2.07
<b>Investments in Preference Shares of Subsidiary</b>					
Escorts Securities Limited (10%, Cumulative)	₹ 10	2,200,000	1,200,000	2.20	1.20
<b>Investments in Preference Shares of Joint Venture</b>					
Escorts Finance Investment & Leasing Private Limited (5%, Non-Cumulative)	₹ 100	-	438,200,000	-	43.82
Escotrac Finance & Investments Private Limited (10%, Non-Cumulative)	₹ 100	-	10,000,000	-	10.00
Escotrac Finance & Investments Private Limited (5%, Non-Cumulative)	₹ 100	-	48,440,000	-	48.44
<b>Investments in Preference Shares</b>					
Escorts Finance Limited (10%, Cumulative)*	₹ 10	9,500,000	9,500,000	-	-
<b>Other Investments</b> (Valued at cost unless stated otherwise)					
<b>a) Quoted (Fully Paid-up)</b>					
<b>Investment in Equity Shares</b>					
Asahi India Glass Limited	₹ 1	18,862	18,862	-	-
Godavari Drugs Limited*	₹ 10	19,700	-	0.08	-
Tamilnadu Newsprints & Papers Limited	₹ 10	100	-	-	-
<b>b) Unquoted (Fully Paid-up)</b>					
<b>Investment in Equity Shares of Associate</b>					
Escorts Motors Limited	₹ 10	100,000	100,000	1.50	1.50

**ESCORTS LIMITED****Notes to Financial Statements** for the year ended 30th September, 2012**Note 13 : Non Current Investments** (Contd.)

Particulars	Face Value Per Share	No. of Shares/Units		Amount (₹ Crores)	
		30.09.2012	30.09.2011	30.09.2012	30.09.2011
<b>Investment in Equity Shares</b>					
Drillmac Limited (in liquidation)*	₹ 10	20,000	20,000	0.02	0.02
Escorts Electronics Limited (in liquidation)*	₹ 100	32,000	32,000	0.32	0.32
Twenty First Century Medicare Limited*	₹ 10	19,400	-	0.04	-
American Paints Limited*	₹ 10	241,300	-	0.24	-
The Faridabad Central Co-operative Consumers Stores Limited	₹ 10	447	447	-	-
Escorts Consumer Credits Limited	₹ 10	1,000,000	-	1.00	-
<b>Investments in Trust Securities</b>					
Interest as Sole Beneficiary in Escorts Benefit & Welfare Trust (Refer Note 41)	-	-	-	362.05	-
<b>Others</b>					
Unit Trust of India [Units under Venture Capital Unit Scheme - 1990 (VECAUS-II)]	₹ 100	1,830	1,830	0.02	0.02
Credit Capital Finance Corporation Limited [Current year (₹ 1,000), Previous year (₹ 1,000)]	₹ 10	100	100	-	-
Other Government Securities [Current year (₹ 17,000), Previous year (₹ 17,000)]	-	-	-	-	-
<b>Total</b>				<b>382.91</b>	<b>367.03</b>
Less: Provision for diminution in value of Investments in*:					
- Escorts Electronics Limited (in liquidation)				(0.32)	(0.32)
- Drillmac Limited (in liquidation)				(0.02)	(0.02)
- Escorts Finance Limited				-	(0.89)
- Godavari Drugs Limited				(0.07)	-
- American Paints Limited				(0.21)	-
- Twenty First Century Medicare Limited				(0.03)	-
<b>Total</b>				<b>382.26</b>	<b>365.80</b>
<b>Aggregate Value of Quoted Investment</b>				0.08	4.01
<b>Aggregate Market Value of Quoted Investment</b>				0.12	3.33
<b>Aggregate Value Of Unquoted Investment</b>				<b>382.83</b>	<b>363.02</b>
<b>Aggregate Provision for Diminution in Value of Investments</b>				<b>0.65</b>	<b>1.23</b>

\* 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.


**Note 14 : Loans and Advances**

₹ Crores

	Non-Current		Current	
	As at 30.09.2012	As at 30.09.2011	As at 30.09.2012	As at 30.09.2011
<b>Capital Advances</b>				
Unsecured, Considered Good	15.20	8.25	-	-
<b>Security Deposits</b>				
Unsecured: Considered Good	10.41	7.61	-	-
Considered Doubtful	0.58	0.55	-	-
	<b>10.99</b>	<b>8.16</b>	-	-
Less: Provision for Doubtful Deposits	0.58	0.55	-	-
	<b>10.41</b>	<b>7.61</b>	-	-
<b>Loans and Advances to Related Parties (Refer Note 48)</b>				
Unsecured, Considered Good	-	27.27	-	-
<b>Advances Recoverable in Cash or in Kind or for Value to be Received</b>				
Unsecured: Considered Good	-	-	131.54	61.64
Considered Doubtful	-	-	16.65	6.88
	-	-	<b>148.19</b>	<b>68.52</b>
Less: Provision for Doubtful Advances	-	-	16.65	6.88
	-	-	<b>131.54</b>	<b>61.64</b>
<b>Other Loans and Advances</b>				
Advance Income Tax (Net of Provisions)	-	-	33.05	17.12
MAT Credit Entitlement	-	-	17.37	-
Others	-	-	-	154.30
<b>Total</b>	<b>25.61</b>	<b>43.13</b>	<b>181.96</b>	<b>233.06</b>

**Note 15 : Other Assets**

₹ Crores

	Non-Current		Current	
	As at 30.09.2012	As at 30.09.2011	As at 30.09.2012	As at 30.09.2011
<b>Bank Balances</b>				
In Escrow A/c (Refer Note 34a (iv))	82.80	82.80	-	-
<b>Others</b>				
Interest accrued on Bank Deposits	12.03	6.66	0.45	0.49
Unamortised Expenditure	-	-	1.26	1.87
Others	3.34	8.36	-	0.08
<b>Total</b>	<b>98.17</b>	<b>97.82</b>	<b>1.71</b>	<b>2.44</b>

**ESCORTS LIMITED****Notes to Financial Statements** for the year ended 30th September, 2012**Note 16 : Current Investments**

Particulars	No. of Shares/Units		Amount (₹ Crores)	
	30.09.2012	30.09.2011	30.09.2012	30.09.2011
<b>Quoted</b>				
<b>In Mutual Funds (Valued at Lower of Cost or Market Value)</b>				
Birla Sun Life Dynamic Bond Fund (Growth)	970,254.686	-	1.75	-
Fidelity Short-Term Income Fund (Growth)	784,489.092	-	0.43	-
IDFC SSIF Short-Term Plan (Growth)	664,208.439	-	1.46	-
<b>Unquoted</b>				
<b>In Bond (At Cost)</b>				
ICICI Deep Discount Bonds	26.000	-	0.01	-
<b>TOTAL</b>			<b>3.65</b>	<b>-</b>
<b>Aggregate Market Value of Quoted Investment</b>			<b>4.29</b>	<b>-</b>

**Note 17 : Inventories**

	₹ Crores	
	As at 30.09.2012	As at 30.09.2011
Raw Materials and Components	221.85	136.19
Goods-in-transit	1.27	2.73
Less: Provision for Obsolete and Slow Moving	37.68	6.69
	<b>185.44</b>	<b>132.23</b>
Work-in-progress	48.43	24.22
Finished Goods	182.55	113.27
Goods-in-transit	0.21	-
Less: Provision for Obsolete and Slow Moving	2.21	-
	<b>180.55</b>	<b>113.27</b>
Traded Goods	58.70	35.82
Less: Provision for Obsolete and Slow Moving	0.62	-
	<b>58.08</b>	<b>35.82</b>
Stores and Spares	10.78	9.94
Loose Tools	13.33	11.88
<b>Total</b>	<b>496.61</b>	<b>327.36</b>




**Note 18 : Trade Receivables**

	₹ Crores	
	<b>As at 30.09.2012</b>	As at 30.09.2011
<b>Trade Receivable (Refer Note 48)</b>		
<b>Outstanding for a period exceeding six months from the date they are due for payment</b>		
- Secured, Considered Good	0.62	1.31
- Unsecured : Considered Good	19.94	20.21
Considered Doubtful	67.02	71.09
	<b>87.58</b>	<b>92.61</b>
- Less: Provision for Doubtful Debts	67.02	71.09
	<b>20.56</b>	<b>21.52</b>
<b>Others</b>		
- Secured, Considered Good	43.23	92.87
- Unsecured, Considered Good	381.65	226.14
	<b>424.88</b>	<b>319.01</b>
<b>Total</b>	<b>445.44</b>	<b>340.53</b>

**Note 19 : Cash and Bank Balances**

	₹ Crores	
	<b>AS AT 30.09.2012</b>	AS AT 30.09.2011
<b>Cash and Cash Equivalents</b>		
Balances With Bank		
- Cash Credit Accounts	48.03	15.59
- Current Accounts	5.07	20.41
Cheques, drafts in Hand	2.56	20.51
Cash in Hand	0.55	0.25
Bank deposits with less than 12 months Maturity	60.76	132.70
	<b>116.97</b>	<b>189.46</b>
<b>Other balances with bank</b>		
- Unpaid Dividend Accounts	0.59	0.34
<b>Margin money</b>	<b>13.01</b>	<b>13.63</b>
<b>Total</b>	<b>130.57</b>	<b>203.43</b>

**ESCORTS LIMITED****Notes to Financial Statements** for the year ended 30th September, 2012**Note 20 : Revenue From Operations**

	₹ Crores	
	<b>Year ended 30.09.2012</b>	Year ended 30.09.2011
<b>Sale</b>		
Gross Sales	3,981.05	3,236.12
Less: Excise Duty	103.32	25.96
<b>Net Sale (A)</b>	<b>3,877.73</b>	<b>3,210.16</b>
<b>Other Operating Income</b>		
Erection and Servicing	7.11	3.10
Export Incentive	0.35	7.40
Scrap Sale	7.09	6.20
Others	1.60	11.30
<b>(B)</b>	<b>16.15</b>	<b>28.00</b>
<b>Total (A+B)</b>	<b>3,893.88</b>	<b>3,238.16</b>

## Details of Gross Sale Value of Manufactured Goods

	₹ Crores	
	<b>Year ended 30.09.2012</b>	Year ended 30.09.2011
<b>Manufactured Goods</b>		
Agricultural Tractors	2,648.61	2,579.09
Internal Combustion Engine	36.82	32.30
Round and Flat Tubes and Heating Elements	12.13	9.30
Double Acting Hydraulic Shock Absorbers for Railway Coaches	16.26	13.36
Centre Buffer Couplers	4.44	3.57
Automobile Shock Absorbers, Telescopic Front Fork & McPherson struts	119.32	108.25
Brake Block	18.66	23.55
All types of Brakes used by Railways	47.75	51.17
Construction Equipments	703.89	-
Others	57.73	119.60
<b>Total</b>	<b>3,665.61</b>	<b>2,940.19</b>

## Details of Gross Sale Value of Traded Goods

	₹ Crores	
	<b>Year ended 30.09.2012</b>	Year ended 30.09.2011
<b>Traded Goods</b>		
Implements Trailers, Compressor Accessories, Spares, Construction Equipment and Others	263.18	242.58
Oils and Lubricants	37.38	26.72
Others	14.88	26.63
<b>Total</b>	<b>315.44</b>	<b>295.93</b>

**Note 21 : Other Income**

	₹ Crores	
	<b>Year ended 30.09.2012</b>	Year ended 30.09.2011
Interest Income		
- Bank Deposits	16.01	13.28
- Others	17.02	16.92
Dividend Income From Long-Term Investment	3.07	-
Net Gain on Sale of Current Investments	0.13	-
Foreign Exchange Variation (Net)	2.64	7.59
Miscellaneous Income	10.03	3.87
<b>TOTAL</b>	<b>48.90</b>	<b>41.66</b>

**Note 22 : Cost of Raw Material and Components Consumed**

	₹ Crores	
	<b>Year Ended 30.09.2012</b>	Year ended 30.09.2011
Opening Stock	138.93	137.86
Add: Opening Stock on Amalgamation (Refer Note 41)	90.68	-
Add: Purchases	2,668.11	2,111.42
	<b>2,897.72</b>	<b>2,249.28</b>
Less: Closing Stock	223.12	138.93
<b>Raw Material &amp; Components Consumed</b>	<b>2,674.60</b>	<b>2,110.35</b>

## Details of Raw Material and Component Consumed

	₹ Crores	
	<b>Year ended 30.09.2012</b>	Year ended 30.09.2011
Castings and Forgings	255.67	312.05
Other Metal Parts	55.65	14.79
Others	2,363.28	1,783.51
<b>Total</b>	<b>2,674.60</b>	<b>2,110.35</b>

**Note 23 : Purchase of Traded Goods**

	₹ Crores	
	<b>Year ended 30.09.2012</b>	Year ended 30.09.2011
Purchases of Traded Goods	227.73	239.94
<b>Total</b>	<b>227.73</b>	<b>239.94</b>

## Details of Purchase of Traded Goods

	₹ Crores	
	<b>Year ended 30.09.2012</b>	Year ended 30.09.2011
Implements Trailers, Compressor Accessories, Spares, Construction Equipment and Others	193.81	201.98
Oils and Lubricants	24.56	20.51
Others	9.36	17.45
<b>Total</b>	<b>227.73</b>	<b>239.94</b>

**ESCORTS LIMITED****Notes to Financial Statements** for the year ended 30th September, 2012**Note 24 : Changes In Inventories of Finished Goods, Work-In-Progress and Traded Goods**

	₹ Crores	
	<b>Year ended 30.09.2012</b>	Year ended 30.09.2011
<b>Opening Stock</b>		
- Finished Goods	113.27	88.12
- Work-in-Progress	24.22	24.84
- Traded Goods	35.82	25.48
	<b>173.31</b>	<b>138.44</b>
<b>Opening Stock on Amalgamation (Refer Note 41)</b>		
- Finished Goods	19.73	-
- Work-in-Progress	18.06	-
- Traded Goods	18.15	-
	<b>55.94</b>	<b>-</b>
<b>Closing Stock</b>		
- Finished Goods	180.55	113.27
- Work-in-Progress	48.43	24.22
- Traded Goods	58.08	35.82
	<b>287.06</b>	<b>173.31</b>
<b>(Increase)/Decrease in Stock</b>	<b>Total</b>	
	<b>(57.81)</b>	<b>(34.87)</b>

## Details of Finished and Traded Goods Inventories

	<b>Year Ended 30.09.2012</b>	Year Ended 30.09.2011
<b>Finished Goods</b>		
Agricultural Tractors	147.70	103.11
Round and Flat Tubes & Heating Elements	0.36	0.39
Automobile Shock Absorbers, Telescopic Front Fork & McPherson struts	7.91	6.62
All types of Brakes & Shock Absorbers used by Railways	0.12	-
Construction Equipments	24.46	-
Others	-	3.15
<b>Total</b>	<b>180.55</b>	<b>113.27</b>
<b>Work-in-Progress</b>		
Agricultural Tractors	18.39	19.82
Automobile Shock Absorbers, Telescopic Front Fork and McPherson struts	3.37	2.90
All types of Brakes and Shock Absorbers used by Railways	5.49	1.50
Construction Equipments	21.18	-
<b>Total</b>	<b>48.43</b>	<b>24.22</b>
<b>Traded Goods</b>		
Implements Trailers, Compressor Accessories, Spares, Construction Equipment and others	49.76	26.53
Oils and Lubricants	0.07	0.16
Others	8.25	9.13
<b>Total</b>	<b>58.08</b>	<b>35.82</b>


**Note 25 : Employee Benefits**

	₹ Crores	
	<b>Year ended 30.09.2012</b>	Year ended 30.09.2011
Salary, Wages and Bonus	328.11	263.21
Employee Stock Option Scheme (Refer Note 36)	(0.51)	1.12
Contribution to Gratuity Fund (Refer Note 43)	14.38	7.08
Contribution to Provident Fund and Other Funds	16.66	14.13
Staff Welfare Expenses	47.48	42.39
<b>TOTAL</b>	<b>406.12</b>	<b>327.93</b>

**Note 26 : Finance Cost**

	₹ Crores	
	<b>Year ended 30.09.2012</b>	Year ended 30.09.2011
Interest Expense		
On Debenture and Long-Term Loan	38.93	27.38
On Cash Credit and Short-Term Loan	24.97	12.58
Others	17.43	7.40
Bank and Finance Charges	15.11	8.41
<b>TOTAL</b>	<b>96.44</b>	<b>55.77</b>

**Note 27 : Depreciation & Amortisation**

	₹ Crores	
	<b>Year ended 30.09.2012</b>	Year ended 30.09.2011
Depreciation & Amortisation	56.64	47.63
Less: Transfer from Revaluation Reserve	8.21	9.66
<b>TOTAL</b>	<b>48.43</b>	<b>37.97</b>

**ESCORTS LIMITED****Notes to Financial Statements** for the year ended 30th September, 2012**Note 28 : Other Expenses**

	₹ Crores	
	<b>Year ended 30.09.2012</b>	Year ended 30.09.2011
Excise Duty on Increase/(Decrease) in Stock of Finished Goods	2.41	0.18
Consumption of Stores, Spares and Tools	34.49	31.31
Power and Fuel	39.47	35.22
Repair and Maintainance		
- Building	5.81	6.97
- Plant and Machinery	18.29	21.06
- Other	13.01	12.58
Warranties	21.05	21.01
Rent (Net)	5.79	4.48
Rates and Taxes	3.20	4.27
Insurance	4.59	4.29
Travelling & Conveyance	36.64	28.69
Postage, Telegram and Telephones	7.02	5.59
Legal and Professional Expenses (Refer Note 32)	20.00	19.78
Commission, Discount and Sale Incentive	93.88	71.32
Advertisement	45.02	49.83
Royalty	19.54	16.39
Packing, Freight and Forwarding	66.27	79.51
Directors Sitting Fees and Commission	0.44	2.27
Provision For		
- Doubtful Debts	5.61	10.73
- Advances and Deposits	0.08	0.47
- Inventory	-	5.73
Amounts Writen Off	0.15	0.31
Liability Written Back	(0.19)	(0.08)
Recovery Against Bad Debts and Others	(3.94)	(2.24)
Provision no Longer Required Written Back	(2.24)	(1.77)
Miscellaneous Expenses	24.61	18.86
<b>TOTAL</b>	<b>461.00</b>	<b>446.76</b>

**Note 29 : Exceptional Items**

	₹ Crores	
	<b>Year Ended 30.09.2012</b>	Year Ended 30.09.2011
Surplus on Sale of Assets (Net)	(1.09)	(0.99)
Fixed Assets Written Off	0.08	0.03
Voluntary Retirement Expenses	-	0.31
Service Tax	(0.67)	(4.00)
Bad Dedts Written off	48.73	115.71
Less: Provision Created in Earlier Years	(48.73)	(115.71)
<b>TOTAL</b>	<b>(1.68)</b>	<b>(4.65)</b>



### 30. Miscellaneous Expenditure (to the extent not written off or adjusted)

₹ Crores

	Year ended 30.09.2012		Year ended 30.09.2011	
(a) Upfront Fee				
As per the Last Financial Statements	1.87		1.95	
Add: Addition during the year	-		0.86	
Add: On Amalgamation	0.14		-	
Less: Written off during the year	0.75	1.26	0.94	1.87
<b>Closing Balance</b>		<b>1.26</b>		<b>1.87</b>

### 31. Earnings per Shares

		Year ended 30.09.2012	Year ended 30.09.2011
Net Profit after Tax (₹ Crores)	Basic	69.60	120.09
	Diluted	69.60	120.09
Weighted Average Number of Shares Outstanding	Basic	119,263,266	102,300,232
	Diluted	119,263,266	102,950,266
Earnings Per Share (face value ₹ 10 per share)	Basic	5.84	11.74
	Diluted	5.84	11.66

### 32. Legal & Professional Expenses include Auditors Remuneration :

₹ Crores

	Year ended 30.09.2012	Year ended 30.09.2011
(a) Audit Fee	0.60	0.45
(b) Tax Audit Fee	0.17	0.13
(c) In Other Capacity		
Limited Review of Quarterly Results	0.19	0.19
Certification and Other Services	0.24	0.33
(d) Out of Pocket Expenses	0.04	0.04

### 33. The Outstanding Derivative Instruments as at 30th September, 2012

The Export receivables of the Company as at year end have not been hedged by forward contract (Previous Year: Nil)

The Foreign Currency Exposure not hedged by a derivative instrument or otherwise as on 30th September, 2012 are as follows:

		Amount (Millions)	
	Currency	2011-12	2010-11
- Amount Receivable on Account of Sales of Goods/Services	USD	2.33	2.98
	EURO	5.30	10.88
- Amount Payable on Account of Purchase of Material/Services:	USD	4.27	1.32
	EURO	0.58	1.84
	JPY	1.35	8.55

**ESCORTS LIMITED****Notes to Financial Statements** for the year ended 30th September, 2012**34. Disclosure required by Accounting Standard (AS) 29 'Provisions, Contingent Liabilities and Contingent Assets':**

	₹ Crores	
	<b>Year Ended 30.09.2012</b>	Year Ended 30.09.2011
<b>a. Contingent Liabilities</b>		
I) Estimated amounts of contracts remaining to be executed on capital account and not provided for	48.30	61.91
II) * Claims not acknowledged as debts	0.55	0.51
III) There is a Contingent liability of:		
* (a) Excise duty/ Customs duty demands not acknowledged as liability	12.66	8.98
* (b) ESI additional demand not acknowledged as liability	4.14	4.14
* (c) Sales Tax & Other demands not acknowledged as liability	13.50	6.73
* (d) Pending Legal Cases - Personnel	4.06	3.21
- Others	23.41	79.87
* (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	26.98	28.18
(g) LC/Guarantees executed in favour of Others	19.54	9.59
(h) Demand raised by Income Tax Department, disputed by the Company and pending in appeal	111.05	130.52
(i) Liability towards Surety Bond in favour of Governor of Haryana for Sales Tax registration under VAT	3.50	-

\* 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, on final determination of such demands as a result of adjudication by assessment/appellate authorities. For this purpose and 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 (s) amounts to ₹ 82.80 crores as on 30th September, 2012. A provision of ₹ 65 crores has been made on prudent basis to meet this liability, if and when the same arises.

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

Class of Provision	₹ Crores					
	As at 01.10.2011	Adjustment on Amalgamation	Additions	Amount Used	Unused Amounts Reversed	As At 30.09.2012
Product Warranties	10.01	0.44	5.98	3.11	5.16	8.16
	(7.97)	-	(7.00)	(0.41)	(4.55)	(10.01)

**(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.





35. The Company revalued its freehold land and buildings as on 01st April, 2009 and amount added on revaluation is ₹ 672.72 crores, the revaluations was carried out by reputed independent valuer.
36. Disclosure Regarding Employees Stock Option Plan Pursuant To The SEBI (Employees Stock Option Scheme And Employees Stock Purchase Scheme) Guidelines, 1999

(a) Total Number of Options as on 30/09/2011	1,10,000
(b) Options granted during the year	<b>Options</b> NIL <b>Grant date</b>
(c) Pricing Formula	At a price not less than the par value of Company's share and not more than the closing Market Price of the Stock Exchanges: <b>Options</b> <b>GP</b> <b>MP (₹)</b> NIL
(d) Options Vested	Nil
(e) Options Exercised	Nil
(f) The Total number of shares arising as a result of exercise of options	Nil
(g) Options Lapsed	45,000
(h) Variation of terms of options	Not Applicable
(i) Money realised by exercise of options	Nil
(j) Total number of options in force	65,000 as on 30.09.2012
(k) Employee wise details of options granted to :	
- Senior managerial personnel during the year	Not Applicable
- any other employee who receives a grant in any one year of options amounting to 5% or more of option granted during the year	Not Applicable
- identified employees who were granted option, during any one year, equal to or exceeding 1% of the issued capital (excluding outstanding warrants and conversions) of the Company at the time of grant	Not Applicable
(l) Diluted Earnings Per Share(EPS) pursuant to issue of shares on exercise of option calculated in accordance with Accounting Standard(AS) 20 'Earnings Per Share'.	Not Applicable
(m) Where the Company has calculated the employee compensation cost using the intrinsic value of stock options, the difference between the employee compensation cost so computed and the employee compensation cost that shall have been recognized if it had used the fair value of options, shall be disclosed. The impact of this difference on profits and EPS of the Company shall also be disclosed.	Not applicable
(n) Weighted-average exercise prices and weighted-average fair values of options shall be disclosed separately for options whose exercise price either equals or exceeds or is less than the market price of the stock.	Not Applicable
(o) A description of the method and significant assumptions used during the year to estimate the fair values of options, including the following weighted average information:	Not Applicable
- Risk free interest rate	
- Expected life	
- Expected volatility	
- Expected dividends, and	
- The price of the underlying share in market at the time of option grant	

## ESCORTS LIMITED

### Notes to Financial Statements for the year ended 30th September, 2012

- 37.** 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.
- 38.** The Company has executed an Agreement to Sell for transfer of 25 acres of land at Plot No. 219, Sector 58, Balabhgarh, Haryana for a consideration of ₹ 9.00 crores. The said transfer is subject to necessary approval from HUDA and accordingly the consideration amount of ₹ 9.00 crores is being treated as advance.
- 39.** 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 and as required by Schedule VI of Companies Act, 1956 have not been given.
- 40.** Pursuant to the Scheme of Arrangement (Scheme) under Sections 391 to 394 which has been approved by the Hon'ble High Court of Punjab & Haryana vide its Order dated 17th September 2009, an amount of ₹ 369.79 crores on account of, receivables, fixed assets, inventories, loans & advances which is doubtful of recovery/realization has been provided for/written off 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 reserves & surplus) and the statement of profit and loss would have been impacted to that extent. Further, the balance amount of ₹ 70.28 crores lying in Business Reconstruction Reserve has been transferred to General Reserve.
- 41.** A Scheme of Arrangement and Amalgamation under Section 391 to 394 of the Companies Act, 1956 was approved by the shareholders and the unsecured creditors of Escorts Limited on 20th May, 2012 for the amalgamation of Escorts Construction Equipment Limited ('ECEL'), Escotrac Finance and Investments Private Limited ('Escotrac') and Escorts Finance Investments and Leasing Private Limited (EFILL) (together 'Transferor Companies') with Escorts Limited ('Escorts' or Company') (hereinafter referred to as 'the Scheme'), with effect from the Appointed Date of 1st October, 2011, The Scheme has been sanctioned by the Hon'ble High Court of Punjab and Haryana at Chandigarh vide its order dated 9th August, 2012. Upon necessary filings with the respective Registrar of Companies by the Transferor Companies and Transferee Company, the Scheme has become effective on 12th October, 2012 and the effect thereof has been given in the financial statements from 1st October, 2011. Consequently in terms of the Scheme,
1. The entire business undertaking of the Transferor Companies including all assets and liabilities, as a going concern, stands transferred to and vested in the Company with effect from 1st October, 2011 being the merger appointed date.
  2. The Transferor Companies which were engaged in the business of manufacture of construction equipment and investment activities have been dissolved without being wound up.
  3. In consideration of the amalgamation, the Company has issued:
    - 1,68,83,629 equity shares of ₹ 10 each aggregating to ₹ 16.88 crores in the ratio of 4 (four) fully paid up Equity Shares of the face value of ₹ 10/- each of the Company for every 27 (Twenty Seven) fully paid-up equity shares of ₹ 10/- each held in ECEL
    - 44,444 equity shares of ₹ 10 each aggregating to ₹ 0.04 crores in the ratio of 4 (four) fully paid up Equity Shares of the face value of ₹ 10/- each of the Company for every 27 (Twenty Seven) fully paid up equity shares of ₹ 10/- each held in Escotrac
    - 30,769 equity shares of ₹ 10 each aggregating to ₹ 0.03 crores in the ratio of 4 (four) fully paid up Equity Shares of the face value of ₹ 10/- each of the Company for every 39 (Thirty Nine) fully paid up equity shares of ₹ 10/- each held in EFILL
  4. Pursuant to the above, the issued share capital of the Company increased from ₹ 105.62 crores to ₹ 122.58 crores. Further, pursuant to the Scheme, the authorized share capital of the Company stands enhanced to ₹ 1289 crores.



5. Further, equity investments held by Escotracs and by EFILL in the share capital of the Company and equity investment held by Escotracs and by EFILL in the share capital of Escorts Finance Limited, ultimately transferred to the Escorts Benefit and Welfare Trust. The beneficiary interest in the Escorts Benefit and Welfare Trust, has been accounted for as an Investment by the Company in the manner prescribed in the Scheme.
6. The amalgamation has been accounted for under the "Pooling of Interest Method" in accordance with Accounting Standard (AS) -14 on Accounting for Amalgamations. Accordingly, all the assets and liabilities of the Transferor Companies have been taken at their respective book values as appearing in the books of the Transferor Companies.

Further, as envisaged in the Scheme, all outstanding intercompany balances including inter-company investments (other than referred to in point 5 above) stands cancelled. Furthermore, pursuant to the scheme, Rs.97.40 crores, being the difference between the net assets of the transferor companies and the purchase consideration issued by the company is adjusted in reserves of the Company.

42. The Company had allotted 10,505,306 equity shares for an amount of ₹ 154.30 crores in the name of Members of Hardship Committee constituted by Hon'ble High Court of Delhi (High Court) pursuant to the Scheme of Arrangement and Compromise filed before it to Bail out FD holders of Escorts Finance Ltd. 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 remaining unclaimed deposit, 2,401,050 shares of Escorts Limited have been transferred to Escorts Benefit Trust (Trust) and the Hardship Committee has been dissolved.

#### 43. Employee Benefits:

₹ Crores

Particulars	30.09.2012		30.09.2011	
	Gratuity	Leave Encashment	Gratuity	Leave Encashment
<b>(a) Reconciliation of opening and closing balances of Defined Benefit Obligation:</b>				
Defined benefit obligation at the beginning of the year	88.83	12.66	84.34	10.15
Current Service Cost	4.26	1.55	3.67	1.25
Past Service Cost	-	-	-	-
Interest Cost	7.54	1.07	7.17	0.86
Actuarial (Gain)/Loss	4.92	3.34	(0.81)	2.77
Benefits Paid	(10.00)	(3.97)	(9.45)	(3.35)
<b>Defined benefit obligation at year end</b>	<b>95.55</b>	<b>14.66</b>	<b>84.92</b>	<b>11.68</b>
<b>(b) Reconciliation of opening and closing balances of fair value of plan assets</b>				
Fair value of plan assets at beginning of the year	88.07	-	84.35	-
Expected return on plan assets	7.41	-	7.51	-
Actuarial Gain/(Loss)	(4.22)	-	(5.62)	-
Employer Contribution	0.54	-	-	-
Benefits Paid	(10.00)	-	(9.45)	-
<b>Fair value of plan assets at year end</b>	<b>81.80</b>	<b>-</b>	<b>76.79</b>	<b>-</b>
<b>(c) Reconciliation of fair value of assets and obligations</b>				
Fair value of plan assets as at 30th September, 2012	81.80	-	76.79	-
Present value of obligation as at 30th September, 2012	95.55	14.66	84.92	11.68
<b>Net assets/(liability) recognised in Balance Sheet</b>	<b>(13.75)</b>	<b>(14.66)</b>	<b>(8.13)</b>	<b>(11.68)</b>

**ESCORTS LIMITED****Notes to Financial Statements** for the year ended 30th September, 2012

Particulars	30.09.2012		30.09.2011	
	Gratuity	Leave Encashment	Gratuity	Leave Encashment
<b>(d) Expenses recognised during the year</b>				
Current Service Cost	4.26	1.55	3.67	1.25
Past Service Cost	-	-	-	-
Interest Cost	7.54	1.07	7.17	0.86
Expected return on plan assets	(7.41)	-	(7.51)	-
Actuarial (Gain)/loss	9.14	3.34	4.81	2.77
Share of Participating Companies	0.85	-	(1.06)	-
<b>Net Cost</b>	<b>14.38</b>	<b>5.97</b>	<b>7.08</b>	<b>4.88</b>

**44. (i) Expenses on Research & Development Centre included under following heads:**

₹ Crores

		Tractor		Construction Equipment	
		2011-12	2010-11	2011-12	2010-11
- Materials	Note 22	2.63	2.96	1.85	-
- Personnel Expenses	Note 25	16.44	13.88	4.22	-
- Other Expense	Note 28	7.80	5.75	-	-
- Depreciation	Note 27	3.97	2.95	0.75	-
		<b>30.84</b>	<b>25.54</b>	<b>6.82</b>	<b>-</b>

**(ii) Assets purchased/capitalised for Research & Development Centres (as certified by the management)\***

- Tractors ₹ 7.97 crores (Previous Year ₹ 7.39 crores)
- Construction Equipment ₹ 1.80 crores

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

**(iii) Expenses on Research & Development as percentage to gross turnover is:**

- Tractors 1.45% (Previous Year 1.03%)
- Construction Equipment 1.22%

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

₹ Crores

	2011-12	2010-11
Sales and Administration	-	0.10
Personnel	-	1.18
Others	0.47	-

**46. Profit and Loss account of Agricultural business is as follows:**

	In Rupees	In Rupees
Opening Stock	-	3,000.00
Expenses	1,224,438.33	515,083.00
Sales and Other Income	88,000.00	508,352.00
Closing Stock	-	-
<b>Net Profit/(Loss)</b>	<b>(1,136,438.33)</b>	<b>(9,731.00)</b>



#### 47. Net Dividend Remitted in Foreign Currency

	2011-12	2010-11
Period to which it relates	2010-11	2009-10
Number of non-resident shareholders	7	9
Number of equity shares held	1200	3200
Amount remitted (in ₹)	1800	4800
Amount remitted (in US\$)	-	106.22

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

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

##### (i) Subsidiary Companies

###### Domestic

Escorts Securities Limited

Escorts Asset Management Limited

EDDAL Credit Limited (*w.e.f. 1st October, 2011*)

Escorts Construction Equipment Limited

(*ceased to be subsidiary w.e.f. 1st October, 2011*)

###### Overseas

Beaver Creeks Holdings LLC, USA

Farmtrac Tractors Europe Sp. Z.o.o, Poland

Farmtrac North America LLC, USA

(*formerly Long Agri Business LLC, USA*)

##### (ii) Joint Ventures and Associates

Hughes Communications India Limited

Escorts Motors Limited

Escotracs Finance & Investment Private Limited

(*ceased to be JV w.e.f. 1st October, 2011*)

Escorts Finance Investment & Leasing Private Limited

(*ceased to be JV w.e.f. 1st October, 2011*)

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

Mr. Rajan Nanda

Mrs. Ritu Nanda

Mr. Nikhil Nanda

Mrs. Shweta Nanda

Ms. Nitasha Nanda

##### (iv) Others

Har Parshad & Company Private Limited

Raksha TPA Pvt. Ltd

Rimari India Pvt. Ltd.

Momento Communications Pvt. Ltd.

AAA Portfolios Pvt. Ltd.

Big Apple Clothing Pvt. Ltd.

Niky Tasha Communications Pvt. Ltd.

Niky Tasha Energies Pvt. Ltd.

Sun & Moon Travels (India) Pvt. Ltd.

##### (v) Related Party transactions - Refer Annexure - I

#### 48(a). Accounting for Leases (AS-19). Details as per Annexure - II

49. The current year figures have been reported as per revised Schedule VI notified under the Companies Act, 1956. The company has reclassified the previous year figures to confirm this year's classification. Further pursuant to scheme of amalgamation and its effect on the financial statements, current year figures are not comparable with the figures of previous year.

Figures have been rounded off to the nearest lac rupees.

**ESCORTS LIMITED****Notes to Financial Statements** for the year ended 30th September, 2012**Note 50: Expenditure & Earning in Foreign Currency**

	₹ Crores	
	<b>Year ended 30.09.2012</b>	Year ended 30.09.2011
<b>(a) Expenditure in Foreign Currency</b>		
(i) Royalty/Technical know-how/Technical Fee	4.98	-
(ii) Travelling Expenses	3.24	1.52
(iii) Others	9.62	30.68
<b>Total</b>	<b>17.84</b>	<b>32.20</b>
<b>(b) Earnings in Foreign Currency</b>		
(i) Export of goods including partly executed sales contracts on F.O.B basis	139.90	215.28
(ii) Others	5.08	9.89
<b>Total</b>	<b>144.98</b>	<b>225.17</b>

**Note 51: Value of Imports - CIF Basis**

	₹ Crores	
	<b>Year ended 30.09.2012</b>	Year ended 30.09.2011
(i) Raw Material	30.35	8.57
(ii) Components & Spare Parts	20.99	29.44
(iii) Capital Goods	24.44	17.86
<b>Total</b>	<b>75.78</b>	<b>55.87</b>

**Note 52: Imported and Indigenous Raw Materials and Components, Stores and Spares and Tools Consumed**

	Year Ended			
	30.09.2012		30.09.2011	
	₹ Crores	Percentage	₹ Crores	Percentage
(i) Imported	41.11	1.52	24.64	1.15
(ii) Indigenous	2,667.98	98.48	2,117.02	98.85
<b>Total</b>	<b>2,709.09</b>	<b>100.00</b>	<b>2,141.66</b>	<b>100.00</b>

As per our audit report attached

For and on behalf of the Board

**For S. N. DHAWAN & CO.**Chartered Accountants  
(Firm Regn. No. 000050N)**RAJAN NANDA**  
Chairman and  
Managing Director**NIKHIL NANDA**  
Joint Managing Director**Dr. P. S. PRITAM**  
Director**Dr. M. G. K. MENON**  
Director**VIJAY DHAWAN**Partner  
M No. 12565Date: 27th November, 2012  
Place: Faridabad**Dr. S. A. DAVE**  
Director**S. C. BHARGAVA**  
Director**HARDEEP SINGH**  
Director**G. B. MATHUR**  
EVP - Law & Company Secretary



## Annexure - I

### Disclosure of Related Parties -

#### Transactions with Subsidiaries for the Year 01.10.2011 to 30.09.2012

₹ Crores

Nature of Transactions	EDDAL Credit Limited	Escorts Construction Equipment Limited*	Escorts Securities Limited	Escorts Assets Management Limited	Farmtrac Tractors Europe SP zoo (Pol Mot)	Farmtrac North AM.LLC, USA - Long Agri Bus.	Total
<b>For the Year ended 30.09.2012</b>							
Sale of Goods	-	-	-	-	31.57	-	31.57
	-	(31.08)	-	-	(20.95)	-	(52.04)
Sale of Fixed Assets	-	-	-	-	-	-	-
	-	(0.39)	-	-	-	-	(0.39)
Rendering of Services (Income)	-	-	-	-	-	-	-
	-	(1.78)	-	-	-	-	(1.78)
Rent Income	-	-	-	-	-	-	-
	-	(0.06)	-	-	-	-	(0.06)
Purchases of Goods	-	-	-	-	0.07	-	0.07
	-	(1.34)	-	-	(0.33)	-	(1.67)
<b>Balances as at 30.09.2012</b>							
Investments	0.05	-	4.18	3.00	8.35	-	15.58
	-	(170.00)	(1.20)	(3.00)	(2.59)	-	(176.79)
Advances Given	-	-	1.43	-	-	-	1.43
	-	(1.65)	(1.46)	-	-	-	(3.11)
Receivables/Debtors	-	-	-	-	17.24	-	17.24
	-	(15.24)	-	-	(71.31)	-	(86.55)
Payables	1.75	-	0.18	-	0.19	-	2.12
	-	(0.01)	-	-	(0.37)	(1.28)	(1.66)
Provisions (Debts/ Loans/Advances/ Deposits/ Investments)	-	-	1.43	-	-	-	1.43
	-	-	-	-	(48.53)	-	(48.53)

#### Transactions with Joint Ventures for the Period 01.10.2011 to 30.09.2012

Nature of Transactions	Escotrac Finance & Investment Pvt. Ltd.*	Escorts Finance Investment & Leasing Ltd.*	Escorts Motors Limited	Hughes Escorts Communications Limited	Total
<b>For the Year ended 30.09.2012</b>					
Dividend Paid	-	-	-	-	-
	(2.03)	(1.03)	-	-	(3.06)
<b>Balances as at 30.09.2012</b>					
Investments	-	-	1.50	2.07	3.57
	(98.48)	(83.82)	(1.50)	(2.07)	(185.87)
Advances Given	-	-	-	-	-
	(18.24)	(5.90)	(0.02)	-	(24.16)

\* Merged with effect from 1st October 2011.

## ESCORTS LIMITED

### Disclosure Of Related Parties Transactions with Directors and Their Relatives for the Year 01.10.2011 to 30.09.2012

Nature of Transactions	₹ Crore											Total			
	Rajan Nanda	Ritu Nanda	Nikhil Nanda	Shweta Nanda*	Nitasha Nanda	Harpurshad & Co.Pvt Ltd	Raksha TPA Pvt. Ltd	Rimari India Pvt. Ltd.	Momento Communications Pvt. Ltd.	AAA Portfolios Pvt. Ltd.	Big Apple Clothing Pvt. Ltd.		Niky Tasha Communications Pvt. Ltd.*	Niky Tasha Energies Pvt. Ltd.*	Sun & Moon Travels (India) Private Limited
<b>For the Year ended 30.09.2012</b>															
Royalty	-	-	-	-	-	19.54 (16.39)	-	-	-	-	-	-	-	-	19.54 (16.39)
Remuneration	5.47 (6.20)	-	4.12 (4.91)	-	1.28 (1.16)	-	-	-	-	-	-	-	-	-	10.87 (12.27)
Rent Received	-	-	0.42 (0.42)	-	-	-	0.84 (1.02)	-	-	-	-	-	-	0.01 (0.01)	1.27 (1.45)
Rent Paid	-	0.33 (0.33)	-	-	0.39 (0.39)	-	-	-	-	-	-	-	-	-	0.72 (0.72)
Purchase of Goods	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Purchase of Fixed Assets	-	-	-	-	-	-	-	(0.03)	-	-	-	-	-	-	(0.03)
Receiving of services (Expense)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Dividend Paid*	0.12 (0.16)	0.01 (0.01)	0.03	-	-	1.11 (0.57)	-	-	-	0.20 (0.21)	0.21 (0.22)	-	-	-	1.69 (1.17)
<b>Balances as at 30.09.2012</b>															
Advances Given	-	-	-	-	0.06 (0.06)	-	-	0.12	-	-	-	-	-	-	0.18 (0.06)
Debtors/Receivables	-	-	-	-	-	-	0.09 (0.09)	-	-	-	-	-	-	(0.33)	0.09 (0.42)
Payables	-	-	-	-	-	4.76 (5.73)	-	-	-	-	-	-	-	0.36	5.12 (7.68)

\* Nil Amount represents dividend paid less than a lakh.





## Annexure - II

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

The details of Minimum Lease Payments outstanding as at 30th September, 2012 and present value thereof are as under:

	Minimum Lease Payments Outstanding	Present Value of Minimum Lease Payments Outstanding	Future Interest on Outstanding lease Payments
			₹ Crores
- Total Amount Due	2.02 (4.33)	1.86 (3.82)	0.16 (0.51)
- Due Within One Year	1.58 (2.60)	1.44 (2.22)	0.14 (0.38)
- Due Later than One Year and Not Later than Five Years	0.44 (1.73)	0.42 (1.60)	0.02 (0.13)

**ESCORTS LIMITED****Cash Flow Statement**

₹ Crores

	Year ended 30.09.2012		Year ended 30.09.2011	
<b>A. CASH FLOW FROM OPERATING ACTIVITIES</b>				
Net Profit before Tax	87.95		100.62	
Adjustments for:				
Gain on sale of Investments	(0.13)		-	
Gain on sale of Asset	(1.09)		(0.99)	
Depreciation	48.43		37.97	
Misc. Exp./Assets Write off/Provisions	3.74		15.11	
Interest Expense	81.33		47.36	
Dividend Income	(3.07)		-	
Interest Income	(33.03)		(30.20)	
<b>Operating Profit before Working Capital changes</b>	<b>184.13</b>		<b>169.87</b>	
Adjustments for:				
Trade and other Receivables	44.54		(45.06)	
Inventories	(67.58)		(37.59)	
Trade Payables & Others	(67.25)		127.40	
	<b>(90.29)</b>		<b>44.75</b>	
<b>Cash Generated from Operations</b>		<b>93.84</b>		<b>214.62</b>
Direct Taxes (Paid)/Refunds		(38.45)		(28.37)
<b>Net Cash Flow from Operating Activities</b>		<b>55.39</b>		<b>186.25</b>
<b>B. CASH FLOW FROM INVESTING ACTIVITIES</b>				
Sale/(Purchase) of Fixed Assets	(106.29)		(93.10)	
Movement in Loans and Advances	(53.28)		(12.31)	
Sale/(Purchase) of Investments	(2.41)		-	
Interest Received	28.23		23.87	
Dividend Received	3.07		-	
<b>Net Cash Flow from Investing Activities</b>		<b>(130.68)</b>		<b>(81.54)</b>
<b>C. CASH FLOW USED IN FINANCING ACTIVITIES</b>				
Proceeds from Long Term Borrowings	(23.69)		67.64	
Proceeds/ (Repayment) from Short term Borrowings (net)	96.51		5.39	
Interest Paid	(80.39)		(47.45)	
Dividend and Tax thereon paid	(17.10)		(18.47)	
<b>Net Cash used in Financing Activities</b>		<b>(24.67)</b>		<b>(7.11)</b>
<b>Net Increase/(Decrease) in Cash and Cash Equivalents</b>		<b>(99.96)</b>		<b>111.82</b>
<b>Cash and Cash Equivalents as at 01.10.2011</b>		203.43		91.61
<b>Addition On Amalgamation</b>		27.10		-
<b>Cash and Cash Equivalents as at 30.09.2012</b>		130.57		203.43

**Note:**

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

As per our audit report attached

For and on behalf of the Board

**For S. N. DHAWAN & CO.**Chartered Accountants  
(Firm Regn. No. 000050N)**RAJAN NANDA**  
Chairman and  
Managing Director**NIKHIL NANDA**  
Joint Managing Director**Dr. P. S. PRITAM**  
Director**Dr. M. G. K. MENON**  
Director**VIJAY DHAWAN**Partner  
M No. 12565Date: 27th November, 2012  
Place: Faridabad**Dr. S. A. DAVE**  
Director**S. C. BHARGAVA**  
Director**HARDEEP SINGH**  
Director**G. B. MATHUR**  
EVP - Law & Company Secretary



## 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, 2012 and also the Consolidated Statement of Profit & Loss 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 ₹ 66.62 crores as at 30th September, 2012 and the total revenues of ₹ 155.73 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 ₹ 37.23 crores as at 30th September, 2012 and the total revenues of ₹ 27.10 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, 2012, 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 2b (ii) & (iii)).*
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, 2012;
  - (b) in the case of Consolidated Statement of Profit & Loss, of the profit for the year ended on that date; and
  - (c) in the case of the Consolidated Cash Flow Statement, of the Cash Flows for the year ended on that date.

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

**(Vijay Dhawan)**  
Partner  
M.No. 12565

Dated: 27th November, 2012  
Place: New Delhi

**ESCORTS LIMITED****Consolidated Balance Sheet** as at 30th September, 2012

	Notes	As at 30.09.2012	₹ Crores As at 30.09.2011
<b>EQUITY AND LIABILITIES</b>			
<b>Shareholders' Funds</b>			
Share Capital	3	119.27	92.14
Reserves & Surplus	4	1,526.18	1,691.72
Minority Interest		11.40	9.06
<b>Non-Current Liabilities</b>			
Long-Term Borrowings	5	169.72	199.99
Deferred Tax Liability	6	49.32	44.66
Other Long-Term Liabilities	7	25.02	22.26
Long-Term Provisions	8	118.74	12.13
<b>Current Liabilities</b>			
Short-Term Borrowings	9	290.28	193.56
Trade Payables	10	917.35	909.09
Other Current Liabilities	11	242.56	274.25
Short-Term Provisions	8	81.24	100.67
<b>Total</b>		<b>3,551.08</b>	<b>3,549.53</b>
<b>ASSETS</b>			
<b>Non-Current Assets</b>			
Fixed Assets	12		
- Tangible Assets		1,583.27	1,554.17
- Intangible Assets		11.42	65.95
- Capital Work-in-Progress		54.04	43.62
- Intangible Assets under Development		12.80	4.28
Non-Current Investments		367.09	108.55
Deferred Tax Assets	6	49.99	57.87
Long-Term Loans and Advances	13	36.24	34.09
Other Non-Current Assets	14	100.98	97.82
<b>Current Assets</b>			
Current Investments		5.83	3.15
Inventories	15	524.36	495.93
Trade Receivables	16	467.72	540.25
Cash and Bank Balances	17	145.17	245.33
Short-Term Loans and Advances	13	189.52	295.04
Other Current Assets	14	2.65	3.48
<b>Total</b>		<b>3,551.08</b>	<b>3,549.53</b>
Summary of Significant Accounting Policies	2		

The accompanying notes (1 to 41) are an integral part of the financial statements.

As per our audit report attached

For and on behalf of the Board

**For S. N. DHAWAN & CO.**

Chartered Accountants  
(Firm Regn. No. 000050N)

**RAJAN NANDA**  
Chairman and  
Managing Director

**NIKHIL NANDA**  
Joint Managing Director

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

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

**VIJAY DHAWAN**

Partner  
M No. 12565

Date: 27th November, 2012  
Place: Faridabad

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

**S. C. BHARGAVA**  
Director

**HARDEEP SINGH**  
Director

**G. B. MATHUR**  
EVP - Law & Company Secretary



## Consolidated Statement of Profit and Loss for the year ended 30th September, 2012

Particulars	Notes	₹ Crores	
		Year Ended 30.09.2012	Year Ended 30.09.2011
<b>Income</b>			
Revenue from Operations (Gross)	18	4,153.14	4,199.47
Less: Excise Duty		103.68	98.51
Revenue from Operations (Net)		4,049.46	4,100.96
Other Income	19	48.29	56.47
<b>Total Revenue (I)</b>		<b>4,097.75</b>	<b>4,157.43</b>
<b>Expenses</b>			
Cost of Raw Material & Components Consumed	20	2,773.45	2,709.88
Purchases of Traded Goods	21	233.87	337.10
Changes in Inventories of Finished Goods, Work-in-Progress and Traded Goods	22	(56.35)	(62.88)
Employee Benefits	23	419.79	384.10
Finance Costs	24	97.02	71.14
Depreciation and Amortisation	25	50.22	47.65
Other Expenses	26	489.17	565.24
<b>Total Expenses (II)</b>		<b>4,007.17</b>	<b>4,052.23</b>
<b>Profit before Exceptional Items and Tax (I-II)</b>		<b>90.58</b>	<b>105.20</b>
Exceptional items	27	(1.36)	(4.54)
<b>Profit Before Tax</b>		<b>91.94</b>	<b>109.74</b>
Tax Expense:			
(a) Current Tax		20.51	33.83
(b) Minimum Alternative Tax Entitlement		(14.31)	(1.49)
(c) Excess Provision for Earlier Years		-	(38.49)
(d) Deferred Tax		12.54	(9.18)
<b>Profit for the Year</b>		<b>73.20</b>	<b>125.07</b>
Less: Minority Interest		(0.61)	(1.32)
<b>Profit After Tax Attributable To The Company</b>		<b>73.81</b>	<b>126.39</b>
<b>Earnings Per Share (in ₹) (face value ₹ 10/- each) (Refer Note 30)</b>			
- Basic		6.19	13.72
- Diluted		6.19	13.62
Summary of Significant Accounting Policies	2		

The accompanying notes (1 to 41) are an integral part of the financial statements.

As per our audit report attached

For and on behalf of the Board

**For S. N. DHAWAN & CO.**

Chartered Accountants  
(Firm Regn. No. 000050N)

**RAJAN NANDA**  
Chairman and  
Managing Director

**NIKHIL NANDA**  
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**Dr. P. S. PRITAM**  
Director

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

**VIJAY DHAWAN**

Partner  
M No. 12565

Date: 27th November, 2012  
Place: Faridabad

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

**S. C. BHARGAVA**  
Director

**HARDEEP SINGH**  
Director

**G. B. MATHUR**  
EVP - Law & Company Secretary

## ESCORTS LIMITED

# Notes to Consolidated Financial Statements for the year ended 30th September, 2012

### 1. Corporate Information

Escorts Limited is a public limited Company domiciled in India and incorporated under the provisions of Companies Act, 1956. The Company's shares are listed with Bombay Stock Exchange Limited, National Stock Exchange of India Limited and Delhi Stock Exchange Limited. The Company is engaged in the business of manufacturing of agricultural tractors, engines for agricultural tractors, round end flat tubes, heating elements, double acting hydraulic shock absorbers for railway's coaches, center buffer couplers, automobile shock absorbers, telescopic front fork & Mcpherson struts, break block, internal combustion engine and all types of breaks used by railway's, construction, earth moving and material handling equipments. It also trades in oils & lubricants, implements, trailers, compressor accessories and spares, construction, earth moving and material handling equipments and aero business. The Company is into Financing & Investment activities also.

### 2. Summary of Significant Accounting Policies

#### a. Presentation and Disclosure of Financial Statements

During the year ended 30th September, 2012, the revised Schedule VI notified under the Companies Act, 1956, has become applicable to the Company for preparation and presentation of its financial statements. The adoption of revised Schedule VI does not impact recognition and measurement principles followed for preparation of financial statements. However, it has significant impact on presentation and disclosures made in the financial statements. The Company has also reclassified the previous figures in accordance with the requirements applicable in the current year.

#### b. Principal of Consolidation

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

- The Subsidiaries and Joint Ventures considered in the preparation of consolidated financial statements are as follows:

Sl. No.	Name of Company	Country of Incorporation	Proportion of ownership as on 30.09.2012	Held by	Reporting Period
<b>LIST OF SUBSIDIARIES</b>					
1	FarmtracTractors Europe Sp. z.o.o	Poland	100.00%	Escorts Limited	January-Dec.
2	Escorts Securities Ltd. (ESL) (Board Controlled)	India	49.00% 49.00%	EAML Escorts Limited	April-March
3	Escorts Asset Management Ltd. (EAML)(Board Controlled)	India	30.00%	Escorts Limited	April-March
4	EDDAL Credit Limited	India	99.86%	Escorts Limited	April-March
<b>LIST OF JOINT VENTURES</b>					
1	Hughes Communications India Limited	India	13.38%	Escorts Limited	April-March

- Since the above Subsidiaries and Joint Ventures follows different accounting year, the accounts of these companies are prepared for the year ended 30th September, 2012, the reporting date of the Parent company, to facilitate consolidation.
- 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.
- At the behest of the creditors of Farmtrac North America LLC (FNA) (a subsidiary of the Company), the Superior Court Division of Country of Edgcanbe, 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.



**c. Use of Estimates**

The preparation of financial statements in conformity with Indian GAAP requires the management to make judgements, estimates and assumptions that effect the reported amount of revenues, expenses, assets and liabilities and the disclosure of the contingent liabilities, at the end of the reporting period. Although, these estimates are based on the management's best knowledge of current events and actions, actual results could differ from these estimates. Any revision to the accounting estimates is recognised in the period in which the results are known.

**d. 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 or construction 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.

**e. Intangible Fixed Assets**

In accordance with AS26 Intangible Assets are valued at cost less accumulated amortisation and any impairment losses.

- i. 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.
- ii. Technical know-how fee and expenditure on major Software products are written off over a period of six years.

**f. Impairment of Assets**

Impairment is ascertained at each balance sheet date in respect of cash generating units as per Accounting Standard 28 'Impairment of Assets' issued by Institute of Chartered Accountants of India. An impairment loss is recognised in books of accounts in the financial year concerned whenever the carrying amount of an asset 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 factor.

**g. Depreciation and Amortisation**

- i. Depreciation on Plant and Machinery is provided on Straight Line Method.
- ii. 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.
- iii. The depreciation on assets acquired/sold/discarded/demolished during the year is provided from/up to the month the asset is commissioned/sold or discarded.
- iv. Assets costing up to ₹ 5,000 are depreciated fully in the year of purchase.
- v. Leasehold Improvements are written off over a period of six years or lease period whichever is less.

**h. Inventory Valuation**

- i. Raw Material and Components, Stores and Machinery Spares are stated at lower of cost and net realisable value.
- ii. Loose Tools are stated at cost or under.
- iii. Work-in-Progress, Finished and Trading Goods/Spare Parts are stated at lower of cost and net realisable value.
- iv. 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.
- v. Work-in-Progress and Finished Goods include cost of conversion and other costs incurred in bringing the Inventories to their present location and condition.

**i. Revenue Recognition**

Dividend is accounted for an accrual basis when the right to receive the dividend is established.

## ESCORTS LIMITED

# Notes to Consolidated Financial Statements for the year ended 30th September, 2012

Income recognition/provisions on non-performing assets is in accordance with the non-banking financial prudential norms (Reserve Bank) Directions, 2007.

### **j. Research & Development**

Revenue expenditure incurred for research & development is charged to the Statement of Profit and Loss. Fixed assets purchased for research and development activities are capitalised in the year the same are put to use.

### **k. Employee Benefits**

#### **i) Defined Contribution plan:**

Employees benefits in the form of provident fund, employee state insurance and labour welfare fund are considered as defined contribution plans and the contributions are charged to the Statement of Profit and Loss of the year when the contribution to 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. Actuarial gain/losses are immediately recognised in the Statement of Profit and Loss.

#### **iii) Other Long-Term Benefits:**

Long-term compensated absence is 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 are immediately recognised in the Statement of Profit and Loss.

### **l. Investment**

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.

### **m. Foreign Currency Transactions**

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 Statement of Profit and Loss. 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 Statement of Profit and Loss.

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 Statement of Profit and Loss over the life of the contract.

### **n. Income Taxes**

Tax expense comprises current and deferred tax. Current income tax is measured at the amount expected to be paid to the tax authorities in accordance with the Income-tax Act, 1961, enacted in India and tax laws prevailing in the respective tax jurisdictions where the Company operates. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date.

Minimum alternate tax (MAT) paid in a year is charged to the Statement of Profit and Loss as current tax. The Company recognises MAT credit available as an asset only to the extent that there is convincing evidence that the Company will pay normal income tax during the specified period, i.e., the period for which MAT credit is allowed to be carried forward. In the year in which the Company recognises MAT credit as an asset in accordance with the Guidance Note on Accounting for Credit Available in respect of Minimum Alternative Tax under the Income-tax Act, 1961, the said asset is created by way of credit to the Statement of Profit and Loss and shown as "Minimum Alternative Tax Entitlement". The Company reviews the "Minimum Alternative Tax Entitlement" asset at each reporting date and writes down the asset to the extent the Company does not have convincing evidence that it will pay normal tax during the specified period.





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

**o. Borrowing Costs**

Borrowing costs that are attributable to the acquisition, construction of qualifying assets are capitalised as part of cost of such assets up to 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.

**p. 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.

**q. 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.

**r. 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 Statement of Profit and Loss on accrual basis.

**s. 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.

**t. Provisions and Contingent Liabilities and Contingent Assets**

Provisions are recognised for liabilities that can be measured only by using a substantial degree of estimation, if

- i. the Company has a present obligation as a result of a past event,
- ii. a probable outflow of resources is expected to settle the obligation,
- iii. 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 case of

- i. 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,
- ii. A possible obligation, of which the probability of outflow of resources is remote.

Contingent assets are neither recognised nor disclosed.

Provisions, contingent liabilities and contingent assets are reviewed at each balance sheet date.

**ESCORTS LIMITED****Notes to Consolidated Financial Statements** for the year ended 30th September, 2012**Note 3 : Share Capital**

	₹ Crores	
	<b>As at 30.09.2012</b>	As at 30.09.2011
<b>Authorised</b>		
(i) 401,000,000 (Previous Year - 120,000,000 Shares) Equity Shares of ₹ 10 each	401.00	120.00
(ii) 888,000,000 (Previous Year- 73,000,000 Shares) Unclassified Shares of ₹ 10 each (Previous Year ₹ 100 each)	888.00	730.00
	<b>1,289.00</b>	<b>850.00</b>
<b>Issued, Subscribed and Paid-Up Capital</b>		
122,576,878 (Previous year 105,618,036) Equity Shares of ₹ 10 each	122.58	105.62
Less: Amount Recoverable From Escorts Employees Benefit & Welfare Trust (face value of 3,313,612 (Previous Year - 3,313,612) shares allotted to Trust)	3.31	3.31
	<b>119.27</b>	<b>102.31</b>
Less: Share Capital held by Joint Ventures (Based on proportionate consolidation)	-	10.17
<b>Total Share Capital</b>	<b>119.27</b>	<b>92.14</b>

**Note 4 : Reserves & Surplus**

	₹ Crores	
	<b>As at 30.09.2012</b>	As at 30.09.2011
<b>Capital Reserve</b>		
Balance as per the Last Financial Statements	0.30	0.30
Add: On Amalgamation *	97.40	-
<b>Closing Balance</b>	<b>97.70</b>	<b>0.30</b>
<b>Capital Redemption Reserve</b>		
Balance as per the Last Financial Statements	1.99	1.99
Add: On Amalgamation *	4.00	-
Less: On Amalgamation *	1.99	-
<b>Closing Balance</b>	<b>4.00</b>	<b>1.99</b>
<b>Securities Premium Reserve</b>		
Balance as per the Last Financial Statements	432.07	431.85
Add: On Issue of Equity Shares	-	0.22
<b>Closing Balance</b>	<b>432.07</b>	<b>432.07</b>
<b>Revaluation Reserve</b>		
Balance as per the Last Financial Statements	54.58	64.47
Less: Amount transferred to the Statement of Profit & Loss as reduction from depreciation	8.21	9.66
Less: Amount utilised for Assets Sold/Write Off	0.08	0.23
<b>Closing Balance</b>	<b>46.29</b>	<b>54.58</b>
<b>Employee Stock Option Outstanding Account</b>		
Gross Employee Stock Compensation for Options Granted in earlier years	1.39	0.48
Add: Gross Compensation for Option Granted during the year	-	0.91
Less: Gross Compensation for Option Lapsed during the year	0.58	-
<b>Closing Balance</b>	<b>0.81</b>	<b>1.39</b>
<b>General Reserve</b>		
Balance as per the Last Financial Statements	540.53	506.00
Add: Amount Transferred from Surplus balance in the Statement of Profit and Loss	1.74	6.00
Add: On Amalgamation*	0.19	-
Add: Consolidation Adjustment	(27.18)	28.53
Add: Transfer from Business Reconstruction Reserve and Reserve Fund	76.88	-
<b>Closing Balance</b>	<b>592.16</b>	<b>540.53</b>


**Note 4 : Reserves & Surplus (Contd.)**

	₹ Crores	
	<b>As at 30.09.2012</b>	As at 30.09.2011
<b>Reserves Fund</b>		
<i>(Maintained pursuant to Section 145-1C of Reserve Bank Of India (Amendment) Act, 1997)</i>		
Balance as per the Last Financial Statements	3.80	3.40
Add: Amount transferred from Surplus balance in the Statement of Profit and Loss	-	0.40
Add: On Amalgamation *	6.60	-
Less: On Amalgamation *	3.29	-
Less: Transfer to General Reserve	6.60	-
<b>Closing Balance</b>	<b>0.51</b>	<b>3.80</b>
<b>Business Reconstruction Reserve</b>		
Balance as per the Last Financial Statements	440.07	472.60
Add: Consolidation Adjustment	-	(28.53)
Less: Utilised During the Year	369.79	4.00
Less: Amount Transferred to General Reserve	70.28	
<b>Closing Balance</b>	<b>-</b>	<b>440.07</b>
<b>Surplus in the Statement of Profit and Loss</b>		
Balance as per the last financial statements	216.99	113.07
Profit for the year	73.81	126.39
Add: On Amalgamation *	15.38	-
Add: Consolidation Adjustment	65.30	2.34
Less: Appropriations		
- Transfer to Reserves	1.74	6.40
- Proposed Dividend	14.71	15.84
- Tax On Dividend	2.39	2.57
Total Appropriation	18.84	24.81
<b>Closing Balance</b>	<b>352.64</b>	<b>216.99</b>
<b>Total</b>	<b>1,526.18</b>	<b>1,691.72</b>
* Refer Note 38 on Amalgamation Includes Joint Venture Share	16.01	4.66

**Note 5 : Long-Term Borrowing**

	₹ Crores			
	<b>Non-Current Portion</b>		<b>Current Maturities</b>	
	<b>As at 30.09.2012</b>	As at 30.09.2011	<b>As at 30.09.2012</b>	As at 30.09.2011
<b>Term Loans (Secured)</b>				
From Banks	167.70	194.97	89.37	84.65
From Other Parties	0.06	0.08	0.02	0.02
<b>Finance Lease Obligation (Unsecured)</b>	0.49	1.60	1.52	2.23
<b>Other Loans &amp; Advances (Unsecured)</b>	1.47	3.34	2.68	5.35
<b>Total</b>	<b>169.72</b>	<b>199.99</b>	<b>93.59</b>	<b>92.25</b>
Includes Joint Venture Share	0.07	-	0.08	0.74

**Nature of Security**

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.

**ESCORTS LIMITED****Notes to Consolidated Financial Statements** for the year ended 30th September, 2012**Note 6 : Deferred Tax Assets/(Liability)**

	₹ Crores	
	<b>As at 30.09.2012</b>	As at 30.09.2011
<b>Deferred Tax Liability</b>		
Impact Of Difference between tax depreciation and depreciation charged for the financial reporting and others	49.32	44.66
<b>Total Deferred Tax Liability (A)</b>	<b>49.32</b>	<b>44.66</b>
<b>Deferred Tax Assets</b>		
Impact of expenditure charged to the Statement of Profit and Loss in current year but allowed for tax purpose on payment basis and others	49.99	57.87
<b>Total Deferred Tax Assets (B)</b>	<b>49.99</b>	<b>57.87</b>
<b>Total Deferred Tax Assets/(Liability) (A - B)</b>	<b>0.67</b>	<b>13.21</b>
<b>Net (increase)/decrease in Deferred Tax Assets represent by:</b>		
Deferred Tax Liability Provided during the Year in statement of Profit and Loss	12.54	-
Deferred Tax Assets created Previous Year in Profit and Loss	-	9.18
<b>Net (increase)/decrease in Deferred Tax Assets</b>	<b>12.54</b>	<b>9.18</b>
Includes Joint Venture Share	2.27	2.09

**Note 7 : Other Long-Term Liabilities**

	₹ Crores	
	<b>As at 30.09.2012</b>	As at 30.09.2011
<b>Others</b>		
Deposits	13.62	13.26
Advance Received (Refer Note 35)	11.40	9.00
<b>Total</b>	<b>25.02</b>	<b>22.26</b>
Includes Joint Venture Share	-	0.03

**Note 8 : Provisions**

	₹ Crores			
	<b>Long-Term</b>		<b>Short-Term</b>	
	<b>As at 30.09.2012</b>	As at 30.09.2011	<b>As at 30.09.2012</b>	As at 30.09.2011
<b>Provision for Employee Benefits</b>				
Gratuity	1.39	0.79	46.69	55.52
Leave Encashment	12.81	11.34	2.50	1.68
Superannuation	-	-	3.65	12.02
Others	-	-	3.10	3.03
	<b>14.20</b>	<b>12.13</b>	<b>55.94</b>	<b>72.25</b>
<b>Others</b>				
Provision for Warranty	-	-	8.20	10.01
Provision for Contingency/Claims	104.54	-	-	-
Proposed Dividend	-	-	14.71	15.84
Dividend Tax	-	-	2.39	2.57
	<b>104.54</b>	<b>-</b>	<b>25.30</b>	<b>28.42</b>
<b>Total</b>	<b>118.74</b>	<b>12.13</b>	<b>81.24</b>	<b>100.67</b>
Includes Joint Venture Share	0.44	-	0.11	0.11



### Note 9 : Short-Term Borrowings

	₹ Crores	
	<b>As at 30.09.2012</b>	As at 30.09.2011
<b>From Bank</b>		
Cash Credit/Export Packing Credit & Working Capital Demand Loans	290.28	193.56
<b>Total</b>	<b>290.28</b>	<b>193.56</b>

Includes Joint Venture Share

- -

#### Nature of Security

Cash Credit/Export Packing Credit and Working Capital Demand Loans from Banks are secured against First charge on current assets and second charge on movable fixed assets excluding assets specifically charges to the term lenders and repayable on demand and carries interest @ 11-13% per annum.

### Note 10 : Trade Payables

	₹ Crores	
	<b>As at 30.09.2012</b>	As at 30.09.2011
Acceptances	296.58	260.86
Trade Payables (Refer Note 36)	620.77	648.23
<b>Total</b>	<b>917.35</b>	<b>909.09</b>

Includes Joint Venture Share

9.86 11.32

### Note 11 : Other Current Liabilities

	₹ Crores	
	<b>As at 30.09.2012</b>	As at 30.09.2011
Current Maturities of Long-term Debt (Refer Note 5 for detail)	93.59	92.25
Interest Accrued and due on Borrowings	1.01	0.55
Investor Education and Protection Fund will be credited by following amount (as and when due)		
Unpaid Dividends	0.59	0.34
Unpaid Matured Deposits and Interest Accrued thereon	0.82	1.72
Other Payables		
Statutory Dues	38.79	41.04
Advance from Customers	2.35	12.79
Security Deposits	22.55	51.69
Other Liabilities	82.86	73.87
<b>Total</b>	<b>242.56</b>	<b>274.25</b>

Includes Joint Venture Share

4.37 27.37

# ESCORTS LIMITED

## Notes to Consolidated Financial Statements for the year ended 30th September, 2012

Particulars	GROSS BLOCK						DEPRECIATION				NET BLOCK	
	As At 01.10.2011	Adjustment On Amalgamation	Addition	Deletion/ Adjustments	As At 30.09.2012	As At 01.10.2011	Adjustment On Amalgamation	Addition	Deletion/ Adjustments	As At 30.09.2012	As At 30.09.2011	
	As At 01.10.2011	Adjustment On Amalgamation	Addition	Deletion/ Adjustments	As At 30.09.2012	As At 01.10.2011	Adjustment On Amalgamation	Addition	Deletion/ Adjustments	As At 30.09.2012	As At 30.09.2011	
<b>Tangible Assets:</b>												
Land Freehold	1,082.62	-	0.21	-	1,082.83	-	-	-	-	1,082.83	1,082.62	
Buildings	374.50	-	1.88	1.15	375.23	187.67	-	16.20	1.03	172.39	186.83	
Plant & Machinery	645.63	-	71.68	10.82	706.49	404.35	-	30.80	9.80	281.14	241.28	
Furniture & Fixtures	79.89	0.03	4.50	8.34	76.08	60.91	0.02	3.81	8.19	19.53	18.98	
Office Equipment	12.90	0.08	6.51	0.41	19.08	9.09	0.06	1.75	0.37	8.55	3.81	
Vehicles	10.17	-	0.64	0.40	10.41	5.01	-	1.44	0.32	4.28	5.16	
Leasehold Improvements	3.94	-	-	3.42	0.52	3.83	-	0.02	3.41	0.08	0.11	
<b>Assets Under Lease:</b>												
Land Leasehold	8.96	-	0.02	-	8.98	0.35	-	0.10	-	8.53	8.61	
Plant Machinery	5.40	-	-	0.09	5.31	1.15	-	0.25	-	3.91	4.25	
IT Equipments	6.76	-	0.63	0.04	7.35	4.37	-	1.08	0.02	1.92	2.39	
Vehicles	0.23	-	-	-	0.23	0.10	-	0.02	-	0.11	0.13	
<b>TOTAL - A</b>	<b>2,231.00</b>	<b>0.11</b>	<b>86.07</b>	<b>24.67</b>	<b>2,292.51</b>	<b>676.83</b>	<b>0.08</b>	<b>55.47</b>	<b>23.14</b>	<b>709.24</b>	<b>1,554.17</b>	
<b>Intangible Assets:</b>												
Goodwill	56.04	-	-	56.04	-	-	-	-	-	-	56.04	
Prototypes	1.24	-	1.22	1.21	1.25	1.21	-	0.03	1.21	1.22	0.03	
Technical Knowhow	32.84	-	1.23	22.30	11.77	30.43	-	0.92	22.30	2.72	2.41	
Software Development	26.59	-	2.59	13.87	15.31	19.12	-	1.98	13.27	7.48	7.47	
<b>TOTAL - B</b>	<b>116.71</b>	<b>-</b>	<b>5.04</b>	<b>93.42</b>	<b>28.33</b>	<b>50.76</b>	<b>-</b>	<b>2.93</b>	<b>36.78</b>	<b>11.42</b>	<b>65.95</b>	
<b>TOTAL - (A+B)</b>	<b>2,347.71</b>	<b>0.11</b>	<b>91.11</b>	<b>118.09</b>	<b>2,320.84</b>	<b>727.59</b>	<b>0.08</b>	<b>58.40</b>	<b>59.92</b>	<b>726.15</b>	<b>1,620.12</b>	
Capital Work-in- Progress (C)	43.62	-	88.65	78.23	54.04	-	-	-	-	54.04	43.62	
Intangible Assets under Development (D)	4.28	-	8.52	-	12.80	-	-	-	-	12.80	4.28	
<b>Total - (A+B+C+D)</b>	<b>2,395.61</b>	<b>0.11</b>	<b>188.28</b>	<b>196.32</b>	<b>2,387.68</b>	<b>727.59</b>	<b>0.08</b>	<b>58.40</b>	<b>59.92</b>	<b>1,661.53</b>	<b>1,668.02</b>	
Previous Year Figures	2305.60	-	165.79	75.78	2395.61	685.54	-	57.26	15.21	727.59	1,668.02	
* Includes Joint Venture Share												
Original Cost											30.09.2012	
Depreciation											30.09.2011	
Net Book Value											15.30	
Capital Work-in-Progress											14.59	
Total Fixed Assets											11.53	
											11.07	
											3.77	
											3.52	
											0.31	
											0.04	
											4.07	
											3.56	

\* Includes Joint Venture Share

Original Cost

Depreciation

Net Book Value

Capital Work-in-Progress

Total Fixed Assets


**Note 13 : Loans & Advances**

₹ Crores

	Non-Current		Current	
	As at 30.09.2012	As at 30.09.2011	As at 30.09.2012	As at 30.09.2011
<b>Capital Advances</b>				
Unsecured, Considered Good	15.23	8.86	-	-
<b>Security Deposits</b>				
Unsecured : Considered Good	15.66	12.18	-	-
: Considered Doubtful	0.63	0.55	-	-
	<b>16.29</b>	<b>12.73</b>	-	-
Less: Provision for Doubtful Deposits	0.63	0.55	-	-
	<b>15.66</b>	<b>12.18</b>	-	-
<b>Loans and Advances to Related Parties</b>				
Unsecured : Considered Good	-	13.05	-	-
<b>Advances Recoverable in Cash or in Kind or for Value to be Received</b>				
Unsecured : Considered Good	5.35	-	135.04	117.05
: Considered Doubtful	0.03	-	15.27	6.99
	<b>5.38</b>	-	<b>150.31</b>	<b>124.04</b>
Less: Provision for Doubtful Advances	0.03	-	15.27	6.99
	<b>5.35</b>	-	<b>135.04</b>	<b>117.05</b>
<b>Other Loans and Advances</b>				
Advance Income Tax (Net of Provisions)	-	-	37.11	20.63
Mat Credit Entitlement	-	-	17.37	3.06
Others	-	-	-	154.30
<b>Total</b>	<b>36.24</b>	<b>34.09</b>	<b>189.52</b>	<b>295.04</b>
Includes Joint Venture Share	2.87	0.87	5.11	11.96

**Note 14 : Other Assets**

₹ Crores

	Non-Current		Current	
	As at 30.09.2012	As at 30.09.2011	As at 30.09.2012	As at 30.09.2011
<b>Bank Balances</b>				
In Escrow A/c	82.80	82.80	-	-
Deposits with maturity period more than 12 months	2.81	-	-	-
<b>Others</b>				
Interest accrued on Bank Deposits	12.03	6.66	1.31	1.28
Unamortised Expenditure	-	-	1.34	2.12
Others	3.34	8.36	-	0.08
<b>Total</b>	<b>100.98</b>	<b>97.82</b>	<b>2.65</b>	<b>3.48</b>
Includes Joint Venture Share	0.24	-	0.77	0.46

**ESCORTS LIMITED****Notes to Consolidated Financial Statements** for the year ended 30th September, 2012**Note 15 : Inventories**

	₹ Crores	
	<b>As at 30.09.2012</b>	As at 30.09.2011
Raw Materials and Components	239.33	236.77
Goods-in Transit	1.27	2.73
Less: Provision for Obsolete and Slow Moving	37.68	6.69
	<b>202.92</b>	<b>232.81</b>
Work-in-Progress	52.46	47.22
Finished Goods	186.27	138.68
Goods-in Transit	0.21	-
Less: Provision for Obsolete and Slow Moving	2.21	-
	<b>184.27</b>	<b>138.68</b>
Stock-in-Trade	61.20	55.06
Less: Provision for Obsolete and Slow Moving	0.62	-
	<b>60.58</b>	<b>55.06</b>
Stores and Spares	10.79	10.28
Loose Tools	13.34	11.88
<b>Total</b>	<b>524.36</b>	<b>495.93</b>
Includes Joint Venture Share	2.50	1.09

**Note 16 : Trade Receivables**

	₹ Crores	
	<b>As at 30.09.2012</b>	As at 30.09.2011
<b>Trade Receivable</b>		
<b>outstanding for a period exceeding six months from the date they are due for payment</b>		
- Secured, Considered Good	0.62	1.49
- Unsecured : Considered Good	52.50	36.67
: Considered Doubtful	67.09	28.99
	<b>120.21</b>	<b>67.15</b>
- Less: Provision for Doubtful Debts	67.09	28.99
	<b>53.12</b>	<b>38.16</b>
<b>Others</b>		
- Secured, Considered Good	43.23	93.32
- Unsecured : Considered Good	371.37	408.77
: Considered Doubtful	7.77	-
	<b>422.37</b>	<b>502.09</b>
- Less: Provision for Doubtful Debts	7.77	-
	<b>414.60</b>	<b>502.09</b>
<b>Total</b>	<b>467.72</b>	<b>540.25</b>
Includes Joint Venture Share	13.39	14.85




**Note 17 : Cash And Bank Balances**

	₹ Crores	
	As at 30.09.2012	As at 30.09.2011
<b>Cash and Cash Equivalents</b>		
Balances with Bank		
- Cash Credit Accounts	48.04	25.63
- Current Accounts	10.70	25.44
Cheques, drafts in Hand	2.68	22.50
Cash in Hand	2.95	3.25
Bank deposits with less than 12 months maturity	67.20	134.07
	<b>131.57</b>	<b>210.89</b>
<b>Other Balances with Bank</b>		
- Unpaid Dividend Accounts	0.59	0.34
<b>Margin Money</b>	13.01	34.10
<b>Grand Total</b>	<b>145.17</b>	<b>245.33</b>
Includes Joint Venture Share	1.72	2.16

**Note 18 : Revenue From Operations**

	₹ Crores	
	Year ended 30.09.2012	Year ended 30.09.2011
<b>Sale</b>		
Gross Sales	4,106.17	4,148.84
Less: Excise Duty	103.68	98.51
<b>Net Sale Total (A)</b>	<b>4,002.49</b>	<b>4,050.33</b>
Other Operating Income		
Erection and Servicing	7.11	4.42
Export Incentive	0.35	7.40
Scrap Sale	7.09	6.32
Management Fee, Brokerage & Others	32.42	32.49
<b>Total (B)</b>	<b>46.97</b>	<b>50.63</b>
<b>Total (A+B)</b>	<b>4,049.46</b>	<b>4,100.96</b>
Includes Joint Venture Share	25.90	20.20

**Note 19 : Other Income**

	₹ Crores	
	Year ended 30.09.2012	Year ended 30.09.2011
Interest Income		
- Bank Deposits	17.12	13.31
- Others	17.44	19.64
Dividend Income from Long-term Investment	3.10	1.57
Net gain on sale of Current Investments	0.13	0.35
Foreign Exchange Variation (Net)	(0.96)	0.40
Miscellaneous Income	11.46	21.20
<b>Total</b>	<b>48.29</b>	<b>56.47</b>
Includes Joint Venture Share	1.01	10.13

**ESCORTS LIMITED****Notes to Consolidated Financial Statements** for the year ended 30th September, 2012**Note 20 : Cost Of Raw Material & Components Consumed**

	₹ Crores	
	<b>Year ended 30.09.2012</b>	Year ended 30.09.2011
Opening Stock	239.50	228.89
Add : Purchases	2,774.55	2,720.49
	<b>3,014.05</b>	<b>2,949.38</b>
Less : Closing Stock	240.60	239.50
<b>Total</b>	<b>2,773.45</b>	<b>2,709.88</b>

Includes Joint Venture Share

- -

**Note 21 : Purchase Of Traded Goods**

	₹ Crores	
	<b>Year ended 30.09.2012</b>	Year ended 30.09.2011
Purchases of Traded Goods	233.87	337.10
<b>Total</b>	<b>233.87</b>	<b>337.10</b>

Includes Joint Venture Share

6.13 5.08

**Note 22 : Changes in Inventories of Finished Goods, Work-In-Progress and Traded Goods**

	₹ Crores	
	<b>Year ended 30.09.2012</b>	Year ended 30.09.2011
<b>Opening Stock</b>		
- Finished Goods	138.68	106.81
- Work-In-Progress	47.22	32.70
- Stock-In-Trade	55.06	38.57
	<b>240.96</b>	<b>178.08</b>
<b>Closing Stock</b>		
- Finished Goods	184.27	138.68
- Work-In-Progress	52.46	47.22
- Stock-In-Trade	60.58	55.06
	<b>297.31</b>	<b>240.96</b>
<b>(Increase)/Decrease In Stock</b>	<b>Total</b>	
	<b>(56.35)</b>	<b>(62.88)</b>

Includes Joint Venture Share

(1.41) (0.45)


**Note 23 : Employee Benefits**

	₹ Crores	
	<b>Year ended 30.09.2012</b>	Year ended 30.09.2011
Salary, Wages & Bonus	341.23	312.21
Employee Stock Option Scheme	(0.51)	1.12
Contribution to Gratuity Fund	14.38	7.79
Contribution to Provident Fund & Other Funds	16.90	15.85
Staff Welfare Expenses	47.79	47.13
<b>TOTAL</b>	<b>419.79</b>	<b>384.10</b>
Includes Joint Venture Share	3.11	3.14

**Note 24 : Finance Cost**

	₹ Crores	
	<b>Year ended 30.09.2012</b>	Year ended 30.09.2011
Interest Expense		
On Debenture & Long-Term Loan	38.93	29.13
On Cash Credit & Short-Term Loan	25.03	20.27
Others	17.79	9.26
Bank & Finance Charges	15.27	12.48
<b>TOTAL</b>	<b>97.02</b>	<b>71.14</b>
Includes Joint Venture Share	0.25	1.51

**Note 25 : Depreciation & Amortisation**

	₹ Crores	
	<b>Year ended 30.09.2012</b>	Year ended 30.09.2011
Depreciation & Amortisation	58.43	57.31
Less Transfer from Revaluation Reserve	8.21	9.66
<b>TOTAL</b>	<b>50.22</b>	<b>47.65</b>
Includes Joint Venture Share	1.03	0.98

**ESCORTS LIMITED****Notes to Consolidated Financial Statements** for the year ended 30th September, 2012**Note 26 : Other Expenses**

	₹ Crores	
	<b>Year ended 30.09.2012</b>	Year ended 30.09.2011
Excise Duty on Increase/(Decrease) in Stock of Finished Goods	2.41	1.00
Consumption of Stores, Spares and Tools	34.65	40.53
Power & Fuel	39.83	40.09
Repair & Maintenance		
Building	6.00	8.03
Plant & Machinery	18.44	23.17
Other	13.22	14.56
Warranties	21.05	26.45
Rent (Net)	6.47	6.42
Rates & Taxes	3.20	10.25
Insurance	4.66	4.99
Travelling & Conveyance	37.47	34.35
Postage, Telegram & Telephones	7.83	7.63
Legal & Professional Expenses	23.48	26.29
Commission, Discount & Sale Incentive	93.88	103.17
Advertisement	45.70	52.35
Royalty	19.54	21.79
Packing, Freight & Forwarding	66.63	93.32
Directors' Sitting Fees & Commission	0.48	2.43
Provision For		
Doubtful Debts	7.26	11.57
Advances & Deposits	0.10	0.47
Inventory & Others	0.74	6.90
Amounts Written Off	0.16	0.95
Liability Written Back	(0.36)	(0.12)
Recovery Against Bad Debts & Others	(4.00)	(2.24)
Provision No Longer Required Written Back	(2.36)	(4.02)
Miscellaneous Expenses	42.69	34.91
<b>TOTAL</b>	<b>489.17</b>	<b>565.24</b>
Includes Joint Venture Share	16.12	14.22

**Note 27 : Exceptional Items**

	₹ Crores	
	<b>Year Ended 30.09.2012</b>	Year Ended 30.09.2011
Surplus on Sale of Assets (Net)	(1.10)	(0.88)
Fixed Assets Written Off	0.09	0.03
Disposal of Long-term Investment	0.32	-
Voluntary Retirement Expenses	-	0.31
Service Tax / Tenancy Compensation	(0.67)	(4.00)
Bad Debts Written Off	50.01	115.71
Less : Provision Created in earlier Years	(50.01)	(115.71)
<b>TOTAL</b>	<b>(1.36)</b>	<b>(4.54)</b>
Includes Joint Venture Share	-	(0.04)

**NOTE 28 : Segment Information For the Year Ended 30th September, 2012**

₹ Crores

	Agri Machinery	Auto Ancillary Products	Railway Equipment	Construction Equipments	Others	Unallocated	Escorts Limited
External Revenue	3,006.32 (2,962.71)	124.33 (106.29)	146.70 (190.74)	747.95 (826.16)	34.59 (35.62)	3.30 (2.96)	4,063.19 (4,124.48)
Internal Revenue	59.12 (53.74)	18.86 (16.85)	2.10 (1.52)	0.64 (1.34)	0.20 -	1.95 (1.68)	82.87 (75.13)
Segment Revenue	3,065.44 (3,016.45)	143.19 (123.14)	148.80 (192.26)	748.59 (827.50)	34.79 (35.62)	5.25 (4.64)	4,146.06 (4,199.61)
Eliminations	59.12 (53.74)	18.86 (16.85)	2.10 (1.52)	0.64 (1.34)	0.20 -	1.95 (1.68)	82.87 (75.13)
Total Revenue							4,063.19 (4,124.48)
Segment Result	230.94 (183.15)	(11.83) 17.62	9.36 (16.44)	1.35 (25.06)	2.21 (4.13)	(58.72) 46.28	173.31 (164.88)
Interest Expense							97.02 (71.14)
Unallocated Corporate Interest Income							14.29 (11.46)
Exceptional Items							(1.36) 4.54
Profit before Taxation							91.94 (109.74)
<b>Provision for Taxation:</b>							
- Current Tax							20.51 (33.83)
- Mat Entitlement							(14.31) 1.49
- Tax reversal earlier year							- 38.49
- Deferred Tax							12.54 9.18
Profit After Tax							73.20 (125.07)
Minority Interest							(0.61) 1.32
<b>Other Information</b>	<b>As At 30/09/2012</b>	<b>As At 30/09/2012</b>	<b>As At 30/09/2012</b>	<b>As At 30/09/2012</b>	<b>As At 30/09/2012</b>	<b>As At 30/09/2012</b>	<b>As At 30/09/2012</b>
Segment Assets	1,900.69 (1,800.46)	118.98 (99.17)	127.98 (137.83)	421.63 (508.01)	77.10 (120.20)	855.38 (839.20)	3,501.76 (3,504.87)
Segment Liabilities	972.09 (926.10)	64.68 (61.92)	42.25 (40.09)	323.95 (322.21)	34.43 (39.05)	94.03 (88.20)	1,531.43 (1,477.57)
Additions to Tangible Fixed Assets	70.57 (51.44)	0.77 (0.81)	1.58 (2.62)	3.01 (6.77)	1.54 (1.54)	8.60 (4.74)	86.07 (67.92)
Addition to Intangible Fixed Assets	2.32 (3.08)	-	0.34 (0.15)	1.77 (0.61)	0.03 (0.01)	0.58 -	5.04 (3.85)
Depreciation	30.04 (27.57)	2.26 (2.10)	3.67 (4.20)	7.87 (7.97)	1.31 (1.27)	5.04 (4.49)	50.19 (47.60)
Non - Cash Expenses other than Depreciation	-	-	-	0.14 (0.07)	0.03 (0.05)	0.61 (0.94)	0.78 (1.06)

**Segment Information For the Year Ended 30th September, 2012**

	India	Outside India	Consolidated Total
Revenue By Geographical Market - External	3,909.58 (4058.41)	153.61 (66.07)	4,063.19 (4124.48)
Carrying Amount of Segement Assets	3,450.02 (3455.06)	51.74 (49.81)	3,501.76 (3504.87)
Addition to Tangible Fixed Assets	85.85 (67.89)	0.22 (0.03)	86.07 (67.92)
Addition to Intangible Fixed Assets	5.03 (2.89)	0.01 (0.96)	5.04 (3.85)

**ESCORTS LIMITED****Notes to Consolidated Financial Statements** for the year ended 30th September, 2012**29. Miscellaneous expenditure (to the extent not written off or adjusted) :**

₹ Crores

	Year Ended 30.09.2012		Year Ended 30.09.2011	
<b>(a) Upfront Fee</b>				
As per the last financial statements	2.01		1.95	
Add : Addition during the year	-		1.07	
Less : Written off during the year	0.75	1.26	1.01	2.01
<b>(b) Others</b>				
As per the last financial statements	0.11		0.16	
Add : Addition during the year	-		-	
Less : Written off during the year	0.03	0.08	0.05	0.11
<b>Total Closing Balance</b>		<b>1.34</b>		<b>2.12</b>

**30. Earnings per Shares**

		Year Ended 30.09.2012	Year Ended 30.09.2011
Net Profit after Tax (₹ Crores)	Basic	73.81	126.39
	Diluted	73.81	126.39
Weighted Average Number of Shares Outstanding -	Basic	119,263,266	92,130,169
	Diluted	119,263,266	92,780,203
Earnings per Share (face value ₹ 10 per share)	Basic	6.19	13.72
	Diluted	6.19	13.62

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

₹ Crores

Contingent Liabilities	Year Ended 30.09.2012	Year Ended 30.09.2011
I) Estimated amounts of contracts remaining to be executed on capital account and not provided for	48.35	65.65
II) Claims not acknowledged as debts	0.69	0.70
III) There is a Contingent liability of :		
(a) Excise duty/Customs duty demands not acknowledged as liability	12.66	8.98
(b) ESI additional demand not acknowledged as liability	4.16	4.18
(c) Sales Tax & Other demands not acknowledged as liability	13.50	16.30
(d) Pending Legal Cases - Personnel	4.06	3.21
- Others	23.41	79.87
(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 Programme	26.98	28.18
(g) LC/Guarantees executed in favour of Others	25.49	130.07
(h) Demand raised by Income Tax Department, disputed by the Company and pending in appeal	112.61	133.98
(i) Demand raised by Department of Telecommunication (DOT)	9.92	11.73
(j) Liability towards Surety Bond in favour of Governor of Haryana for Sales Tax registration under VAT	3.50	-

**32. Proportionate share of Joint Ventures in the following line items is given below as there is no separate note attached**

₹ Crores

	Year ended 30.09.2012	Year ended 30.09.2011
Provision for Taxation:		
- Current Taxation	0.69	0.93
- Deferred Taxation	(0.18)	0.16
Investments	-	141.54
Contingent Liability	16.26	109.06



- 33.** The Company revalued its freehold land & buildings as on 1st April, 2009 and amount added on revaluation is ₹ 672.72 crores, the revaluations was carried out by reputed independent valuer.
- 34.** 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.
- 35.** The Company has executed an Agreement to Sell for transfer of 25 acres of land at Plot No. 219, Sector 58, Balabhgarh, Haryana for a consideration of ₹ 9.00 crores. The said transfer is subject to necessary approval from HUDA and accordingly the consideration amount of ₹ 9.00 crores is being treated as advance.
- 36.** 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 and as required by Schedule VI of Companies Act, 1956 have not been given.
- 37.** Pursuant to the Scheme of Arrangement (Scheme) under Sections 391 to 394 which has been approved by the Hon'ble High Court of Punjab & Haryana vide its Order dated 17th September 2009, an amount of ₹ 369.79 crores on account of, receivables, fixed assets, inventories, loans & advances which is doubtful of recovery/realization has been provided for/written off 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 reserves & surplus) and the statement of profit and loss would have been impacted to that extent. Further, the balance amount of ₹ 70.28 crores lying in Business Reconstruction Reserve has been transferred to General Reserve.
- 38.** A Scheme of Arrangement and Amalgamation under Section 391 to 394 of the Companies Act, 1956 was approved by the shareholders and the unsecured creditors of Escorts Limited on 20th May, 2012 for the amalgamation of Escorts Construction Equipment Limited ('ECEL'), Escotrac Finance and Investments Private Limited ('Escotrac') and Escorts Finance Investments and Leasing Private Limited (EFILL) (together 'Transferor Companies') with Escorts Limited ('Escorts' or Company') (hereinafter referred to as 'the Scheme'), with effect from the Appointed Date of 1st October, 2011, The Scheme has been sanctioned by the Hon'ble High Court of Punjab and Haryana at Chandigarh vide its order dated 9th August, 2012. Upon necessary filings with the respective Registrar of Companies by the Transferor Companies and Transferee Company, the Scheme has become effective on 12th October, 2012 and the effect thereof has been given in the financial statements from 1st October, 2011. Consequently in terms of the Scheme,
1. The entire business undertaking of the Transferor Companies including all assets and liabilities, as a going concern, stands transferred to and vested in the Company with effect from 1st October, 2011 being the merger appointed date.
  2. The Transferor Companies which were engaged in the business of manufacture of construction equipment and investment activities have been dissolved without being wound up.
  3. In consideration of the amalgamation, the Company has issued:
    - 1,68,83,629 equity shares of ₹ 10 each aggregating to ₹ 16.88 crores in the ratio of 4 (four) fully paid up Equity Shares of the face value of ₹ 10/- each of the Company for every 27 (Twenty Seven) fully paid-up equity shares of ₹ 10/- each held in ECEL
    - 44,444 equity shares of ₹ 10 each aggregating to ₹ 0.04 crores in the ratio of 4 (four) fully paid up Equity Shares of the face value of ₹ 10/- each of the Company for every 27 (Twenty Seven) fully paid up equity shares of ₹ 10/- each held in Escotrac
    - 30,769 equity shares of ₹ 10 each aggregating to ₹ 0.03 crores in the ratio of 4 (four) fully paid up Equity Shares of the face value of ₹ 10/- each of the Company for every 39 (Thirty Nine) fully paid up equity shares of ₹ 10/- each held in EFILL
  4. Pursuant to the above, the issued share capital of the Company increased from ₹ 105.62 crores to ₹ 122.58 crores. Further, pursuant to the Scheme, the authorized share capital of the Company stands enhanced to ₹ 1289 crores.

**ESCORTS LIMITED****Notes to Consolidated Financial Statements** for the year ended 30th September, 2012

5. Further, equity investments held by Escotracs and by EFILL in the share capital of the Company and equity investment held by Escotracs and by EFILL in the share capital of Escorts Finance Limited, ultimately transferred to the Escorts Benefit and Welfare Trust. The beneficiary interest in the Escorts Benefit and Welfare Trust, has been accounted for as an Investment by the Company in the manner prescribed in the Scheme.
6. The amalgamation has been accounted for under the "Pooling of Interest Method" in accordance with Accounting Standard (AS) -14 on Accounting for Amalgamations. Accordingly, all the assets and liabilities of the Transferor Companies have been taken at their respective book values as appearing in the books of the Transferor Companies.

Further, as envisaged in the Scheme, all outstanding intercompany balances including inter-company investments (other than referred to in point 5 above) stands cancelled. Furthermore, pursuant to the scheme, Rs.97.40 crores, being the difference between the net assets of the transferor companies and the purchase consideration issued by the company is adjusted in reserves of the Company.

39. The Company had allotted 10,505,306 equity shares for an amount of ₹ 154.30 crores in the name of Members of Hardship Committee constituted by Hon'ble High Court of Delhi (High Court) pursuant to the Scheme of Arrangement and Compromise filed before it to Bail out FD holders of Escorts Finance Ltd. 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 remaining unclaimed deposit, 2,401,050 shares of Escorts Limited have been transferred to Escorts Benefit Trust (Trust) and the Hardship Committee has been dissolved.

**40. Disclosure under Accounting Standard - 19 (Leases)****(a) In respect of 'Finance Lease' arrangements for the period 2011-12**

(₹ Crores)

	Minimum Lease Payments Outstanding		Present Value of Minimum Lease Payments Outstanding		Future Interest on Outstanding Lease Payments	
	2011-12	2010-11	2011-12	2010-11	2011-12	2010-11
- Total amount due	2.20	4.61	2.01	4.04	0.19	0.56
- Due within one year	1.68	2.70	1.52	2.29	0.16	0.41
- Due later than one year and not later than five years	0.52	1.91	0.49	1.75	0.03	0.15

**(b) Assets taken on Operating Cancellable leases**

The total lease payments recognised in the Statement of Profit and Loss for the year ended 30th September, 2012 is ₹ 0.38 crores (Previous Year - ₹ 0.34 Crores).

41. The current year figures have been reported as per revised Schedule VI notified under the Companies Act, 1956. The Company has reclassified the previous year figures to confirm this year's classification. Further pursuant to scheme of amalgamation and its effect on the financial statements, current year figures are not comparable with the figures of previous year.

Figures have been rounded off to the nearest lac rupees.

As per our audit report attached

For and on behalf of the Board

**For S. N. DHAWAN & CO.**

Chartered Accountants  
(Firm Regn. No. 000050N)

**RAJAN NANDA**  
Chairman and  
Managing Director

**NIKHIL NANDA**  
Joint Managing Director

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

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

**VIJAY DHAWAN**

Partner  
M No. 12565

Date: 27th November, 2012  
Place: Faridabad

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

**S. C. BHARGAVA**  
Director

**HARDEEP SINGH**  
Director

**G. B. MATHUR**  
EVP - Law & Company Secretary





## Consolidated Cash Flow Statement

₹ Crores

	Year ended 30.09.2012	Year ended 30.09.2011
<b>A. CASH FLOW FROM OPERATING ACTIVITIES</b>		
Net Profit before tax	91.94	109.74
Adjustments for :		
Depreciation	50.19	47.60
Misc. Exp./Assets Write off/Provisions/Adjustments	5.81	16.70
Interest Expense	81.75	58.66
Surplus on sale of assets (net)	(1.10)	(0.88)
Surplus on sale of investments	(0.13)	(0.35)
Dividend Income	(3.10)	(1.57)
Interest Income	(34.56)	(32.96)
<b>Operating Profit before working capital changes</b>	<b>190.80</b>	<b>196.94</b>
Adjustments for:		
Trade and Other Receivables	17.45	(102.03)
Inventories	(74.47)	(68.70)
Trade Payables & Provisions	(38.70)	209.70
	<b>(95.72)</b>	<b>38.97</b>
<b>Cash Generated from Operations</b>	<b>95.08</b>	<b>235.91</b>
Direct Taxes Paid (net of refunds received)	(36.98)	(28.15)
<b>Net Cash Flow from Operating Activities</b>	<b>58.10</b>	<b>207.76</b>
<b>B. CASH FLOW FROM INVESTING ACTIVITIES</b>		
Purchase of Fixed Assets	(108.18)	(104.36)
Sale/(Purchase) of Investments	(3.62)	(5.70)
Interest Received	29.02	27.49
Dividend Received	3.10	1.57
Movement in Loans & Advances	(50.43)	(27.87)
<b>Net Cash used in Investing Activities</b>	<b>(130.11)</b>	<b>(108.87)</b>
<b>C. CASH FLOW USED IN FINANCING ACTIVITIES</b>		
Proceeds from/(to) Minority Interest	2.50	2.00
Proceeds/(Repayment) from/(to) Long-term Borrowings	(28.94)	53.94
Payment of Dividend & Dividend Tax	(17.10)	(18.47)
Net Proceeds from Short-term Borrowings	96.72	30.88
Interest Paid	(81.35)	(59.82)
<b>Net Cash used in financing activities</b>	<b>(28.17)</b>	<b>8.53</b>
<b>Net Increase/(Decrease) in Cash and Cash Equivalents</b>	<b>(100.18)</b>	<b>107.42</b>
<b>Opening Cash and Cash Equivalents</b>	<b>245.33</b>	<b>137.91</b>
<b>Addition on Amalgamation</b>	<b>0.02</b>	<b>-</b>
<b>Closing Cash and Cash Equivalents</b>	<b>145.17</b>	<b>245.33</b>

### Notes:

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

As per our audit report attached

For and on behalf of the Board

**For S. N. DHAWAN & CO.**
Chartered Accountants  
(Firm Regn. No. 000050N)
**RAJAN NANDA**  
Chairman and  
Managing Director

**NIKHIL NANDA**  
Joint Managing Director

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

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

**VIJAY DHAWAN**
Partner  
M No. 12565Date: 27th November, 2012  
Place: Faridabad
**Dr. S. A. DAVE**  
Director

**S. C. BHARGAVA**  
Director

**HARDEEP SINGH**  
Director

**G. B. MATHUR**  
EVP - Law & Company Secretary

## ESCORTS LIMITED

# Statement Regarding Subsidiary Companies

Pursuant To Section 212 Of The Companies Act,1956

Sr. No	Name of The Company	Share Capital	Reserves & Surplus	Total Assets			Total Liabilities			Turnover & Other Income	Profit Before Tax	Provision For Tax	Profit After Tax			
				Fixed Assets	Investments	Current Assets	Deferred Tax Assets	Non-Current Assets	Non-Current Liabilities					Deferred Tax Liability	Current Liabilities	Other than in Subsidiaries
1	Escorts Asset Management Limited	130,000.00	(7,025.62)	1,577.86	50,520.90	9,995.84	7,922.78	59,147.05	-	2,089.67	4,100.38	30,822.90	21,868.05	(16,212.81)	(4,292.37)	(11,920.44)
2	Escorts Securities Ltd.	62,000.00	27,751.49	9,842.08	21,196.66	114,348.90	4,651.75	57,111.56	-	20,704.51	96,694.95	21,196.66	48,338.99	(16,481.43)	(875.57)	(15,605.86)
3	EDDAL Credit Limited	25,500.70	16,407.40	-	-	43,208.30	-	-	-	-	1,300.20	-	1,968.39	1,909.05	642.73	1,266.32
4	Farmtrac Tractors Europe Spolka Zo-o (1PLN = ₹ 16.29 INR)	83,465.62	107,858.82	36,580.53	-	509,456.93	-	-	476.72	-	354,236.30	-	1,536,803.73	45,662.39	3,437.51	42,224.89

### NOTES:

- The Annual Accounts along with 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 & subsidiary companies investor seeking such information, at any point of time. The annual account 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.
- 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.
- At the behest of the creditors of Farmtrac North America LLC (FNA) (a subsidiary of the Company), the Superior Court Division of Edgecombe, North Carolina, USA have appointed a Receiver for FNA, who has taken over all the assets, books & records of FNA, accordingly the information relating to Farmtrac North America LLC (FNA) has not been given.

**RAJAN NANDA**  
Chairman &  
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

**HARDEEP SINGH**  
Director

**G. B. MATHUR**  
EVP - Law & Company Secretary

Place: Faridabad

Date: 27th November, 2012

# 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

## INTERNAL AUDITORS

Grant Thornton

## SOLICITORS

Crawford Bayley & Co.

## STATUTORY AUDITORS

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

## REGISTERED OFFICE

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

## CORPORATE CENTRE

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

## CONSULTANTS & ADVISORS

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

## BANKERS

Andhra Bank  
Axis Bank  
Citibank, n.a.  
IDBI Bank  
IndusInd Bank  
Oriental Bank of Commerce  
Punjab National Bank  
State Bank of Hyderabad  
State Bank of India  
State Bank of Patiala  
State Bank of Travancore  
Yes Bank





### **Corporate Centre**

Escorts Limited  
Corporate Secretariat & Law  
15/5, Mathura Road,  
Faridabad - 121003, Haryana, India  
Phone: 0129-2250222  
Fax: 0129-2250036  
E-mail: corpsect@nbd.vsnl.net.in

### **Registered Office**

SCO-232, First Floor, Sector-20  
Panchkula, Haryana - 134109, India  
Phone: 0172-4416938  
Fax: 0172-4416938

This report is available online at  
[www.escortsgroup.com](http://www.escortsgroup.com)

