



August 2, 2020

<b>BSE Limited</b> Phiroze Jeejeebhoy Towers, Dalal Street, Mumbai – 400 051	<b>National Stock Exchange of India Limited</b> Exchange Plaza, Bandra Kurla Complex, Bandra East, Mumbai – 400 051	<b>Delhi Stock Exchange Limited</b> DSE House, 3/1, Asaf Ali Road, New Delhi – 110 002
<b>BSE – 500495</b>	<b>NSE – ESCORTS</b>	<b>DSE – 00012</b>

Dear Sirs,

**Sub: Annual General Meeting - Annual Report 2019-20**

This is to inform you that the Seventy Fourth Annual General Meeting (“AGM”) of the Company will be held on Monday, August 24, 2020 at 10.00 a.m. IST through Video Conferencing / Other Audio Visual Means in compliance with the relevant circulars issued by the Ministry of Corporate Affairs and the Securities and Exchange Board of India.

Pursuant to Regulation 34(1) of Securities Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 (“SEBI Listing Regulations”), the Annual Report of the Company along with the Notice of AGM for the financial year 2019-20, being sent through electronic mode to the Members, is attached.

Pursuant to Regulation 44 of Listing Regulations, Company is providing facility for remote e-Voting to its members whose names are recorded in Register of Members or Register of Beneficial Owner maintained by the Depositories as on the cut-off date i.e. Monday, August 17, 2020 as the “Cut-off Date”. The remote e-Voting shall commence at 9:00 a.m. on Friday, August 21, 2020 and shall end at 5:00 P.M. on Sunday, August 23, 2020.

The notice of AGM and Annual Report is also uploaded on the website of the Company i.e. [www.escortsgroup.com](http://www.escortsgroup.com).

You are requested to disseminate the above intimation on your website.

Thanking You,

**Yours Faithfully**  
**For Escorts Limited**

  
  
**Satyendra Chauhan**  
**Company Secretary & Compliance Officer**  
**Encl: Notice of AGM & Annual Report**

- CC: 1. National Securities Depositories Limited, Mumbai**  
**2. Central Depository Services (I) Limited, Mumbai**  
**3. Kfin Technologies Private Limited, Hyderabad**

**ESCORTS LIMITED**

Phone: +91-129-2250222, Fax: +91-129-2250060, 2250058

Email: [corpsl@escorts.co.in](mailto:corpsl@escorts.co.in); Website: [www.escortsgroup.com](http://www.escortsgroup.com)

Registered Office: 15/5, Mathura Road, Faridabad – 121 003, Haryana

**CIN: L74899HR1944PLC039088**



## Escorts Limited

CIN: L74899HR1944PLC039088  
Registered Office: 15/5, Mathura Road, Faridabad – 121 003, Haryana, India  
Tel.: 0129 – 2250222, Fax: 0129 – 2250060  
E-mail: [corpsl@escorts.co.in](mailto:corpsl@escorts.co.in)  
Website: [www.escortsgroup.com](http://www.escortsgroup.com)

### NOTICE

Notice is hereby given that 74th Annual General Meeting (“AGM”) of the members of ESCORTS LIMITED (“Company”) will be held through Video Conferencing (“VC”)/ Other Audio Visual Means (“OAVM”) at 10:00 a.m. (Indian Standard Time) on Monday, August 24, 2020, to transact the following business:-

#### A. ORDINARY BUSINESS:

- To consider and adopt:
  - the audited standalone financial statement of the Company for the financial year ended March 31, 2020, the reports of the Board of Directors and Auditors thereon; and
  - the audited consolidated financial statement of the Company for the financial year ended March 31, 2020 and report of Auditors thereon.
- To declare a dividend on equity shares.
- To appoint a Director in place of Mr. Hardeep Singh (DIN 00088096), who retires by rotation and being eligible, offers himself for re-appointment.

#### B. SPECIAL BUSINESS:

- To approve the remuneration of the Cost Auditors for the financial year ending March 31, 2021 and in this regard, to consider and if thought fit, to pass with or without modification(s), the following resolution as an “Ordinary Resolution”:

“Resolved That pursuant to the provisions of Section 148 and other applicable provisions, if any, of the Companies Act, 2013 and the Companies (Audit and Auditors) Rules, 2014 (including any statutory modification(s) or re-enactment(s) thereof, for the time being in force), M/s. Ramanath Iyer & Co., Cost Auditors (Firm Registration No. 000019) appointed by the Board of Directors of the Company, to conduct the audit of the cost records of the Company for the financial year ending

March 31, 2021, be paid a remuneration not exceeding ₹ 8.50 lacs plus applicable tax and reimbursement of out of pocket expenses.

**Resolved Further That** the Board of Directors of the Company be and is hereby authorised to do all acts and take all such steps as may be necessary, proper or expedient to give effect to this resolution.”

- To appoint Ms. Tanya Dubash (DIN 00026028) as an Independent Director and in this regard, to consider and if thought fit, to pass with or without modification(s), the following resolution as an **Ordinary Resolution**:

“Resolved That pursuant to the provisions of Sections 149, 150, and 152 read with Schedule IV and other applicable provisions, if any, of the Companies Act, 2013 (“Act”), the Companies (Appointment and Qualification of Directors) Rules, 2014 and SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 (including any statutory modification(s) or re-enactment(s) thereof for the time being in force), Ms. Tanya Dubash (DIN 00026028), who was appointed as an Additional Director pursuant to the provisions of Section 161(1) of the Act and the applicable provisions of the Articles of Association of the Company, with effect from January 29, 2020 upto the date of ensuing Annual General Meeting, and who qualifies for being appointed as a Director and in respect of whom the Company has received a notice in writing from a member proposing her candidature for the office of Director, be and is hereby appointed as an Independent Director of the Company not liable to retire by rotation, for a period of 5 (five) years from the date of her appointment by the Board of Directors of the Company i.e. January 29, 2020.

**Resolved Further That** the Board of Directors of the Company be and are hereby authorised to do all acts and take all such steps as may be necessary, proper or expedient to give effect to this resolution.”

6. To appoint Mr. Harish N. Salve (DIN 01399172) as an Independent Director and in this regard to consider and if thought fit, to pass with or without modification(s), the following resolution as an **Ordinary Resolution**:

**“Resolved That** pursuant to the provisions of Sections 149, 150 and 152 read with Schedule IV and other applicable provisions, if any, of the Companies Act, 2013 (**“Act”**), the Companies (Appointment and Qualification of Directors) Rules, 2014 and SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 (including any statutory modification(s) or re-enactment(s) thereof for the time being in force), Mr. Harish N. Salve (DIN 01399172), who was appointed as an Additional Director pursuant to the provisions of Section 161(1) of the Act and the applicable provisions of the Articles of Association of the Company, with effect from July 16, 2020 upto the date of ensuing Annual General Meeting, and who qualifies for being appointed as a Director and in respect of whom the Company has received a notice in writing from a member proposing his candidature for the office of Director, be and is hereby appointed as an Independent Director of the Company not liable to retire by rotation, for a period of 5 (five) years from the date of his appointment by the Board of Directors of the Company i.e. July 16, 2020.

**Resolved Further That** the Board of Directors of the Company be and are hereby authorised to do all acts and take all such steps as may be necessary, proper or expedient to give effect to this resolution.”

7. To appoint Mr. Dai Watanabe (DIN 08736520) as a Non-Executive Director and in this regard, to consider and if thought fit, to pass with or without modification(s), the following resolution as an **Ordinary Resolution(s)**:

**“Resolved That** pursuant to the provisions of Section 152 read with other applicable provisions of the Companies Act, 2013 (**“Act”**), the Companies (Appointment and Qualification of Directors) Rules, 2014 and any other applicable laws, rules, regulations (including any amendment(s), statutory modification(s) or re-enactment(s) thereof for the time being in force), Mr. Dai Watanabe (DIN 08736520), who was appointed as an Additional Director in a non-executive capacity pursuant to the provisions of Section 161(1) of the Act and the applicable provisions of the Articles of Association of the Company, with effect from July 16 2020, upto the date of ensuing Annual General Meeting, and who qualifies for being appointed as a Director and in respect of whom the Company has received a notice in writing from Kubota Corporation, a member of the Company, proposing his candidature for the office of Director, be and is hereby appointed as a Director of the Company in a non-executive capacity, liable to retire by rotation.

**Resolved Further That** the Board of Directors of the Company be and is hereby authorised to do all acts and take all such steps as may be necessary, proper or expedient to give effect to this resolution.”

8. To appoint Mr. Yuji Tomiyama (DIN 08779472) as a Non-Executive Director and in this regard, to consider and if thought fit, to pass with or without modification(s), the following resolution as an **Ordinary Resolution(s)**:

**“Resolved That** pursuant to the provisions of Section 152 read with other applicable provisions of the Companies Act, 2013 (**“Act”**), the Companies (Appointment and Qualification of Directors) Rules, 2014 and any other applicable laws, rules, regulations (including any amendment(s), statutory modification(s) or re-enactment(s) thereof for the time being in force), Mr. Yuji Tomiyama (DIN 08779472), who was appointed as an Additional Director in a non-executive capacity pursuant to the provisions of Section 161(1) of the Act and the applicable provisions of the Articles of Association of the Company, with effect from July 16 2020, upto the date of ensuing Annual General Meeting, who qualifies for being appointed as a Director and in respect of whom the Company has received a notice in writing from Kubota Corporation, a member of the Company, proposing his candidature for the office of Director, be and is hereby appointed as a Director of the Company in a non-executive capacity, liable to retire by rotation.

**Resolved Further That** the Board of Directors of the Company be and is hereby authorised to do all acts and take all such steps as may be necessary, proper or expedient to give effect to this resolution.”

#### **NOTES:**

1. The Explanatory Statement pursuant to Section 102(1) of the Companies Act, 2013, (**“Act”**) which sets out details relating to Special Business at the Meeting, is annexed hereto.
2. Pursuant to requirements of Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 in relation to corporate governance and the applicable Secretarial Standards, the information required to be provided in case of appointment/ re-appointment of Director, is set out at the Annexure I to this Notice.
3. In view of the continuing Covid-19 pandemic, the Ministry of Corporate Affairs (**“MCA”**) has vide its circular dated May 5, 2020 read with circulars dated April 8, 2020 and April 13, 2020 (collectively referred to as **“MCA Circulars”**) permitted the holding of the Annual General Meeting through VC/ OAVM (**“AGM”** or **“e-AGM”**), without the physical presence of the members of the Company at a common venue. Accordingly, in compliance with the provisions of the Act, SEBI (Listing Obligations

and Disclosure Requirements) Regulations, 2015 (“SEBI Listing Regulations”) and MCA Circulars, the AGM of the Company is being held through VC/ OAVM. The deemed venue of the AGM shall be the registered office of the Company. The Company has engaged the services of M/s Kfin Technologies Private Limited, Registrar & Transfer Agent of the Company (“KFIN” or “RTA”) as the Authorised Agency for conducting the e-AGM and providing e-voting facility for casting the votes by the members using an electronic voting system.

4. Since this AGM is being held through VC/ OAVM pursuant to the MCA Circulars, physical attendance of members has been dispensed with. Accordingly, the facility for appointment of proxies by the members will not be available for the AGM and hence the Proxy Form and Attendance Slip are not annexed to this Notice.
5. Members attending the AGM through VC/ OAVM shall be counted for the purpose of quorum under Section 103 of the Companies Act, 2013.
6. A copy of the Annual Report containing Audited Financial Statements for the financial year ended March 31, 2020 together with the Reports of the Board of Directors and Auditors' thereon are enclosed.
7. In compliance with the aforesaid MCA Circulars and SEBI Circular No. SEBI/HO/CFD/CMD1/CIR/P/2020/79 dated May 12, 2020, Notice of the AGM along with the Annual Report 2019-20 is being sent only through electronic mode to those members whose email addresses are registered with the RTA/ Depositories. Members may note that the Notice and Annual Report 2019-20 will also be available on the Company's website [www.escortsgroup.com](http://www.escortsgroup.com) and websites of the Stock Exchanges i.e. BSE Limited and National Stock Exchange of India Limited at [www.bseindia.com](http://www.bseindia.com) and [www.nseindia.com](http://www.nseindia.com) respectively.
8. The Institutional/ Corporate members intending to attend the e-AGM through authorised representatives are requested to send to KFIN/ Scrutinizer a certified true copy of the Board Resolution (PDF/ JPG format) authorising their representative to attend the e-AGM through VC/ OAVM and vote on their behalf by an email through its registered email address to [pcs.jga@gmail.com](mailto:pcs.jga@gmail.com) with a copy to [evoting@kfintech.com](mailto:evoting@kfintech.com).
9. In case of joint holders attending the Meeting, only such joint holder who is higher in the order of names will be entitled to vote at the Meeting.
10. In order to enable the Company to comply with MCA circulars and to participate in the green initiative in Corporate Governance, members are requested to register their email addresses in respect of shares held in electronic form with their Depository Participant(s) and in respect of shares held in physical form by clicking at

[https://ris.kfintech.com/email\\_registration/](https://ris.kfintech.com/email_registration/) or by writing to the RTA with details of folio number and self-attested copy of PAN card at Kfin Technologies Private Limited, Unit: Escorts Limited, Selenium Tower B, Plot Nos. 31-32, Financial District, Nanakramguda, Hyderabad – 500032, India or by sending email to [einward.ris@kfintech.com](mailto:einward.ris@kfintech.com). Members are advised to receive the Notice convening the 74th AGM and Annual Report for FY 2019-20 via e-mail, by updating their email ID by accessing the link [https://ris.kfintech.com/email\\_registration/](https://ris.kfintech.com/email_registration/). Alternatively, notice of 74th AGM and Annual Report can be downloaded through <https://evoting.karvy.com/public/Downloads.aspx>.

11. The Register of Members and Share Transfer Books of the Company will remain closed from August 15, 2020 to August 24, 2020 (both days inclusive) for the purpose of payment of dividend. A dividend of ₹ 2.50/- per share has been recommended by the Board of Directors for the financial year ended March 31, 2020 (except on shares held by Escorts Benefit and Welfare Trust) and subject to the approval of Shareholders at the ensuing AGM. The dividend proposed shall be paid within 30 days from the date of declaration.
12. The dividend after deduction of tax at source, if declared at the AGM, would be paid/ dispatched to those persons or their mandates:
  - a) whose names appear as beneficial owners as at the end of the business hours on August 14, 2020 in the list of beneficial owners to be furnished by National Securities Depository Limited (NSDL) and Central Depository Services (India) Limited (CDSL) in respect of the shares held in electronic mode; and
  - b) whose names appear as members in the Register of Members of the Company/ RTA after giving effect to valid share transmission/ transposition in physical form lodged with the Company on or before August 14, 2020.
13. The Securities and Exchange Board of India (“SEBI”) has made it mandatory for all companies to use the bank account details of investors furnished by the Depositories/ available with the RTA for payment of dividend through National Electronic Clearing Services (“NECS”) to the investors, wherever NECS and bank details are available. In the absence of NECS facilities, the Company will print the bank account details, if available, on the payment instrument for distribution of dividend. The Company will not entertain any direct request from members holding shares in electronic mode for deletion/ change in such bank account details. Further, instruction if any, already given by them in respect of shares held in physical form will not be automatically applicable to shares held in electronic mode. Members who wish to change such bank account details are therefore requested to advise their Depository Participant about such change, with

complete details of bank account. In case the shares are held in physical form, please send NECS form available on our website [www.escortsgroup.com](http://www.escortsgroup.com) so as to reach on or before the date of Book Closure fixed for payment of dividend to Kfin Technologies Private Limited, Selenium Tower B, Plot 31-32, Gachibowli, Financial District, Nanakramguda, Hyderabad – 500 032, Telengana; Phone: 040-67162222; Fax 040-23420814; Email – [einward.ris@kfintech.com](mailto:einward.ris@kfintech.com). Dividend warrants/ demand drafts will be despatched to the registered address of the shareholders who have not updated their bank account details, after normalisation of the postal service.

14. SEBI has mandated the submission of Permanent Account Number (PAN) by every participant in securities market. Members holding shares in electronic form are, therefore, requested to submit their PAN to their Depository Participants with whom they are maintaining their demat accounts. Members holding shares in physical form can submit their PAN to the Company/ RTA.
15. Pursuant to Finance Act, 2020, dividend income will be taxable in the hands of the shareholders w.e.f. April 1, 2020 and the Company is required to deduct tax at source (“TDS”) from dividend paid to the Members at prescribed rates in the Income Tax Act, 1961 (“the IT Act”). In general, to enable compliance with TDS requirements, Members are requested to complete and/ or update their Residential Status, PAN, Category as per the IT Act with their Depository Participants or in case shares are held in physical form, with the RTA by sending email to the KFIN’s email address at [einward.ris@kfintech.com](mailto:einward.ris@kfintech.com). For details, Members may refer to the “Communication on TDS on Dividend Distribution” appended to this notice as Annexure - II.
16. (a) Due dates of transferring unclaimed and/ or unpaid dividend declared by the Company for the financial year ended March 31, 2014 and thereafter to Investor Education and Protection Fund Authority (IEPF):

Financial Year ended	Type of Dividend	Date of declaration of Dividend	Last date for claiming unpaid/ unclaimed dividend
March 31, 2014	Interim	October 2, 2013	November 1, 2020
March 31, 2014	Final	September 19, 2014	October 18, 2021
March 31, 2015	Final	September 18, 2015	October 17, 2022
March 31, 2016	Final	September 20, 2016	October 19, 2023
March 31, 2017	Final	September 21, 2017	October 20, 2024
March 31, 2018	Final	September 12, 2018	October 11, 2025
March 31, 2019	Final	July 27, 2019	August 26, 2026

Members who have not encashed the dividend warrants so far in respect of the aforesaid periods, are requested to make their claim well in advance of the above due dates. Members are requested to check the details of unclaimed dividend amount, if any, on the Company’s website [www.escortsgroup.com](http://www.escortsgroup.com) under Investor Information.

Investor Education and Protection Fund Authority (Accounting, Audit, Transfer and Refund) Rules, 2016 (“IEPF Rules”) are applicable to the Company. The objective of the IEPF Rules is to help the shareholders ascertain the status of their unclaimed amounts and overcome the problems due to misplacement of intimation thereof by post etc. In terms of the said IEPF Rules, the Company has uploaded the information since the financial year 2009-10 on the website of IEPF i.e. [www.iepf.gov.in](http://www.iepf.gov.in) as well as on the Company’s website [www.escortsgroup.com](http://www.escortsgroup.com) under Investor Information Section.

- (b) The Company has transferred the unpaid or unclaimed dividends declared up to financial years 2010-11, from time to time, to the IEPF established by the Central Government.
- (c) Pursuant to IEPF Rules, the Company has, during the financial year 2019-20, transferred to the IEPF Authority all dividend which had remained unpaid or unclaimed for 7 (seven) consecutive years or more on the due date of transfer. Details of shares transferred to the IEPF are available on the website of IEPF i.e. [www.iepf.gov.in](http://www.iepf.gov.in) as well as on the Company’s website [www.escortsgroup.com](http://www.escortsgroup.com) under Investor Information Section.
- (d) Members may note that shares as well as unclaimed dividends transferred to IEPF can be claimed back. Concerned members/ investors are advised to visit the website of [www.iepf.gov.in](http://www.iepf.gov.in) or contact KFIN for lodging claim for refund of shares and/ or dividend from the IEPF.
17. Section 72 of the Act and Rule 19 of the Companies (Share Capital & Debenture) Rules, 2014 has extended nomination facility to individual shareholders holding shares in physical form. Shareholders are requested to avail the above facility by submitting prescribed Nomination Form SH-13 to the Company/ RTA. This form is also available on the Company’s website [www.escortsgroup.com](http://www.escortsgroup.com).
18. Member(s) of the Company who are holding shares in physical form and have multiple accounts in identical name(s) or are holding more than one share certificate in the same name under different Ledger Folio(s) are requested to apply for consolidation of such folio(s).
19. SEBI has decided that except in case of transmission or transposition of securities, requests for effecting transfer of securities shall not be processed unless the securities are held in dematerialized form with a depository w.e.f. April 1, 2019. In view of the above and to avail various benefits of dematerialisation, members are advised to dematerialise shares held by them in physical form.

20. Please send all correspondence including requests for transfer/ transmission of shares, change of address & dividend etc. to Kfin Technologies Private Limited, Selenium Tower B, Plot 31-32, Gachibowli, Financial District, Nanakramguda, Hyderabad – 500 032; Phone: 040-67162222; Fax 040-23420814; E-mail – einward.ris@kfintech.com.
21. Members of the Company had approved the appointment of M/s. Walker Chandiok & Co LLP, Chartered Accountants, as the Statutory Auditors at the Seventy First AGM of the Company which is valid till Seventy Sixth AGM of the Company. In accordance with the Companies (Amendment) Act, 2017, enforced on May 7, 2018 by Ministry of Corporate Affairs, the appointment of Statutory Auditors is not required to be ratified at every AGM.
22. Non-resident Indian shareholders are requested to inform about the following immediately to the Company or its RTA or the concerned Depository Participant, as the case may be, immediately of:-
- The change in the residential status on return to India for permanent settlement.
  - The particulars of the NRE Account with a bank in India, if not furnished earlier.
23. To prevent fraudulent transactions, members are advised to exercise due diligence and notify the Company of any change in address or demise of any member as soon as possible. Members are also advised not to leave their demat account(s) dormant for long. Periodic statement of holdings should be obtained from the concerned DP and holdings should be verified.
24. Since the AGM will be held through VC/ OAVM, the Route Map is not annexed in this Notice.
25. The Register of Directors and Key Managerial Personnel and their shareholding maintained under Section 170 of the Act, the Register of Contracts or arrangements in which directors are interested, maintained under Section 189 of the Act and the relevant documents referred to in the notice and Annual Report will be available for inspection electronically by the members of the Company during the AGM. All other documents referred to in the Notice and Annual Report will also be available for electronic inspection without payment of any fee by the members from the date of circulation of this notice upto the date of AGM i.e. August 24, 2020. Members seeking to inspect such documents can send an email to corpsl@escorts.co.in.
26. **Voting through electronic means**
- Pursuant to the provisions of Section 108 of the Act read with Rule 20 of the Companies (Management and Administration) Rules, 2014, and Regulation 44 of the

SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, (including any statutory modification(s) or re-enactment(s) thereof, for the time being in force), the Company is pleased to provide its members the facility to exercise their right to vote on resolutions proposed to be considered at the 74th AGM by electronic means and the business may be transacted through e-voting Services ("**Remote e-Voting**").

The members who have cast their votes by Remote e-Voting prior to the AGM may also participate in the AGM through VC/ OAVM via link provided in their login ids but shall not be entitled to cast their vote again.

- The process and manner for Remote e-Voting are as under:

**Instruction for Voting:**

- In case a member receives an email from KFIN (for members whose email IDs are registered with the Company/ Depository Participant(s)):
  - Launch internet browser by typing the URL: <https://evoting.karvy.com>.
  - Enter the login credentials (i.e. User ID and password as mentioned in email). In case of physical folio, User ID will be EVEN (E-Voting Event Number) followed by folio number. In case of demat account, User ID will be your DP ID and Client ID. However, if you are already registered with Kfin for e-voting, you can use your existing User ID and password for casting your vote.
  - After entering these details appropriately, click on "LOGIN".
  - You will now reach password change menu wherein you are required to mandatorily change your password. The new password shall comprise of minimum 8 characters with at least one upper case (A- Z), one lower case (a-z), one numeric value (0-9) and a special character (@,#,\$, etc.). The system will prompt you to change your password and update your contact details like mobile number, email ID etc. on first login. You may also enter a secret question and answer of your choice to retrieve your password in case you forget it. It is strongly recommended that you do not share your password with any other person and that you take utmost care to keep your password confidential.
  - You need to login again with the new credentials.
  - On successful login, the system will prompt you to select the "EVENT of ESCORTS" i.e. 5432.
  - On the voting page, enter the number of shares (which represents the number of votes) as on the cut-off date i.e. August 17, 2020 under "FOR/

AGAINST” or alternatively, you may partially enter any number in “FOR” and partially “AGAINST” but the total number in “FOR/ AGAINST” taken together shall not exceed your total shareholding as mentioned herein above. You may also choose the option ABSTAIN. If the member does not indicate either “FOR” or “AGAINST” it will be treated as “ABSTAIN” and the shares held will not be counted under either head.

- viii. Members holding multiple folios/ demat accounts shall follow the voting process separately for each folio/ demat accounts.
- ix. Voting has to be done for each item of the notice separately. In case you do not desire to cast your vote on any specific item, it will be treated as abstained.
- x. You may then cast your vote by selecting an appropriate option and click on “Submit”.
- xi. A confirmation box will be displayed. Click “OK” to confirm else “CANCEL” to modify. Once you have voted on the resolution(s), you will not be allowed to modify your vote. During the voting period i.e. August 21, 2020 to August 23, 2020, members can login any number of times till they have voted on the resolution(s).
- xii. Corporate/ Institutional members (i.e. other than Individuals, HUF, NRI etc.) are also required to send scanned certified true copy (PDF Format) of the Board Resolution/ Authority Letter etc., together with attested specimen signature(s) of the duly authorised representative(s), to the Scrutinizer at email pcs.jga@gmail.com with a copy marked to evoting@kfintech.com. The scanned image of the above mentioned documents should be in the naming format “Escorts Limited Event No.”
- b. In case of members whose email IDs are not registered with the RTA/ Depository Participant(s) shall first register the same in the following manner:
- **Members holding shares in physical form**  
Members holding shares in physical mode, who have not registered/ updated their email addresses with the RTA, are requested to register/update the same by clicking on [https://ris.Kfintech.com/email\\_registration/](https://ris.Kfintech.com/email_registration/) or by writing to the RTA with details of folio number and attaching a self-attested copy of PAN card at [einward.ris@Kfintech.com](mailto:einward.ris@Kfintech.com).
  - **Members holding shares in electronic mode**  
Members are required to register their e-mail address with their respective Depository Participant “DPs” for receiving all communications from the Company electronically.

After due verification, KFIN will forward your login credentials to your registered email address.

After registration of e-mail address members would be required to follow steps 26 (II)(a) (i) to (xii).

- III. In case of any query and/ or grievance, in respect of voting by electronic means, members may refer to the Help & Frequently Asked Questions (FAQs) and E-voting user manual available at the download section of <https://evoting.karvy.com> (KFIN Website) or contact Mr. Raj Kumar Kale, (Unit: Escorts Limited) of Kfin Technologies Private Limited, Selenium Tower B, Plot 31-32, Gachibowli, Financial District, Nanakramguda, Hyderabad - 500 032, Telengana or at [evoting@kfintech.com](mailto:evoting@kfintech.com) or phone no. 040 – 67162222 or call KFIN’s toll free No. 1800-3454-001 for any further clarifications.
- IV. You can also update your mobile number and e-mail id in the user profile details of the folio which may be used for sending future communications.
- V. The Remote e-Voting period commences on Friday, August 21, 2020 (9:00 am IST) and ends on Sunday, August 23, 2020 (5:00 pm IST). During this period, members of the Company, holding shares either in physical form or in dematerialised form, as on the cut-off date i.e. August 17, 2020, may cast their vote by Remote e-Voting. The Remote e-Voting Module shall be disabled by KFIN for voting thereafter from their e-Voting module.
- VI. A person, whose name is recorded in the Register of Members or in the Register of Beneficial Owners maintained by the depositories as on the cut-off date only shall be entitled to avail the facility of Remote e-Voting as well as voting during the AGM through Insta Poll. A person who is not the member on cut-off date should treat this notice for information purpose only.
- VII. The voting rights of members shall be in proportion to their shareholding in the Paid-up Equity Share Capital of the Company as on the cut-off date i.e. August 17, 2020.
- VIII. In case any person becomes member of the Company after dispatch of Notice of AGM and holds shares as on the cut-off date for e-Voting i.e. August 17, 2020, he/ she may obtain the User ID and Password in the manner as mentioned below:
- i. If the mobile number of the member is registered against shares held in demat form, the member may send SMS: MYEPWD<space> DP ID Client ID to 9212993399

Example for NSDL:  
MYEPWD <SPACE> IN12345612345678

Example for CDSL:

MYEPWD <SPACE> 1402345612345678

- ii. If the mobile number of the member is registered against shares held in physical form the member may send SMS: MYEPWD<space> Event no. & Folio no. to 9212993399.

Example for Physical:

MYEPWD <SPACE> XXXX1234567890

- iii. If e-mail address or mobile number of the member is registered against Folio No./ DP ID Client ID, then on the home page of <https://evoting.karvy.com>, the member may click "Forgot Password" and enter Folio No. or DP ID Client ID and PAN to generate a password.
- iv. Member may call KFIN's toll free number 1800-3454-001 or Member may send an e-mail request to [evoting@kfintech.com](mailto:evoting@kfintech.com).
- v. However, KFIN shall endeavour to send User ID and Password to those new members whose mail ids are available. Members can only vote once either during the Remote e-Voting period or during the AGM.

**IX. INSTRUCTIONS FOR MEMBERS FOR ATTENDING THE AGM THROUGH VC/ OAVM ARE AS UNDER:**

- a. Members will be able to attend the AGM through VC/ OAVM at <https://emeetings.kfintech.com> by using their Remote e-Voting login credentials and selecting the EVEN for Company's AGM.
- b. Members are requested to follow the procedure given below:
  - i. Launch internet browser by typing the URL: <https://emeetings.kfintech.com>
  - ii. Enter the login credentials (i.e. User ID and password for Remote e-voting)
  - iii. After logging in, click on "Video Conference" option
  - iv. Then click on camera icon appearing against AGM event of Escorts Limited to attend the meeting
- c. Members who do not have the User ID and Password for Remote e-Voting or have forgotten the User ID and Password may retrieve the same by following the Remote e-Voting instructions mentioned elsewhere in the Notice. Further, members can also use the OTP based login for logging into the e-voting system.

- d. Facility to join the e-AGM shall be opened 30 minutes before the time scheduled for the AGM and shall be kept open throughout the proceedings of the AGM.
- e. Members who would like to express their views or ask questions during the AGM may register themselves by logging on to <https://emeetings.kfintech.com> and clicking on the speaker registration option available on the screen after log in. The speaker registration will be open during Friday, August 21, 2020 to Saturday, August 22, 2020. Only those members who are registered will be allowed to express their views or ask questions. The Company reserves the right to restrict the number of questions and number of speakers depending upon availability of time as appropriate for smooth conduct of the AGM.
- f. Members can also ask questions from the Auditors of the Company. The questions can be emailed at [investorrelation@escorts.co.in](mailto:investorrelation@escorts.co.in) with special mention of 'question for auditors'. The query(ies) will be forwarded to the respective Auditors for their response.
- g. Facility of joining the AGM through VC/ OAVM shall be available for 1000 members on first come first serve basis. However, participation of members holding 2% or more shares, Promoters and Institutional Investors, Directors, Key Managerial Personnel, Chairpersons of Audit Committee, Stakeholder Relationship Committee, Nomination and Remuneration Committee and Auditors are not restricted on first come first serve basis.
- h. In case of any queries/ grievances, you may refer the Frequently Asked Questions (FAQs) for Members and e-voting User Manual available at the 'download' section of <https://evoting.karvy.com> or call KFIN on 1800 345 4001 (toll free).

- i. Members who need assistance before or during the AGM, can contact KFIN on [einward.ris@kfintech.com](mailto:einward.ris@kfintech.com) or call on toll free numbers 1800-345-4001. Kindly quote your name, DP ID – Client ID/ Folio no. and E-voting Event Number in all your communications.

**X. Instructions for members for e-voting during the AGM ("Insta Poll"):**

- a. Facility to cast through Insta Poll will be made available on the Video Conferencing screen and will be activated once the Insta Poll is announced at the meeting.
- b. The e-Voting "Thumb sign" on the left hand corner of the video screen shall be activated upon instructions of the chairman during the e-AGM proceedings. Shareholders shall click on the same to take them to the "Insta Poll" page.



- c. Members to click on the “Insta Poll” icon to reach the resolution page and follow the instructions to vote on the resolutions.
- d. Only those shareholders, who are present in the e-AGM and have not casted their vote on the Resolutions through Remote e-Voting and are otherwise not barred from doing so, shall be eligible to vote through e-Voting system available during the e-AGM.
- XI. Mr. Jayant Gupta, Company Secretary in Practice (CP No. 9738) has been appointed as Scrutinizer to scrutinize the Remote e-Voting and Insta Poll process in a fair and transparent manner.
- XII. The Scrutinizer shall, after the conclusion of voting through Insta Poll at the AGM, unblock the votes cast through Remote e-Voting and Insta Poll and shall make, not later than 48 hours of the conclusion of the AGM, a consolidated Scrutinizer’s Report of the total votes

cast in favour or against, if any, to the Chairman of the Company or a person authorised by him in writing, who shall countersign the same and declare the result of the voting forthwith.

- XIII. The results declared alongwith the Scrutinizer’s Report shall be placed on Company’s website [www.escortsgroup.com](http://www.escortsgroup.com) and on the website of KFIN at <https://evoting.karvy.com> immediately after the declaration of result by the Chairman or a person authorised by him in writing. The results shall also be communicated to the Stock Exchanges where the shares of the Company are listed.

By Order of the Board  
For **Escorts Limited**

**Sd/-**  
**Satyendra Chauhan**  
Company Secretary  
& Compliance Officer

Place: Faridabad  
Date: July 27, 2020

## **EXPLANATORY STATEMENT IN RESPECT OF SPECIAL BUSINESS (PURSUANT TO SECTION 102(1) OF THE COMPANIES ACT, 2013)**

### **ITEM NO. 4**

The Board of Directors of the Company, on recommendation of the Audit Committee, has approved the appointment and remuneration of M/s. Ramanath Iyer & Co., as Cost Auditors of the Company, to conduct the audit of the cost records of the Company for the financial year ending March 31, 2021.

In accordance with the provisions of Section 148 of the Act read with the Companies (Audit and Auditors) Rules, 2014, the remuneration payable to the Cost Auditors as recommended by the Audit Committee and approved by the Board of Directors, is required to be approved by the members of the Company.

Accordingly, consent of the members is sought for passing an Ordinary Resolution as set out at Item No. 4 of the Notice for approval of the remuneration payable to the Cost Auditors for the financial year ending March 31, 2021.

None of the Directors/ Key Managerial Personnel of the Company/ their relatives are, in any way, concerned or interested, financially or otherwise, in the resolution set out at Item No. 4 of the Notice.

The Board commends the Ordinary Resolution as set out at Item No. 4 of the Notice for approval of the members.

### **ITEM NO. 5**

In accordance with the provisions of Sections 149, 150 and 152 read with Schedule IV of the Companies Act, 2013 (“Act”), appointment of an Independent Director requires

approval of members. Based on the recommendation of the Nomination and Remuneration Committee, the Board of Directors has, in its meeting held on January 29, 2020, appointed Ms. Tanya Dubash (DIN 00026028) as an Additional and Independent Director on the Board of the Company, subject to the approval of the shareholders in the ensuing Annual General Meeting, for a period of 5 (five) years not liable to retire by rotation.

Particulars of her qualification, brief resume and area of expertise etc. are annexed to this Notice as Annexure - I.

Ms. Tanya Dubash is not disqualified from being appointed as a Director in terms of Section 164 of the Act.

The Company has received inter-alia from Ms. Tanya Dubash (i) consent in writing to act as director in Form DIR-2 pursuant to Rule 8 of Companies (Appointment & Qualification of Directors) Rules, 2014; (ii) intimation in Form DIR-8 in terms of Companies (Appointment & Qualification of Directors) Rules, 2014 to the effect that she is not disqualified under sub-section (2) of Section 164 of the Act; and (iii) a declaration to the effect that she meets the criteria of independence as prescribed under sub-section (6) of Section 149 of the Act, the Regulation 16(1)(b) and 25(8) under the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 (“the Listing Regulations”).

The Company has received requisite notice in writing from a member proposing the appointment of Ms. Tanya Dubash as a candidate for the office of Director of the Company.

In the opinion of the Nomination and Remuneration Committee and the Board of the Company, Ms. Tanya Dubash fulfills the conditions for her appointment as an Independent Director as specified in the Act and Rules made thereunder and the Listing Regulations. Ms. Tanya Dubash is independent of the management and possesses appropriate skills, experience and knowledge.

In the opinion of the Directors of the Company, her presence and participation in the deliberations of the Board would be beneficial for the Company's business and it will be in the interest of the Company to appoint her as an Independent Director.

Based on the disclosures received from Ms. Tanya Dubash, it is confirmed that she is neither related to any existing Director of the Company nor debarred from accessing the capital markets and/or restrained from holding any position/ office of director in a company pursuant to any order of the Securities and Exchange Board of India or any other such authority.

In terms of Section 149 and other applicable provisions of the Act and Rules made thereunder, the approval of members is sought by way of an ordinary resolution for the appointment of Ms. Tanya Dubash as an Independent Director not liable to retire by rotation for a term of 5 (five) consecutive years with effect from January 29, 2020.

A copy of the draft letter for the appointment of Ms. Tanya Dubash as an Independent Director setting out the terms and conditions will be available for inspection electronically.

Except Ms. Tanya Dubash, being appointee, none of the Directors, Key Managerial Personnel of the Company or their relatives are, in any way, concerned or interested, financially or otherwise, in the resolution set out at Item No. 5.

The Board commends the Ordinary Resolution as set out at Item No. 5 of the Notice for approval of the members.

## **ITEM NO. 6**

In the event of appointment of 2 (two) additional directors on the Board of the Company in a non-executive capacity, as nominated by Kubota Corporation, a member of the Company, in terms of the applicable provisions of the Articles of Association, the number of independent directors on the Board of the Company would have fallen below 50% (fifty percent). In order to meet the requirement of having minimum 50% (fifty percent) independent directors on the Board as per the applicable provisions of the Companies Act, 2013 ("**Act**"), SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 ("**Listing Regulations**") and as per the recommendation of the Nomination and Remuneration Committee, the Board of Directors, in its meeting held on July 16, 2020, appointed Mr. Harish N. Salve (DIN 01399172) as an Additional Independent Director on the Board of the Company, subject to the approval of the shareholders in the ensuing Annual General Meeting, for a period of 5 (five) years not liable to retire by rotation. In accordance with the

provisions of Sections 149, 150 and 152 read with Schedule IV of the Act, appointment of an Independent Director requires approval of members.

Mr. Harish N. Salve is not disqualified from being appointed as a Director in terms of Section 164 of the Act.

The Company has received inter-alia from Mr. Harish N. Salve (i) consent in writing to act as director in Form DIR-2 pursuant to Rule 8 of Companies (Appointment & Qualification of Directors) Rules, 2014; (ii) intimation in Form DIR-8 in terms of Companies (Appointment & Qualification of Directors) Rules, 2014 to the effect that he is not disqualified under sub-section (2) of Section 164 of the Act; and (iii) a declaration to the effect that he meets the criteria of independence as prescribed under sub-section (6) of Section 149 of the Act, Regulation 16(1)(b) and 25(8) of Listing Regulations.

The Company has received requisite notice in writing from a member proposing the appointment of Mr. Harish N. Salve as a candidate for the office of Director of the Company.

Particulars of his qualification, brief resume and area of expertise etc. are annexed to this Notice as Annexure I.

In the opinion of the Nomination and Remuneration Committee and the Board of the Company, Mr. Harish N. Salve fulfills the conditions for his appointment as an Independent Director as specified in the Act and Rules made thereunder and the Listing Regulations. Mr. Harish N. Salve is independent of the management and possesses appropriate skills, experience and knowledge.

In the opinion of the Directors of the Company, his presence and participation in the deliberations of the Board would be beneficial for the Company's business and it will be in the interest of the Company to appoint him as an Independent Director.

Based on the disclosures received from Mr. Harish N. Salve, it is confirmed that he is neither related to any existing Director of the Company nor debarred from accessing the capital markets and/ or restrained from holding any position/ office of director in a company pursuant to order of Securities and Exchange Board of India or any other such authority.

In terms of Section 149 and other applicable provisions of the Act and Rules made thereunder, the approval of members is sought by way of an ordinary resolution for the appointment of Mr. Harish N. Salve as an Independent Director not liable to retire by rotation for a term of 5 (five) consecutive years with effect from July 16, 2020.

A copy of the draft letter for the appointment of Mr. Harish N. Salve as an Independent Director setting out the terms and conditions will be available for inspection electronically.

Except Mr. Harish N. Salve, being appointee, none of the Directors, Key Managerial Personnel of the Company or their

relatives are, in any way, concerned or interested, financially or otherwise, in the resolution set out at Item No. 6.

The Board recommends the Ordinary Resolution as set out at Item No. 6 of the Notice for approval of the members.

#### **ITEM NO. 7**

Pursuant to the provisions of the Share Subscription Agreement dated March 20, 2020 read with the amendment agreement dated July 15, 2020 ("**SSA**"), executed by the Company with Kubota Corporation, Japan ("**Investor**") and certain Specified Promoters (as defined in the SSA) (as confirming parties), the Shareholders Agreement dated March 20, 2020 ("**SHA**") executed by the Company with the Investor, Escorts Benefit and Welfare Trust and Promoters (as defined in the SHA), the articles of association of the Company ("**Articles of Association**"), and the Companies Act, 2013 ("**Act**") read with the Companies (Meetings of Board and its Powers) Rules, 2014 and the Companies (Appointment and Qualification of Directors) Rules, 2014, and based on the recommendations of the Nomination and Remuneration Committee of the Company, the Board of Directors ("**Board**") in its meeting held on July 16, 2020, appointed Mr. Dai Watanabe (DIN 08736520) as an additional director on the Board of the Company with immediate effect, to hold office up to the date of ensuing annual general meeting of the Company or the last date on which the annual general meeting of the Company should have been held, whichever is earlier.

Particulars of his qualification, brief resume and area of expertise etc. are annexed to this Notice as Annexure I.

Mr. Dai Watanabe is not disqualified from being appointed as a Director in terms of Section 164 of the Act and has given his consent to act as a Director.

Details of Mr. Dai Watanabe are provided in the Annexure I to the Notice, pursuant to the provisions of (i) the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 ("**Listing Regulations**") and (ii) Secretarial Standard on General Meetings issued by the Institute of Company Secretaries of India.

Pursuant to the provisions of the SHA, SSA and Sections 152, 160(1) and other applicable provisions, if any, of the Act read with the Companies (Appointment and Qualifications of Directors) Rules, 2014 and any other applicable laws, rules, regulations (including any amendment(s), statutory modification(s) or re-enactment(s) of each of the above for the time being in force) and enabling provisions in the Articles of Association of the Company, the Company is required to obtain approval of the members for appointing Mr. Dai Watanabe as a Non-Executive Director.

The Company has received requisite notice in writing from Kubota Corporation, a member proposing the appointment of Mr. Dai Watanabe as a candidate for the office of Director

of the Company. Accordingly, it is proposed to appoint Mr. Dai Watanabe as a Director of the Company in a non-executive capacity, liable to retire by rotation.

The Company has received inter-alia from Mr. Dai Watanabe (i) consent in writing to act as director in Form DIR-2 pursuant to Rule 8 of Companies (Appointment & Qualification of Directors) Rules, 2014; and (ii) intimation in Form DIR-8 in terms of Companies (Appointment & Qualification of Directors) Rules, 2014 to the effect that he is not disqualified under sub-section (2) of Section 164 of the Act.

Based on the disclosures received from Mr. Dai Watanabe, it is confirmed that he is neither related to any existing Director of the Company nor debarred from accessing the capital markets and/ or restrained from holding any position/ office of director in a company pursuant to order of Securities or Exchange Board of India or any other such authority.

Except Mr. Dai Watanabe, being appointee, none of the Directors of the Company, Key Managerial Personnel of the Company or their relatives are, in any way concerned or interested, financial or otherwise, in the resolution set out at Item No. 7.

The Board recommends the Ordinary Resolution as set out at Item No. 7 of the Notice for approval of the members.

#### **ITEM NO. 8**

Pursuant to the provisions of the Share Subscription Agreement dated March 20, 2020 read with the amendment agreement dated July 15, 2020 ("**SSA**"), executed by the Company with Kubota Corporation, Japan ("**Investor**") and certain Specified Promoters (as defined in the SSA) (as confirming parties), the Shareholders Agreement dated March 20, 2020 ("**SHA**") executed by the Company with the Investor, Escorts Benefit and Welfare Trust and Promoters (as defined in the SHA), the articles of association of the Company ("**Articles of Association**"), and the Companies Act, 2013 ("**Act**") read with the Companies (Meetings of Board and its Powers) Rules, 2014 and the Companies (Appointment and Qualification of Directors) Rules, 2014, and based on the recommendations of the Nomination and Remuneration Committee of the Company, the Board of Directors ("**Board**"), in its meeting held on July 16, 2020, appointed Mr. Yuji Tomiyama (DIN 08779472) as an additional director on the Board of the Company with immediate effect, to hold office up to the date of ensuing annual general meeting of the Company or the last date on which the annual general meeting of the Company should have been held, whichever is earlier.

Particulars of his qualification, brief resume and area of expertise etc. are annexed to this Notice as Annexure I.

Mr. Yuji Tomiyama is not disqualified from being appointed as a Director in terms of Section 164 of the Act and has given his consent to act as a Director.

Details of Mr. Yuji Tomiyama are provided in the Annexure I to the Notice, pursuant to the provisions of (i) the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 (“**Listing Regulations**”) and (ii) Secretarial Standard on General Meetings issued by the Institute of Company Secretaries of India.

Pursuant to the provisions of the SHA, SSA and Sections 152, 160(1) and other applicable provisions, if any, of the Act read with the Companies (Appointment and Qualifications of Directors) Rules, 2014 and any other applicable laws, rules, regulations (including any amendment(s), statutory modification(s) or re-enactment(s) of each of the above for the time being in force) and enabling provisions in the Articles of Association of the Company, the Company is required to obtain approval of the members for appointing Mr. Yuji Tomiyama as a Non-Executive Director.

The Company has received requisite notice in writing from Kubota Corporation, a member proposing the appointment of Mr. Yuji Tomiyama as a candidate for the office of Director of the Company. Accordingly, it is proposed to appoint Mr. Yuji Tomiyama as a Director of the Company in a non-executive capacity, liable to retire by rotation.

The Company has received from inter-alia Mr. Yuji Tomiyama (i) consent in writing to act as director in Form DIR-2 pursuant to Rule 8 of Companies (Appointment & Qualification of

Directors) Rules, 2014; and (ii) intimation in Form DIR-8 in terms of Companies (Appointment & Qualification of Directors) Rules, 2014 to the effect that he is not disqualified under sub-section (2) of Section 164 of the Act.

Based on the disclosures received from Mr. Yuji Tomiyama, it is confirmed that he is neither related to any existing Director of the Company nor debarred from accessing the capital markets and/ or restrained from holding any position/ office of director in a company pursuant to order of Securities or Exchange Board of India or any other such authority.

Except Mr. Yuji Tomiyama, being appointee, none of the Directors, Key Managerial Personnel of the Company or their relatives are, in any way, concerned or interested, financial or otherwise, in the resolution set out at Item No. 8.

The Board recommends the Ordinary Resolution as set out at Item No. 8 of the Notice for approval of the members.

By Order of the Board  
For **Escorts Limited**

**Sd/-**  
**Satyendra Chauhan**  
Company Secretary  
& Compliance Officer

Place: Faridabad  
Date: July 27, 2020

**No gift(s), gift coupon(s) or cash in lieu of gift(s) shall be distributed to members in connection with the Meeting.**

**Annexure I to the Notice**

**INFORMATION PROVIDED PURSUANT TO REQUIREMENTS GIVEN UNDER REGULATION 36(3) OF THE SEBI (LISTING OBLIGATIONS AND DISCLOSURE REQUIREMENTS) REGULATIONS, 2015 AND SECRETARIAL STANDARD ON THE GENERAL MEETINGS IN RESPECT OF INDIVIDUALS PROPOSED TO BE APPOINTED/ RE-APPOINTED AS DIRECTOR(S):**

<b>Particulars</b>	<b>Mr. Hardeep Singh</b>	<b>Ms. Tanya Dubash</b>
Director Identification Number	00088096	00026028
Date of Birth (Age)	September 8, 1954 (65 years)	September 14, 1968 (51 years)
Date of Appointment	November 28, 2011	January 29, 2020
Qualifications	Graduate in Economics from Pune University & Alumnus of Kellogg School of Management	A.B., Economics & Political Science, Brown University U.S.A, Advanced Management Programme, Harvard Business School
Brief Resume and Expertise in specific functional areas	Mr. Hardeep Singh was the Former Executive Chairman of Cargill South Asia and Amalgamated Plantations Private Limited (A Tata Enterprise) and non executive Chairman of HSBC Invest Direct India Limited. He is the Chairman of the monitoring committee on Minimum Support Price constituted by Planning Commission, Govt. of India. He has been a member of National Council of CII, National Committee for Agriculture of FICCI and served as an honorary advisor on Agriculture to the Chief Minister of Punjab.	Tanya serves as the Executive Director and Chief Brand Officer of Godrej Industries Ltd., and is responsible for the Godrej Group's brand and communications function, including guiding the Godrej Masterbrand. She also serves on the boards of Britannia, AIESEC and India@75. Tanya was a member on the Board of the Bharatiya Mahila Bank between November 2013 and May 2015. She was a trustee of Brown University between 2012 and 2018 and continues to be member of the Brown India Advisory Council and on the Watson Institute Board of Overseers. Tanya was recognized by the World Economic Forum as a Young Global Leader in 2007.
Directorships held in other companies (excluding Private Limited Companies, Section 8 Companies, Foreign Companies & LLP's)	UPL Limited Mahindra Agri Solutions Limited	Godrej Industries Limited Godrej Consumer Products Limited Godrej Agrovet Limited Ensemble Holdings & Finance Limited Godrej Seeds & Genetics Limited Britannia Industries Limited Go Airlines (India) Limited
Committee Memberships of other Companies (includes only Audit Committee and Stakeholders Relationship Committee)	<b>Audit Committee</b> (i) Mahindra Agri Solutions Limited (ii) UPL Limited	<b>Stakeholder Relationship Committee</b> (i) Godrej Industries Limited
Number of shares held in the Company	500	-
Number of meetings of the Board attended during the year	5	2
Relationship between directors inter-se and with key managerial personnel of the Company	There is no inter-se relationship between Mr. Hardeep Singh and other directors or key managerial personnel of the Company.	There is no inter-se relationship between Ms. Tanya Dubash and other directors or key managerial personnel of the Company.
Terms and conditions of appointment/ re-appointment	Mr. Singh has been appointed in terms of the provisions of Companies Act, 2013 and is responsible to undertake the roles and responsibilities prescribed under the provisions of the Companies Act, 2013 and other laws for the time being in force. In addition, he is also responsible to undertake the roles and responsibilities assigned by the Board from time to time.	Ms. Dubash has been appointed in terms of the provisions of Companies Act, 2013 and is responsible to undertake the roles and responsibilities prescribed under the provisions of the Companies Act, 2013 and other laws for the time being in force. In addition, she is also responsible to undertake the roles and responsibilities assigned by the Board from time to time.
Details of remuneration and the remuneration last drawn, if any	Details are provided in the 74th Annual Report	Details are provided in the 74th Annual Report

<b>Particulars</b>	<b>Mr. Harish N. Salve</b>
Director Identification Number	01399172
Date of Birth (Age)	June 22, 1956 (64 years)
Date of Appointment	July 16, 2020
Qualifications	Bachelor of Commerce – Nagpur University. Bachelor of Legislative Laws (LLB) – Nagpur University. Chartered Accountant – [Associate Member of the Institute of Chartered Accountants]. Honorary Doctorate – Utkal University.
Brief Resume and Expertise in specific functional areas	Mr. Harish N. Salve is a senior counsel as well as an arbitrator in India and Barrister (UK) who specializes in constitutional, commercial and taxation law. He was the youngest ever to be appointed as solicitor. Mr. Salve primarily practices at the Supreme Court of India but also appears in various High Courts and in international arbitration, sometimes as counsel and other times as an adjudicator. Mr. Salve served as the Solicitor General of India from 1999 to 2002. He was appointed as Amicus Curiae by the Supreme Court in some cases, mostly relating to preservation of the environment. He has been appointed as Queen's Counsel (QC) for the courts of England and Wales. Mr. Salve has appeared as counsel, as well as appointed as an arbitrator in a number of international arbitrations.
Directorships held in other companies (excluding Private Limited Companies, Section 8 Companies, Foreign Companies & LLP's)	NIL
Committee Memberships of other Companies (includes only Audit Committee and Stakeholders Relationship Committee)	NIL
Number of shares held in the Company	NIL
Number of meetings of the Board attended during the year	N.A.
Relationship between directors inter-se and with other key managerial personnel of the Company	There is no inter-se relationship between Mr. Harish N. Salve and other directors or key managerial personnel of the Company.
Terms and conditions of appointment/re-appointment	Mr. Salve has been appointed in terms of the provisions of Companies Act, 2013 and is responsible to undertake the roles and responsibilities prescribed under the provisions of the Companies Act, 2013 and other laws for the time being in force. In addition, he is also responsible to undertake the roles and responsibilities assigned by the Board from time to time.
Details of remuneration and the remuneration last drawn, if any	In terms of the provisions of Companies Act, 2013, SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 and resolutions at Item no. 6 of the Notice convening this annual general meeting read with explanatory statement thereto. The last drawn remuneration is NIL

Particulars	Mr. Dai Watanabe	Mr. Yuji Tomiyama
Director Identification Number	0008736520	0008779472
Date of Birth (Age)	October 2, 1958 (61 years)	August 29, 1957 (62 years)
Date of Appointment	July 16, 2020	July 16, 2020
Qualifications	Graduation from the Department of Economics, Kyoto University. MBA from Kobe University.	Graduation from the Department of Engineering, Tokyo Institute of Technology.
Brief Resume and Expertise in specific functional areas	Mr. Watanabe is, at present, Director and Senior Managing Executive Officer, General Manager of Farm and Industrial Machinery Consolidated Division of Kubota Corporation. He has been associated with Kubota Corporation since April 1984 and has served in its various departments/ entities such as Farm and Industrial Machinery International Planning and Control Dept, Kubota Europe, S.A.S, Kubota Farm Machinery Europe, S.A.S, Kverneland AS, Agricultural Implement Business Unit, Agricultural Implement Division, Farm and Industrial Machinery Strategy and Operations Headquarters and Innovation Centre etc.	Mr. Tomiyama is, at present, Senior Managing Executive Officer of Kubota Corporation. He has been associated with Kubota Corporation since April 1980 and has served extensively in its various divisions such as Farm and Utility Machinery, Tractors, Vehicle Base Technology Engineering.
Directorships held in other companies (excluding Private Limited Companies, Section 8 Companies, Foreign Companies & LLP's)	NIL	NIL
Committee Memberships of other Companies (includes only Audit Committee and Stakeholders Relationship Committee)	NIL	NIL
Number of shares held in the Company	NIL	NIL
Number of meetings of the Board attended during the year	N.A.	N.A.
Relationship between directors inter-se and with other key managerial personnel of the Company	There is no inter-se relationship between Mr. Dai Watanabe and other directors or key managerial personnel of the Company.	There is no inter-se relationship between Mr. Yuji Tomiyama and other directors or key managerial personnel of the Company.
Terms and conditions of appointment/ re-appointment	Mr. Watanabe has been appointed in terms of the provisions of Companies Act, 2013 and resolutions at Item no. 7 of the Notice convening this annual general meeting read with explanatory statement thereto. He is responsible to undertake the roles and responsibilities prescribed under the provisions of the Companies Act, 2013 and other laws for the time being in force. In addition, he is also responsible to undertake the roles and responsibilities assigned by the Board from time to time.	Mr. Tomiyama has been appointed in terms of the provisions of Companies Act, 2013 and resolutions at Item no. 8 of the Notice convening this annual general meeting read with explanatory statement thereto. He is responsible to undertake the roles and responsibilities prescribed under the provisions of the Companies Act, 2013 and other laws for the time being in force. In addition, he is also responsible to undertake the roles and responsibilities assigned by the Board from time to time.
Details of remuneration and the remuneration last drawn, if any	In terms of the provisions of Companies Act, 2013, SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 and resolutions at Item no. 7 of the Notice convening this annual general meeting read with explanatory statement thereto. The last drawn remuneration is NIL.	In terms of the provisions of Companies Act, 2013, SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 and resolutions at Item no. 8 of the Notice convening this annual general meeting read with explanatory statement thereto. The last drawn remuneration is NIL.

## Annexure II to the Notice

### COMMUNICATION ON TAX DEDUCTION AT SOURCE (TDS) ON DIVIDEND DISTRIBUTION

As you may be aware w.e.f. April 1, 2020, Dividend Distribution Tax u/s 115-O of the Income-tax Act, 1961 ("the IT Act") payable by domestic companies on declaration of dividend has been abolished. Pursuant to this amendment and certain consequential amendments brought vide Finance Act, 2020, the Company would be under an obligation to deduct tax at source ("TDS") in accordance with the provisions of the IT Act, from dividend distributed on or after April 1, 2020.

All Members are requested to ensure that the below details are completed and/ or updated, as applicable, in their respective Demat Account(s) maintained with the Depository Participant(s); or in case of shares held in physical form, with the Registrar & Transfer Agent ("RTA") of the Company. Please note that these details as available on Book Closure Date in the Register of Members/ Register of Beneficial Ownership will be relied upon by the Company, for the purpose of complying with the applicable TDS provisions.

Please take note of the below TDS provisions and information/ document requirements for each shareholder:

#### Section 1: For all Members – Details that should be completed and/ or updated, as applicable:-

- I. Valid Permanent Account Number (PAN).
- II. Residential status as per the Act i.e. Resident or Non-Resident for FY 2020-21.
- III. Category of the Member:
  - i. Mutual Fund
  - ii. Insurance Company
  - iii. Alternate Investment Fund (AIF) Category I and II
  - iv. AIF Category III
  - v. Government (Central/ State Government)
  - vi. Foreign Portfolio Investor (FPI)/ Foreign Institutional Investor (FII): Foreign Company
  - vii. FPI/FII: Others (being Individual, Firm, Trust, AJP, etc.)
  - viii. Individual
  - ix. Hindu Undivided Family (HUF)
  - x. Firm
  - xi. Limited Liability Partnership (LLP)
  - xii. Association of Persons (AOP), Body of individuals (BOI) or Artificial Judicial Person (AJP)
  - xiii. Trust
  - xiv. Domestic company
  - xv. Foreign company.
- IV. Email Address.
- V. Address.

#### Section 2: TDS provisions and documents required, as applicable for relevant category of Members

##### For Resident Members:

- i. **Mutual Funds:** No TDS is required to be deducted as per section 196(iv) of the IT Act subject to specified conditions. Self-attested copy of valid SEBI registration certificate needs to be submitted.
- ii. **Insurance Companies:** No TDS is required to be deducted as per section 194 of the IT Act subject to specified conditions. Self-attested copy of valid IRDA registration certificate needs to be submitted.
- iii. **Category I and II Alternative Investment Fund:** No TDS is required to be deducted as per section 197A (1F) of the IT Act subject to specified conditions. Self-attested copy of valid SEBI registration certificate needs to be submitted.
- iv. **Recognised Provident Funds:** No TDS is required to be deducted as per Circular No.18/2017 subject to specified conditions. Self-attested copy of a valid order from Commissioner under Rule 3 of Part A of Fourth Schedule to the IT Act, or Self-attested valid documentary evidence (e.g. relevant copy of registration, notification, order, etc.) in support of the provident fund being established under a scheme framed under the Employees' Provident Funds Act, 1952 needs to be submitted.
- v. **Approved Superannuation Fund:** No TDS is required to be deducted as per Circular No.18/2017 subject to specified conditions. Self-attested copy of valid approval granted by Commissioner under Rule 2 of Part B of Fourth Schedule to the IT Act needs to be submitted.
- vi. **Approved Gratuity Fund:** No TDS is required to be deducted as per Circular No.18/2017 subject to specified conditions. Self-attested copy of valid approval granted by Commissioner under Rule 2 of Part C of Fourth Schedule to the IT Act needs to be submitted.
- vii. **National Pension Scheme:** No TDS is required to be deducted as per Sec 197A (1E) of the IT Act.
- viii. **Government (Central/ State):** No TDS is required to be deducted as per Sec 196(i) of the IT Act.
- ix. **Any other entity entitled to exemption from TDS:** Valid self-attested documentary evidence (e.g. relevant copy of registration, notification, order etc.) in support of the entity being entitled to exemption from TDS needs to be submitted.
- x. **Other resident Members:**
  - a) TDS is required to be deducted at the rate of 7.5% u/s 194 of the IT Act.



- b) No TDS is required to be deducted, if aggregate dividend distributed or likely to be distributed during the financial year to individual shareholder does not exceed ₹ 5,000.

No TDS is required to be deducted on furnishing of valid Form 15G (for individuals, with no tax liability on total income and income not exceeding maximum amount which is not chargeable to tax) or Form 15H (for individual above the age of 60 years with no tax liability on total income). (Format of Form 15G and Form 15H are available on website of Income Tax i.e. <https://www.incometaxindia.gov.in/forms/incometax%20rules/103120000000007845.pdf> & <https://www.incometaxindia.gov.in/forms/income-tax%20rules/103120000000007846.pdf> respectively)

- c) TDS is required to be deducted at the rate of 20% u/s 206AA of the IT Act, if valid PAN of the shareholder is not available.
- d) TDS is required to be deducted at the rate prescribed in the lower tax withholding certificate issued u/s 197 of the Act, if such valid certificate is provided.

## II. For Non-resident Members:

- i. **FPI and FII:** TDS is required to be deducted at the rate of 20% (plus applicable surcharge and cess).

- ii. **Any entity entitled to exemption from TDS:** Valid self-attested documentary evidence (e.g. relevant copy of registration, notification, order, etc. by Indian tax authorities) in support of the entity being entitled to exemption from TDS needs to be submitted.

### iii. Other non-resident Members:

- a) TDS is required to be deducted at the rate of 20% (plus applicable surcharge and cess).
- b) Shareholder may be entitled to avail lower TDS rate as per Double Tax Avoidance Treaty (DTAA) between India and the country of tax residence of the shareholder, on furnishing the below specified documents:-
- 1) Self-attested copy of PAN;
  - 2) Self-attested copy of valid Tax Residency Certificate (TRC) obtained from the tax authorities of the country of which the shareholder is a resident;
  - 3) Self-declaration in Form 10F (Format of Form 10F is available on income tax website at <https://www.incometaxindia.gov.in/Forms/IncomeTax%20Rules/103120000000007197.pdf>); and
  - 4) Self-declaration on letter head of having no Permanent Establishment in India, Beneficial ownership of shares and eligibility to claim treaty benefits (as per **Appendix 1** to this Communication).

- c) TDS is required to be deducted at the rate prescribed in valid lower tax withholding certificate issued u/s 197 of the IT Act, if such valid certificate is provided.

**Details and/ or documents as mentioned above in Section 1 and Section 2, as applicable to the Member, need to be sent, duly completed and signed, through registered email address of the Member with PAN being mentioned in the subject of the email to reach [einward.ris@kfintech.com](mailto:einward.ris@kfintech.com) by August 14, 2020. Please note that no communication in this regard, shall be accepted post August 14, 2020. Members can also upload the soft copy of the documents duly completed and signed using the following url: <https://ris.kfintech.com/form15/emailregister.aspx?q=0>**

## Section 3: Other general information for the Members:-

- I. For all self-attested documents, Members must mention on the document "**certified true copy of the original**". For all documents being sent/ accepted by email, the Member undertakes to send the original document(s) on the request by the Company.
- II. In case, the dividend income is assessable to tax in the hands of a person other than the registered Member as on the Book Closure Date, the registered Member is required to furnish a declaration containing the name, address, PAN of the person to whom TDS credit is to be given and reasons for giving credit to such person.
- III. TDS deduction certificate will be sent to the Members' registered email address in due course.
- IV. Health and Education Cess of 4% is applicable for financial year 2020 – 2021 for non-residents.
- V. Application of TDS rate is subject to necessary due diligence and verification by the Company, of the shareholder details as available in register of Members on the Book Closure Date, documents, information available in public domain, etc. In case of ambiguous, incomplete or conflicting information, or the valid information/ documents not being provided, the Company will arrange to deduct tax at the maximum applicable rate.
- VI. In the event of any income tax demand (including interest, penalty, etc.) arising from any misrepresentation, inaccuracy or omission of information provided/ to be provided by the Member(s), such Member(s) will be responsible to indemnify the Company and also, provide the Company with all information/documents and co-operation in any appellate proceedings.

### Note:

Above communication on TDS sets out the provisions of law in a summary manner only and does not purport to be a complete analysis or listing of all potential tax consequences. Shareholders should consult with their own tax advisors for the tax provisions applicable to their particular circumstances.

**(Appendix - 1)**

(Refer Section 2(II)(iii)(b)(4) of Communication on TDS on Dividend Distribution)

**FORMAT FOR DECLARATION FOR CLAIMING BENEFITS UNDER DTAA**

**Escorts Limited**

15/5, Mathura Road  
Faridabad, Haryana-121003

**Subject: Declaration for eligibility to claim benefit under Double Taxation Agreement between Government of India and Government of ..... (mention country of tax residency) ("DTAA"), as modified by Multilateral Instrument ("MLI"), if applicable.**

With reference to above, I/We wish to declare as below:

1. I/ We, ..... (Full name of the shareholder), having permanent account number (PAN) under the Indian Income tax Act, ..... (mention PAN), and holding ..... (mention number of shares held) number of shares of the Company under Demat Account number/ folio number..... as on the Book Closure Date as specified in the notice of 74th Annual General Meeting, am / are a tax resident of ..... (country name) in terms of Article 4 of the DTAA as modified by MLI (if applicable) and do not qualify as a 'resident' of India under section 6 of the Indian Income-tax Act, 1961 ("the IT Act"). A copy of the valid tax residency certificate for..... (period), which is valid as on the Book Closure Date, is attached herewith.
2. I/We am/are eligible to be governed by the provisions of the DTAA as modified by MLI (if applicable), in respect of the dividend income and meet all the necessary conditions to claim treaty rate.
3. I/We am/are the legal and beneficial owner of the dividend income to be received from the Company.
4. I/We do not have a Permanent Establishment ("PE") in India in terms of Article 5 of the DTAA as modified by MLI (if applicable) or a fixed base in India and the amounts paid/payable to us, in any case, are not attributable to the PE or fixed base, if any, which may have got constituted otherwise.
5. I/We do not have a PE in a third country and the amounts paid/payable to us, in any case, are not attributable to a PE in third jurisdiction, if any, which may have got constituted otherwise.
6. I/ We do not have a Business Connection in India according to the provision of section 9(1)(i) of the Act and the amounts paid/ payable to us, in any case, are not attributable to business operations, if any, carried out in India.

I/We hereby certify that the declarations made above are true and bonafide. In case in future, any of the declarations made above undergo a change, we undertake to promptly intimate you in writing of the said event. You may consider the above representations as subsisting unless intimated otherwise.

In the event of any income tax demand (including interest, penalty, etc.) arising from any misrepresentation, inaccuracy or omission of information provided by me, I/ We will be responsible to pay and indemnify such income tax demand (including interest, penalty, etc.) and provide the Company with all information/ documents that may be necessary and co-operate in any proceedings before any income tax/ appellate authority.

**For..... Mention the name of the payee**

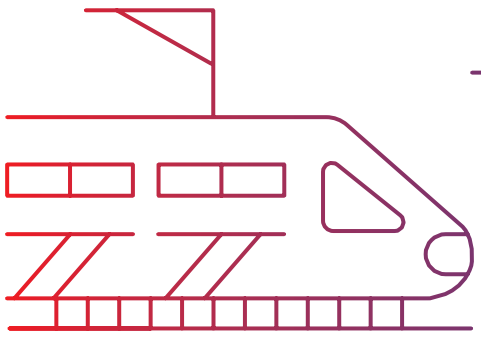
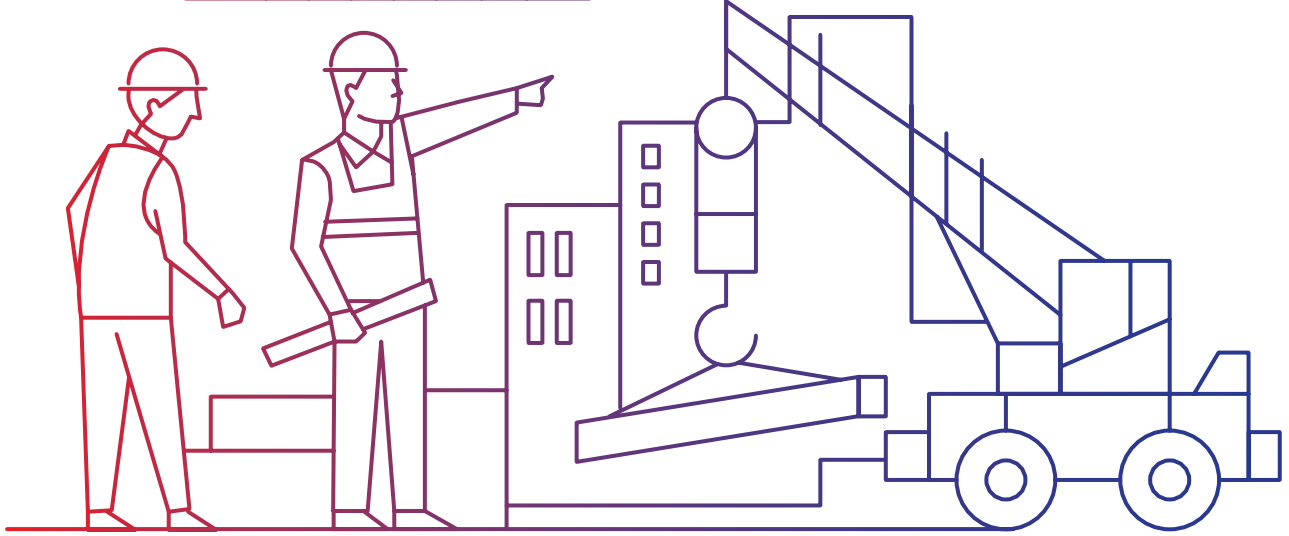
Authorised Signatory

**Name of the person signing**

**Designation of the person signing**

**Date:**

**Place:**



**Spreading Prosperity.**  
**Impacting Lives.**

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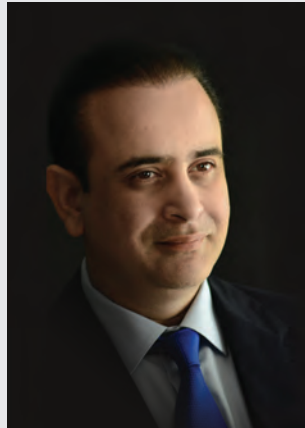
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## About the Company


We are one of India's leading engineering conglomerates with a presence across key sectors of agriculture, infrastructure and railways. Across our businesses, we continue to foster collaborations, drive modernisation and implement advanced manufacturing practices, to bring the best that the world has to offer to India; and take India's best capabilities to the world. In everything that we do, we are leveraging the power of technology and innovation, to serve our overarching credo of spreading prosperity and impacting lives.



“As we step into the new decade, replete with unexplored opportunities, I am convinced all three of our businesses hold great potential in creating technologies that maximise India's economic strength.”

**Nikhil Nanda**

Chairman and Managing Director

 Read the full Chairman's communique on **page 8**



## Key consolidated financial highlights, FY 2019-20

Revenue

**₹ 5,810.1**  
crores

EBITDA

**₹ 662.4**  
crores

Profit after tax

**₹ 471.7**  
crores

Earnings per share

**₹ 55.04**



**Why do we spend countless hours on the drawing board to innovate and dare to disrupt the fields of agriculture, construction equipment and railways?**

**Why do we foster value-accretive alliances with global bellwethers in the domains of technology and manufacturing?**

**Why do we consistently enrich and deepen the integration of our portfolio and fortify our global supply chain?**

Because we believe happy farmers, sustainable livelihoods, resilient food systems, safer transportation and smarter urban infrastructure can spread prosperity and impact lives in myriad ways.

There were challenges before when we had first begun our journey, and there are headwinds now as well. But that does not deter us from indulging in blue-sky thinking or building on our decades-rich strengths by identifying green shoots of opportunity in India and globally.

The tractors we are making today will address the agricultural challenges of tomorrow. Our emerging businesses, like Crop Solutions, TRAXI, Mol Anmol, Smart Parts, are assessing customer requirements, fulfilling unmet demand and helping mechanise farming in India. Our construction equipment portfolio has also widened and now we offer product variability across applications. The railways business has a strong order pipeline and is constantly developing high-end technology for comfort and safety.

With unrelenting commitment, we are growing our business profitably and sustainably for a prosperous future for all. We are dreaming big for Vision 2022 and gaining momentum along the way, with the support and trust of all our stakeholders.

## Corporate Profile

# Preferred partner for nation-building

From a very modest beginning in 1944 to one of the largest engineering conglomerates in India today, the journey of Escorts is deeply intertwined with that of nation-building. For over seven decades, we have been helping drive prosperity and happiness for millions of people across the social spectrum as their partner of choice. Transforming lives on the strength of imagination, engineering prowess, and advanced technologies.

Navigating challenges aplenty, we have proven time and again the depth of our resilience, the unrelenting commitment to our vision, the foresight of our leadership and the high calibre of our human capital.

---

## Vision

To be among the top engineering companies in India. We shall achieve this goal by being the preferred solution provider to the needs of our customers; by practising respectful and ethical business practices; by being the employer of choice within the engineering industry; and by providing superior returns to our investors.

---

## Core values

Core values define who we are and what we aspire to be. These values need to be always upheld and embedded in 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.

---

## Strategic values

Strategic values define the roadmap to reach the envisioned future. These must be integral to our thinking and manner of action.

### Customer Centricity

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

### Excellence

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

### Innovation

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

### Agility

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

# Key business divisions



## Escorts Agri Machinery (EAM)

We are one of India's foremost tractor manufacturers, offering tractors from 12 HP to 120 HP under three esteemed brands, Farmtrac, Powertrac and Steeltrac.

EAM is shifting its focus from products to services and from machinery to solutions, with an aim to help enhance agricultural productivity and yields, directly impacting farmers' prosperity and nation's food sufficiency.

### 4 plants in India

Tractors and components with a current production capacity of **1,20,000 units annually**

### 1 plant in Poland

**100% subsidiary** with an installed capacity of **2,500 units annually**, catering to Eastern Europe

### Under construction

**1 plant as a part of the JV with Kubota**, with an **annual capacity of 50,000 units**

Share in revenue

**77%**



## Escorts Construction Equipment (ECE)

We are among the world's largest manufacturers of Pick-and-Carry (PnC) hydraulic mobile cranes.

We are a substantial player in PnC cranes segment in the domestic market.

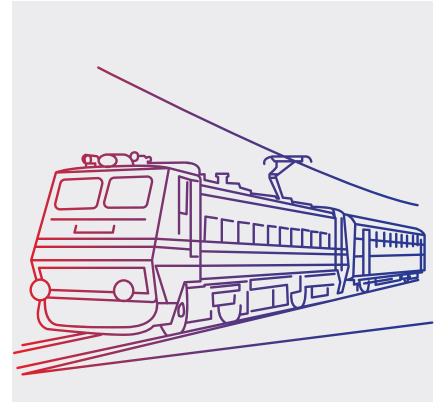
ECE's range of reliable construction and material handling equipment supports India's infrastructure growth.

### 1 plant in India

State-of-the-art manufacturing and assembly facility with a **capacity of 10,000 units annually**

Share in revenue

**15%**



## Railway Equipment Division (RED)

We manufacture advanced components that exemplify safety, comfort and reliability. These include brake systems, couplers, suspension systems, shock absorbers and rail fastening systems, among others.

RED's wide array of railway products enables the modernisation of the Indian Railways.

### 2 plants in India

World-class manufacturing facilities with a **capacity to produce 9,600 AARH couplers, 2,580 SHAKU couplers, 18,000 air brakes, 1,500 EP brakes and 9,99,996 brake blocks annually**

Share in revenue

**8%**

## Journey So Far

# Delivering deep impact down the decades



### 1944

Visionaries Mr. Yudi Nanda and Mr. H. P. Nanda laid the foundation to Escorts

### 1961

- Commenced the manufacture of our own brand of tractors in collaboration with URSUS, Poland
- Moved into high gear with the production of Rajdoot motorcycles



### 1962

Initiated the manufacture of shock absorbers for passenger coaches with Boge, Germany



### 1969

Established our Training and Development Centre at Bengaluru

### 1971

- Started producing our construction equipment
- Introduced the concept of PnC cranes



### 1977

Established an independent R&D centre to develop new technologies



### 1995

- Launched Farmtrac brand of tractors
- Ended JV with Ford

### 1998

Launched Powertrac brand of tractors



## 2012

Developed bogie-mounted brake systems for the Indian Railways indigenously



## 2016

Set up Escorts Skill Development Centre in Faridabad, Haryana



## 2015

- Entered into JV with Amul Group for the manufacture of speciality tractors, Steeltrac
- Partnered Cognizant Technology Solutions to digitally transform businesses and deliver industry-leading customer experience



## 2017

- Launched India's first electric tractor concept, Farmtrac 26E, as part of the New Escorts Tractor Series (NETS), at Agritechnica, Germany
- Received prestigious IRIS Certification for design, development and manufacture of railway components

## 2018

- Announced the Vision 2022 roadmap to align the transformational growth strategy for all three businesses
- Partnered Doosan for an exclusive distribution agreement in India



## 2020

- Deepened partnership with Kubota, where the Japanese tractor and heavy equipment manufacturer picked up a 10% equity stake (post capital reduction) in Escorts, while Escorts received a 40% stake in Kubota's India business
- Set up the Rajan Nanda Innovation Lab (RNIL) to incubate new, promising and disruptive business ideas
- Launched India's first hybrid tractor concept, hybrid backhoe loader concept and multi-utility rural transport vehicle concept



## 2019

- Introduced India's first autonomous tractor concept
- Collaborated with Kubota to develop value-oriented tractors that cater to farming requirements in India and overseas markets
- Entered a JV with Tadano to produce specialised cranes that address high-capacity use cases
- Tied up with seven technology leaders: Microsoft, Reliance Jio, Trimble, Samvardhana Motherson Group, WABCO, Bosch and AVL

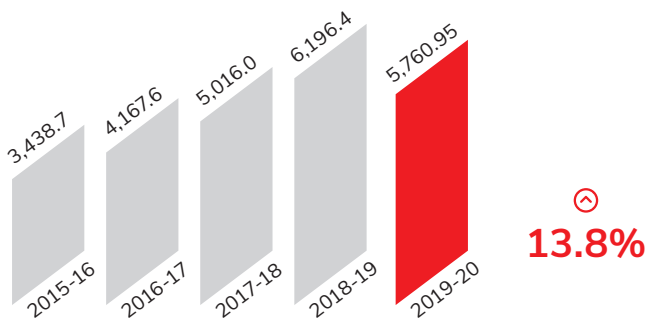


RAJAN NANDA INNOVATION LAB  
an Escorts initiative

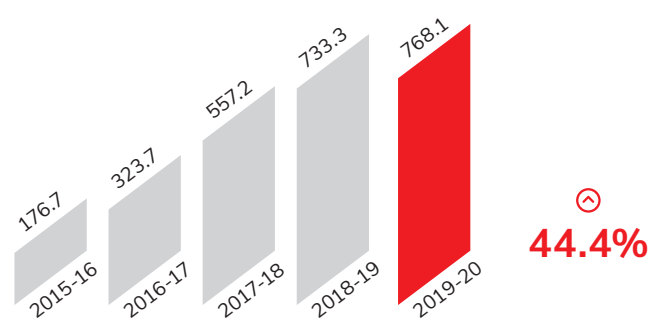
## Standalone Financial Highlights

# A stable and growing business

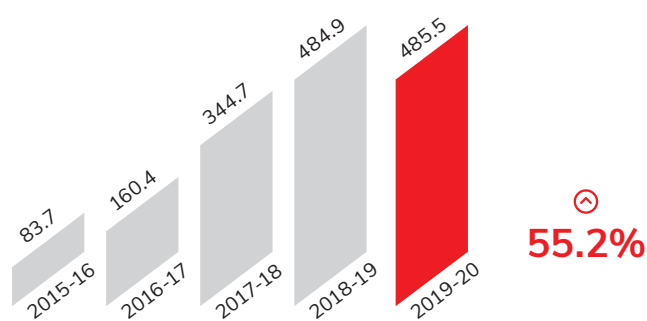
Revenue from operations (₹ crores)



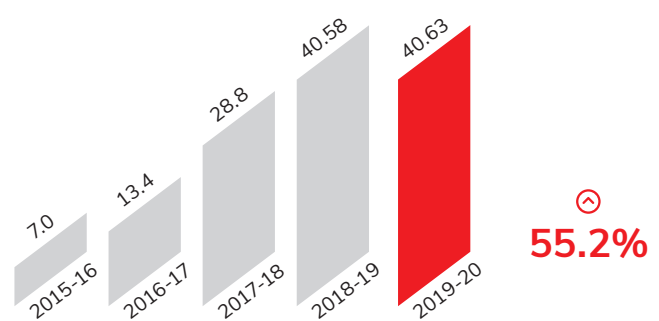
EBITDA (₹ crores)



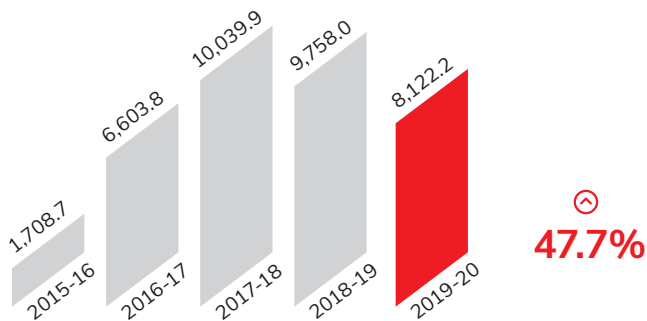
Profit after tax (₹ crores)



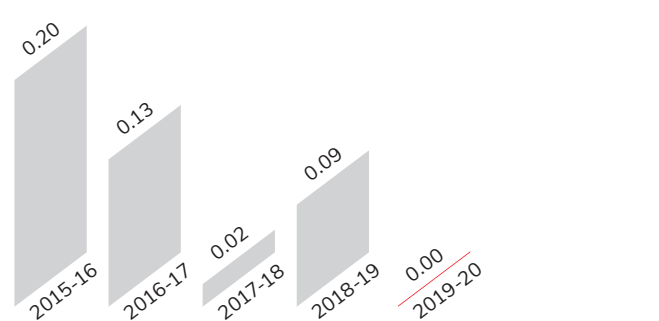
Earnings per share (₹)



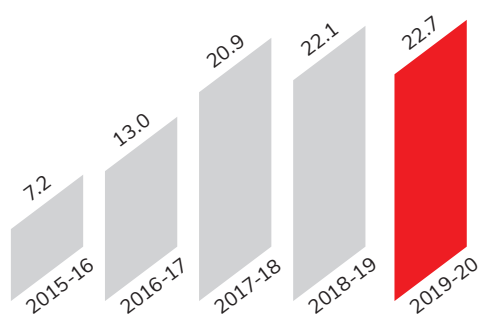
Market capitalisation (₹ crores)



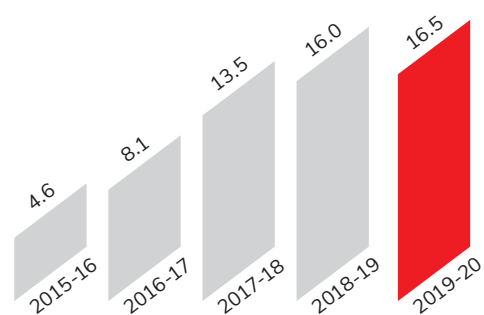
Debt-Equity ratio (times)



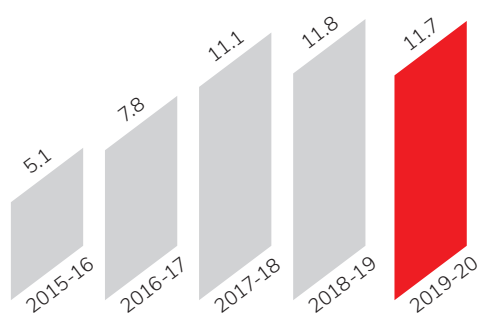
### Return on capital employed (%)



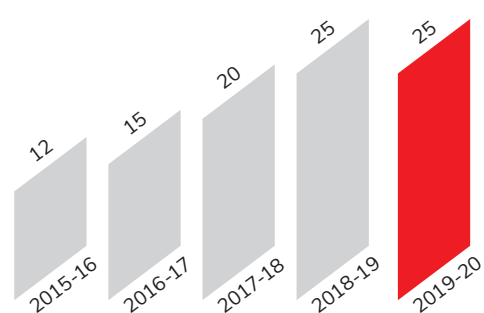
### Return on equity (%)



### EBDITA margin (%)



### Proposed dividend per share (%)



### Quarterly standalone performance

	EAM volumes	ECE volumes	RED revenue	Total revenue from operations (₹ crores)	Net profit (₹ crores)
<b>Q1</b>	21,051	1,067	118.1	1,423.0	87.5
<b>Q2</b>	19,750	945	126.7	1,323.9	104.6
<b>Q3</b>	25,109	1,044	124.4	1,633.4	153.1
<b>Q4</b>	20,108	986	108	1,380.7	140.4

## Chairman's Communique

# Building an organisation of national pride.

Spreading prosperity. Impacting lives.



**Nikhil Nanda**  
Chairman and Managing Director

### Dear Shareholders,

Escorts' journey to build an exemplary Indian enterprise is inspired by its larger vision to put 'Nation First'. Escorts is committed to create value for India and it manifests in the expansion of its core businesses in the key areas of building our country through agriculture, infrastructure and railways. It's a journey that started 75 years back with the dream of a common Indian citizen, which resulted in the mechanisation revolution for our country and brought many firsts and many laurels in the field of engineering. The Company feels immense pride to continue this journey to help build the future of India. We will do whatever it takes to serve the nation; and, in the process, we are also committed to build an organisation of national pride.

### Globally and in India agriculture will remain a growth story

The ongoing COVID-19 pandemic is a public health emergency with grave implications for the population of the world. Agriculture and food security have become the most important focus area for all governments in the world as well as India. Escorts will do whatever it takes to ensure that agriculture remains productive to ensure food security in the post-COVID-19 world.

Food and agri business is a US\$ 5 trillion global industry that is only getting bigger. If growth rate is an indication, then the world's population will require 70% more food by 2050 and these many people will need smart infrastructure and transportation. This makes Escorts a strategic fit in the ever-growing industry segments of farm machinery, construction equipment and railway mobility.

Escorts, your Company, has always been a strong pillar in building the nation by ushering in and strengthening farm mechanisation. Now it is time to make our nation self-sufficient and a major manufacturing and export hub. Your Company will continue to be on its path of realising its mission of ensuring food security for the world and contribute in creating world-class infrastructure for the people.

Your Company wants to be a leading player in the export of 'Made in India' farm machinery, construction equipment and railway products to markets like the US, Europe and Africa. We will continue to make strategic and financial investments in strengthening our technologies and products required to make significant entries into these markets.

In India, our focus would be to contribute towards doubling farmer's income through affordable farm mechanisation solutions. I see significant growth in the coming 9-10 quarters. On the back of positive monsoon, consistent good Minimum Support Price (MSP) payout, bumper harvest and increased sowing, FY 2020-21 could rebound to 7-8% growth and FY 2021-22 could be a double-digit growth year on the back of huge investments and support given by the Government of India and state governments as a part of their COVID-19 response measures. Your Company will gear up to make the most of this growth. Similarly, I see in construction and railway recovery happening from

September 2020 onwards and will continue for 3-4 years.

### **Stable and sustainable Escorts**

FY 2019-20 was indeed a special year for your Company. Amidst de-growth across all three sectors we operate in, we were able to maintain our profitability margins with strategic focus and optimised resources. We will continue to infuse transformed processes, optimised resources, advance digitisation for a strengthened future. Making India's most advanced tractor manufacturing facility, along with Kubota is our commitment to give customers the best of quality and performance from our products.

### **Escorts' far-reaching strategy**

Your Company is focused on below mentioned strategic levers to carve out its future growth. Our strategy stresses on the importance of partnerships, technology and innovations, scientific ROI-based capital allocation, global growth and people talent. It aims to establish a more flexible cost structure and technologically superior product line-up, which can generate consistent financial value for stakeholders.

In the support of our long-term vision, we are putting emphasis on these areas.

### **Evolving through partnerships and collaborations**

At Escorts, we believe in strategic global partnership with an objective to address global farm mechanisation needs. Our manufacturing JV will soon roll out its first tractor from the state-of-the-art and the most modern tractor plant of Asia. Kubota production system and Escorts supply chain will collaborate to produce quality products for both Kubota and Farmtrac brand of tractors.

Our collaboration with Kubota aims to leverage our respective strengths to innovate cutting-edge products for domestic and export markets, serving customers in new markets and new product lines. Kubota Corporation's

strategic investment of 10% stake in Escorts has further deepened our relationship, integrating respective technology and process strengths.

Simultaneously with Preferential Issue, Escorts will also acquire 40% stake in Kubota Agricultural Machinery India Pvt. Ltd. (KAI), the marketing and sales company of Kubota in India.

Our partnership with Tadano Group, the world's leading mobile crane manufacturer from Japan, remains strong. We are jointly developing high-end products customised for the Indian market, to cater to the demand for rough terrain and truck cranes in the 20 to 80 tonnage segments.

In the railway division, we are developing a rich and diverse range of products, through technology transfers with global leaders and deep in-house R&D. Your Company has fostered a technology collaboration with Medel Elektronik of Turkey for vacuum toilet systems, expanding the product portfolio.

### **Winning markets and customers through new products**

New products will always be our primary focus area. We will continue to work on customer's productivity enhancement, comfort and convenience through features and an enhanced experience through technology and digitalisation.

Being a global enterprise is not only about advanced technology or a wider footprint, it is about imbibing a culture of process and quality excellence. It is about creating platforms for growth that support any activity in achieving the highest degree of hard work, discipline and excellence. It is about providing responsible leadership, setting new standards and shaping the industry with path-breaking solutions.

At Esclusive 2019, the third edition of our annual innovation programme, we delivered India's first hybrid concept tractor. Powered by both fuel and

## Chairman's Communique Contd.

battery, the tractor is an eco-friendly and cost-effective product. It will be launched in the range of 90 HP. It provides boost-up power of 20-25 HP, with the help of its hybrid features. In addition, we presented India's first multi-utility rural transport vehicle concept 'Rider' to bring in greater flexibility and mobility in rural farming and hard terrain manoeuvring. The vehicle will also enable applications in haulage, construction, agriculture produce logistics and various other utility segments offering a payload capacity of 750 kg and an optional four-wheel drive mode.

We also introduced a hybrid backhoe loader concept, another first for India. Available in the range of 50HP, which can be boosted up to 75HP through hybrid technology, the product too offers exceptional overall performance with higher productivity, fuel efficiency and convenience, while reducing the machine's carbon emissions.

In agri machinery, we launched Euro47 and Powermaxx series to focus on higher HP segment customers. In the current year, your Company has ambitious plans to bring many more new products, which will position us as the most versatile product portfolio brand in the country.

In ECE, we launched Hydra Next, a new concept machine, which has the capability to create a new segment. We will also launch some high tonnage new crane platforms for India.

In RED, over the years, your Company has launched BMBS, disc brake systems, EMCBS and brake disc, which now contribute to 45% of its turnover. With new product technology in pipeline, we will continue to reinvent RED into a new company altogether.

### Setting the pace in innovation and emerging business

Our Company is continuously driving innovation as our core value to

reinvent not just product but also our ways of doing business. We have revolutionised service excellence with Care button, a 24x7 service platform guaranteeing a service connect of two minutes. We have institutionalised an online tractor sales platform Digitrac, along with app-based crop advisory and related intelligence platform. We have introduced rental equipment farming model through Escorts Crop Solutions. Also, we are revolutionising genuine spares delivery model and will establish a robust on-ground activation of used tractor sale in the medium term.

We also established an Innovation Lab under our late Chairman, Rajan Nanda Innovation Lab (RNIL), to explore 'beyond horizon' technologies and ideas and incubate them to maturity. Through RNIL, we are reaching out to students, researchers and other academic intellect for incubating novel R&D concepts and solutions. We are also collaborating with the Escorts Knowledge Management Centre to evaluate these ideas and the feasibility of integrating them in the current business stream or existing product lines. The first phase will comprise innovations to enhance value and benefits in our current tractor portfolio, in the space of smart implements and in soil, water and other agri-focused inputs.

### Market focus – South India and global home market

I understand, for long, your Company has not been considered as a pan India company. As our new strategic focus, South India is at the core of our business strategy. To mark the importance of South India, every year we would keep one Board meeting in the South. Your Company conducted its first-ever Board meeting in Bengaluru last year. Our focus has already started showing results. Our market share in South has increased to 5.4% from 4.5% in the last financial year.

Since the debut of our global tractor range, New Escorts Tractor Series and our electric tractor concept, we have constantly endeavoured to make more such engineering marvels available to farmers across the world. At Agritechnica 2019, we showcased our hybrid tractor concept, while announcing the commercial launch of the very same electric tractor – now sold in different markets abroad. Farmtrac has an enduring reputation in Europe with significant presence in Germany, Italy, France, Benelux, Spain and the UK.

In another step to cater to global requirements, we leveraged the Farmtrac brand to roll out a new range tractor in the range of 20 to 130 HP, all of which comply with Stage V European emission norms and are compatible with attachments like mower, loader and sprayer.

It makes me proud that Escorts is the only Indian brand exporting brake systems to Spain, Portugal, New Zealand and China.

### Frugal ROI-based capital allocation business decision

Your Company has taken the principle of 'ROI-based capital allocation' in the true spirit. All our investments and spends will be mapped to ROI. We are going to eliminate waste through dedicated cost-optimisation initiatives. Every day, every employee, is going to explore every possibility to further strengthen our processes to control spend, evaluate capital expenditures and putting ROI parameters on all new products and projects related spend. We want to make Escorts a lean and an efficient organisation with flexible and variable cost structure that can respond to challenging market situations and remain sustainable and profitable.

### **Reinvent Escorts – taking a leap into the future**

Amidst last year's slowdown and now the COVID-19 pandemic, your organisation is working on reinventing Escorts and introducing new norms and new ways of working across the Company. We are going to challenge each process and explore new ways to eliminate waste, fasten or digitise the processes so that we become extremely agile in our decision-making and execution. We underwent leadership re-structure last year to focus on growth and new opportunities, which has already started yielding results. I have firm belief that in a dynamic environment, only those companies can survive which will continue to reinvent themselves and Escorts would remain at the forefront to embrace the change.

### **Creation of vibrant culture in Escorts – Empowering Youth**

This is one area of the organisation which still requires a lot of work. We are in the process of creating young leaderships in your Company who will build and lead the Escorts of tomorrow.

I have a firm belief that only people can transform a good company to a great company. Your Company has set up Escorts Transformation Office (ETRO) where young talent has been internally identified and appointed to lead the Company's transformation.

### **Environment, safety and governance**

Compliance and governance are strictly integrated in our processes and each department follows hundred percent adherence to the standard protocols and guidelines stated by the policy framework.

We have defined set of systems, processes and principles, which ensures that a company is governed in the best interest of all stakeholders. Escorts promotes corporate fairness, transparency and accountability.

Each section of the organisation follows safety standards according to the guidelines stated by central agencies.

### **Upholding our promise to the community**

Our key focus areas under corporate social responsibility initiatives comprise addressing healthcare, education, sanitation and horticulture initiatives. Going forward, we are preparing our strategic CSR charter for larger societal benefits.

Responsible corporate citizenship is deeply embedded in our DNA; and we continue to strengthen our initiatives in tune with the need of the hour. We are helping mitigate the deteriorating socio-economic conditions spawned by the pandemic, by delivering food and essential supplies to the communities in our vicinity. We are taking every measure to sanitise all assets in our ownership, including our offices and factories.

We are providing guidance on control measures, test kits and personal protective equipment as part of our COVID-19 response. Together with the Tajinder Singh Memorial and Escorts Medicare Foundation, we are supporting various hospitals and associate facilities to provide quality and affordable healthcare to the vulnerable and the less privileged. Further, we have structured social responsibility initiatives round the year, centred on health and wellness, education and development, environment conservation and safety. We have also contributed to central and state government funds to support actions to contain the epidemic.

### **Sharpening long-term strategies**

As we step into the new decade, replete with unexplored opportunities, I am convinced all three of our businesses hold great potential in creating technologies that maximise India's economic strength.

We are working systematically to identify ways of improving performance in every single one of our activities. We are prioritising quality above all while reinforcing a culture of ownership and accountability among teams. We are sharpening our focus on product and service excellence, while investing in upskilling our talent to firmly establish ourselves as a future-ready enterprise. Although these are things that we have been doing for several years now and with tangible success, we want to continuously reinvent ourselves and question the status quo. We want to measure ourselves against the best in the world. While we are inching towards our Vision 2022, all Escortians are committed to achieve it and in the process, we would also become better by learning from our mistakes; but this will prepare us for further dreaming big. We have started planning for our Vision 2027, which will take your Company to a new horizon.

Under the able guidance and direction of its visionary Board, your Company remains dedicated to accomplishing its business goals, harmonising the interests across its many stakeholders and envisaging growth for all.

As I conclude, I must mention how privileged I am to work with and lead such an extraordinary group of people. To be part of a culture built on sound principles of ethics and the highest standards of corporate governance. To be a part of history in the making. I am most grateful to you, our shareholders for your continued trust and confidence in our Company and me. Your support is the biggest strength in our success, as we stretch our aspirations to every home, every life.

On behalf of Escorts Team,

**Nikhil Nanda**  
Chairman and Managing Director

## Message from the Executive Director

# Accelerating wheels of prosperity



**Shailendra Agrawal**  
Executive Director

### Dear Shareowners,

Our priority now is the safety and wellbeing of our stakeholders; and the continuity of the wonderful legacy that we are all part of.

We, at Escorts, are deeply cognisant of our responsibility to support our customers, employees, business partners and the communities where we work. The responsibility is even more enhanced in these difficult times when the country and the entire world is grappling with COVID-19. The way we looked at doing business in the pre-COVID-19 era has undergone a radical change; and the critical need of the hour is to respond to the

expectations of our stakeholders with deep empathy, and continue to sharpen our focus on growth that is resilient and sustainable.

FY 2019-20 saw us move steadily on our path towards fulfilling the objectives outlined in our Vision 2022; sowing the seeds of a future-ready company; and leveraging the experience and expertise of our Leadership Team. During the year, we focused on quality and efficiency at every step of the value chain and minimised bottlenecks on the shop floor. We adopted industry-best practices and processes that augment

productivity, streamline manufacturing lines and sharpen competitive advantage. We shifted towards leaner and more agile ways of working, tying up with external consultants to rationalise costs and raise our profitability. We strengthened our network of suppliers as well as dealers, improving our sourcing and market reach, respectively.

### Resilient and sustainable performance

Our financial performance in FY 2019-20 was impacted due to macro headwinds in both domestic tractor industry (year-on-year down by 10%) and our served construction equipment (year-on-year down by 23%). Delayed monsoon resulted in lower sowing. Reservoir levels in the western and southern parts of the country were low and so were the subsidies in these states. The emergence of COVID-19 led to supply chain disruptions and a slowdown in economic activity towards the year-end. However, Escorts' profitability continued to be strong; and I am confident that margins will be stronger going forward.

At a consolidated level, we achieved ₹ 5,810 crores in turnover. We posted an EBITDA of ₹ 662.4 crores. Despite the impact of COVID-19, we were able to maintain our EBITDA margin at 11.4% as against 11.5% in the previous fiscal. We recorded a PAT of ₹ 471.7 crores. Our total debt at the standalone level declined from ₹ 277 crores to ₹ 7 crores. Net debt stood at negative ₹ 797 crores with a



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“As an integrated solutions provider, we continue to address customer aspirations with best-in-class offerings that speak volumes about our imagination, initiatives, and integrity. Digitalisation remains the key differentiator in our service basket. Going forward, we will look to the front end of our operations as an important growth enabler.”

credit rating of AA- (positive). Escorts recently ranked among the Top 10 Fastest Wealth Creators (2014-2020) in a Wealth Creation Study of reputed financial institutions. The market capitalisation of the Company has gone up by nearly 21 times in last seven years.

### **An enabling culture of innovation and collaboration**

Across our business verticals, we are analysing and enriching our products to diversify our portfolio and progressively de-risk our business.

Our agri equipment division began selling the electric tractor in Europe in the reporting year and aims to begin its sale in India in the current fiscal. Our autonomous and hybrid tractor concepts reflect our vibrant culture of relentless innovation. We are partnering with global technology and manufacturing bellwethers to adopt global standards of technology and best-in-class processes across the value chain.

Our partnership with Kubota is a win-win collaboration that will add new avenues of growth through product innovation and complete farm mechanisation solutions, new revenue streams in agri implements and construction equipment. I strongly believe that such collaborations enhance our brand aura on the global grandstand.

We are navigating choppy waters in the construction equipment segment owing to the sluggish market; however,

we continue to maintain steady focus on the green shoots of recovery. We are pioneering the shift in the industry to safer cranes and growing our market size in this space. We are emphasising the manufacturing and distribution of higher-value products, through our agreements with Tadano and Doosan. We have progressed well in establishing a reliable supplier base and creating the right manufacturing infrastructure that will enable us to enter the premium high-capacity truck crane segment. Through such focused actions, we will be present across the complete range of mobile cranes.

Our railway division is the biggest gainer this year, with incremental quarter-on-quarter growth in revenue and a sizeable order book. Overall, the industry has been growing well, led by the government's thrust on more private participation in Indian Railways. The division's world-class R&D centres are enabling us to focus more on sharpening our niche skills to enhance our self-reliance. This serves us in two ways. First, it will help us rationalise our incremental costs; and two, it strengthens our self-reliance. Moreover, we are fostering alliances for technology transfers, to enter into adjacent categories, such as automatic doors, air conditioning systems and bio-toilets.

### **The future holds promise**

As an integrated solutions provider, we continue to address customer aspirations with best-in-class offerings that speak volumes about our imagination, initiatives, and

integrity. Digitalisation remains the key differentiator in our service basket. Going forward, we will look to the front end of our operations as an important growth enabler. We will pursue cost efficiency through the management of materials and fixed costs. Some new products launched recently and some about to be introduced will provide the necessary fillip to our efforts.

It is reasonable to expect that it will take some time for the industry and the business to regain normalcy in the wake of COVID-19. Our immediate priority is to secure the health and safety of our employees and all our stakeholders. I expect demand to recover in the coming months, as positive macroeconomic factors revive. The pandemic underlines the need to help create resilient food systems, create robust infrastructure, and make transportation options safer and more reliable. Escorts is committed to live up to the challenge.

Through the decades, our overarching focus has always been on crafting value that is accretive, holistic and stands the test of time; and that focus remains unwavering. We are constantly responding to the dynamic operating scenario and pushing the edge of the innovation envelope with our esteemed partners to deliver prosperity, impact lives and contribute to nation-building.

Warm regards,

**Shailendra Agrawal**  
Executive Director

## Leadership Speak



**Mr. Bharat Madan**  
Group Chief Financial Officer and Corporate Head



The Indian economy was already sluggish during the reporting year, even before the pandemic struck, with the growth trajectory weakening steadily since peaking in the last quarter of FY 2017-18. While the slowdown initially happened owing to credit concerns primarily in the financial sector, muted auto sales and soft capex trends resulted in further weakening of the economic scenario.

The government and the Reserve Bank of India have acted proactively to offset the impact of the pandemic-related disruptions, with the latter reducing policy repo rates aggressively and undertaking several measures to improve liquidity, monetary transmission and credit flows to the economy. Further, India's rural outlook is positive, owing to record output of rabi crop, favourable initial prediction around this year's monsoon, and targeted support by the government.

Escorts' consistent emphasis on innovation, technology collaborations, joint manufacturing with global partners and global market access are going to be critical growth pivots for us, going forward. Other priorities include implementing cost-efficiency across the board, optimising capital allocation and ensuring free cash flow. Our balance sheet strength, consistently diminishing debt profile and strong revenue and earnings potential both for the medium- and long-term will help us continue our growth trajectory and create value for all stakeholders.



**Mr. Shenu Agarwal**  
CEO – Escorts Agri Machinery



We are bringing more technology-driven products to the market, such as the 'PowerMaxx' and the 'Atom' series through the Farmtrac brand, and the 'Next' Series through the Powertrac brand. A dual distribution strategy between the two brands has helped us continuously improve market share.

Our foray in hybrid, autonomous and electrical technologies will create a promising and sustainable future for us. Market-side disruptions will differentiate us to pave our way to market leadership. Care 24X7 (a digital device fit in our tractors), 100% doorstep service delivery, Digitrac (contactless, online sales), TRAXI (farm equipment rental marketplace), ECS (end-to-end mechanisation solutions on pay-per-use basis) and Smart Parts (digitally enabled parts distribution) are few examples of how we intend to reshape the landscape of customer servicing and agri mechanisation in the country.

Capital infusion by Kubota Corporation in Escorts will help us further extend our capabilities in manufacturing and product development, foray into new export markets, improve systems and processes to a world-class level, overall ensuring delightful customer experience.

Encouraging results of our efforts over the last few years is stoking our desire to build a renewed and unique Escorts, serving all stakeholders with pride.



**Mr. Ajay Mandahr**

CEO – Escorts Construction Equipment



The division's major objective in FY 2019-20 was to increase profitability and there were three key levers that helped fulfil this objective: cost excellence, product diversification and customer service.

First, Project Lakshya was successful in strengthening our bottom-line to a large extent, through in-house interventions alone.

Next, we introduced variants to many of our existing products, adding new features related to efficiency, ease of use and safety, thus differentiating our offerings further in the market and realising greater value. We doubled the warranty period as well as launched a buyback scheme for our backhoe loaders, gaining brand equity and confidence. We also customised our products to suit the requirements of different export markets.

Lastly, we expanded our dealership network and converted some of our existing dealers into stockists to ensure sustained availability of spare parts. We deployed mechanics across touchpoints to address customer concerns directly and onboarded thousands of customers to our new digital platform, which acts as a bridge to our service team and provides a repository of user manuals.

Going forward, we will continue to drive our innovation envelope and foster collaborations that are value-accretive and sharpen our competitive edge.



**Mr. Dipankar Ghosh**

CEO – Railway Equipment Division



Escorts is proud to be a catalyst in the modernisation and indigenisation drive underway in the Indian Railways. We are one of the largest indigenous Original Equipment Manufacturers (OEMs) for the Indian Railways in the country within our category.

We are keeping a close watch on the evolving market requirements and rapidly scaling up our business with prudence and foresight. We have added a new plant to our existing manufacturing capabilities and deployed the Product Life Cycle Management (PLM) software to optimise product design. We are proactively exploring JVs with foreign players for high-end technological collaborations, besides building competencies in developing cutting-edge technologies and sub-systems for new and existing segments.

Our expertise is well acclaimed globally. We have surpassed the bronze level of certification of the International Railway Industry Standards (IRIS) and are aiming to receive more such certifications across geographies, enabling us to supply to export markets as well. Our priorities on the radar are clear: leveraging in-house engineering prowess, fostering technology alliances and manufacturing collaborations for new product development, and driving inorganic growth through acquisitions.

## Operating Context

# Navigating the new normal

The COVID-19 crisis has tested the agility, resilience and adaptability of business models everywhere, besides accelerating the pace of trends that were already in play before the pandemic. We are responding to the emerging challenges by staying close to our stakeholders and remaining true to our mission and values.

## Resilient food systems<sup>1,2</sup>

The pandemic has brought to light the systemic weaknesses in the way we produce, process and distribute our food. Reports reveal farmers have been unable to receive seeds or fertilisers for the planting season; their harvests have been threatened by a shortage of farm labourers; and they have been unable to sell the produce they grow because markets were closed. Further, climate and environment catastrophes, in the form of droughts and pest attacks, continue to threaten food supplies.

The Government of India and other state governments are ensuring that markets are well supplied and end-consumers can access and purchase food, despite movement restrictions and income losses. It is imperative to make our food systems more resilient so that farmers are better placed to cope with challenges in the agricultural sector.



### What this means for Escorts

Escorts is enlarging the role it plays in the agriculture space and evolving itself as a complete solutions provider for the farming community. By offering most technologically advanced farm machinery, through disruptive pay-per-use business model, we ensure affordability and reach the masses. Our purpose is to spread farm mechanisation in the country so as to help mitigate dependence on labour; enhance farm yields and productivity; make relevant information accessible to farming communities – and through all this help raise farmer income levels.



<sup>1</sup> World Economic Forum research

<sup>2</sup> World Bank research

## New infrastructure paradigms<sup>3</sup>

Infrastructure is one of the five pillars of the government's 'Aatma Nirbhar Bharat Abhiyan' movement<sup>4</sup>. Under the ~₹ 20.9 lakh crores package, the government has announced a series of targeted measures to offset the lockdown losses and bolster agriculture, infrastructure and financial services, among other sectors of the economy.

We will need to reimagine our relationship with the natural world, which we inhabit and conceive new approaches to build assets that are robust, intelligent and collaborative. New-age infrastructure also needs to be flexible to the new paradigms that are evolving. For instance, connected and smart technologies, along with digital platforms have unleashed the possibility of creating infrastructure that can be better maintained.

The Union Budget 2019-20 estimated that India will need to spend ~US\$ 200 billion annually in building infrastructure to achieve the US\$ 10 trillion economic opportunity by 2032. Regulatory support that incentivises public-private partnerships will shape the way forward, public funding and private investments together in pursuing the common national goal of infrastructure creation.



### What this means for Escorts

Escorts is diversifying into newer components for locomotives, wagons and coaches, such as bio-toilets, developing components for high-speed trains and latest railway coaches. We are entering alliances for technology transfers for new product development, and emphasising import substitution and input cost optimisation through frugal engineering and value-led innovation in our offerings.

<sup>3</sup> KPMG research

<sup>4</sup> Dated May 12, 2020

<sup>5</sup> Kearney research



### What this means for Escorts

Escorts is striving to make world-class products available to the infrastructure sector – products that are safe, reliable and technology driven; and are developed to cater to a versatile range of applications, while lowering emissions and augmenting fuel efficiency. We are plugging portfolio gaps and exploring niche categories, while sustaining focus on digital innovations. We are geared to partner our aspirational nation on the move.

## Emerging opportunities in rail<sup>5</sup>

As rail services gradually resume in the country post the lockdown, priorities like safety, comfort and reliability will rank even higher for commuters. Emphasis will be laid on increased air circulation, ease of operability and maintenance, among others. The sector will see sustained innovations like high-speed and semi-high-speed rail projects, dedicated rail freight corridors and rapid-transit metro railways across major cities, to reduce congestion.

The Indian Railways has set an ambitious target of increasing private-sector participation in major projects by 2025 across passenger and cargo trains, rolling stock and station redevelopment. Further, capacity enhancement is also required because of the increasing footfalls at railway stations. Around 150 privately run passenger trains on 100 key routes at an estimated investment of US\$ 3 billion in rolling stock and associated infrastructure is in the pipeline.

## Business Model

# Responsible and sustainable roadmap

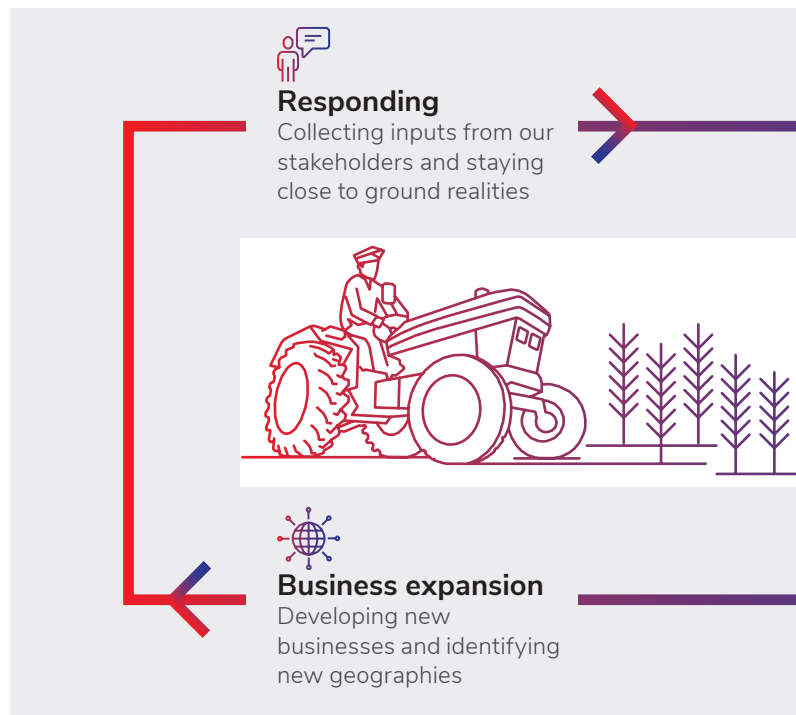
### Inputs

What enables us to pursue value-enhancing opportunities

- ₹ 122.58 crores equity
- ₹ 819.80 crores free cash and mutual fund investments
- ₹ 195.42 crores capex spend
- ₹ 129.33 crores (2.3% of turnover) R&D spend
- 5,500+ suppliers and contractors
- 1,000+ dealers
- 500+ customer service touchpoints
- ~9,500 employees (including permanent, non-permanent, managers, casual and contractual employees)
- ~3.14 person-days of training per employee in managerial grade
- 10+ investor conferences attended
- 20+ analysts covered stock
- ₹ 9.85 crores CSR spend

### Processes

What turns ideas into essential assets for society and the future



### Key value drivers

#### Disruptive innovation

Read more on page 20



#### Global collaboration

Read more on page 24



Despite short-term challenges, Escorts continues to grow profitably through a unique and integrated portfolio of agricultural, construction and railway equipment and solutions, while ensuring operational efficiency and financial discipline.

## Outputs

What positively impacts socio-economic wellbeing



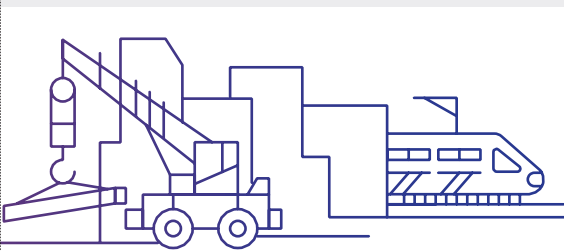
### Manufacturing

Creating equipment and solutions at our state-of-the-art plants



### Distribution

Supplying our products through a network of dealers, distributors and stockists



### Customer care

Extending omni-channel after-sales service channels



- ₹ 5,810 crores revenue
- ₹ 471.7 crores net profit
- ₹ 8,122.2 crores market capitalisation (as on March 31, 2020)
- 25% dividend paid to shareholders
- ₹ 174.80 crores income tax paid
- Rating agencies: AA- with stable outlook (by ICRA and CRISIL)
- 44,000+ customer queries resolved
- 181 dealerships covered under EAM's dealership induction programme
- ~4.5% women leaders in managerial grade
- 70,000 lives impacted through community investments

## Key businesses

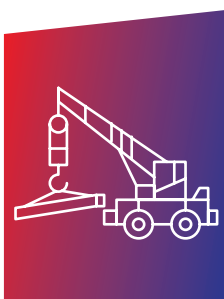
### Escorts Agri Machinery

Read more on page 40



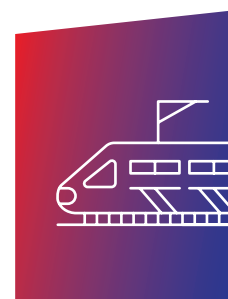
### Escorts Construction Equipment

Read more on page 44



### Railway Equipment Division

Read more on page 45



## Disruptive Innovation

# Blue-sky thinking to impact lives



We design our integrated portfolio on the strength of our innovation and implementation of sunrise technologies that have been either developed in-house or evolved through alliances. Across all our business verticals, we are driving technology-led growth; and our endeavour is to engineer unique solutions for mechanised agriculture and robust infrastructure development that helps enrich lives in myriad ways. We will continue to challenge the status quo and redraw the boundary of what's possible and what's next.



# Esclusive 2019

Esclusive is the embodiment of our culture of innovation and curiosity, providing a platform to showcase a selection of novel ideas from across the businesses.



## Key launches

### India's first hybrid tractor concept

After the successful launch of India's first electric and autonomous tractor concepts, we delivered the hybrid tractor concept in the range of 90 HP. It provides boost up power of 20-25 HP, in addition to diesel engine, through the hybridisation feature. This is an eco-friendly tractor that consumes less fuel and emits 10-15% less CO<sub>2</sub> than a comparable conventional diesel engine vehicle.

It has four operating modes.

#### Hybrid mode

The tractor utilises power from both sources, namely, diesel engine and battery, based on power requirements

#### Electric mode

A first in India in the HP segment, it can work on electric power completely with the diesel engine shut off.

#### Engine mode

The tractor works solely on the diesel engine, like in any other tractor.

#### Charging mode

The diesel engine charges the high-voltage battery at idle engine rpms. There is no dependency on an external power source. There are three sub-charging modes:

- **Recuperation**  
Battery charging while braking
- **Load point shifting**  
Charging while driving in hybrid mode
- **Plug-in charging**  
Charging through an external power line

#### Smart implements and solutions

We introduced a range of smart tractor-driven mini sugarcane harvester and self-propelled spraying technology, reaffirming Escorts' thought leadership in farm mechanisation and precision agriculture.

### Rural Transport Vehicle (RTV)

Testament to our engineering and innovation prowess, we unveiled India's first multi-utility Rural Transport Vehicle (RTV) concept. Named 'Rider', the RTV has a payload capacity of 750 kg and an optional four-wheel drive mode. It will find application in rural farming, rough terrain maneuvering, construction and logistics, among other utility segments

### India's first hybrid backhoe loader concept

The hybrid backhoe loader will be launched in the range of 90 HP. It provides boost-up power of 20-25 HP, with the help of its hybrid features. The product offers exceptional overall performance in terms of productivity, fuel economy and carbon emissions.

## Disruptive Innovation Contd.

### Agritechnica 2019



Escorts, through brand Farmtrac, has a good brand reputation in Europe with significant presence in Germany, Italy, France, Benelux, Spain and the UK, among others. The indigenously engineered hybrid tractor concept was also showcased at Agritechnica 2019 in Hanover, Germany. Further, we unveiled an array of products for the European market, in the range of 20 to 130 HP. Our products comply with Stage V European emission norms and are compatible with attachments like mowers, loaders, sprayers, and so on.

### Indian Railway Equipment Exhibition (IREE) 2019

We presented the breadth of our offerings in railway equipment and components at the three-day Indian Railway Equipment Exhibition (IREE) 2019. The products on display included high-end computer controlled electronic locomotive brake systems, high-speed axle mounted disc brakes and wheel mounted disc brakes for trainsets and metros, AARH couplers, locomotive and LHB dampers and air springs.

Escorts has collaborated with the technology leaders from South Korea, to develop world-class brake systems for metro, high-speed trains and trainsets like the recently commissioned Vande Bharat Express. Being a preferred partner for the Indian Railways, our priority is to ensure safety and comfort in rail transport. We expect the IREE platform to provide us better visibility for export geographies, such as Egypt, Malaysia, Thailand, Sri Lanka, Iran, Bangladesh and even China. Escorts is the only Indian brand exporting brake systems to China, Spain, Portugal, and New Zealand.



# Rajan Nanda Innovation Lab



Our late Chairman, Mr. Rajan Nanda, had a promising vision of creating a future-ready Escorts; an Escorts that would provide enduring value to its stakeholders and the country at large. Under the aegis of our Chairman & Managing Director, Mr. Nikhil Nanda, the Rajan Nanda Innovation Lab (RNIL) was founded on 6<sup>th</sup> September 2019, to help develop indigenous engineering solutions and nurture an ecosystem of disruptive technologies.

In the longer term, the RNIL is intended as an engine of innovation, embodying our commitment to doing everything it takes to ideate, develop and collaborate, to empower the dreams of farmers, strengthen smart urban infrastructure and bring in advanced comfort and safety in rail transport.

## Multi-pronged approach

- Aggregating best practices from around the world
- Creating a 'centre of excellence' for the farming community, by partnering with various advanced agri-based technology players
- Crowdsourcing, identify and reach out to students, researchers, scholars and related stakeholders and incubate path-breaking solutions and novel concepts
- Collaborating with the Escorts Knowledge Management Center (KMC) to evaluate and measure the feasibility of these ideas, after which they will be integrated in the existing business streams and product lines, or an extended business opportunity in a related segment

## Immediate focus areas

### Tractor-based

- Technologies to boost power and reduce fuel consumption
- Low-cost and high-quality paint technology
- Telematics, sensors and predictive forecasting technology
- Precision-based and automation-driven accessories and technology
- Technology for low-cost lithium-ion or other battery options to reduce input cost in an electric tractor

### Implement-based

- Spraying solutions that mitigate the risks associated with mechanical spraying
- Land preparation, seeding and harvesting units, such as low-cost sugarcane harvesters
- Precision guidance and crop compatibility, like the rotavator which decreases fuel cost and improves margins

- Cost-efficient and sustainable weed management
- Soil health analysis
- Smart water management, such as moisture indexing and water mapping project for better irrigation and optimised water use
- Alternate fuel sources like methane and solar power
- Alternate and productive fertiliser

## Inter-College Innovation Challenge (IC<sup>2</sup>)

A unique competition launched by the RNIL, the (IC<sup>2</sup>) aims to provide students from colleges across India an opportunity to transform their ideas into flourishing businesses. In its first year, (IC<sup>2</sup>) invited entries in the fields of agri-tech, infra-tech and rail-tech. RNIL will fund the top five innovative ideas with seed money of ₹ 10 lakhs each, totalling ₹ 50 lakhs in funding support. We received an overwhelming response for the challenge, from students across India.

## Global Collaboration

# Communion of ideas to impact lives



We believe that we cannot create new pathways of progress and prosperity alone; we need the support of trusted partners with deep fellowship in thoughts. Over the decades, we have fostered mutually benefiting partnerships and alliances with some of the most esteemed global brands in our domains. This strategy has helped us further expand our offerings; and fortify our distribution network and market leadership nationally and internationally.



## AVL

For a third-party design certification fulfilling homologation requirements in the indigenously developed compact electric tractor.

## Trimble

For sensors, controls and automated e-steering for precision farming

## Samvardhana Motherson Group

For smart interface cabins and 'Escorts Care Plus', and advanced telematics system to enhance service, safety and operational experience for our valued customers

## WABCO

For automating vehicle controls and developing an autonomous tractor for precision farming.

## Microsoft

For cloud-enabled services and artificial intelligence to help our customers access necessary information about weather, soil and optimum timings for various farming activities to enhance yield

## BOSCH

For compliance with the latest emission norms

## Reliance Jio

For augmenting farm machinery lifecycles, with networked platforms, providing top-notch services and genuine spare parts across the country.

## Doosan

For the exclusive distribution, sale and service of its excavators, articulated dump trucks and wheel loaders in India

## Tadano

For the joint manufacturing of high-value, sophisticated rough terrain and truck cranes in the 20-80 tonnage category



## One of the Largest Indo-Japanese Agriculture Collaborations

It's a proven fact that when Japan's eye for quality and India's spirit of efficiency come together and is provided a global platform, it translates into exemplary outcomes. Convinced about the potential

of such a partnership, Escorts and Kubota have been in touch for several years. The two pioneering brands united to form a JV, namely Escorts Kubota India, in FY 2018-19, to establish a new common manufacturing line with an initial capacity of 50,000 tractors that would be sold through respective channels in the Indian market. Kubota also agreed to export Escorts tractors through its global distribution network in specific markets.

During FY 2019-20, the Indo-Japanese collaboration crossed a new milestone. Under the new agreement, Kubota is set to acquire 10% equity stake, on a post capital reduction basis, in Escorts. Simultaneously, Escorts will acquire 40% stake in Kubota Agricultural Machinery India, the marketing and sales business of Kubota in India.

### A win-win partnership

Escorts will gain insights into the renowned Japanese culture of innovation, manufacturing, operating discipline, as

well as Kubota's global supply chain. When it comes to technology and quality that culminates into a product which truly imbibes the needs of the customer, Kubota is among the best in the world. Kubota will benefit from Escorts' frugally engineered products, tailored to the Indian market.

We will enter joint product development and provide advanced farm mechanisation solutions around the world. We will explore new avenues of growth in construction equipment and agriculture implements down the line. From farm mechanisation and construction equipment, to electric, hybrid and autonomous technologies, the canvas is wide open. We will collectively help address the challenge of global food insecurity and realise our ambitions of becoming a leading player in the Indian market and a global hub of product development, manufacturing and sourcing.

## People and Culture

# Building a thriving workplace

Our human capital comprises the passion, commitment and winning attitude of our people, which is reflected in our transformational growth and which will take us to the next orbit of growth.

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### HR Vision

To create a values-driven organisation by providing an aspirational environment to deliver exceptional performance to our stakeholders through agility, innovation and excellence.

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### Employee Value Proposition

To provide opportunity to aspire & perform



**~9,500**

Employee base (including permanent, non-permanent, managers, casual and contractual employees)

**~36 years**

Average age of managerial grade

Our people practices are built on three main themes. First, constructing an opportunity and a role-based organisation with clear accountability – with a fine balance with functional excellence. This will unleash the energy within Escorts. Second, building a pipeline of business leaders with emphasis on youth, job rotations, succession planning and learning and development. Finally, adopting digitisation as a tool not just to create efficiency but also a deep impact on how we conduct business.

### Talent management

Our endeavour is to identify, enable and build our people capabilities to perform key roles in the organisation. The Escorts Career Accelerate Program (ECAP) is one step in this direction, wherein the managers performing key roles in Sales & Marketing, Operations and Research & Development go through a structured capability development process consisting of training, projects, coaching and assessment spread over a period of 9 to 12 months. This

process has also enabled us to identify talent with potential to take on larger roles within the organisation.

Building the mid-level leadership pipeline has been another focus area wherein identified talent is provided with key transformation projects to develop, hone their skills and showcase their capabilities.

Digital training is another platform that is being leveraged for building capabilities, be it technical knowledge, product awareness or behavioural training. We are also focusing on identifying and creating internal trainers to leverage on their knowledge and experience across the organisation.

### Employee engagement

Understanding employee pulse and engaging our employees is key to aligning individual and organisational aspirations. To do so we have blended technology with a human touch as a mechanism to reach out, engage and address individual specific issues.

Our employee connect programmes with the Chairman, Executive Director and CEOs are other platforms through which we constantly seek feedback and also communicate business objectives and strategy. Additionally, through the 'E-Connect' platform, employees can seamlessly collaborate, communicate and connect with each other.

### Rewards and recognition

We are institutionalising an instant rewards and recognition programme to acknowledge individuals and teams for exemplifying our values and performing well. A technology platform has been adopted for instant delivery, experience and communication.

### Technology

Our goal is to bring about a cultural transformation by leveraging technology and introducing innovative HR tech platforms. The 'eCube' platform intends to engage, enable and empower employees. This has enabled us to minimise transactional processes, gain insights and focus more on transformation tasks.

### Health and safety

Health and safety of our employees and their families is the top priority of the Company during this pandemic period. We are taking all precautions to sanitise our workspaces and ensure a safe and hygienic working environment. Awareness programmes are being rolled out to engage and ensure practice of social distancing, lifestyle change and coping with stress. In line with the government advisories, we successfully shifted our office staff to work from home, ensuring seamless business continuity.

**~4.5%**

Women leaders in managerial grade

**~3.14 person-days**

Training per employee in managerial grade



## Corporate Citizenship

# Empowering lives, one at a time

Responsible corporate citizenship is deeply embedded in our overarching sustainability roadmap; and we continue to strengthen our initiatives with prudent resource allocation and outcome mapping. Our efforts in the areas of education, health and wellbeing, and environment, among others, define our approach towards engineering holistic community development and environment sustainability.

**₹ 9.85 crores**

CSR spend

**70,000**

CSR beneficiaries

### Education

To empower Indian farmers further with access to information about their farmland, we introduced a mobile application called, Digitrac. The application can be downloaded in both Android and iOS phones. Digitrac is connected through the Global Positioning System (GPS), hence the exact location of farms can be traced. This helps educate farmers about their farm area, including knowhow on soil/ weather conditions, pests and seeds; advice of agri experts; and current mandi prices for their crops.



Aside from this, we focus on supporting education for underprivileged children by partnering with non-profits and intervening at the grassroots. We collaborate with National Association for the Integration

& Rehabilitation of the Handicapped (NAIRH), a Faridabad-based NGO, to cater to the holistic development of special children in the age group of 5-12 years. With NAIRH, we are helping renovate a school complex





with new and advanced facilities. We also partner with Arpana Trust for the development of underprivileged children in relocated slum areas of Molar Bund area of South Delhi. This initiative has helped the children to enhance their mental faculties and augment their sense of team spirit.

### Health and wellbeing

The public spending on healthcare in India is estimated to be ~1.5% of the GDP, significantly lower than other countries in comparison. Keeping this in mind, we stepped up our contribution towards healthcare this year, setting up five Mobile Medical Units (MMU). The MMUs provide quality preventive, palliative and curative healthcare services to the underserved areas of Faridabad district. The X-Ray facility aboard the MMUs support the objective of eradicating tuberculosis. With the MMU project, we intend to strengthen the current healthcare structure in districts by working in close coordination with the district health authority.

Along with the Tajinder Singh Memorial and Escorts Medicare Foundation, we operate a polyclinic in Faridabad, supported by various hospitals and associates. The polyclinic has emerged as a centre of quality and affordable care in the area, with services such as preventive care, super-specialty consultation and diagnostics, radiology facilities, dental treatment, a rehabilitation centre and an ophthalmology department, among others. Numerous underprivileged patients with complex medical issues have been treated here.

We also partner with the NGO SAPNA to sponsor equipment for eye care and cataract surgeries. SAPNA has built a charitable eye hospital, Mahatma Gandhi Netralaya, in Kaduki village on the outskirts of Alwar, Rajasthan. The hospital exclusively treats the poor and underprivileged seeking secondary eye care services.

### Environment

Escorts' Environmental Policy integrates environmental considerations into business processes and adopts a lifecycle approach across the value chain.

Energy, carbon, water and waste are the most material environmental aspects for our operations. To increase green footprint in Faridabad and promote a clean environment, we are transplanting dilapidated green covers with suitable landscaping, in accordance to the Smart City scheme of the government.



Stubble burning is a common practice followed by farmers in Haryana to prepare fields for sowing of wheat as there is little time left between the harvesting of paddy and sowing of wheat. This results in emission of harmful gases, such as carbon dioxide, sulphur dioxide and nitrogen dioxide, along with particulate matter, adversely affecting environment and public health. We partnered with Shri Madhav Jan Sewa Nyas Trust, involved in upliftment of rural areas through agri mechanisation and rural development, helping stop or limit stubble burning issues.

We also supported the Municipal Corporation of Faridabad in providing shelter and food to the underprivileged during COVID-19.

## Risks and Mitigation

# Managing the impact of risks

No business is risk-free and indeed the achievement of our strategic objectives necessarily involves taking risk. Escorts will however only accept risk where it is consistent with its core purpose, strategy and values; is well understood and can be effectively managed; and offers commensurate reward.

Risk/Focus area	Description	Mitigation strategy
<p><b>Impact on business continuity due to macro events</b></p> 	<p>Inability to recover from and continue uninterrupted operations due to extraordinary events in the operating environment, such as outbreak of an epidemic/pandemic or contagious disease (like COVID-19), other natural calamities, fire, etc.</p>	<ul style="list-style-type: none"> <li>• Crisis management and business continuity plans are in place across the Company and are tested regularly by internal and external parties.</li> <li>• We are closely monitoring the COVID-19 crisis and calibrating our response accordingly.</li> <li>• Measures to ensure employee wellbeing, such as developing a COVID-19 company policy, setup a COVID-19 response team, prepare a structured response plan, improve sanitation procedures, educate employees on precautionary measures, promote digital workplace, etc.</li> <li>• Mock drills to ensure preparedness of firefighting systems as well as employees in the event of a fire or an earthquake.</li> </ul>
<p><b>Guarding confidential information and IT systems</b></p> 	<p>Failure of information systems to adequately protect the critical data and infrastructure from theft, corruption, unauthorised usage, viruses or sabotage.</p>	<ul style="list-style-type: none"> <li>• Establishment of Security Operations Centre (SOC) to detect IT security incidents.</li> <li>• Periodic vulnerability assessment and penetration testing by Specialised Auditors.</li> <li>• Regular user awareness programmes to sensitise users on phishing attacks.</li> <li>• We have a robust data centre and Enterprise Resource Planning (ERP) – integrating all business divisions; state-of-the-art warehousing software with scientific storage of all inventory with bar coding of all storage bins; cutting-edge Business Intelligence (BI) tool that pulls data from various sources and engages in its analysis with dashboards for different organisational departments; and a Data Loss Prevention (DLP) strategy implemented across all IT assets.</li> </ul>

Risk/Focus area	Description	Mitigation strategy
<p><b>Occupational health and safety</b></p> 	<p>Failure to comply with Environment, Health and Safety (EHS) laws may expose the Company to non-compliance and significant penalties from regulatory authorities.</p>	<ul style="list-style-type: none"> <li>• State-of-the-art equipment and technology across our plants, as recommended by the Pollution Control Board.</li> <li>• Training and awareness of employees on environmental standards and norms.</li> <li>• Periodic audits to monitor compliance to applicable EHS laws.</li> <li>• Disaster management system to implement the most effective accident prevention measures across our operating sites.</li> <li>• Use of personal protection equipment mandatory for all on-site workers.</li> </ul>
<p><b>Impact of monsoons, soil health &amp; other external factors on tractor industry and Escorts' businesses</b></p> 	<p>Impact on the Company's performance due to inadequate monsoons, decline in soil fertility and other external factors, such as economic slowdown, adverse government policies, etc.</p>	<ul style="list-style-type: none"> <li>• Short- and long-term weather conditions are assessed by the company to manage and respond to the conditions and to support the fulfilment of its business objectives.</li> <li>• The Indian Meteorological Department (IMD) has predicted that the country is expected to have well-distributed rainfall during 2020.</li> <li>• Our portfolio of tractors, implements and crop solutions are designed to support farmers, from sowing to harvesting. We are incubating novel concepts and partnering critical agricultural research to alleviate the stress on farmers and help them become resilient to external shocks.</li> <li>• We have external and internal advisors who provide guidance and assurance to each division regarding the interpretation of political, regulatory and legislative changes. These teams take the lead in engagement with regulators, officials and other such stakeholders.</li> <li>• Effective measures have been devised to respond to market conditions. The Company continues to invest in initiatives related to cost reduction, product innovation, pricing, EBITDA improvement, customer service enhancement, etc.</li> </ul>
<p><b>Adverse labour relations</b></p> 	<p>Disruption in the Company's manufacturing operations due to labour unrest or adverse labour relations</p>	<ul style="list-style-type: none"> <li>• Inculcate and develop a partnership culture among the workforce.</li> <li>• Regular two-way worker-top management communication, with focus on understanding and resolving issues.</li> <li>• Proactive and regular engagement with workers and their families.</li> <li>• Welfare measures such as housing scheme and wellness programme.</li> <li>• Continuous improvement in the efficiency and effectiveness of grievance redressal mechanism.</li> <li>• The Company offers Employee Stock Options (ESOP) to its employees.</li> <li>• Regular training and development programme for employees.</li> </ul>
<p><b>Inefficient cost structure resulting in reduction in profitability</b></p> 	<p>The risk associated with the Company's exposure to fluctuations in price of key commodities, including electricity, oil and metal.</p>	<ul style="list-style-type: none"> <li>• Commodity positions are assessed periodically by the Company. We have internal mechanisms in place to provide commodity price forecasts, which are used to inform decisions on trading strategy and asset investment. We utilise a number of hedging instruments to minimise exposure to fluctuations in commodity prices and foreign exchange markets.</li> </ul>

## Board of Directors



**Mr. Nikhil Nanda**  
Chairman and Managing Director



Mr. Nanda joined Escorts as Director, Business Development of Escorts Yamaha Motor Ltd. (EYML) in 1998. He has contributed immensely in the areas of operations, finance and senior management functions such as strategic planning and investment decisions. He has played a central role in leveraging Escorts' inherent capabilities to strengthen its position as a company dedicated to frugal engineering. He is a member of CII's Northern Regional Council; Federation of Indian Chambers of Commerce and Industry (FICCI); the Indo American Chambers of Commerce (IACC); Young President's Organization (YPO); All India Management Association (AIMA); Young India Committee of CII; and the Science & Technology in Society (STS) Forum of Japan. He is one of the few business leaders chosen by the government to represent India at the Indo-Spain CEOs Forum.

He is an alumnus of Wharton Business School, USA, with majors in Management and Marketing.



**Mr. Hardeep Singh**  
Director



Mr. Singh is the Chairman of the monitoring committee on Minimum Support Price, constituted by the Niti Ayog. He has held managerial positions across leading Indian and foreign companies. He was the Former Executive Chairman of Cargill South Asia and Amalgamated Plantations Pvt. Ltd. (a Tata group enterprise) and the Non-executive Chairman of HSBC Invest Direct India Ltd. He has been a member of National Council of CII and National Committee for Agriculture of FICCI and served as an honorary advisor on Agriculture to the Chief Minister of Punjab. He was invited to speak at the World Bank, the US Department of Agriculture's Global Summit, the International Food Policy Research Institute, the Imperial College, and Indian Institute of Management (IIM), Ahmedabad.

He is an Economics graduate from Pune University and an alumnus of Kellogg School of Management.



**Mr. P. H. Ravikumar**  
Director



Mr. Ravikumar is, at present, the Non-executive Chairperson of Bharat Financial Inclusion Ltd. (earlier known as SKS Microfinance Ltd.) and on the Boards of L&T Investment Management Co Ltd., Aditya Birla Capital Advisors Ltd. and Bharat Forge Ltd., among others. He is a Fellow (Honorary) of the UK's Chartered Institute of Securities and Investments (CISI) as well as the Chairperson of CISI's India Advisory Council. He has been the Founder, Managing Director and Chief Executive Officer of National Commodity and Derivatives Exchange Ltd. (NCDEX) and Invent Assets Securitisation and Reconstruction Pvt. Ltd. (an RBI-regulated asset reconstruction company). He has worked at senior level positions in ICICI Bank and Bank of India. He has been on the governing body of Entrepreneurship Development Institute of India, Ahmedabad, and Federal Bank Ltd.

He is a Commerce graduate, with a Senior Diploma in French.



**Mrs. Vibha Paul Rishi**

Director



Mrs. Rishi is a passionate marketing professional, specialising in Indian and international markets. She is also associated with Pratham, an NGO that works to provide education to underprivileged children in India. She started her career with the Tata Administrative Services and was part of Titan Watches' founding team. Besides spending 17 years in PepsiCo in marketing and innovation roles for India, USA and the UK, she was the Executive Director (Brand and Human Capital) at Max India Ltd. and the Director (Marketing and Customer Strategy) at the Future Group.

She is an alumnus of Faculty of Management Studies (FMS), Delhi.



**Dr. Sutanu Behuria**

Director



Dr. Behuria, in an illustrious career spanning 38 years, has served in countless key positions of central and state governments. He was a Board member in more than 25 PSUs and has worked in the Asian Development Bank for over five years. He has also been Advisor to the Finance Minister of Mauritius for two years, under a Commonwealth programme.

He is a postgraduate from Delhi School of Economics, earning a second postgraduate degree as well as a doctorate in Economics from Southern Methodist University, USA. He is an Indian Administrative Services officer (1976 batch).



**Ms. Nitasha Nanda**

Whole-time Director



Ms. Nanda is an insightful entrepreneur and business leader with widespread experience across the areas of business strategies, financial management, operational research and managerial techniques, among others. She was responsible for managing the Company's subsidiaries, including Escorts Securities Ltd. and Escorts Asset Management Ltd. She is on the Board of Directors of companies such as Sietz Technologies, RNIS, Raksha TPA, Rimari India and Sun & Moon Travels. She worked with multinational organisations such as ANZ Grindlays Bank, PricewaterhouseCoopers (PwC) and Hewlett Packard.

She is a Commerce graduate from University of Delhi.

 Corporate Social Responsibility Committee

 Risk Management Committee

 Share Transfer Committee

 Borrowing Committee

 Audit Committee

 Nomination and Remuneration Committee

 Stakeholder's and Relationship Committee

 ESOP & Compensation Committee

 Chairperson  Member

## Board of Directors Contd.



**Mr. Shailendra Agrawal**  
Executive Director

Mr. Agrawal, a strong advocate of challenging established benchmarks, is responsible for leading the group's business operations, executing growth strategy and ensuring operational excellence. In his current role, he is driving business transformation by spearheading strategic growth initiatives with a focus on profitability and revenue as envisaged in Vision 2022. These include Project LEAP and TPM special award, and alliances with globally respected brands for inorganic growth. He has played a key role in taking the alliances to execution phase in terms of world-class manufacturing facility and start of exports, as well as expanding scope of collaborations through new revenue streams and initiatives for market share enhancement. He was instrumental in business process engineering. He played a central role in creating a product and technology roadmap through world-class product development process and partnerships with leading technology providers.

He is a mechanical engineer with 38 years of diverse experience in Tata Motors, Hero Motors and Escorts Limited. In his past assignment as President of Hero Motors, he was instrumental in the successful turnaround of its auto component business.



**Mr. Sunil Kant Munjal**  
Director

Mr. Munjal is one of the founder promoters of the Hero Group, India's premier automotive manufacturing group that has evolved from being the world's largest bicycle-maker to the largest two-wheeler maker. He is the Chairman of Hero Enterprise, with interests in insurance distribution, steelmaking, real estate and corporate training. He sits on the boards of several public limited and private companies as well as premier schools and colleges. He has also served as president of the CII and AIMA; been a member of Prime Minister's Council on Trade and Industry and was on government taskforces that prepared the ground for India's banking and insurance reforms. He is an active business promoter, institution builder, social entrepreneur, angel investor and thought leader. He has made strategic investments in several areas ranging from e-commerce to hospitality. He supports start-ups on digital learning, community transportation, healthcare, women empowerment and education.

After his graduation, he underwent training in the field of Mechanical Engineering.



**Ms. Tanya Dubash**  
Director

Ms. Dubash serves as the Executive Director and Chief Brand Officer of Godrej Industries Ltd. and is responsible for the Godrej Group's brand and communications function, including guiding the Godrej Masterbrand. She is a Director on the Board of Godrej Industries Limited, Godrej Consumer Products Limited and Godrej Agrovet Limited. She also serves on the Boards of Britannia, AIESEC and India@75. She was a member on the Board of the Bharatiya Mahila Bank between November 2013 and May 2015. She was a trustee of Brown University between 2012 and 2018 and continues to be member of the Brown India Advisory Council and on the Watson Institute Board of Overseers. She was recognised by the World Economic Forum as a Young Global Leader in 2007.

She is an A.B. (cum laude) in Economics & Political Science from Brown University, USA, and an alumna of Harvard Business School.



**Mr. Harish N. Salve**  
Director

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Mr. Salve is a senior counsel as well as an arbitrator in India and Barrister (UK) specialising in constitutional, commercial and taxation law. He was the youngest ever to be appointed as solicitor. He primarily practises at the Supreme Court of India but also appears in various High Courts and in international arbitration, sometimes as counsel and other times as an adjudicator. He served as the Solicitor General of India from 1999 to 2002. He was appointed as Amicus Curiae by the Supreme Court in some cases, mostly relating to preservation of the environment. He is a member of the Court of the Singapore International Chamber of Arbitration and the Court of the London Council of International Arbitration. He was called to the bar and enrolled as a barrister at the Grays Inn in July 2013 and is now a Permanent tenant at Blackstone Chambers, London. He has been appointed as Queen's Counsel (QC) for the courts of England and Wales. He has appeared as counsel, as well as appointed as an arbitrator in a number of international arbitrations.

He holds an Honorary Doctorate and is a Chartered Accountant and a law graduate.



**Mr. Dai Watanabe**  
Director

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Mr. Watanabe is the Director and Senior Managing Executive Officer, General Manager of Farm and Industrial Machinery Consolidated Division of Kubota Corporation. In his illustrious career, he has served in various departments/entities, such as Farm and Industrial Machinery International Planning and Control Department, Kubota Europe, S.A.S, Kubota Farm Machinery Europe, S.A.S, Kverneland AS, Agricultural Implement Business Unit, Agricultural Implement Division, Farm and Industrial Machinery Strategy and Operations Headquarters and Innovation Centre.

He graduated in 1984 from the Department of Economics, Kyoto University. He did his MBA from Kobe University in 1995.



**Mr. Yuji Tomiyama**  
Director

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Mr. Tomiyama is the Senior Managing Executive Officer of Kubota Corporation. He has been associated with the Kubota Corporation since April 1980 and has served extensively in its various divisions, such as Farm and Utility Machinery, Tractors, Vehicle Base Technology Engineering.

He graduated in 1960 from the Department of Engineering, Tokyo Institute of Technology.

## Leadership Team



**Mr. Nikhil Nanda**  
Chairman and Managing Director

**Key contributions:** Designing Escorts' transformational journey from being a product-led company to being a technology-driven brand that crafts customer-centric solutions, adding value to customers' lives. Under his dynamic leadership, Escorts has introduced a series of innovative products that demonstrate excellence in manufacturing quality and market intelligence.

**Skills and interests:** Operations, finance and senior management functions such as strategic planning and investment decisions, collaborations with global technology majors and creating solutions that bring a paradigm shift in conventions.

**Background:** He is an alumnus of Wharton Business School, USA, with majors in Management and Marketing. He joined Escorts as Director, Business Development of Escorts Yamaha Motor Ltd. (EYML) in 1998.



**Mr. Shailendra Agrawal**  
Executive Director

**Key contributions:** Forging powerful alliances with globally respected brands for inorganic growth and taking them to execution phase by way of a world-class manufacturing facility and the start of exports; expanding scope of collaborations for profitable growth through new revenue streams and initiatives for market share enhancement; driving business transformation; spearheading strategic growth initiative (Project LEAP) with a focus on profitable growth; bringing operational excellence through TPM standards of excellence; creating a product and technology roadmap.

**Skills and interests:** Growth strategy, operational excellence and business process engineering.

**Background:** He is a mechanical engineer with 38 years of diverse experience in Tata Motors, Hero Motors and Escorts Limited. In his past assignment, he has served as President of Hero Motors.



**Mr. Bharat Madan**  
Group Chief Financial Officer and Corporate Head

**Key contributions:** Integrating finance, commercial and outbound supply chain functions across all business units into shared services; leading finance transformation with many digital initiatives and business Intelligence systems; helping improve company profitability through various cost initiatives and divestment of non-core and/or loss-making businesses; ensuring optimal capital allocation and continuously improving working capital cycle; helping businesses in their growth aspirations by entering into JVs with multinational corporations; continuously identifying and evaluating inorganic opportunities for further growth; consistently improving corporate governance practices and compliance systems; driving investor relations to help the Company's market capitalisation reach a lifetime new peak over ₹ 14,000 crores.

**Skills and interests:** Financial and management accounting; audits; cash management and capital allocation; financial restructuring and organisation transformation; identification and evaluation of M&A opportunities, mergers and de-mergers, and business strategy; budgeting; planning and forecasting; risk management; treasury, project finance and banking operations; tax planning and optimisation; leading IT and digital initiatives around ERP, RPA, BI and many other business applications; financial modelling and analysis, improving compliances and governance through legal, secretarial & investor relations; digitisation initiatives within finance, tax and commercial and outbound supply chain.

**Background:** He is a Commerce graduate from Sri Ram College of Commerce, Delhi University, a Fellow Chartered Accountant (1988), a Member of All India Management Association (AIMA) and IMA-CFO Forum, with over 32 years of rich experience in financial management. He joined Escorts in 2005. Prior to that, he was the Financial Controller at Electrolux Kelvinator Ltd.





**Mr. Shenu Agarwal**  
CEO – Escorts Agri Machinery

**Key contributions:** Turnaround of the agri machinery business in last four years; driving transformative marketing initiatives; launching disruptive business models and products; setting new benchmarks in cost efficiency; and leading our Vision 2022.

**Skills and interests:** High-speed business transformation; marketing and branding strategies; distribution, new product planning, creating start-up business and scaling them, and digitisation and analytics.

**Background:** He has an MBA degree from Duke University, USA, a B.Tech degree from NIT Kurukshetra, and 28 years of experience. He joined the Company as a Graduate Engineering Trainee and worked in numerous key positions across sales and marketing, product development, strategy and project management. He is a member of the CII National Council of Agriculture and the Managing Committee of the Tractor Manufacturers Association.



**Mr. Ajay Mandahr**  
CEO – Escorts Construction Equipment

**Key contributions:** Steering the ECE business division of the Company.

**Skills and interests:** Sales and marketing, product development and business formulation and strategy.

**Background:** He is a management graduate, with 26 years of diverse experience in leadership positions. He previously worked with Larsen & Toubro, Indian Aluminium, Manitou South Asia Ltd. and Toyota Material Handling India.



**Mr. Dipankar Ghosh**  
CEO – Railway Equipment Division

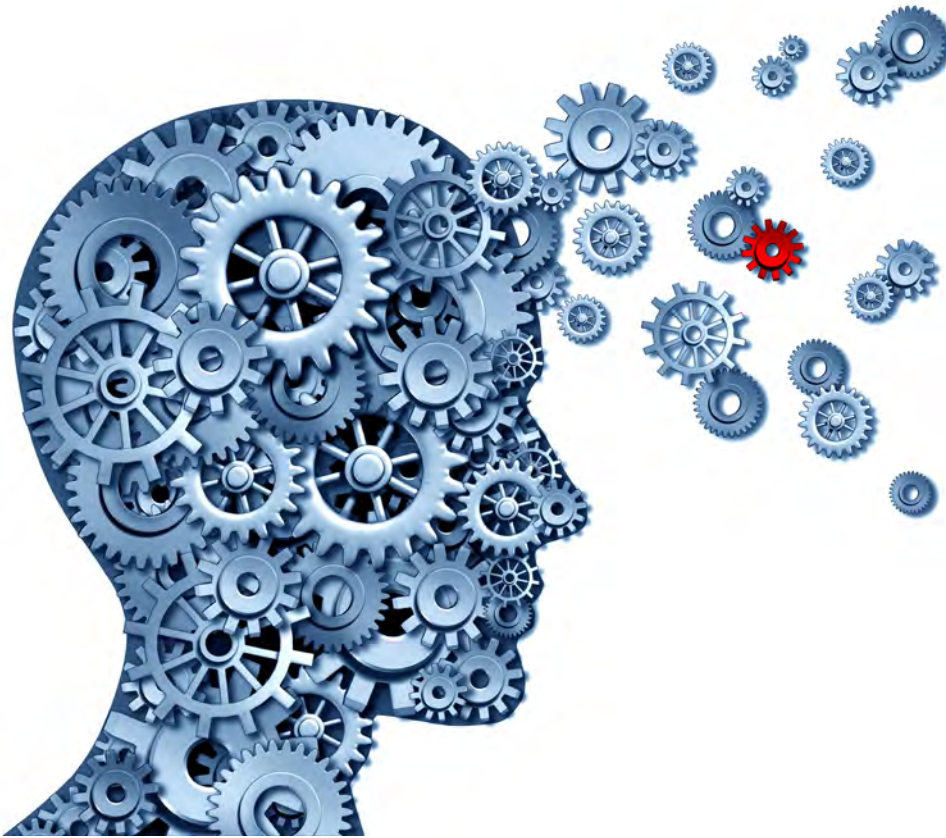
**Key contributions:** Imbibing frugal engineering excellence and technology thought leadership.

**Skills and interests:** A keen technology evangelist for new technology like IIOT, AI, AR/VR and smart manufacturing, besides engineering management and business development.

**Background:** He is a technocrat and a management graduate from the ISB, Hyderabad. He pursued Advanced Global Leadership from London School of Economics as a British Chevening Scholar. He has more than 28 years of deep industry experience and building new businesses from scratch. He is an ex-Indian Railway Service officer and holds a Six Sigma Black Belt. Prior to Escorts, he was heading the John Deere India Tech Centre, managing the Caterpillar India Design Centre and was instrumental in setting up the Bombardier Transportation Global Offshore Railway Design Centre. He recently led an CII delegation for a study-cum-learning mission for innovation in Indian Manufacturing to Stanford University at Palo Alto.

He has been recently nominated by CII as Co-Chairman for National Council for Railways for the year 2020-21. He is a frequent speaker in forums like ET GBS and STS, Japan and other similar forums on Industry 4.0 in India, besides being a visiting faculty to IIM Kolkata.

# Management Discussion and Analysis



## Macroeconomic overview

### World

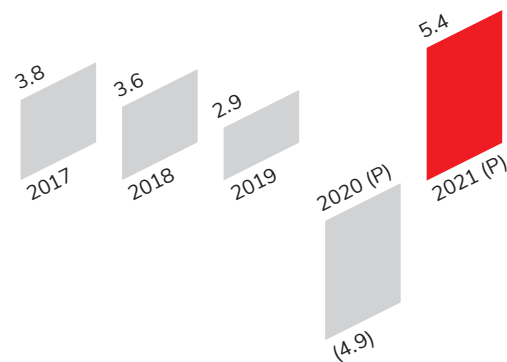
At the start of calendar year 2020, global growth reported early signs of manufacturing activity and global trade bottoming out, a broad-based shift toward accommodative monetary policy, intermittent favourable news on US-China trade negotiations and diminished fears of a no-deal BREXIT. However, the emergence of COVID-19, affecting nearly every corner of the world, has injected a great deal of uncertainty into the global macroeconomic conditions.

Restrictions necessary to contain the spread, including social distancing and lockdowns, have exacted a considerable toll on businesses and livelihoods. Risk aversion is on the rise, while views on economic activity, earnings and credit quality have deteriorated sharply. But global policy response across governments and central banks have helped avert an even steeper crisis. Local measures are supporting displaced workers and daily wage-earners in the near term.

In its June 2020 estimates, the International Monetary Fund (IMF) predicted that the global GDP will contract by 4.9% in 2020. Projections of weaker private consumption reflect a combination of a large adverse aggregate demand shock and a rise in precautionary savings. Moreover, investment is expected to be subdued as firms defer capital expenditures

amidst high uncertainty. Policy support partially offsets the deterioration in private domestic demand. The adverse impact on low-income households is particularly acute, imperilling the significant progress made in reducing extreme poverty in the world since the 1990s. For economies struggling to control infection rates, a lengthier lockdown will inflict an additional toll on activity.

### Global growth trend (%)



P: Projections | Source: International Monetary Fund (IMF) World Economic Outlook June 2020

## Outlook

Given a baseline scenario, which assumes that the pandemic decelerates towards the end of 2020 and that containment policies can be retracted gradually, the world economy will expand by 5.4% in 2021 with the help of coordinated policy support. All countries, including those that have seemingly passed peaks in infections, should ensure that their health care systems are adequately resourced. The international community must vastly step up its support of national initiatives, including through financial assistance to countries with limited healthcare capacity and channelising of funding for vaccine production as trials advance, so that adequate, affordable doses are quickly available to all countries.

Source: International Monetary Fund (IMF) World Economic Outlook June 2020

## India

The Indian economy was riding out cyclical and structural factors in FY 2018-19 and most parts of FY 2019-20 due to muted private consumption, a contraction in manufacturing and sluggish investments. However, the emergence of COVID-19 has cast a shadow on any prospects of a recovery. The Indian economy recorded its slowest growth in a decade at 4.2%.

The Government of India, together with the states, imposed a nationwide lockdown from March 25, 2020, to stem the contagion. The shutdown translated into disruptions in supply chain and a steep fall in consumption. External risks have increased significantly, due to weakened export demand, reduced investor confidence and non-availability of raw materials and intermediate inputs.

To offset the lockdown losses and set the economy on the path to recovery, the government announced a series of short- and long-term policy initiatives. The fiscal support under 'Aatma Nirbhar Bharat Abhiyan' rolled out on May 12, 2020, intends to inject ₹ 20.90 lakh crores into the economy, ~10% of the nominal GDP of India.

The government, through the National Bank of Agricultural and Rural Development (NABARD), will provide an additional ₹ 30,000 crores emergency working capital fund, to help small and marginal farmers for post-harvest of rabi crops and for the preparation for kharif crops. Through the Kisan Credit Card (KCC) scheme, a ₹ 2 lakh crores concessional credit boost will be provided to 2.5 crore farmers.

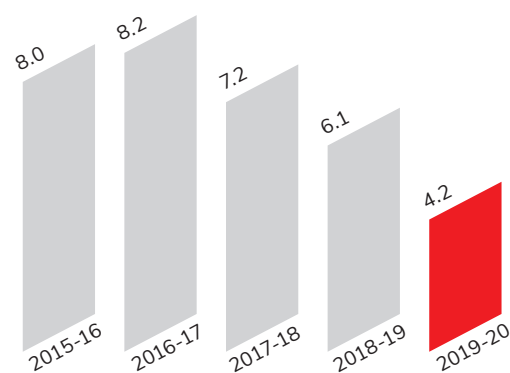
# ₹ 30,000 crores

NABARD's emergency working capital fund to support small and marginal farmers

The government also recently approved an ordinance that aims at creating additional trading opportunities outside the Agricultural Produce Market Committee (APMC) market yards to help farmers get remunerative prices from the additional competition.

In tandem, the Reserve Bank of India (RBI) executed a slew of measures and rate cuts to infuse much-needed liquidity in the economy and encourage non-banking financial companies, housing finance companies and micro-finance institutions to ease credit flows the vulnerable sectors.

## India's growth pattern (%)



Source: Central Statistics Office; Economic Survey of India

## Outlook

The full economic and human impact of COVID-19 cannot be ascertained as yet. The situation on the ground in India is evolving every day, with new cases breaching or threatening to breach highest-single-day records. The next few months will be a test of the country's inherent strengths and the structured reforms it has implemented in the last few years to build capabilities. With a strong emphasis on indigenisation and supply chain resilience, India will look to tap into the opportunities that emerge post the pandemic with prudence and insight. As global economies seek out alternative trade channels and sourcing solutions, India can rise up to the task and become a preferred investment destination.

## Industry and business overview

### Tractors industry

Employing nearly half of the domestic workforce, agriculture remains a key focus area for the government. The sector's health is critical to mitigate the food security concerns of the second most populous country in the world. To this end, the government is increasingly emphasising mechanisation of farmlands.

India is the biggest manufacturer of farm equipment. The country's tractor industry accounts for almost one-third of the global market. Significantly lower mechanisation levels compared to the rest of the world as well as material

inter-state differences in mechanisation levels presents considerable headroom for growth.

Good rainfall season, steady rabi and pre-monsoon kharif sowing and high-water reservoir levels augur well for the sector. Farm loan waivers, direct cash transfer schemes by states which are major tractor markets and increased budgetary allocation under the Pradhan Mantri Gram Sadak Yojana (PMGSY) and the Pradhan Mantri Awas Yojana-Gramin (PMAYG), coupled with adequate financing availability are easing farmers' access to credit.

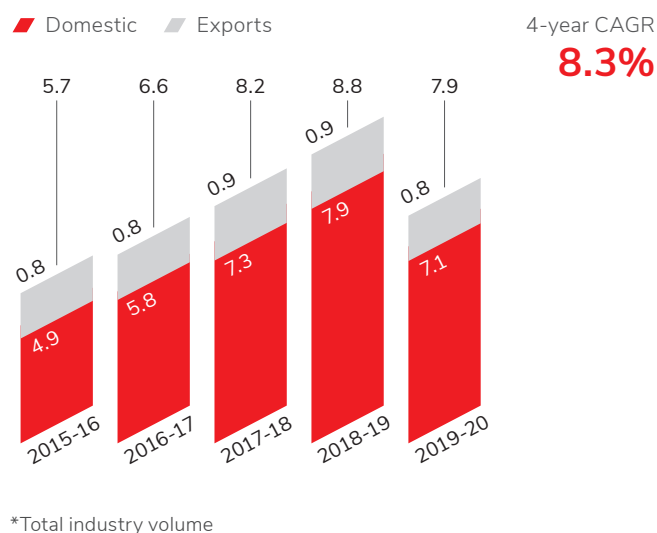
New emission norms for agricultural tractors are expected to come into force from October 2020, subject to the COVID-19 crisis. The norms will however only be applicable on higher horsepower tractors (>50 HP), which constitutes ~8% of

the domestic tractor industry by volume. In this context, all manufacturers are likely to review and update their portfolio to an extent. With export models already meeting evolved emission norms guidelines, the technological knowhow is readily available with most manufacturers.

### Industry performance

During the year, domestic tractor industry volumes went down by 10% to 7.09 lakh tractors as compared to 7.8 lakh tractors in the previous fiscal. On the exports front, the industry went down by 18% to ~76,000 tractors during FY 2019-20, as compared to ~93,000 tractors in the previous fiscal.

### Tractor industry performance\* (in lakh units)



### Domestic tractor industry segment-wise performance (in lakh units)

	FY 2015-16	FY 2016-17	FY 2017-18	FY 2018-19	FY 2019-20	y-o-y growth (%)	4-year CAGR (%)
<30 HP	0.5	0.5	0.8	0.8	0.7	-12.4	8.8
31-40 HP	1.8	2.0	2.6	2.8	2.4	-15.6	7.1
41-50 HP	2.3	2.8	3.4	3.7	3.5	-6.6	10.7
>50 HP	0.3	0.4	0.6	0.6	0.6	-5.1	17.4

### Escorts Agri Machinery (EAM)

Escorts is one of India's foremost tractor manufacturers, offering more than 225 variants in the 12 to 75 HP segments in the domestic market under three marquee brands Farmtrac, Powertrac and Steeltrac. Additionally, the Company offers crop solutions, engines, spare parts and lubricants, SHIP (Sprayers, Harvesters, Implements and Planters) and gensets.

Escorts had tied up with Japan's Kubota through a JV in December 2018, to achieve technology collaboration, implement joint manufacturing and gain greater global

market access. This partnership was further fortified in early 2020, with Kubota taking a 10% (post capital reduction) stake in Escorts and Escorts taking a 40% stake in Kubota's India operations. The fresh capital infused will be invested in EAM standalone as well as the joint operations of Escorts and Kubota.

### EAM performance

Escorts' domestic volume went down by 11.9% at 82,252 tractors during the year, as against 93,323 tractors in the previous fiscal. Our domestic market share stands at 11.6% during FY 2019-20, as against 11.8% in the previous fiscal.

Normally, Escorts registers a considerably high market share in March and the fourth quarter as a whole, relative to other months/quarters, however the nationwide lockdown announced on March 25, 2020 – right during the peak season of Navratra – adversely impacted our sales and market share.

The ratio of Farmtrac and Powertrac in our product mix improved to 41:59 during FY 2019-20, as compared to 39:61 in the previous fiscal. Also, our product mix improved towards higher HP tractors, where the >40 HP segment improved to 51% during FY 2019-20, as against 47% in the previous fiscal.

Escorts' export volumes went up by 39.9% to 3,766 tractors during FY 2019-20, as against 3,089 tractors in the previous fiscal, driven by new product introduction and penetration of new markets.

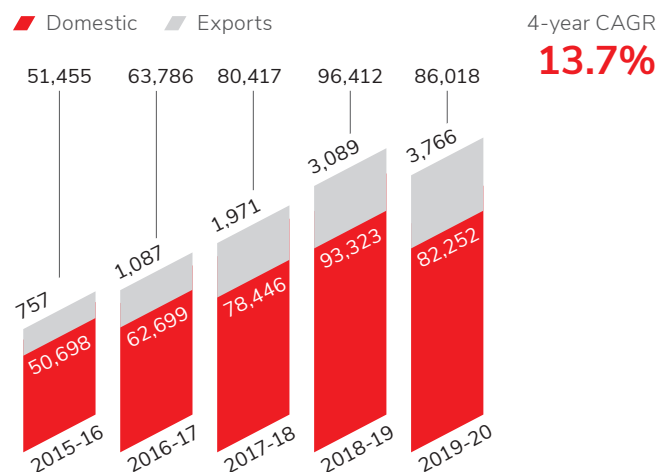
On the channels front, we added 32 new dealers in India during FY 2019-20, and the total dealer count now stand at over 1,000. Going forward, we will continue to expand our dealer network, specifically in our opportunity markets.



## Manufacturing assets

- **4 plants in Faridabad, Haryana**  
1,20,000 tractors annual production capacity  
~80% capacity utilisation in FY 2019-20
- **1 plant in Poland, Europe**  
2,500 tractors installed annual capacity
- **1 plant in Faridabad, Haryana**  
(through a JV with Kubota)  
50,000 tractors annual capacity will be operational in FY 2020-21

## EAM growth (in units)



## EAM segment-wise performance (in `000 units)

	FY 2015-16	FY 2016-17	FY 2017-18	FY 2018-19	FY 2019-20	y-o-y growth (%)	4-year CAGR (%)
<30 HP	1.0	1.1	2.3	3.5	4.4	26.9	45.2
31-40 HP	23.0	25.4	37.0	46.2	36.0	-22.0	11.9
41-50 HP	24.7	33.3	35.0	40.1	38.0	-5.3	11.4
>50 HP	2.0	2.8	4.2	3.5	3.8	8.8	17.5

## EAM domestic market share performance (%)

	FY 2015-16	FY 2016-17	FY 2017-18	FY 2018-19	FY 2019-20
< 30 HP	1.9	2.1	3.5	4.7	6.3
31-40 HP	12.8	12.6	14.5	16.5	15.2
41-50 HP	10.9	11.7	10.4	10.8	11.0
> 50 HP	6.1	6.9	7.9	5.9	6.7

## New products

### Hybrid tractor concept (90 HP range)

- Eco-friendly and cost-effective product
- 4 operating modes (hybrid, pure electric, internal combustion engine and charging) with three power generation sub-modes



### Rural Transport Vehicle (RTV) concept

- RTV concept named 'Rider' that will address the required mobility in rural farming and hard terrain manoeuvring
- Applications in haulage, construction, agriculture produce logistics and various other utility segments
- Payload capacity of 750 kg
- Optional four-wheel drive mode



### Mini-sugarcane harvester concept

- Solution to drive farm mechanisation and precision agriculture



### Self-propelled sprayer concept

- Solution to drive farm mechanisation and precision agriculture



## Growth drivers of agriculture in India

### Demand-side enablers

- Growing population with favourable demographics
- Rising rural income
- Changing lifestyle
- Increasing exports

### Supply-side enablers

- Hybrid and genetically modified seeds
- Favourable climate for agriculture and wide variety of crops
- Mechanisation
- Irrigational facilities
- Higher cold storage capacity
- Green revolution in eastern India

### Policy support

- Focus on doubling farmers' incomes by 2022
- Greater availability of institutional credit
- Increase in Minimum Support Price
- Introduction of new schemes like Paramparagat Krishi Vikas Yojana, Pradhanmantri Gram Sinchai Yojana and Sansad Adarsh Gram Yojana
- Opening exports of wheat and rice
- Approval of National Mission on Food Processing

Source: India Brand Equity Foundation (IBEF)

### Opportunities and threats

Indian agriculture is highly labour-intensive with low productivity. The availability of farm labour is cyclical and there is a possibility of labour shortage during the peak season; thus, farm mechanisation is a key priority in improving farming outcomes. The heavy government focus in this area is generating multiple opportunities and Escorts will seek to leverage the same through its collaborations. Additionally, the improvement in the rural liquidity and the non-agri component of rural incomes is a strong positive since demand will be less sensitive to monsoon.

The Indian tractor industry comprises several Indian origin and multi-national players with varying degrees of presence in different product segments. The industry is dominated by the top 5 players, who together contributed more than 90% of the market in the preceding decade. However, the entry of multi-national players in the Indian market during the last five years, the competition has intensified further. These players have established deep roots in India, from engineering centres to local sourcing and widespread channels. Escorts is well positioned to address these challenges by upgrading its technology and products.

Since 'global' is the next best opportunity, the Company, along with its strategic alliances, will focus on several new markets, especially Europe, Africa and South East Asia, and offer India's technological capabilities at great value.

### Outlook

Escorts is poised to continue to gain market share on the back of its consistent pace of product innovation; dual distribution strategy (Farmtrac and Powertrac brands); focused marketing efforts; financing solutions for channel partners; scientific sales management; comprehensive after-sales support; and now a deeper relationship with Kubota. The JV will accelerate product development, component manufacturing, capacity expansion and optimisation and so on. It is expected to start production in FY 2020-21. The collaboration with Kubota will also help strengthen Escorts' presence in key export markets such as South Africa, Thailand and Europe.

The Company will step up its play in higher HP tractors. Sharing and renting of tractors have received a boost due to the emerging concept of tractor aggregators. The rising use of tractors for commercial purposes and informal collaboration in villages have supported a shift in preference towards higher HP tractors. Farm implements also present a huge opportunity for Escorts. The penetration of organised players is expected to increase gradually in this segment over the medium to long term.

An above-normal monsoon has been forecast for the upcoming season. The impact of various factors like rainfall, crop prices, proportion of sown area and the government's stand towards the land bill and the associated farmer's compensation for the acquired land will shape the industry sentiments in the coming years.

## Construction equipment industry

Growth in the construction equipment industry is dependent majorly on road construction and mining activities. With an intense focus on the time-bound creation of world-class infrastructure, the Ministry of Road Transport and Highways is aiming to develop 2,500 km of access control highways, 9,000 km of economic corridors, 2,000 km of coastal and land port roads and 2,000 km of strategic highways in FY 2020-21.

### Served industry volume performance (in `000 units)

	FY 2015-16	FY 2016-17	FY 2017-18	FY 2018-19	FY 2019-20	y-o-y growth (%)	4-year CAGR (%)
Backhoe loaders	22.8	30.7	38.6	47.2	36.41	-22.9	12.4
Cranes	3.4	4.5	8.1	10.2	7.82	-23.4	23.1
Compactors	3.0	3.6	4.2	5.0	3.92	-21.5	6.9

## Escorts Construction Equipment (ECE)

Escorts is present in material handling, earth moving and road building segments of construction equipment. The Company is one of the world's largest manufacturers of PnC hydraulic mobile cranes.

The JV with Tadano is helping fill key white spaces in the high margin cranes segment. It manufactures rough terrain and truck mounted cranes in the fast growing 20-80 tonnage category. These cranes cater to big construction companies servicing oil refineries, metro rail projects, smart city construction, solar power projects and ports, among others. The distributorship agreement with Doosan Infracore enables Escorts to cater to a much larger proportion of the overall construction equipment industry, which includes crawler excavators, mini excavators and wheel loaders.

ECE has doubled the warranty period for its backhoe loaders, demonstrating confidence in its products and gaining stakeholder goodwill. It also launched a scheme in January 2020 to buy back backhoe loaders from customers at a pre-defined price.

## Manufacturing assets

- **1 manufacturing and assembly plant** in Faridabad, Haryana  
10,000 units annual capacity  
~45% capacity utilisation in FY 2019-20
- **1 plant in Faridabad, Haryana** (through a JV with Tadano)

Earth moving equipment (backhoe loaders) contributes the lion's share, by value, to the total construction equipment industry. Together with material handling (cranes) and road building (compactors), it accounts for ~50% of the industry and further with excavators, it comprises ~85% of the same.

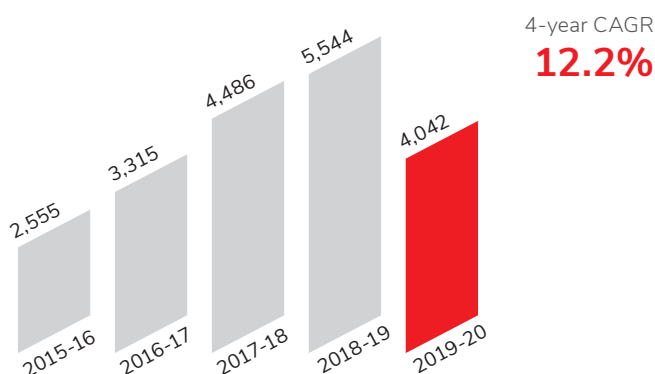
### Served industry performance

The construction equipment industry has seen a slowdown in FY 2019-20, on account of financing and delayed payment for ongoing infrastructure projects. The industry had started to recover from December 2019 due to the government clearance of payments and increased spending. The March 2020 lockdown hindered this growth momentum. Escorts' served industry (backhoe loaders, Pick-and-Carry (PnC) cranes and compactors) de-grew by 23% in FY 2019-20 versus FY 2018-19.

### ECE performance

Our total volumes (manufactured and traded products) went down by 27% to 4,042 machines during FY 2019-20, as against 5,544 machines in the previous fiscal. Despite volume drop, the EBIT margin has remained flat at 3.6% during FY 2019-20, as against the previous fiscal.

### ECE growth (in units)





## New product

### Hybrid backhoe loader concept

- It will be launched in the range of 90 HP. It provides boost-up power of 20-25 HP, with the help of its hybrid features
- Higher productivity, fuel efficiency and reduced carbon footprint
- 3 operating modes (hybrid, internal combustion engine-diesel and electric-excavator only)
- Regenerative mode which sends back excess energy from the engine to the battery



## Opportunities and threats

High-end construction equipment is facing challenges, in terms of imports from low-cost countries that are expanding their distribution centres and after-sales network in India. Foreign players are expected to drive competition against Indian construction equipment exports in the developed markets. Although these multi-national imports have been considered to be a threat, quality consciousness among Indian consumers will curb large-scale imports. Escorts is well placed in the segments it serves, particularly after the JV with Tadano to manufacture rough terrain and truck cranes.

## Outlook

With the Indian government proposing significant spend on infrastructure, there are multiple opportunities for the construction equipment industry on the horizon. Escorts will continue to pursue a three-pronged approach to increase profitability in the ECE division: quality and cost excellence; exhaustive product range; and after-sales customer support and digitalisation. The Company will expand its network of distributors, dealers and stockists. It will concentrate on maximising value in its existing geographies leveraging high-end cranes; and enhance its export footprint through collaborations and cross-business synergies.

## Growth drivers for construction in India

Rapid pace of urbanisation and industrialisation

Infrastructure development needs

Government impetus on affordable housing, smart cities and regional connectivity

Rise in Public Private Partnerships (PPP)

Sustained foreign investment

Source: IBEF

## Railway components industry

Continuing with its expansion plans, the government has pegged the outlay towards railways at ₹ 1.61 lakh crores in the Union Budget 2020-21, which is 3% higher than the previous year's capex of ₹ 1.56 lakh crores. The new blueprint includes private trains, better connectivity to tourist sites, solar power to fuel the rail network and transportation of perishables. For developing new infrastructure, ₹ 12,000 crores have been allocated for construction of new lines, ₹ 2,250 crores for gauge conversion, ₹ 700 crores for doubling, ₹ 5,786.97 crores for rolling stock and ₹ 1,650 crores for signalling and telecom. The allocation for rail passenger comfort is ₹ 2,725.63 crores. A key focus area will also be optimisation of costs and indigenous engineering of all parts and components.

Source: Press Information Bureau, Government of India

## Railway Equipment Division (RED)

Escorts manufactures advanced components for the Indian Railways, including brake systems, couplers, suspension systems, shock absorbers and rail fastening systems, among others. It is one of the largest players in the segment and is present across all rolling stock categories. RED is ISO 9001:2015 and ISO 14001:2015 certified, manufacturing products conforming to Indian Research Design and Standards Organization (RDSO) and international standards (International Union of Railways (UIC) and Association of American Railroads (AAR), among others). It is one of the few in India to receive the prestigious International Railway Equipment Standard (IRIS) ISO TS/22163 certification.

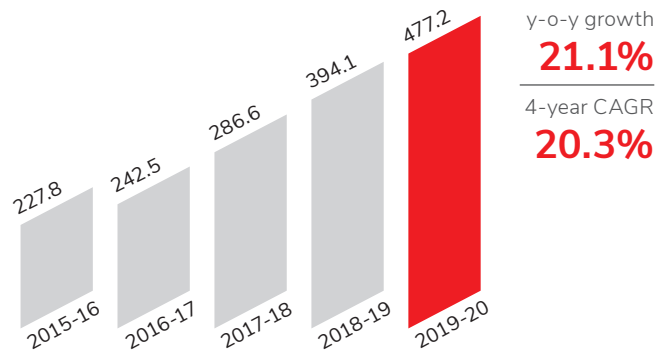
Escorts is collaborating with a multi-national company for high speed brakes and metro breaks system and for type testing of air springs. The division has entered a completely new segment of vacuum evacuation in bio-toilets, through technology transfer with a European partner. A new plant has been set up to manufacture the vacuum toilet systems and internally developed air conditioning systems.

The division received approval for two major brake systems, which would commence field validation trials. These are expected to be commercialised by FY 2020-21. Testing for new door systems is also being carried out and there is huge scope for growth in this segment.

### RED performance

This is the best growth story in our Group. The business grew by a phenomenal 21.1%. We are very buoyed by the prospects of the railway business. The order book for this division, stood at more than ₹ 510 crores as on March 31, 2020, which will get executed in the next 14-15 months.

### RED performance (in ₹ crores)



### Manufacturing assets

- **2 plants in Faridabad, Haryana**
- **Annual capacity of key components**  
9,600 AARH couplers  
2580 SHAKU couplers  
18,000 air brakes  
1,500 EP brake  
9,99,996 brake blocks
- **~40-80% capacity utilisation in FY 2019-20**  
(across different component categories)

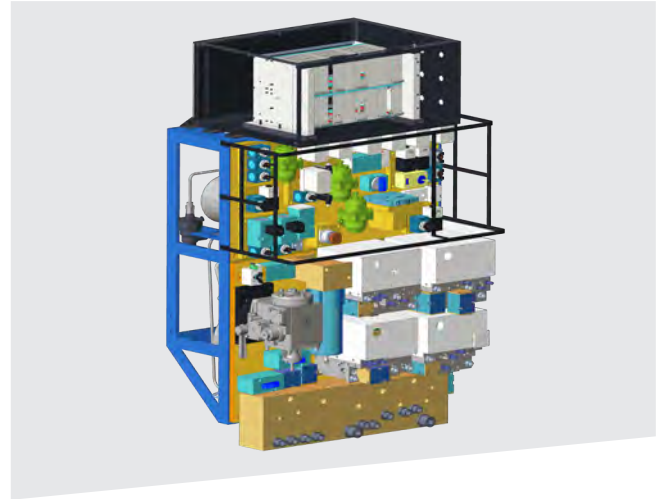
**₹ 510+** crores

Order book

### New product

#### Microprocessor Controlled Electric Brake System (MCBS):

Under the government's 'Make in India' programme, we recently received the Research Designs and Standards Organisation (RDSO) approval for our MCBS for three-phase locomotives. We are the first Indian company to join the league of select few companies worldwide who have the capability to design and manufacture such complex braking systems. The same is now in filed trial and will be commercialised in FY 2021-22.



### Growth drivers for railways in India

Growing freight traffic due to industrialisation

Rising demand for urban mass transit options

Government thrust on modernisation and high-speed connectivity

Improvements in rail safety

Increase in private participation

Source: IBEF

## Outlook

With the rapid pace of urbanisation and modernisation in India, the future seems bright for RED. Growth drivers over the medium to long term include: increase in ordering of rolling stock of passenger coaches/freight wagons; conversion of passenger coaches to the modern Linke Hofmann Busch (LHB) coaches; new metro rail projects; new high speed indigenous train launches; continued emphasis by the railways on safety and modernisation; and surge in replacement demand.

Precision manufacturing and advanced testing facilities, strong in-house R&D capabilities and technical collaborations will enable RED to attain a zero-defect manufacturing culture and continue to set industry benchmarks with its product innovation. The division will expand its range of new products and explore inorganic growth opportunities, particularly with the Indian Railways introducing new class of coaches and locomotives. It will augment localisation of the import content of its new and existing products, further aiding margins. Focus will also be laid on conforming to more international standards and widening the Company's export reach.

## COVID-19 update

COVID-19 has impacted our operations and the industry as a whole; and it will take some time to regain normalcy. Escorts remains fully committed to uphold our social responsibility towards helping prevent the infection spread further, while ensuring business continuity. We are focused on securing the health and safety of employees and stakeholders. Our on-ground response continues to be informed by Government advisories. We are enforcing stringent safety and social distancing precautions across our facilities, while sanitising our spaces at regular intervals. Moreover, with support from the local administration, our employees conducted various outreach programmes around Faridabad, India, to help local communities during this difficult time.

## Rational cost structure

As new products play a greater role in driving revenue, there is greater emphasis on lowering margins, improving personnel costs, maximising productivity, monitoring quality and indigenising design. Focused divestment of non-core operations has freed up capital that was tied up in non-current investments.

The Company has continuously focused on streamlining operations and cost rationalisation during FY 2019-20, including materials, manufacturing and other overheads. All the employees right from shop floor to corporate office are involved in this initiative, wherein each team has targets to achieve in cost savings. We have taken initiatives on building lean supplier base to benchmark ourselves against the best. Our efforts towards reducing fixed costs have kept pace in the year gone by and tangible results will be visible in years ahead.

## Human resources

9,500 employees (including temporary, casual and contractual workers) are engaged in various roles across the businesses. A detailed review of the initiatives undertaken by Escorts to transform its human capital is available on **Page 26** of this Report.

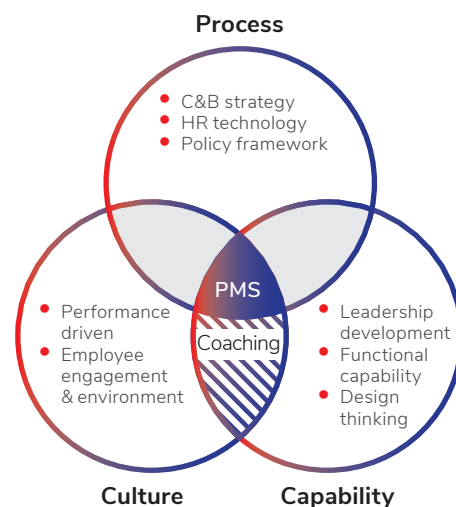
## Key activities

- 100+ technical training programmes
- Behavioural workshops with renowned trainers
- Health and safety seminars for employees and vendors
- Yoga classes for employees
- Employees rewarded and recognised through the 'Escorts Trailblazer' programme
  - ~5,000 badges awarded online, along with 300 Spot Awards and 100 Player of the Series coupons awarded – to employees living the Escorts' Values every day
  - Connect Session with the Chairman and Managing Director for recognising the Value Champions

## Key highlights

- ~9,500 employee base (including permanent, non-permanent, managers, casual and contractual employees)
- ~4.5% women leaders in managerial grade
- ~36 years average age of managerial grade
- ~3.14 person-days training per employee for managerial grade

## Building the future: The HR roadmap



Key engagement initiatives	Initiative description
<b>Employee engagement</b>	<ul style="list-style-type: none"> <li>Introduced chatbot-based engagement survey to capture real-time issues and concerns of people</li> <li>Objective is to leverage the feedback by people and assure impact and positive experience</li> <li>Basis for focused interactions with employees and resolution of their concerns</li> </ul>
<b>Intranet portal</b>	<ul style="list-style-type: none"> <li>Creation of a self-driven integrated intranet portal as a single window for access to multiple applications</li> <li>Opportunity to connect; inform and engage with the people in a consistent manner</li> </ul>
<b>Camaraderie</b>	<ul style="list-style-type: none"> <li>Efforts to create a candid work environment extended not just to the employees but also their families</li> <li>Organised birthday celebrations; potluck; Kids' Day Out; health and wellness camps, Townhalls and Connect Sessions and so on, across the Company</li> </ul>

## Community empowerment

Corporate citizenship at Escorts is more than about the 2%. Our efforts span the areas of health and wellness, education and environment safety, among others, and define our approach towards engineering holistic community development and environment.

A detailed review of the initiatives undertaken by Escorts is available on **Page 28** of this Report.

## Investor relations

We constantly endeavour to improve our investor services and benchmark our performance against best practices. We have a dedicated investor relations desk, which services the interest of the investing community, through regular contact and timely communication – engaging global investors and shareholders in ongoing management meetings. We conducted periodic plant visits and meetings to communicate details of performance and important developments, and to exchange information.

The Chairman and Managing Director, the Executive Director, the Group Chief Financial Officer and investor relations team manage and represent our Company in interactions with investors, the media and various governments. We ensure that all critical information about our Company is available to all investors by uploading such information on our website ([www.escortsgroup.com](http://www.escortsgroup.com)). It contains a dedicated 'Investor Information' section where relevant information meant for shareholders is available, including information on the

Directors, shareholding pattern, quarterly reports, financial results, annual reports, press releases, details of unpaid/unclaimed dividends and various policies. The quarterly earnings release is accompanied by an earning call, with the transcript and audio of the same available on website. Material developments during the quarter that might impact revenue or earnings are intimated to the stock exchanges and through the website. Quarterly results, regulatory filings, transcripts of earnings call, Investor Relations presentations and schedules of analyst and investor interactions are available at [www.escortsgroup.com/investors/overview.html](http://www.escortsgroup.com/investors/overview.html).

Periodic reminders for unpaid dividends are sent to the shareholders, as per our records; they are also accessible on the website. For any queries/suggestions, one can write to [investorrelation@escorts.co.in](mailto:investorrelation@escorts.co.in) and same will be replied by the Company suitably.

## Information Technology (IT)

Escorts is transforming and IT is playing a critical role in enhancing revenue and improving efficiencies that reduce costs. As part of our digital initiatives to improve productivity and control, we automated many of our processes. We implemented a digital supplier portal to facilitate seamless transactions with better visibility over the supply chain.

We have equipped our users with Microsoft Office 365 collaboration tools in order to improve individual as well as organisational productivity, receive rich insights and drive business growth. This has helped us to seamlessly migrate users to work from home in a secured manner during the COVID-19 lockdown.

## Internal controls

A strong risk management and internal control system formed the backbone of robust corporate governance practices. We appointed Ernst & Young (EY) as our internal auditors, to deliver a reasonable assurance of recording the transactions of operations in all material respects and providing protection against significant misuse or loss of assets, among others. Processes for formulating and reviewing annual and long-term business plans have been laid down and we keep reviewing and modifying the same in light of global best practices. We have a defined risk management policy at the Board level, based on the pre-identified types of risks, the risk events or factors that require regular assessment and the probability-based responses.

## Risks and mitigation

We recognise that proactive risk management is both an essential element of sound corporate governance and a crucial enabler to realise opportunities.

A detailed review of our risk management framework is available on **Page 30** of the Annual Report.

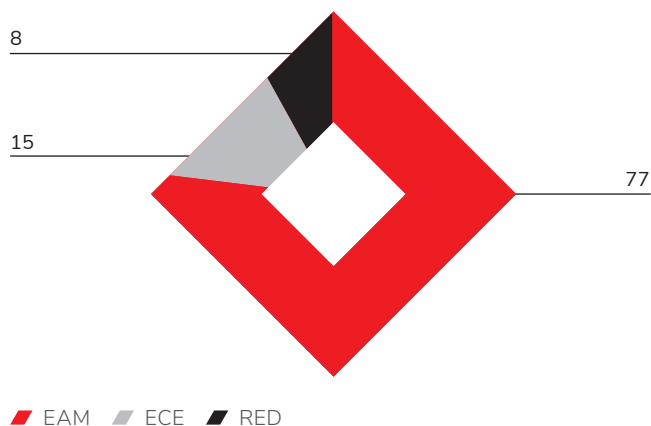
## Financial performance

Our consolidated revenues stood at ₹ 5,810.1 crores in FY 2019-20 as against ₹ 6,262.0 crores in FY 2018-19. Consolidated Earnings Before Interest, Tax, Depreciation and Amortisation (EBITDA) stood at ₹ 662.4 crores in FY 2019-20 as against ₹ 724.5 crores in FY 2018-19. Profit Before Tax (PBT) stood at ₹ 625.2 crores in FY 2019-20 as against ₹ 715.7 crores in FY 2018-19, while Profit After Tax (PAT)

stood at ₹ 471.7 crores in FY 2019-20 as against ₹ 477.9 crores in FY 2018-19. In accordance with Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) (Amendment) Regulations, 2018, we are required to give details of significant changes (change of 25% or more as compared to the immediately previous financial year) in key sector-specific financial ratios. We have identified and listed the same below.

Particulars	Standalone		Consolidated	
	FY 2018-19	FY 2019-20	FY 2018-19	FY 2019-20
Revenue (₹ crores)	6,196.36	5,760.95	6,262.02	5,810.09
Material cost (₹ crores)	4,240.65	3,819.62	4,276.93	3,841.10
Margin/PAT (₹ crores)	484.91	485.54	477.90	471.72
Revenue growth (%)	23.53	-7.03	23.26	-7.22
Operating Profit Margin/EBITDA (%)	11.83	11.73	11.57	11.40
Net Profit Margin (%)	7.83	8.43	7.63	8.12
Basic EPS (₹) from continuing operations	40.48	40.63	55.68	55.04
Debtors	931.96	756.52	931.05	731.86
Debtors Turnover (days)	55	48	54	46
Inventory (₹ crores)	821.93	822.20	857.42	883.36
Inventory turnover (₹ crores)	71	79	73	84
Interest Expense	18.48	15.46	19.54	17.23
Interest Coverage Ratio	39.44	42.92	37.34	37.89
Debt (₹ crores)	276.89	6.65	280.96	19.95
Equity (₹ crores)	3,022.86	3,480.08	2,679.13	3,122.50
Debt/Equity ratio	0.09	0.00	0.10	0.01
Net worth (₹ crores)	3,022.86	3,480.08	2,679.13	3,122.50
Return on net worth/Equity (%)	16.04	13.95	17.84	15.11

## Share of segment revenue in total revenue (%)



EAM's revenue was down by 6.5% at ₹ 4,437.6 crores in FY 2019-20 as against ₹ 4,744 crores in FY 2018-19. The EBIT for the division stood at ₹ 576.4 crores in FY 2019-20 as against ₹ 666.5 crores in FY 2018-19.

ECE's revenue stood at ₹ 839.8 crores in FY 2019-20 as against ₹ 1,054.1 crores in FY 2018-19. The EBIT for the division stood at ₹ 30.2 crores in FY 2019-20 as against ₹ 37.8 crores in FY 2018-19.

RED's revenue at ₹ 477.2 crores in FY 2019-20 as against ₹ 394.1 crores in FY 2018-19. The EBIT for the division stood at ₹ 85.8 crores in FY 2019-20 as against ₹ 78.3 crores in FY 2018-19.

For and on behalf of the Board of Directors  
Sd/-

Place: Faridabad  
Date: May 14, 2020

**Nikhil Nanda**  
Chairman & Managing Director

**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.

## Directors' Report

Dear Shareholders,

Your Directors have pleasure in presenting the Seventy Fourth Annual Report of the Company along with Company's audited financial statements (standalone and consolidated) for the financial year ended on March 31, 2020.

### Financial Results (Standalone)

Particulars	(₹ crores)	
	Year ended on March 31, 2020	Year ended on March 31, 2019
Revenue from operations	5760.95	6196.36
Other income	92.25	80.85
<b>Total income</b>	<b>5853.20</b>	<b>6,277.21</b>
Profit from continuing operations before Interest, Depreciation, Exceptional Items & Tax	768.07	814.14
Finance Cost	15.46	18.48
Profit from continuing operations before Depreciation, Exceptional Items & Tax	752.61	795.66
Depreciation & Amortisation	104.55	85.37
<b>Profit from continuing operations before Exceptional Items &amp; Tax</b>	<b>648.06</b>	<b>710.29</b>
Exceptional Item	(9.22)	10.91
<b>Profit from continuing operations before Tax</b>	<b>638.84</b>	<b>721.20</b>
Tax Expense	153.30	237.52
<b>Profit from continuing operations after Tax</b>	<b>485.54</b>	<b>483.68</b>
Profit / (Loss) from discontinued operations before Tax	-	1.89
Tax Expense of discontinued operations	-	0.66
<b>Profit / (Loss) from discontinued operations after Tax</b>	<b>-</b>	<b>1.23</b>
<b>Net profit for the period</b>	<b>485.54</b>	<b>484.91</b>

### Financial Performance/ State of Company Affairs

The brief highlights of the Company's performance (Standalone) for the financial year ended March 31, 2020 are:-

- Total income of the Company for FY 2020 stood at ₹ 5853.20 crores. (₹ 6,277.21 crores in FY 2019)
- Profit from continuing operations before Interest, Depreciation, Exceptional Items & Tax stood at ₹ 768.07 crores
- Profit from continuing operations before Tax (PBT) stood at ₹ 638.84 crores and Profit from continuing operations After Tax (PAT) stood at ₹ 485.54 crores. Net profit for the period stood at ₹ 485.54 crores

Your Company sold 86,018 tractors during the year under review as against 96,412 tractors sold during the last financial year.

### Management Discussion & Analysis

In terms of the provisions of Regulation 34 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 (hereinafter referred as the "SEBI Listing Regulations"), the Management Discussion and Analysis is set out in this Annual Report and provides a detailed analysis on the performance of individual businesses and their outlook.

### Dividend

Based on the Company's performance, your Directors are pleased to recommend, for approval of the members, a Dividend of ₹ 2.50 per Equity Share (25%) on the face value of ₹ 10/- each, aggregating ₹ 22.22 crores for the financial year ended March 31, 2020 except on the equity shares held by Escorts Benefit and Welfare Trust (EBWT). The dividend payout is subject to the approval of members at the ensuing Annual General Meeting (AGM).

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

The dividend distribution policy is available on our website at <https://www.escortsgroup.com/investors/governance.html>

### Employee Stock Option Scheme

The Scheme is in line with the SEBI (Share Based Employee Benefits) Regulations, 2014 ("SBEB Regulations") and there have been no material changes to the scheme during the financial year 2019-20. The Scheme has been implemented in accordance with the SBEB Regulations and the resolutions passed by the members. The auditors certificate would be

available during the Annual General Meeting for inspection by members. The details as required to be disclosed under the SBEB Regulations would be available on the Company's website at [www.escortsgroup.com](http://www.escortsgroup.com).

### **Directors and Key Managerial Personnel**

In accordance with the provisions of Companies Act, 2013 (hereinafter referred as "the Act") and Articles of Association of the Company, Mr. Hardeep Singh, Director retire by rotation at the ensuing AGM and being eligible, offer himself for re-appointment.

The Board of Directors in their meeting held on January 29, 2020 co-opted Ms. Tanya Dubash as an Additional and Independent Director on the Board of the Company on the recommendation of Nomination and Remuneration Committee. The Board considered the domain knowledge and experience of Ms. Tanya Dubash in the areas of branding and marketing while approving her appointment as an Independent Director on the Board of the Company. The Board is of the opinion that Ms. Tanya Dubash possesses requisite qualification, experience, expertise and hold high standard of integrity. She shall hold office as an Additional Director of the Company upto the date of ensuing Annual General Meeting and is eligible for appointment as a Director. Her appointment is appropriate and in the best interest of the Company.

Pursuant to the provisions of Section 149 and other applicable provisions of the Act, your Directors are seeking appointment of Ms. Tanya Dubash as an Independent Director for a period of 5 years w.e.f January 29, 2020.

Mr. D.J. Kakalia and Mr. Girish Behari Mathur had resigned from the Board of Directors of the Company w.e.f. November 27, 2019 and December 31, 2019 respectively.

The shareholders of the Company had also approved the re-appointment of Ms. Nitasha Nanda as Whole-time Director for a period of 5 years with effect from January 16, 2020 by way of Postal Ballot.

Mr. Ajay Kumar Sharma, Group General Counsel & Company Secretary had resigned w.e.f. November 30, 2019 and in his place Mr. Satyendra Chauhan has been appointed as Company Secretary and Compliance Officer of the Company w.e.f. January 29, 2020.

The Company has received declarations from all the Independent Directors of the Company confirming that they meet with criteria of independence as prescribed under sub-section (6) of Section 149 of the Act and under Regulation 161(1)(b) & 25(8) of SEBI (Listing Obligations and Disclosure Requirements) Regulation, 2015 (hereinafter referred as "the Listing Regulations"). The policy for selection of Directors and determining Directors independence is attached as **Annexure - A** and forms an integral part of this Report.

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

The brief resumes and other disclosures relating to the Directors who are proposed to be appointed/ re-appointed, as required to be disclosed pursuant to Regulation 36 of the SEBI Listing Regulations and Clause 1.2.5 of the Secretarial Standard 2 are given in the Annexure to the Notice of the 74th AGM.

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

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

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

The Company recognises and embraces the importance of a diverse board in its success. We believe that a truly diverse board will leverage differences in thought, perspective, knowledge, skill, regional and industry experience, cultural and geographical background, age, ethnicity, race and gender, which will help us retain our competitive advantage.

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

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

### **Corporate Governance**

Corporate Governance is about maximising shareholders value, ethically and sustainably. At Escorts the goal of corporate governance is to ensure fairness for every stakeholder. We believe strong corporate governance is critical to enhancing and retaining investor trust. We also endeavor to enhance long term shareholder value and respect minority rights in all our business decisions.

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

### **Corporate Social Responsibility (CSR)**

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

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

The CSR Policy may be accessed on the Company's website [www.escortsgroup.com](http://www.escortsgroup.com) under Investors Information Section. During the year, the Company has spent ₹ 9.85 crores (2.01%) of the average net profits of last three financial years on CSR activities.

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

### **Consolidated Financial Statements**

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

### **Subsidiaries, Joint Ventures and Associate Companies**

The statement in Form AOC-1 containing salient features of financial statements of subsidiaries, associate and joint venture companies prepared in accordance with Section 129 of the Act read with Rule 5 of Companies (Accounts) Rules, 2014, forms an integral part of this Report. The Consolidated Financial Statements presented by the Company include the financial results of its subsidiaries, associate and joint venture companies.

During the financial year ended on March 31, 2020, the Company has infused additional equity capital in Escorts Crop Solutions Limited, subsidiary of the Company and Escorts Kubota India Private Limited, Joint Venture at different point of times. The details of the said investment/ disinvestment

is provided in the note 7 of the Notes to Accounts of the Standalone Financial Statements of the Company.

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

There is no change in subsidiary, joint venture or associate Company during the year ended March 31, 2020.

### **Contracts and Arrangements with Related Parties**

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

The particulars of contracts or arrangements with related parties referred to in Section 188(1) of the Act in the prescribed Form AOC-2 is appended as **Annexure – F** to this report.

The Policy on materiality of related party transactions and dealing with related party transactions may be accessed on the Company's website [www.escortsgroup.com](http://www.escortsgroup.com) under Investors Information Section.

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

### **Auditors and Auditors' Report** **Statutory Auditors**

Pursuant to the provisions of Section 139 of the Act read with Companies (Audit and Auditors) Rules, 2014, the shareholders of the Company in the 71st AGM held on September 21, 2017 had appointed M/s Walker Chandiook & Co LLP, Chartered Accountants, New Delhi (Firm Registration No. 001076N/ N500013) as Statutory Auditors of the Company for a period of 5 years i.e. upto the conclusion of AGM to be held in the year 2022.

In accordance with the Companies (Amendment) Act, 2017 enforced on May 7, 2018 by MCA, the appointment of Statutory Auditors is not required to be ratified by members at every AGM.

The observations and comments given by M/s. Walker Chandiook & Co LLP, Chartered Accountants, Statutory Auditors in their report read together with notes to Accounts for the year ended March 31, 2020 are self-explanatory and



hence, do not call for any further comments under Section 134 of the Act.

The Statutory Auditors of the Company have not reported any fraud as specified in Section 143(12) of the Act.

### **Cost Auditors**

The Board of Directors of the Company has re-appointed M/s. Ramanath Iyer and Co., Cost Accountants, New Delhi (Firm Registration No. 000019), Cost Auditors of the Company under Section 148 of the Act, for conducting the audit of cost records for the financial year 2020-21.

The due date of filing the Cost Audit Report for the year ended on March 31, 2019 was September 30, 2019 and the same had been filed on August 19, 2019.

Further, this is to confirm that the requirement of maintaining cost records as per Section 148(1) of the Act is applicable to the Company and accordingly, the Company has made and maintained cost records.

### **Secretarial Auditors**

The Board of Directors of the Company had appointed M/s. Jayant Gupta and Associates, Practicing Company Secretary to conduct secretarial audit of the Company for the financial year 2019-20.

The Secretarial Audit Report for the financial year ended March 31, 2020 is enclosed as **Annexure – G** and forms an integral part of this Report.

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

The Board has also re-appointed M/s. Jayant Gupta and Associates, Practicing Company Secretary to conduct secretarial audit of the Company for the financial year 2020-21.

### **Risk Management**

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

The Company has laid down a Risk Management Policy and the same is available on the website of the Company at <https://www.escortsgroup.com/investors/governance.html>

The details of constitution of Risk Management Committee of the Company is provided in Report on Corporate Governance at **Annexure - D** of the Directors' Report.

### **Internal Financial Control and its Adequacy**

The Board has adopted policies and procedures for ensuring the orderly and efficient conduct of its business, including adherence to Company's policies, the safeguarding of its assets, the prevention and detection of fraud, error reporting mechanisms, the accuracy and completeness of the accounting records, and the timely preparation of reliable financial disclosures.

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

### **Disclosures**

#### **Meetings of the Board**

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

#### **Audit Committee**

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

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

#### **Extracts of Annual Return**

In terms of provisions of Section 92 of the Act read with the Companies (Management and Administration) Rules, 2014, the extracts of Annual Return in Form MGT-9 is enclosed as **Annexure – H** and forms an integral part of this Report. The Annual Return for Financial Year 2019-20 is also available on the Company's website at [www.escortsgroup.com](http://www.escortsgroup.com).

#### **Vigil Mechanism**

The Company has adopted a Whistle Blower Policy establishing vigil mechanism for Directors and Employees to report their concerns about unethical behaviour, actual or suspected fraud or violation of the Company's Code of Conduct. The mechanism provides for adequate safeguards against victimisation of effected Director(s) and Employee(s). In exceptional cases, Directors and Employees have direct access to the Chairman of the Audit Committee. It is affirmed that no personnel of the Company has been denied access to the Audit Committee.

The Whistle Blower Policy is available on Company's website at <https://www.escortsgroup.com/investors/governance.html>

### Registrar and Share Transfer Agent

The Share Transfer and related activities are being carried out by M/s KFin Technologies Private Limited (earlier Karvy Fintech Private Limited), Registrar and Share Transfer Agent from the following address:-

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

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

### Preferential Issue

During the year, the Board of Directors of the Company had approved the issuance of Equity Shares to Kubota Corporation, Japan (proposed allottee) by way of preferential issue. The approval of the shareholders was also sought for issuance

### Details of Guarantees and Loans given:

Nature	Purpose	Party Name	Amount (₹ in crores)
Guarantee Given	The Corporate Guarantee was issued in favour of Mizhuo Bank Limited for an amount of ₹ 11.025 crores for its share of 49% in Tadano Escorts India Private Limited (TEI), a Joint Venture Company. The facility for an amount of ₹ 22.50 crores was availed by TEI for meeting their non-fund based requirements.	Mizhuo Bank Limited	11.025
Guarantee given	The Corporate Guarantee was issued in favour of Tata Capital Financial Services Limited for credit facility of ₹ 7.50 crores availed by Escorts Securities Limited, a subsidiary of the Company for meeting their working capital requirements.	Tata Capital Financial Services Limited	7.50
Loan given	An amount of ₹ 1 crore was given to Adico Escorts Agri Equipments Private Limited, a Joint Venture Company for meeting their business requirements at a rate of interest of 13% p.a. for a period of one year.	Adico Escorts Agri Equipments Private Limited	1.00

### Particulars of Employees and related disclosures

In terms of provisions of Section 197(12) of the Act, read with the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014, a statement showing the names and other particulars of the employees drawing remuneration in excess of the prescribed limits are available with the Company Secretary. Having regard to the provisions of Section 136(1) of the Act, the Annual Report excluding the aforesaid information is being sent to the members of the Company. Any member interested in obtaining such particulars may write to the Company Secretary of the Company and the same will be furnished on request.

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

of equity shares to the proposed allottee and alteration of articles by way of Postal Ballot. The said resolutions were approved by the shareholders with requisite majority.

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

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

### Details of Investments made:

Name of Party	Amount (₹ in crores)
Escorts Crop Solutions Limited	2.70
Escorts Kubota India Private Limited	60.00

### Public Deposits

The Company has not accepted/ renewed any Fixed Deposit during the financial year and as such no amount of principal or interest was outstanding as of the Balance Sheet date.

### Investor Education and Protection Fund (IEPF)

Pursuant to the applicable provisions of the Companies Act, 2013, read with IEPF Authority (Accounting, Audit, Transfer and Refund) Rules, 2016 ('the Rules'), all unpaid or unclaimed dividends are required to be transferred by the Company to the IEPF established by the Central Government, after the completion of seven years.

Further, according to the rules, the shares in respect of which dividend has not been paid or claimed by the shareholders for seven consecutive years or more shall also be transferred to the demat account created by the IEPF Authority. Accordingly, the Company was required to transfer the unclaimed and unpaid dividends and shares from time to time as per the requirements of the IEPF rules, details of which are provided on our website.

As on March 31, 2020, no unclaimed deposits are pending for transfer to Investor Education and Protection Fund.

### **Credit Rating**

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

ICRA limited has reaffirmed the long-term rating from "ICRA AA-" & watch with developing implication and short-term rating reaffirmed "ICRA A1+".

CRISIL has reaffirmed long term rating "CRISIL AA-"/ Stable and Short-Term rating "CRISIL A1+".

### **Material Changes and Commitment affecting the financial position**

There are no material changes affecting the financial position of the Company subsequent to the closure of the Fiscal 2020 till the date of this report except the impact of COVID-19.

### **Prevention of Sexual Harassment**

The Company has zero tolerance for sexual harassment at workplace and has adopted a policy on Prevention, Prohibition and Redressal of Sexual Harassment at Workplace in line with the provisions of the Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal) Act, 2013 and the rules thereunder for prevention and redressal of complaints of sexual harassment at workplace. The Company is committed to provide equal opportunities without regard to their race, caste, sex, religion, colour, nationality, disability, etc. All women associates (permanent, temporary, contractual and trainees) as well as any women visiting the Company's office premises or women service providers are covered under this Policy. All employees are treated with dignity with a view to maintain a work environment free of sexual harassment whether physical, verbal or psychological.

The Company has also complied with provisions relating to the constitution of Internal Complaints Committee under the Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal) Act, 2013.

Your Directors further state that during the year under review, 2 cases were filed pursuant to the Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal) Act, 2013, which were disposed off within 90 days.

### **Secretarial Standards**

The Company is in compliance with all the applicable Secretarial Standards.

### **Business Responsibility Report (BRR)**

The SEBI Listing Regulations mandate the inclusion of BRR as part of the Annual Report for top 1000 listed entities based on market capitalisation.

In compliance with the SEBI Listing Regulations, the BRR describing the initiatives taken by the Company from an

environmental, social and governance perspective is enclosed as **Annexure – J** and forms an integral part of this Report.

### **Directors' Responsibility Statement**

Pursuant to the requirement under Section 134(5) of the Act, with respect to Directors' Responsibility Statement, your Directors, to the best of their knowledge and ability, hereby confirm that:

- (i) in the preparation of the annual accounts for the year ended March 31, 2020, the applicable accounting standards read with requirements set out under Schedule III to the Act, have been followed alongwith proper explanation relating to material departures;
- (ii) the Directors have selected such accounting policies and applied them consistently and made judgements and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company as at March 31, 2020 and of the profit and loss of the Company for the year ended on that date;
- (iii) the Directors have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Act, for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
- (iv) the Directors have prepared the annual accounts for financial year ended March 31, 2020 on a 'going concern' basis;
- (v) the Directors have laid down internal financial controls to be followed by the Company and that such internal financial controls are adequate and are operating effectively; and
- (vi) the Directors had devised proper systems to ensure compliance with the provisions of all applicable laws and that such systems are adequate and operating effectively.

### **General**

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

1. Details relating to deposits covered under Chapter V of the Act.
2. Issue of equity shares with differential rights as to dividend, voting or otherwise.
3. Issue of shares (including sweat equity shares) to employees of the Company under any scheme save and except ESOS referred to in this Report.
4. Neither the Managing Director nor the Whole-time Directors of the Company receive any remuneration or commission from any of its subsidiaries.

5. No significant or material orders were passed by the Regulators or Courts or Tribunals which impact the going concern status and Company's operations in future. However, members attention is drawn to note 35 on Commitments and Contingencies in the Notes forming part of the standalone financial statement.
6. During the period under review no amount has been transferred to reserves.

### **Acknowledgement**

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

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

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

For and on behalf of the Board of Directors

Place: Faridabad  
Date: May 14, 2020

Sd/-  
**Nikhil Nanda**  
Chairman & Managing Director

# Annexure – A

## to the Directors' Report

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

#### 1. Preamble

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

#### 2. Definitions

For the purposes of this Policy:

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

'**Senior Management**' shall mean and include the following:

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

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

- (i) Matching the requirements of Escorts and enhancing the competencies of the Board are the basis for NRC to shortlist and recommend a candidate for appointment to the Board. Such candidate shall have primary or substantial

strategic and balance sheet management/ profitability management responsibilities. When recommending a candidate for such appointment, NRC shall consider:

- (a) the results of assessment of the proposed appointee against a range of criteria formulated by NRC which include but shall not be limited to skill sets, regional and industry experience, background, integrity and other qualities required to operate successfully in the position of Director, having due regard to the benefits of diversity of the Board;
  - (b) the extent to which the proposed appointee is likely to contribute to the overall effectiveness of the Board and work constructively with the existing Directors and Senior Management;
  - (c) the present and potential future needs and requirements of the Company and sector in which it conducts its business and operations;
  - (d) the nature of existing positions held by the proposed appointee including other directorships held or other relationships and the impact it may have on the appointee's ability to exercise independent judgment;
  - (e) any requirements under applicable law (including but not limited to under the Companies Act, 2013 and/ or the rules and regulations made thereunder) and/ or under the Listing Agreements; and
  - (f) time commitment required from a Director to properly discharge his fiduciary duties towards the Company.
- (ii) The criteria to be considered when assessing prospective candidates for appointment as Directors shall include the following:
    - (a) highest levels of personal and professional ethics and integrity;
    - (b) high quality attributes such as discipline, objectiveness, sensitivity and creativity;
    - (c) sharing and demonstrating the values of Escorts;
    - (d) qualification in relevant disciplines (e.g. finance, secretarial, management, accountancy, legal

- and engineers etc.) or being a recognised specialist in disciplines or areas relevant to the Company and/ or its business;
- (e) experience in the management of a diverse organisation, whether located in India and/ or overseas, in the Sector where the Company is already doing business or intends to enter into;
  - (f) experience in accounting and finance, secretarial, administration, corporate, engineering and strategic planning or fund management;
  - (g) demonstrable ability to work effectively with the Board;
  - (h) excellent interpersonal, communication and representational skills;
  - (i) demonstrable leadership skills;
  - (j) strong influencing and negotiating skills; and
  - (k) continuous professional development to update knowledge and skills.
- (iii) The criteria to be considered when assessing prospective candidates for a Senior Management position shall include the following:
- (a) highest levels of personal and professional ethics and integrity;
  - (b) demonstrable leadership skills;
  - (c) specialist knowledge and/ or experience required for the Senior Management position in question;
  - (d) good interpersonal relationships;
  - (e) demonstrating intelligence, maturity and wisdom;
  - (f) possesses managerial abilities such as effective communication skills, action focus, people engagement, cultural sensitivity, flexibility, team player, strategic thinking, etc.;
  - (g) sharing and demonstrating the values of Escorts ; and
  - (h) ability to significantly contribute towards achievement of the strategic and business objectives of the Company.
- (iv) Every person proposed to be appointed as a Director or a member of Senior Management should be able to give sufficient time and attention to the Company's affairs.
- (v) The Policy is aimed to engage Directors (including Non-Executive Directors and Independent Directors) and Members of Senior Management, who are highly skilled, competent and experienced persons within the fields of business, finance, accounting, management, sales, marketing, administration, research, corporate governance, technical operations, law or other disciplines related to the Company's business and operations.
  - (vi) In addition to such requirements as may be specified under this Policy, the Independent Directors shall also fulfill the applicable requirements prescribed under Section 149 of the Companies Act, 2013 and the rules and regulations made there under, the provisions of the Listing Agreement(s) and other applicable laws as modified or amended or supplemented, from time to time.
  - (vii) Each Independent Director shall be required to duly submit/ make the stipulated declarations required to be furnished pursuant to the provisions of the Companies Act, 2013 and the rules and regulations made thereunder, the Listing Agreements, other applicable laws and the Articles of Association of the Company.
  - (viii) No person shall be considered for appointment/ re-appointment as a Director of Escorts, if he is disqualified to be appointed/ re-appointed as such in terms of the provisions of Section 164 of the Companies Act, 2013 or under any other applicable law.
  - (ix) No person shall be considered for appointment as a Director of Escorts, if he is already a Director in ten or more public companies or private companies, which is either a holding or subsidiary company of a public company.

#### **4. Selection Process**

- (i) The selection procedure to be followed for the appointment of persons for the Board is as below:
  - (a) NRC in consultation with the Chairman and Managing Director of Escorts shall determine the selection criteria applicable for each position at the Board level ("Director Selection Criteria").
  - (b) For the positions of Whole-time Directors and based on the applicable Selection Criteria, NRC in consultation with the Chairman and Managing Director of Escorts, shall generate a potential list of candidates for the Board

position in question who may meet the prescribed Director Selection Criteria.

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

## 5. Appointment Procedure

- (i) Every Director shall be appointed/ re-appointed by Escorts at Board or General Meeting as per the requirements of the Companies Act, 2013, Listing Agreement(s) or any other applicable laws.
- (ii) No person shall be appointed/ re-appointed as a Director of Escorts unless he/ she has been allotted the Director Identification Number (DIN) and he

furnishes to Escorts a declaration to the effect that he is not disqualified to become a Director under the provisions of the Companies Act, 2013 and rules made there under or under any other law for the time being in force and files consent to hold the office as Director.

- (iii) No person shall be appointed as a Director whose name appears in the list of willful defaulters published by the Reserve Bank of India.
- (iv) NRC shall ensure that the appointment/ re-appointment of Directors of Escorts is as per the terms of this Policy and recommendations of candidates are made to the Board for appointment.

## 6. Term/ Tenure

### (i) Managing Director/ Whole Time Director

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

### (ii) Independent Director

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

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

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

eligible for appointment for one more term of upto five years only.

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

#### **7. Letters of Appointment to Directors**

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

#### **8. Evaluation Procedure for Directors**

- (i) NRC shall develop such assessment criteria as it shall deem fit for the purposes of undertaking performance evaluation of the Directors and the Board as a whole. NRC shall undertake an annual performance evaluation of all Directors of Escorts based on the relevant assessment criteria developed by it.
- (ii) The assessment criteria for performance evaluation of Directors shall be disclosed in accordance with the relevant provisions of the Companies Act, 2013, the rules framed thereunder and SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015.

#### **9. Removal**

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

#### **10. Retirement**

The Whole-time Directors, KMP and senior management personnel shall retire as per the Applicable provisions of the Companies Act, 2013 and the prevailing policy of the Company.

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

#### **11. Policy Review**

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



# Annexure – B

## to the Directors' Report

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

#### 1. Preamble

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

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

The primary objectives of this Policy are as under:

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

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

#### 2. Applicability

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

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

- (i) The key elements of remuneration of Non-Executive/ Independent Directors are commission and sitting fees (except professional fee, if any), subject to overall limit as prescribed in the

Companies Act, 2013 read with rules made thereunder and the approval of the shareholders, as applicable. They shall be covered under the Directors and Officers Liability Insurance (D&O) Policy. The Independent Directors shall not be eligible for stock options.

- (ii) Since, the Non-Executive/ Independent Directors collectively endeavor to ensure that the Company performs well and is compliant with applicable laws, rules, regulations and guidelines, they may be paid commission, subject to the approval of the Board and subject to extant legal, regulatory and other applicable provisions and adequacy of sustained profitability.

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

- (i) The Whole-time Directors are appointed on a contractual basis for a fixed tenure as approved by the shareholders and such contracts are renewable upon expiry of the tenure subject to recommendation by NRC/ Board and approval of the shareholders.
- (ii) The remuneration paid to Whole-time Directors is within the limits approved by the shareholders of Escorts which includes fixed salary, perquisites, variable pay in the form of commission, other benefits and allowances and certain retiral benefits, within the overall limit under Section 197 of the Companies Act, 2013. They are also eligible for stock options as per the scheme framed/ to be framed by Escorts, from time to time.
- (iii) The Whole-time Directors shall be covered under the Directors and Officers Liability Insurance (D&O) Policy.
- (iv) Their annual increments shall be linked to their overall performance and as recommended by NRC and approved by the Board, from time to time.
- (v) While fixing the remuneration components, the Company will also reckon extant and emerging economic conditions, state of the sector and economy, competitive pressures for key qualified personnel not merely in the sector but also in the analogous sectors where the skill sets would be relevant; the Company will also reckon (with a lag where necessary), the multiple of the total emoluments payable to such Directors vis-a-vis the mean salary paid to an employee in the organisation.

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

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

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

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

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

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

## **7. Policy review**

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

# Annexure – C

## to the Directors' Report

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

#### I) Conservation of Energy

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

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

Energy Conservation measures have been implemented at all the Escorts Plants & Offices.

Company has also taken special efforts on undertaking Specific Energy Conservation Projects & achieved high level of saving through implementation.

In pursuit of the Continual Improvement in Energy Conservation in the Generation Distribution & Consumption Areas, many initiatives have been taken in the year 2019-20.

Main focus of Conservation & Efficient use is always on low cost automation & technology improvements in existing setup.

The area focused is Generation, Transmission, Distribution & Consumption in all production & Non-Production Processes and for the same, following initiatives have been taken:

- a. Heat Pump installation on washing machines
- b. Pump trimming in paint shop
- c. IGBT based induction hardening machine
- d. Compressed Air circuit optimisation through new Variable Frequency Drive (VFD) compressors
- e. 5 Star AC installation in offices
- f. Replacement of Old Chillers with energy efficient chiller
- g. Motorised valve installation in Cooling water circuit for optimised running
- h. Installation of 1500KVA UPS to provide uninterrupted power supply with inbuilt capacitors, will results in saved 10K-11K Units of Electrical Grid Power per month.

- i. Installation of Latest VRF system on HVAC, resulting in reduction of 10K-11K units per month w.r.t. conventional HVAC system.
- j. Maintaining the Solar Power Plant of capacity 58.32 KW to generate electricity, will results in saved 6K-7K Units of Electrical Grid Power per month.
- k. Maintaining 20hp VFD starter with automatic controls in PTO lab on all 04 test cells. Resulting in reduction of 4.5K units per month and operation as per PTO testing requirement.
- l. As a continual saving, maintaining Motion/Occupancy Sensors in labs/ Offices for auto switching of lights when not in use, resulting in 20-30% power saving in the related areas.

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

Rooftop Solar Power plants installed in different plants yielded approx. 10.50 lakh units in 2019-20.

##### 3. Capital Investment on Energy Conservation Equipment's

During the year, the Company spent approx. ₹ 132 lakhs in various initiatives.

#### II) Technology Absorption

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

- a. New Safe Hydra platform introduced in 13 Ton segment for safe operations.
- b. New 15 Ton Hydra crane model introduced with Top jack feature to offer ease of serviceability in field.
- c. New 16 Ton Safe crane model introduced with various new features like telematic, Mobile holder, Sun visor, Improved driver seat etc.
- d. India's 1st Hybrid BHL Concept proto launched.
- e. New 11 Ton Soil compactor production started.
- f. Up-gradation of Design, Development and testing infrastructure at R&D to develop & absorb new contemporary technologies in a most cost-effective manner to offer products at a competitive

price. Also, working on some safety features & fuel-efficient technologies / Products to offer more to the customer & enhance their expectations.

- g. Design validation & analysis thru Finite Element Analysis.
  - h. Filing of patents / design registrations for new and innovative designs
  - i. Design & development of New products & upgradations of existing products to meet upcoming stringent emission norms in line with government guidelines.
  - j. Powermaxx series: FT 50 Powermaxx, FT 60 Powermaxx, FT 6055 Powermaxx in 49.5 HP, 55 HP, 60 HP Category
  - k. FT Smart category (41 – 50 Hp Range): FT 45 Smart, FT 45 Potato Smart, FT 45 Super smart, FT 50 Smart, FT Champion plus
  - l. FT ATOM 26 HP Model with Inhouse Lift
  - m. Farmtrac series for export market: FT6050 with NETS styling, FT 6075 EN (Narrow Trac), FT6075 E Cabin, FT 6075 E EN CAB with 12+12 Transmission & 24+24 Transmission, FT6090 Pro, FT6075 E ROPS
  - n. EURO NXT series: Euro 50 NXT, Euro 55 NXT, Euro 60 NXT with 12+3 Gearbox
  - o. PT Domestic: PT425 N, PT435 Plus, PT 437, PT 439 lus with sensi-1 lift
  - p. Powertrac Euro models: Euro 42 Plus, Euro 47, Euro 55 Bull Gear
  - q. Powertrac series for Export market like: PT Euro 50 Plus, PT Euro 60 2WD, PT Euro 75 2WD, PT Euro 90 4WD
  - r. Compact series for Export Market like: Compact FT 30 and Compact FT 30 HST
  - s. Compact Electric Tractor for Export market
  - t. Exports new series as Escorts Kubota with 9 Different models
  - u. Design, Development & Testing of CRDI 90/110 HP Tractor with Stage 5 Emission norms
  - v. Design & Development of Powertrac NT-30 with 2WD / 4WD for Orchard Application
- 2. Benefits derived like product improvement, cost reduction, product development or import substitution**
- a. Escorts delivered a series of new products with enhanced power and performance and made a better value proposition for customers in domestic & export market. This has given more customer & application coverage for Escorts construction products & resulted in enhanced volumes and gain in market share.
  - b. Cost effective & customised solution will help customers to afford the solution and enable them to produce more output per unit cost of input & help them to meet emerging market challenges.
  - c. Product cost optimisation thru VA/VE using different methodologies.
  - d. Use of in-house aggregates will support to offer cost effective solutions to customer.
  - e. Initiated new projects for addition of new features, reliability enhancement, upgradation of existing products & creation of new platforms to meet customer expectations and emerging future trends.
  - f. Initiated new product range for global markets. Application specific cranes for niche market was introduced for applications like mining etc.
  - g. Escorts has whole range of tractors from 20 hp to 120 hp for domestic and export market with enhanced styling, power and performance.
  - h. Capability enhancement for Engine, Transmission, Hydraulic technologies & design optimisation thru usage of predictive / virtual simulation software, high performance computer
  - i. Significant Material cost reduction in tractors through design optimisation and Purchase efficiency
  - j. Product cost optimisation thru VE/VA, Leap, Innovative, Out of the box ideas
  - k. Development of Farmtrac Wet liner engine to improve fuel efficiency & technology upgrade to improve fuel efficiency
  - l. Design & Development of 12+12 modular transmissions for multiple field & non agri applications
  - m. Development of Engines from 50 to 110 HP Category meeting Stage 5 Emission norms with Improved fuel efficiency and high performance & reliability

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

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

4. Expenditure incurred on Research & Development

Particulars	(₹ crores)	
	For the financial year ended on March 31, 2020	For the financial year ended on March 31, 2019
a) Capital Expenditure*	37.40	23.29
b) Recurring Expenditure	129.33	111.25
<b>Total R&amp;D Expenditure</b>	<b>166.73</b>	<b>134.54</b>
<b>Total R&amp;D Expenditure as a percentage of total turnover</b>	<b>2.95%</b>	<b>2.20%</b>

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

**III) Foreign Exchange Earnings and Outgo**

**Activities relating to export**

The details on activities related to exports are provided elsewhere in this Annual Report.

**Total Foreign Exchange earning and outgo**

Particulars	(₹ crores)	
	For the financial year ended on March 31, 2020	For the financial year ended on March 31, 2019
a) Foreign exchange outgo:		
-Imports (including capital goods)	156.39	169.67
-Others	21.61	7.08
<b>Total</b>	<b>178.00</b>	<b>176.75</b>
b) Foreign Exchange earned	265.51	233.26

For and on behalf of the Board of Directors

Place: Faridabad  
Date: May 14, 2020

Sd/-  
**Nikhil Nanda**  
Chairman & Managing Director

## **Annexure – D** **to the Directors' Report**

# **Report on Corporate Governance**

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

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

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

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

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

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

Corporate Governance goes beyond the practices enshrined in the laws and is imbibed in the basic business ethics and values that needs to be adhered to in letter and spirit. However, a transparent, ethical and responsible Corporate Governance framework essentially emanates from the intrinsic will and passion for good governance ingrained in the organisation.

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

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

### **II. Board of Directors**

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

The Board of Director(s) along with its Committee(s) provide leadership and guidance to the Company's Management and directs, supervises and controls the performance of the Company. The Board of Director(s) of the Company comprises of distinguished personalities, who have been acknowledged in their respective fields. As at the end of financial year, Five out of Nine Directors on the Board are independent & non-executive and 1 is non-independent & non-executive.

Mr. Nikhil Nanda, Chairman is also acting as Managing Director of the Company and is in whole-time employment of the Company. Ms. Nitasha Nanda, Whole-time Director and Mr. Shailendra Agrawal, Executive Director are also in whole-time employment of the Company.

Independent Directors are Non-Executive Directors as defined under Regulation 16(1)(b) of the Listing Regulations read with Section 149(6) of the Companies Act, 2013 ("the Act"). The maximum tenure of Independent Directors is in compliance with the Act. All the Independent Directors have confirmed that they meet the criteria as mentioned under Regulation 16(1)(b) & 25(8) of the Listing Regulations read with Section 149(6) of the Act.

The Board is of the opinion that the Independent Directors fulfil the conditions specified in these regulations and are independent of the management.

Mr. D.J. Kakalia, Independent Director of the Company had resigned from the Board of Directors of the Company w.e.f. November 27, 2019 due to personal reason.

He also confirmed vide his communication that there is no material reason other than the personal reasons.

familiarise with various developments at Industry level, new business initiatives and organisation strategies etc.

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.

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

The Company has devised a process where various presentations/ programs are being conducted to make them

As on March 31, 2020, the Board comprises of Nine Directors. The names and categories of Directors, the number of Directorship and Committee position(s) held by them in the companies, meetings attended by them and other relevant particulars are given below.

Name and Category	Designation	Directorship in other listed entity & Category	Relationship with each other	No. of Board meetings attended during the financial year	Whether attended the last AGM	No. of directorships in Public Companies (#)	No. of Committee Memberships / (Chairmanships) in Public Companies (Λ)
Mr. Nikhil Nanda Executive & Non-Independent (Promoter)	Chairman and Managing Director	-	Brother of Ms. Nitasha Nanda	5	Y	2	-
Mr. Shailendra Agrawal Executive & Non-Independent	Executive Director	-	*	5	Y	2	-
Ms. Nitasha Nanda Executive & Non-Independent (Promoter Group)	Whole-time Director	-	Sister of Mr. Nikhil Nanda	5	Y	3	-
Mr. Hardeep Singh Non-Executive & Non-Independent	Director	UPL Limited, Independent Director	*	5	Y	3	4(2)
Mr. P.H. Ravikumar Non-Executive & Independent	Independent Director	Bharat Forge Limited, Independent Director Aditya Birla Capital Limited, Independent Director	*	5	Y	7	8(3)
Mrs. Vibha Paul Rishi Non-Executive & Independent	Independent Director	Asian Paints Limited, Independent Director Tata Chemicals Limited, Independent Director ICICI Prudential Life Insurance Company Limited, Independent Director The Indian Hotels Company Limited, Independent Director	*	5	Y	8	9(1)
Dr. Sutanu Behuria Non-Executive & Independent	Independent Director	-	*	5	Y	3	4
Mr. G.B. Mathur(1) Non-Executive & Non-Independent	Director	N.A.	*	1	Y	N.A.	N.A.
Mr. D.J. Kakalia(2) Non-Executive & Independent	Independent Director	N.A.	*	3	Y	N.A.	N.A.
Mr. Ravi Narain(3) Non-Executive & Independent	Independent Director	N.A.	*	-	N.A.	N.A.	N.A.
Mr. Sunil Kant Munjal(4) Non-Executive & Independent	Independent Director	Shivam Autotech Limited, Chairman DCM Shriram Limited, Independent Director	*	5	Y	5	3

Name and Category	Designation	Directorship in other listed entity & Category	Relationship with each other	No. of Board meetings attended during the financial year	Whether attended the last AGM	No. of directorships in Public Companies (#)	No. of Committee Memberships / (Chairmanships) in Public Companies (A)
Ms. Tanya Dubash (5) Non-Executive & Independent	Additional & Independent Director	Godrej Industries Limited, Executive Director Godrej Consumer Products Limited, Director Godrej Agrovvet Limited, Director Britannia Industries Limited, Independent Director	*	2	N.A.	8	1

Y = Yes N = No

\* Not related to any other director of the Company.

(#) Including Escorts Limited.

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

(1) Ceased to be Director w.e.f. December 31, 2019 and three meetings held during his tenure in the year ended March 31, 2020.

(2) Ceased to be Director w.e.f. November 27, 2019 and three meetings held during his tenure in the year ended March 31, 2020.

(3) Ceased to be Director w.e.f. May 1, 2019 and no meeting held during his tenure in the year ended March 31, 2020

(4) Appointed as Director of the Company w.e.f. May 7, 2019

(5) Appointed as Director of the Company w.e.f. January 29, 2020 and two meetings held during her tenure in the financial year ended March 31, 2020.

#### Notes:

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

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

### Certification from Company Secretary in Practice

A certificate has been received from M/s Jayant Gupta & Associates, Practicing Company Secretaries, that none of the Director on the Board of the Company has been debarred or disqualified from being appointed or continuing as Director of companies by SEBI/ Ministry of Corporate Affairs or any such statutory authority. The said certificate is available on the website of the Company at [www.escortsgroup.com](http://www.escortsgroup.com).

### Key Board Qualifications, Expertise and Attributes

The Board of Escorts Limited comprises of qualified members who bring in the required skills, competence and expertise that allow them to make effective contributions to the Board and its committees. The Board members are committed to ensure that Escorts Limited is in compliance with highest standards of corporate governance.

The table below provides the key qualifications, skills and attributes which are broadly taken into consideration while nominating candidates to serve on the Board:

#### Details of Directors qualifications

Financial	Leadership of a financial firm or management of the finance function of an enterprise, resulting in proficiency in complex financial management, capital allocation, and financial reporting processes, or experience in actively supervising a principal financial officer, principal accounting officer, controller, public accountant, auditor or person performing similar functions.
-----------	---

Leadership	Expended lead Expended leadership experience for a significant enterprise, resulting in a practical understanding of organisations, processes, strategic planning, and risk management. Demonstrated strengths in developing talent, planning succession, and driving change and long term growth.
Mergers and Acquisitions	A history of leading growth through acquisitions and other business combinations, with the ability to assess build or buy decisions, analyse the fit of a target with the Company's strategy and culture, accurately value transactions, and evaluate operational integration plans.
Board service and governance	Service on public company board to develop insights about maintaining board and management accountability, protecting shareholder interests, and observing appropriate governance practices.
Sales and Marketing	Experience in developing strategies to grow sales and market share, build brand awareness and equity, and enhance enterprise reputation.

The Board is satisfied that the current composition reflects an appropriate mix of knowledge, skills, experience, diversity and independence required for it to function effectively. The Board periodically evaluates the need for change in its composition and size.



The details of Directors who have such skills/ expertise/ competence are provided herein below:

Name of Directors	Area of Expertise				
	Financial	Leadership	Merger and Acquisitions	Board Service and governance	Sales and Marketing
Mr. Nikhil Nanda, Chairman and Managing Director	Y	Y	Y	Y	Y
Ms. Nitasha Nanda, Whole-time Director	Y	Y	-	Y	-
Mr. Shailendra Agrawal, Executive Director	Y	Y	Y	Y	Y
Mr. Hardeep Singh, Director	Y	Y	Y	Y	Y
Mr. P.H. Ravikumar, Independent Director	Y	Y	Y	Y	-
Mrs. Vibha Paul Rishi, Independent Director	Y	Y	-	Y	Y
Dr. Sutanu Behuria, Independent Director	Y	Y	-	Y	-
Mr. Sunil Kant Munjal, Independent Director	Y	Y	Y	Y	Y
Ms. Tanya Dubash, Independent Director	-	Y	-	Y	Y

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

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

### IV. Board Meetings

During the financial year ended on March 31, 2020 the Board of Directors met Five (5) times on the following dates:-

May 7, 2019, July 27, 2019, November 2, 2019, January 29, 2020 and March 20, 2020.

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

All the recommendation of committee(s) of the Board were accepted by the Board.

#### Board Meeting Procedures

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

### Information supplied to the Board

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

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

### Code of Conduct

The Company has adopted a Code of Conduct for Directors and Senior Management of the Company. The Code has been circulated to all the members of the Board and Senior Management and the same is also available on the Company's website: <https://www.escortsgroup.com/investors/governance.html>

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

### Declaration by C.E.O.

The Board of Directors,  
Escorts Limited

Dear Sir,

I hereby confirm that:

The Company has received from the members of the Board and Senior Management, a declaration of compliance with the Code of Conduct for Directors and Senior Management in respect of financial year ended on March 31, 2020.

Place: Faridabad  
Date: May 14, 2020

Sd/-  
**Nikhil Nanda**  
Chairman & Managing Director

**Vigil Mechanism**

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

**V. Audit Committee Constitution**

As on March 31, 2020 the Audit Committee comprises of the following Non-Executive Directors:

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

During the year, Mr. Ravi Narain, Independent Director has resigned from the Board of Company w.e.f. May 1, 2019 and cease to be the member of the Audit Committee.

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

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

During the financial year ended on March 31, 2020 the Committee met Six (6) times on the following dates:-

May 7, 2019, July 27, 2019, August 3, 2019, November 2, 2019, January 29, 2020 and March 20, 2020.

During the year, till November 30, 2019 Mr. Ajay Kumar Sharma, Group General Counsel & Company Secretary and thereafter Mr. Satyendra Chauhan, Company Secretary & Compliance Officer acted as Secretary of the Audit Committee.

**Terms of Reference**

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

1. Oversight of the Company's financial reporting process and the disclosure of its financial information to ensure that the financial statement is correct, sufficient and credible.
2. Recommending to the Board, the appointment, reappointment and, if required, the replacement or removal of the statutory auditors and the fixation of audit fees.
3. Approval of payment to statutory auditors for any other services rendered by the statutory auditors.
4. Reviewing, with the management, the annual financial statements and auditor's report thereon before submission to the Board for approval, with particular reference to:
  - a. Matters required to be included in the Directors' Responsibility Statement forming part of Directors' Report in terms of Clause (c) of sub-section 3 of Section 134 of the Act.
  - b. Changes, if any, in accounting policies and practices and reasons for the same.
  - c. Major accounting entries involving estimates based on the exercise of judgement by management.
  - d. Significant adjustments made in the financial statements arising out of audit findings.
  - e. Compliance with listing and other legal requirements relating to financial statements.
  - f. Disclosure of any related party transactions.
  - g. Modified opinion(s) in the draft audit report.
5. Reviewing, with the management, the quarterly financial statements before submission to the Board for approval.
6. Reviewing, with the management, the statement of uses/ application of funds raised through an issue (public issue, rights issue, preferential issue, etc.), the statement of funds utilised for purposes other than those stated in the offer document/ prospectus/ notice and the report submitted by the monitoring agency monitoring the utilisation of proceeds of a public or rights issue, and making appropriate recommendations to the Board to take up steps in this matter.
7. Reviewing and monitoring the auditors independence & performance, and effectiveness of audit process.

8. Approval or any subsequent modification of transactions of the Company with related parties.
9. Scrutiny of inter-corporate loans and investments.
10. Valuation of undertakings or assets of the Company, wherever it is necessary.
11. Evaluation of internal financial controls and risk management systems.
12. Reviewing, with the management, performance of statutory & internal auditors, adequacy of the internal control systems.
13. Reviewing the adequacy of internal audit function, if any, including the structure of internal audit department, staffing and seniority of the official heading the department, reporting structure coverage and frequency of internal audit.
14. Discussion with internal auditors of any significant findings and follow up thereon.
15. Reviewing the findings of any internal investigations by the internal auditors into matters where there is suspected fraud or irregularity or a failure of internal control systems of a material nature and reporting the matter to the Board.
16. Discussion with statutory auditors before the audit commences, about the nature and scope of audit as well as post-audit discussion to ascertain any area of concern.
17. Investigating the reasons for substantial defaults in the payment to the depositors, debenture holders, shareholders (in case of non-payment of declared dividends) and creditors.
18. To review the functioning of the Whistle Blower mechanism.
19. Approving the appointment of Chief Financial Officer (i.e. the Whole-time Finance Head or any other person heading the finance function or discharging that function) after assessing the qualifications, experience & background, etc. of the candidate.
20. Reviewing any changes in the accounting policies or practices as compared to the last completed financial year and commenting on any deviation from the Accounting Standards.
21. Carrying out any other function as may be referred to the Committee by the Company's Board of Directors and/ or other Committees of Directors of the Company from time to time.
22. Recommending to the Board, the terms of appointment, re-appointment and, if required, the replacement or removal of the Cost and the Secretarial Auditors.
23. Reviewing the utilization of loans and/ or advances from/investment by the holding company in the subsidiary exceeding rupees 100 crore or 10% of the asset size of the subsidiary, whichever is lower including existing loans/ advances/ investments existing as on the date of coming into force of this provision.
24. The Committee has systems and procedures in place to ensure that the Audit Committee periodically reviews:
  - a. Management discussion and analysis of financial condition and results of operations;
  - b. Statement of significant related party transactions (as defined by the Audit Committee), submitted by management;
  - c. Management letters/ letters of internal control weaknesses issued by the statutory auditors;
  - d. Internal audit reports relating to internal control weaknesses, if any;
  - e. Appointment, removal and terms of remuneration of the Chief Internal Auditor, if any;
  - f. The Financial Statements, in particular, the investments made by the unlisted subsidiaries of the Company, in view of the requirements under the Listing Regulations;
  - g. Details of material transactions with related parties, which are not in the normal course of business; and
  - h. Details of material transactions with related parties or others, if any, which are not on arm's length basis, along with management's justification for the same.
  - i. Statement of deviations: (a) quarterly statement of deviation(s) including report of monitoring agency, if applicable, submitted to stock exchange(s) in terms of Regulation 32(1). (b) annual statement of funds utilised for purposes other than those stated in the offer document/ prospectus/ notice in terms of the Listing Regulations 32(7).

The Audit Committee is endowed with the following powers:

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

### Meetings & Attendance

Name of Member	No. of Meeting	
	Held	Attended
Mr. P.H. Ravikumar (Chairman)	6	6
Mr. Hardeep Singh	6	6
Dr. Sutanu Behuria	6	6
Mrs. Vibha Paul Rishi	6	6
Mr. Ravi Narain*	-	-

\* Resigned from directorship w.e.f. May 1, 2019 and no meeting held during his tenure in the financial year ended March 31, 2020

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

## VI. Nomination and Remuneration Committee Constitution

As on March 31, 2020, the Nomination and Remuneration Committee comprises of following Non-Executive Directors:

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

### Terms of Reference

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

- Formulation of the criteria for determining qualifications, positive attributes and independence of a director and recommend to the Board a policy, relating to the remuneration of the directors, key managerial personnel and other employees;
- Formulation of criteria for evaluation of Independent Directors and the Board;

- Devising a policy on Board diversity;
- Identifying persons who are qualified to become Directors and who may be appointed in senior management in accordance with the criteria laid down, and recommend to the Board their appointment and removal. The Evaluation Criteria and the Remuneration Policy shall form part of the Annual Report of the Company;
- Recommend to the board, all remuneration, in whatever form, payable to senior management.

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

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

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

### Meetings & Attendance

During the financial year ended on March 31, 2020 the Committee met Three (3) times on May 7, 2019, November 2, 2019 and January 29, 2020.

Name of Member	No. of Meeting	
	Held	Attended
Mr. P.H. Ravikumar (Chairman)	3	3
Mr. Hardeep Singh	3	3
Dr. Sutanu Behuria	3	3
Mrs. Vibha Paul Rishi	3	3

### Remuneration Policy

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

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

### Details of Remuneration of Directors

The Company has not paid any remuneration to any of its Non-Executive Directors, except Sitting Fees for attending meetings of the Board and all its Committees for which ₹ 50,000 per meeting was paid for Board

Meeting and Audit Committee Meeting and ₹ 20,000 per meeting was paid for any other committee meeting. The aggregate amount of sitting fees paid during the financial year was ₹ 38.60 lakhs (excluding applicable taxes). The director wise payment of sitting fee is provided in Form MGT-9 attached as **Annexure – H** to the Directors' Report.

The shareholders of the Company has approved the payment of commission to Non-Executive Directors in the Annual General Meeting held on July 27, 2019 for a period of five years. Accordingly, for the financial year ended on March 31, 2020, Mr. P.H. Ravikumar, Mrs. Vibha Paul Rishi, Dr. Sutanu Behuria, Mr. Sunil Kant Munjal and Mr. Hardeep Singh have been paid commission of ₹ 9,00,000/- (Rupees Nine lakhs only) each and Ms. Tanya Dubash who has joined the Board on January 29, 2020 has been paid commission of ₹ 4,50,000/- (Four lakhs and Fifty Thousand only), aggregating to ₹ 49,50,000/- (Rupees Forty Nine lakhs and Fifty Thousand only) and the same is within the limits of 1% of the net profits of the Company calculated under Section 198 of the Companies Act, 2013.

The remuneration paid/ payable to Mr. Nikhil Nanda, Chairman and Managing Director, Ms. Nitasha Nanda, Whole-time Director and Mr. Shailendra Agrawal, Executive Director of the Company for the financial year ended on March 31, 2020 are as follows:

Particulars	(₹ in crores)		
	Mr. Nikhil Nanda	Ms. Nitasha Nanda	Mr. Shailendra Agrawal
Basic Salary	2.36	0.72	1.30
Allowances & Perquisites	4.02	1.07	1.76
Provident Fund Contribution	0.28	0.09	0.16
Others	0.07	0.00	0.01
Commission*	4.40	0.75	0.00
<b>Total</b>	<b>11.13</b>	<b>2.62</b>	<b>3.23</b>

\* Commission for FY 2019-20

The tenure of office of the Chairman and Managing Director, Whole-time Director and Executive Director is for a period of five years from their respective date of appointment. The services of said Directors with the Company can be terminated as per the terms approved by the shareholders. In the event of termination of services, they shall be entitled to receive compensation in accordance with the provisions of Section 202 of the Act.

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

## VII. Shares held by Non-Executive Directors

Name	Category	No. of Equity Shares held
Mr. P.H. Ravikumar	Independent	-
Mrs. Vibha Paul Rishi	Independent	-
Dr. Sutanu Behuria	Independent	-
Mr. Hardeep Singh	Non-Independent	500
Mr. Sunil Kant Munjal	Independent	26270
Ms. Tanya Dubash	Independent	-

## VIII. Stakeholders' Relationship Committee

### Constitution

As on March 31, 2020, the Stakeholders' Relationship Committee comprises of following Non-Executive Directors:-

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

### Terms of Reference

The role of the committee shall inter-alia include the following:

- (1) Resolving the grievances of the security holders of the listed entity including complaints related to transfer/ transmission of shares, non-receipt of annual report, non-receipt of declared dividends, issue of new/ duplicate certificates, general meetings etc.
- (2) Review of measures taken for effective exercise of voting rights by shareholders.
- (3) Review of adherence to the service standards adopted by the listed entity in respect of various services being rendered by the Registrar & Share Transfer Agent.
- (4) Review of the various measures and initiatives taken by the listed entity for reducing the quantum of unclaimed dividends and ensuring timely receipt of dividend warrants/ annual reports/ statutory notices by the shareholders of the Company.

### Meetings & Attendance

During the financial year ended on March 31, 2020, the Committee met on 4 (Four) times as on: May 7, 2019, July 27, 2019, November 2, 2019 and March 20, 2020.

Name of Member	Designation	No. of Meeting	
		Held	Attended
Mr. Hardeep Singh	Chairman	4	4
Dr. Sutanu Behuria	Member	4	4
Mrs. Vibha Paul Rishi	Member	4	4

### Compliance Officer

During the year, till November 30, 2019 Mr. Ajay Kumar Sharma, Group General Counsel & Company Secretary & thereafter Mr. Satyendra Chauhan, Company Secretary & Compliance Officer acted as Compliance Officer as per the requirements of the Listing Regulations.

### Complaints received/ resolved

During the period under review, 161 complaints were received from investors which were replied/ resolved to the satisfaction of investors except 1 complaint pending as on 31.03.2020 which will be replied/ resolved in due course.

### Pending Share Transfers

No requests for transfer and/ or dematerialisation were pending for redressal as on March 31, 2020.

## IX. Risk Management Committee

### Constitution

During the financial year ended on March 31, 2020, the Risk Management Committee had been reconstituted pursuant to resignation of Mr. Ravi Narain, Independent Director.

The Risk Management Committee comprises of following persons:-

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

### Terms of Reference

The charter of the Committee shall be as follows:

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

### Meetings & Attendance

During the financial year ended on March 31, 2020, the Committee met once on January 29, 2020.

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

Note: No Committee meeting was held during the tenure of Mr. Ravi Narain as Member of the Committee during the year.

## Corporate Social Responsibility

### Constitution

During the financial year ended on March 31, 2020 the Corporate Social Responsibility (CSR) Committee had been reconstituted. Mr. G.B. Mathur ceased to be Director of the Company w.e.f. December 31, 2019 and Mr. P.H. Ravikumar was inducted as Member of the Committee on January 29, 2020.

The CSR Committee comprises of following persons:

1. Mr. Nikhil Nanda - Chairman
2. Mr. Hardeep Singh - Member
3. Mrs. Vibha Paul Rishi - Member
4. Mr. P.H. Ravikumar - Member

### Terms of Reference

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

### Meetings & Attendance

During the financial year ended on March 31, 2020, the Committee met 3 (Three) times on May 7, 2019, January 29, 2020 and March 20, 2020.

Name of Member	Designation	No. of Meeting	
		Held	Attended
Mr. Nikhil Nanda	Chairman	3	3
Mr. Hardeep Singh	Member	3	3
Mrs. Vibha Paul Rishi	Member	3	3
Mr. G.B. Mathur*	Member	1	0
Mr. P.H. Ravikumar**	Member	1	1

\*Ceased to be Member of the Committee w.e.f. December 31, 2019. One committee meeting held during his tenure as Member during the year.

\*\* Appointed as Member of the Committee w.e.f. January 29, 2020. Further, only one committee meeting was held after appointment of Mr. Ravikumar as Member of the Committee.

## X. Functional Committee

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

## Procedure of Committee Meetings

The Company's guidelines relating to Board Meetings are applicable to Committee Meetings, as far as may be practicable. Each Committee has the authority to engage outside experts, advisors and counsels, to the extent it

considers appropriate, to assist in its work. Minutes of the proceedings of the Committee Meetings are placed before the next Committee and the subsequent Board Meeting for perusal and noting.

## XI. General Body Meetings

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

Financial Year/ Financial Period	Date	Time	Venue	No. of Special Resolutions Passed at AGM
2018-19	July 27, 2019	10:00 A.M	Radisson Blu Faridabad, Sector – 20B, Mathura Road, Faridabad - 121 001, Haryana	Two*
2017-18	September 12, 2018	10:00 A.M	Radisson Blu Faridabad, Sector – 20B, Mathura Road, Faridabad - 121 001, Haryana	One
2016-17	September 21, 2017	11:00 A.M	Aravali Golf Club, N.H. 3, N.I.T. Faridabad -121001, Haryana	Three

\*Three resolution were proposed for approval of shareholders of the Company, however, one resolution was not passed with requisite majority.

## XII. Special Resolution passed through Postal Ballot

No special resolution was passed during the year through Postal Ballot. However, the Company has sought the approval of shareholders through postal ballot for the following ordinary resolution(s).

S. No.	Postal Ballot Notice	Particulars of Resolution(s)	Details of Voting	
			Votes casted in favour	Votes casted against
1	November 2, 2019	Re-appointment of Ms. Nitasha Nanda as a Whole-time Director (Ordinary Resolution)	99.64	0.36
2		Fixing of Remuneration of Ms. Nitasha Nanda as a Whole-time Director (Ordinary Resolution)	99.99	0.01

Mr. Jayant Gupta was appointed as Scrutinizer to conduct the Postal Ballot process.

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

## XIII. Disclosures

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

All the related party transactions during the financial year ended on March 31, 2020 were as per the "Policy on Materiality of Related Party Transactions and dealing with Related Parties".

b) Details of non-compliance by the Company, penalties, strictures imposed on the Company by Stock Exchanges or SEBI or any Statutory Authority, on any matter related to capital markets, during the last three years – NIL

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

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

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

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

e) Policy for determining 'Material Subsidiaries'

The Policy for determining Material Subsidiaries is available on the website of the Company <https://www.escortsgroup.com/investors/governance.html> under Investor Information Section.

f) Policy on dealing with Related Party Transactions

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

- g) The Company has complied with all the compliances given under Regulation 17 to 27 and Regulation 46(2)(b) to 46(2)(i) of the Listing Regulations.
- h) Disclosure with respect to Demat Suspense Account/Unclaimed Suspense Account: The details of shares already transferred into IEPF Account are provided on the website of the Company at [www.escortsgroup.com](http://www.escortsgroup.com).
- i) Disclosure in relation to the Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal) Act, 2013:

S No.	Particulars	No.
a.	Number of complaints filed during the financial year	2
b.	Number of complaints disposed of during the financial year	2
c.	Number of complaints pending as on end of the financial year	NIL

- j) The details of credit rating are provided elsewhere in this Annual Report.
- k) The details of payment made to Statutory Auditors are provided at note 34 of the notes to accounts of standalone financial statement. No other amount is paid during the year by the Company and its subsidiaries, on a consolidated basis, to the statutory auditors and all entities in the network firm/ network entity of which the statutory auditor is a part.

### Subsidiary Companies

Regulation 16 of the Listing Regulations "Material Subsidiary" shall mean a subsidiary, whose income or net worth exceeds twenty percent of the consolidated income or net worth respectively, of the listed entity and its subsidiaries in the immediately preceding accounting year.

Escorts Limited has 6 direct subsidiaries, 3 of them is registered outside India and 3 are in India, whose turnover does not exceed the limit prescribed under the Listing Regulations. Thus, these subsidiaries are out of the scope of the above definition.

Further pursuant to IND AS applicability, the Company has few more subsidiaries, details have been given elsewhere in the Annual Report and forms an integral part of this Report.

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

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

## XIV. Means of Communication

### Key Financial Reporting dates during the year ended on March 31, 2020

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

For Year ended 31.03.19: Economic Times (English), Mint (English), Financial Express (English) and Rashtriya Sahara (Hindi).

For Quarter ended 30.06.19: Economic Times (English), Mint (English), Financial Express (English) and Rashtriya Sahara (Hindi).

For Quarter ended 30.09.19: Economic Times (English), Mint (English), Financial Express (English) and Rashtriya Sahara (Hindi).

For Quarter ended 31.12.19: Economic Times (English), Mint (English), Financial Express (English) and Rashtriya Sahara (Hindi).

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

The website also displays official news releases.

### News Releases, Presentation

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

### Management Discussion and Analysis

The Management Discussion and Analysis and Risk Management forms an integral part of this Annual Report.

## XV. General Shareholder Information

### Company Registration Details

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

### Annual General Meeting (AGM)

Day & date: Monday, August 24, 2020

Time : 10:00 a.m.

Venue: AGM through Video Conferencing/ Other Audio Visual Means. Deemed Venue will be registered office of the Company

### Financial Year:

April 1 to March 31



### Appointment/ Re-appointment of Directors

In accordance with the provisions of the Act and Articles of Association of the Company, Mr. Hardeep Singh, Director retires by rotation at the ensuing Annual General Meeting of your Company and being eligible, offer themselves for re-appointment.

The Board of Directors of the Company had also sought approval of the members of the Company at the ensuing AGM for appointment/ re-appointment of Directors. The details are provided in the Directors Report.

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

### Financial Calendar 2020-21 (Tentative)

Meetings of Board/ Committee thereof to take on record:

Particulars	Tentative Date
Financial results for Quarter ended 30.06.2020	14.08.2020
Financial results for Quarter ended 30.09.2020	14.11.2020
Financial results for Quarter ended 31.12.2020	14.02.2021
Financial results for Quarter/ Year ended 31.03.2021	30.05.2021

### Annual General Meeting for the Financial Year ending March, 2020:

By September 30, 2020.

### Cut off Date for e-voting

August 17, 2020 has been fixed as the cut off date to record entitlement of the shareholder to cast their vote electronically in the forthcoming AGM.

### Book Closure

The members register will be closed from August 15, 2020 to August 24, 2020 (both days inclusive) for

### Dividend Payment History for Ten Years

Year	Rate	Date of Payment
2009-10	15%	March 10, 2011
2010-11	15%	March 27, 2012
2011-12	12%	March 30, 2013
2012-13	12% (Interim)	October 21, 2013
2013-14	6% (Final)	September 29, 2014
2014-15	12%	September 28, 2015
2015-16	12%	September 29, 2016
2016-17	15%	September 29, 2017
2017-18	20%	September 24, 2018
2018-19	25%	August 5, 2019
2019-20	25% (Proposed)	To be paid within 30 days from the date of declaration of Dividend*

\* subject to normalisation of postal services in case bank account details of shareholders not available with Company/ RTA

the purpose of payment of Dividend for the financial year 2019-20.

### Dividend

1. The Board of Directors of the Company have decided to recommend dividend @ ₹ 2.50 per share (being 25% of the nominal value of ₹ 10 per share) for the financial year 2019-20 (except on shares held by Escorts Benefit and Welfare Trust), subject to the approval of the shareholders in the forthcoming AGM.
2. The dividend, if declared at the AGM, would be paid/ dispatched within 30 days from the date of declaration at the ensuing AGM to those persons or their mandates:-
  - a) whose names appear as beneficial owners as at the end of the business hours on August 14, 2020 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 transmission/ transposition in physical form lodged with the Company on or before August 14, 2020.
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

Equity Shares of Escorts Limited 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	ESCORTS
<b>BSE Limited</b> Phiroze Jeejeebhoy Towers, Dalal Street, Mumbai - 400 001	500495
<b>Delhi Stock Exchange Limited</b> DSE House, 3/1, Asaf Ali Road, New Delhi – 110 002	00012

## Listing Fees

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

## Monthly Stock Market Data

Month	Escorts Limited Share Price (BSE)		Sensex	
	High (₹)	Low (₹)	High (₹)	Low (₹)
April, 2019	805.75	720.90	39,487.45	38,460.25
May, 2019	715.20	542.50	40,124.96	36,956.10
June, 2019	612.75	519.00	40,312.07	38,870.96
July, 2019	581.65	453.75	40,032.41	37,128.26
August, 2019	521.30	423.30	37,807.55	36,102.35
September, 2019	653.10	450.10	39,441.12	35,987.80
October, 2019	673.55	567.00	40,392.22	37,415.83
November, 2019	687.90	631.00	41,163.79	40,014.23
December, 2019	666.40	585.85	41,809.96	40,135.37
January, 2020	835.55	601.20	42,273.87	40,476.55
February, 2020	914.40	764.85	41,709.30	38,219.97
March, 2020	874.45	527.10	39,083.17	25,638.90

Month	Escorts Limited Share Price (NSE)		Nifty 50	
	High (₹)	Low (₹)	High (₹)	Low (₹)
April, 2019	804.70	720.00	11856.15	11549.10
May, 2019	714.00	542.00	12041.15	11108.30
June, 2019	612.20	519.30	12103.05	11625.10
July, 2019	581.95	453.10	11981.75	10999.40
August, 2019	521.65	423.55	11181.45	10637.15
September, 2019	681.00	450.50	11694.85	10670.25
October, 2019	674.60	567.00	11945.00	11090.15
November, 2019	687.80	631.00	12158.80	11802.65
December, 2019	666.40	585.50	12293.90	11832.30
January, 2020	835.50	601.30	12430.50	11929.60
February, 2020	914.70	764.75	12246.70	11175.05
March, 2020	875.00	526.05	11433.00	7511.10

## Share Transfer System

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

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

## Investors Relation Center

Escorts Limited	Escorts Limited	Kfin Technologies Private Limited (earlier Karvy Fintech Private Limited)
Escorts Corporate Centre, 15/5, Mathura Road, Faridabad – 121 003 Telephone No.: (0129) 2564921 Fax No.: (0129) 2250060 Email: investorrelation@escorts.co.in	Times Square A Wing, Unit No. 1, 3rd Floor, Andheri – Kurla Road, Andheri (East), Mumbai – 400 059 Telephone No.: (022) 67868607 Fax No.: (022) 67868687	Selenium Tower B, Plot 31-32, Gachibowli, Financial District, Nanakramguda, Hyderabad – 500 032 Tel.: No. 040-67162222 Fax: No. 040-23420814 Email: einward.ris@kfintech.com

## Investors Communication

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

## Nomination Facility

Shareholders can file their nominations against shares held under physical mode as well as electronic mode. The facility of nomination is not available to non-individual shareholders such as societies, trusts, bodies corporate, karta of Hindu Undivided families and holders of Powers of Attorney. The shareholders, who are holding shares in physical form and wish to avail this facility, may send prescribed Nomination Form SH-13 duly filled and signed to RTA i.e. Kfin Technologies Private Limited (earlier Karvy Fintech Private Limited) or e-mail at einward.ris@kfintech.com or sent by post at Selenium Tower B, Plot 31-32, Gachibowli, Financial District, Nanakramguda, Hyderabad – 500 032.

## Shareholding Pattern as on March 31, 2020

Category of Shareholders	No. of Shareholders	No. of shares held	% to the Capital
1. Promoters and Promoter Group	17	49333680	40.25
2. Foreign Institutional Investors	198	23636796	19.28
3. Domestic Institutional Investors, Banks & Mutual Funds	51	12198311	9.95
4. Public & Others	111943	37408091	30.52
<b>Total</b>	<b>112209</b>	<b>122576878</b>	<b>100.00</b>

## Distribution of Shareholding as on March 31, 2020

Range of holding	Number of Shareholders	% of Total
1 to 5000	106998	95.36
5001 to 10,000	2808	2.50
10,001 to 20,000	1183	1.05
20,001 to 30,000	410	0.37
30,001 to 40,000	165	0.15
40,001 to 50,000	133	0.12
50,001 to 1,00,000	191	0.17
1,00,001 to above	321	0.29
<b>Total</b>	<b>112209</b>	<b>100.00</b>

## Dematerialisation

As on March 31, 2020 dematerialised shares accounted for 99.02% (98.89% up to March 31, 2019) of the total equity shares. Trading in Equity Shares of the Company is permitted only in dematerialised form as per the notification issued by the Securities and Exchange Board of India.

S Dematerialisation of shares as on March 31, 2020			
no.	Mode of holding	No. of shares	%
1.	NSDL	114332815	93.27
2.	CDSL	7044350	5.75
3.	Physical	1199713	0.98
<b>Total</b>		<b>122576878</b>	<b>100.00</b>

## Shares Liquidity

The trading volumes at major Stock Exchanges, during the financial year ended on March 31, 2020 are as follows:

Month	National Stock Exchange of India Limited		BSE Limited	
	No. of Shares	Value (₹ in crores)	No. of Shares	Value (₹ in lakhs)
April, 2019	24716716	1900.94	1326071	102.07
May, 2019	50531642	3097.22	3135013	191.22
June, 2019	36778118	2070.46	2357830	132.39
July, 2019	59189714	3089.88	3737599	195.41
August, 2019	52182406	2469.45	3693587	175.08
September, 2019	91676653	4931.65	5637149	304.65
October, 2019	62109443	3863.74	3519932	218.46
November, 2019	36825842	2423.49	1705801	112.12
December, 2019	43760429	2717.49	1975959	122.70
January, 2020	72732769	5216.50	3175965	228.25
February, 2020	69235533	5887.78	2955825	251.85
March, 2020	68393167	4827.52	3453884	240.21
<b>Total</b>	<b>668132432</b>	<b>42496.11</b>	<b>36674615</b>	<b>2274.41</b>

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

There are no outstanding GDRs/ ADRs/ Warrants for conversion into equity shares except 9,66,775 stock options granted to the employees. Each stock option, upon exercise of the same, would be converted into one equity share of ₹ 10/- each fully paid-up. These options vest in four tranches after one year from date of grant as mentioned in the Letter of Grant and can be exercised during a period of three years or such extended period as the ESOP & Compensation Committee may decide. The options unexercised during the exercise period would be lapsed.

There are no other convertible instruments outstanding, which could increase the paid up equity capital of the Company. The equity paid up capital of the Company may increase in financial year 2020-21 subject to allotment of equity shares on preferential basis for which the approval of shareholders obtained vide Postal Ballot.

## Plant locations

The Company has its manufacturing plants at the following locations:

1. Plot No. 18/4, Mathura Road, Faridabad - 121 007, Haryana
2. Plot No. 15/5, Mathura Road, Faridabad - 121 003, Haryana
3. Plot No. 2, Sector 13, Faridabad - 121 007, Haryana
4. Plot No. 3, Sector 13, Faridabad - 121 007, Haryana
5. Plot No. 114-115, Sector 24, Faridabad - 121 005, Haryana
6. Plot No. 219, Sector – 58, Ballabhgarh, Faridabad – 121 004, Haryana
7. Plot No. 9, Sector 1, Integrated Industrial Estate, Pant Nagar, Rudrapur – 263 145, Uttarakhand

The Company has its training centre at Ramakrishnapura, Chandapura - Anekal Road, Chandapura, Post Bangalore - 560 099, Karnataka.

## Address for Correspondence

### ESCORTS LIMITED

Registered Office

Corporate Secretarial & Law

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

Tel.: 0129 – 2250222, Extension: 4117/ 4254

Fax: 0129 – 2250060

E-mail: corpsl@escorts.co.in

Website: www.escortsgroup.com

Registrar and Transfer Agents  
**KFIN TECHNOLOGIES PRIVATE LIMITED**  
(earlier Karvy Fintech Private Limited)  
Selenium Tower B, Plot No. 31-32, Gachibowli,  
Financial District, Nanakramguda, Hyderabad – 500 032  
Tel.: 040 67162222 | Fax: 040 23420814  
einward.ris@kfintech.com | www.kfintech.com

### Credit Rating

During the year, the credit rating of the Company is as under:

ICRA limited has reaffirmed the long-term rating from “ICRA AA-” & watch with developing implication and short-term rating reaffirmed “ICRA A1+”.

CRISIL has reaffirmed long term rating “CRISIL AA-”/ Stable and Short-Term rating “CRISIL A1+”.

### XVI. Non-Mandatory Requirements

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

S No.	Non Mandatory Provisions	Status
1.	Maintenance of Non-Executive Chairman's Office	Not applicable as Chairman is Executive and also the Managing Director of the Company.
2.	Shareholders' rights: Half-yearly financial performance and summary of significant events may be sent to each household of shareholders.	The said information is available on Company's website.
3.	Audit qualifications: The Company may move towards the regime of unqualified financial statements.	Adopted
4.	Separate Posts of Chairman and CEO	Not applicable as Chairman and Managing Director is one.
5.	Reporting of Internal Auditor	The Internal Auditors reports to the Audit Committee from time to time.

For and on behalf of the Board of Directors

Place: Faridabad  
Date: May 14, 2020

Sd/-  
**Nikhil Nanda**  
Chairman & Managing Director

## CEO/ CFO Certification

The Chairman and Managing Director and the Group Chief Financial Officer of the Company give annual certification to the Board on financial reporting and internal controls in terms of Regulation 17 of the SEBI (Listing Obligation and Disclosure Requirements) Regulations, 2015 pertaining to CEO and CFO certification for the financial year ended on March 31, 2020.

To,  
The Board of Directors  
**Escorts Limited**

Dear Sir,

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

- a) We have reviewed financial statements and the cash flow statement of Escorts Limited for the financial year ended March 31, 2020 and to the best of our knowledge and belief:
  - i. these statements do not contain any materially untrue statement or omit any material fact or contain statements that might be misleading;
  - ii. these statements together present a true and fair view of the Company's affairs and are in compliance with existing accounting standards, applicable laws and regulations.
- b) There are, to the best of our knowledge and belief, no transactions entered into by the Company during the financial year which are fraudulent, illegal or violate of the Company's Code of Conduct.
- c) We accept responsibility for establishing and maintaining internal controls for financial reporting and we have evaluated the effectiveness of Company's internal control systems pertaining to financial reporting and we have disclosed to the Auditors and the Audit Committee, deficiencies in the design or operation of such internal controls, if any, of which we are aware and the steps we have taken or propose to take to rectify these deficiencies.
- d) We have indicated to the Auditors and the Audit Committee:
  - i. significant changes in internal control over financial reporting during the financial year;
  - ii. significant changes in accounting policies during the financial year and that the same have been disclosed in the notes to the financial statements; and
  - iii. instances of significant fraud of which 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: May 14, 2020

Sd/-  
**Bharat Madan**  
Group Chief Financial Officer &  
Corporate Head

Sd/-  
**Nikhil Nanda**  
Chairman and Managing Director

# Certificate on Corporate Governance Requirements Under SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015

To,  
The Members  
**Escorts Limited**  
15/5, Mathura Road,  
Faridabad – 121003, Haryana

1. This report contains details of compliance of conditions of corporate governance by Escorts Limited ('the Company') for the year ended March 31, 2020, as stipulated in Regulations 17 to 27, clause (b) to (i) of Regulation 46 (2) and paragraphs C, D and E of Schedule V of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, as amended from time to time ('Listing Regulations') pursuant to the Listing Agreement of the Company with the BSE Limited and the National Stock Exchange of India Limited (collectively referred to as the 'Stock Exchanges').

## **Management's Responsibility for compliance with the conditions of Listing Regulations**

2. The compliance with the terms and conditions contained in the Corporate Governance, including the preparation and maintenance of all relevant supporting records and documents, is the responsibility of the management of the Company.

## **Practising Company Secretary's Responsibility**

3. The 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.
4. Pursuant to the requirements of the Listing Regulations, it is my responsibility to provide a reasonable assurance whether the Company has complied with the conditions of Corporate Governance as stipulated in the Listing Regulations for the year ended March 31, 2020.

## **Opinion**

5. In my opinion, and to the best of my information and according to explanations given to me, I certify that the Company has complied with the conditions of Corporate Governance as stipulated in the Listing Regulations.
6. I 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.

## **Restriction on use**

7. The certificate is addressed and provided to the Members of the Company solely for the purpose to enable the Company to comply with the requirements of the Listing Regulations, and the same shall not be used by any other person or for any other purpose. Accordingly, I do not accept or assume any liability or any duty of care for any other purpose or to any other person to whom this certificate is shown or into whose hands it may come without my prior consent in writing.

For Jayant Gupta and Associates

**Jayant Gupta**

Practicing Company Secretary

FCS : 7288

CP:9738

PR: 759/2020

UDIN: F007288B000482202

Place : Ghaziabad, Uttar Pradesh

Date: July 21, 2020

## Annexure – E to the Directors' Report

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

#### 1. Brief CSR Policy

##### Objective:

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

##### Review Mechanism:

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

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

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

Utilisation Certificate along with statement of expenditure duly certified by the respective Statutory Auditors will be submitted by the organisation/ Institution to whom CSR fund is allocated.

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

#### 2. Composition of CSR Committee

During the financial year ended on March 31, 2020, the CSR Committee had been reconstituted and the composition of the CSR Committee as on March 31, 2020 is as under:

- a. Mr. Nikhil Nanda
- b. Mr. Hardeep Singh
- c. Mrs. Vibha Paul Rishi
- d. Mr. P.H. Ravikumar

#### 3. Average Net Profit of the Company for last three financial years: ₹ 489.91 crores

#### 4. Prescribed CSR Expenditure: ₹ 9.80 crores

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

- a. Total amount to be spent for the financial year: ₹ 9.80 crores
- b. Amount unspent: NIL
- c. Amount spent during the financial year is as follows: Details attached as Appendix – I to this Annexure.

#### 6. Reasons for not spending the amount: Not Applicable

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

"The implementation and monitoring of CSR Policy, is in compliance with CSR objectives and policy of the Company."

For and on behalf of the Board of Directors

Place: Faridabad  
Date: May 14, 2020

Sd/-  
**Nikhil Nanda**  
Chairman & Managing Director



## Appendix - I to Annexure - E

S. No.	CSR Project or Activity	Sector in which the Project is covered	Projects or programmes		Amount Outlay (Budget) project or program wise	Amount spent on the Projects or Programs		Cumulative expenditure up to the reporting period	Amount spent		Details of Implementing Agency
			Local Area or other	Specify the State & District where projects or programs were undertaken		Direct Expenditure on projects or programs	Overheads		Direct	Through Implementing Agency	
1	Road Safety Initiative/ Stopping or limiting the stubble burning issues/ Green Landscaping/ Water Cooler	Cl. (iii) promoting education - Educating the Masses and Promotion of Road Safety awareness in all facets of road usage. Cl. (iv) Ensuring environmental sustainability & Ecological Balance	Local Area and other	Haryana - Faridabad, Ballabgarh	0.60	0.69	-	0.69	0.18	0.51	- Leaseplan India Private Limited - Chowdhary Auto Service - Shri Madhav Jan Sewa Nyas Trust - Vallant Security Pvt Ltd - Helping Hand for Animals (NGO) - Haryana Repair Company
2	Supporting education of underprivileged & Handicapped children/Cancer awareness seminar / Agri Care - Digitrac	Cl. (iii) promoting Education including Special Education	Local Area and other	Delhi, Faridabad, Punjab	0.50	0.50	-	0.50	0.13	0.37	- Arpana Trust - NAIRH - Touch Interior - Innovation Eventz - NS Tours & Travels Pvt. Ltd. - Anand Brand Partners Pvt. Ltd. - Johar Automobiles - Oil Lube Systems Pvt. Ltd.
3	Skill Development Project	Cl. (ii) Promoting Education, including special education and Employment Enhancing Vocation Skills	Local Area and Other	Haryana - Faridabad, Ballabgarh, Palwal, New Delhi, Maharashtra - Pune, Orissa - Bhubaneswar	6.75	6.75	-	6.75	-	6.75	- Escorts Skill Development (A Section 8 Company)
4	Medical Equipments to Matma Gandhi Netralaya/Covid 19	Cl. (i) Eradicating hunger, poverty and malnutrition, promoting health care including preventive health care	Other	Faridabad, Alwar - Rajasthan	0.30	0.31	-	0.31	-	0.31	- NGO SAPNA - Municipal Corporation of Faridabad
5	Tajinder Singh Memorial and Escorts Medicare Foundation	Cl. (i) Promoting Healthcare including Preventive Healthcare by setup of charitable hospital	Local Area and Other	Haryana - Faridabad	1.20	1.20	-	1.20	-	1.20	Tajinder Singh Memorial and Escorts Medicare Foundation
6	Salaries		Local Area and Other	Haryana - Faridabad	0.45	-	0.40	0.40	0.40	-	Salary to CSR staff
<b>Total</b>					<b>9.80</b>	<b>9.45</b>	<b>0.40</b>	<b>9.85</b>	<b>0.71</b>	<b>9.14</b>	

## Annexure – F to the Directors' Report

### Form No. AOC-2

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

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

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

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

#### 2. Details of material contracts or arrangements or transactions at arm's length basis

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

For and on behalf of the Board of Directors

Place: Faridabad  
Date: May 14, 2020

Sd/-  
**Nikhil Nanda**  
Chairman & Managing Director

# Annexure – G

## to the Directors' Report

### FORM NO. MR-3 SECRETARIAL AUDIT REPORT (For the Financial Year ended March 31, 2020)

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

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

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

Based on my verification of Escorts Limited's books, papers, minute books, forms and returns filed and other records maintained by the Company and also the information provided by the Company, its officers, agents and authorised representatives during the conduct of secretarial audit, I hereby report that in my opinion, the Company has, during the audit period covering the Financial Year ended on March 31, 2020, complied with the statutory provisions listed hereunder and also that the Company has proper Board processes and compliance mechanism in place to the extent, in the manner and subject to the reporting made hereinafter:

I have examined the books, papers, minute books, forms and returns filed and other records maintained by Escorts Limited for the financial year ended on March 31, 2020 according to the provisions of:

- I. The Companies Act, 2013 ('the Act') and the Rules made thereunder;
- II. The Securities Contracts (Regulation) Act, 1956 ('SCRA') and the rules made thereunder;
- III. The Depositories Act, 1996 and the Regulations and Bye-laws framed thereunder;
- IV. Foreign Exchange Management Act, 1999 and the rules and regulations made thereunder to the extent of

Foreign Direct Investment, Overseas Direct Investment and External Commercial Borrowings;

- V. The following Regulations and Guidelines prescribed under the Securities and Exchange Board of India Act, 1992 ('SEBI Act'):-
  - (a) The Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 2011;
  - (b) The Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 2015;
  - (c) The Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2018;
  - (d) The Securities and Exchange Board of India (Share Based Employee Benefits) Regulations, 2014;
  - (e) The Securities and Exchange Board of India (Issue and Listing of Debt Securities) Regulations, 2008 (*Not applicable to the Company during the Audit Period*);
  - (f) The Securities and Exchange Board of India (Registrars to an Issue and Share Transfer Agents) Regulations, 1993 regarding the Companies Act and dealing with client;
  - (g) The Securities and Exchange Board of India (Delisting of Equity Shares) Regulations, 2009 (*Not applicable to the Company during the Audit Period*);
  - (h) The Securities and Exchange Board of India (Buy-back of Securities) Regulations, 2018 (*Not applicable to the Company during the Audit Period*); and
  - (i) The Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015

VI. I further report that, having regard to the compliance system prevailing in the Company and based on the representation made by the management of the Company and on examination of the relevant documents and records in pursuance thereof, the Company has complied with the following laws applicable specifically to the Company:

- (a) The Motor Vehicles Act, 1988 and the Rules made thereunder;
- (b) The Petroleum Act, 1934 and the Rules made thereunder.

I have also examined compliance with the applicable clauses of the Secretarial Standards with respect to Meetings of the Board of Directors (SS-1) and General Meeting (SS-2) issued by the Institute of Company Secretaries of India;

During the period under review, the Company has generally complied with the provisions of the Act, Rules, Regulations, Guidelines, Standards, etc. mentioned above.

I further report that:

- a. The Board of Directors of the Company is duly constituted with proper balance of Executive Directors, Non-Executive Directors and Independent Directors. The changes in the composition of the Board of Directors that took place during the period under review were carried out in compliance with the provisions of the Act.
- b. Adequate notice is given to all Directors to schedule the Board Meetings, agenda and detailed notes on agenda were sent at least seven days in advance (or with

requisite compliances for holding of a Board Meeting at a shorter notice in case of urgency, if applicable), and a system exists for seeking and obtaining further information and clarifications on the agenda items before the meeting and for meaningful participation at the meeting.

- c. As per the minutes of meetings duly recorded and signed by the Chairman, the decisions of the Board were carried through with unanimous consent and no dissenting views have been recorded as part of the minutes.

I further report that, based on the information provided and the representation made by the Company and also on the review of compliance reports / certificates taken on record by the Board of Directors of the Company, in my opinion, there are adequate systems and processes in the Company commensurate with the size and operations of the Company to monitor and ensure compliance with applicable laws, rules, regulations and guidelines.

This report is to be read with my letter of even date which is annexed as Annexure and forms integral part of this report.

For **Jayant Gupta and Associates**

**Jayant Gupta**

Practicing Company Secretary

FCS : 7288

CP : 9738

UDIN: F007288B000247374

Place : Ghaziabad, Uttar Pradesh

Date : May 14, 2020

## **Annexure to the Secretarial Audit Report of Escorts Limited for financial year ended March 31, 2020**

To,  
The Members,  
**ESCORTS LIMITED**

### **Management Responsibility for Compliances**

1. Maintenance of secretarial record is the responsibility of the management of the Company. My responsibility is to express an opinion on these secretarial records based on my audit.
2. I have followed the audit practices and process as were appropriate to obtain reasonable assurance about the correctness of the contents of the secretarial records. The verification was done on test basis to ensure that correct facts are reflected in secretarial records. I believe that the process and practices I followed provide a reasonable basis for my opinion.
3. The review of original registers, records and documents of the Company has been hampered during the audit and certain audit procedures cannot be performed due to government restrictions of lock down and social distancing in view of COVID 19 Global pandemic. I have relied upon the books, records and documents made available by the Company to us through electronic means and in digital format.
4. I have not verified the correctness and appropriateness of financial records and Books of Accounts of the Company.
5. Wherever required, I have obtained the Management representation about the compliance of laws, rules and regulations and happening of events etc.
6. The compliance of the provisions of Corporate and other applicable laws, rules, regulations, standards is the responsibility of management. My examination was limited to the verification of procedure on test basis.
7. The Secretarial Audit report is neither an assurance as to the future viability of the Company nor of the efficacy or effectiveness with which the management has conducted the affairs of the Company.

For **Jayant Gupta and Associates**

**Jayant Gupta**  
Practicing Company Secretary  
FCS : 7288  
CP : 9738

Place : Ghaziabad, Uttar Pradesh  
Date : May 14, 2020

## Annexure – H to the Directors' Report

### FORM NO. MGT 9 EXTRACT OF ANNUAL RETURN As on financial year ended on 31.03.2020

Pursuant to Section 92 (3) of the Companies Act, 2013 and rule 12(1) of the Company (Management & Administration) Rules, 2014.

#### I. Registration & Other Details:

i) CIN	L74899HR1944PLC039088
ii) Registration Date	October 17, 1944
iii) Name of the Company	Escorts Limited
iv) Category/Sub-category of the Company	Public Company/ Limited by shares
v) Address of the Registered office & contact details	15/5, Mathura Road, Faridabad – 121 003, Haryana, India Tel.: 0129-2250222
vi) Whether listed company	Yes
vii) Name, Address & contact details of the Registrar & Transfer Agent, if any.	Kfin Technologies Private Limited (earlier Karvy Fintech Private Limited) Unit: Escorts Limited Selenium Building, Tower B, Plot 31-32, Gachibowli, Financial District, Nanakramguda, Hyderabad – 500 032 Ph No.: 040-67162222; Fax: 040-23001153; Toll Free no.: 1800-345-4001 Email – einward.ris@kfintech.com

#### II. Principal Business Activities of the Company

All the business activities contributing 10 % or more of the total turnover of the Company shall be as stated:-

S. No.	Name and Description of main products / services	NIC Code of the Product/service	% to total turnover of the Company
1	Agricultural Tractors	28211	77%
2	Construction Equipments	2824	15%

#### III. Particulars of Holding, Subsidiary and Associate Companies

S. No.	Name and address of the Company	CIN/GLN	Holding/ Subsidiary/ Associate	% of shares held	Applicable Section
1	Escorts Securities Limited 202, I Floor, Okhla Industrial Estate, Phase - III, New Delhi - 110020, India	U74899DL1994PLC062140	Subsidiary	51.26%	2(87)(i)
2	Escorts Crop Solutions Limited (earlier known as Eddal Credit Limited) 18/4, Mathura, Road, Faridabad – 121 007, Haryana, India	U01100HR1995PLC032681	Subsidiary	100%*	2(87)(ii)
3	Escorts Finance Limited SCO-64-65, Third Floor, Sector – 17A, Chandigarh – 160017, India	L65910CH1987PLC033652	Subsidiary	69.42%	2(87)(ii)
4	Farmtrac Tractors Europe Sp. Zo.o Ul. Przemyslowa 11, 11-700 Mragowo, Poland	N.A.	Subsidiary	100%	2(87)(ii)
5	Adico Escorts Agri Equipments Private Limited Galaxy Oil Compound, Suvey No. 211/1-2, Kothariaya, Rajkot – 360 003, Gujarat, India	U29211GJ2011PTC065867	Joint Venture	40%	2(6)
6	Tadano Escorts India Private Limited (earlier Optunia Power India Private Limited) 15/5, Mathura Road, Faridabad, Haryana – 121 003, India	U29309HR2018PTC075923	Joint Venture	49%	2(6)

S. No.	Name and address of the Company	CIN/GLN	Holding/ Subsidiary/ Associate	% of shares held	Applicable Section
7	Escorts Kubota India Private Limited 18/4, Mathura Road, Faridabad, Haryana – 121007, India	U34300HR2019FTC078790	Joint Venture	40%	2(6)
8	Escorts Consumer Credit Limited C-30, Friends Colony (East), New Delhi – 110 065, India	U65991DL1991PLC174993	Associate	29.41%	2(6)

\* Rounded off to 100%

#### IV. Share Holding Pattern (Equity Share Capital Breakup as percentage of Total Equity)

##### i. Category-wise Shareholding

S. No.	Category of Shareholders	no. of shares held at the beginning of the year				no. of shares held at the end of the year				% change during the year
		demat	physical	total	% of total shares	demat	physical	total	% of total shares	
(I)	(II)	(III)	(IV)	(V)	(VI)	(VII)	(VIII)	(IX)	(X)	(XI)
(A)	<b>PROMOTER AND PROMOTER GROUP</b>									
(1)	<b>INDIAN</b>									
(a)	Individual /HUF	1436753	0	1436753	1.17	1440267	0	1440267	1.17	0.00
(b)	Central Government/State Government(s)	0	0	0	0.00	0	0	0	0.00	0.00
(c)	Bodies Corporate	13993382	0	13993382	11.42	14193382	0	14193382	11.59	0.17
(d)	Financial Institutions / Banks	0	0	0	0.00	0	0	0	0.00	0.00
(e)	Others - Trust	33700031	0	33700031	27.49	33700031	0	33700031	27.49	0.00
	<b>Sub-Total A(1)</b>	<b>49130166</b>	<b>0</b>	<b>49130166</b>	<b>40.08</b>	<b>49333680</b>	<b>0</b>	<b>49333680</b>	<b>40.25</b>	<b>0.17</b>
(2)	<b>FOREIGN</b>									
(a)	Individuals (NRIs/Foreign Individuals)	0	0	0	0.00	0	0	0	0.00	0.00
(b)	Bodies Corporate	0	0	0	0.00	0	0	0	0.00	0.00
(c)	Institutions	0	0	0	0.00	0	0	0	0.00	0.00
(d)	Qualified Foreign Investor	0	0	0	0.00	0	0	0	0.00	0.00
(e)	Others	0	0	0	0.00	0	0	0	0.00	0.00
	<b>Sub-Total A(2)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0.00</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0.00</b>	<b>0.00</b>
	<b>Total Shareholding of Promoter A=A(1)+A(2)</b>	<b>49130166</b>	<b>0</b>	<b>49130166</b>	<b>40.08</b>	<b>49333680</b>	<b>0</b>	<b>49333680</b>	<b>40.25</b>	<b>0.17</b>
(B)	<b>PUBLIC SHAREHOLDING</b>									
(1)	<b>INSTITUTIONS</b>									
(a)	Mutual Funds /UTI	4867423	677	4868100	3.97	13401433	277	13401710	10.93	6.96
(b)	Financial Institutions / Banks	6348	2843	9191	0.01	5710	2843	8553	0.01	0.00
(c)	Central Government / State Government(s)	0	0	0	0.00	0	0	0	0.00	0.00
(d)	Venture Capital Funds	0	0	0	0.00	0	0	0	0.00	0.00
(e)	Insurance Companies	85729	300	86029	0.07	25000	300	25300	0.02	-0.05
(f)	Foreign Institutional Investors	30155776	450	30156226	24.60	23636346	450	23636796	19.28	-5.32
(g)	Foreign Venture Capital Investors	0	0	0	0.00	0	0	0	0.00	0.00
(h)	Qualified Foreign Investor	0	0	0	0.00	0	0	0	0.00	0.00
(i)	Others	0	0	0	0.00	0	0	0	0.00	0.00
	<b>Sub-Total B(1)</b>	<b>35115276</b>	<b>4270</b>	<b>35119546</b>	<b>28.65</b>	<b>37068489</b>	<b>3870</b>	<b>37072359</b>	<b>30.24</b>	<b>1.59</b>
(2)	<b>NON-INSTITUTIONS</b>									
(a)	Bodies Corporate	4231815	17176	4248991	3.47	2399181	16498	2415679	1.97	-1.50
(b)	Individuals									
(i)	Individuals holding nominal share capital upto ₹1 lakh	14801147	1265192	16066339	13.11	12641518	1125090	13766608	11.23	-1.88
(ii)	Individuals holding nominal share capital in excess of ₹1 lakh	15676933	10153	15687086	12.80	15730539	10153	15740692	12.84	0.04

S. No.	Category of Shareholders	no. of shares held at the beginning of the year				no. of shares held at the end of the year				% change during the year
		demat	physical	total	% of total shares	demat	physical	total	% of total shares	
(c)	Others									
(i)	Clearing Members	673381	0	673381	0.55	383316	0	383316	0.31	-0.24
(ii)	I E P F	455637	0	455637	0.37	501716	0	501716	0.41	0.04
(iii)	NBFC	49423	0	49423	0.04	6475	0	6475	0.01	-0.03
(iv)	Non Resident Indians	658444	14610	673054	0.55	605751	14410	620161	0.51	-0.04
(v)	NRI Non-Repatriation	268268	12541	280809	0.23	257539	6276	263815	0.22	-0.01
(vi)	NRI Repatriation	0	36574	36574	0.03	0	23416	23416	0.02	-0.01
(vii)	Qualified Institutional Buyer	0	0	0	0.00	2300328	0	2300328	1.88	1.88
(viii)	Trusts	155872	0	155872	0.13	148633	0	148633	0.12	-0.01
(d)	Qualified Foreign Investor	0	0	0	0.00	0	0	0	0.00	0.00
	<b>Sub-Total B(2)</b>	<b>36970920</b>	<b>1356246</b>	<b>38327166</b>	<b>31.27</b>	<b>34974996</b>	<b>1195843</b>	<b>36170839</b>	<b>29.51</b>	<b>-1.76</b>
	<b>Total Public Shareholding B=B(1)+B(2)</b>	<b>72086196</b>	<b>1360516</b>	<b>73446712</b>	<b>59.92</b>	<b>72043485</b>	<b>1199713</b>	<b>73243198</b>	<b>59.75</b>	<b>-0.17</b>
(C)	Shares held by custodians for GDRs and ADRs	0	0	0	0	0	0	0	0	0
	<b>Grand Total (A+B+C)</b>	<b>121216362</b>	<b>1360516</b>	<b>122576878</b>	<b>100</b>	<b>121377165</b>	<b>1199713</b>	<b>122576878</b>	<b>100</b>	<b>0.00</b>

**(ii) Shareholding of Promoters**

S. No.	Shareholder's Name	Shareholding at the beginning of the year			Shareholding at the end of the year			% Change in share holding during the year
		No. of Shares	% of total Shares of the Company	% of Shares Pledged/encumbered to total shares	No. of Shares	% of total Shares of the Company	% of Shares Pledged/encumbered to total shares	
1	Rajan Nanda	3502	0.00	0.00	0	0.00	0.00	-0.00
2	Nikhil Nanda	1248569	1.02	0.00	1203091	0.98	0.00	-0.04
3	Ritu Nanda*	111763	0.09	0.00	0	0.00	0.00	-0.09
4	Hardeep Singh	500	0.00	0.00	500	0.00	0.00	-
5	Girish Behari Mathur	179	0.00	0.00	179	0.00	0.00	-
6	Navya Naveli Nanda	18000	0.01	0.00	18000	0.01	0.00	-
7	Nitasha Nanda	27165	0.02	0.00	191422	0.16	0.00	0.13
8	Shweta Nanda	17000	0.01	0.00	17000	0.01	0.00	-
9	Agastya Nanda	10000	0.01	0.00	10000	0.01	0.00	-
10	Rachna Mathur	75	0.00	0.00	75	0.00	0.00	-
11	Big Apple Clothing Pvt. Ltd.	1771837	1.45	0.00	1771837	1.45	0.00	-
12	Charak Ayurvedic Treatments Pvt. Ltd.	2000	0.00	0.00	2000	0.00	0.00	-
13	Sutanu Behuria, Trustee of Escorts Benefit and Welfare Trust	33700031	27.49	0.00	33700031	27.49	0.00	-
14	Har Parshad and Company Pvt. Ltd.	10526308	8.59	0.00	10726308	8.75	0.00	0.16
15	Escorts Finance Ltd.	31	0.00	0.00	31	0.00	0.00	-
16	AAA Portfolios Pvt. Ltd.	1687280	1.38	0.00	1687280	1.38	0.00	-
17	Niky Tasha Energies Pvt. Ltd.	1250	0.00	0.00	1250	0.00	0.00	-
18	Niky Tasha Communications Pvt. Ltd.	3850	0.00	0.00	3850	0.00	0.00	-
19	Sietz Technologies India Pvt. Ltd.	826	0.00	0.00	826	0.00	0.00	-
	<b>Total</b>	<b>49130166</b>	<b>40.08</b>	<b>0.00</b>	<b>49333680</b>	<b>40.25</b>	<b>0.00</b>	<b>0.17</b>

\*Demise on January 14, 2020



### (iii) Change in Promoters' Shareholding

S. No.	Particulars	Shareholding at the beginning (01-04-2019) and at the end of the year (31-03-2020)		Cumulative Shareholding during the year	
		No. of Shares	% of total shares of the Company	No. of Shares	% of total shares of the Company
1	<b>Har parshad &amp; Company Private Limited</b>				
	<b>At the beginning of the year</b>	10526308	8.59		
	(+) Purchase of shares on 16.05.2019	200000	0.16	10726308	8.75
	<b>At the end of the year</b>			10726308	8.75
2	<b>Nikhil Nanda</b>				
	<b>At the beginning of the year</b>	1248569	1.02		
	(-) Transfer pursuant to Dissolution of HUF Entity on 15.05.2019	-136315	-0.11	1112254	0.91
	(+) Transmission	34955	0.03	1147209	0.94
	(+) Transmission	55882	0.04	1203091	0.98
	<b>At the end of the year</b>			1203091	0.98
3	<b>Ritu Nanda*</b>				
	<b>At the beginning of the year</b>	111763	0.09		
	(+) Transfer pursuant to Dissolution of HUF Entity on 15.05.2019	69909	0.06	181672	0.15
	(-) Transmission	-69909	-0.06	111763	0.09
	(-) Transmission	-111763	-0.09	0	-
	<b>At the end of the year</b>			0	-
4	<b>Nitasha Nanda</b>				
	<b>At the beginning of the year</b>	27165	0.02		
	(+) Inheritance	1764	0.00	28929	0.02
	(+) Transfer pursuant to Dissolution of HUF Entity on 16.05.2019	69908	0.06	98837	0.08
	(+) Purchase of shares on 14.06.2019	1750	0.00	100587	0.08
	(+) Transmission	34954	0.03	135541	0.11
	(+) Transmission	55881	0.04	191422	0.16
	<b>At the end of the year</b>			191422	0.16

\*Demise on January 14, 2020

### iv. Shareholding Pattern of top ten shareholders (other than Directors, Promoters and Holders of GDRs and ADRs)

S. No.	Name of the Share Holder	No of Shares	% of total shares of the Company	Date	Increase/ Decrease in share holding	Reason	No of Shares	% of total shares of the Company
1	Jhunjunwala Rakesh Radheshyam	10000000	8.16	01-04-2019			10000000	8.16
				17-05-2019	-1900000	Transfer	8100000	6.61
				17-05-2019	1900000	Transfer	10000000	8.16
				26-07-2019	100000	Transfer	10100000	8.24
				26-07-2019	-100000	Transfer	10000000	8.16
				02-08-2019	-235000	Transfer	9765000	7.97
				02-08-2019	235000	Transfer	10000000	8.16
				09-08-2019	-2000000	Transfer	8000000	6.53
				09-08-2019	2000000	Transfer	10000000	8.16
				23-08-2019	750000	Transfer	10750000	8.77
				23-08-2019	-750000	Transfer	10000000	8.16
				18-10-2019	-400000	Transfer	9600000	7.83
				25-10-2019	-90000	Transfer	9510000	7.76
				22-11-2019	90000	Transfer	9600000	7.83
				29-11-2019	200000	Transfer	9800000	7.99
				29-11-2019	-200000	Transfer	9600000	7.83

S. No.	Name of the Share Holder	No of Shares	% of total shares of the Company	Date	Increase/ Decrease in share holding	Reason	No of Shares	% of total shares of the Company
				27-12-2019	-125000	Transfer	9475000	7.73
				31-01-2020	-145000	Transfer	9330000	7.61
				14-02-2020	200000	Transfer	9530000	7.77
				14-02-2020	-200000	Transfer	9330000	7.61
				13-03-2020	100000	Transfer	9430000	7.69
				13-03-2020	-600000	Transfer	8830000	7.20
				20-03-2020	150000	Transfer	8980000	7.33
				27-03-2020	200000	Transfer	9180000	7.69
				27-03-2020	-80000	Transfer	9100000	7.42
				31-03-2020			9100000	7.42
2	UTI - Long Term Equity Fund (Tax Saving)	3088639	2.52	01-04-2019			3088639	2.52
				19-04-2019	-1445	Transfer	3087194	2.52
				03-05-2019	-2278	Transfer	3084916	2.52
				10-05-2019	113713	Transfer	3198629	2.61
				17-05-2019	33779	Transfer	3232408	2.64
				24-05-2019	78175	Transfer	3310583	2.70
				31-05-2019	-55252	Transfer	3255331	2.66
				07-06-2019	55091	Transfer	3310422	2.70
				07-06-2019	-4055	Transfer	3306367	2.70
				14-06-2019	-10009	Transfer	3296358	2.69
				21-06-2019	50000	Transfer	3346358	2.73
				05-07-2019	48880	Transfer	3395238	2.77
				12-07-2019	35111	Transfer	3430349	2.80
				26-07-2019	78993	Transfer	3509342	2.86
				02-08-2019	-1910	Transfer	3507432	2.86
				23-08-2019	38783	Transfer	3546215	2.89
				30-08-2019	125000	Transfer	3671215	3.00
				06-09-2019	126500	Transfer	3797715	3.10
				13-09-2019	160000	Transfer	3957715	3.23
				13-09-2019	-160000	Transfer	3797715	3.10
				20-09-2019	-260858	Transfer	3536857	2.89
				04-10-2019	49848	Transfer	3586705	2.93
				11-10-2019	152	Transfer	3586857	2.93
				11-10-2019	-5805	Transfer	3581052	2.92
				01-11-2019	20000	Transfer	3601052	2.94
				06-12-2019	21241	Transfer	3622293	2.96
				13-12-2019	26959	Transfer	3649252	2.98
				20-12-2019	20172	Transfer	3669424	2.99
				31-12-2019	248600	Transfer	3918024	3.20
				10-01-2020	185146	Transfer	4103170	3.35
				17-01-2020	74809	Transfer	4177979	3.41
				31-01-2020	-39366	Transfer	4138613	3.38
				07-02-2020	-13323	Transfer	4125290	3.37
				21-02-2020	-9000	Transfer	4116290	3.36
				28-02-2020	-9000	Transfer	4107290	3.35
				06-03-2020	34147	Transfer	4141437	3.38
				06-03-2020	-100000	Transfer	4041437	3.30
				13-03-2020	20000	Transfer	4061437	3.31
				20-03-2020	84396	Transfer	4145833	3.38
				27-03-2020	41666	Transfer	4187499	3.42
				31-03-2020			4187499	3.42
3	Escorts Employees Benefit and Welfare Trust (Girish Behari Mathur, Trustee)	3074512	2.51	01-04-2019			3074512	2.51
				31-03-2020			3074512	2.51

S. No.	Name of the Share Holder	No of Shares	% of total shares of the Company	Date	Increase/Decrease in share holding	Reason	No of Shares	% of total shares of the Company
4	T. Rowe Price International Discovery Fund	2977140	2.43	01-04-2019			2977140	2.43
				31-03-2020			2977140	2.43
5	Tata Mutual Fund - Tata Equity P/E Fund	0	0.00	01-04-2019			0	0.00
				24-01-2020	200000	Transfer	200000	0.16
				31-01-2020	60000	Transfer	260000	0.21
				07-02-2020	1161000	Transfer	1421000	1.16
				06-03-2020	300000	Transfer	1721000	1.40
				13-03-2020	70000	Transfer	1791000	1.46
				20-03-2020	100000	Transfer	1891000	1.54
				31-03-2020			1891000	1.54
6	Societe Generale	9035	0.01	01-04-2019			9035	0.01
				05-04-2019	4400	Transfer	13435	0.01
				12-04-2019	11710	Transfer	25145	0.02
				26-04-2019	22897	Transfer	48042	0.04
				03-05-2019	6093	Transfer	54135	0.04
				24-05-2019	69620	Transfer	123755	0.10
				31-05-2019	-69620	Transfer	54135	0.04
				07-06-2019	29407	Transfer	83542	0.07
				14-06-2019	-32707	Transfer	50835	0.04
				05-07-2019	-5640	Transfer	45195	0.04
				12-07-2019	-5094	Transfer	40101	0.03
				19-07-2019	-1366	Transfer	38735	0.03
				02-08-2019	-11000	Transfer	27735	0.02
				09-08-2019	33000	Transfer	60735	0.05
				16-08-2019	-1091	Transfer	59644	0.05
				23-08-2019	-9909	Transfer	49735	0.04
				06-09-2019	16500	Transfer	66235	0.05
				27-09-2019	13000	Transfer	79235	0.06
				30-09-2019	1100	Transfer	80335	0.07
				04-10-2019	250915	Transfer	331250	0.27
				11-10-2019	245619	Transfer	576869	0.47
				18-10-2019	5700	Transfer	582569	0.48
				25-10-2019	-33271	Transfer	549298	0.45
				08-11-2019	12353	Transfer	561651	0.46
				15-11-2019	-5888	Transfer	555763	0.45
				22-11-2019	15203	Transfer	570966	0.47
				29-11-2019	9676	Transfer	580642	0.47
				06-12-2019	215242	Transfer	795884	0.65
				20-12-2019	-2200	Transfer	793684	0.65
				27-12-2019	11209	Transfer	804893	0.66
				31-12-2019	-6782	Transfer	798111	0.65
				03-01-2020	4417	Transfer	802528	0.65
10-01-2020	493471	Transfer	1295999	1.06				
17-01-2020	-22235	Transfer	1273764	1.04				
24-01-2020	-15272	Transfer	1258492	1.03				
31-01-2020	1200818	Transfer	2459310	2.01				
31-01-2020	-1205457	Transfer	1253853	1.02				
07-02-2020	135837	Transfer	1389690	1.13				
07-02-2020	-4400	Transfer	1385290	1.13				
14-02-2020	11691	Transfer	1396981	1.14				
21-02-2020	-8200	Transfer	1388781	1.13				
28-02-2020	15400	Transfer	1404181	1.15				
28-02-2020	-19211	Transfer	1384970	1.13				
06-03-2020	5543	Transfer	1390513	1.13				
06-03-2020	-2200	Transfer	1388313	1.13				
13-03-2020	5359	Transfer	1393672	1.14				

S. No.	Name of the Share Holder	No of Shares	% of total shares of the Company	Date	Increase/ Decrease in share holding	Reason	No of Shares	% of total shares of the Company
				13-03-2020	-2200	Transfer	1391472	1.14
				20-03-2020	-17930	Transfer	1373542	1.12
				27-03-2020	-707	Transfer	1372835	1.12
				31-03-2020	1480	Transfer	1374315	1.12
				31-03-2020	-24200	Transfer	1350115	1.10
				31-03-2020			1350115	1.10
7	Abu Dhabi Investment Authority - Behave	0	0.00	01-04-2019			0	0.00
				31-01-2020	1350000	Transfer	1350000	1.10
				31-03-2020			1350000	1.10
8	SBI Life Insurance Co. Ltd	120000	0.10	01-04-2019			120000	0.10
				24-05-2019	6726	Transfer	126726	0.10
				31-05-2019	100000	Transfer	226726	0.18
				28-06-2019	-100000	Transfer	126726	0.10
				05-07-2019	-50000	Transfer	76726	0.06
				19-07-2019	-76726	Transfer	0	0.00
				25-10-2019	50000	Transfer	50000	0.04
				01-11-2019	600000	Transfer	650000	0.53
				08-11-2019	100000	Transfer	750000	0.61
				15-11-2019	50000	Transfer	800000	0.65
				06-12-2019	200000	Transfer	1000000	0.82
				13-12-2019	50000	Transfer	1050000	0.86
				27-12-2019	25000	Transfer	1075000	0.88
				03-01-2020	25000	Transfer	1100000	0.90
				10-01-2020	140000	Transfer	1240000	1.01
				17-01-2020	80000	Transfer	1320000	1.08
				31-01-2020	50000	Transfer	1370000	1.12
				07-02-2020	68064	Transfer	1438064	1.17
				14-02-2020	15062	Transfer	1453126	1.19
				28-02-2020	-32462	Transfer	1420664	1.16
				06-03-2020	-51851	Transfer	1368813	1.12
				13-03-2020	1643	Transfer	1370456	1.12
				20-03-2020	10000	Transfer	1380456	1.13
				27-03-2020	-99800	Transfer	1280656	1.04
				31-03-2020	-40000	Transfer	1240656	1.01
				31-03-2020			1240656	1.01
9	Reliance Capital Trustee Co Ltd-A/c Nippon India Growth Fund	6938	0.01	01-04-2019			6938	0.01
				05-04-2019	124866	Transfer	131804	0.11
				12-04-2019	1224	Transfer	133028	0.11
				19-04-2019	476	Transfer	133504	0.11
				26-04-2019	71636	Transfer	205140	0.17
				03-05-2019	80473	Transfer	285613	0.23
				10-05-2019	438900	Transfer	724513	0.59
				10-05-2019	-3431	Transfer	721082	0.59
				17-05-2019	340	Transfer	721422	0.59
				24-05-2019	171	Transfer	721593	0.59
				24-05-2019	-5500	Transfer	716093	0.58
				31-05-2019	1887	Transfer	717980	0.59
				31-05-2019	-377300	Transfer	340680	0.28
				07-06-2019	41108	Transfer	381788	0.31
				14-06-2019	-22085	Transfer	359703	0.29
				21-06-2019	72787	Transfer	432490	0.35
				28-06-2019	93	Transfer	432583	0.35
				28-06-2019	-49500	Transfer	383083	0.31
				05-07-2019	510	Transfer	383593	0.31
				05-07-2019	-117700	Transfer	265893	0.22
				12-07-2019	221	Transfer	266114	0.22

S. No.	Name of the Share Holder	No of Shares	% of total shares of the Company	Date	Increase/ Decrease in share holding	Reason	No of Shares	% of total shares of the Company
				12-07-2019	-256300	Transfer	9814	0.01
				19-07-2019	481	Transfer	10295	0.01
				26-07-2019	204	Transfer	10499	0.01
				02-08-2019	18	Transfer	10517	0.01
				09-08-2019	10959	Transfer	21476	0.02
				09-08-2019	-10517	Transfer	10959	0.01
				16-08-2019	85	Transfer	11044	0.01
				23-08-2019	102	Transfer	11146	0.01
				30-08-2019	255	Transfer	11401	0.01
				06-09-2019	51	Transfer	11452	0.01
				13-09-2019	119	Transfer	11571	0.01
				20-09-2019	119	Transfer	11690	0.01
				27-09-2019	4216	Transfer	15906	0.01
				30-09-2019	11	Transfer	15917	0.01
				04-10-2019	68	Transfer	15985	0.01
				11-10-2019	80708	Transfer	96693	0.08
				18-10-2019	102	Transfer	96795	0.08
				01-11-2019	153	Transfer	96948	0.08
				08-11-2019	40751	Transfer	137699	0.11
				15-11-2019	-201	Transfer	137498	0.11
				22-11-2019	-210	Transfer	137288	0.11
				29-11-2019	-30876	Transfer	106412	0.09
				06-12-2019	-814	Transfer	105598	0.09
				13-12-2019	72	Transfer	105670	0.09
				20-12-2019	12	Transfer	105682	0.09
				27-12-2019	773	Transfer	106455	0.09
				31-12-2019	17	Transfer	106472	0.09
				03-01-2020	510	Transfer	106982	0.09
				10-01-2020	70	Transfer	107052	0.09
				17-01-2020	735867	Transfer	842919	0.69
				17-01-2020	-94600	Transfer	748319	0.61
				24-01-2020	663	Transfer	748982	0.61
				31-01-2020	-52361	Transfer	696621	0.57
				07-02-2020	152701	Transfer	849322	0.69
				14-02-2020	128	Transfer	849450	0.69
				21-02-2020	-782	Transfer	848668	0.69
				28-02-2020	13200	Transfer	861868	0.70
				28-02-2020	-100086	Transfer	761782	0.62
				06-03-2020	188610	Transfer	950392	0.78
				13-03-2020	286090	Transfer	1236482	1.01
				20-03-2020	200000	Transfer	1436482	1.17
				20-03-2020	-160043	Transfer	1276439	1.04
				27-03-2020	-134219	Transfer	1142220	0.93
				31-03-2020	901	Transfer	1143121	0.93
				31-03-2020	-19800	Transfer	1123321	0.92
				31-03-2020			1123321	0.92
10	Massachusetts Institute of Technology	500138	0.41	01-04-2019			500138	0.41
				10-05-2019	64862	Transfer	565000	0.46
				18-10-2019	3000	Transfer	568000	0.46
				25-10-2019	12000	Transfer	580000	0.47
				01-11-2019	12000	Transfer	592000	0.48
				08-11-2019	258000	Transfer	850000	0.69
				15-11-2019	60000	Transfer	910000	0.74
				22-11-2019	100000	Transfer	1010000	0.82
				13-12-2019	72000	Transfer	1082000	0.88
				20-12-2019	13000	Transfer	1095000	0.89
				27-12-2019	8000	Transfer	1103000	0.90
				31-12-2019	3000	Transfer	1106000	0.90
				31-03-2020			1106000	0.90

S. No.	Name	Shareholding at the beginning (01-04-2019) and at the end of the year (31-03-2020)		Date	Increase/ Decrease in shareholding	Reason	Cumulative Shareholding during the year	
		No. of Shares	% of total shares of the Company				No. of Shares	% of total shares of the Company
<b>A Director's</b>								
1	Nikhil Nanda Chairman & Managing Director	1248569	1.02	01-04-2019	0		1248569	1.02
				15-05-2019	-136315	Transfer	1112254	0.91
				20-02-2020	34955	Transfer	1147209	0.94
				29-02-2020	55882	Transfer	1203091	0.98
		1203091	0.98	31-03-2020			1203091	0.98
2	Nitasha Nanda Whole-time Director	27165	0.02	01-04-2019	0		27165	0.02
				01-04-2019	1764	Transfer	28929	0.02
				15-05-2019	69908	Transfer	98837	0.08
				14-06-2019	1750	Transfer	100587	0.08
				20-02-2020	34954	Transfer	135541	0.11
				29-02-2020	55881	Transfer	191422	0.16
		191422	0.16	31-03-2020			191422	0.16
3	Hardeep Singh Director	500	0.00	01-04-2019	0	Nil Movement during the year	500	0.00
		500	0.00	31-03-2020			500	0.00
4	P H Ravikumar Independent Director	0	0	01-04-2019	0	Nil Movement during the year	0	0
		0	0	31-03-2020			0	0
5	Vibha Paul Rishi Independent Director	0	0	01-04-2019	0	Nil Movement during the year	0	0
		0	0	31-03-2020			0	0
6	Sutanu Behuria Independent Director	0	0	01-04-2019	0	Nil Movement during the year	0	0
		0	0	31-03-2020			0	0
7	D J Kakalia Independent Director	0	0	01-04-2019	0	Nil Movement during the year	0	0
		0	0	27-11-2019			0	0
8	Ravi Narain Independent Director	0	0	01-04-2019	0	Nil Movement during the year	0	0
		-	-	01-05-2019			-	-
8	Sunil Kant Munjal Independent Director	26270	0.02	01-04-2019	0	Nil Movement during the year	26270	0.02
		26270	0.02	31-03-2020			26270	0.02
9	Tanya Dubash Independent Director	0	0	01-04-2019	0	Nil Movement during the year	0	0
		0	0	31-03-2020			0	0
10	Shailendra Agrawal Executive Director	10000	0.01	01-04-2019	0	Nil Movement during the year	10000	0.01
		10000	0.01	31-03-2020			10000	0.01
<b>B Key Managerial Personnel (KMP's)</b>								
1	Bharat Madan Group Chief Financial Officer & Corporate Head	7500	0.01	01-04-2019	0	Nil Movement during the year	7500	0.01
		7500	0.01	31-03-2020			7500	0.01
2	Ajay Kumar Sharma Group General Counsel & Company Secretary	6100	0.00	01-04-2019	0	Nil Movement during the year	6100	0.00
		-	-	30-11-2019			-	-
3	Satyendra Chauhan Company Secretary & Compliance Officer	0	0	29-01-2020	0	Nil Movement during the year	0	0
		0	0	31-03-2020			0	0

## V. Indebtedness

### Indebtedness of the Company including interest outstanding/ accrued but not due for payment

	Secured Loans excluding deposits	Unsecured Loans	Deposits	Total Indebtedness
<b>Indebtedness at the beginning of the financial year</b>				
i) Principal Amount	156.77	120.12	0	276.89
ii) Interest due but not paid	0	0	0	0
iii) Interest accrued but not due	0	0	0	0
<b>Total (i+ii+iii)</b>	<b>156.77</b>	<b>120.12</b>	<b>0</b>	<b>276.89</b>
<b>Change in Indebtedness during the financial year</b>				
Additions	0	0	0	0
Reduction	150.17	120.07	0	270.24
<b>Net Change</b>	<b>-150.17</b>	<b>-120.07</b>	<b>0</b>	<b>-270.24</b>
<b>Indebtedness at the end of the financial year</b>				
i) Principal Amount	6.60	0.05	0	6.65
ii) Interest due but not paid	0	0	0	0
iii) Interest accrued but not due	0	0	0	0
<b>Total (i+ii+iii)</b>	<b>6.60</b>	<b>0.05</b>	<b>0</b>	<b>6.65</b>

## VI. Remuneration of Directors and Key Managerial Personnel

### A. Remuneration to Managing Director, Whole-time Directors and/ or Manager

S. No.	Particulars of Remuneration	Name of MD/ WTD/ Manager			Total Amount (₹ in crores)
		Mr. Nikhil Nanda	Ms. Nitasha Nanda*	Mr. Shailendra Agrawal	
1	<b>Gross Salary</b>				
	a. Salary as per provisions contained in Section 17(1) of the Income Tax Act, 1961	6.380	1.786	3.228	11.394
	b. Value of perquisites u/s 17(2) of the Income Tax Act, 1961	-	0.001	0.001	0.002
	c. Profits in lieu of salary u/s 17(3) of the Income Tax Act, 1961	-	-	-	-
2	Stock Option	-	-	-	-
3	Sweat Equity	-	-	-	-
4	Commission				
	-as % of profit	-	-	-	-
	-others**	4.400	0.750	-	5.150
5	Others	0.350	0.087	-	0.437
	<b>Total (A)</b>	<b>11.130</b>	<b>2.624</b>	<b>3.229</b>	<b>16.983</b>
	<b>Ceiling as per the Act</b>	₹ 63.06 crores (being 10% of the net profits of the Company calculated as per Section 198 of the Companies Act, 2013)			

\* Amount of Sitting fee of ₹ 0.02 crore paid to Ms. Nitasha Nanda is not included in above calculation

\*\* proposed commission

**B. Remuneration to Other Directors**

S. No.	Particulars of Remuneration	Name of Directors								Total Amount (₹ in crores)
		Mr. P.H. Ravikumar	Mrs. Vibha Paul Rishi	Dr. Sutanu Behuria	Mr. D.J. Kakalia	Mr. Ravi Narain	Mr. Sunil Kant Munjal	Ms. Tanya Dubash	Mr. Hardeep Singh	
<b>1</b>	<b>Independent Directors</b>									
	Fee for attending Board/ Committee Meetings	0.067	0.075	0.085	0.017	-	0.025	0.010	-	0.279
	Commission	0.090	0.090	0.090	-	-	0.090	0.045	-	0.405
	Others	-	-	-	-	-	-	-	-	-
	<b>Total (1)</b>	<b>0.157</b>	<b>0.165</b>	<b>0.175</b>	<b>0.017</b>	<b>-</b>	<b>0.115</b>	<b>0.055</b>	<b>-</b>	<b>0.684</b>
<b>2</b>	<b>Other Non-Executive Directors</b>									
	Fee for attending Board/ Committee Meetings	-	-	-	-	-	-	-	0.085	0.090
	Commission	-	-	-	-	-	-	0.090	-	0.090
	Others	-	-	-	-	-	-	-	-	-
	<b>Total (2)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>0.175</b>	<b>0.005</b>	<b>0.180</b>
	<b>Total (B) = (1+2)</b>	<b>0.157</b>	<b>0.165</b>	<b>0.175</b>	<b>0.017</b>	<b>-</b>	<b>0.115</b>	<b>0.055</b>	<b>0.175</b>	<b>0.864</b>
	<b>Total Managerial Remuneration (A+B)</b>									<b>17.847</b>
	<b>Overall Ceiling as per the Act</b>	₹ 69.37 crores (being 11% of the net profits of the Company calculated as per Section 198 of the Companies Act, 2013)								

**C. Remuneration to Key Managerial Personnel (KMP) other than MD/ Manager/ WTD**

S. No.	Particulars of Remuneration	Name of KMP			Total Amount (₹ in crores)
		Mr. Bharat Madan	Mr. Ajay Sharma	Mr. Satyendra Chauhan	
<b>1</b>	<b>Gross Salary</b>				
a.	Salary as per provisions contained in Section 17(1) of the Income Tax Act, 1961	2.167	0.704	0.132	3.003
b.	Value of perquisites u/s 17(2) of the Income Tax Act, 1961	0.001	0.002	0.002	0.005
c.	Profits in lieu of salary u/s 17(3) of the Income Tax Act, 1961	-	-	-	-
2	Stock Option	-	-	-	-
3	Sweat Equity	-	-	-	-
4	Commission	-	-	-	-
	- as % of profit	-	-	-	-
	- others	-	-	-	-
5	Others	0.006	-	-	0.006
	<b>Total</b>	<b>2.174</b>	<b>0.706</b>	<b>0.134</b>	<b>3.014</b>

**VII. Penalties / Punishment/ Compounding of Offences**

Type	Section of the Companies Act	Brief Description	Details of Penalty / Punishment/ Compounding fees imposed	Authority [RD / NCLT/ COURT]	Appeal made, if any (give Details)
<b>COMPANY/ DIRECTORS</b>					
Penalty					
Punishment			NIL		
Compounding					
<b>OTHER OFFICERS IN DEFAULT</b>					
Penalty					
Punishment			NIL		
Compounding					



## Annexure – I to the Directors' Report

### Details pertaining to Remuneration as required under Section 197(12) of the Companies Act, 2013 read with rule 5(1) of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014

- (I) The percentage increase in remuneration of each Director, Chief Financial Officer and Company Secretary during the financial year 2019-20 and ratio of the remuneration of each Director to the median remuneration of the employees of the Company for the financial year 2019-20 are as under:

Sl. No.	Name of Director/ KMP and Designation	Remuneration of Director/ KMP for the financial year 2019-20 (₹ in crores)	% Increase in Remuneration in the financial year 2019-20	Ratio of remuneration of each Director/ to the median remuneration of employees
1.	Mr. Nikhil Nanda, Chairman and Managing Director	11.13	N.A.	126.97
2.	Mr. Shailendra Agrawal, Executive Director	3.23	^	36.85
3.	Ms. Nitasha Nanda, Whole-time Director	2.62	N.A.	29.89
4.	Mr. G.B. Mathur, Non-Executive Director	0.01	*	*
5.	Mr. Hardeep Singh, Non-Executive Director	0.18	N.A.	2.05
6.	Mr. P.H. Ravikumar, Independent and Non-Executive Director	0.16	N.A.	1.83
7.	Ms. Vibha Paul Rishi, Independent and Non-Executive Director	0.17	N.A.	1.94
8.	Dr. Sutanu Behuria, Independent and Non-Executive Director	0.18	N.A.	2.05
9.	Mr. D.J. Kakalia, Independent and Non-Executive Director	0.02	*	*
10.	Mr. Ravi Narain, Independent and Non-Executive Director	0.00	*	*
11.	Mr. Sunil Kant Munjal, Independent Director	0.12	**	**
12.	Ms. Tanya Dubash, Independent Director	0.06	**	**
13.	Mr. Bharat Madan, Group Chief Financial Officer & Corporate Head	2.17	N.A.	Not Applicable
14.	Mr. Ajay Sharma, Group General Counsel & Company Secretary	0.71	***	Not Applicable
15.	Mr. Satyendra Chauhan, Company Secretary & Compliance Officer	0.13	***	Not Applicable

\* Not applicable as Mr. Ravi Narain, Mr. D.J. Kakalia and Mr. Girish Behari Mathur was director only for part of financial year 2019-20 i.e. upto May 1, 2019, November 27, 2019 and December 31, 2019 respectively.

\*\* Not applicable as Mr. Sunil Kant Munjal and Ms. Tanya Dubash was director only for part of financial year 2019-20 i.e. from May 7, 2019 and January 29, 2020 respectively.

\*\*\* Not applicable as Mr. Ajay Sharma was associated with the Company till November 30, 2019 and Mr. Satyendra Chauhan appointed as Company Secretary and Compliance Officer w.e.f. January 29, 2020.

^ Since, Mr. Agrawal was appointed on March 22, 2019, the increase in remuneration is not comparable.

N.A. – There is no increase in remuneration as compared to last financial year due to less commission paid to directors taking into account the performance of the Company during the financial year 2019-20.

- (II) Increase in median remuneration of employees for the previous Financial Year: There is decline in median remuneration of employees over previous year.
- (III) Average percentage increase made in salaries of employees other than the managerial personnel in the last financial year: N.A. There is decline in median remuneration of employees over previous year.
- (IV) Comparison with the percentage increase in the managerial remuneration and justification thereof: There is no percentage increase in remuneration in the financial year 2019-20 due to less commission paid to Directors taking into account the performance of the Company during the financial year 2019-20.
- (V) Exception circumstances for increase in the managerial remuneration: N.A.
- (VI) There were 3922 permanent employees on the rolls of the Company as on March 31, 2020.
- (VII) It is hereby affirmed that the remuneration paid is as per the Remuneration Policy for the Directors, Key Managerial Personnel, Senior Management and other Employees.

## Annexure – J to the Directors' Report

# Business Responsibility Report

### Section A

Sl. No	General Information about the Company	Details
1.	Corporate Identity of the Company	L74899HR1944PLC039088
2.	Name of the Company	Escorts Limited
3.	Registered Address	15/5, Mathura Road, Faridabad 121003, Haryana, India.
4.	Website	www.escortsgroup.com
5.	E-Mail id	corpsl@escorts.co.in
6.	Financial year reported	2019-20
7.	Sectors that Company is engaged in	Agri Machinery, Construction and Machinery Handling, Railway Equipment
8.	List three products/services that the Company manufactures (as in balance sheet)	Agriculture Tractors, Construction Equipment, Railway Equipment and spares thereof
9.	Total No. of Locations where business activity is undertaken by the Company	9
i.	No. of International Locations	1 (Poland) through subsidiary
ii.	No. of National Locations	Business locations – 8, Escorts conducts its operations through a network of area offices located all over the India.
10.	Markets served by the Company –local/ State/ National/ International	National: Across India International: - <b>Agriculture Tractors</b> Argentina, Bahrain Bangladesh, Belgium Chile, Egypt, Ethiopia, France, Germany, Ghana, Greece, Guatemala, Guyana, Italy, Japan, Lebanon, Libya, Madagascar, Malawi, Malaysia, Mauritius, Mexico, Myanmar, Nigeria, Philippines, Poland, Portugal, Serbia, Singapore, South Africa, Spain, Sri Lanka, Sudan, Tunisia, Turkey, Uruguay, Uganda, United States, UK, Zambia and Zimbabwe, <b>Construction and Machinery Handling</b> Nepal, Bangladesh, Bhutan, Sri Lanka, Myanmar, Indonesia, Malaysia, Kuwait, Bahrain, Saudi Arabia, Yemen, Algeria, Tunisia, Tanzania, Kenya, South Africa, Nigeria, Argentina, Mexico, Zambia, Madagascar and Uganda <b>Railway Equipment</b> Sri Lanka, Bangladesh, Myanmar, Thailand, Malaysia, Indonesia, China, Vietnam, New Zealand, Egypt, Tanzania, Gabon, Ghana, Cameroon, Ivory cost, Senegal and Spain

### Section B

Sl. No	General Information about the Company	Details
1.	Paid up capital (₹)	122.58 crores
2.	Total Turnover (₹)	5853.20 crores
3.	Total Profit after Taxes (₹)	485.54 crores
4.	Total CSR spent (₹)	9.85 crores
5.	Total spending on CSR as percentage of profit after tax (%)	2.02%
6.	Total spending on CSR as percentage of average net profits of the previous three years as per Companies Act 2013	2.01 %
7.	List of Activities in which expenditure in 4 above has been incurred	Detailed list of CSR activities is mentioned in Annexure -E of the Annual Report of the Company.

## Section C

Sl. No	Other Details	Details
1.	Does the Company have any Subsidiary Company/ Companies?	Yes
2.	Do the Subsidiary Company/ Companies participate in the BR Initiatives of the parent company? If yes, then indicate the Number of such subsidiary company(s)	The Company has 10 direct and indirect subsidiary (including trust), associate & joint venture companies as on March 31, 2020. Given the current size and scale of operations, subsidiary companies as of now, are not engaged in BR initiatives process of the Company.
3.	Do any other entity/ entities (e.g. suppliers, distributors etc.) that the Company does business with; participate in the BR initiatives of the Company? If yes, then indicate the percentage of such entity/ entities? (Less than 30%, 30%-60%, More than 60%)	The other entities with whom the Company does business with viz. suppliers, distributors, etc. are not directly included in the BR initiatives of the Company.

## Section D: BR Information

### 1. Details of Director/ Directors responsible for BR

a) Details of the Director responsible for implementation of the BR policy/ policies.

DIN Number	Name	Designation
00043432	Nikhil Nanda	Chairman & Managing Director

b) Details of the BR head

No.	Particulars	Details
1.	DIN Number (if applicable)	-
2.	Name	Satyendra Chauhan
3.	Designation	Company Secretary & Compliance Officer
4.	Telephone Number	0129-2564117
5.	E-mail ID	corpsl@escorts.co.in

### 2. Principle-wise (as per NVGs) BR Policy/policies

P1	Businesses should conduct and govern themselves with Ethics, Transparency and Accountability.
P2	Businesses should provide goods and services that are safe and contribute to sustainability throughout their life cycle.
P3	Businesses should promote the wellbeing of all employees.
P4	Businesses should respect the interests of, and be responsive towards all stakeholders, especially those who are disadvantaged, vulnerable and marginalised.
P5	Businesses should respect and promote human rights.
P6	Business should respect, protect, and make efforts to restore the environment.
P7	Businesses, when engaged in influencing public and regulatory policy, should do so in a responsible manner.
P8	Businesses should support inclusive growth and equitable development
P9	Businesses should engage with and provide value to their customers and consumers in responsible manner.

a) Details of Compliance (Reply in Y/N)

Sl.No	Questions	P1	P2	P3	P4	P5	P6	P7	P8	P9
1	Do you have policy/policies for....	Y	Y	Y	Y	Y	Y	Y	Y	Y
2	Has the policy being formulated in consultation with the relevant stakeholders?	Y	Y	Y	Y	Y	Y	Y	Y	Y
3	Does the policy conform to any national/International standards? If yes, specify? (50words)	The policies are in conformance to the spirit of international standards like ISO 14001, ISO 45001 and meets the national regulatory requirements such as the Companies Act, 2013 and SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015. Also, guidelines as per NVG on social, environment and economic responsibility of business have been considered for formulation of some policies.								
4	Has the policy being approved by the Board? Is yes, has it been signed by MD/ Owner/ CEO/ appropriate Board Director?	Y	Y	Y	Y	Y	Y	Y	Y	Y
5	Does the Company have a specified committee of the Board/ Director/ Official to oversee the implementation of the policy?	These policies are administered and supervised by the management of the Company through a robust internal governance structure.								

Sl.No Questions	P1	P2	P3	P4	P5	P6	P7	P8	P9
6 Indicate the link for the policy to be viewed online?	Code of Business Conduct is available on our website- www.escortsgroup.com and other policies related to the employees are accessible to all employees.								
7 Has the policy been formally communicated to all relevant internal and external stakeholders?	Y	Y	Y	Y	Y	Y	Y	Y	Y
8 Does the Company have in-house structure to implement the policy/ policies?	Y	Y	Y	Y	Y	Y	Y	Y	Y
9 Does the Company have a grievance redressal mechanism related to the policy/ policies to address stakeholders' grievances related to the policy/ policies?	Y	Y	Y	Y	Y	Y	Y	Y	Y
10 Has the Company carried out independent audit/ evaluation of the working of this policy by an internal or external agency?	Yes, the Internal Auditor of the Company periodically reviews/ evaluates the working of the policies of the Company.								

**b) If answer to the question at serial number 1 against any principle, is 'No', please explain why: (Tick upto 2 options)**

Sl.No Questions	P1	P2	P3	P4	P5	P6	P7	P8	P9
1. The Company has not understood the Principles	-	-	-	-	-	-	-	-	-
2. The Company is not at a stage where it finds itself in a position to formulate and implement the policies on specified principles	-	-	-	-	-	-	-	-	-
3. The Company does not have financial or manpower resources available for the task	-	-	-	-	-	-	-	-	-
4. It is planned to be done within next 6 months	-	-	-	-	-	-	-	-	-
5. It is planned to be done within the next 1 year	-	-	-	-	-	-	-	-	-
6. Any other reason	-	-	-	-	-	-	*	-	-

\*Policy Advocacy: The Company doesn't have a separate policy on policy advocacy. For advocacy on policies related to the automobile industry, the Company works through various Industry associations such as Confederation of Indian Industry (CII), Federation of Indian Chambers of Commerce & Industry (FICCI), PHD Chambers of Commerce & Industry (PHDCCI), Indian Manufacturers Association, Indo-American Chambers of Commerce (IACC), The Associated Chambers of Commerce and Industry of India (ASSOCHAM), Tractors and Mechanization Association, Faridabad Industries Association and Indian Construction Equipment Manufacturers Association (ICEMA). In Escorts, there are particular group of persons, specifically dedicated in the Company for interacting with these Industry bodies and Managing Government Affairs.

**3. Governance related to BR**

**a) Indicate the frequency with which the Board of Directors, Committee of the Board or CEO to assess the BR performance of the Company: Within 3 months, 3-6 months, Annually, More than 1 year**

The Managing Director and senior management periodically review the BR performance of the Company. Besides them, the CSR Committee of the Board also reviews the social performance of the Company as per provisions of the Companies Act, 2013.

**b) Does the Company publish a BR or a Sustainability Report? What is the hyperlink for viewing this report? How frequently it is published?**

From the year 2016-17, the Company has decided to make Business Responsibility Report an integral part of the Annual Report. The report is published on an annual basis. Such report can be viewed by anyone on <https://www.escortsgroup.com/investors/annual-reports.html>

**Section E- Principle-wise performance**

**Principle 1: Businesses should conduct and govern themselves with Ethics, Transparency and Accountability.**

**1. Does the policy relating to ethics, bribery and corruption cover only the Company? Yes/ No. Does it extend to the Group / Joint Ventures/ Suppliers/ Contractors / NGOs/ Others?**

The Company considers Corporate Governance as an integral part of good management. The Company's policy relating to ethics, bribery and corruption is covered under Escorts Limited Code of Business Ethics and Business Policies, which are applicable to all personnel of the Company.

All employees sign a code of conduct at the time of joining the Company. The employees sign the Code of Business Conduct every year. The Company also has in place a Whistle Blower Policy.

All joint ventures, suppliers and contractors of the Company are Independent entities. Therefore, the

Company's code of business conduct do not apply to them and Whistle Blower Policy is applicable to all stakeholders of the Company.

**2. How many stakeholder complaints have been received in the past financial year and what percentage was satisfactorily resolved by the management? If so, provide details thereof in about 50 words or so.**

During the year under review, the Company has received 2 complaints in connection with sexual harassment which were disposed of satisfactorily. Further, the Company has not received any complaint w.r.t Ethics, bribery or corruption.

The details of the investor's complaints are provided in the Annexure - D to the Directors' Report i.e. in the Corporate Governance Report.

**Principle 2: Businesses should provide goods and services that are safe and contribute to sustainability throughout their lifecycle.**

**1. List upto 3 of your products or services whose design has incorporated social or environmental concerns, risks and/or opportunities.**

The following products/ services have been designed to incorporate social or environmental concerns as well as benefit from the available opportunities:

**A. Product**

- i. India's 1st Hybrid BHL Concept proto launched.
- ii. Design, Development & Testing of CRDI 90/110 HP Tractor with Stage 5 Emission norms
- iii. Development of Farmtrac Wet liner engine to improve fuel efficiency & technology upgrade to improve fuel efficiency

**B. Electrical Energy Saving**

- i. Installation of 1500KVA UPS at R&D to provide uninterrupted power supply with inbuilt capacitors, will results in saved 10K-11K Units of Electrical Grid Power per month.
- ii. Installation of Latest VRF system on HVAC for ECE second floor area, resulting in reduction of 10K-11K units per month w.r.t. conventional HVAC system.
- iii. Maintaining the Solar Power Plant of capacity 58.32 KW at R&D to generate electricity, will results in saved 6K- 7K Units of Electrical Grid Power per month.
- iv. Maintaining 20hp VFD starter with automatic controls in PTO lab on all 04 test cells. Resulting in reduction of 4.5K units per month and operation as per PTO testing requirement.

- v. As a continual saving, maintaining Motion / Occupancy Sensors in labs / Offices for auto switching of lights when not in use, resulting in saving of 20-30% power saving in the related areas.

**C. Underground Water Saving**

- i. 05 Nos Waterless Urinals installed, saving of ~2.0 Lacs Ltr of potable water per month.
- ii. Installation of 03 rain water harvesting system near Plant Head Office area to increase in underground water table.
- iii. STP Treated Water reused for Gardening, saving of ~600KL Potable Water per month.
- iv. Maintaining Recirculation of water in Vibration test rig in R&D resulting saving of ~40KL Potable Water per day.

**D. Environmental improvement:**

- i. Plantation work carried out across the Company on Environment day i.e. on 5th June 2019.
- ii. Development of lawn area / Hedges near field testing and helipad area in R&D premises.

**2. For each such product, provide the following details in respect of resource use (energy, water, raw material etc.) per unit of product (optional):**

- a) Reduction during sourcing/production/ distribution achieved since the previous year throughout the value chain?  
As production lines at the Company are flexible and produce multiple models, there is practical difficulty in isolating model-wise resource utilisation data. The detailed information related to resource conservation is given elsewhere in the Annual Report.
- b) Reduction during usage by consumers (energy, water) has been achieved since the previous year?  
The end users of the vehicles produced by the Company are Individual customers. Therefore, it is difficult for the Company to determine the reduction in energy and water during usage of vehicles.

**3. Does the Company have procedures in place for sustainable sourcing (including transportation)?**

- a) If yes, what percentage of your inputs was sourced sustainably? Also, provide details thereof, in about 50 words or so.  
The Company has around 500 Nos. of component suppliers. Nearly, 50% of supplier base by value is within 50 Km radius of the Company.

In year 2019-20, the Company implemented Advance Shipment Note (ASN) & encourage our

suppliers to send their vehicles as per this system. It helps to fix time for every inbound vehicle & helps us in saving time & overall reducing logistics cost & improving efficiency.

The Company strives to procure components without compromising on Quality.

The Company has been encouraging and supporting its suppliers towards Green Supply Chain & We direct suppliers to use of banned substances as per law in component manufacturing.

The Company also encourages suppliers to comply with exports regulations & increase their business with Escorts in exports.

**4. Has the Company taken any steps to procure goods and services from local & small producers, including communities surrounding their place of work?**

**a) If yes, what steps have been taken to improve their capacity and capability of local and small vendors?**

Majority of small parts which are used in Manufacturing process are coming from local producers only. Services, whether related to Plant maintenance or giving contracts related to cleaning/ maintaining are preferred to be taken from local suppliers only. The Company undertakes initiatives to build capabilities of the suppliers & runs many such programmes for knowledge sharing & continual improvement.

In 2019-20, the Company strengthened its efforts towards quality across the value chain.

Following initiatives were taken in this direction:

Supplier selection is as per integrated Health card index that includes assessment on 4 major pillars

- (A) Overall health & track record
- (B) Technical & Manufacturing capability
- (C) Quality management
- (D) Management capacity.

ii. The Company supports supplier in building Capacity and Capability through regular assessment and guiding the improvement areas in the field of machine requirements, infrastructure, quality system, process improvement, transportation and packaging.

iii. The Company give's yearly recognition to best supplier in terms of cost, quality and delivery

basis of monthly ratings so that they can improve themselves & strive for best.

**5. Does the Company have a mechanism to recycle products and waste? If yes, what is the percentage of recycling of products and waste (separately as < 5%, 5-10%, >10%). Also, provide details thereof, in about 50 words or so.**

As part of its endeavor of contributing towards reducing carbon footprint and ensuring sustainability across all operations, the Company focuses on various initiatives like:

- i. Usage of sewage treatment plant output water for maintenance of greenery in the Plant & washing facilities
- ii. Installation of monitoring system for ETP discharge
- iii. Implementation of rain water harvesting.
- iv. 100% of hazardous waste sent to authorised party.
- v. Processing of waste of Canteen & Horticulture for producing compost through Composting machine for maintenance of greenery in plant.
- vi. Reuse of neat cutting oil collected in process

**Principle 3 : Businesses should promote the well being of all employees.**

We have a constructive work environment wherein the employees are motivated to understand their talent and potential by providing challenging work opportunities. This also helps in their professional growth. We are committed to providing our employees with a safe and healthy work environment. We employ various talents through different platforms thus setting up a strong foundation for the future.

The Company has organised various safety training programs during the year which has developed employee participation and involvement in safety promotional activities. 100% safety induction programs were conducted for all newly recruited employees and contractor workmen. Year 2019-20 is reportable accident free year. Senior management visibility and commitment towards safety has changed the safety culture. Due to above efforts, the Company has recorded 70% reduction in overall incidents. Regular safety audits and inspection were conducted by statutory authorities and auditors as well. The Company has also conducted regular mock drills for emergency planning, preparedness & response plan. Hazard identification, Risk Assessment & Control study for all critical processes & operations affecting safety were done.

**1. Please indicate the total number of employees.**

Approximately there are total 9259 employees in Escorts which includes casuals and Contractual also.

**2. Please indicate the total number of employees hired on temporary/ contractual/ Casual basis.**

As on March 31, 2020, Escorts have approx. 5337 employees on temporary & Contractual basis.

**3. Please indicate the number of permanent women employees.**

There are approximately 117 permanent women employees.

**4. Please indicate the number of permanent employees with disabilities.**

One (1)

**5. Do you have an employee association that is recognised by management?**

The Company has an integral Employee Union named as "All Escorts Employee Union" and all workmen are the members of such union and the same is recognised by the Management.

**6. What percentage of your permanent employees is members of this recognised employee association?**

The Company's unions represent 100% of permanent workmen.

**7. Please indicate the number of complaints relating to child labour, forced labour, Involuntary labour, sexual harassment in the last financial year and pending, as on the end of the financial year.**

Sl. No.	Category	No. of complaints filed during the financial year	No. of complaints pending as on end of the financial year
1	Child labour, forced labour, involuntary labour	NIL	NIL
2	Sexual harassment	2	NIL
3	Discriminatory employment	NIL	NIL

**8. What percentage of your undermentioned employees were given safety & skill up gradation training in the last year?**

- I. Permanent Employees
- II. Permanent Women Employees
- III. Casual/ temporary/Contractual
- IV. Employees with Disabilities

The Company strives to impart training to all its employees under various training programmes. For the year 2019-20, 100% of employees are covered under the safety training and the following percentage of employees are covered under the skill upgradation training:

Skill Upgradation Training	Workmen	Others
Permanent Employees/ Workmen	100%	84%
Permanent Women Employees	100%	40%
Casual temporary/ Contractual Employees	100%	5%
Employees with Disabilities	N.A	N.A

**Principle 4: Businesses should respect the interests of, and be responsive towards all stakeholders, especially those who are disadvantaged, vulnerable and marginalised.**

The Company follows very high standard of Corporate Governance which covers all stakeholders. The Company is especially sensitive to needs of the underprivileged segment of the community around us and is working in improving their lifestyle. These are covered in greater detail under Principle 8.

**1. Has the Company mapped its internal and external stakeholders?**

Yes, the principal stakeholders of the Company are its employees, shareholders, suppliers, customers, vendors, partners, government and regulatory authorities, trade union, associates, etc. These stakeholders are mapped in a structured manner through systematic communication platforms which helps us to understand the customer needs and the improvement opportunities for the Company in all prospects.

**2. Out of the above, has the Company Identified the disadvantaged, vulnerable & Marginalised stakeholders?**

The Company has identified following two vulnerable sections:

1. Local community
2. Socio-economically disadvantaged sections of the society.

**3. Are there any special initiatives taken by the Company to engage with the disadvantaged, vulnerable and marginalised stakeholders?**

The Company covers a wide range of social issues both at local as well as national level. The three main CSR areas are:

1. Health & Wellness
2. Community Development
3. Skill Development & Education
4. Environment & Safety

Yes, programs have been conducted under the CSR and environment protection initiatives, so as to have positive social impact on the disadvantaged, vulnerable and marginalised stakeholders.

**Principle 5 : Businesses should respect and promote human rights.**

The Company fosters a culture of working with respect and dignity for its employees and all the stakeholders. We are committed to respect the dignity of every person associated with us and take every possible effort to promote this philosophy. The Company strictly prohibits any harassment (mental or physical) or discrimination on race, color, sex, language, religion, etc. and strives to render a fair treatment and equal opportunity to everyone. We strongly support the ideology of human rights and comply with applicable laws related to the employees and associates.

**1. Does the policy of the Company on human rights cover only the Company or extend to the Group/ Joint Ventures/ Suppliers/ Contractors/ NGOs/ Others?**

The Company does not have a standalone policy for human rights, however, the Company's internal policies on Code of Conduct, Ethics and CSR recognises all the key aspects of human rights and we provide equal opportunity to all the sections of the society without any discrimination. These policies covers all the employees of the Company.

**2. How many stakeholder complaints have been received in the past financial year and what percent was satisfactorily resolved by the management?**

The Company did not receive any stakeholder complaint during the past financial year regarding human rights.

**Principle 6 : Businesses should respect, protect and make efforts to restore the environment.**

**1. Does the policy related to Principle 6 cover only the Company or extends to the Group/ Joint Ventures/ Suppliers/ Contractors/ NGOs/ others?**

Our companies in the group are committed to achieve the global standards of health, safety and environment. We believe in sharing process and product innovations within the group and extending its benefits to the Industry. We believe in safeguarding environment for long term.

The Company has following international certifications w.r.t Environment Management System and Occupational Health & Safety Management System:

1. ISO 14001: 2015 – Environment Management System
2. ISO 45001: 2018 – Occupational Health & Safety Management System
3. TUV SUD Certification

**2. Does the Company have strategies/ Initiatives to address global environmental issues such as climate change, global warming, etc? Y/N. If yes, please give hyperlink for web page etc.**

Yes. The Company has taken following initiatives to address global environmental issues:

1. The Company has in place system for rainwater harvesting. Further, the Company is also planning to increase such systems.
2. Maintaining the Solar Power Plant of capacity 58.32 KW at R&D to generate electricity, will results in saving 6K- 7K Units of Electrical Grid Power per month.
3. No industrial solid waste is allowed to go out of plant(s) without proper identification in storage & recycle to authorised vendors.
4. Introduced system of collecting waste paper for recycling.
5. Escorts Research and development Center has achieved Zero Liquid Discharge (ZLD) Company since last 3 years.
6. Green Area has been developed outside the Company.

**3. Does the Company identify and assess potential environmental risks?**

The Company is taking care of all statutory potential risks.

Escorts Limited is an ISO14001-2015 (Environmental Management System) certified Company for which Aspect Impact Analysis have been done and controls as SOP, Kaizen have also been developed. The study is reviewed every year or when it is required & suitable controls are taken. All processes and operations are studied for its aspect and impact on environment and for significant aspects periodical objective and targets are set, operate and monitored.

For example:

1. Waste oils or used oils are collected, stored, recycle reused and ultimate waste oils are disposed to Pollution Control Board (PCB) authorised vendors.
2. Paint sludge are collected, stored and disposed to PCB authorised Vendors.
3. All stacks are monitored for their emissions for defined parameters set by PCB & HSPCB



4. Company has Effluent Treatment Plant (ETP) for effluent treatment at all locations to treat it's all effluent generated.
5. Company has Sewage Treatment Plant (STP) for sewage treatment at all locations to treat it's all sewage generated.
6. Installation of fire hydrants
7. Precautions while handling Hazardous Waste
8. Access warning on fragile roof

**4. Does the Company have any project related to Clean Development Mechanism? If so, provide details thereof, in about 50 words or so. Also, if Yes, whether any environmental compliance report is filed?**

The Company continues to work towards development and implementation of climate change mitigation project mainly through energy saving projects. Further, the Company has installed composting machine for processing Waste of Canteen & Horticulture. This machine will convert all Canteen & Horticulture waste into Compost that can be used for Plant & Grass.

**5. Has the Company undertaken any other initiatives on clean technology, energy efficiency, renewable energy, etc.?**

Yes, the Company has taken the following initiatives on clean technology, energy efficiency, renewable energy, etc.

- 1) Initiatives on renewable energy
  - i. Rooftop solar installation yielded appr. 10.52 lakh units in FY 19-20 in EAM
  - ii. Plan to increase capacity of solar plant
- 2) Initiatives on energy efficiency
  - i. Installation of 1500KVA UPS at R&D to provide uninterrupted power supply with inbuilt capacitors, will results in saved 10K-11K Units of Electrical Grid Power per month.
  - ii. Installation of Latest VRF system on HVAC for ECE second floor area, resulting in reduction of 10K-11K units per month w.r.t. conventional HVAC system.
  - iii. Maintaining the Solar Power Plant of capacity 58.32 KW at R&D to generate electricity, will results in saved 6K- 7K Units of Electrical Grid Power per month.

- iv. Maintaining 20hp VFD starter with automatic controls in PTO lab on all 04 test cells. Resulting in reduction of 4.5K units per month and operation as per PTO testing requirement.
- v. As a continual saving, maintaining Motion / Occupancy Sensors in labs / Offices for auto switching of lights when not in use, resulting in saving of 20-30% power saving in the related areas.

**3) Initiatives on clean Technology**

- i. Design, Development & Testing of CRDI 90/110 HP Tractor with Stage 5 Emission norms
- ii. Compact Electric Tractor for Export market
- iii. Development of Farmtrac Wet liner engine to improve fuel efficiency & technology upgrade to improve fuel efficiency
- iv. Development of Engines from 50 to 110 HP Category meeting Stage 5 Emission norms with Improved fuel efficiency and High performance & reliability
- v. Up-gradation of Design, Development and testing infrastructure at R&D to develop & absorb new contemporary technologies in a most cost-effective manner to offer products at a competitive price. Also, working on some safety features & fuel-efficient technologies / Products to offer more to the customer & enhance their expectations.
- vi. Design & development of New products & upgradations of existing products to meet upcoming stringent emission norms in line with government guidelines.

**6. Are the emissions/ waste generated by the Company within the permissible limits given by CPCB/ SPCB for the financial year being reported?**

All emissions and waste generated by the Company are within the limits defined by CPCB/SPCB in 2019-20.

**7. Number of show cause/ legal notices received from CPCB/ SPCB which are pending (i.e. not resolved to satisfaction) as at end of Financial Year.**

NIL

**Principle 7: Businesses, when engaged in influencing public and regulatory policy, should do so in a responsible manner.**

**1. Is your Company a member of any trade and chamber or association? If Yes, Name only those major ones that your business deals with:**

Following is the list of major industry bodies and expert agencies with whom Escorts engages for policy making activities. This list is indicative:

- I. Confederation of Indian Industry (CII)
- II. Federation of Indian Chambers of Commerce & Industry (FICCI)
- III. Indo-American Chambers of Commerce (IACC)
- IV. The Associated Chambers of Commerce and Industry of India (ASSOCHAM)
- V. Tractors and Mechanization Association
- VI. Faridabad Industries Association
- VII. Indian Construction Equipment Manufacturers Association (ICEMA)
- VIII. PHD Chamber of Commerce and Industry

**2. Have you advocated/ lobbied through above associations for the advancement or improvement of public good? Yes/No; if yes specify the broad areas (drop box: Governance and Administration, Economic Reforms, Inclusive Development Policies, Energy security, Water, Food Security, Sustainable Business Principles, Others)**

Escorts Limited is an active participant in committees set up by the CII, FICCI, IACC, Tractor and Mechanization Association, Faridabad Industries Association, Indian Construction Equipment Manufacturers Association (ICEMA) and the Government on various subjects pertaining to policy and regulation with various policy makers for framing new regulations and policies.

The Company's engagements include areas such as agriculture, R&D, technology, international collaborations and more.

**Principle 8 : Businesses should support inclusive growth and equitable development**

**1. Does the Company have specified programmes/ Initiatives/ projects In pursuit of the policy related to Principle 8? If yes details thereof.**

Yes, The Company supports inclusive growth and equitable development through various training and development programmes for its employees as well as its key stakeholders.

- 1. The Company's approach and projects are given in the CSR Policy.
- 2. Social Projects implemented in 2019-20 and the details thereof is given in the Annual Report.
- 3. Escorts organised Blood Donation drive in which employees of Escorts participated and donated the blood.
- 4. Escorts organised various medical check-up camps and camps for increasing awareness on heart, eye and health for employees.
- 5. Contributed for the COVID-19 affected people through basic medicines, food items and clothes contributed by local team.

**2. Are the programmes/ projects undertaken through in-house team/own foundation/ external NGO/ government structures/ any other organisation?**

The Company is directly involved in the needs assessment process, project design, execution and sustainability of its projects. Over the years Company has initiated various programmes which mainly focus on healthcare, Education, Skill Development and Road Safety and the same have also implemented to the large extent.

For better execution of the CSR Plans, the programmes were undertaken both, through in-house teams as well as in co-ordination with external NGOs.

**3. Have you done any impact assessment of your initiative?**

On a periodic basis, we measure the direction of our initiatives and their impact. The assessment helps in focusing our efforts and achieving better results.

**4. What is your Company's direct contribution to community development projects- Amount in INR and the details of the projects undertaken?**

During the year under review, the Company has spend ₹ 9.85 crores towards various CSR activities. The project wise details are provided in Annexure – E of the Annual Report.

**5. Have you taken steps to ensure that this community development initiative is successfully adopted by the community? Please explain in 50 words, or so.**

The Company is striving for a favorable behavioral change among communities towards the facilities developed. To bring about the change in behavior and build capabilities of the Community, the Company has tied with few agencies and these agencies are engaging with the community for educating them on adopting and maintaining the common community assets constructed by the Company.

**Principle 9- Businesses should engage with and provide value to their customers and consumers in a responsible manner.**

**1. What percentage of customer complaints/ consumer cases are pending as on the end of financial year?**

In 2019-20, Escorts Agri Machinery sold 86,018 vehicles and Escorts Construction Equipment sold 4,402 units. During the year 2019-20, total customer cases registered under Escorts Agri Machinery were Twenty Four (24) and under Escorts Construction Equipment Two (2) cases were registered.

Total customer cases pending as on March 31, 2020 under Escorts Agri Machinery are 117, 0.14% (of total sales) and under Escorts Construction Equipment these are 26, 0.59% (of total sales). These cases are under process of resolution and the same are not significant in comparison to total sales volume.

**2. Does the Company display product information on the product label, over and above what is mandated as per local laws?**

Yes. The Company complies with disclosure requirements relating to its products and services. Further, the Company also displays Customer Code & Delivery No., the child part details and scheme details, if any.

**3. Is there any case filed by any stakeholder against the Company regarding unfair trade practices, irresponsible advertising and/ or anti-competitive behavior during the last five years and pending as on end of financial year? If so, provide details thereof, in about 50 words or so.**

No court case is pending against the Company regarding unfair trade practices, irresponsible advertising and/ or anti-competitive behavior as on the end of Financial year 2019-20.

**4. Did the Company carry out any consumer survey/ consumer satisfaction trends?**

Yes, the Company does various consumer satisfaction survey by using the many methodologies from time to time to know the consumer satisfaction levels. However, during the year 2019-20, due to COVID-19, this activity could not be completed. The same will be complete once situation will be better.

# Independent Auditor's Report

To the Members of Escorts Limited

## Report on the Audit of the Standalone Financial Statements

### Opinion

1. We have audited the accompanying standalone financial statements of Escorts Limited ('the Company'), which comprise the Balance Sheet as at 31 March 2020, the Statement of Profit and Loss (including Other Comprehensive Income), the Cash Flow Statement and the Statement of Changes in Equity for the year then ended, and a summary of the significant accounting policies and other explanatory information.
2. In our opinion and to the best of our information and according to the explanations given to us, the aforesaid standalone financial statements give the information required by the Companies Act, 2013 ('Act') in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India including Indian Accounting Standards ('Ind AS') specified under section 133 of the Act, of the state of affairs of the Company as at 31 March 2020, and its profit (including other comprehensive income), its cash flows and the changes in equity for the year ended on that date

### Key audit matter

#### Revenue recognition

We refer to the Company's significant accounting policies in note 2.2(a) and the revenue related disclosures in note 49 of the standalone financial statements.

Owing to the multiplicity of the Company's products, volume of sales transactions, size of distribution network and varied terms of contracts with customers, in line with the requirements of the Standards on Auditing, revenue is determined to be an area involving significant risk and hence requiring significant auditor attention.

Further, Ind AS 115, "Revenue from Contracts with Customers", requires management to make certain key judgements, such as, identification of distinct performance obligations in contracts with customers (such as after sales maintenance services and product warranties), determination of transaction price for the contract factoring in the consideration payable to customers (such as rebates and discounts) and selection of a method to allocate the transaction price to the performance obligations.

### Basis for Opinion

3. We conducted our audit in accordance with the Standards on Auditing specified under section 143(10) of the Act. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Standalone Financial Statements section of our report. We are independent of the Company in accordance with the Code of Ethics issued by the Institute of Chartered Accountants of India ('ICAI') together with the ethical requirements that are relevant to our audit of the standalone financial statements under the provisions of the Act and the rules thereunder, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Key Audit Matter

4. Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the standalone financial statements of the current period. These matters were addressed in the context of our audit of the standalone financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.
5. We have determined the matter described below to be the key audit matter to be communicated in our report.

### How our audit addressed the key audit matter

Our audit procedures, related to revenue recognition, included, but were not limited, to the following:

- a) assessed the design and operating effectiveness of Company's controls (including the automated controls) around revenue recognition (including rebates / discounts);
- b) assessed the appropriateness of Company's identification of performance obligations in its contracts with customers, its determination of transaction price, including allocation thereof to performance obligations and accounting policies for revenue recognition in accordance with the accounting principles laid down in Ind AS 115;
- c) scrutinized sales ledgers to verify completeness of sales transactions;
- d) on a sample basis, tested the revenue recognised including testing of cut off assertion as at the year end. Our testing included tracing the information to agreements, price lists, invoices, proof of dispatches/deliveries (as the case may be), and approved incentives/discounts schemes;

**Key audit matter**

This matter is considered to be of most significance given the extent of industry knowledge and skills needed to apply audit procedures to address the matter and evaluate the results of those procedures.

**How our audit addressed the key audit matter**

- e) tested the appropriateness of accruals for various rebates and discounts as at the year-end;
- f) assessed the revenue recognised with substantive analytical procedures including review of price, quantity and product mix variances and analysis of discounts at customer level;
- g) circularised balance confirmations to a sample of customers and reviewed the reconciling items, if any; and
- h) tested the related disclosures made in notes to the standalone financial statements in respect of the revenue from operations.

**Information other than the Standalone Financial Statements and Auditor's Report thereon**

6. The Company's Board of Directors is responsible for the other information. The other information comprises the information included in the Annual Report, but does not include the standalone financial statements and our auditor's report thereon.

Our opinion on the standalone financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the standalone financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the standalone financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

When we read the Annual Report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

**Responsibilities of Management and Those Charged with Governance for the Standalone Financial Statements**

7. The accompanying standalone financial statements have been approved by the Company's Board of Directors. The Company's Board of Directors is responsible for the matters stated in section 134(5) of the Act with respect to the preparation of these standalone financial statements that give a true and fair view of the financial position, financial performance including other comprehensive income, changes in equity and cash flows of the Company in accordance with the accounting principles generally accepted in India, including the Ind AS specified under section 133

of the Act. This responsibility also includes maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding of the assets of the Company and for preventing and detecting frauds and other irregularities; selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent; and design, implementation and maintenance of adequate internal financial controls, that were operating effectively for ensuring the accuracy and completeness of the accounting records, relevant to the preparation and presentation of the standalone financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

- 8. In preparing the standalone financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.
- 9. Those Board of Directors are also responsible for overseeing the Company's financial reporting process.

**Auditor's Responsibilities for the Audit of the Standalone Financial Statements**

10. Our objectives are to obtain reasonable assurance about whether the standalone financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these standalone financial statements.

11. As part of an audit in accordance with Standards on Auditing, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
  - Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances. Under section 143(3)(i) of the Act, we are also responsible for expressing our opinion on whether the Company has adequate internal financial controls with reference to financial statements in place and the operating effectiveness of such controls.
  - Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
  - Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
  - Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
12. We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.
13. We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.
14. From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the standalone financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

### **Report on Other Legal and Regulatory Requirements**

15. As required by section 197(16) of the Act, based on our audit, we report that the Company has paid/provided remuneration to its directors during the year in accordance with the provisions of and limits laid down under section 197 read with Schedule V to the Act.
16. As required by the Companies (Auditor's Report) Order, 2016 ('the Order') issued by the Central Government of India in terms of section 143(11) of the Act, we give in the Annexure I a statement on the matters specified in paragraphs 3 and 4 of the Order.
17. Further to our comments in Annexure I, as required by section 143(3) of the Act, based on our audit, we report, to the extent applicable, that:
- a) we have sought and obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit of the accompanying standalone financial statements;
  - b) in our opinion, proper books of account as required by law have been kept by the Company so far as it appears from our examination of those books;
  - c) the standalone financial statements dealt with by this report are in agreement with the books of account;
  - d) in our opinion, the aforesaid standalone financial statements comply with Ind AS specified under section 133 of the Act;

- e) on the basis of the written representations received from the directors and taken on record by the Board of Directors, none of the directors is disqualified as on 31 March 2020 from being appointed as a director in terms of section 164(2) of the Act;
- f) we have also audited the internal financial controls with reference to financial statements of the Company as on 31 March 2020 in conjunction with our audit of the standalone financial statements of the Company for the year ended on that date and our report dated 14 May 2020 as per Annexure II expressed an unmodified opinion;
- g) with respect to the other matters to be included in the Auditor's Report in accordance with rule 11 of the Companies (Audit and Auditors) Rules, 2014 (as amended), in our opinion and to the best of our information and according to the explanations given to us:
  - i. the Company, as detailed in note 35 to the standalone financial statements, has disclosed the impact of pending litigations on its financial position as at 31 March 2020;
  - ii. the Company did not have any long-term contracts including derivative contracts for

which there were any material foreseeable losses as at 31 March 2020;

- iii. there has been no delay in transferring amounts, required to be transferred, to the Investor Education and Protection Fund by the Company during the year ended 31 March 2020;
- iv. the disclosure requirements relating to holdings as well as dealings in specified bank notes were applicable for the period from 8 November 2016 to 30 December 2016, which are not relevant to these standalone financial statements. Hence, reporting under this clause is not applicable.

For **Walker Chandiok & Co LLP**  
Chartered Accountants  
Firm's Registration No.: 001076N/N500013

**Siddharth Talwar**  
Partner  
Membership No.: 512752  
UDIN: 20512752AAAABP1157

Place: Faridabad  
Date: 14 May 2020

## Annexure I to the Independent Auditor's Report of even date to the members of Escorts Limited, on the standalone financial statements for the year ended 31 March 2020

Based on the audit procedures performed for the purpose of reporting a true and fair view on the financial statements of the Company and taking into consideration the information and explanations given to us and the books of account and other records examined by us in the normal course of audit, and to the best of our knowledge and belief, we report that:

- (i) (a) The Company has maintained proper records showing full particulars, including quantitative details and situation of fixed assets.
- (b) The Company has a regular program of physical verification of its fixed assets under which fixed assets are verified in a phased manner 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. In accordance with this program, certain fixed assets were verified during the year and no material discrepancies were noticed on such verification.
- (c) The title deeds of all the immovable properties (which are included under the head 'Property, plant and equipment') are held in the name of the Company.
- (ii) In our opinion, the management has conducted physical verification of inventory at reasonable intervals during the year and discrepancies noticed on physical verification have been properly dealt with in the books of account. For the stocks lying with third parties at the year end, written confirmations have been obtained by the management.
- (iii) The Company has granted unsecured loan to a company covered in the register maintained under Section 189 of the Act; and with respect to the same:
- (a) in our opinion the terms and conditions of grant of such loans are not, prima facie, prejudicial to the Company's interest;
- (b) the schedule of repayment of principal has been stipulated wherein the principal amounts are repayable on demand and since the repayment of such loans has not been demanded, in our opinion, repayment of the principal amount is regular. Further, the receipts of the interest are regular;
- (c) there is no overdue amount in respect of loan granted to such company.
- (iv) In our opinion, the Company has complied with the provisions of Sections 185 and 186 of the Act in respect of loans, investments, guarantees and security.
- (v) In our opinion, the Company has not accepted any deposits within the meaning of Sections 73 to 76 of the Act and the Companies (Acceptance of Deposits) Rules, 2014 (as amended). Accordingly, the provisions of clause 3(v) of the Order are not applicable.
- (vi) We have broadly reviewed the books of account maintained by the Company pursuant to the Rules made by the Central Government for the maintenance of cost records under sub-section (1) of Section 148 of the Act in respect of Company's products/services and are of the opinion that, prima facie, the prescribed accounts and records have been made and maintained. However, we have not made a detailed examination of the cost records with a view to determine whether they are accurate or complete.
- (vii) (a) The Company is regular in depositing undisputed statutory dues including employees' state insurance, income-tax, goods and services tax, duty of customs, cess and other material statutory dues, as applicable, with the appropriate authorities. Undisputed statutory dues of provident fund have generally been regularly deposited to the appropriate authorities, though there has been a slight delay in a few cases. Further, no undisputed amounts payable in respect of aforementioned statutory dues were outstanding at the year-end for a period of more than six months from the date they became payable, except as mentioned in the table below:

Name of the statute	Nature of the dues	Amount (₹ in crores)	Period to which the amount relates	Due Date	Date of Payment
The Employees' Provident Funds And Miscellaneous Provisions Act' 1952	Provident Fund	0.10	April 2019 to September 2019	15th of the subsequent month	Not yet paid



(b) The dues outstanding in respect of income-tax, sales-tax, service-tax, duty of customs, duty of excise and value added tax on account of any dispute, are as follows:

Name of the statute	Nature of the dues	Amount (₹ in crores)	Amount paid under Protest (₹ in crores)	Period to which the amount relates	Forum where dispute is pending
Haryana Local Area Development Tax, 2000	Local Area Development Tax	52.80	39.90	2000-2008	High Court
Sales Tax Acts	Sales Tax	5.05	1.69	1988-2012	High Court
Sales Tax Acts	Sales Tax	11.25	0.99	1992-2015	Appellate Tribunal
Sales Tax Acts	Sales Tax	64.32	5.39	1997-2017	Appellate authority till Commissioner level
Central Excise Act, 1944	Excise Duty	468.62	50.69	2004-2016	Customs Excise and Service Tax Appellate Tribunal
Central Excise Act, 1944	Excise Duty	4.07	0.02	1992-2015	Appellate authority till Commissioner level
Finance Act, 1994	Service Tax	1.69	0.01	2005-2012	Customs Excise and Service Tax Appellate Tribunal
Finance Act, 1994	Service Tax	1.81	1.13	2007-2015	Appellate authority till Commissioner level
Income Tax Act, 1961	Income Tax	23.28	3.93	2002-2017	Appellate authority till Commissioner level
Income Tax Act, 1961	Income Tax	1.41	-	2008-2016	Income Tax Appellate Tribunal
The Customs Act, 1962	Custom Duty	6.97	6.97	2007-2008	Customs Excise and Service Tax Appellate Tribunal

(viii) The Company has not defaulted in repayment of loans or borrowings to any bank or financial institution during the year. The Company has no loans or borrowings payable to government and no dues payable to debenture-holders during the year.

(ix) The Company did not raise moneys by way of initial public offer or further public offer (including debt instruments). In our opinion, the term loans were applied for the purposes for which the loans were obtained, though idle funds which were not required for immediate utilisation were invested in liquid investments, payable on demand.

(x) No fraud by the Company or on the Company by its officers or employees has been noticed or reported during the period covered by our audit.

(xi) Managerial remuneration has been paid/provided by the Company in accordance with the requisite approvals mandated by the provisions of Section 197 of the Act read with Schedule V to the Act.

(xii) In our opinion, the Company is not a Nidhi Company. Accordingly, provisions of clause 3(xii) of the Order are not applicable.

(xiii) In our opinion all transactions with the related parties are in compliance with Sections 177 and 188 of Act,

where applicable, and the requisite details have been disclosed in the financial statements etc., as required by the applicable Ind AS.

(xiv) During the year, the Company has not made any preferential allotment or private placement of shares or fully or partly convertible debentures.

(xv) In our opinion, the Company has not entered into any non-cash transactions with the directors or persons connected with them covered under Section 192 of the Act.

(xvi) The Company is not required to be registered under Section 45-IA of the Reserve Bank of India Act, 1934.

For **Walker Chandiok & Co LLP**  
Chartered Accountants  
Firm's Registration No.: 001076N/N500013

**Siddharth Talwar**  
Partner  
Membership No.: 512752  
UDIN: 20512752AAAABP1157

Place: Faridabad  
Date: 14 May 2020

## **Annexure II to the independent auditor's report of even date to the members of Escorts Limited on the standalone financial statements for the year ended 31 March 2020**

### **Independent Auditor's Report on the internal financial controls with reference to the standalone financial statements under Clause (i) of Sub-section 3 of Section 143 of the Companies Act, 2013 ('the Act')**

1. In conjunction with our audit of the standalone financial statements of Escorts Limited ('the Company') as at and for the year ended 31 March 2020, we have audited the internal financial controls with reference to financial statements of the Company as at that date.

### **Responsibilities of Management and Those Charged with Governance for Internal Financial Controls**

2. The Company's Board of Directors is responsible for establishing and maintaining internal financial controls based on the internal control over financial reporting criteria established by the Company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls over Financial Reporting ('the Guidance Note') issued by the Institute of Chartered Accountants of India ('ICAI'). These responsibilities include the design, implementation and maintenance of adequate internal financial controls that were operating effectively for ensuring the orderly and efficient conduct of the Company's business, including adherence to the Company's policies, the safeguarding of its assets, the prevention and detection of frauds and errors, the accuracy and completeness of the accounting records, and the timely preparation of reliable financial information, as required under the Act.

### **Auditor's Responsibility for the Audit of the Internal Financial Controls with Reference to Financial Statements**

3. Our responsibility is to express an opinion on the Company's internal financial controls with reference to financial statements based on our audit. We conducted our audit in accordance with the Standards on Auditing issued by the ICAI and deemed to be prescribed under Section 143(10) of the Act, to the extent applicable to an audit of internal financial controls with reference to financial statements, and the Guidance Note issued by the ICAI. Those Standards and the Guidance Note require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether adequate internal financial controls with reference to financial statements were established and

maintained and if such controls operated effectively in all material respects.

4. Our audit involves performing procedures to obtain audit evidence about the adequacy of the internal financial controls with reference to financial statements and their operating effectiveness. Our audit of internal financial controls with reference to financial statements includes obtaining an understanding of such internal financial controls, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error.
5. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the Company's internal financial controls with reference to financial statements.

### **Meaning of Internal Financial Controls with Reference to Financial Statements**

6. A company's internal financial controls with reference to financial statements is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal financial controls with reference to financial statements include those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorisations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorised acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

### **Inherent Limitations of Internal Financial Controls with Reference to Financial Statements**

7. Because of the inherent limitations of internal financial controls with reference to financial statements, including the possibility of collusion or improper management override of controls, material misstatements due to error or fraud may occur and not be detected. Also, projections of any evaluation of the internal financial controls with reference to financial statements to future periods are subject to the risk that the internal financial controls with reference to financial statements may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

### **Opinion**

8. In our opinion, the Company has, in all material respects, adequate internal financial controls with reference to financial statements and such controls were operating

effectively as at 31 March 2020, based on the internal control over financial reporting criteria established by the Company considering the essential components of internal control stated in the Guidance Note issued by the ICAI.

For **Walker Chandiok & Co LLP**  
Chartered Accountants  
Firm's Registration No.: 001076N/N500013

**Siddharth Talwar**  
Partner  
Membership No.: 512752  
UDIN: 20512752AAAABP1157

Place: Faridabad  
Date: 14 May 2020

# Balance Sheet

as at 31 March 2020

	Note	As at 31 March 2020	As at 31 March 2019
(₹ crores)			
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	3 (i)	1,599.66	1,577.02
Capital work-in-progress	3 (ii)	104.39	53.07
Investment property	4	22.94	23.09
Right-of-use assets	5	33.24	-
Intangible assets	6 (i)	32.17	30.36
Intangible assets under development	6 (ii)	20.07	23.41
Financial assets			
Investments	7 (i)	527.98	465.52
Loans	8 (i)	6.49	5.40
Income tax assets (net)		16.28	16.56
Other non current assets	11 (i)	96.04	94.64
<b>Total non-current assets</b>		<b>2,459.26</b>	<b>2,289.07</b>
<b>Current assets</b>			
Inventories	12	822.20	821.93
Financial assets			
Investments	7 (ii)	638.28	391.09
Trade receivables	13	756.52	931.96
Cash and cash equivalents	14	164.81	85.80
Bank balances other than above	15	153.67	144.27
Loans	8 (ii)	16.81	5.51
Other financial assets	9	20.86	14.48
Other current assets	11 (ii)	265.75	298.91
<b>Total current assets</b>		<b>2,838.90</b>	<b>2,693.95</b>
Assets held for sale	16	13.92	13.92
<b>Total assets</b>		<b>5,312.08</b>	<b>4,996.94</b>
<b>EQUITY AND LIABILITIES</b>			
<b>EQUITY</b>			
Equity share capital	17	122.58	122.58
Other equity	18	3,357.50	2,900.28
<b>Total equity</b>		<b>3,480.08</b>	<b>3,022.86</b>
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Financial liabilities			
Borrowings	19 (i)	-	0.15
Lease liabilities	42	21.73	-
Other financial liabilities	20 (i)	19.96	17.33
Provisions	22 (i)	30.11	24.45
Deferred tax liabilities (net)	10 (i)	30.29	52.87
Other non-current liabilities	21 (i)	11.65	10.80
<b>Total non-current liabilities</b>		<b>113.74</b>	<b>105.60</b>
<b>Current liabilities</b>			
Financial liabilities			
Borrowings	19 (ii)	6.60	269.23
Trade payables	23		
(a) Total outstanding dues of micro enterprises and small enterprises		80.25	32.98
(b) Total outstanding dues of creditors other than micro enterprises and small enterprises		1,183.68	1,179.52
Lease liabilities	42	5.77	-
Other financial liabilities	20 (ii)	123.53	135.57
Other current liabilities	21 (ii)	192.84	131.19
Provisions	22 (ii)	125.59	119.99
<b>Total current liabilities</b>		<b>1,718.26</b>	<b>1,868.48</b>
<b>Total equity and liabilities</b>		<b>5,312.08</b>	<b>4,996.94</b>

The accompanying notes form an integral part of the financial statements.

As per our Report of even date attached  
For **Walker Chandio & Co LLP**  
Chartered Accountants  
(Firm Regn No. 001076N/N500013)

**Siddharth Talwar**  
Partner  
Membership No. 512752

**Nikhil Nanda**  
Chairman and Managing Director  
(DIN: 00043432)  
Place: Faridabad

**Vibha Paul Rishi**  
Director  
(DIN: 05180796)  
Place: Gurugram

Place: Faridabad  
Date: 14 May 2020

For and on behalf of the Board of Directors

**Shailendra Agrawal**  
Executive Director  
(DIN: 03108241)  
Place: Faridabad

**Bharat Madan**  
Group Chief Financial  
Officer & Corporate Head  
Place: New Delhi

**Hardeep Singh**  
Director  
(DIN: 00088096)  
Place: Gurugram

**Satyendra Chauhan**  
Company Secretary &  
Compliance Officer  
Membership No. A14783  
Place: Faridabad  
Date: 14 May 2020

# Statement of Profit and Loss

for the year ended 31 March 2020

(₹ crores)

	Note	Year ended 31 March 2020	Year ended 31 March 2019
<b>Income</b>			
Revenue from operations	24	5,760.95	6,196.36
Other income	25	92.25	80.85
<b>Total income</b>		<b>5,853.20</b>	<b>6,277.21</b>
<b>Expenses</b>			
Cost of materials consumed	26 (i)	3,450.46	4,040.28
Purchases of stock-in-trade		370.37	403.99
Changes in inventories of finished goods, stock-in-trade and work-in-progress	26 (ii)	(1.21)	(203.62)
Employee benefits expense	27	510.32	471.74
Finance costs	28	15.46	18.48
Depreciation and amortisation expense	29	104.55	85.37
Other expenses	30	755.19	750.68
<b>Total expenses</b>		<b>5,205.14</b>	<b>5,566.92</b>
<b>Profit before exceptional items and tax</b>		<b>648.06</b>	<b>710.29</b>
Exceptional items	31	(9.22)	10.91
<b>Profit before tax from continuing operations</b>		<b>638.84</b>	<b>721.20</b>
Tax expense	10 (ii)		
Current tax		174.41	198.63
Deferred tax charge		(21.11)	38.89
<b>Total tax expense</b>		<b>153.30</b>	<b>237.52</b>
<b>Profit for the period from continuing operations</b>		<b>485.54</b>	<b>483.68</b>
<b>Discontinued operations</b>			
Profit from discontinued operations	32 (ii)	-	1.89
Tax expense of discontinued operations	32 (ii)	-	0.66
Profit from discontinued operations after tax		-	<b>1.23</b>
<b>Profit for the year</b>		<b>485.54</b>	<b>484.91</b>
<b>Other comprehensive income</b>			
<b>Items that will not be reclassified to profit and loss</b>			
Net changes in fair values of equity instruments carried at fair value through other comprehensive income		(0.24)	4.03
Re-measurements of defined employee benefit plans		(6.92)	(1.74)
Income tax relating to items that will not be reclassified to profit or loss		1.46	5.73
<b>Total other comprehensive income for the year</b>		<b>(5.70)</b>	<b>8.02</b>
<b>Total comprehensive income for the year</b>		<b>479.84</b>	<b>492.93</b>
<b>Earnings per equity share (for continuing operations):</b>	33		
Basic (₹)		40.63	40.48
Diluted (₹)		40.63	40.48
<b>Earnings per equity share (for discontinued operations):</b>			
Basic (₹)		-	0.10
Diluted (₹)		-	0.10
<b>Earnings per equity share (for discontinued and continuing operations):</b>			
Basic (₹)		40.63	40.58
Diluted (₹)		40.63	40.58

The accompanying notes form an integral part of the financial statements.

As per our Report of even date attached  
For **Walker Chandio & Co LLP**  
Chartered Accountants  
(Firm Regn No. 001076N/N500013)

For and on behalf of the Board of Directors

**Siddharth Talwar**  
Partner  
Membership No. 512752

**Nikhil Nanda**  
Chairman and Managing Director  
(DIN: 00043432)  
Place: Faridabad

**Shailendra Agrawal**  
Executive Director  
(DIN: 03108241)  
Place: Faridabad

**Hardeep Singh**  
Director  
(DIN: 00088096)  
Place: Gurugram

**Vibha Paul Rishi**  
Director  
(DIN: 05180796)  
Place: Gurugram

**Bharat Madan**  
Group Chief Financial  
Officer & Corporate Head  
Place: New Delhi

**Satyendra Chauhan**  
Company Secretary &  
Compliance Officer  
Membership No. A14783  
Place: Faridabad  
Date: 14 May 2020

Place: Faridabad  
Date: 14 May 2020

# Cash Flow Statement

for the year ended 31 March 2020

	Year ended 31 March 2020	Year ended 31 March 2019
(₹ crores)		
<b>A Cash flow from operating activities</b>		
Profit before tax from		
Continuing operations	638.84	721.20
Discontinued operations	-	1.89
<b>Profit before tax including discontinued operations</b>	<b>638.84</b>	<b>723.09</b>
<b>Adjustments for:</b>		
Depreciation and amortisation expense	104.55	85.37
Provisions written back net of provisions recognised during the year	(28.91)	(22.04)
Finance costs (other than finance and bank charges)	12.93	14.86
Interest income	(42.64)	(33.70)
Gain on disposal of property, plant and equipment (net)	(1.39)	(1.53)
Gain on fair valuation and sale of investments carried at fair value through profit or loss (net)	(36.59)	(33.64)
Exceptional item (related to investing activities)	-	(10.91)
Share based payment to employees	3.40	4.03
Unrealised foreign exchange (gain)/loss	(3.07)	1.54
<b>Operating profit before working capital changes</b>	<b>647.12</b>	<b>727.07</b>
<b>Movement in working capital</b>		
Inventories	(0.28)	(274.56)
Trade receivables	170.49	(323.98)
Other financial assets	(19.06)	(1.55)
Other assets	32.24	(158.01)
Trade payables	87.21	(1.08)
Other financial liabilities	7.79	6.61
Other liabilities	65.23	1.36
<b>Cash generated from/(used in) operating activities post working capital changes</b>	<b>990.74</b>	<b>(24.14)</b>
Income tax paid (net)	(174.14)	(216.54)
<b>Net cash generated from/(used in) operating activities (A)</b>	<b>816.60</b>	<b>(240.68)</b>
<b>B Cash flows from investing activities</b>		
Purchase of property, plant and equipment (including capital advances)	(181.71)	(133.22)
Sale of property, plant and equipment	4.72	8.91
Purchase of intangible assets	(12.84)	(16.65)
Sale of intangible assets	-	1.88
Proceeds from sale of non current investment	-	50.08
Investment in subsidiaries, joint ventures and equity shares of other Companies	(62.70)	(104.40)
(Investment in) / proceeds from current investment (net)	(210.60)	127.44
Bank deposit (having original maturity of more than 3 months)	-	26.00
Margin/bank deposits	(9.77)	(8.24)
Interest received	43.13	34.57
<b>Net cash used in investing activities (B)</b>	<b>(429.77)</b>	<b>(13.63)</b>

# Cash Flow Statement

for the year ended 31 March 2020

(₹ crores)

	Year ended 31 March 2020	Year ended 31 March 2019
<b>C Cash flows from financing activities (refer note 19 (iii))</b>		
Repayment of long term borrowings	(7.49)	(42.45)
Repayment of lease liability	(3.04)	-
(Repayment of)/proceeds from short term borrowings (net)	(262.97)	269.23
Interest paid	(8.67)	(12.88)
Dividend and tax thereon paid	(26.02)	(22.21)
<b>Net cash (used in)/flow from financing activities (C)</b>	<b>(308.19)</b>	<b>191.69</b>
Increase/(decrease) in cash and cash equivalents (A+B+C)	78.64	(62.62)
Cash and cash equivalents at the beginning of the year (refer note 14)	85.80	148.74
Exchange difference on translation of foreign currency cash and cash equivalents	0.37	(0.32)
<b>Cash and cash equivalents at the end of the year (refer note 14)</b>	<b>164.81</b>	<b>85.80</b>

Note: The above statement of Cash Flow has been prepared under the 'Indirect Method' as set out in Ind AS 7, 'Statement of Cash Flows'.

As per our Report of even date attached

For **Walker Chandiok & Co LLP**

Chartered Accountants

(Firm Regn No. 001076N/N500013)

For and on behalf of the Board of Directors

**Siddharth Talwar**

Partner

Membership No. 512752

**Nikhil Nanda**

Chairman and Managing Director

(DIN: 00043432)

Place: Faridabad

**Shailendra Agrawal**

Executive Director

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Director

(DIN: 05180796)

Place: Gurugram

**Bharat Madan**

Group Chief Financial

Officer & Corporate Head

Place: New Delhi

**Satyendra Chauhan**

Company Secretary &

Compliance Officer

Membership No. A14783

Place: Faridabad

Date: 14 May 2020

Place: Faridabad

Date: 14 May 2020

# Statement of changes in equity

for the year ended 31 March 2020

## A Equity share capital

(₹ crores)

Balance as at 1 April 2018	Changes in equity share capital during the year	Balance as at 31 March 2019	Changes in equity share capital during the year	Balance as at 31 March 2020
122.58	-	122.58	-	122.58

## B Other equity

(₹ crores)

	Treasury shares	Reserves and surplus					Employees' stock options outstanding	Retained earnings	Fair value changes of equity instruments measured at fair value through other comprehensive income	Total
		Capital reserve	Capital redemption reserve	Securities premium	General reserve					
<b>Balance as at 1 April 2018</b>	<b>(25.99)</b>	<b>97.40</b>	<b>4.00</b>	<b>456.69</b>	<b>730.95</b>	<b>-</b>	<b>1,123.01</b>	<b>39.47</b>	<b>2,425.53</b>	
Profit for the year	-	-	-	-	-	-	484.91	-	484.91	
Transfer on account of sale of equity instruments measured at fair value through other comprehensive income	-	-	-	-	-	-	48.00	(48.00)	-	
Other comprehensive income for the year	-	-	-	-	-	-	(1.13)	9.15	8.02	
<i>Transactions with owners in their capacity as owners</i>										
Dividends paid	-	-	-	-	-	-	(23.90)	-	(23.90)	
Tax on dividends	-	-	-	-	-	-	(5.04)	-	(5.04)	
Dividend received on shares held by beneficiary trusts	-	-	-	-	-	-	6.73	-	6.73	
Employee stock option charge for the year	-	-	-	-	-	4.03	-	-	4.03	
<b>Balance as at 31 March 2019</b>	<b>(25.99)</b>	<b>97.40</b>	<b>4.00</b>	<b>456.69</b>	<b>730.95</b>	<b>4.03</b>	<b>1,632.58</b>	<b>0.62</b>	<b>2,900.28</b>	
Profit for the year	-	-	-	-	-	-	485.54	-	485.54	
Other comprehensive income for the year	-	-	-	-	-	-	(5.49)	(0.21)	(5.70)	
<i>Transactions with owners in their capacity as owners</i>										
Dividends paid	-	-	-	-	-	-	(21.45)	-	(21.45)	
Tax on dividends	-	-	-	-	-	-	(4.57)	-	(4.57)	
Employee stock option charge for the year	-	-	-	-	-	3.40	-	-	3.40	
Transfer from employees' stock option outstanding account against vested options lapsed during the year	-	-	-	-	0.33	(0.33)	-	-	-	
<b>Balance as at 31 March 2020</b>	<b>(25.99)</b>	<b>97.40</b>	<b>4.00</b>	<b>456.69</b>	<b>731.28</b>	<b>7.10</b>	<b>2,086.61</b>	<b>0.41</b>	<b>3,357.50</b>	

As per our Report of even date attached  
For **Walker Chandio & Co LLP**  
Chartered Accountants  
(Firm Regn No. 001076N/N500013)

For and on behalf of the Board of Directors

**Siddharth Talwar**  
Partner  
Membership No. 512752

**Nikhil Nanda**  
Chairman and Managing Director  
(DIN: 00043432)  
Place: Faridabad

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Executive Director  
(DIN: 03108241)  
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Director  
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Place: Gurugram

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Group Chief Financial  
Officer & Corporate Head  
Place: New Delhi

**Satyendra Chauhan**  
Company Secretary &  
Compliance Officer  
Membership No. A14783  
Place: Faridabad  
Date: 14 May 2020

Place: Faridabad  
Date: 14 May 2020



# Notes forming part of the Financial Statements

for the year ended 31 March 2020

## 1. Company overview

Escorts Limited ("the Company") is a public limited company incorporated and domiciled in India and having its registered office at 15/5, Mathura Road, Faridabad (Haryana). The Company's shares are listed with Bombay Stock Exchange, National Stock Exchange and Delhi Stock Exchange. The Company is engaged in the business of manufacturing of agricultural tractors, engines for agricultural tractors, construction, earth moving and material handling equipment, round and flat tubes, heating elements, double acting hydraulic shock absorbers for railways coaches, centre buffer couplers, automobile shock absorbers, telescopic front fork & Mcpherson struts, brake block, internal combustion engines and all types of brake used by railways. It also trades in oils & lubricants, implements, trailers, tractors, compressor accessories and spares, construction, earth moving and material handling equipment and aero business.

## 2. Basis of preparation, measurement and significant accounting policies

### 2.1 Basis of preparation and measurement

These financial statements have been prepared in accordance with the Indian Accounting Standards (hereinafter referred to as the 'Ind AS') as notified by Ministry of Corporate Affairs pursuant to section 133 of the Companies Act, 2013 read with Rule 3 of the Companies (Indian Accounting Standards) Rules, 2015 and Companies (Indian Accounting Standards) Amendment Rules, 2016.

These financial statements are separate financial statements of the Company. The Company has also prepared consolidated financial statements for the year ended 31 March 2020 in accordance with Ind AS 110 and the same were also approved for issue by the Board of Directors on 14 May 2020.

The financial statements have been prepared on accrual and going concern basis. All assets and liabilities have been classified as current or non-current as per the Company's normal operating cycle and other criteria as set out in the Division II of Schedule III to the Companies Act, 2013. Based on the nature of products and the time between acquisition of assets for processing and their realisation in cash and cash equivalents, the Company has ascertained its operating cycle as 12 months for the purpose of current or non-current classification of assets and liabilities.

The financial statements have been prepared under historical cost convention basis except for the following –

- Certain financial assets which are measured at fair value;
- Defined benefit plans – plan assets measured at fair value;

## 2.2 Summary of significant accounting policies

### a) Revenue recognition

Revenue arises mainly from the sale of manufactured and traded goods, after-sales maintenance and extended warranty services.

To determine whether to recognise revenue, the Company follows a 5-step process:

1. Identifying the contract with a customer
2. Identifying the performance obligations
3. Determining the transaction price
4. Allocating the transaction price to the performance obligations
5. Recognising revenue when/as performance obligation(s) are satisfied.

Revenue is measured at fair value of consideration received or receivable, after deduction of any trade discounts, volume rebates and any taxes or duties collected on behalf of the government which are levied on sales such as goods and services tax (GST). In case of multi-element revenue arrangements, which involve delivery or performance of multiple products, services, evaluation will be done of all deliverables in an arrangement to determine whether they represent separate units of accounting at the inception of arrangement. Total arrangement consideration related to the bundled contract is allocated among the different elements based on their relative fair values (i.e., ratio of the fair value of each element to the aggregated fair value of the bundled deliverables). In case the relative fair value of different components cannot be determined on a reasonable basis, the total consideration is allocated to the different components based on residual value method.

Revenue is recognised either at a point in time or over time, when (or as) the Company satisfies performance obligations by transferring the promised goods or services to its customers.

The Company recognises contract liabilities for consideration received in respect of unsatisfied performance obligations and reports these amounts as other liabilities in the statement of financial

## Notes forming part of the Financial Statements

for the year ended 31 March 2020

position (see note 21 (ii)). Similarly, if the Company satisfies a performance obligation before it receives the consideration, the Company recognises either a contract asset or a receivable in its statement of financial position, depending on whether something other than the passage of time is required before the consideration is due.

### Sale of goods

Revenue from sale of goods is recognised when the control of goods is transferred to the buyer as per the terms of the contract, in an amount that reflects the consideration the Company expects to be entitled to in exchange for those goods. Control of goods refers to the ability to direct the use of and obtain substantially all of the remaining benefits from goods.

The Company provides 1 to 5 years' product warranty on its goods sold to the buyer. Under the terms of this warranty customers can return the product for repair or replacement if it fails to perform in accordance with published specifications. These warranties are accounted for under Ind AS 37.

### After-sale services

The Company enters into fixed price maintenance and extended warranty contracts with its customers for terms between one and two years in length. Customers are required to pay in advance for the services along with the contractual amount paid for the purchase of goods.

- **Maintenance contracts** – The Company enters into agreements with its customers to perform regularly scheduled maintenance services on goods purchased from the Company. Revenue is recognised over time based on the ratio between the number of services provided/lapsed in the current period and the total number of such services expected to be provided under each contract. This method best depicts the transfer of services to the customer because details of the services to be provided are specified by management in advance as part of its published maintenance program.
- **Extended warranty program** – The Company enters into agreements with its customers to perform necessary repairs falling outside the Company's standard warranty period. As this service involves an indeterminate number of acts, the Company is required to 'stand ready' to perform whenever a request falling within the scope of the program is made by a customer. Revenue is recognised on a straight-line basis over the term of the contract and

matched to related costs. This method best depicts the transfer of services to the customer as (a) the Company's historical experience demonstrates no statistically significant variation in the quantum of services provided in each year of a multi-year contract, and (b) no reliable prediction can be made as to if and when any individual customer will require service.

### Other income

Income from export incentives are recognised on accrual basis.

### Interest Income

Interest income is recognised on time proportion basis taking into account the amount outstanding and rate applicable. For all financial assets measured at amortised cost (refer 'h' below), interest income is recorded using the effective interest rate (EIR) i.e. the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the net carrying amount of the financial assets. The future cash flows include all other transaction costs paid or received, premiums or discounts if any, etc.

### Dividend income

Dividend income is recognised at the time when right to receive the payment is established, which is generally when the shareholders approve the dividend.

## b) Foreign currency translation

### Functional and presentation currency

The financial statements are presented in Indian Rupee ('₹') and are rounded to two decimal places of crores, which is also the functional and presentation currency of the Company.

### Transactions and balances

Foreign currency transactions are recorded in the functional currency, by applying to the exchange rate between the functional currency and the foreign currency at the date of the transaction.

Foreign currency monetary items are converted to functional currency using the closing rate. Non-monetary items denominated in a foreign currency which are carried at historical cost are reported using the exchange rate at the date of the transactions.

Exchange differences arising on monetary items on settlement, or restatement as at reporting date, at rates different from those at which they were initially recorded, are recognised in the statement of profit and loss in the year in which they arise.

# Notes forming part of the Financial Statements

for the year ended 31 March 2020

## c) Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset are capitalised during the period of time that is necessary to complete and prepare the asset for its intended use or sale. A qualifying asset is one that necessarily takes substantial period of time to get ready for its intended use. Capitalisation of borrowing costs is suspended in the period during which the active development is delayed due to, other than temporary, interruption. All other borrowing costs are charged to the statement of profit and loss as incurred.

## d) Property, plant and equipment

### Recognition and initial measurement

Property, plant and equipment are stated at their cost of acquisition. The cost comprises purchase price, borrowing cost if capitalisation criteria are met and directly attributable cost of bringing the asset to its working condition for the intended use. Any trade discount and rebates are deducted in arriving at the purchase price. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits attributable to such subsequent cost associated with the item will flow to the Company. All other repair and maintenance costs are recognised in statement of profit and loss as incurred.

In case an item of property, plant and equipment is acquired on deferred payment basis, interest expenses included in deferred payment is recognised as interest expense and not included in cost of asset.

### Subsequent measurement (depreciation and useful lives)

Depreciation on property, plant and equipment is provided on the straight-line method, computed on the basis of useful lives mentioned below:

Asset category	Estimated useful life (in years)
Factory buildings	30
Office buildings	60
Tubewells and fencing	5
Roads	10
Sheds	3
Plant and machinery	3-15*
Furniture and fixtures	5-10*
Office equipment	3-10
Vehicles	8-10
Leasehold improvements	Over the effective term of the lease
Electrical appliances	10
IT equipment	6
Computers	3

\*Based on technical evaluation, the management believes that the useful lives as given above best represent the period over which management expects to use these assets. Hence, the useful lives for certain items within these classes of assets is different from the useful lives as prescribed under Part C of Schedule II to the Companies Act 2013.

The residual values, useful lives and method of depreciation are reviewed at each financial year end and adjusted prospectively, if appropriate.

Where, during any financial year, any addition has been made to any asset, or where any asset has been sold, discarded, demolished or destroyed, or significant components replaced; depreciation on such assets is calculated on a pro rata basis as individual assets with specific useful life from the month of such addition or, as the case may be, up to the month on which such asset has been sold, discarded, demolished or destroyed or replaced.

### De-recognition

An item of property, plant and equipment and any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on de-recognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the income statement when the asset is derecognised.

## e) Investment properties

### Recognition and initial measurement

Investment properties are properties including right-of-use in properties held to earn rentals or for capital appreciation, or both. Investment properties are measured initially at their cost of acquisition. The cost comprises purchase price, borrowing cost if capitalisation criteria are met and directly attributable cost of bringing the asset to its working condition for the intended use. Any trade discount and rebates are deducted in arriving at the purchase price.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company. All other repair and maintenance costs are recognised in statement of profit and loss as incurred.

Though the Company measures investment property using cost based measurement, the fair value of investment property is disclosed in the notes to the financial statements.

# Notes forming part of the Financial Statements

for the year ended 31 March 2020

## Subsequent measurement (depreciation and useful lives)

Depreciation on investment properties other than right-of-use in properties is provided on the straight-line method, computed on the basis of useful lives prescribed under Part C of Schedule II to the Companies Act, 2013.

The residual values, useful lives and method of depreciation are reviewed at each financial year end and adjusted prospectively, if appropriate.

Where during any financial year, any addition has been made to any asset, or where any asset has been sold, discarded, demolished or destroyed, or significant components replaced; depreciation on such assets is calculated on a pro rata basis as individual assets with specific useful life from the month of such addition or, as the case may be, up to the month on which such asset has been sold, discarded, demolished or destroyed or replaced.

## De-recognition

Investment properties are derecognised either when they have been disposed of or when they are permanently withdrawn from use and no future economic benefit is expected from their disposal. The difference between the net disposal proceeds and the carrying amount of the asset is recognised in profit or loss in the period of de-recognition.

## f) Intangible assets

### Recognition and initial measurement

Purchased intangible assets are stated at cost less accumulated amortisation and impairment, if any.

### Internally developed intangible assets

Expenditure on the research phase of projects is recognised as an expense as incurred.

Costs that are directly attributable to a project's development phase are recognised as intangible assets, provided the Company can demonstrate the following:

- the technical feasibility of completing the intangible asset so that it will be available for use.
- its intention to complete the intangible asset and use or sell it
- its ability to use or sell the intangible asset
- how the intangible asset will generate probable future economic benefits

- the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset.
- its ability to measure reliably the expenditure attributable to the intangible asset during its development

Development costs not meeting these criteria for capitalisation are expensed as incurred.

Directly attributable costs include employee costs incurred on development of prototypes along with an appropriate portion of relevant overheads and borrowing costs.

## Subsequent measurement (amortisation)

All finite-lived intangible assets, including internally developed intangible assets, are accounted for using the cost model whereby capitalised costs are amortised on a straight-line basis over their estimated useful lives. The estimated useful life of an identifiable intangible asset is based on a number of factors including the effects of obsolescence, demand, competition, and other economic factors (such as the stability of the industry, and known technological advances), and the level of maintenance expenditures required to obtain the expected future cash flows from the asset

Residual values and useful lives are reviewed at each reporting date. The following useful lives are applied:

Asset category	Estimated useful life (in years)
Software	6
Prototypes	4
Technical know how	6

## g) Leases

### Transition

Effective 1 April 2019, the Company adopted Ind AS 116 "Leases" and applied the standard to all lease contracts existing on 1 April 2019 using the modified retrospective method. The Company recorded the lease liability at the present value of the lease payments discounted at the incremental borrowing at the date of initial application and right-of-use assets at an amount equal to the lease liability adjusted for any prepaid or accrued lease payments that existed at the date of transition. Comparatives as at and for the year ended 31 March 2019 have not been retrospectively adjusted and therefore will continue to be reported under the accounting policies included as part of our Annual Report for year ended 31 March 2019.

Refer **note 42** for details.

# Notes forming part of the Financial Statements

for the year ended 31 March 2020

## The Company as a lessee

The Company's lease asset classes primarily consist of leases for land and buildings. The Company assesses whether a contract contains a lease, at inception of a contract. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Company assesses whether: (i) the contract involves the use of an identified asset (ii) the Company has substantially all of the economic benefits from use of the asset through the period of the lease and (iii) the Company has the right to direct the use of the asset.

At the date of commencement of the lease, the Company recognises a right-of-use asset ("ROU") and a corresponding lease liability for all lease arrangements in which it is a lessee, except for leases with a term of twelve months or less (short-term leases) and low value leases. For these short-term and low value leases, the Company recognises the lease payments as an operating expense on a straight-line basis over the term of the lease.

Certain lease arrangements includes the options to extend or terminate the lease before the end of the lease term. ROU assets and lease liabilities includes these options when it is reasonably certain that they will be exercised.

The right-of-use assets are initially recognised at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or prior to the commencement date of the lease plus any initial direct costs less any lease incentives. They are subsequently measured at cost less accumulated depreciation and impairment losses.

Right-of-use assets are depreciated from the commencement date on a straight-line basis over the shorter of the lease term and useful life of the underlying asset.

The lease liability is initially measured at amortised cost at the present value of the future lease payments. The lease payments are discounted using the interest rate implicit in the lease or, if not readily determinable, using the incremental borrowing rates in the country of domicile of these leases. Lease liabilities are remeasured with a corresponding adjustment to the related right of use asset if the Company changes its assessment if whether it will exercise an extension or a termination option.

## The Company as a lessor

Leases for which the Company is a lessor is classified as a finance or operating lease. Whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee, the contract is classified as a finance lease. All other leases are classified as operating leases.

When the Company is an intermediate lessor, it accounts for its interests in the head lease and the sublease separately. The sublease is classified as a finance or operating lease by reference to the right-of-use asset arising from the head lease.

For operating leases, rental income is recognised on a straight-line basis over the term of the relevant lease.

## h) Financial instruments

Financial instruments are recognised when the Company becomes a party to the contractual provisions of the instrument and are measured initially at fair value adjusted for transaction costs, except for those carried at fair value through profit or loss which are measured initially at fair value.

If the Company determines that the fair value at initial recognition differs from the transaction price, the Company accounts for that instrument at that date as follows:

- a) at the measurement basis mentioned above if that fair value is evidenced by a quoted price in an active market for an identical asset or liability (i.e. a Level 1 input) or based on a valuation technique that uses only data from observable markets. The Company recognises the difference between the fair value at initial recognition and the transaction price as a gain or loss.
- b) in all other cases, at the measurement basis mentioned above, adjusted to defer the difference between the fair value at initial recognition and the transaction price. After initial recognition, the Company recognises that deferred difference as a gain or loss only to the extent that it arises from a change in a factor (including time) that market participants would take into account when pricing the asset or liability.

Subsequent measurement of financial assets and financial liabilities is described below.

# Notes forming part of the Financial Statements

for the year ended 31 March 2020

## Financial assets

### *Classification and subsequent measurement*

For the purpose of subsequent measurement, financial assets are classified into the following categories upon initial recognition:

- i. **Financial assets at amortised cost** – a financial instrument is measured at amortised cost if both the following conditions are met:
  - The asset is held within a business model whose objective is to hold assets for collecting contractual cash flows, and
  - Contractual terms of the asset give rise on specified dates to cash flows that are solely payments of principal and interest (SPPI) on the principal amount outstanding.

After initial measurement, such financial assets are subsequently measured at amortised cost using the effective interest method.

- ii. **Financial assets at fair value**

- **Investments in equity instruments (other than subsidiaries/ associate/ joint ventures)** – All equity investments in scope of Ind AS 109 are measured at fair value. Equity instruments which are held for trading are generally classified at fair value through profit and loss (FVTPL). For all other equity instruments, the Company decides to classify the same either at fair value through other comprehensive income (FVOCI) or fair value through profit and loss (FVTPL). The Company makes such election on an instrument by instrument basis. The classification is made on initial recognition and is irrevocable.

If the Company decides to classify an equity instrument as at FVOCI, then all fair value changes on the instrument, excluding dividends, are recognised in the other comprehensive income (OCI). There is no recycling of the amounts from OCI to P&L, even on sale of investment. However, the Company may transfer the cumulative gain or loss within equity. Dividends on such investments are recognised in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment.

Equity instruments included within the FVTPL category are measured at fair value with all changes recognised in the P&L.

- **Mutual funds** – All mutual funds in scope of Ind-AS 109 are measured at fair value through profit and loss (FVTPL).

### *De-recognition of financial assets*

A financial asset is primarily de-recognised when the rights to receive cash flows from the asset have expired or the Company has transferred its rights to receive cash flows from the asset.

## Financial liabilities

### *Subsequent measurement*

After initial recognition, the financial liabilities are subsequently measured at amortised cost using effective interest method. Amortised cost is calculated after considering any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The effect of EIR amortisation is included as finance costs in the statement of profit and loss.

### *De-recognition of financial liabilities*

A financial liability is de-recognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the de-recognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the statement of profit and loss.

## Derivative financial instruments

### *Initial and subsequent measurement*

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured to their fair value at the end of each reporting period.

### *Offsetting of financial instruments*

Financial assets and financial liabilities are offset and the net amount is reported in the balance sheet if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, to realise the assets and settle the liabilities simultaneously.

- i) **Impairment of financial assets**

All financial assets except for those at FVTPL are subject to review for impairment at least at each reporting date to identify whether there is any objective evidence that a financial asset or a group

# Notes forming part of the Financial Statements

for the year ended 31 March 2020

of financial assets is impaired. Different criteria to determine impairment are applied for each category of financial assets.

In accordance with Ind-AS 109, the Company applies expected credit loss (ECL) model for measurement and recognition of impairment loss for financial assets carried at amortised cost.

ECL is the weighted average of difference between all contractual cash flows that are due to the Company in accordance with the contract and all the cash flows that the Company expects to receive, discounted at the original effective interest rate, with the respective risks of default occurring as the weights. When estimating the cash flows, the Company is required to consider –

- All contractual terms of the financial assets (including prepayment and extension) over the expected life of the assets.
- Cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

## Trade receivables

The Company applies approach permitted by Ind AS 109 Financial Instruments, which requires lifetime expected credit losses to be recognised upon initial recognition of receivables. Lifetime ECL are the expected credit losses resulting from all possible default events over the expected life of a financial instrument.

The Company uses the expected credit loss model to assess any required allowances and uses a provision matrix to compute the expected credit loss allowance for trade receivables. Lifetime expected credit losses are assessed and accounted based on company's historical collection experience for customers and forecast of macro-economic factors for each identified segment.

The Company defines default as an event when the financial asset is past due for more than 365 days. This definition is based on management's expectation of the time period beyond which if a receivable is outstanding, it is an objective evidence of impairment.

## Other financial assets

For recognition of impairment loss on other financial assets and risk exposure, the Company

determines whether there has been a significant increase in the credit risk since initial recognition. If the credit risk has not increased significantly since initial recognition, the Company measures the loss allowance at an amount equal to 12-month expected credit losses, else at an amount equal to the lifetime expected credit losses.

When making this assessment, the Company uses the change in the risk of a default occurring over the expected life of the financial asset. To make that assessment, the Company compares the risk of a default occurring on the financial asset as at the balance sheet date with the risk of a default occurring on the financial asset as at the date of initial recognition and considers reasonable and supportable information, that is available without undue cost or effort, that is indicative of significant increases in credit risk since initial recognition. The Company assumes that the credit risk on a financial asset has not increased significantly since initial recognition if the financial asset is determined to have low credit risk at the balance sheet date.

## j) Impairment of non-financial assets

For impairment assessment purposes, assets are grouped at the lowest levels for which there are largely independent cash inflows (cash generating units). As a result, some assets are tested individually for impairment and some are tested at cash-generating unit level.

At each reporting date, the Company assesses whether there is any indication based on internal/external factors, that an asset may be impaired. If any such indication exists, the Company estimates the recoverable amount of the asset. If such recoverable amount of the asset or the recoverable amount of the cash generating unit to which the asset belongs is less than its carrying amount, the carrying amount is reduced to its recoverable amount and the reduction is treated as an impairment loss and is recognised in the statement of profit and loss. If, at the reporting date there is an indication that a previously assessed impairment loss no longer exists, the recoverable amount is reassessed which is the higher of fair value less costs of disposal and value-in-use and the asset is reflected at the recoverable amount subject to a maximum of depreciated historical cost. Impairment losses previously recognised are accordingly reversed in the statement of profit and loss.

To determine value-in-use, management estimates expected future cash flows from each cash-generating unit and determines a suitable discount rate in order to calculate the present value of those cash flows.

# Notes forming part of the Financial Statements

for the year ended 31 March 2020

The data used for impairment testing procedures are directly linked to the Company's latest approved budget, adjusted as necessary to exclude the effects of future re-organisations and asset enhancements. Discount factors are determined individually for each cash-generating unit and reflect current market assessment of the time value of money and asset-specific risk factors.

## k) Fair value measurement

The Company measures certain financial instruments, such as, investments at fair value at each balance sheet date.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability

The principal or the most advantageous market must be accessible by the Company.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

Refer **Note 38** for fair value hierarchy.

## l) Inventories

Inventories are stated at the lower of cost and net realisable value. The cost of inventories comprises of all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition. Costs of inventories are computed using weighted average cost formula. Net realisable value is the estimated selling price in the ordinary course of business less any applicable selling expenses. Provision for obsolescence and slow moving inventory is made based on management's best estimates of net realisable value of such inventories.

## m) Income taxes

Tax expense recognised in profit or loss comprises the sum of deferred tax and current tax not recognised in other comprehensive income or directly in equity.

Current income tax is measured at the amount expected to be paid to the tax authorities in accordance with the

Income-tax Act, 1961. Current tax items are recognised in correlation to the underlying transaction either in other comprehensive income or directly in equity.

Deferred tax liabilities are generally recognised in full for all taxable temporary differences. Deferred tax assets are recognised to the extent that it is probable that the underlying tax loss, unused tax credits (Minimum alternate tax credit entitlement) or deductible temporary difference will be utilised against future taxable income. This is assessed based on the Company's forecast of future operating results, adjusted for significant non-taxable income and expenses and specific limits on the use of any unused tax loss or credit. Unrecognised deferred tax assets are re-assessed at each reporting date and are recognised to the extent that it has become probable that future taxable profits will allow deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date. Deferred tax items are recognised in correlation to the underlying transaction either in other comprehensive income or directly in equity.

Current tax assets and current tax liabilities are offset when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle the asset and liability on a net basis. Deferred tax assets and deferred tax liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities; and the deferred tax assets and the deferred tax liabilities relate to income taxes levied by the same taxation authority.

## n) Investment in subsidiaries, joint ventures and associates

In accordance with Ind AS 27 – Separate Financial Statements, investments in equity instruments of subsidiaries, joint ventures and associates can be measured at cost or at fair value in accordance with Ind AS 109. The Company has opted to measure such investments at cost at initial recognition.

Subsequently, such investments in subsidiaries, joint ventures and associates are carried at cost less accumulated impairment losses, if any. Where an indication of impairment exists, the carrying amount of the investment is assessed and written down immediately to its recoverable amount. On disposal of these investments, the difference between net disposal



# Notes forming part of the Financial Statements

for the year ended 31 March 2020

proceeds and the carrying amounts are recognised in the statement of profit and loss.

## **o) Government grants**

Government grants are recognised where there is reasonable assurance that the grant will be received and all attached conditions will be complied with. When the grant relates to an expense item, it is recognised as income on a systematic basis over the periods that the related costs, for which it is intended to compensate, are expensed. When the grant relates to an asset, it is recognised as income in equal amounts over the expected useful life of the related asset.

When the Company receives grants for non-monetary assets, the asset and the grant are recorded at fair value amounts and released to profit or loss over the expected useful life in a pattern of consumption of the benefit of the underlying asset i.e. by equal annual instalments.

## **p) Cash and cash equivalents**

Cash and cash equivalents comprise cash in hand, demand deposits with banks/corporations and short-term highly liquid investments (original maturity less than 3 months) that are readily convertible into known amount of cash and are subject to an insignificant risk of change in value.

## **q) Post-employment, long term and short term employee benefits**

The Company provides post-employment benefits through various defined contribution and defined benefit plans.

### **Defined contribution plans**

A defined contribution plan is a plan under which the Company pays fixed contributions into an independent fund administered by the government. The Company has no legal or constructive obligations to pay further contributions after its payment of the fixed contribution, which are recognised as an expense in the year in which the related employee services are received.

### **Defined benefit plans**

The defined benefit plans sponsored by the Company define the amount of the benefit that an employee will receive on completion of services by reference to length of service and last drawn salary. The legal obligation for any benefits remains with the Company.

Gratuity and pension are post-employment benefits and are in the nature of a defined benefit plan. The liability recognised in the financial statements in respect of gratuity and pension is the present value of the defined

benefit obligation at the reporting date, together with adjustments for unrecognised actuarial gains or losses and past service costs. The defined benefit obligation is calculated at or near the reporting date by an independent actuary using the projected unit credit method.

Actuarial gains and losses arising from past experience and changes in actuarial assumptions are credited or charged to the statement of OCI in the year in which such gains or losses are determined.

### **Other long-term employee benefits**

Liability in respect of compensated absences becoming due or expected to be availed more than one year after the balance sheet date is estimated on the basis of an actuarial valuation performed by an independent actuary using the projected unit credit method.

Actuarial gains and losses arising from past experience and changes in actuarial assumptions are charged to statement of profit and loss in the year in which such gains or losses are determined.

### **Short-term employee benefits**

Expense in respect of other short term benefits is recognised on the basis of the amount paid or payable for the period during which services are rendered by the employee.

## **r) Non-current assets held for sale and discontinued operations**

An entity shall classify a non-current asset (or disposal group) as held for sale if its carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the asset is available for immediate sale in its present condition subject only to terms that are usual and customary for sale of such asset and its sale is highly probable. Management must be committed to sale which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

Non-current assets classified as held for sale are presented separately and measured at the lower of their carrying amounts immediately prior to their classification as held for sale and their fair value less costs to sell. However, some held for sale assets such as financial assets, assets arising from employee benefits and deferred tax assets, continue to be measured in accordance with the Company's relevant accounting policy for those assets. Once classified as held for sale, the assets are not subject to depreciation or amortisation.

# Notes forming part of the Financial Statements

for the year ended 31 March 2020

A discontinued operation is a component of the Company that either has been disposed of, or is classified as held for sale. Profit or loss from discontinued operations comprise the post-tax profit or loss of discontinued operations and the post-tax gain or loss resulting from the measurement and disposal of assets classified as held for sale. Any profit or loss arising from the sale or re-measurement of discontinued operations is presented as part of a single line item, profit or loss from discontinued operations.

## s) Share based payments

The Company has equity-settled share-based remuneration plans for its employees. None of the Company's plans are cash-settled.

Where employees are rewarded using share-based payments, the fair value of employees' services is determined indirectly by reference to the fair value of the equity instruments granted. This fair value is appraised at the grant date and excludes the impact of non-market vesting conditions (for example profitability and sales growth targets and performance conditions).

All share-based remuneration is ultimately recognised as an expense in profit or loss with a corresponding credit to equity. If vesting periods or other vesting conditions apply, the expense is allocated over the vesting period, based on the best available estimate of the number of share options expected to vest.

Upon exercise of share options, the proceeds received, net of any directly attributable transaction costs, are allocated to share capital up to the nominal (or par) value of the shares issued with any excess being recorded as share premium.

## t) Provisions, contingent assets and contingent liabilities

Provisions are recognised only when there is a present obligation, as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and when a reliable estimate of the amount of obligation can be made at the reporting date. These estimates are reviewed at each reporting date and adjusted to reflect the current best estimates. If the effect of the time value of money is material, provisions are discounted to reflect its present value using a current pre-tax rate that reflects the current market assessments of the time value of money and the risks specific to the obligation. When provisions are discounted, the increase in the provision due to the passage of time is recognised as a finance cost.

Contingent liability is disclosed for:

- Possible obligations which will be confirmed only by future events not wholly within the control of the Company or
- Present obligations arising from past events where it is not probable that an outflow of resources will be required to settle the obligation or a reliable estimate of the amount of the obligation cannot be made.

Contingent assets are not recognised. However, when inflow of economic benefits is probable, related asset is disclosed.

## u) Treasury shares

Treasury shares are presented as a deduction from equity. The original cost of treasury shares and the proceeds of any subsequent sale are presented as movements in equity.

## v) Earnings per share

Basic earnings per share is calculated by dividing the net profit or loss for the period attributable to equity shareholders (after deducting attributable taxes) by the weighted average number of equity shares outstanding during the period. The weighted average number of equity shares outstanding during the period is adjusted for events including a bonus issue.

For the purpose of calculating diluted earnings per share, the net profit or loss for the period attributable to equity shareholders and the weighted average number of shares outstanding during the period are adjusted for the effects of all dilutive potential equity shares.

## 2.3 Significant management judgements in applying accounting policies and estimation uncertainty

The following are the critical judgments and the key estimates concerning the future that management has made in the process of applying the Company's accounting policies and that may have the most significant effect on the amounts recognised in the financial Statements or that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

### Significant management estimates

**Allowance for doubtful debts** – The allowance for doubtful debts reflects management's estimate of losses inherent in its credit portfolio. This allowance is based on Company's estimate of the losses to be incurred, which derives from past experience with similar receivables, current and historical past due

# Notes forming part of the Financial Statements

for the year ended 31 March 2020

amounts, dealer termination rates, write-offs and collections, the careful monitoring of portfolio credit quality and current and projected economic and market conditions. The Company has also taken into account estimates of possible effect from the pandemic relating to COVID-19. Should the present economic and financial situation persist or even worsen, there could be a further deterioration in the financial situation of the Company's debtors compared to that already taken into consideration in calculating the allowances recognised in the financial statements.

#### **Allowance for obsolete and slow-moving inventory-**

The allowance for obsolete and slow-moving inventory reflects management's estimate of the expected loss in value, and has been determined on the basis of past experience and historical and expected future trends in the used vehicle market. A worsening of the economic and financial situation could cause a further deterioration in conditions in the used vehicle market compared to that taken into consideration in calculating the allowances recognised in the financial statements.

**Product warranties-** The Company makes provisions for estimated expenses related to product warranties at the time products are sold. Management establishes these estimates based on historical information of the nature, frequency and average cost of warranty claims. The Company seeks to improve vehicle quality and minimise warranty expenses arising from claims. Warranty costs may differ from those estimated if actual claim rates are higher or lower than historical rates.

**Useful lives of depreciable/amortisable assets –** Management reviews its estimate of the useful lives of depreciable/amortisable assets at each reporting date, based on the expected utility of the assets. Uncertainties in these estimates relate to technical and economic obsolescence that may change the utility of certain software, IT equipment and other plant and equipment.

**Defined benefit obligations (DBO) –** Management's estimate of the DBO is based on a number of critical underlying assumptions such as standard rates of

inflation, mortality, discount rate and anticipation of future salary increases. Variation in these assumptions may significantly impact the DBO amount and the annual defined benefit expenses.

#### **Significant management judgments**

**Capitalisation of internally developed intangible assets –** Distinguishing the research and development phases for new products and design enhancements determining whether the recognition requirements for the capitalisation of development costs are met requires judgement. After capitalisation, management monitors whether the recognition requirements continue to be met and whether there any indicators that capitalised costs may be impaired.

**Evaluation of indicators for impairment of non-financial assets –** The evaluation of applicability of indicators of impairment of assets requires assessment of several external and internal factors which could result in deterioration of recoverable amount of the assets.

**Contingent liabilities –** The Company is the subject of legal proceedings and tax issues covering a range of matters, which are pending in various jurisdictions. Due to the uncertainty inherent in such matters, it is difficult to predict the final outcome of such matters. The cases and claims against the Company often raise difficult and complex factual and legal issues, which are subject to many uncertainties, including but not limited to the facts and circumstances of each particular case and claim, the jurisdiction and the differences in applicable law. In the normal course of business management consults with legal counsel and certain other experts on matters related to litigation and taxes. The Company accrues a liability when it is determined that an adverse outcome is probable and the amount of the loss can be reasonably estimated.

#### **2.4 Standards issued but not yet effective**

Ministry of Corporate Affairs ("MCA") notifies new standard or amendments to the existing standards. There is no such notification which would have been applicable from 1 April 2020.

# Notes forming part of the Financial Statements

for the year ended 31 March 2020

## 3 (i) Property, plant and equipment

Description										(₹ crores)
	Land	Leasehold land	Buildings	Leasehold improvements	Plant and equipment	Furniture and fixtures	Computers	Vehicles	Office equipment	Total
<b>Gross carrying amount</b>										
As at 1 April 2018	1,049.02	8.89	386.66	0.05	792.15	68.34	44.49	12.24	9.21	2,371.05
Additions	-	-	5.00	-	106.78	7.07	6.47	4.14	1.26	130.72
Disposals	-	-	-	-	(21.43)	(1.81)	(0.37)	(0.03)	(0.35)	(23.99)
<b>As at 31 March 2019</b>	<b>1,049.02</b>	<b>8.89</b>	<b>391.66</b>	<b>0.05</b>	<b>877.50</b>	<b>73.60</b>	<b>50.59</b>	<b>16.35</b>	<b>10.12</b>	<b>2,477.78</b>
Reclassified on account of adoption of Ind AS 116 (refer note 5)	-	(8.89)	-	-	-	-	-	-	-	(8.89)
Additions	-	-	9.04	-	93.73	6.45	5.85	2.71	0.85	118.63
Disposals	-	-	-	-	(16.59)	(0.89)	(5.04)	(1.07)	(0.01)	(23.60)
<b>As at 31 March 2020</b>	<b>1,049.02</b>	<b>-</b>	<b>400.70</b>	<b>0.05</b>	<b>954.64</b>	<b>79.16</b>	<b>51.40</b>	<b>17.99</b>	<b>10.96</b>	<b>2,563.92</b>
<b>Accumulated depreciation</b>										
As at 1 April 2018	-	1.01	248.60	0.01	505.71	50.03	32.42	4.39	6.93	849.10
Charge for the year	-	0.10	7.11	-	49.98	4.17	6.95	1.88	0.90	71.09
Adjustment for disposals	-	-	-	-	(17.03)	(1.66)	(0.36)	(0.03)	(0.35)	(19.43)
<b>As at 31 March 2019</b>	<b>-</b>	<b>1.11</b>	<b>255.71</b>	<b>0.01</b>	<b>538.66</b>	<b>52.54</b>	<b>39.01</b>	<b>6.24</b>	<b>7.48</b>	<b>900.76</b>
Reclassified on account of adoption of Ind AS 116 (refer note 5)	-	(1.11)	-	-	-	-	-	-	-	(1.11)
Charge for the year	-	-	7.81	-	62.68	10.07	0.77	2.45	1.09	84.87
Adjustment for disposals	-	-	-	-	(13.78)	(0.89)	(5.04)	(0.54)	(0.01)	(20.26)
<b>As at 31 March 2020</b>	<b>-</b>	<b>-</b>	<b>263.52</b>	<b>0.01</b>	<b>587.56</b>	<b>61.72</b>	<b>34.74</b>	<b>8.15</b>	<b>8.56</b>	<b>964.26</b>
<b>Net carrying amount as at 31 March 2019</b>	<b>1,049.02</b>	<b>7.78</b>	<b>135.95</b>	<b>0.04</b>	<b>338.84</b>	<b>21.06</b>	<b>11.58</b>	<b>10.11</b>	<b>2.64</b>	<b>1,577.02</b>
<b>Net carrying amount as at 31 March 2020</b>	<b>1,049.02</b>	<b>-</b>	<b>137.18</b>	<b>0.04</b>	<b>367.08</b>	<b>17.44</b>	<b>16.66</b>	<b>9.84</b>	<b>2.40</b>	<b>1,599.66</b>

### Notes:

- (i) **Property, plant and equipment include assets in use for in house research and development**  
Refer note 37 for details.
- (ii) **Contractual obligations**  
Refer note 35 for disclosure of contractual commitments for the acquisition of property, plant and equipment.
- (iii) **Property, plant and equipment pledged as security**  
Refer note 47 for information on property, plant and equipment pledged as security by the Company.
- (iv) Depreciation for the year has been included in "Depreciation and amortisation expense" line item in statement of profit and loss.

# Notes forming part of the Financial Statements

for the year ended 31 March 2020

## 3 (ii) Capital work-in-progress

	31 March 2020	31 March 2019
Capital work-in-progress	104.39	53.07

(₹ crores)

### Movement in capital work-in-progress during the year:

Particulars	Amount
Capital work-in-progress as at 1 April 2018	46.79
Add: additions during the year	138.26
Less: capitalisation during the year	(130.72)
Less: discarded during the year	(1.26)
Capital work-in-progress as at 31 March 2019	53.07
Add: additions during the year	169.95
Less: capitalisation during the year	(118.63)
Capital work-in-progress as at 31 March 2020	104.39

(₹ crores)

## 4 Investment property

Description	Land	Building	Total
<b>Gross carrying amount</b>			
As at 1 April 2018	19.70	4.86	24.56
Additions	-	-	-
Disposals	-	-	-
<b>As at 31 March 2019</b>	<b>19.70</b>	<b>4.86</b>	<b>24.56</b>
Additions	-	-	-
Disposals	-	-	-
<b>As at 31 March 2020</b>	<b>19.70</b>	<b>4.86</b>	<b>24.56</b>
<b>Accumulated depreciation</b>			
As at 1 April 2018	-	1.33	1.33
Additions	-	0.14	0.14
Adjustment for disposals	-	-	-
<b>As at 31 March 2019</b>	<b>-</b>	<b>1.47</b>	<b>1.47</b>
Charge for the year	-	0.15	0.15
Adjustment for disposals	-	-	-
<b>As at 31 March 2020</b>	<b>-</b>	<b>1.62</b>	<b>1.62</b>
<b>Net carrying amount as at 31 March 2019</b>	<b>19.70</b>	<b>3.39</b>	<b>23.09</b>
<b>Net carrying amount as at 31 March 2020</b>	<b>19.70</b>	<b>3.24</b>	<b>22.94</b>

(₹ crores)

### (i) Amount recognised in profit and loss for investment property

	31 March 2020	31 March 2019
Rental income	0.35	0.35
Direct operating expenses that generated rental income	-	-
Direct operating expenses that did not generate rental income	-	-
<b>Profit from leasing of investment properties</b>	<b>0.35</b>	<b>0.35</b>

(₹ crores)

### (ii) Leasing arrangements

Certain investment properties are leased to tenants under long-term operating leases with rentals payable monthly. However all the leases are cancellable at the option of lessee, hence there is no lease disclosure given, as required by Ind AS 116 "Leases".

## Notes forming part of the Financial Statements

for the year ended 31 March 2020

### (iii) Fair value of investment property

Particulars	(₹ crores)	
	31 March 2020	31 March 2019
Land	20.02	23.39
Building	2.44	2.60

The Company obtains independent valuations for its investment property annually. The best evidence of fair value is current prices in an active market for similar properties.

Where such information is not available, the independent valuer considers information from a variety of sources including:

- In case of valuation of land, current prices in an active market for similar properties of the same area and localities have been taken.
- in case of constructed building, rates derived from CPWD/CWC PARS as on 01-10-2010-12/1997 have been taken as the basis of valuation. These rates have further been modified to bring them at par with the present day price index and as per specifications found at site. Necessary depreciation for age and life of the structure has been taken into account.

## 5 Right-of-use assets

Description	Property, plant and equipment		Investment property	(₹ crores) Total
	Land	Buildings	Land	
<b>Gross carrying amount</b>				
As at 1 April 2018	-	-	-	-
Additions	-	-	-	-
Disposals	-	-	-	-
<b>As at 31 March 2019</b>	-	-	-	-
Reclassified on account of adoption of Ind AS 116 (refer note 3)	8.89	-	-	8.89
Adjustment on transition to Ind AS 116	21.54	4.20	4.16	29.90
Additions	-	0.72	-	0.72
Disposals	-	-	-	-
<b>As at 31 March 2020</b>	<b>30.43</b>	<b>4.92</b>	<b>4.16</b>	<b>39.51</b>
<b>Accumulated depreciation</b>				
As at 1 April 2018	-	-	-	-
Charge for the year	-	-	-	-
Adjustment for disposals	-	-	-	-
<b>As at 31 March 2019</b>	-	-	-	-
Reclassified on account of adoption of Ind AS 116 (refer note 3)	1.11	-	-	1.11
Charge for the year	2.82	1.70	0.64	5.16
Adjustment for disposals	-	-	-	-
<b>As at 31 March 2020</b>	<b>3.93</b>	<b>1.70</b>	<b>0.64</b>	<b>6.27</b>
<b>Net carrying amount as at 31 March 2019</b>	-	-	-	-
<b>Net carrying amount as at 31 March 2020</b>	<b>26.50</b>	<b>3.22</b>	<b>3.52</b>	<b>33.24</b>

# Notes forming part of the Financial Statements

for the year ended 31 March 2020

## (i) Right-of-use assets in the nature of investment property

### (a) Amount recognised in profit and loss for investment property

	31 March 2020	31 March 2019
Rental income	0.73	-
Direct operating expenses that generated rental income	-	-
Direct operating expenses that did not generate rental income	-	-
<b>Profit from leasing of investment properties</b>	<b>0.73</b>	<b>-</b>

### (b) Leasing arrangements

Land classified as investment property is leased to a tenant under long-term operating lease arrangement with rentals payable monthly. However the lease is cancellable by mutual agreement between the parties, hence there is no lease disclosure given, as required by Ind AS 116 "Leases".

### (c) Fair value of investment property

Particulars	31 March 2020	31 March 2019
Land	3.93	-

The Company obtains independent valuations for its investment property annually. The best evidence of fair value is current prices in an active market for similar properties.

Where such information is not available, the independent valuer considers information from a variety of sources such as in case of right-of-use of land, fair value is determined by discounting market lease rentals for the remaining tenure of the lease.

(ii) Depreciation for the year has been included in "Depreciation and amortisation expense" line item in statement of profit and loss.

## 6 (i) Intangible assets

Description	Prototypes	Technical know how	Software	Total
<b>Gross carrying amount</b>				
As at 1 April 2018	31.62	17.86	42.19	91.67
Additions	3.48	0.93	6.10	10.51
Disposals	-	(3.47)	-	(3.47)
<b>As at 31 March 2019</b>	<b>35.10</b>	<b>15.32</b>	<b>48.29</b>	<b>98.71</b>
Additions	4.50	6.54	5.14	16.18
Disposals	-	-	-	-
<b>As at 31 March 2020</b>	<b>39.60</b>	<b>21.86</b>	<b>53.43</b>	<b>114.89</b>
<b>Accumulated amortisation</b>				
As at 1 April 2018	16.14	10.84	28.82	55.80
Charge for the year	7.66	1.72	4.76	14.14
Adjustment for disposals	-	(1.59)	-	(1.59)
<b>As at 31 March 2019</b>	<b>23.80</b>	<b>10.97</b>	<b>33.58</b>	<b>68.35</b>
Charge for the year	8.50	1.65	4.22	14.37
Adjustment for disposals	-	-	-	-
<b>As at 31 March 2020</b>	<b>32.30</b>	<b>12.62</b>	<b>37.80</b>	<b>82.72</b>
<b>Net carrying amount as at 31 March 2019</b>	<b>11.30</b>	<b>4.35</b>	<b>14.71</b>	<b>30.36</b>
<b>Net carrying amount as at 31 March 2020</b>	<b>7.30</b>	<b>9.24</b>	<b>15.63</b>	<b>32.17</b>

# Notes forming part of the Financial Statements

for the year ended 31 March 2020

## Notes:

### (i) Contractual obligations

Refer note 35 for disclosure of contractual commitments for the acquisition of intangible assets.

### (ii) Expenses incurred and assets in use for in house research and development:

During the year, expenditure of ₹ 106.76 crores (31 March 2019: ₹ 92.22 crores) was incurred on research and development (excluding depreciation) recognised in statement of profit and loss.

Refer note 37 for detail.

### (iii) Amortisation for the year has been included in line item 'Depreciation and amortisation expense' in statement of profit and loss.

## 6 (ii) Intangible assets under development

	31 March 2020	31 March 2019
Intangible assets under development	20.07	23.41

### Movement in intangible assets under development during the year:

Particulars	Amount
Intangible assets under development as at 1 April 2018	17.27
Add: additions during the year	16.65
Less: capitalisation during the year	(10.51)
Intangible assets under development as at 31 March 2019	23.41
Add: additions during the year	12.84
Less: capitalisation during the year	(16.18)
Intangible assets under development as at 31 March 2020	20.07

## 7 Investments

	As at 31 March 2020	As at 31 March 2019
(i) Investments - non-current		
Investments carried at cost		
Subsidiary companies		
Fully paid equity shares (quoted)	1.17	1.17
Fully paid equity shares (unquoted)	368.67	365.97
Joint ventures and associates		
Fully paid equity shares (unquoted)	157.80	97.80
Investments carried at fair value through OCI		
Fully paid equity shares (quoted)	0.34	0.58
Fully paid equity shares (unquoted)	-	-
	<b>527.98</b>	<b>465.52</b>
Aggregate amount of quoted investments and market value thereof	1.51	1.75
Aggregate amount of unquoted investments	526.47	463.77
Aggregate amount of impairment in value of investments	2.95	2.95
(ii) Investments - current		
Investment carried at fair value through profit or loss		
Mutual funds (quoted)	638.28	391.08
Bonds (unquoted)	-	0.01
	<b>638.28</b>	<b>391.09</b>

The market value of quoted investments is equal to the carrying value.



# Notes forming part of the Financial Statements

for the year ended 31 March 2020

## Details of investments are as follows:

### Non-current investments

(₹ crores)

	Number of shares		Amount	
	31 March 2020	31 March 2019	31 March 2020	31 March 2019
<b>In equity instruments*</b>				
<b>Subsidiaries (quoted)</b>				
Escorts Finance Limited	38,19,700	38,19,700	3.12	3.12
less: provision for impairment			(1.95)	(1.95)
			<b>1.17</b>	<b>1.17</b>
<b>Subsidiaries (unquoted)</b>				
Escorts Securities Limited	54,60,000	54,60,000	5.46	5.46
Farmtrac Tractors Europe SP Z.o.o, Poland (face value of 1000 PLN each)	15,500	15,500	18.68	18.68
Escorts Crop Solution Limited (formerly known as EDDAL Credit Limited)	1,88,50,000	1,61,50,000	18.85	16.15
Sole beneficiary interest in Escorts Benefit and Welfare Trust	-	-	325.68	325.68
			<b>368.67</b>	<b>365.97</b>
<b>Joint ventures and associates (unquoted)</b>				
Escorts Consumer Credit Limited	12,50,000	12,50,000	1.00	1.00
less: provision for impairment			(1.00)	(1.00)
			-	-
Adico Escorts Agri Equipment Private Limited	84,00,000	84,00,000	8.40	8.40
Tadano Escorts India Private Limited	2,94,00,000	2,94,00,000	29.40	29.40
Escorts Kubota India Private Limited (face value of ₹ 100 each)	1,20,00,000	60,00,000	120.00	60.00
			<b>157.80</b>	<b>97.80</b>
<b>Others (quoted)</b>				
Asahi India Glass Limited (face value of ₹ 1 each)	18,862	18,862	0.30	0.49
Godavari Drugs Limited	19,700	19,700	0.02	0.05
Twenty First Century Medicare Limited	19,400	19,400	0.02	0.04
Tamilnadu Newsprints & Papers Limited	100	100	-	-
			<b>0.34</b>	<b>0.58</b>
<b>Others (unquoted)</b>				
Escorts Skill Development <sup>^</sup>	9,500	9,500	-	-
<b>In preference shares</b>				
<b>Subsidiaries</b>				
Escorts Finance Limited (10%, cumulative)	95,00,000	95,00,000	-	-

\*All equity shares are of ₹ 10 each unless otherwise stated.

<sup>^</sup>Amount less than ₹ 1 lakh

# Notes forming part of the Financial Statements

for the year ended 31 March 2020

	As at 31 March 2020	As at 31 March 2019
		(₹ crores)
<b>Current investments</b>		
<b>Mutual funds (quoted)</b>		
Axis Bluechip Fund (Direct) (Growth)	1.64	-
Axis Strategic Bond Fund (Direct) (Growth)	23.42	21.64
Aditya Birla Sun Life Credit Risk Fund (Direct) (Growth)	1.00	0.94
Aditya Birla Sun Life Liquid Fund (Direct) (Growth)	17.17	-
Aditya Birla Sun Life Medium Term Plan (Direct) (Growth)	-	15.57
Aditya Birla Sun Life Corporate Bond Fund (Direct) (Growth)	17.73	16.22
Edelweiss Finvest Private Limited Structure Product	11.07	10.21
HDFC Credit Risk Fund (Direct) (Growth)	23.34	21.30
HDFC Fmp - Series 39-1208 Days (Direct) (Growth)	29.03	26.74
HDFC Corporate Bond Fund (Direct) (Growth)	26.14	23.72
HDFC Liquid Fund (Direct) (Growth)	21.14	-
HDFC Short Term Debt Fund (Direct) (Growth)	23.71	21.58
ICICI Fmp - Series 82 - 1136 Days (Direct) (Growth)	29.32	26.81
ICICI Bond Fund (Direct) (Growth)	47.45	42.50
ICICI Liquid Fund (Direct) (Growth)	37.36	-
ICICI Pru Credit Risk Fund (Direct) (Growth)	11.86	10.78
IDFC Banking & PSU Fund (Direct) (Growth)	10.34	-
IDFC Credit Risk Fund (Direct) (Growth)	35.24	32.09
IDFC Liquid Fund (Direct) (Growth)	17.06	-
IDFC Ultra Short Term Fund (Direct) (Growth)	15.15	-
IIFL - LWFEC825-140520 Structured Product	17.80	16.28
IIFL Focused Equity Fund (Direct) (Growth) (earlier Capital Enhancer Fund)	2.56	3.16
Kotak Liquid Fund (Direct) (Growth)	48.47	-
Kotak Medium Term Fund (Direct) (Growth)	25.12	23.37
Kotak Standard Multicap Fund (Direct) (Growth)	2.32	1.35
L&T Liquid Fund (Direct) (Growth)	13.05	-
L&T Resurgent India Bond Fund (Direct) (Growth)	25.35	23.22
Mirae Assets Large Cap Fund (Direct) (Growth)	2.22	-
Nippon Liquid Fund (Direct) (Growth)	6.10	-
Nippon Money Market Fund (Direct) (Growth)	10.10	-
SBI Focused Equity Fund (Direct) (Growth)	1.59	-
SBI Liquid Fund (Direct) (Growth)	21.11	-
SBI Magnum Ultra Short Duration Fund (Direct) (Growth)	25.13	-
UTI Fixed Term Income Fund Series XXVIII-XIII - 1134 Days (Direct) (Growth)	28.16	26.39
UTI Liquid Fund (Direct) (Growth)	10.03	-
UTI Short Term Income Fund (Direct)	-	27.21
	<b>638.28</b>	<b>391.08</b>
<b>Bonds (unquoted)</b>		
ICICI deep discount bonds	-	0.01
	-	<b>0.01</b>
<b>Total</b>	<b>638.28</b>	<b>391.09</b>

## Notes:

Refer note 38 - Financial instruments for disclosure of fair value of investments and underlying assumptions.

# Notes forming part of the Financial Statements

for the year ended 31 March 2020

## 8 Loans

### (i) Non-current loans

	As at 31 March 2020	(₹ crores) As at 31 March 2019
Unsecured, considered good		
Security deposits*	6.49	5.40
	<b>6.49</b>	<b>5.40</b>

\* includes deposit given to related party for ₹ 0.08 crores

Refer note 38 - Financial instruments for disclosure of fair values in respect of financial assets measured at amortised cost and assessment of expected credit losses.

### (ii) Current loans

	As at 31 March 2020	(₹ crores) As at 31 March 2019
Unsecured, considered good		
Security deposits	16.81	5.51
	<b>16.81</b>	<b>5.51</b>

The carrying values are considered to be a reasonable approximation of their fair values.

## 9 Other financial assets

	As at 31 March 2020	(₹ crores) As at 31 March 2019
Export incentives receivable	11.19	9.99
Claims receivable	3.65	0.60
Other recoverable		
- from related parties (refer note 48 for related party balances)	4.61	2.31
- from others	1.41	1.58
	<b>20.86</b>	<b>14.48</b>

The carrying values are considered to be a reasonable approximation of their fair values.

# Notes forming part of the Financial Statements

for the year ended 31 March 2020

## 10(i) Deferred tax liabilities (net)

	As at 31 March 2020	As at 31 March 2019
(₹ crores)		
<b>Deferred tax liability arising on account of:</b>		
Property, plant and equipment, investment property and intangible assets	64.72	92.48
Investments carried at fair value	15.29	12.74
<b>Deferred tax asset arising on account of:</b>		
Financial assets and financial liabilities at amortised cost	(28.60)	(28.31)
Provision for employee benefits and other liabilities deductible on actual payment	(21.12)	(24.04)
<b>Net deferred tax liabilities</b>	<b>30.29</b>	<b>52.87</b>

### Notes:

#### (a) Movement in deferred tax liabilities for the year ended 31 March 2020 is as follows:

	(₹ crores)			
Description	Opening balance	Recognised (reversed) in profit and loss	Recognised (reversed) in other comprehensive income	Closing balance
<b>Deferred tax liabilities/(assets) in relation to:</b>				
Property, plant and equipment, investment property and intangible assets	92.48	(27.75)	-	64.72
Financial assets and financial liabilities at amortised cost	(28.31)	(0.29)	-	(28.60)
Provision for employee benefits and other liabilities deductible on actual payment	(24.04)	4.36	(1.44)	(21.12)
Investments carried at fair value	12.74	2.57	(0.02)	15.29
<b>Net deferred tax liabilities</b>	<b>52.87</b>	<b>(21.11)</b>	<b>(1.46)</b>	<b>30.29</b>

#### (b) Movement in deferred tax liabilities for the year ended 31 March 2019 is as follows:

	(₹ crores)			
Description	Opening balance	Recognised (reversed) in profit and loss	Recognised (reversed) in other comprehensive income	Closing balance
<b>Deferred tax liabilities/(assets) in relation to:</b>				
Property, plant and equipment, investment property and intangible assets	89.52	2.96	-	92.48
Financial assets and financial liabilities at amortised cost	(40.41)	12.10	-	(28.31)
Provision for employee benefits and other liabilities deductible on actual payment	(28.48)	5.05	(0.61)	(24.04)
MAT credit entitlement	(11.38)	11.38	-	-
Investments carried at fair value	10.46	7.40	(5.12)	12.74
<b>Net deferred tax liabilities</b>	<b>19.71</b>	<b>38.89</b>	<b>(5.73)</b>	<b>52.87</b>

# Notes forming part of the Financial Statements

for the year ended 31 March 2020

## 10(ii) Tax expense

The income tax expense consists of the following:

	Year ended 31 March 2020	Year ended 31 March 2019
		(₹ crores)
<b>Current tax</b>		
Current tax expense	174.41	198.63
Deferred tax (credit)/expense	(21.11)	38.89
<b>Total income tax expense recognised for continuing operations</b>	<b>153.30</b>	<b>237.52</b>
Tax expense of discontinued operations	-	0.66
<b>Total tax expense</b>	<b>153.30</b>	<b>238.18</b>

### Notes:

**The reconciliation of estimated income tax expense at statutory income tax rate to income tax expense reported in statement of profit and loss is as follows:**

	Year ended 31 March 2020	Year ended 31 March 2019
		(₹ crores)
Profit before income tax from continuing and discontinued operations	638.84	723.09
Statutory income tax rate*	25.17%	34.94%
Expected income tax expense	160.78	252.68
<b>Tax effect of adjustments to reconcile expected income tax expense to reported income tax expense</b>		
Tax on expense not eligible for deduction	4.83	2.21
Weighted and standard deduction for certain expenditure under Income Tax Act, 1961	(0.23)	(13.30)
Adjustment for tax expense pertaining to prior years	3.79	2.68
Impact of change in tax rate	(15.76)	-
Utilisation of capital tax losses for which no deferred tax was recognised in the previous year	-	(3.81)
Others	(0.11)	(2.28)
<b>Total income tax expense</b>	<b>153.30</b>	<b>238.18</b>

\* Statutory tax rate applicable to the Company has been computed as follows

Base tax rate	22%	30%
Surcharge (% of tax)	10%	12%
Cess (% of tax and surcharge)	4%	4%
Applicable rate	25.17%	34.94%

The Taxation Laws (Amendment) Act, 2019 has amended the Income-tax Act, 1961 and Finance Act, 2019 to inter-alia provide an option to the Company to pay Income Tax at concessional rate of 22% plus applicable surcharge and cess, subject to certain specified conditions, as compared to the earlier rate of 30% plus applicable surcharge and cess for the assessment year 2020-21 onwards. The Company has opted for the concessional tax rate during the year ended 31 March 2020 and accordingly remeasured deferred tax and current tax liability at such concessional rate.

# Notes forming part of the Financial Statements

for the year ended 31 March 2020

## 11 Other assets

	As at 31 March 2020	As at 31 March 2019
(₹ crores)		
<b>(i) Non-current</b>		
Prepaid expenses	5.11	5.21
Capital advances*	23.84	23.53
Deposits with statutory authorities**	69.17	67.98
	<b>98.12</b>	<b>96.72</b>
Allowance for doubtful advances	(2.08)	(2.08)
	<b>96.04</b>	<b>94.64</b>

\* includes advance given to related party for ₹ 0.10 crores

\*\* includes deposit paid under protest with statutory authorities.

	As at 31 March 2020	As at 31 March 2019
(₹ crores)		
<b>(ii) Current</b>		
Refund asset	2.03	-
Advances to suppliers*	26.28	18.36
Prepaid expenses**	10.21	4.62
Balances with statutory authorities	226.90	275.27
Other advances	0.33	0.66
	<b>265.75</b>	<b>298.91</b>

\* includes advance given to related party for ₹ 1.00 crores

\*\* includes advance payment to related party for ₹ 1.51 crores

## 12 Inventories

(Valued at lower of cost and net realisable value, unless otherwise stated)

	As at 31 March 2020	As at 31 March 2019
(₹ crores)		
<b>Raw materials and components</b>	274.76	267.00
Goods-in-transit	39.04	51.39
	<b>313.80</b>	<b>318.39</b>
<b>Work-in-progress</b>	43.48	35.07
<b>Finished goods</b>	313.58	302.67
Goods-in-transit	52.88	64.63
	<b>366.46</b>	<b>367.30</b>
<b>Stock-in-trade</b>	72.03	80.11
Goods-in-transit	2.04	0.32
	<b>74.07</b>	<b>80.43</b>
<b>Stores and spares</b>	17.15	13.56
<b>Loose tools</b>	7.24	7.18
	<b>822.20</b>	<b>821.93</b>

(i) Refer note 19 and 47 for inventories pledged as security for liabilities.

(ii) Amount of write down and reversal of write down of inventories recognised in statement of profit and loss:

# Notes forming part of the Financial Statements

for the year ended 31 March 2020

(₹ crores)

Particulars	Amount
<b>Allowance for obsolete and slow moving inventories as at 1 April 2018</b>	<b>33.82</b>
Add: write-down recognised during the year	17.07
Less: allowance utilised during the year	(21.74)
<b>Allowance for obsolete and slow moving inventories as at 31 March 2019</b>	<b>29.15</b>
Add: write-down recognised during the year	1.44
Less: allowance utilised during the year	(2.11)
<b>Allowance for obsolete and slow moving inventories as at 31 March 2020</b>	<b>28.48</b>

## 13 Trade receivables

(₹ crores)

	As at 31 March 2020	As at 31 March 2019
Trade receivables considered good - secured	56.80	87.27
Trade receivables considered good - unsecured	710.24	854.74
Less: allowance for doubtful receivables	(10.52)	(10.05)
	<b>699.72</b>	<b>844.69</b>
Trade receivables credit impaired	44.49	38.77
Less: allowance for doubtful receivables	(44.49)	(38.77)
	-	-
	<b>756.52</b>	<b>931.96</b>

- (i) Refer note 19 and 47 for trade receivables pledged as security for liabilities.
- (ii) Refer note 38 - Financial instruments for assessment of expected credit losses.
- (iii) The carrying values are considered to be a reasonable approximation of their fair values.
- (iv) Trade receivables include ₹ 59.91 crores (31 March 2019 ₹ 23.35 crores) due from related parties. For details refer note 48 - related party disclosures

## 14 Cash and cash equivalents

(₹ crores)

	As at 31 March 2020	As at 31 March 2019
Balances with banks in current accounts	13.18	27.74
Remittance in transit	-	50.08
Cash on hand	0.53	-
Debit balance in cash credit accounts	103.49	5.08
Bank deposits with maturity less than 3 months	47.61	2.90
	<b>164.81</b>	<b>85.80</b>

The carrying values are a reasonable approximation of their fair values.

## Notes forming part of the Financial Statements

for the year ended 31 March 2020

### 15 Other bank balances

	As at 31 March 2020	As at 31 March 2019
Earmarked bank balances	1.46	1.28
Fixed deposits with maturity of more than 3 months but less than 12 months	0.16	0.19
Margin money deposits	0.12	0.12
Escrow account	151.93	142.68
	<b>153.67</b>	<b>144.27</b>

- (i) Earmarked balances with banks largely pertain to unclaimed dividends.
- (ii) ₹ 0.16 crores (31 March 2019: ₹ 0.19 crores) represents deposits with original maturity for more than 3 months but less than 12 months, held by the entity and are not available for use by the Company, as these are lien marked.
- (iii) Balance in Escrow account is not available for use by the Company, refer note 22 (ii) for details.
- (iv) ₹ 0.12 crores (31 March 2019: ₹ 0.12 crores) represent margin money pledged with various authorities.
- (v) Other than as disclosed, there are no repatriation restrictions with respect to other bank balances as at the end of the reporting year and prior year.
- (vi) The carrying values are a reasonable approximation of their fair values.

### 16 Assets held for sale

	As at 31 March 2020	As at 31 March 2019
Assets held for sale	13.92	13.92
	<b>13.92</b>	<b>13.92</b>
<b>Details of assets held for sale:</b>		
Land	9.00	9.00
Investment in equity instruments of Hughes Communications India Limited	3.25	3.25
Investment in equity instruments of Escorts Motors Limited	1.67	1.67
<b>Total</b>	<b>13.92</b>	<b>13.92</b>

#### Notes:

#### (i) Details of assets held for sale:

- a. The Company executed an agreement to sell in earlier years, for transfer of 25 acres of land at Plot No. 219, Sector 58, Ballabgarh, Haryana for a consideration of ₹ 9.00 crores. The said transfer is subject to necessary approval from HUDA and accordingly the consideration amount of ₹ 9.00 crores is being classified in other current liabilities. Owing to the inordinate delay in obtaining approval from HUDA, the transfer has been delayed for more than a year that was not originally envisaged. However, the Company is taking necessary action to respond to the current conditions and favorable resolution is expected. Therefore, such land continues to be classified as held for sale.
- b. During the previous year, the Company purchased 1,35,000 equity instruments of Hughes Communications India Limited from Escorts Employee Welfare Limited at a purchase price of ₹ 3.25 crores. Also, the Company has entered into an agreement with HNS-India VSAT, Inc. for the sale of these equity shares at a consideration of ₹ 3.25 crores. Therefore, such equity shares have been classified as 'held for sale'.
- c. During the previous year, the Company has entered into a agreement with HNS-India VSAT, Inc. for the sale of equity shares of Escorts Motors Limited at a consideration of ₹ 1.67 crores. Therefore, such equity shares have been classified as 'held for sale'.



# Notes forming part of the Financial Statements

for the year ended 31 March 2020

- d. Consequent to an agreement, the Company had agreed to purchase 19% holding (9,50,000 equity shares) in Escorts Motors Limited (EML) from ICICI Bank Limited (ICICI). Pending transfer of shares in favour of the Company and final settlement with ICICI, the advance paid by the Company to ICICI against the aforesaid agreement was considered doubtful of recovery and was written off in the books of account in the previous years.

Further, pursuant to the Share Purchase Agreement dated 29 March 2019, the Company had agreed to sell the aforementioned equity shares of EML to HNS-India VSAT, Inc. U.S.A.

While ICICI has transferred the said equity shares (9,50,000 equity shares) in the Demat account of the Company, pending the aforesaid settlement and the regulatory clearances, the above mentioned transactions have not been completed yet and accordingly, not recorded in the books of account.

## (ii) Non-recurring fair value measurements

Assets classified as held for sale are measured at the lower of carrying amount and fair value less costs to sell at the time of re-classification. A total write down of ₹ 0.76 crores was made in earlier years on account of such measurement for land. This is Level 3 measurement as per fair value hierarchy set out in fair value measurement disclosures (refer note 38). Investments in equity shares classified as 'held for sale' is measured at fair value through OCI at the price agreed under the sale agreement considering that the same is the fair value of the instrument.

## 17 Equity Share Capital

(₹ crores)

	As at 31 March 2020	As at 31 March 2019
<b>Authorised</b>		
40,10,00,000 (previous year 40,10,00,000) Equity shares of ₹ 10 each	401.00	401.00
88,80,00,000 (previous year 88,80,00,000) Unclassified shares of ₹ 10 each	888.00	888.00
	<b>1,289.00</b>	<b>1,289.00</b>
<b>Issued subscribed and fully paid-up</b>		
12,25,76,878 (previous year 12,25,76,878) Equity shares of ₹ 10 each	122.58	122.58
	<b>122.58</b>	<b>122.58</b>

## (a) Reconciliation of number of shares

	As at 31 March 2020		As at 31 March 2019	
	No of shares	₹ crores	No of shares	₹ crores
Equity shares at the beginning of the year	12,25,76,878	122.58	12,25,76,878	122.58
Changes during the year	-	-	-	-
<b>Equity shares at the end of the year</b>	<b>12,25,76,878</b>	<b>122.58</b>	<b>12,25,76,878</b>	<b>122.58</b>

## (b) Rights/preferences/restrictions attached to equity shares

The Company has only one class of shares, i.e., equity shares having a face value of ₹ 10 per share. Each holder of equity shares is entitled to one vote per share. Dividend is paid in Indian Rupees. In the event of liquidation of the Company, equity shareholders will be entitled to receive remaining assets of the Company after distribution of all preferential amounts. The distribution will be in proportion to the number of equity shares held by the shareholders.

## (c) Details of shareholders holding more than 5% shares in the Company

	As at 31 March 2020		As at 31 March 2019	
	No of shares	% holding	No of shares	% holding
Escorts Benefit and Welfare Trust	3,37,00,031	27.49	3,37,00,031	27.49
Harprasad and Company Private Limited	1,07,26,308	8.75	1,05,26,308	8.59
Jhunjhunwala Rakesh Radheyshyam	91,00,000	7.42	1,00,00,000	8.16

- (d) The Company does not have a holding company or an ultimate holding company.

## Notes forming part of the Financial Statements

for the year ended 31 March 2020

- (e) The Company has issued total 5,37,100 (31 March 2019: 5,37,100) equity shares to employees (through Escorts Employees Benefit and Welfare Trust) on exercise of option granted under the Employee Stock Option Scheme 2006, wherein part consideration was received in form of employee services.

### (f) Shares reserved for issue under options

	As at 31 March 2020	As at 31 March 2019
	No of shares	No of shares
Under the Employee Stock Option Plan (ESOP) 2006, equity share of ₹ 10 each, at an exercise price as decided by management on case to case basis	30,74,512	30,74,512

These shares are held as treasury shares under other equity (refer note 18).

For terms and other details refer note 41

## 18 Other equity

	As at 31 March 2020	As at 31 March 2019
<b>Capital reserve</b>	97.40	97.40
<b>Capital redemption reserve</b>	4.00	4.00
<b>General reserve</b>		
Opening balance	730.95	730.95
Add: transferred from employees' stock option outstanding account against vested options lapsed during the year	0.33	-
	<b>731.28</b>	<b>730.95</b>
<b>Securities premium</b>	456.69	456.69
<b>Employees' stock option outstanding account</b>		
Opening balance	4.03	-
Add: charge for the year	3.40	4.03
Less: transferred to General reserve against vested options lapsed during the year	(0.33)	-
	<b>7.10</b>	<b>4.03</b>
<b>Treasury shares</b>	(25.99)	(25.99)
<b>Retained earnings</b>		
Opening balance	1,632.58	1,123.01
Add: net profit for the year	485.54	484.91
Less: equity dividend (during FY 2019-20: ₹ 2.50 per share paid for FY 2018-19) (during FY 2018-19: ₹ 2.00 per share paid for FY 2017-18)	(21.45)	(23.90)
Less: tax on equity dividend	(4.57)	(5.04)
Add: dividend received on beneficial interest of Company in shares held by Escorts Benefit and Welfare Trust (refer note 46)	-	6.73
Add: transferred to Retained Earnings on account of disposal of investment in equity instruments classified as fair value through other comprehensive income	-	48.00
Less: remeasurement of defined benefit plans (net of tax)	(5.49)	(1.13)
	<b>2,086.61</b>	<b>1,632.58</b>
<b>Other comprehensive income, net of tax</b>		

# Notes forming part of the Financial Statements

for the year ended 31 March 2020

(₹ crores)

	As at 31 March 2020	As at 31 March 2019
<b>Fair value changes of equity instruments measured at fair value through other comprehensive income</b>		
Opening balance	0.62	39.47
Add: net changes in fair values of equity instruments carried at fair value through other comprehensive income	(0.21)	9.15
Less: transfer to retained earnings	-	(48.00)
	<b>0.41</b>	<b>0.62</b>
	<b>3,357.50</b>	<b>2,900.28</b>

## Nature and purpose of reserves:

### (i) Securities premium

Securities premium represents premium received on issue of shares. The reserve is utilised in accordance with the provisions of the Companies Act, 2013.

### (ii) Employee's stock options outstanding account

The account is used to recognise the grant date value of options issued to employees under Employee stock option plan and adjusted as and when such options are exercised or otherwise expire.

### (iii) Capital redemption reserve

This reserve represents reserve created on redemption of preference shares. The reserve is utilised in accordance with the provisions of the Companies Act, 2013.

### (iv) Capital reserve

This reserve represents the excess of net assets taken, over the cost of consideration paid at the time of amalgamation done in earlier years. This reserve is not available for the distribution to the shareholders.

### (v) Treasury shares

Treasury shares represents Company's own equity shares held by Escorts Employees Benefit and Welfare Trust, which is created for the purpose of issuing equity shares to employees under Company's stock option plan.

### (vi) General reserve

The Company has transferred a portion of the net profit before declaring dividend to general reserve pursuant to the earlier provision of Companies Act 1956. Mandatory transfer to general reserve is not required under the Companies Act, 2013. This reserve is available for distribution to shareholders in accordance with provisions of Companies Act, 2013.

### (vii) Other comprehensive income (OCI)

The Company has elected to recognise changes in the fair value of certain investments in equity securities in other comprehensive income. These changes are accumulated within the FVOCI reserve within equity. The Company transfers amounts from this reserve to retained earnings when the relevant equity securities are derecognised.

# Notes forming part of the Financial Statements

for the year ended 31 March 2020

## 19 Borrowings

### (i) Non-current borrowings

	As at 31 March 2020	As at 31 March 2019
(₹ crores)		
<b>Secured</b>		
Term loans from banks	-	7.34
Other loans from financial institutions	0.05	0.20
Finance lease obligations (refer note 42)	-	0.12
	<b>0.05</b>	<b>7.66</b>
Current maturities of long-term borrowings (refer note 20)	(0.05)	(7.51)
	<b>-</b>	<b>0.15</b>

#### Notes:

a. **Rate of interest** - The Company's borrowings from banks were at an effective weighted average rate of 9.98 % during the previous year ended 31 March 2019.

#### b. Other terms

Nature of security	31 March 2020	31 March 2019
(₹ crores)		
(i) Term loan from State Bank of India is secured by exclusive first charge on the plant and machinery acquired/to be acquired out of the said term loan and exclusive charge by way of equitable mortgage of freehold immovable property being a part of Site no.2, Sector-13, Faridabad. The same is repayable in equal quarterly instalments starting from 31 December 2017.	-	7.34
(ii) Finance lease obligations are secured by assets taken on lease. Refer note 42 for details.	-	0.12
(iii) Vehicle and other loans are secured by the hypothecation of respective equipment and vehicles and are repayable in equal monthly installments.	0.05	0.20
	<b>0.05</b>	<b>7.66</b>

c. Refer note 38 - Financial instruments for disclosure of fair values in respect of financial liabilities measured at amortised cost and analysis of their maturity profiles.

### (ii) Current borrowings

	As at 31 March 2020	As at 31 March 2019
(₹ crores)		
<b>Secured</b>		
Cash credit and other working capital facilities from banks	0.50	269.23
Buyer's Credit	6.10	-
	<b>6.60</b>	<b>269.23</b>

#### (a) Security and repayment details

- (i) Cash Credit and other working capital facilities from banks are secured against first pari passu charge on current assets and second charge on moveable fixed assets (excluding assets specifically charged to other term loan lenders). These facilities carry an interest rate of 5.50%-9.65% per annum in year ended 31 March 2020 (31 March 2019: 5.50%.-9.65% per annum) and is repayable on demand.
- (ii) Buyer's credit from banks are secured against Stand by Letter of Credit (SBLC) carrying an interest rate of 2.65% (12 month's USD Libor + 58 bps) per annum for purchase of machine.

(b) The carrying values are considered to be reasonable approximation of their fair values.

# Notes forming part of the Financial Statements

for the year ended 31 March 2020

## (iii) Reconciliation of financial liabilities arising from financing activities:

(₹ crores)

Description	Non-current borrowings and Current maturities of long-term borrowings	Lease liabilities	Current borrowings
<b>Opening balance as at 1 April 2018</b>	<b>50.06</b>	-	-
Cash flows:			
Proceeds/(repayments)	(42.45)	-	269.23
Interest paid	(4.89)	-	(7.99)
Interest expenses	4.94	-	7.99
<b>Closing balance as at 31 March 2019</b>	<b>7.66</b>	-	<b>269.23</b>
Cash flows:			
Proceeds/(repayments)	(7.49)	(3.04)	(262.97)
Interest paid	(0.26)	(2.88)	(5.53)
Interest expenses	0.26	2.88	5.53
Non cash:			
Adoption of Ind AS 116	-	29.74	-
Addition during the year	-	0.68	-
Reclassification on adoption of Ind AS 116	(0.12)	0.12	-
Foreign currency fluctuation impact	-	-	0.34
<b>Closing balance as at 31 March 2020</b>	<b>0.05</b>	<b>27.50</b>	<b>6.60</b>

## 20 Other financial liabilities

### (i) Other non-current financial liabilities

(₹ crores)

	As at 31 March 2020	As at 31 March 2019
Security deposits	19.96	17.33
	<b>19.96</b>	<b>17.33</b>

Refer note 38 - Financial instruments for disclosure of fair values in respect of financial liabilities measured at amortised cost and analysis of their maturity profiles.

### (ii) Other current financial liabilities

(₹ crores)

	As at 31 March 2020	As at 31 March 2019
Current maturities of long-term borrowings (refer note 19)	0.05	7.51
Capital creditors	20.62	32.07
Security deposits	0.69	0.85
Unpaid dividends*	1.45	1.28
Payable to related parties (refer note 48)	0.43	2.39
Employee related payables	73.40	71.23
Retention money	0.58	0.63
Other payables	26.31	19.61
	<b>123.53</b>	<b>135.57</b>

\*Investor Education and Protection Fund will be credited as and when due

The carrying values are considered to be a reasonable approximation of their fair values.

# Notes forming part of the Financial Statements

for the year ended 31 March 2020

## 21 Other liabilities

### (i) Other non-current liabilities

	As at 31 March 2020	As at 31 March 2019
Deferred income	11.65	10.80
	<b>11.65</b>	<b>10.80</b>

(₹ crores)

### (ii) Other current liabilities

	As at 31 March 2020	As at 31 March 2019
Advances received from customers	83.13	41.15
Advance against sale of property, plant and equipment	9.00	9.00
Payable to statutory authorities	30.41	32.91
Deferred income	24.55	22.84
Others	45.75	25.29
	<b>192.84</b>	<b>131.19</b>

(₹ crores)

## 22 Provisions

### (i) Non-current

	As at 31 March 2020	As at 31 March 2019
<b>Provision for employee benefits</b>		
Provision for compensated absences	15.89	13.82
Provision for pension	4.92	4.80
<b>Others</b>		
Provision for warranty	9.30	5.83
	<b>30.11</b>	<b>24.45</b>

(₹ crores)

### (ii) Current

	As at 31 March 2020	As at 31 March 2019
<b>Provision for employee benefits</b>		
Provision for gratuity	41.94	38.88
Provision for compensated absences	2.58	2.09
Provision for pension	0.65	0.67
<b>Others</b>		
Provision for claims	65.00	65.00
Provision for warranty	15.42	13.35
	<b>125.59</b>	<b>119.99</b>

(₹ crores)

# Notes forming part of the Financial Statements

for the year ended 31 March 2020

## Notes:

### 1 Information about individual provisions:

#### Provision for claims

During the year 2004-05, the Company sold its entire shareholding in Escorts Heart Institute and Research Center Limited (EHIRCL) vide Share Purchase Agreement (SPA) dated 25 September 2005. At the time of sale, EHIRCL had certain pending income-tax demands. For this purpose and in terms of said SPA, an amount of ₹ 64.99 crores had been kept under Escrow as fixed deposit by the Company, which after renewal(s) along with interest cumulatively amounts to ₹ 151.93 crores as on 31 March 2020 (31 March 2019: ₹ 142.68 crores). In accordance with the terms of said SPA, the Company has undertaken to indemnify the purchaser against the aforesaid tax demands arising on EHIRCL upon final adjudication in law, to the maximum extent of funds lying in the Escrow Account plus one-third of the remaining tax demand in excess of the balance in the Escrow Account or as may be finally settled between the parties. Correspondingly, a provision was created earlier on prudent basis to meet this liability, if and when the same arises, whose carrying value is ₹ 65.00 crores on 31 March 2020 (31 March 2019: ₹ 65.00 crores). The disputed tax demands on EHIRCL are presently reduced to Nil after the first appellate authority decided the disputed matters in the Company's favour and the appeals filed by Income Tax Department against the orders of first appellate authority have been dismissed. The income-tax department has now filed appeal(s) before Hon'ble Delhi High Court where these are pending.

#### Provision for warranty

The Company gives warranties on certain products and undertakes to repair or replace them if these fail to perform satisfactorily during the free warranty period. Such provision represents the amount of expected cost of meeting the obligations of such rectification/replacement. The timing of outflows is expected to be within a period of five years. The provision is based on estimates made from historical warranty data associated with similar products and services. The Company expects to incur the related expenditure over the future periods.

### 2 Movement in other provisions:

	(₹ crores)	
	Provision for claims	Provision for warranty
<b>Provision at 1 April 2018</b>	72.40	14.59
Additions during the year	-	14.79
Amount utilised during the year	(8.24)	(10.48)
Unwinding of discount and effect of change in discount rate	0.46	0.28
Exchange fluctuation	0.38	-
<b>Provision at 31 March 2019</b>	<b>65.00</b>	<b>19.18</b>
Additions during the year	-	16.44
Amount utilised during the year	-	(10.40)
Amounts reversed during the year	-	(1.13)
Unwinding of discount and effect of change in discount rate	-	0.63
<b>Provision at 31 March 2020</b>	<b>65.00</b>	<b>24.72</b>

### 3 For disclosures on employee benefits, refer note 40.

# Notes forming part of the Financial Statements

for the year ended 31 March 2020

## 23 Trade payables

	As at 31 March 2020	As at 31 March 2019
Acceptances	135.48	184.31
Trade payables		
- due to micro, small and medium enterprises (refer note 44)	80.25	32.98
- due to others	854.11	798.34
Other accrued liabilities	194.09	196.87
	<b>1,263.93</b>	<b>1,212.50</b>

(₹ crores)

The carrying values are considered to be a reasonable approximation of their fair values.

## 24 Revenue from operations

	Year ended 31 March 2020	Year ended 31 March 2019
<b>Operating revenue</b>		
Sale of products		
Export	250.65	221.46
Domestic	5,386.61	5,890.04
Sale of services	13.13	5.26
	<b>5,650.39</b>	<b>6,116.76</b>
<b>Other operating revenue</b>		
Sale of services	15.23	14.01
Export incentives	10.49	10.58
Scrap sales	28.96	30.28
Liabilities no longer required written back	38.83	21.79
Others	17.05	2.94
	<b>110.56</b>	<b>79.60</b>
	<b>5,760.95</b>	<b>6,196.36</b>

(₹ crores)

## 25 Other income

	Year ended 31 March 2020	Year ended 31 March 2019
<b>Interest from</b>		
Bank deposits	10.56	10.54
Other financial assets carried at amortised cost	32.09	23.16
Others	2.71	-
	<b>45.36</b>	<b>33.70</b>
<b>Other income</b>		
Gain on foreign currency transactions (net)	-	2.03
Lease rentals	3.06	1.80
Gain on fair valuation of investments carried at fair value through profit or loss (net)	36.59	33.64
Gain on disposal of property, plant and equipment (net)	1.39	1.53
Miscellaneous income	5.85	8.15
	<b>46.89</b>	<b>47.15</b>
	<b>92.25</b>	<b>80.85</b>

(₹ crores)



# Notes forming part of the Financial Statements

for the year ended 31 March 2020

## 26 Cost of materials consumed

	Year ended 31 March 2020	Year ended 31 March 2019
(₹ crores)		
<b>(i) Cost of material consumed</b>		
Opening stock	318.39	240.47
Purchases	3,445.87	4,118.19
	<b>3,764.26</b>	<b>4,358.66</b>
Closing stock	(313.80)	(318.39)
Less: cost of material consumed for discontinued operations	-	0.01
	<b>3,450.46</b>	<b>4,040.28</b>
<b>(ii) Changes in inventories of work-in-progress, stock-in-trade and finished goods</b>		
<b>Opening stock</b>		
Finished goods	367.30	176.41
Work-in-progress	35.07	36.52
Stock-in-trade	80.43	66.25
	<b>482.80</b>	<b>279.18</b>
<b>Closing stock</b>		
Finished goods	(366.46)	(367.30)
Work-in-progress	(43.48)	(35.07)
Stock-in-trade	(74.07)	(80.43)
	<b>(484.01)</b>	<b>(482.80)</b>
	<b>(1.21)</b>	<b>(203.62)</b>

## 27 Employee benefits expense

	Year ended 31 March 2020	Year ended 31 March 2019
(₹ crores)		
Salaries, wages and bonus	451.24	407.37
Share based payments to employees (refer note 41)	3.40	4.03
Post-employment and other long term benefits expense (refer note 40)	8.72	13.46
Contribution to provident and other funds (refer note 40)	18.94	17.19
Staff welfare	28.02	29.69
	<b>510.32</b>	<b>471.74</b>

## 28 Finance costs

	Year ended 31 March 2020	Year ended 31 March 2019
(₹ crores)		
Interest on		
Long term loans	0.13	2.42
Cash credit and short term loans	5.53	7.99
Lease liabilities	2.88	-
Others	0.12	0.26
Finance and bank charges	2.53	3.62
Unwinding of discount on provisions and financial liabilities carried at amortised cost	4.27	4.19
	<b>15.46</b>	<b>18.48</b>

# Notes forming part of the Financial Statements

for the year ended 31 March 2020

## 29 Depreciation and amortisation

	Year ended 31 March 2020	Year ended 31 March 2019
(₹ crores)		
<b>Depreciation on</b>		
Property, plant and equipment	84.87	71.09
Investment property	0.15	0.14
Right-of-use assets	5.16	-
<b>Amortisation on</b>		
Intangible assets	14.37	14.14
	<b>104.55</b>	<b>85.37</b>

## 30 Other expenses

	Year ended 31 March 2020	Year ended 31 March 2019
(₹ crores)		
Stores and spares consumed	41.88	48.84
Power, fuel and electricity	36.81	42.15
Repair and maintenance		
Building	8.36	10.55
Machinery	12.15	14.55
Others	26.89	27.42
Outsourcing expenses	25.01	36.28
Warranties and after sale service	38.63	36.43
Rent	5.10	10.55
Research and development expense on projects	6.04	6.60
Rates and taxes	2.84	2.66
Insurance	6.85	5.93
Traveling and conveyance	60.77	56.35
Postage and telephones	4.53	5.90
Manpower hiring on contract	108.60	106.71
Legal and professional (refer note 34)	69.08	56.47
Commission, discounts and sales incentive	7.57	10.13
Advertisement and promotional expenses	90.48	86.68
Royalty paid	28.25	30.58
Packing, freight and forwarding	84.00	103.62
Security charges	5.94	5.87
Printing and stationery	5.14	4.44
Director's sitting fees and commission	6.03	7.99
Corporate social responsibility (CSR) expenditure *	9.85	6.13
Provision for doubtful debts/advances and deposits	9.45	0.79
Bad debts and inventory written off	-	19.13
Less: Provision already held	-	(19.13)
Assets written off	0.35	1.08
Miscellaneous expenses	54.59	25.98
	<b>755.19</b>	<b>750.68</b>
<b>*CSR Expenditure</b>		
(i) Gross amount required to be spent by the Company during the year	9.80	5.92
(ii) Amount spent (in cash) during the year on:		
a) Construction/acquisition of any asset	-	-
b) For the purposes other than (a) above	9.85	6.13

# Notes forming part of the Financial Statements

for the year ended 31 March 2020

## 31 Exceptional items

	Year ended 31 March 2020	Year ended 31 March 2019
Income from transfer of assets under Business Transfer Agreement (refer note 45 (b))	-	10.91
Settlement of product liability matter (refer note 45 (e))	(9.22)	-
	<b>(9.22)</b>	<b>10.91</b>

## 32 Discontinued operations

### (i) Description

Pursuant to approval of the Board and execution of the Asset Purchase Agreement (Agreement) dated 11 August 2016, the Company had divested its OEM and Export business of its Auto Product Division. The said divestment became effective w.e.f. 6 December 2016 upon completion of defined actions and covenants as per the Agreement. The Company shall continue to pursue its sale of auto products in after market operations.

### (ii) Financial performance and cash flow information

	Year ended 31 March 2020	Year ended 31 March 2019
<b>Total income</b>	-	2.82
<b>Total expenses</b>	-	0.93
<b>Profit before exceptional items and tax</b>	-	1.89
Income tax expense	-	0.66
<b>Profit for the year from discontinued operations</b>	-	<b>1.23</b>

\*This includes income/expenses on providing/writing off/writing back various unrecoverable/unpayable amounts in respect to various items of inventories, trade receivables, other assets, trade payables and other liabilities

	Year ended 31 March 2020	Year ended 31 March 2019
Net cash outflow from operating activities	-	-
Net cash inflow from investing activities	-	-
Net cash outflow from financing activities	-	-
Net cash inflow/(outflow) from discontinued operation	-	-

## 33 Earnings per share (EPS)

	Year ended 31 March 2020	Year ended 31 March 2019
<b>Net profit from</b>		
Continuing operations	485.54	483.68
Discontinued operation	-	1.23
<b>Net profit for the year from continuing and discontinued operations</b>	<b>485.54</b>	<b>484.91</b>
Profit from continuing operations (A)	485.54	483.68
<b>Total shares issued</b>	<b>12,25,76,878</b>	<b>12,25,76,878</b>
less: shares reserved for issue under options held by Escorts Employees Benefit & Welfare Trust at the beginning of the year	30,74,512	30,74,512
<b>Weighted-average number of equity shares for basic EPS (B)</b>	<b>11,95,02,366</b>	<b>11,95,02,366</b>
Effect of dilution:		
Weighted average number of share options granted to employees*	-	-
<b>Weighted average number of equity shares adjusted for the effect of dilution (C)</b>	<b>11,95,02,366</b>	11,95,02,366

## Notes forming part of the Financial Statements

for the year ended 31 March 2020

	Year ended 31 March 2020	Year ended 31 March 2019
	(₹ crores)	
Basic EPS (Amount in ₹) (A/B)	40.63	40.48
Diluted EPS (Amount in ₹) (A/C)	40.63	40.48
Profit from discontinued operations (A)	-	1.23
<b>Weighted-average number of equity shares for basic EPS (B)</b>	<b>11,95,02,366</b>	<b>11,95,02,366</b>
Effect of dilution:		
Weighted average number of share options granted to employees*	-	-
<b>Weighted average number of equity shares adjusted for the effect of dilution (C)</b>	<b>11,95,02,366</b>	<b>11,95,02,366</b>
Basic EPS (Amount in ₹) (A/B)	-	0.10
Diluted EPS (Amount in ₹) (A/C)	-	0.10
Profit from continuing operations and discontinued operations (A)	485.54	484.91
<b>Weighted-average number of equity shares for basic EPS (B)</b>	<b>11,95,02,366</b>	<b>11,95,02,366</b>
Effect of dilution:		
Weighted average number of share options granted to employees*	-	-
<b>Weighted average number of equity shares adjusted for the effect of dilution (C)</b>	<b>11,95,02,366</b>	<b>11,95,02,366</b>
Basic EPS (Amount in ₹) (A/B)	40.63	40.58
<b>Diluted EPS (Amount in ₹) (A/C)</b>	<b>40.63</b>	<b>40.58</b>

\* Share options granted to employees (refer note 41) are not included in the calculation of diluted earnings per share because they are anti dilutive for the period(s) presented.

### 34 Legal and professional expenses includes payments to auditor

	Year ended 31 March 2020	Year ended 31 March 2019
	(₹ crores)	
<b>As Auditor:</b>		
Audit fee	1.00	1.00
Tax audit fee	0.10	0.10
Certification and other services	0.05	0.05
For reimbursement of expenses	0.06	0.06

### 35 Commitments and contingencies

	As at 31 March 2020	As at 31 March 2019
	(₹ crores)	
<b>A. Capital commitments</b>		
- Estimated amounts of contracts remaining to be executed on capital account and not provided for	205.27	190.21
- Letter of Credit/guarantees executed in favour of others	75.28	29.23
<b>B. Contingencies</b>		
<b>(i) Taxation related contingencies</b>		
Excise duty/ customs duty /service tax demands	463.52	460.42
Sales tax and other demands	48.75	75.72
Demand raised by income tax department, disputed by the Company and pending in appeal (refer note 1 below)	65.44	65.91
<b>(ii) Others</b>		
Cases under litigation relating to:		
- Personnel	4.61	4.52
- Others	17.20	29.89
<b>(iii) Claims not acknowledged as debts</b>	-	0.55
<b>(iv) Demand raised by Faridabad Municipal Corporation for external development charges where the Company is in litigation</b>	<b>2.38</b>	<b>2.38</b>

# Notes forming part of the Financial Statements

for the year ended 31 March 2020

## Notes:

- Contingencies for demand raised by income tax department, disputed by the Company and pending in appeal does not include Income tax cases pending w.r.t. Escorts Heart Institute and Research Center Limited since the amount is indeterminable (refer note 22 for details). Further the amount includes ₹ 32.17 crores (31 March 2019 ₹ 32.17 crores) in respect of matters which have been decided in favour of the Company, however the income tax department has preferred appeals at the next levels.
- 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. Penalties wherever quantified have been included.
- Pursuant to order dated 11 December 2014 passed by the Hon'ble Supreme Court of India, compensation amount for the general category allottees of plots in Sector-58, Ballabhgarh, Faridabad was enhanced @ ₹ 1,987 per square meter by the Chief Administrator HUDA, Panchkula and the same was intimated to Estate Officer, Haryana Urban Development Authority (HUDA), Faridabad. Accordingly, a demand was raised by HUDA on the Company for its land at Sector-58 admeasuring about 40 acres. Being aggrieved by the arbitrary action of Chief Administrator HSVP (Haryana Shahari Vikas Pradhikaran), Panchkula, "The Faridabad Industries Association" filed a Civil Writ Petition before the Hon'ble High Court of Punjab & Haryana at Chandigarh whereby the court passed direction for recalculation of enhancement demands to be raised. In view of the directions as passed by the Hon'ble High Court of Punjab & Haryana at Chandigarh, an Instruction no. 58 has been passed by HSVP, Panchkula for recalculation of enhancement fees. In spite of the said directions, the Company received a demand from the Estate Officer, HSVP for a sum of ₹ 37.61 crores without any basis for the same. The Company is awaiting the fresh demand after recalculation for taking further appropriate action.

## 36 Loss from agricultural business:

	Year ended 31 March 2020	Year ended 31 March 2019
Expenses	0.29	0.27
Sales and other income	-	-
Net loss from agricultural activities	<b>(0.29)</b>	<b>(0.27)</b>

## 37 Research and development

- Research and development costs on in house R&D centers amounting to ₹ 129.33 crores (31 March 2019: ₹ 111.25 crores) were incurred during the year.

	Tractor		Construction equipment	
	31 March 2020	31 March 2019	31 March 2020	31 March 2019
Cost of materials consumed	2.32	8.29	0.06	0.02
Employee benefits expense	57.22	50.13	9.83	6.69
Other expenses	35.55	25.40	1.78	1.69
Depreciation	20.58	17.08	1.99	1.95
<b>Total</b>	<b>115.67</b>	<b>100.90</b>	<b>13.66</b>	<b>10.35</b>

# Notes forming part of the Financial Statements

for the year ended 31 March 2020

(ii) Assets purchased/capitalised for research and development centers\*:

Description	(₹ crores)	
	R & D Centre (Tractors)	R&D Centre (Construction Equipment)
<b>Gross carrying amount</b>		
<b>As at 1 April 2018</b>	<b>263.42</b>	<b>11.40</b>
Additions	21.29	2.00
Disposals	(4.37)	(0.01)
<b>As at 31 March 2019</b>	<b>280.34</b>	<b>13.39</b>
Additions	33.75	3.65
Disposals	(3.99)	(0.72)
<b>As at 31 March 2020</b>	<b>310.10</b>	<b>16.32</b>
<b>Accumulated depreciation and amortisation</b>		
<b>As at 1 April 2018</b>	<b>92.99</b>	<b>6.66</b>
Depreciation and amortisation for the year	17.08	1.95
Disposals	(4.28)	-
<b>As at 31 March 2019</b>	<b>105.79</b>	<b>8.61</b>
Depreciation and amortisation for the year	20.58	1.99
Disposals	(3.91)	(0.54)
<b>As at 31 March 2020</b>	<b>122.46</b>	<b>10.06</b>
<b>Net carrying amount as at 31 March 2019</b>	<b>174.55</b>	<b>4.78</b>
<b>Net carrying amount as at 31 March 2020</b>	<b>187.64</b>	<b>6.26</b>

\* Exclude capital advance/capital work-in-progress

(iii) Expenses on research and development as percentage to gross turnover is:

	31 March 2020	31 March 2019
Tractor	2.05%	1.65%
Construction equipment	0.24%	0.17%

## 38 Financial Instruments

### A Financial assets and liabilities

The carrying amounts of financial instruments by category are as follows:

	Note	As at 31 March 2020	As at 31 March 2019
<b>Financial assets measured at fair value</b>			
Investments measured at			
Fair value through other comprehensive income	7 (i)	0.34	0.58
Fair value through profit and loss	7 (ii)	638.28	391.09
<b>Financial assets measured at amortised cost</b>			
Trade receivables	13	756.52	931.96
Loans	8	23.30	10.91
Cash and cash equivalents	14	164.81	85.80
Other bank balances	15	153.67	144.27
Other financial assets	9	20.86	14.48
<b>Total</b>		<b>1,757.78</b>	<b>1,579.09</b>
<b>Financial liabilities measured at amortised cost</b>			
Borrowings	19, 20 (ii)	6.65	276.89
Trade payables	23	1,263.93	1,212.50
Lease liabilities	42	27.50	-
Other financial liabilities	20	143.44	145.39
<b>Total</b>		<b>1,441.52</b>	<b>1,634.78</b>

Investment in subsidiaries, joint ventures and associates are measured at cost as per Ind AS 27, 'Separate financial statements' and hence, not presented here.

# Notes forming part of the Financial Statements

for the year ended 31 March 2020

## B Fair values hierarchy

The fair value of financial instruments as referred to in note (A) above has been classified into three categories depending on the inputs used in the valuation technique. The hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities [Level 1 measurements] and lowest priority to unobservable inputs [Level 3 measurements].

The categories used are as follows:

**Level 1:** Quoted prices for identical instruments in an active market;

**Level 2:** Directly (i.e. as prices) or indirectly (i.e. derived from prices) observable market inputs, other than Level 1 inputs; and

**Level 3:** Inputs which are not based on observable market data (unobservable inputs). Fair values are determined in whole or in part using a net asset value or valuation model based on assumptions that are neither supported by prices from observable current market transactions in the same instrument nor are they based on available market data.

### B.1 Financial assets and liabilities measured at fair value - recurring fair value measurements

	(₹ crores)			
As at 31 March 2020	Level 1	Level 2*	Level 3	Total
<b>Assets at fair value</b>				
Investments measured at				
Fair value through other comprehensive income	0.34	-	-	0.34
Fair value through profit and loss	638.28	-	-	638.28

	(₹ crores)			
As at 31 March 2019	Level 1	Level 2*	Level 3	Total
<b>Assets at fair value</b>				
Investments measured at				
Fair value through other comprehensive income	0.58	-	-	0.58
Fair value through profit and loss	391.09	-	-	391.09

\* The Company has derivative liability which is valued using forward exchange rates as at the reporting date. The numbers are immaterial when rounded off to crores, hence not presented here.

#### a. Valuation process and technique used to determine fair value

- (i) The fair value of quoted equity shares is based on the current bid price of respective investment as at the balance sheet date.
- (ii) The fair value of investments in mutual fund units is based on the net asset value (NAV) as stated by the issuers of these mutual fund units in the published statements as at the Balance Sheet date. NAV represents the price at which the issuer will issue further units of mutual fund and the price at which issuers will redeem such units from the investors.

#### b. The following table presents the changes in level 3 items for the periods ended 31 March 2020 and 31 March 2019:

	(₹ crores)
Particulars	Unquoted equity shares
<b>As at 1 April 2018</b>	<b>47.54</b>
Gain recognised in other comprehensive income	4.21
Investments sold during the year (refer note 7 for details)	(50.08)
Investments classified as held for sale during the year (refer note 16 for details)	(1.67)
<b>As at 31 March 2019</b>	<b>-</b>
Investments classified as held for sale during the year	-
<b>As at 31 March 2020</b>	<b>-</b>

## Notes forming part of the Financial Statements

for the year ended 31 March 2020

### B.2 Fair value of instruments measured at amortised cost

Fair value of instruments measured at amortised cost for which fair value is disclosed is as follows, these fair values are calculated using Level 3 inputs:

As at 31 March 2020	(₹ crores)	
	Carrying value	Fair value
Loans given	6.49	6.53
Security deposits received	19.96	22.56
Lease liabilities	27.50	28.74

As at 31 March 2019	(₹ crores)	
	Carrying value	Fair value
Loans given	5.40	5.41
Security deposits received	17.33	18.65

The management assessed that fair values of current loans, other current financial assets, cash and cash equivalents, other bank balances, trade receivables, short term borrowings, trade payables and other current financial liabilities approximate their respective carrying amounts largely due to the short-term maturities of these instruments. The fair value of the financial assets and liabilities is included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. The following methods and assumptions were used to estimate the fair values:

- (i) Long-term fixed-rate receivables are evaluated by the Company based on parameters such as interest rates, individual creditworthiness of the customer and other market risk factors.
- (ii) The fair values of the Company's fixed interest-bearing receivables and lease liabilities are determined by applying discounted cash flows ('DCF') method, using discount rate that reflects the issuer's borrowing rate as at the end of the reporting period. The own non-performance risk as at 31 March 2020 was assessed to be insignificant.
- (iii) All the other long term borrowing facilities availed by the Company are variable rate facilities which are subject to changes in underlying interest rate indices. Further, the credit spread on these facilities are subject to change with changes in Company's creditworthiness. The management believes that the current rate of interest on these loans are in close approximation from market rates applicable to the Company. Therefore, the management estimates that the fair value of these borrowings are approximate to their respective carrying values.

### C Financial Risk Management Risk Management

The Company's activities expose it to market risk, liquidity risk and credit risk. The Company's Board of Directors has overall responsibility for the establishment and oversight of the Company's risk management framework. This note explains the sources of risk which the entity is exposed to and how the entity manages the risk and the related impact in the financial statements.

Risk	Exposure arising from	Measurement	Management
Credit risk	Cash and cash equivalents, trade receivables, financial assets measured at amortised cost	Ageing analysis	Bank deposits, diversification of asset base, credit limits and collateral.
Liquidity risk	Borrowings and other liabilities	Rolling cash flow forecasts	Availability of committed credit lines and borrowing facilities
Market risk - foreign exchange	Recognised financial assets and liabilities not denominated in Indian rupee (INR)	Cash flow forecasting	Forward contract/hedging, if required
Market risk - interest rate	Long-term borrowings at variable rates	Sensitivity analysis	Negotiation of terms that reflect the market factors
Market risk - security price	Investments in equity securities	Sensitivity analysis	Diversification of portfolio, with focus on strategic investments



# Notes forming part of the Financial Statements

for the year ended 31 March 2020

The Company's risk management is carried out by a central treasury department (of the Company) under policies approved by the Board of Directors. The Board of Directors provides written principles for overall risk management, as well as policies covering specific areas, such as foreign exchange risk, interest rate risk, credit risk and investment of excess liquidity.

## C.1 Credit risk

Credit risk is the risk that a counterparty fails to discharge its obligation to the Company. The Company's exposure to credit risk is influenced mainly by cash and cash equivalents, trade receivables and other financial assets measured at amortised cost. The Company continuously monitors defaults of customers and other counterparties and incorporates this information into its credit risk controls.

### a) Credit risk management

The Company assesses and manages credit risk based on internal credit rating system. Internal credit rating is performed for each class of financial instruments with different characteristics. The Company assigns the following credit ratings to each class of financial assets based on the assumptions, inputs and factors specific to the class of financial assets.

- (i) Low credit risk
- (ii) Moderate credit risk
- (iii) High credit risk

Based on business environment in which the Company operates, a default on a financial asset is considered when the counter party fails to make payments within the agreed time period as per contract. Loss rates reflecting defaults are based on actual credit loss experience and considering differences between current and historical economic conditions.

Assets are written off when there is no reasonable expectation of recovery, such as a debtor declaring bankruptcy or a litigation decided against the Company. The Company continues to engage with parties whose balances are written off and attempts to enforce repayment. Recoveries made are recognised in statement of profit and loss.

The Company provides for expected credit loss based on the following:

Basis of categorisation	Asset class exposed to credit risk	Provision for expected credit loss
Low credit risk	Cash and cash equivalents, other bank balances, loans and other financial assets	12 month expected credit loss
Moderate credit risk	Other financial assets	Other financial assets-12 month expected credit loss, unless credit risk has increased significantly since initial recognition, in which case allowance is measured at lifetime expected credit loss.
High credit risk	Other financial assets	Other financial assets - Life time expected credit loss (when there is significant deterioration) or specific provision, whichever is higher.

In respect of trade receivables that result from contracts with customers, loss allowance is always measured at lifetime expected credit losses

*Financial assets (other than trade receivables) that expose the entity to credit risk\* –*

	As at 31 March 2020	As at 31 March 2019
<b>Low credit risk on financial reporting date</b>		
Loans	23.30	10.91
Cash and cash equivalents	164.81	85.80
Other bank balances	153.67	144.27
Other financial assets	20.86	14.48

\*These represent carrying values of financial assets, without deduction for expected credit losses

## Notes forming part of the Financial Statements

for the year ended 31 March 2020

### Cash and cash equivalents and bank deposits

Credit risk related to cash and cash equivalents and bank deposits is managed by only accepting highly rated banks and diversifying bank deposits and accounts in different banks across the country.

### Trade receivables

Credit risk related to trade receivables are mitigated by taking bank guarantees/letter of credit from customers where credit risk is high and taking insurance cover for receivables. The Company closely monitors the credit-worthiness of the debtors through internal systems that are configured to define credit limits of customers, thereby, limiting the credit risk to pre-calculated amounts. In case of trade receivables, default is considered to have occurred when amounts receivable become one year past due.

### Other financial assets measured at amortised cost

Other financial assets measured at amortised cost includes loans and advances to employees, security deposits and others. Credit risk related to these other financial assets is managed by monitoring the recoverability of such amounts continuously, while at the same time internal control system are in place ensure the amounts are within defined limits.

#### b) Expected credit losses for financial assets

##### i) Financial assets (other than trade receivables)

Company provides for expected credit losses on loans and advances other than trade receivables by assessing individual financial instruments for expectation of any credit losses.

- For cash & cash equivalents and other bank balances - Since the Company deals with only high-rated banks and financial institutions, credit risk in respect of cash and cash equivalents, other bank balances and bank deposits is evaluated as very low.
- For loans comprising security deposits paid - Credit risk is considered low because the Company is in possession of the underlying asset.
- For other financial assets - Credit risk is evaluated based on Company's knowledge of the credit worthiness of those parties and loss allowance is measured. Since this category includes loans and receivables of varied natures and purpose, there is no trend that the Company can draw to apply consistently to entire population. For such financial assets, the Company's policy is to provide for 12 month expected credit losses upon initial recognition and provide for lifetime expected credit losses upon significant increase in credit risk. The Company does not have any expected loss based impairment recognised on such assets.

##### ii) Expected credit loss for trade receivables under simplified approach

The Company recognises lifetime expected credit losses on trade receivables using a simplified approach, wherein Company has defined percentage of provision by analysing historical trend of default (net of any recoveries from the insurance companies) relevant to each business segment based on the criteria defined above and such provision percentage determined have been considered to recognise life time expected credit losses on trade receivables (other than those where default criteria are met in which case the full expected loss against the amount recoverable is provided for). Trade receivables amounting to ₹ 56.80 crores (31 March 2019: 87.27 crores) are secured by way of security deposits from customer and letter of credit issued by banks. The letter of credit are issued by reputable banks and their credit risk is assessed to be low.

### 31 March 2020

#### Agri machinery

Ageing						(₹ crores)
	0-90 days	91-180 days	181-270 days	271-365 days	More than 365 days	Total
Gross carrying amount- trade receivables	439.62	46.56	17.28	10.77	36.68	550.91
Expected loss rate	0.50%	5.0%	8.4%	9.1%	43.0%	
Expected credit loss allowance (net of expected recoveries under insurance contracts)	2.18	2.35	1.45	0.98	15.77	22.73

# Notes forming part of the Financial Statements

for the year ended 31 March 2020

## Construction equipment

							(₹ crores)
Ageing	0-90 days	91-180 days	181-270 days	271-365 days	More than 365 days	Total	
Gross carrying amount- trade receivables	108.86	6.86	1.05	1.09	22.49	140.35	
Expected loss rate	0.73%	11.66%	39.05%	86.24%	98.27%		
Expected credit loss allowance (net of expected recoveries under insurance contracts)	0.79	0.80	0.41	0.94	22.10	25.04	

## 31 March 2019

### Agri machinery

							(₹ crores)
Ageing	Not Due	0-90 days past due	91-180 days past due	181-270 days past due	271-365 days past due	More than 365 days past due	Total
Gross carrying amount- trade receivables	545.74	60.08	72.16	15.61	1.72	10.25	705.56
Expected loss rate	0.02%	0.47%	1.38%	2.16%	37.11%	100.0%	
Expected credit loss allowance (net of expected recoveries under insurance contracts)	0.11	0.28	0.99	0.34	0.64	10.25	12.61

## Construction equipment

							(₹ crores)
Ageing	Not Due	0-90 days past due	91-180 days past due	181-270 days past due	271-365 days past due	More than 365 days past due	Total
Gross carrying amount- trade receivables	139.46	21.30	7.60	1.64	1.72	19.73	191.45
Expected loss rate	0.48%	5.11%	23.53%	42.30%	68.33%	100.00%	
Expected credit loss allowance (net of expected recoveries under insurance contracts)	0.67	1.09	1.79	0.69	1.17	19.73	25.14

	As at 31 March 2020			As at 31 March 2019		
	Auto products*	Railway products	Others	Auto products*	Railway products	Others
Historical loss rate on sales during the year	-	0.67%	-	-	0.59%	-
Loss allowance provision on the sales	-	0.61	0.32	-	2.28	0.25
Loss allowance provision on the debtors outstanding more than one year	4.30	2.01	-	4.30	4.23	-

The Company estimates loss allowance provision for the railway products division at 100% for the debtors (other than government) outstanding more than one year as at the reporting date and historical loss rate on the sales made during the year.

\* Auto products business was discontinued and all assets & liabilities were transferred under a sale agreement executed in FY 2016-17 (refer note 32), except certain receivables and other assets which remained with the Company.

## Notes forming part of the Financial Statements

for the year ended 31 March 2020

### Reconciliation of loss allowance provision from beginning to end of reporting period:

	(₹ crores)	
Reconciliation of loss allowance	Trade receivables	Other financial assets
Loss allowance on 1 April 2018	59.19	2.93
Loss allowance written back	(10.37)	(2.93)
Loss allowance on 31 March 2019	48.82	-
Loss allowance created	6.19	-
Loss allowance on 31 March 2020	55.01	-

### C.2 Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Company's approach to managing liquidity is to ensure as far as possible, that it will have sufficient liquidity to meet its liabilities when they are due.

Management monitors rolling forecasts of the Company's liquidity position and cash and cash equivalents on the basis of expected cash flows. The Company takes into account the liquidity of the market in which the entity operates.

#### a) Financing arrangements

The Company had access to the following undrawn borrowing facilities at the end of the reporting period:

Floating rate	31 March 2020	31 March 2019
- Expiring within one year (cash credit and other facilities)	543.40	206.00
- Expiring beyond one year (bank loans)	-	-
	543.40	206.00

The cash credit and other facilities may be drawn at any time and may be terminated by the bank without notice. For long term borrowings, there were no undrawn facilities as at 31 March 2020.

The tables below analyse the Company's financial liabilities into relevant maturity groupings based on their contractual maturities.

The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant

	(₹ crores)				
31 March 2020	Less than 1 year	1-2 year	2-3 year	More than 3 years	Total
<b>Non-derivatives</b>					
Borrowings	6.65	-	-	-	6.65
Lease liabilities	6.05	5.60	5.12	22.28	39.05
Trade payable	1,263.93	-	-	-	1,263.93
Security deposits	0.69	-	-	30.16	30.85
Other financial liabilities	122.79	-	-	-	122.79
<b>Total</b>	<b>1,400.11</b>	<b>5.60</b>	<b>5.12</b>	<b>52.44</b>	<b>1,463.27</b>

	(₹ crores)				
31 March 2019	Less than 1 year	1-2 year	2-3 year	More than 3 years	Total
<b>Non-derivatives</b>					
Borrowings	276.74	0.03	-	-	276.77
Finance lease obligation	0.01	0.01	0.01	1.03	1.06
Trade payable	1,212.50	-	-	-	1,212.50
Security deposits	0.85	-	-	27.02	27.87
Other financial liabilities	127.21	-	-	-	127.21
<b>Total</b>	<b>1,617.31</b>	<b>0.04</b>	<b>0.01</b>	<b>28.05</b>	<b>1,645.41</b>

# Notes forming part of the Financial Statements

for the year ended 31 March 2020

## C.3 Market risk

### a) Foreign currency risk

The Company is exposed to foreign exchange risk arising from foreign currency transactions, primarily with respect to the US Dollar, EURO, GBP and JPY. Foreign exchange risk arises from recognised assets and liabilities denominated in a currency that is not the functional currency of the Company. Considering the volume of foreign currency transactions, the Company has taken forward contracts to manage its exposure. The Company does not use forward contracts and swaps for speculative purposes.

#### (i) Foreign currency risk exposure in USD:

The Company's exposure to foreign currency risk at the end of the reporting period expressed in ₹, are as follows

Particulars	(₹ crores)	
	31 March 2020	31 March 2019
Financial assets	23.22	15.56
Financial liabilities	16.13	9.06
<b>Net exposure to foreign currency risk (liabilities)</b>	<b>7.09</b>	<b>6.50</b>

#### Sensitivity

The sensitivity of profit or loss and equity to changes in the exchange rates arises mainly from foreign currency denominated financial instruments.

Particulars	(₹ crores)	
	31 March 2020	31 March 2019
<b>USD sensitivity</b>		
INR/USD- increase by 5.45% (31 March 2019 - 6.82%)*	0.29	0.29
INR/USD- decrease by 5.45% (31 March 2019 - 6.82%)*	(0.29)	(0.29)

\* Holding all other variables constant

#### (ii) Foreign currency risk exposure in EURO:

The Company's exposure to foreign currency risk at the end of the reporting period expressed in ₹, are as follows:

Particulars	(₹ crores)	
	31 March 2020	31 March 2019
Financial assets	52.22	23.29
Financial liabilities	12.34	10.96
<b>Net exposure to foreign currency risk (liabilities)</b>	<b>39.88</b>	<b>12.33</b>

\* Holding all other variables constant

#### Sensitivity

The sensitivity of profit or loss and equity to changes in the exchange rates arises mainly from foreign currency denominated financial instruments.

Particulars	(₹ crores)	
	31 March 2020	31 March 2019
<b>EURO sensitivity</b>		
INR/EURO- increase by 7.57% (31 March 2019 - 7.26%)*	2.26	0.58
INR/EURO- decrease by 7.57% (31 March 2019 - 7.26%)*	(2.26)	(0.58)

#### (iii) Foreign currency risk exposure in JPY:

The Company's exposure to foreign currency risk at the end of the reporting period expressed in ₹, are as follows

Particulars	(₹ crores)	
	31 March 2020	31 March 2019
Financial assets	-	-
Financial liabilities	6.11	0.05
<b>Net exposure to foreign currency risk (liabilities)</b>	<b>(6.11)</b>	<b>(0.05)</b>

## Notes forming part of the Financial Statements

for the year ended 31 March 2020

### Sensitivity

The sensitivity of profit or loss and equity to changes in the exchange rates arises mainly from foreign currency denominated financial instruments.

Particulars	(₹ crores)	
	31 March 2020	31 March 2019
<b>JPY sensitivity</b>		
INR/JPY- increase by 10.65% (31 March 2019 - 5%)*	(0.49)	-
INR/JPY- decrease by 10.65% (31 March 2019 - 5%)*	0.49	-

\* Holding all other variables constant

#### (iv) Foreign currency risk exposure in GBP:

The Company's exposure to foreign currency risk at the end of the reporting period expressed in ₹, are as follows

Particulars	(₹ crores)	
	31 March 2020	31 March 2019
Financial assets	-	-
Financial liabilities	0.08	0.08
<b>Net exposure to foreign currency risk (liabilities)</b>	<b>(0.08)</b>	<b>(0.08)</b>

### Sensitivity

The sensitivity of profit or loss and equity to changes in the exchange rates arises mainly from foreign currency denominated financial instruments.

Particulars	(₹ crores)	
	31 March 2020	31 March 2019
<b>GBP sensitivity</b>		
INR/GBP- increase by 10.26% (31 March 2019 - 8.82%)*	(0.01)	-
INR/GBP- decrease by 10.26% (31 March 2019 - 8.82%)*	0.01	-

\* Holding all other variables constant

#### b) Interest rate risk

##### ij) Liabilities

The Company's policy is to minimise interest rate cash flow risk exposures on external financing. At 31 March 2020 and 31 March 2019, the Company is exposed to changes in interest rates through bank borrowings carrying variable interest rates. The Company's investments in fixed deposits carry fixed interest rates.

#### Interest rate risk exposure

Below is the overall exposure of the Company to interest rate risk:

Particulars	(₹ crores)	
	31 March 2020	31 March 2019
Variable rate borrowing	-	134.51
Fixed rate borrowing	6.65	142.38
<b>Total borrowings</b>	<b>6.65</b>	<b>276.89</b>
<b>Amount disclosed under other current financial liabilities</b>	<b>0.05</b>	<b>7.51</b>
<b>Amount disclosed under borrowings</b>	<b>6.60</b>	<b>269.38</b>

### Sensitivity

Below is the sensitivity of profit or loss and equity in interest rates.

Particulars	(₹ crores)	
	As at 31 March 2020	As at 31 March 2019
<b>Interest sensitivity*</b>		
Interest rates – increase by 100 basis points (100 bps)	-	0.88
Interest rates – decrease by 100 basis points (100 bps)	-	(0.88)

\* Holding all other variables constant

# Notes forming part of the Financial Statements

for the year ended 31 March 2020

## ii) Assets

The Company's fixed deposits are carried at amortised cost and are fixed rate deposits. They are therefore not subject to interest rate risk as defined in Ind AS 107, since neither the carrying amount nor the future cash flows will fluctuate because of a change in market interest rates.

## c) Price risk

### i) Exposure

The Company's exposure to price risk arises from investments held and classified in the balance sheet either as fair value through other comprehensive income or at fair value through profit or loss. To manage the price risk arising from investments, the Company diversifies its portfolio of assets.

### ii) Sensitivity

The table below summarises the impact of increases/decreases of the index on the Company's equity and profit for the period:

#### Impact on profit after tax

Particulars	(₹ crores)	
	31 March 2020	31 March 2019
<b>Mutual funds</b>		
Net assets value – increase by 100 bps (100bps)	4.78	2.54
Net assets value – decrease by 100 bps (100bps)	(4.78)	(2.54)

#### Impact on other comprehensive income after tax

Particulars	(₹ crores)	
	31 March 2020	31 March 2019
<b>Quoted equity instruments</b>		
Market price – increase by 500 bps (500bps)	0.02	0.03
Market price – decrease by 500 bps (500bps)	(0.02)	(0.03)

## 39 Capital management

The Company's capital management objectives are

- to ensure the Company's ability to continue as a going concern
- to provide an adequate return to shareholders

The Company monitors capital on the basis of the carrying amount of equity less cash and cash equivalents as presented on the face of balance sheet.

Management assesses the Company's capital requirements in order to maintain an efficient overall financing structure while avoiding excessive leverage. This takes into account the subordination levels of the Company's various classes of debt. The Company manages the capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares, or sell assets to reduce debt.

### (a) Debt equity ratio

Particulars	(₹ crores)	
	31 March 2020	31 March 2019
Net debts	-	-
Total equity	3,480.08	3,022.86
<b>Net debt to equity ratio</b>	<b>0%</b>	<b>0%</b>

## Notes forming part of the Financial Statements

for the year ended 31 March 2020

### (b) Dividends

Particulars	(₹ crores)	
	31 March 2020	31 March 2019
<b>(i) Equity shares</b>		
Final dividend for the year ended 31 March 2019 of ₹ 2.5 per share (excluding tax)	22.22	-
Final dividend for the year ended 31 March 2018 of ₹ 2.0 per share (excluding tax)	-	24.52
<b>(ii) Dividends proposed</b>		
In addition to the above, dividends, if any recommended by the Board of Directors post end of relevant reporting year shall be accrued and distributed in the year of approval in annual general meeting.	30.65	30.65

## 40 Employee benefits

### A Gratuity

The Company provides for gratuity for employees in India as per the Payment of Gratuity Act, 1972. Employees who are in continuous service for a period of 5 years are eligible for gratuity. The amount of gratuity payable on retirement/termination is the employee's last drawn basic salary per month computed proportionately for 15 days multiplied by the number of years of service.

#### (i) Amount recognised in the balance sheet is as under:

	31 March 2020		31 March 2019	
	Current	Non-current	Current	Non-current
<b>Gratuity:</b>				
Present value of defined benefit obligation	82.84	-	77.77	-
Fair value of plan assets	40.90	-	38.89	-
<b>Net value of defined benefit obligation</b>	<b>41.94</b>	<b>-</b>	<b>38.88</b>	<b>-</b>

#### (ii) Amount recognised in the statement of profit and loss is as under:

Description	(₹ crores)	
	31 March 2020	31 March 2019
Current service cost	5.40	4.52
Net interest cost	2.90	3.52
<b>Net impact on profit (before tax)</b>	<b>8.30</b>	<b>8.04</b>
<b>Continuing operations</b>	<b>8.30</b>	<b>8.04</b>
<b>Discontinued operations</b>	<b>-</b>	<b>-</b>
<b>Amount recognised in the other comprehensive income</b>		
Actuarial loss recognised during the year (Continuing operations)	6.49	1.74
<b>Impact on total comprehensive income</b>	<b>14.79</b>	<b>9.78</b>

#### (iii) Movement in the present value of defined benefit obligation recognised in the balance sheet is as under:

Description	(₹ crores)	
	31 March 2020	31 March 2019
<b>Present value of defined benefit obligation as at the start of the year</b>	<b>77.77</b>	<b>81.93</b>
Current service cost	5.40	4.52
Interest cost	5.95	6.33
Actuarial loss/(gain) recognised during the year	6.22	1.74
Benefits paid	(12.50)	(16.75)
<b>Present value of defined benefit obligation as at the end of the year</b>	<b>82.84</b>	<b>77.77</b>



# Notes forming part of the Financial Statements

for the year ended 31 March 2020

## (iv) Movement in the plan assets recognised in the balance sheet is as under:

Description	(₹ crores)	
	31 March 2020	31 March 2019
<b>Fair value of plan assets at beginning of year</b>	<b>38.89</b>	<b>36.42</b>
Expected return on plan assets	3.05	2.80
Employer's contribution	11.73	16.42
Benefits paid	(12.50)	(16.74)
Actuarial gain/(loss) on plan assets	(0.27)	(0.01)
<b>Fair value of plan assets at the end of the year</b>	<b>40.90</b>	<b>38.89</b>
Actual return on plan assets	2.78	2.80

## (v) Breakup of actuarial (gain)/loss:

Description	(₹ crores)	
	31 March 2020	31 March 2019
Actuarial (gain)/loss on arising from change in demographic assumption	(0.01)	-
Actuarial (gain)/loss on arising from change in financial assumption	4.12	0.35
Actuarial (gain)/loss on arising from experience adjustment	2.38	1.39
<b>Total actuarial (gain)/loss</b>	<b>6.49</b>	<b>1.74</b>

## (vi) Actuarial assumptions

Description	(₹ crores)	
	31 March 2020	31 March 2019
Discount rate	6.80%	7.65%
Future salary increase	5.00%	5.00%
Expected average remaining working lives of employees (years)	19.19	18.50

Gratuity is payable to the employees on death or resignation or on retirement at the attainment of superannuation age. To provide for these eventualities, the Actuary has used Indian Assured Lives Mortality (2006-08) Ultimate table.

These assumptions were developed by management with the assistance of independent actuarial appraisers. Discount factors are determined close to each year-end by reference to government bonds and that have terms to maturity approximating to the terms of the related obligation. Other assumptions are based on management's historical experience.

## (vii) Sensitivity analysis for gratuity liability

Description	(₹ crores)	
	31 March 2020	31 March 2019
<b>Impact of the change in discount rate</b>		
Present value of obligation at the end of the year	82.84	77.77
- Impact due to increase of 0.50 %	(2.34)	(2.07)
- Impact due to decrease of 0.50 %	2.50	2.22
<b>Impact of the change in salary increase</b>		
Present value of obligation at the end of the year	82.84	77.77
- Impact due to increase of 0.50 %	2.53	2.23
- Impact due to decrease of 0.50 %	(2.39)	(2.13)

The above sensitivity analysis are based on a change in an assumption while holding all other assumptions constant. In practice, this is unlikely to occur and changes in some of the assumptions may be correlated. When calculating the sensitivity of the defined benefit obligation to significant actuarial assumptions the same method (present value of the defined benefit obligation calculated with the projected unit credit method at the end of the reporting period) has been applied which was applied while calculating the defined benefit obligation recognised in the balance sheet.

The methods and types of assumptions used in preparing the sensitivity analysis did not change compared to prior period.

## Notes forming part of the Financial Statements

for the year ended 31 March 2020

### (viii) Maturity profile of defined benefit obligation

Description	(₹ crores)	
	31 March 2020	31 March 2019
Within next 12 months	12.60	10.19
Between 1-5 years	32.57	11.08
Beyond 5 years	37.67	56.50

### (ix) Category of plan assets:

Particulars	(₹ crores)	
	31 March 2020	31 March 2019
LIC of India - Group Gratuity Cash Accumulation Fund	40.26	38.64
Others	0.64	0.25
<b>Total</b>	<b>40.90</b>	<b>38.89</b>

(x) The Company expects to contribute ₹ 7 crores (previous year ₹ 8.11 crores) to its gratuity plan for the next year.

### B Compensated absences (unfunded)

The leave obligations cover the Company's liability for sick and earned leaves. The Company does not have an unconditional right to defer settlement for the obligation shown as current provision balance above. However based on past experience, the Company does not expect all employees to take the full amount of accrued leave or require payment within the next 12 months, therefore based on the independent actuarial report, only a certain amount of provision has been presented as current and remaining as non-current. Amount of ₹ 7.32 crores (previous year: ₹ 5.96 crores) has been recognised in the statement of profit and loss.

Particulars	31 March 2020		31 March 2019	
	(₹ crores)			
	Current	Non-current	Current	Non-current
Compensated absences (unfunded)	2.58	15.89	2.09	13.82

### C Pension

Particulars	31 March 2020		31 March 2019	
	(₹ crores)			
	Current	Non-current	Current	Non-current
Pension	0.65	4.92	0.67	4.80

### (i) Amount recognised in the balance sheet is as under:

Particulars	31 March 2020		31 March 2019	
	(₹ crores)			
	Current	Non-current	Current	Non-current
<b>Pension:</b>				
Present value of defined benefit obligation	0.65	4.92	0.67	4.80
Fair value of plan assets	-	-	-	-
<b>Net value of defined benefit obligation</b>	<b>0.65</b>	<b>4.92</b>	<b>0.67</b>	<b>4.80</b>

# Notes forming part of the Financial Statements

for the year ended 31 March 2020

## (ii) Amount recognised in the statement of profit and loss is as under:

Description	(₹ crores)	
	31 March 2020	31 March 2019
Current service cost	-	-
Past service cost including curtailment gains/losses	-	5.79
Net interest cost	0.42	0.45
<b>Net impact on profit (before tax)</b>	<b>0.42</b>	<b>6.24</b>
<b>Continuing operations</b>	<b>0.42</b>	<b>5.56</b>
<b>Discontinued operations</b>	<b>-</b>	<b>0.68</b>
<b>Amount recognised in the other comprehensive income</b>		
Actuarial loss/(gain) recognised during the year (Continuing operations)	0.43	-
<b>Impact on total comprehensive income</b>	<b>0.85</b>	<b>6.24</b>

## (iii) Movement in the present value of defined benefit obligation recognised in the balance sheet is as under:

Description	(₹ crores)	
	31 March 2020	31 March 2019
<b>Present value of defined benefit obligation as at the start of the year</b>	<b>5.47</b>	<b>-</b>
Current service cost	-	-
Past service cost	-	5.79
Interest cost	0.42	0.45
Actuarial loss/(gain) recognised during the year	0.43	-
Benefits paid	(0.75)	(0.77)
<b>Present value of defined benefit obligation as at the end of the year</b>	<b>5.57</b>	<b>5.47</b>

## (iv) Breakup of actuarial (gain)/loss:

Description	(₹ crores)	
	31 March 2020	31 March 2019
Actuarial (gain)/loss on arising from change in demographic assumption	-	-
Actuarial (gain)/loss on arising from change in financial assumption	0.22	0.03
Actuarial (gain)/loss on arising from experience adjustment	0.21	(0.03)
<b>Total actuarial (gain)/loss</b>	<b>0.43</b>	<b>-</b>

## (v) Actuarial assumptions

Description	(₹ crores)	
	31 March 2020	31 March 2019
Discount rate	6.80%	7.65%
Future salary increase	-	-
Expected average remaining working lives of employees (years)	-	-

Pension liability arises on account of future payments, which are required to be made after retirement. It is a special plan in which selective retired employees are getting some fixed amount of pension on quarterly and annually basis.

These assumptions were developed by management with the assistance of independent actuarial appraisers. Discount factors are determined close to each year-end by reference to government bonds and that have terms to maturity approximating to the terms of the related obligation. Pension growth rate is Company's long term best estimate as to salary increases and takes account of inflation, on long term basis as provided in relevant accounting standard. As this is a fix pension plan so this has been assumed as nil.

## Notes forming part of the Financial Statements

for the year ended 31 March 2020

### (vi) Sensitivity analysis for pension liability

Description	(₹ crores)	
	31 March 2020	31 March 2019
Impact of the change in discount rate		
Present value of obligation at the end of the year	5.57	5.47
- Impact due to increase of 0.50 %	(0.13)	(0.12)
- Impact due to decrease of 0.50 %	0.13	0.12

The above sensitivity analysis are based on a change in an assumption while holding all other assumptions constant. In practice, this is unlikely to occur and changes in some of the assumptions may be correlated. When calculating the sensitivity of the defined benefit obligation to significant actuarial assumptions the same method (present value of the defined benefit obligation calculated with the projected unit credit method at the end of the reporting period) has been applied which was applied while calculating the defined benefit obligation recognised in the balance sheet.

### (vii) Maturity profile of defined benefit obligation

Description	(₹ crores)	
	31 March 2020	31 March 2019
Within next 12 months	0.65	0.67
Between 1-5 years	2.34	2.32
Beyond 5 years	2.58	2.48

(viii) The Company expects to contribute ₹ 0.38 crores (previous year ₹ 0.42 crores) to its pension plan for the next year.

### D Defined contribution plans

The Company makes contributions, determined as a specified percentage of employee salaries, in respect of qualifying employees towards Provident Fund and Employee State Insurance Scheme which are defined contribution plans. The Company has no obligations other than to make the specified contributions. The contributions are charged to the statement of profit and loss as they accrue. The amount recognised as an expense towards contribution to Provident Fund for the year aggregated to ₹ 18.61 crores (Previous year: ₹ 16.92 crores) and contribution to Employee State Insurance Scheme for the year aggregated to ₹ 0.21 crores (Previous year: ₹ 0.22 crores).

E The Company has taken an insurance policy for medical benefits in respect of its retired and working employees. The insurance policy for on-roll employees is fully funded by the Company.

### 41 Share-based payments

The option plan is designed to provide incentives to employees of the Company. Under the plan, participants have been granted options which will vest as follows:

Scheme	Vesting conditions	Exercise period	(₹ crores)
			Exercise price per share (₹)
Employees Stock Option Scheme, 2006	Vested equally over 4 years from the date of grant	Three years from the date of vesting	870.00

Options are granted under the plan for the consideration of ₹870 per share and carry no dividend or voting rights. When exercisable, each option is convertible into one equity share.

# Notes forming part of the Financial Statements

for the year ended 31 March 2020

Set out below is a summary of options granted under the plan:

Description	(₹ crores)	
	31 March 2020	31 March 2019
	<b>Number of options</b>	<b>Number of options</b>
Opening balance	11,21,850	-
Granted during the year	-	11,70,000
Lapsed during the year	1,55,075	48,150
<b>Closing balance</b>	<b>9,66,775</b>	<b>11,21,850</b>

Weighted average remaining contractual life of options as at 31 March 2020 3.87 years (31 March 2019: 4.88 years).

Share options outstanding at the end of the year have the following expiry date and exercise prices:

Grant Date	Expiry date	Exercise price (₹)	(₹ crores)	
			Share options 31 March 2020	Share options 31 March 2019
August 16, 2018	August 15, 2022	870	2,44,225	2,80,462
August 16, 2018	August 15, 2023	870	2,40,850	2,80,462
August 16, 2018	August 15, 2024	870	2,40,850	2,80,463
August 16, 2018	August 15, 2025	870	2,40,850	2,80,463
			<b>9,66,775</b>	<b>11,21,850</b>

## Fair value of options granted

The value of the options has been determined by an independent valuer. The following assumptions were used for calculation of fair value of options in accordance with Black Scholes model:

- Options are granted for consideration equivalent to exercise price referred below and vest in a graded manner over a period of four years. Vested options are exercisable for a period of three years after vesting.
- Exercise price: ₹ 870.00
- Grant date: 16 August, 2018 as per the details shared above.
- Expiry date: 15 August, 2022 as per the details shared above.
- Share price at grant date: ₹ 869.50
- Expected price volatility of the Company's shares: 26.86%
- Expected dividend yield: 0.29%
- Risk free rate: 7.56% - 7.97%

The expected price volatility is based on the historic volatility (based on the remaining life of the options), adjusted for any expected changes to future volatility due to publicly available information.

## Notes forming part of the Financial Statements

for the year ended 31 March 2020

### 42 Leases

Lease liabilities are presented in the statement of financial position as follows:

	31 March 2020	31 March 2019
Current	5.77	-
Non-current	21.73	-
	<b>27.50</b>	<b>-</b>

(₹ crores)

The Company has leases for the factory lands, marketing offices, depots and related facilities. With the exception of short-term leases and leases of low-value underlying assets, each lease is reflected on the balance sheet as a right-of-use asset and a lease liability. The Company classifies its right-of-use assets in a consistent manner to its property, plant and equipment.

Also, the Company has a leasehold land at Rudrapur which has been taken on a lease for a period of 90 years in the year 2004. Initial land premium of ₹ 1.7 crores has been paid. In addition to the land premium, the Company pays an annual rent of ₹ 0.01 crores every year. Also, the management has revalued the amount of land in 2009 and has created a revaluation reserve of ₹ 7.13 crores pertaining to the same. The said lease of land was considered as finance lease under Ind AS 17 by the Company.

Each lease generally imposes a restriction that, unless there is a contractual right for the Company to sublet the asset to another party, the right-of-use asset can only be used by the Company. Leases are either non-cancellable or may only be cancelled by incurring a substantive termination fee. Some leases contain an option to extend the lease for a further term. The Company is prohibited from selling or pledging the underlying leased assets as security against the Company's other debts and liabilities. For leases over office buildings and factory premises the Company must keep those properties in a good state of repair and return the properties in their original condition at the end of the lease. Further, the Company must insure items of property, plant and equipment and incur maintenance fees on such items in accordance with the lease contracts.

The Company has considered automatic extension option available for land leases in lease period assessment since the Company can enforce its right to extend the lease beyond the initial lease period. The Company also has plans of setting up production facility on the land, therefore is likely to be benefited by exercising the extension option.

The table below describes the nature of the Company's leasing activities by type of right-of-use asset recognised on balance sheet:

Right-of-use asset	No of right-of-use assets leased	Range of remaining term (in years)	No of leases with extension options	No of leases with termination options
Land	4	5.50 - 74	3	-
Marketing offices and related facilities	19	0.33 - 6.76	-	1

### Adoption of Ind AS 116 'Leases'

Ind AS 116 'Leases' replaces Ind AS 17 'Leases' along with three Interpretations (Appendix A 'Operating Leases-Incentives', Appendix B 'Evaluating the Substance of Transactions Involving the Legal Form of a Lease' and Appendix C 'Determining whether an Arrangement contains a Lease').

The adoption of this new Standard has resulted in the Company recognising a right-of-use asset and related lease liability in connection with all former operating leases except for those identified as low-value or having a remaining lease term of less than 12 months from the date of initial application.

The new Standard has been applied using the modified retrospective approach, with the cumulative effect of adopting Ind AS 116 being recognised in equity as an adjustment to the opening balance of retained earnings for the current period. Prior periods have not been restated.

For contracts in place at the date of initial application, the Company has elected to apply the definition of a lease from Ind AS 17 and Appendix C and has not applied Ind AS 116 to arrangements that were previously not identified as lease under Ind AS 17 and Appendix C.

# Notes forming part of the Financial Statements

for the year ended 31 March 2020

The Company has elected not to include initial direct costs in the measurement of the right-of-use asset for operating leases in existence at the date of initial application of Ind AS 116, being 01 April 2019. At this date, the Company has also elected to measure the right-of-use assets at an amount equal to the lease liability adjusted for any prepaid or accrued lease payments that existed at the date of transition.

Instead of performing an impairment review on the right-of-use assets at the date of initial application, the Company has relied on its historic assessment as to whether leases were onerous immediately before the date of initial application of Ind AS 116.

On transition, for leases previously accounted for as operating leases with a remaining lease term of less than 12 months and for leases of low-value assets the Company has applied the optional exemptions to not recognise right-of-use assets but to account for the lease expense on a straight-line basis over the remaining lease term.

For those leases previously classified as finance leases, the right-of-use asset and lease liability are measured at the date of initial application at the same amounts as under Ind AS 17 immediately before the date of initial application.

On transition to Ind AS 116 the weighted average incremental borrowing rate applied to lease liabilities recognised under Ind AS 116 was 10.05%.

The Company has benefited from the use of hindsight for determining the lease term when considering options to extend and terminate leases.

A. The following is a reconciliation of the financial statement line items from Ind AS 17 to Ind AS 116 at 01 April 2019:

	Carrying amount at 31 March 2019	Reclassification	Adjustment upon transition to Ind AS 116	Ind AS 116 carrying amount at 01 April 2019
Property, plant and equipment	1,577.02	(7.78)	-	1,569.24
Right-of-use assets	-	7.78	29.90	37.68
Lease liabilities	-	(0.12)	(29.74)	(29.86)
Borrowings including current maturities of finance lease obligations	(0.12)	0.12	-	-
Other non-current assets	94.64	-	(0.10)	94.54
Other current assets	298.91	-	(0.06)	298.85
<b>Total</b>	<b>1,970.45</b>	<b>-</b>	<b>-</b>	<b>1,970.45</b>

B. The following is a reconciliation of total operating lease commitments at 31 March 2019 (as disclosed in the financial statements for the year ended 31 March 2019) to the lease liabilities recognised at 01 April 2019:

	(₹ crores)
<b>Total operating lease commitments disclosed at 31 March 2019</b>	<b>22.92</b>
Recognition exemptions:	
Leases of low value assets	-
Leases with remaining lease term of less than 12 months	(0.13)
Variable lease payments not recognised	-
Other adjustments relating to commitment disclosures	(0.11)
Reasonably certain extension options taken	18.42
Leases considered cancellable under Ind AS 17	2.06
Operating lease liabilities before discounting	<b>43.16</b>
Discounted using incremental borrowing rate	(13.42)
Operating lease liabilities	29.74
<b>Finance lease obligations</b>	<b>0.12</b>
<b>Total lease liabilities recognised under Ind AS 116 at 01 April 2019</b>	<b>29.86</b>

## Notes forming part of the Financial Statements

for the year ended 31 March 2020

C. The following are amounts recognised in profit or loss:

	(₹ crores)
	<b>31 March 2020</b>
Depreciation expense of right-of-use assets	5.16
Interest expense on lease liabilities	2.88
Rent expense*	5.10
<b>Total</b>	<b>13.14</b>

\*Rent expense relating to short term leases

The lease liabilities are secured by the related underlying assets. The maturity analysis of lease liabilities are disclosed in note 38.

### Lease payments not recognised as a liability

The Company has elected not to recognise a lease liability for short term leases (leases with an expected term of 12 months or less) or for leases of low value assets. Payments made under such leases are expensed on a straight-line basis. The Company does not have any liability to make variable lease payments for the right to use the underlying asset recognised in the Financial statements.

The expense relating to payments not included in the measurement of the lease liability for short term leases is ₹ 5.10 crores.

Total cash outflow for leases for the year ended 31 March 2020 was ₹ 11.03 crores.

### Operating leases as lessor

The Company leases out investment properties under operating leases (see note 4 and 5).

### Diclosures under Ind AS 17 for the year ended 31 March 2019:

#### Operating leases - Assets taken on lease

Minimum lease payments in relation to non- cancellable operating leases are payable as follows:

	(₹ crores)
Within one year	5.48
Later than one year but not later than five years	17.44
Later than five years	-
<b>Total</b>	<b>22.92</b>

Total lease payments recognised in the statement of profit and loss is ₹ 10.55 crores.

#### Finance leases – Assets taken on lease

The disclosures for minimum lease payments in respect of such finance lease are as follows:

	Minimum lease payments due			Total
	Within 1 year	1 to 5 years	after 5 years	
Lease payments	0.01	0.06	0.99	1.06
Finance charges	-	0.02	0.92	0.94
<b>Net present values</b>	<b>0.01</b>	<b>0.04</b>	<b>0.07</b>	<b>0.12</b>

**43** During 2008 the Haryana State Government introduced Haryana Tax on Entry of Goods into Local Area Act, 2008 ("Entry Tax") by repealing the Haryana Local Area Development Tax Act, 2000 ("HLADT"). The said Act was held unconstitutional by the Hon'ble Punjab & Haryana High Court in their judgment dated 1 October 2008. The State Government of Haryana has preferred an appeal before the Hon'ble Supreme Court which was disposed of by the Hon'ble Supreme Court by nine Hon'ble Judges of Constitution Bench and hence that Compensator issue is no more relevant as it does not arise out of the Constitution but imaginary. Matters are not decided by Division Bench by making an order that the interested parties may prefer writs before the High Court. Hence the matter remains pending till its decision. Based on the legal advice received by the Company no further provision on this account is considered necessary after 31 March 2008.



# Notes forming part of the Financial Statements

for the year ended 31 March 2020

**44** Disclosure under the Micro, Small and Medium Enterprises Development Act, 2006 ("MSMED Act, 2006") is as under:

	As at 31 March 2020	As at 31 March 2019
i) the principal amount and the interest due thereon remaining unpaid to any supplier as at the end of each accounting year;	80.25	32.98
ii) the amount of interest paid by the buyer in terms of section 16, along with the amounts of the payment made to the supplier beyond the appointed day during each accounting year;	-	-
iii) the amount of interest due and payable for the period of delay in making payment (which have been paid but beyond the appointed day during the year) but without adding the interest specified under MSMED Act, 2006;	-	-
iv) the amount of interest accrued and remaining unpaid at the end of each accounting year; and	0.74	0.79
v) the amount of further interest remaining due and payable even in the succeeding years, until such date when the interest dues as above are actually paid to the small enterprise, for the purpose of disallowance as a deductible expenditure under Section 23.	-	-

The above disclosure has been determined to the extent such parties have been identified on the basis of information available with the Company. This has been relied upon by the auditors.

## 45

(a) The Scheme of Compromise and Arrangement pending before the Delhi High Court to bail out the fixed deposit holders of Escorts Finance Limited stands disposed-off vide order dated 4 March 2011.

Escorts Benefit Trust which inherited the funds and shares from Hardship Committee constituted under directions of the High Court has sufficient funds to meet the payment obligations towards Escorts Finance Limited deposits.

(b) The Company has entered into an Investment and Shareholders Agreement dated 27 August, 2018 ('Agreement') with Tadano Limited, Japan (Tadano) for manufacturing of rough terrain cranes ('RT Cranes') in India. Under the said Agreement, joint venture company with the name Tadano Escorts India Private Limited (formerly Optunia Power Infrastructure Private Limited) ('TEI') has been incorporated wherein the equity capital of ₹ 60 crores have been contributed in the ratio of 51:49 by Tadano and Escorts Limited respectively.

Under the Business Transfer Agreement dated 7 December, 2018 executed between Escorts Limited and TEI, the Company has sold its existing RT Crane Business on a slump sale basis for a sum of ₹ 25 crores plus inventory as mutually agreed between the parties.

(c) The Company has entered into Business Collaboration Agreement dated 10 December 2018 ('Agreement') with Kubota Corporation, Japan (Kubota) for manufacturing of tractors in India. Under the said Agreement, joint venture company has been incorporated under the name and style of Escorts Kubota India Private Limited wherein the equity capital of ₹ 150 crores have been contributed in the ratio of 60:40 by Kubota and Escorts respectively. During the year, the Company has additionally contributed ₹ 60 crores for its ratio of 40%. The equity capital of Escorts Kubota India Private Limited have increased to ₹ 300 crores.

(d) The Board of Directors in their meeting dated 20 March 2020, approved the raising of equity share capital aggregating to ₹ 1,041.90 crores through preferential issue of 1,22,57,688 equity shares of face value ₹ 10 each at ₹ 850 (including a premium of ₹ 840) per equity share, to Kubota Corporation, Japan. Further, subject to completion of the said issue, the Board has granted an in-principle approval to consider reduction of the issued, subscribed and paid-up equity share capital of the Company by cancelling and extinguishing 1,22,57,688 equity shares of ₹ 10 each, which are currently held by the Escorts Benefit and Welfare Trust, without payment of any consideration to the aforesaid Trust.

The Board has also approved the acquisition of 2,00,00,000 equity shares of Kubota Agricultural Machinery India Private Limited (KAI), a private company incorporated under the laws of India from Kubota Corporation, Japan constituting 40% of the share capital of KAI at ₹ 45 per equity share for an aggregate value of ₹ 90 crores, all for cash.

## Notes forming part of the Financial Statements

for the year ended 31 March 2020

- (e) During the financial year 2014-15, Mr. Cameron Parsons ("Plaintiff") initiated a civil action before the Circuit Court of Tuscaloosa, Alabama against the Company and others claiming loss due to accident caused while running an Escorts made Tractor which left permanent injuries, scarring, permanent limitations, mental anguish, medical expenses and loss of income for the plaintiff. Both the parties decided to settle the matter out of court and executed a Settlement Agreement dated 12 June 2019 whereby the Company has paid an amount of \$ 13,00,000 in lieu of full and final closure of the case.
- (f) The outbreak of Coronavirus (COVID-19) pandemic globally and in India is causing significant disturbance and slowdown of economic activity. The Company is in the business of manufacturing agri-machinery, construction equipment and railway equipment which are related with activities that are fundamental to the Indian economy. The Company has evaluated impact of this pandemic on its business operations and based on its review and current indicators of future economic conditions, there is no significant impact on its financial statements.

**46** 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'), a subsidiary company and Escotracs Finance and Investments Private Limited ('Escotracs') and Escorts Finance Investments and Leasing Private Limited ('EFILL'), joint ventures of the Company (together referred to as 'transferor companies'), was sanctioned by the Hon'ble High Court of Punjab and Haryana at Chandigarh vide its order dated 9 August 2012 (hereinafter referred to as 'the Scheme'). Upon necessary filings with the Registrar of Companies, NCT of Delhi and Haryana by the Transferor Companies and Transferee Company, the Scheme became effective on 12 October 2012. In accordance with the Scheme, 3,73,00,031 equity shares of the Company comprising (a) equity shares issued in consideration of amalgamation of ECEL and (b) investments held by two amalgamating entities in the Company were transferred to Escorts Benefit and Welfare Trust ('EBWT'). The beneficiary interest of the Company in EBWT, has been accounted for as an Investment by the Company in the manner prescribed in the Scheme.

EBWT presently holds 3,37,00,031 (31 March 2019: 3,37,00,031) equity shares of the Company and 2,34,97,478 (31 March 2019: 2,34,97,478) equity shares of Escorts Finance Limited (subsidiary of the Company). Market value of outstanding shares held by Trust on 31 March 2020 is ₹ 2,234.14 crores (31 March 2019: ₹ 2,685.39 crores).

### 47 Assets pledged as security for borrowings

	Notes	As at 31 March 2020	(₹ crores) As at 31 March 2019
<b>Current</b>			
<b>Financial assets</b>			
<b>First charge</b>			
Investments	7 (ii)	638.28	391.09
Trade receivables	13	756.52	931.96
Cash and cash equivalents	14	164.81	85.80
Bank balances other than above	15	153.67	144.27
Loans	8 (ii)	16.81	5.51
Other financial assets	9	20.86	14.48
<b>Non financial assets</b>			
<b>First charge</b>			
Inventories	12	822.20	821.93
Other current assets	11 (ii)	265.75	298.91
<b>Total current assets pledged as security</b>		<b>2,838.90</b>	<b>2,693.95</b>
<b>Non-current</b>			
<b>First charge</b>			
Land and building	3 (i)	-	66.59
Plant and equipment	3 (i)	-	35.81
<b>Second Charge</b>			
Other movable assets (other than specifically charged to other term lenders)	3 (i)	413.43	348.44
<b>Total non-currents assets pledged as security</b>		<b>413.43</b>	<b>450.84</b>
<b>Total assets pledged as security*</b>		<b>3252.33</b>	<b>3,144.79</b>

\* charge on the assets shall be limited to the amount of borrowings

# Notes forming part of the Financial Statements

for the year ended 31 March 2020

## 48 Related party transactions

The Company's related party transactions and outstanding balances are with its subsidiaries, associates and joint venture, key management and others as described below.

### A Relationships

Subsidiaries	
Domestic	Overseas
Escorts Crop Solutions Limited	Farmtrac Tractors Europe Sp. Z.o.o, Poland
Escorts Securities Limited	
Escorts Benefit and Welfare Trust	
Escorts Finance Limited	
Escorts Benefit Trust	
Joint venture	
Adico Escorts Agri Equipment Private Limited	
Escorts Kubota India Private Limited	
Tadano Escorts Private Limited (formerly known as Optunia Power Infrastructure Private Limited)	
Associates	
Escorts Consumer Credit Limited	

### B Key management personnel

Late Mr. Rajan Nanda (date of demise 5 August 2018)	
Mr. Nikhil Nanda #	Chairman and Managing Director (w.e.f. 7 August 2018)
Mr. Shailendra Agarwal (w.e.f. 22 March 2019)	Executive Director
Mr. Bharat Madan #	Group Chief Financial Officer & Corporate Head
Mr. Ajay Sharma # (cease as KMP w.e.f. 30 November 2019)	Group General Counsel and Company Secretary
Mr. Satyendra Chauhan # (w.e.f. 29 January 2020)	Company Secretary & Compliance Officer
Other directors	
Ms. Nitasha Nanda	
Mr. Hardeep Singh	
Mr. Darius Jehangir Kakalia (cease to be Director w.e.f. 27 November 2019)	
Mr. G. B. Mathur (cease to be Director w.e.f. 31 December 2019)	
Mr. P.H Ravikumar	
Mr. Ravi Narain (cease to be Director w.e.f. 1 May 2019)	
Mr. Sutanu Behuria	
Ms. Vibha Paul Rishi	
Mr. Sunil Kant Munjal (appointed as Director w.e.f. 7 May 2019)	
Ms. Tanya Dubash (appointed as Director w.e.f. 29 January 2020)	

# Key Management Personnel (KMP) as defined under Section 2(51) of the Companies Act, 2013

#### Enterprises over which key management personnel and relatives of such personnel exercise significant influence

AAA Portfolios Private Limited	Niky Tasha Energies Private Limited
Big Apple Clothing Private Limited	Raksha Health Insurance TPA Private Limited (formerly known as Raksha TPA Private Limited)
Escorts Skill Development	Rimari India Private Limited
Harpashad and Company Private Limited	Ritu Nanda Insurance Service Private Limited
EEWL Limited (formerly known as Escorts Employees Welfare Limited)	Sietz Technologies India Private Limited
Momento Communications Private Limited	Sun & Moon Travels (India) Private Limited
Niky Tasha Communications Private Limited	Agresource Management Private Limited
GBM Management Advisors LLP (cease to be w.e.f 31 December 2019)	Hero Mindmine Institute Private Limited (w.e.f 07 May 2019)
The IVY Trust (w.e.f 07 May 2019)	

#### List of other related parties

Late Mrs. Ritu Nanda (relative of key managerial personnel, date of demise 14 January 2020)
Escorts Limited Employees' Group Gratuity Fund Trust (refer note 40 for transaction)

# Notes forming part of the Financial Statements

for the year ended 31 March 2020

Key management personnel remuneration includes the following expenses:

	31 March 2020	31 March 2019
Short-term employee benefits:	20.44	22.35
Other long term benefits	0.07	0.40
Post-employment benefits:	0.69	0.59
<b>Total remuneration</b>	<b>21.20</b>	<b>23.34</b>

## C Transactions and balances with related parties

### (i) Transactions and balances with joint ventures

Nature of transactions*	(₹ crores)										
	Purchase of goods	Interest Income	Expense recovered	Rent Received	Expenses reimbursed	Sale of goods	Loan/ Advance given	Business transfer	Investments made	Advance given/Trade receivables	Payables
Adico Escorts Agri Equipment Private Limited	56.42	0.03	-	-	-	0.32	1.00	-	-	1.00	3.35
Escorts Kubota Private Limited.	(52.44)	-	(0.07)	-	-	(0.13)	-	-	(2.40)	-	(3.49)
Tadano Escorts India Private Limited.	-	-	3.13	1.45	1.70	0.21	-	-	60.00	3.87	-
	-	-	(0.26)	-	(2.47)	-	-	-	(60.00)	(0.47)	-
	14.95	-	2.86	0.73	0.72	11.55	-	-	-	5.39	3.37
	(5.74)	-	(0.10)	(0.21)	(1.18)	(1.73)	-	(29.71)	(29.40)	(7.13)	(4.45)

### (ii) Transactions and balance with associates

There is NIL payable outstanding on account of transactions as at 31 March 2020 (31 March 2019: ₹ 2.09 crores) against Escorts Consumer Credit Limited.

### (iii) Transactions and balances with Subsidiaries:

Nature of transactions*	(₹ crores)											
	Sale of goods	Interest expense/ Discounting Charges	Lease income	Rendering of services	Reimbursement of expenses	Purchase of goods	Warranty reimbursements	Investments made	Dividend Paid	Advance given/other recoverable	Trade receivables	Payables
Farmtrac Tractors Europe Sp. Z.o.o, Poland	43.45	-	-	-	0.26	0.12	-	-	-	-	50.84	0.09
Escorts Crop Solutions Limited	(25.90)	-	-	-	(0.13)	(0.11)	-	-	-	-	(22.07)	(0.35)
Escorts Securities Limited	0.08	-	0.23	-	0.03	0.06	-	2.70	-	0.05	0.37	-
	(0.60)	-	(0.72)	-	-	-	-	(12.60)	-	-	(0.17)	-
Escorts Benefit and Welfare trust	-	-	-	-	0.14	-	-	-	-	-	0.17	-
	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	0.71	-	-
	-	-	-	-	-	-	-	-	(6.73)	(0.41)	-	-

\*Numbers in brackets represents financial year ending 31 March 2019

# Notes forming part of the Financial Statements

for the year ended 31 March 2020

## (iv) Transactions and balances with key management personnel, their relatives and entities in which they exercise control/significant influence

(₹ crores)

Nature of transactions*	Royalty	Remuneration/ commission	Rent received	Commission received	Rent paid	Purchase of goods	Sale of goods and services	Services received	Dividend Paid	Advance given/other recoverable	Trade receivables	Payables
Rajan Nanda	-	-	-	-	-	-	-	-	-	-	-	-
	-	(2.64)	-	-	-	-	-	-	(0.21)	-	-	-
Ritu Nanda	-	-	-	-	0.38	-	-	-	0.05	-	-	-
	-	-	-	-	(0.38)	-	-	-	(0.01)	-	-	-
Nikhil Nanda	-	11.13	0.49	-	-	-	-	-	0.28	-	-	4.40
	-	(11.32)	(0.49)	-	-	-	-	-	(0.04)	-	-	(5.00)
Nitasha Nanda	-	2.62	-	-	0.51	-	-	0.02	0.03	0.06	-	0.75
	-	(3.23)	-	-	(0.51)	-	-	(0.06)	-	(0.06)	-	(1.75)
Shailendra Agrawal**	-	3.23	-	-	-	-	-	-	**	-	-	-
	-	(0.07)	-	-	-	-	-	-	-	-	-	-
Bharat Madan**	-	2.17	-	-	-	-	-	-	**	-	-	-
	-	(2.29)	-	-	-	-	-	-	-	-	-	-
Ajay Sharma**	-	0.71	-	-	-	-	-	-	**	-	-	-
	-	(1.48)	-	-	-	-	-	-	-	-	-	-
Satyendra Chauhan	-	0.13	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-	-
Girish Bihari Mathur**	-	-	-	-	-	-	-	0.33	**	-	-	-
	-	-	-	-	-	-	-	(1.12)	(**)	-	-	(0.15)
Hardeep Singh**	-	0.09	-	-	-	-	-	0.09	**	-	-	0.09
	-	(0.10)	-	-	-	-	-	(0.11)	(**)	-	-	(0.10)
P.H Ravikumar	-	0.09	-	-	-	-	-	0.07	-	-	-	0.09
	-	(0.10)	-	-	-	-	-	(0.10)	-	-	-	(0.10)
Vibha Paul Rishi	-	0.09	-	-	-	-	-	0.08	-	-	-	0.09
	-	(0.10)	-	-	-	-	-	(0.09)	-	-	-	(0.10)
Sutanu Behuria	-	0.09	-	-	-	-	-	0.09	-	-	-	0.09
	-	(0.10)	-	-	-	-	-	(0.10)	-	-	-	(0.10)
Darius Jehangir Kakalia	-	-	-	-	-	-	-	0.02	-	-	-	-
	-	(0.10)	-	-	-	-	-	(0.05)	-	-	-	(0.10)
Sunil Kant Munjal	-	0.09	-	-	-	-	-	0.03	0.01	-	-	0.09
	-	-	-	-	-	-	-	-	-	-	-	-
Tanya Arvind Dubash	-	0.05	-	-	-	-	-	0.01	-	-	-	0.05
	-	-	-	-	-	-	-	-	-	-	-	-
Ravi Narain	-	-	-	-	-	-	-	-	-	-	-	-
	-	(0.10)	-	-	-	-	-	(0.09)	-	-	-	(0.10)
Harpashad and Company Private Limited	28.25	-	-	-	-	-	-	-	2.68	1.51	-	0.10
	(30.58)	-	-	-	-	-	-	-	(2.11)	-	-	(0.28)
Raksha Health Insurance TPA Private. Limited	-	-	0.74	-	-	-	-	-	-	0.62	-	-
	-	-	(0.74)	-	-	-	-	-	-	(0.52)	-	-
Rimari India Private Limited	-	-	-	-	-	-	-	0.05	-	0.12	-	-
	-	-	-	-	-	-	-	(0.08)	-	(0.12)	-	-
Momento Communications Private Limited	-	-	-	-	-	-	-	0.95	-	-	-	0.07
	-	-	-	-	-	-	-	(0.45)	-	-	-	-
AAA Portfolios Private. Limited	-	-	-	-	-	-	-	-	0.42	-	-	-
	-	-	-	-	-	-	-	-	(0.34)	-	-	-
Big Apple Clothing Private Limited	-	-	-	-	-	-	-	-	0.44	-	-	-
	-	-	-	-	-	-	-	-	(0.35)	-	-	-
Niky Tasha Communications Private Limited**	-	-	-	-	-	-	-	-	**	-	-	-
	-	-	-	-	-	-	-	-	(**)	-	-	-

## Notes forming part of the Financial Statements

for the year ended 31 March 2020

												(₹ crores)
Nature of transactions*	Royalty	Remuneration/ commission	Rent received	Commission received	Rent paid	Purchase of goods	Sale of goods and services	Services received	Dividend Paid	Advance given/other recoverable	Trade receivables	Payables
Niky Tasha Energies Private Limited**	-	-	-	-	-	-	-	-	**	-	-	-
Sietz Technologies India Private Limited**	-	-	0.35	(1.44)	1.31	160.23	2.11	(0.31)	**	1.23	0.63	16.81
Sun & Moon Travels (India) Private Limited	-	-	0.02	-	(1.27)	(264.32)	(3.49)	14.34	-	(0.90)	(1.11)	(11.64)
EEWL Limited (formerly known as Escorts Employees Welfare Limited) (Gross of provisions)	-	-	(0.02)	-	-	-	-	(12.41)	-	0.05	-	0.31
Ritu Nanda Insurance Service Private Limited	-	-	-	-	-	-	-	-	-	0.56	-	0.43
Agresource Management Private Limited	-	-	-	-	-	-	-	0.64	-	(0.35)	-	(0.30)
GBM Management Advisors LLP	-	-	-	-	-	-	-	(0.38)	-	0.08	-	-
The IVY Trust	-	-	-	-	0.13	-	-	0.21	-	(0.08)	-	-
Hero Mindmine Institute Private Limited	-	-	-	-	-	-	-	0.01	-	-	0.08	-
	-	-	-	-	-	-	-	0.07	-	-	-	-

\*Numbers in brackets represents financial year ending 31 March 2019

\*\* Nil amount represents dividend paid less than a lakh

### 49 Revenue from Contracts with Customers

#### (a) Disaggregation of revenue

The Company has performed a disaggregated analysis of revenues considering the nature, amount, timing and uncertainty of revenues. This includes disclosure of revenues by geography and timing of recognition.

As at 31 March 2020

				(₹ crores)
Revenue from operations	Goods	Services	Other operating revenue*	Total
<b>Revenue by geography</b>				
Domestic	5,386.61	13.13	44.19	5,443.93
Export	250.65	-	-	250.65
<b>Total</b>	<b>5,637.26</b>	<b>13.13</b>	<b>44.19</b>	<b>5,694.58</b>
<b>Revenue by time</b>				
Revenue recognised at point in time				5,681.45
Revenue recognised over time				13.13
<b>Total</b>				<b>5,694.58</b>

# Notes forming part of the Financial Statements

for the year ended 31 March 2020

As at 31 March 2019

				(₹ crores)
Revenue from operations	Goods	Services	Other operating revenue*	Total
<b>Revenue by geography</b>				
Domestic	5,890.04	5.26	44.29	5,939.59
Export	221.46	-	-	221.46
<b>Total</b>	<b>6,111.50</b>	<b>5.26</b>	<b>44.29</b>	<b>6,161.05</b>
<b>Revenue by time</b>				
Revenue recognised at point in time				6,155.79
Revenue recognised over time				5.26
<b>Total</b>				<b>6,161.05</b>

\* Other operating revenue amounting to ₹ 66.37 crores (31 March 2019: ₹ 35.31 crores) in the nature of export incentives, liabilities no longer required written back and others is not in the scope of Ind AS 115. Hence, not covered here.

## (b) Revenue recognised in relation to contract liabilities

Ind AS 115 also requires disclosure of 'revenue recognised in the reporting period that was included in the contract liability balance at the beginning of the period' and 'revenue recognised in the reporting period from performance obligations satisfied (or partially satisfied) in previous periods. Same has been disclosed as below:

Description	(₹ crores)	
	Year ended 31 March 2020	As at 31 March 2019
Revenue recognised in the reporting period that was included in the contract liability balance at the beginning of the period	34.05	21.62
Revenue recognised in the reporting period from performance obligations satisfied (or partially satisfied) in previous periods	-	-

## (c) Assets and liabilities related to contracts with customers

	As at 31 March 2020		As at 31 March 2019	
	Non-current	Current	Non-current	Current
	(₹ crores)			
<b>Contract liabilities related to sale of goods</b>				
Advance from customers	-	83.13	-	41.15
Deferred income	11.65	24.55	10.80	22.84

Remaining performance obligations as at the reporting date are expected to be substantially recognised over the next three years by the Company.

## (d) Reconciliation of revenue recognised in Statement of Profit and Loss with Contract price

Description	(₹ crores)	
	As at 31 March 2020	As at 31 March 2019
Contract price	5,954.86	6,536.85
Less: Discount, rebates, credits etc.	260.28	375.80
<b>Revenue from operations as per Statement of Profit and Loss*</b>	<b>5,694.58</b>	<b>6,161.05</b>

\* Other operating revenue amounting to ₹ 66.37 crores (31 March 2019: ₹ 35.31 crores) in the nature of export incentives, liabilities no longer required written back and others is not in the scope of Ind AS 115. Hence, not covered here.

## Notes forming part of the Financial Statements

for the year ended 31 March 2020

- (e) The Company provide warranties on product sold by them and majority of these are in nature of assurance that the related product will function as the parties intended because it complies with agreed-upon specifications and hence accounted for in accordance with Ind AS 37, Provisions, Contingent Liabilities and Contingent Assets. Additionally, the Company extends its services by offering extended warranty with the sale of products which is deferred over the warranty period.
- 50 The Company has presented segment information in the consolidated financial statements which are presented in the same financial report. Accordingly, in terms of Paragraph 4 of Ind AS 108 'Operating Segments', no disclosures related to segments are presented in these financial statements.

As per our Report of even date attached  
For **Walker Chandiok & Co LLP**  
Chartered Accountants  
(Firm Regn No. 001076N/N500013)

For and on behalf of the Board of Directors

**Siddharth Talwar**  
Partner  
Membership No. 512752

**Nikhil Nanda**  
Chairman and Managing Director  
(DIN: 00043432)  
Place: Faridabad

**Shailendra Agrawal**  
Executive Director  
(DIN: 03108241)  
Place: Faridabad

**Hardeep Singh**  
Director  
(DIN: 00088096)  
Place: Gurugram

**Vibha Paul Rishi**  
Director  
(DIN: 05180796)  
Place: Gurugram

**Bharat Madan**  
Group Chief Financial  
Officer & Corporate Head  
Place: New Delhi

**Satyendra Chauhan**  
Company Secretary &  
Compliance Officer  
Membership No. A14783  
Place: Faridabad  
Date: 14 May 2020

Place: Faridabad  
Date: 14 May 2020



# Independent Auditor's Report

To the Members of Escorts Limited

## Report on the Audit of the Consolidated Financial Statements

### Opinion

1. We have audited the accompanying consolidated financial statements of Escorts Limited ('the Holding Company') and its subsidiaries (the Holding Company and its subsidiaries together referred to as 'the Group'), its associate and joint ventures, as listed in Annexure 1, which comprise the Consolidated Balance Sheet as at 31 March 2020, the Consolidated Statement of Profit and Loss (including Other Comprehensive Income), the Consolidated Cash Flow Statement and the Consolidated Statement of Changes in Equity for the year then ended, and a summary of the significant accounting policies and other explanatory information.
2. In our opinion and to the best of our information and according to the explanations given to us and based on the consideration of the reports of the other auditors on separate financial statements and on the other financial information of the subsidiaries, associate and joint ventures, the aforesaid consolidated financial statements give the information required by the Companies Act, 2013 ('Act') in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India including Indian Accounting Standards ('Ind AS') specified under section 133 of the Act, of the consolidated state of affairs of the Group, its associate and its joint ventures as at 31 March 2020, and its consolidated profit (including other comprehensive income), consolidated cash flows and the consolidated changes in equity for the year ended on that date.

### Key audit matter

#### Revenue recognition

We refer to the Company's significant accounting policies in note 2.2(a) and the revenue related disclosures in note 49 of the consolidated financial statements.

Owing to the multiplicity of the Company's products, volume of sales transactions, size of distribution network and varied terms of contracts with customers, in line with the requirements of the Standards on Auditing, revenue is determined to be an area involving significant risk and hence requiring significant auditor attention.

Further, Ind AS 115, "Revenue from Contracts with Customers", requires management to make certain key judgements, such as, identification of distinct performance obligations in contracts with customers (such as after sales maintenance services and product warranties), determination

### Basis for Opinion

3. We conducted our audit in accordance with the Standards on Auditing specified under section 143(10) of the Act. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Company in accordance with the Code of Ethics issued by the Institute of Chartered Accountants of India ('ICAI') together with the ethical requirements that are relevant to our audit of the financial statements under the provisions of the Act and the rules thereunder, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code of Ethics. We believe that the audit evidence we have obtained and the audit evidence obtained by the other auditors in terms of their reports referred to in paragraph 15 of the Other Matter section below, is sufficient and appropriate to provide a basis for our opinion.

### Key Audit Matter

4. Key audit matters are those matters that, in our professional judgment and based on the consideration of the reports of the other auditors on separate financial statements and on the other financial information of the subsidiaries, associate and joint ventures, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.
5. We have determined the matter described below to be the key audit matter to be communicated in our report.

### How our audit addressed the key audit matter

Our audit procedures, related to revenue recognition, included, but were not limited, to the following:

a) assessed the design and operating effectiveness of Company's controls (including the automated controls) around revenue recognition (including rebates / discounts);

b) assessed the appropriateness of Company's identification of performance obligations in its contracts with customers, its determination of transaction price, including allocation thereof to performance obligations and accounting policies for revenue recognition in accordance with the accounting principles laid down in Ind AS 115;

c) scrutinized sales ledgers to verify completeness of sales transactions;

**Key audit matter**

of transaction price for the contract factoring in the consideration payable to customers (such as rebates and discounts) and selection of a method to allocate the transaction price to the performance obligations.

This matter is considered to be of most significance given the extent of industry knowledge and skills needed to apply audit procedures to address the matter and evaluate the results of those procedures.

**How our audit addressed the key audit matter**

- d) on a sample basis, tested the revenue recognised including testing of cut off assertion as at the year end. Our testing included tracing the information to agreements, price lists, invoices, proof of dispatches/deliveries (as the case may be), and approved incentives/discounts schemes;
- e) tested the appropriateness of accruals for various rebates and discounts as at the year-end;
- f) assessed the revenue recognised with substantive analytical procedures including review of price, quantity and product mix variances and analysis of discounts at customer level;
- g) circularised balance confirmations to a sample of customers and reviewed the reconciling items, if any; and
- h) tested the related disclosures made in notes to the standalone financial statements in respect of the revenue from operations.

**Information other than the Consolidated Financial Statements and Auditor's Report thereon**

6. The Holding Company's Board of Directors are responsible for the other information. The other information comprises the information included in the Annual Report, but does not include the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

When we read the Annual Report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

**Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements**

7. The accompanying consolidated financial statements have been approved by the Holding Company's Board of Directors. The Holding Company's Board of Directors is responsible for the matters stated in section 134(5) of the Act with respect to the preparation of these consolidated financial statements that give a true and fair view of the consolidated state of affairs (consolidated financial position), consolidated profit or loss (consolidated financial performance including

other comprehensive income), consolidated changes in equity and consolidated cash flows of the Group including its associate and joint ventures in accordance with the accounting principles generally accepted in India, including the Ind AS specified under section 133 of the Act. The Holding Company's Board of Directors is also responsible for ensuring accuracy of records including financial information considered necessary for the preparation of consolidated Ind AS financial statements. Further, in terms of the provisions of the Act, the respective Board of Directors /management of the companies included in the Group, and its associate company and joint venture companies covered under the Act are responsible for maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding the assets and for preventing and detecting frauds and other irregularities; selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent; and design, implementation and maintenance of adequate internal financial controls, that were operating effectively for ensuring the accuracy and completeness of the accounting records, relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error. These financial statements have been used for the purpose of preparation of the consolidated financial statements by the Directors of the Holding Company, as aforesaid.

8. In preparing the consolidated financial statements, the respective Board of Directors of companies included in the Group and of its associate and joint ventures are responsible for assessing the ability of the Group and of its associates and joint ventures to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Board of Directors either intend to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

9. Those Board of Directors are also responsible for overseeing the financial reporting process of the companies included in the Group and of its associate and joint ventures.

### **Auditor's Responsibilities for the Audit of the Consolidated Financial Statements**

10. Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.
11. As part of an audit in accordance with Standards on Auditing, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:
- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
  - Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances. Under section 143(3)(i) of the Act, we are also responsible for expressing our opinion on whether the Holding Company has adequate internal financial controls with reference to financial statements in place and the operating effectiveness of such controls.
  - Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
  - Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the ability of the Group and its associate and joint ventures to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group and its associate and joint ventures to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
  - Obtain sufficient appropriate audit evidence regarding the financial information of the entities within the Group, and its associate and joint ventures, to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the audit of financial statements of such entities included in the consolidated financial statements, of which we are the independent auditors. For the other entities included in the consolidated financial statements, which have been audited by the other auditors, such other auditors remain responsible for the direction, supervision and performance of the audits carried out by them. We remain solely responsible for our audit opinion.
12. We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.
13. We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.
14. From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

**Other Matter**

15. We did not audit the financial statements of six subsidiaries, whose financial statements reflect total assets of ₹ 139.99 crores and net liabilities of ₹ 145.53 crores as at 31 March 2020, total revenues of ₹ 94.55 crores and net cash outflows amounting to ₹ 3.17 crores for the year ended on that date, as considered in the consolidated financial statements. The consolidated financial statements also include the Group's share of net loss (including other comprehensive loss) of ₹ 1.11 crores for the year ended 31 March 2020, as considered in the consolidated financial statements, in respect of one associate and three joint ventures, whose financial statements have not been audited by us. These financial statements have been audited by other auditors whose reports have been furnished to us by the management and our opinion on the consolidated financial statements, in so far as it relates to the amounts and disclosures included in respect of these subsidiaries, associate and joint ventures, and our report in terms of sub-section (3) of Section 143 of the Act, in so far as it relates to the aforesaid subsidiaries, associate and joint ventures, is based solely on the reports of the other auditors.

Our opinion above on the consolidated financial statements, and our report on other legal and regulatory requirements below, are not modified in respect of the above matters with respect to our reliance on the work done by and the reports of the other auditors.

**Report on Other Legal and Regulatory Requirements**

16. As required by section 197(16) of the Act, based on our audit and on the consideration of the report of the other auditors, referred to in paragraph 15, on separate financial statements of the subsidiaries, associate and joint ventures, we report that the Holding Company, three subsidiaries companies and one associate company covered under the Act have paid remuneration to their respective directors during the year in accordance with the provisions of and limits laid down under section 197 read with Schedule V to the Act. Further, we report that the provisions of section 197 read with Schedule V to the Act are not applicable to three subsidiaries and three joint venture companies covered under the Act, since none of such subsidiaries and joint venture companies is a public company as defined under section 2(71) of the Act.

17. As required by Section 143 (3) of the Act, based on our audit and on the consideration of the reports of the other auditors on separate financial statements and other financial information of the subsidiaries, associate and joint ventures, we report, to the extent applicable, that:

a) We have sought and obtained all the information and explanations which to the best of our

knowledge and belief were necessary for the purpose of our audit of the aforesaid consolidated financial statements;

b) In our opinion, proper books of account as required by law relating to preparation of the aforesaid consolidated financial statements have been kept so far as it appears from our examination of those books and the reports of the other auditors.

c) The consolidated financial statements dealt with by this report are in agreement with the relevant books of account maintained for the purpose of preparation of the consolidated financial statements;

d) In our opinion, the aforesaid consolidated financial statements comply with Ind AS specified under section 133 of the Act;

e) On the basis of the written representations received from the directors of the Holding Company and taken on record by the Board of Directors of the Holding Company and the reports of the other auditors of its subsidiary companies, associate company and joint venture companies covered under the Act, none of the directors of the Group companies, its associate company and joint venture companies covered under the Act, are disqualified as on 31 March 2020 from being appointed as a director in terms of Section 164(2) of the Act.

f) With respect to the adequacy of the internal financial controls with reference to financial statements of the Holding Company, and its subsidiary companies, associate company and joint venture companies covered under the Act and the operating effectiveness of such controls, refer to our separate report in 'Annexure A';

g) With respect to the other matters to be included in the Auditor's Report in accordance with rule 11 of the Companies (Audit and Auditors) Rules, 2014 (as amended), in our opinion and to the best of our information and according to the explanations given to us and based on the consideration of the report of the other auditors on separate financial statements as also the other financial information of the subsidiaries, associate and joint ventures:

i. The consolidated financial statements disclose the impact of pending litigations on the consolidated financial position of the Group, its associate and joint ventures as detailed in Note 35 to the consolidated financial statements;

- ii. The Group, its associate and joint ventures did not have any long-term contracts including derivative contracts for which there were any material foreseeable losses;
- iii. Escorts Finance Limited, subsidiary of the Company has not deposited a sum of ₹ 10.70 crores against various due dates upto 14 May 2020 to the Investor Education and Protection Fund;
- iv. The disclosure requirements relating to holdings as well as dealings in specified bank notes were applicable for the period from 8 November 2016 to 30 December 2016, which are not relevant to these consolidated

financial statements. Hence, reporting under this clause is not applicable.

For **Walker Chandiok & Co LLP**  
Chartered Accountants  
Firm's Registration No.: 001076N/N500013

**Siddharth Talwar**  
Partner  
Membership No.: 512752  
UDIN: 20512752AAAABT5953

Place: Faridabad  
Date: 14 May 2020

## **Annexure 1**

### **List of entities included in the Consolidated Financial Statements**

#### **Subsidiaries:**

1. Escorts Securities Limited
2. Farmtrac Tractors Europe Sp. Z.o.o.
3. Escorts Crop Solutions Limited
4. Escorts Finance Limited
5. Escorts Benefit and Welfare Trust
6. Escorts Benefit Trust

#### **Associate:**

1. Escorts Consumer Credit Limited

#### **Joint venture:**

1. Adico Escorts Agri Equipment Private Limited
2. Tadano Escorts India Private Limited
3. Escorts Kubota India Private Limited

## Annexure A to the Independent Auditor's Report of even date to the members of Escorts Limited on the consolidated financial statements for the year ended 31 March 2020

### Independent Auditor's Report on the internal financial controls with reference to financial statements under Clause (i) of Sub-section 3 of Section 143 of the Companies Act, 2013 ('the Act')

1. In conjunction with our audit of the consolidated financial statements of Escorts Limited ('the Holding Company') and its subsidiaries (the Holding Company and its subsidiaries together referred to as 'the Group'), its associate and joint ventures, as at and for the year ended 31 March 2020, we have audited the internal financial controls with reference to financial statements of the Holding Company, its subsidiary companies, its associate company and its joint venture company, which are companies covered under the Act, as at that date.

### Responsibilities of Management and Those Charged with Governance for Internal Financial Controls

2. The respective Board of Directors of the Holding Company, its subsidiary companies, its associate company and its joint venture company, which are companies covered under the Act, are responsible for establishing and maintaining internal financial controls based on the internal control over financial reporting criteria established by the respective companies considering the essential components of internal control stated in the Guidance note on Audit of Internal Financial Controls over Financial Reporting ('the Guidance Note') issued by the Institute of Chartered Accountants of India ('ICAI'). These responsibilities include the design, implementation and maintenance of adequate internal financial controls that were operating effectively for ensuring the orderly and efficient conduct of the Company's business, including adherence to the Company's policies, the safeguarding of its assets, the prevention and detection of frauds and errors, the accuracy and completeness of the accounting records, and the timely preparation of reliable financial information, as required under the Act.

### Auditor's Responsibility for the Audit of the Internal Financial Controls with Reference to Financial Statements

3. Our responsibility is to express an opinion on the internal financial controls with reference to financial statements of the Holding Company, its subsidiary companies, its associate company and its joint venture company, as aforesaid, based on our audit. We conducted our audit in accordance with the Standards on Auditing issued by the ICAI prescribed under Section 143(10) of the Act, to the extent applicable to an audit of internal financial controls with reference to financial statements, and the

Guidance Note issued by the ICAI. Those Standards and the Guidance Note require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether adequate internal financial controls with reference to financial statements were established and maintained and if such controls operated effectively in all material respects.

4. Our audit involves performing procedures to obtain audit evidence about the adequacy of the internal financial controls with reference to financial statements and their operating effectiveness. Our audit of internal financial controls with reference to financial statements includes obtaining an understanding of such internal financial controls, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error.

5. We believe that the audit evidence we have obtained and the audit evidence obtained by the other auditors in terms of their reports referred to in the Other Matter paragraph below, is sufficient and appropriate to provide a basis for our audit opinion on the internal financial controls with reference to financial statements of the Holding Company, its subsidiary companies, its associate company and its joint venture company, as aforesaid.

### Meaning of Internal Financial Controls with Reference to Financial Statements

6. A company's internal financial controls with reference to financial statements is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal financial controls with reference to financial statements include those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the Company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the Company are being made only in accordance with authorisations of management and directors of the Company; and (3) provide reasonable assurance regarding prevention or timely detection

of unauthorised acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

### **Inherent Limitations of Internal Financial Controls with Reference to Financial Statements**

7. Because of the inherent limitations of internal financial controls with reference to financial statements, including the possibility of collusion or improper management override of controls, material misstatements due to error or fraud may occur and not be detected. Also, projections of any evaluation of the internal financial controls with reference to financial statements to future periods are subject to the risk that the internal financial controls with reference to financial statements may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

### **Opinion**

8. In our opinion and based on the consideration of the reports of the other auditors on internal financial controls with reference to financial statements of the subsidiary companies, associate company and a joint venture company, the Holding Company, its subsidiary companies, its associate company and its joint venture company, which are companies covered under the Act, have in all material respects, adequate internal financial controls with reference to financial statements and such controls were operating effectively as at 31 March 2020, based on the internal control over financial reporting criteria established by the respective companies considering the essential components of internal control stated in the Guidance note issued by the ICAI.

### **Other Matter**

9. We did not audit the internal financial controls with reference to financial statements insofar as it relates to three subsidiary companies, which are companies covered under the Act, whose financial statements reflect total assets of ₹ 51.18 crores and net liabilities of ₹ 156.77 crores as at 31 March 2020, total revenues of ₹ 15.81 crores and net cash outflows amounting to ₹ 3.26 crores for the year ended on that date, as considered in

the consolidated financial statements. The consolidated financial statements also include the Group's share of net profit (including other comprehensive income) of ₹ 0.35 crores for the year ended 31 March 2020, as considered in the consolidated financial statements, in respect of one associate company and one joint venture company, which are companies covered under the Act, whose internal financial controls with reference to financial statements have not been audited by us. These internal financial controls with reference to financial statements in so far as it relates to such subsidiary companies, associate company and joint venture company have been audited by other auditors whose reports have been furnished to us by the management and our opinion on the consolidated financial statements, in so far as it relates to the amounts and disclosures included in respect of these subsidiaries, associate and joint ventures, and our report on the adequacy and operating effectiveness of the internal financial controls with reference to financial statements for the Holding Company, its subsidiary companies, its associate company and joint venture company as aforesaid, under Section 143(3)(i) of the Act, in so far as it relates to the such subsidiaries, associate company and joint venture company, is based solely on the reports of the auditors of such companies.

Our opinion is not modified in respect of this matter with respect to our reliance on the work done by and on the reports of the other auditors.

For **Walker Chandiook & Co LLP**  
Chartered Accountants  
Firm's Registration No.: 001076N/N500013

**Siddharth Talwar**  
Partner  
Membership No.: 512752  
UDIN: 20512752AAAABT5953

Place: Faridabad  
Date: 14 May 2020

# Consolidated Balance Sheet

as at 31 March 2020

	Note	As at 31 March 2020	As at 31 March 2019
(₹ crores)			
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	3 (i)	1,613.23	1,593.11
Capital work-in-progress	3 (ii)	104.42	56.55
Investment property	4	22.94	23.09
Right-of-use assets	5	33.46	-
Intangible assets	6 (i)	32.78	31.03
Intangible assets under development	6 (ii)	20.24	23.41
Investments accounted for using equity method	7 (i)	144.58	85.15
Financial assets			
Investments (other than investment accounted using equity method)	7 (ii)	1.87	1.97
Loans	8 (i)	13.64	9.01
Other financial assets	9 (i)	0.80	-
Deferred tax assets (net)	10 (i)	1.44	1.22
Income tax assets (net)		17.76	17.38
Other non current assets	11 (i)	97.31	96.31
<b>Total non-current assets</b>		<b>2,104.47</b>	<b>1,938.23</b>
<b>Current assets</b>			
Inventories	12	883.36	857.42
Financial assets			
Investments	7 (iii)	650.91	403.67
Trade receivables	13	731.86	931.05
Cash and cash equivalents	14	168.89	93.05
Bank balances other than above	15	155.99	150.25
Loans	8 (ii)	17.10	5.63
Other financial assets	9 (ii)	21.46	14.95
Other current assets	11 (ii)	267.44	300.02
<b>Total current assets</b>		<b>2,897.01</b>	<b>2,756.04</b>
Assets held for sale	16	13.92	13.92
<b>Total assets</b>		<b>5,015.40</b>	<b>4,708.19</b>
<b>EQUITY AND LIABILITIES</b>			
<b>EQUITY</b>			
Equity share capital	17	122.58	122.58
Other equity	18	2,994.82	2,550.91
<b>Total of Equity (for shareholders of parent)</b>		<b>3,117.40</b>	<b>2,673.49</b>
Non-controlling interests	19	5.10	5.64
<b>Total equity</b>		<b>3,122.50</b>	<b>2,679.13</b>
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Financial liabilities			
Borrowings	20 (i)	2.69	3.53
Lease liabilities	42	21.78	-
Other financial liabilities	21 (i)	20.10	17.46
Provisions	23 (i)	30.51	25.72
Deferred tax liabilities (net)	10 (i)	30.71	52.87
Other non-current liabilities	22 (i)	11.65	10.80
<b>Total non-current liabilities</b>		<b>117.44</b>	<b>110.38</b>
<b>Current liabilities</b>			
Financial liabilities			
Borrowings	20 (ii)	16.51	269.23
Trade payables	24		
(a) Total outstanding dues of micro enterprises and small enterprises		80.25	32.98
(b) Total outstanding dues of creditors other than micro enterprises and small enterprises		1,212.67	1,215.76
Lease liabilities	42	5.94	-
Other financial liabilities	21 (ii)	137.32	148.60
Other current liabilities	22 (ii)	196.91	131.97
Provisions	23 (ii)	125.75	120.04
Current tax liabilities		0.11	0.10
<b>Total current liabilities</b>		<b>1,775.46</b>	<b>1,918.68</b>
<b>Total equity and liabilities</b>		<b>5,015.40</b>	<b>4,708.19</b>

The accompanying notes form an integral part of the financial statements.

As per our Report of even date attached  
For **Walker Chandio & Co LLP**  
Chartered Accountants  
(Firm Regn No. 001076N/N500013)

**Siddharth Talwar**  
Partner  
Membership No. 512752

**Nikhil Nanda**  
Chairman and Managing Director  
(DIN: 00043432)  
Place: Faridabad

**Vibha Paul Rishi**  
Director  
(DIN: 05180796)  
Place: Gurugram

Place: Faridabad  
Date: 14 May 2020

For and on behalf of the Board of Directors

**Shailendra Agrawal**  
Executive Director  
(DIN: 03108241)  
Place: Faridabad

**Bharat Madan**  
Group Chief Financial  
Officer & Corporate Head  
Place: New Delhi

**Hardeep Singh**  
Director  
(DIN: 00088096)  
Place: Gurugram

**Satyendra Chauhan**  
Company Secretary &  
Compliance Officer  
Membership No. A14783  
Place: Faridabad  
Date: 14 May 2020



# Consolidated Statement of Profit and Loss

for the year ended 31 March 2020

(₹ crores)

	Note	Year ended 31 March 2020	Year ended 31 March 2019
<b>Income</b>			
Revenue from operations	25	5,810.09	6,262.02
Other income	26	97.60	92.40
<b>Total income</b>		<b>5,907.69</b>	<b>6,354.42</b>
<b>Expenses</b>			
Cost of materials consumed	27 (i)	3,476.31	4,077.48
Purchases of stock-in-trade		370.37	403.99
Changes in inventories of finished goods, stock-in-trade and work-in-progress	27 (ii)	(5.58)	(204.54)
Employee benefits expense	28	520.51	484.73
Finance costs	29	17.23	19.54
Depreciation and amortisation expense	30	107.22	87.21
Other expenses	31	786.08	775.83
<b>Total expenses</b>		<b>5,272.14</b>	<b>5,644.24</b>
<b>Profit before exceptional items, share of net profit of investment accounted for using the equity method and tax</b>		<b>635.55</b>	<b>710.18</b>
Share of loss of equity accounted investments		(1.08)	(1.96)
<b>Profit before exceptional items and tax</b>		<b>634.47</b>	<b>708.22</b>
Exceptional items	32	(9.22)	5.56
<b>Profit before tax from continuing operations</b>		<b>625.25</b>	<b>713.78</b>
Tax expense:	10 (ii)		
Current tax		174.45	198.63
Deferred tax (credit)/charge		(20.92)	38.48
<b>Total tax expense</b>		<b>153.53</b>	<b>237.11</b>
<b>Profit for the year from continuing operations</b>		<b>471.72</b>	<b>476.67</b>
<b>Discontinued operations</b>			
Profit from discontinued operations	33 (ii)	-	1.89
Tax expense of discontinued operations	33 (ii)	-	0.66
Profit from discontinued operations after tax		-	<b>1.23</b>
<b>Profit for the year</b>		<b>471.72</b>	<b>477.90</b>
<b>Other comprehensive income</b>			
<b>Items that will not be reclassified to profit and loss</b>			
Net changes in fair values of equity instruments carried at fair value through other comprehensive income		(0.24)	4.03
Re-measurements of defined employee benefit plans		(6.94)	(1.72)
Income tax relating to items that will not be reclassified to profit or loss		1.46	5.72
<b>Items that will be reclassified to profit or loss</b>			
Exchange differences on translation of foreign operations		(0.52)	0.28
<b>Total other comprehensive income for the year</b>		<b>(6.24)</b>	<b>8.31</b>
<b>Total comprehensive income for the year</b>		<b>465.48</b>	<b>486.21</b>
<b>Profit attributable to:</b>			
(i) Owners		472.25	478.93
(ii) Non-controlling interests		(0.53)	(1.03)
<b>Other comprehensive income attributable to:</b>			
(i) Owners		(6.23)	8.29
(ii) Non-controlling interests		(0.01)	0.02
<b>Total comprehensive income attributable to:</b>			
(i) Owners		466.02	487.22
(ii) Non-controlling interests		(0.54)	(1.01)
<b>Earnings per equity share (for continuing operations):</b>	34		
Basic (₹)		55.04	55.68
Diluted (₹)		55.04	55.68
<b>Earnings per equity share (for discontinued operations):</b>			
Basic (₹)		-	0.14
Diluted (₹)		-	0.14
<b>Earnings per equity share (for discontinued &amp; continuing operations):</b>			
Basic (₹)		55.04	55.82
Diluted (₹)		55.04	55.82

The accompanying notes form an integral part of the financial statements.

As per our Report of even date attached  
For **Walker Chandio & Co LLP**  
Chartered Accountants  
(Firm Regn No. 001076N/N500013)

For and on behalf of the Board of Directors

**Siddharth Talwar**  
Partner  
Membership No. 512752

**Nikhil Nanda**  
Chairman and Managing Director  
(DIN: 00043432)  
Place: Faridabad

**Shailendra Agrawal**  
Executive Director  
(DIN: 03108241)  
Place: Faridabad

**Hardeep Singh**  
Director  
(DIN: 00088096)  
Place: Gurugram

**Vibha Paul Rishi**  
Director  
(DIN: 05180796)  
Place: Gurugram

**Bharat Madan**  
Group Chief Financial  
Officer & Corporate Head  
Place: New Delhi

**Satyendra Chauhan**  
Company Secretary &  
Compliance Officer  
Membership No. A14783  
Place: Faridabad  
Date: 14 May 2020

Place: Faridabad  
Date: 14 May 2020

# Consolidated Cash Flow Statement

for the year ended 31 March 2020

	Year ended 31 March 2020	Year ended 31 March 2019
		(₹ crores)
<b>A Cash flow from operating activities</b>		
<b>Profit before tax from</b>		
Continuing operations	625.25	713.78
Discontinued operations	-	1.89
<b>Profit before tax including discontinued operations</b>	<b>625.25</b>	<b>715.67</b>
<b>Adjustments for:</b>		
Depreciation and amortisation expense	107.22	87.21
Provisions written back net of provisions recognised during the year	(28.42)	(20.75)
Finance costs (other than finance and bank charges)	14.34	15.84
Interest income	(44.43)	(35.36)
Share of loss of equity accounted investments	1.08	1.96
Gain on disposal of property, plant and equipment (net)	(1.39)	(1.53)
Loss on discard of capital work-in-progress and property, plant and equipment	3.61	-
Gain on fair valuation and sale of investments carried at fair value through profit or loss (net)	(37.35)	(34.24)
Exceptional items (related to investing activities)	-	(5.56)
Share based payment to employees	3.40	4.03
Unrealised foreign exchange loss/(gain)	1.44	(0.13)
<b>Operating profit before working capital changes</b>	<b>644.75</b>	<b>727.14</b>
<b>Movement in working capital</b>		
Inventories	(25.94)	(286.30)
Trade receivable	189.73	(330.05)
Other financial assets	(23.76)	8.65
Other assets	32.01	(157.85)
Trade payables	78.09	26.17
Other financial liabilities	9.89	(6.34)
Other liabilities	67.19	0.86
<b>Cash generated from/(used in) operating activities post working capital changes</b>	<b>971.96</b>	<b>(17.72)</b>
Income tax paid (net)	(174.80)	(216.59)
<b>Net cash generated from/(used in) operating activities (A)</b>	<b>797.16</b>	<b>(234.31)</b>
<b>B Cash flows from investing activities</b>		
Purchase of property, plant and equipment (including capital advances)	(182.21)	(147.05)
Sale of property, plant and equipment	5.27	9.13
Purchase of intangible assets	(13.21)	(16.90)
Sale of intangible assets	-	1.88
Proceeds from sale of non current investment	-	50.08
Investment in joint ventures and equity shares of other companies	(60.00)	(91.80)
Proceeds from/(investment in) current investment (net)	(209.88)	129.31
Bank deposit (having original maturity of more than 3 months)	3.68	20.02
Margin/bank deposits	(9.75)	(8.24)
Interest received	44.86	36.22
<b>Net cash used in investing activities (B)</b>	<b>(421.24)</b>	<b>(17.35)</b>

# Consolidated Cash Flow Statement

for the year ended 31 March 2020

(₹ crores)

	Year ended 31 March 2020	Year ended 31 March 2019
<b>C Cash flows from financing activities (refer note 20 (iii))</b>		
Proceeds from issue of shares	-	2.80
Repayment of long term borrowings	(8.17)	(42.45)
Proceeds from long term borrowings	-	4.08
Repayment of lease liability	(3.19)	-
(Repayment)/proceeds from short term borrowings (net)	(253.07)	269.23
Interest paid	(10.00)	(13.83)
Dividend and tax thereon paid	(26.02)	(28.94)
<b>Net cash (used in)/flow from financing activities (C)</b>	<b>(300.45)</b>	<b>190.89</b>
Increase/(decrease) in cash and cash equivalents (A+B+C)	75.47	(60.77)
Cash and cash equivalents at the beginning of the year (refer note 14)	93.05	154.13
Exchange difference on translation of foreign currency cash and cash equivalents	0.37	(0.31)
<b>Cash and cash equivalents at the end of the year (refer note 14)</b>	<b>168.89</b>	<b>93.05</b>

Note: The above statement of Cash Flow has been prepared under the 'Indirect Method' as set out in Ind AS 7, 'Statement of Cash Flows'.

As per our Report of even date attached

For **Walker Chandio & Co LLP**

Chartered Accountants

(Firm Regn No. 001076N/N500013)

For and on behalf of the Board of Directors

**Siddharth Talwar**

Partner

Membership No. 512752

**Nikhil Nanda**

Chairman and Managing Director

(DIN: 00043432)

Place: Faridabad

**Shailendra Agrawal**

Executive Director

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Place: Gurugram

**Bharat Madan**

Group Chief Financial

Officer & Corporate Head

Place: New Delhi

**Satyendra Chauhan**

Company Secretary &

Compliance Officer

Membership No. A14783

Place: Faridabad

Date: 14 May 2020

Place: Faridabad

Date: 14 May 2020

# Consolidated Statement of changes in equity

for the year ended 31 March 2020

	A Equity share capital		Reserves and surplus		Changes in equity share capital during the year		Balance as at 31 March 2019		Changes in equity share capital during the year		Balance as at 31 March 2020					
	Balance as at 1 April 2018	Changes in equity share capital during the year	Treasury shares	Capital reserve	Capital redemption reserve	Securities premium	General reserve	Employees' stock options outstanding	Retained earnings	Additional paid in capital	Special reserve	Fair value changes of equity instruments measured at fair value through other comprehensive income	Foreign currency translation reserve	Total attributable to owners of the parent	Attributable to non-controlling interest	Total
	122.58	-		97.40	6.00	456.69	729.95	-	1,095.49	3.76	0.07	39.47	0.96	2,092.56	(0.40)	2,092.16
Profit for the year	-	(337.23)	-	-	-	-	-	-	478.93	-	-	-	-	478.93	(1.03)	477.90
Transfer on account of sale of equity instruments measured at fair value through other comprehensive income	-	-	-	-	-	-	-	-	48.00	-	-	(48.00)	-	-	-	-
Other comprehensive income	-	-	-	-	-	-	-	-	(1.14)	-	-	9.15	0.28	8.29	0.02	8.31
Adjustment on transaction between shareholders	-	-	-	-	-	(0.09)	-	-	(0.86)	0.06	-	-	-	(0.89)	0.89	-
Movement during the year	-	-	-	-	-	-	-	-	(3.07)	-	-	-	-	(3.07)	(0.34)	(3.41)
<b>Transactions with owners in their capacity as owners</b>																
Dividends paid	-	-	-	-	-	-	-	-	(23.90)	-	-	-	-	(23.90)	-	(23.90)
Tax on dividends	-	-	-	-	-	-	-	-	(5.04)	-	-	-	-	(5.04)	-	(5.04)
Employee stock option charge for the year	-	-	-	-	-	-	4.03	-	-	-	-	-	-	4.03	-	4.03
Equity share issued during the year	-	-	-	-	-	-	-	-	-	-	-	-	-	-	6.50	6.50
<b>Balance as at 31 March 2019</b>																
Profit for the year	-	(337.23)	-	97.40	6.00	456.69	729.86	4.03	1,591.48	0.75	0.07	0.62	1.24	2,550.91	5.64	2,556.55
Share of capital reserve recognised by joint venture on acquisition of business	-	-	-	0.51	-	-	-	-	472.25	-	-	(0.21)	(0.52)	472.25	(0.53)	471.72
Other comprehensive income for the year	-	-	-	-	-	-	-	-	(5.50)	-	-	-	-	(6.23)	(0.01)	(6.24)
Share of capital reserve recognised by joint venture on acquisition of business	-	-	-	-	-	-	-	-	-	-	-	-	-	0.51	-	0.51
<b>Transactions with owners in their capacity as owners</b>																
Dividends paid	-	-	-	-	-	-	-	-	(21.45)	-	-	-	-	(21.45)	-	(21.45)
Tax on dividends	-	-	-	-	-	-	-	-	(4.57)	-	-	-	-	(4.57)	-	(4.57)
Employee stock option charge for the year	-	-	-	-	-	-	3.40	-	-	-	-	-	-	3.40	-	3.40
Transfer from employees' stock option outstanding account against vested options lapsed during the year	-	-	-	-	-	-	0.33	(0.33)	-	-	-	-	-	-	-	-
<b>Balance as at 31 March 2020</b>																
	122.58	-		97.91	6.00	456.69	730.19	7.10	2,032.21	0.75	0.07	0.41	0.72	2,994.82	5.10	2,999.92

As per our Report of even date attached  
**For Walker Chandlok & Co LLP**  
 Chartered Accountants  
 (Firm Regn No. 001076/N/500013)

**Siddharth Talwar**  
 Partner  
 Membership No. 512752  
 Place: Faridabad  
 Date: 14 May 2020

**Nikhil Nanda**  
 Chairman and Managing Director  
 (DIN: 00043432)  
 Place: Faridabad

**Vibha Paul Rishi**  
 Director  
 (DIN: 05180796)  
 Place: Gurugram

**Shailendra Agrawal**  
 Executive Director  
 (DIN: 03108241)  
 Place: Faridabad

**Bharat Madan**  
 Group Chief Financial Officer & Corporate Head  
 Place: New Delhi

**Hardeep Singh**  
 Director  
 (DIN: 00080906)  
 Place: Gurugram

**Satyendra Chauhan**  
 Company Secretary & Compliance Officer  
 Membership No. A14783  
 Place: Faridabad  
 Date: 14 May 2020

For and on behalf of the Board of Directors

# Notes forming part of the Consolidated Financial Statements

## for the year ended 31 March 2020

### 1 Group information

The Company, its subsidiaries, its joint venture and associates (jointly referred to as the 'Group' herein under) considered in these consolidated financial statements are:

#### A. Subsidiaries

Name of the entity	Principal activities	Country of incorporation	% equity interest	
			31 March 2020	31 March 2019
Escorts Finance Limited	Recovery of delinquent loan assets	India	69.42%	69.42%
Escorts Securities Limited	Provide security trading services	India	51.26%	51.26%
Escorts Benefit & Welfare Trust	Holding stocks on behalf of Settlor Escorts Limited	India	100%	100%
Escorts Benefit Trust	Holding fund for payment of dues of fixed deposit holders of Escorts Finance Limited	India	100%	100%
Farmtrac Tractors Europe Spolka z.o.o	Production, development and import of parts and accessories, sale of agricultural tractors and organisation of services in respect of agricultural tractors	Poland	100%	100%
Escorts Crop Solution Limited	Crop solution services	India	*100%	*100%
Haritha Raithu Mithra Agri Services LLP (LLP)**	Crop solution services	India	-	**
Revanpalli Raytu Sangam Agri Services LLP (LLP)**	Crop solution services	India	-	**
Baba Chadaneswar Agri Services LLP, Balasore (LLP)**	Crop solution services	India	-	**
Pancha Sakha Agri Services LLP, Balasore (LLP)**	Crop solution services	India	-	**
Jay Jagannath Agri Services LLP, Balipal (LLP)**	Crop solution services	India	-	**

\*Rounded off to 100%

\*\*LLP mentioned above ceased to be subsidiary w.e.f. following date:

Haritha Raithu Mithra Agri Services LLP (LLP)	22 March 2019
Revanpalli Raytu Sangam Agri Services LLP (LLP)	22 March 2019
Baba Chadaneswar Agri Services LLP, Balasore (LLP)	22 March 2019
Pancha Sakha Agri Services LLP, Balasore (LLP)	22 March 2019
Jay Jagannath Agri Services LLP, Balipal (LLP)	22 March 2019

#### B. Interests in associates and joint ventures

Name of the entity	Principal activities	Country of incorporation	31 March 2020	31 March 2019	Relationship	Accounting method
			% Ownership Interest	% Ownership Interest		
Adico Escorts Agri Equipment Private Limited	Manufacturing and trading of agricultural equipments and its spares and implements	India	40%	40%	Joint venture	Equity method
Tadano Escorts India Private Limited	Terrain Crane	India	49%	49%	Joint venture	Equity method
Escorts kubota India Private Limited	Tractor	India	40%	40%	Joint venture	Equity method
Escorts Consumer Credit Limited*	Financing Activity	India	29.4%	29.4%	Associate	Equity method

\*Investment in Escorts Consumer Credit Limited has been fully provided for in the separate financial statements of Escorts Limited.

# Notes forming part of the Consolidated Financial Statements

for the year ended 31 March 2020

## C. Additional information as required by Paragraph 2 of the General Instructions for Preparation of Consolidated Financial Statements to Schedule III to the Companies Act, 2013.

Name of the entity	Net assets i.e. total assets minus total liabilities		Share in profit or loss		Share in other comprehensive income		Share in total comprehensive income	
	As % of consolidated net assets	Amount (₹ crores)	As % of consolidated profit or loss	Amount (₹ crores)	As % of consolidated other comprehensive income	Amount (₹ crores)	As % of consolidated total comprehensive income	Amount (₹ crores)
<b>Parent</b>								
Escorts Limited	111.45%	3,480.08	102.93%	485.54	91.35%	(5.70)	103.08%	479.84
<b>Indian subsidiaries</b>								
Escorts Crop Solutions Limited	0.30%	9.40	-1.51%	(7.10)	-	-	-1.53%	(7.10)
Escorts Securities Limited	0.39%	12.33	-0.25%	(1.17)	0.32%	(0.02)	-0.26%	(1.19)
Escorts Benefit and Welfare Trust	-	(0.01)	-0.01%	(0.03)	-	-	-0.01%	(0.03)
Escorts Finance Limited	-5.72%	(178.50)	0.03%	0.14	2.24%	(0.14)	-	<sup>^</sup>
Escorts Benefit Trust	0.35%	10.84	-	0.02	-	-	-	0.02
<b>Foreign subsidiaries</b>								
Farmtrac Tractors Europe Sp. Z.o.o, Poland	0.01%	0.41	-1.13%	(5.35)	8.33%	(0.52)	-1.26%	(5.87)
<b>Joint venture and associate (investment as per the equity method)</b>								
<b>Indian</b>								
Adico Escorts Agri Equipment Private Limited	0.10%	3.17	0.07%	0.35	-	-	0.08%	0.35
Tadano Escorts India Private Limited	0.71%	22.20	-0.35%	(1.66)	-	-	-0.35%	(1.66)
Escorts Kubota India Private Limited	3.82%	119.21	0.04%	0.20	-	-	0.04%	0.20
<b>Non-controlling interest in all subsidiaries</b>	0.16%	5.10	-0.11%	(0.53)	-	(0.01)	-0.11%	(0.54)
<b>Intercompany elimination and consolidation adjustment</b>	-11.57%	(361.73)	0.29%	1.31	-2.24%	0.15	0.32%	1.46
<b>Total</b>	<b>100.00%</b>	<b>3,122.50</b>	<b>100.00%</b>	<b>471.72</b>	<b>100.00%</b>	<b>(6.24)</b>	<b>100.00%</b>	<b>465.48</b>

<sup>^</sup>Amount less than ₹ 1 lakh

# Notes forming part of the Consolidated Financial Statements

for the year ended 31 March 2020

## 2. Basis of preparation, measurement, consolidation and significant accounting policies

### 2.1 Overall consideration

#### Basis of preparation and measurement

These financial statements have been prepared in accordance with the Indian Accounting Standards (hereinafter referred to as the 'Ind AS') as notified by Ministry of Corporate Affairs pursuant to section 133 of the Companies Act, 2013 read with Rule 3 of the Companies (Indian Accounting Standards) Rules, 2015 and Companies (Indian Accounting Standards) Amendment Rules, 2016.

The consolidated financial statements for the year ended 31 March 2020 were approved for issue by the Board of Directors on 14 May 2020.

The financial statements have been prepared on accrual and going concern basis. The accounting policies are applied consistently to all the periods presented in the financial statements. All assets and liabilities have been classified as current or non-current as per the Group's normal operating cycle and other criteria as set out in the Division II of Schedule III to the Companies Act, 2013. Based on the nature of products and the time between acquisition of assets for processing and their realisation in cash and cash equivalents, the Group has ascertained its operating cycle as 12 months for the purpose of current or non-current classification of assets and liabilities.

The financial statements have been prepared under the historical cost convention basis except for the following –

- Certain financial assets which are measured at fair value;
- Defined benefit plans – plan assets measured at fair value;

#### Basis of consolidation

##### Subsidiaries

Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the relevant activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases. Profit/ (loss) and Other Comprehensive Income ('OCI') of subsidiaries acquired

or disposed of during the period are recognised from the effective date of acquisition, or up to the effective date of disposal, as applicable. All the consolidated subsidiaries have a consistent reporting date of 31 March 2020.

The Group combines the financial statements of the parent and its subsidiaries line by line adding together like items of assets, liabilities, equity, income and expenses. Intercompany transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Non-controlling interests, presented as part of equity, represent the portion of a subsidiary's statement of profit and loss and net assets that is not held by the Group. Profit/(loss) and each component of OCI are attributed to the equity holders of the parent company and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. The Group attributes total comprehensive income or loss of the subsidiaries between the owners of the parent and the non-controlling interests based on their respective ownership interests.

The Group treats transactions with non-controlling interests that do not result in a loss of control as transactions with equity owners of the group. Such a change in ownership interest results in an adjustment between the carrying amounts of the controlling and non-controlling interests to reflect their relative interests in the subsidiary. Any difference between the amount of the adjustment to non-controlling interests and any consideration paid or received is recognised within equity.

##### Associates

Investment in entities in which there exists significant influence but not a controlling interest are accounted for under the equity method i.e. the investment is initially recorded at cost, identifying any goodwill/ capital reserve arising at the time of acquisition, as the case may be, which will be inherent in investment. The carrying amount of the investment is adjusted thereafter for the post acquisition change in the share of net assets of the investee, adjusted where necessary to ensure consistency with the accounting policies of the Group. The consolidated statement of profit and loss includes the Group's share of the results of the operations of

# Notes forming part of the Consolidated Financial Statements

## for the year ended 31 March 2020

the investee. Dividends received or receivable from associate ventures are recognised as a reduction in the carrying amount of the investment. Unrealised gains on transactions between the Group and associates are eliminated to the extent of the Group's interest in these entities.

### Joint ventures

Investments in joint arrangements are classified as either Joint operations or Joint ventures. The classification depends on the contractual rights and obligations of each investor, rather than the legal structure of the Joint arrangement.

Joint ventures – Interest in joint venture are accounted for using the equity method, after initially being recognised at cost. The carrying amount of the investment is adjusted thereafter for the post acquisition change in the share of net assets of the investee, adjusted where necessary to ensure consistency with the accounting policies of the Group. The consolidated statement of profit and loss includes the Group's share of the results of the operations of the investee. Dividends received or receivable from joint ventures are recognised as a reduction in the carrying amount of the investment. Unrealised gains on transactions between the Group and joint ventures are eliminated to the extent of the Group's interest in these entities.

When the Group's share of losses in an equity-accounted investment equals or exceeds its interest in the entity, including any other unsecured long-term receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the other entity.

## 2.2 Summary of significant accounting policies

### a) Revenue recognition

Revenue arises mainly from the sale of manufactured and traded goods, after-sales maintenance and extended warranty services.

To determine whether to recognise revenue, the Group follows a 5-step process:

1. Identifying the contract with a customer
2. Identifying the performance obligations
3. Determining the transaction price
4. Allocating the transaction price to the performance obligations
5. Recognising revenue when/as performance obligation(s) are satisfied.

Revenue is measured at fair value of consideration received or receivable, after deduction of any trade discounts, volume rebates and any taxes or duties collected on behalf of the government which are levied on sales such as goods and services tax (GST). In case of multi-element revenue arrangements, which involve delivery or performance of multiple products, services, evaluation will be done of all deliverables in an arrangement to determine whether they represent separate units of accounting at the inception of arrangement. Total arrangement consideration related to the bundled contract is allocated among the different elements based on their relative fair values (i.e., ratio of the fair value of each element to the aggregated fair value of the bundled deliverables). In case the relative fair value of different components cannot be determined on a reasonable basis, the total consideration is allocated to the different components based on residual value method.

Revenue is recognised either at a point in time or over time, when (or as) the Group satisfies performance obligations by transferring the promised goods or services to its customers.

The Group recognises contract liabilities for consideration received in respect of unsatisfied performance obligations and reports these amounts as other liabilities in the statement of financial position (see note 22). Similarly, if the Group satisfies a performance obligation before it receives the consideration, the Group recognises either a contract asset or a receivable in its statement of financial position, depending on whether something other than the passage of time is required before the consideration is due.

### Sale of goods

Revenue from sale of goods is recognised when the control of goods is transferred to the buyer as per the terms of the contract, in an amount that reflects the consideration the Group expects to be entitled to in exchange for those goods. Control of goods refers to the ability to direct the use of and obtain substantially all of the remaining benefits from goods.

The Group provides 1 to 5 years' product warranty on its goods sold to the buyer. Under the terms of this warranty customers can return the product for repair or replacement if it fails to perform in accordance with published specifications. These warranties are accounted for under Ind AS 37.

### After-sale services

The Group enters into fixed price maintenance and extended warranty contracts with its customers for



# Notes forming part of the Consolidated Financial Statements

## for the year ended 31 March 2020

terms between one and two years in length. Customers are required to pay in advance for the services along with the contractual amount paid for the purchase of goods.

- Maintenance contracts – The Group enters into agreements with its customers to perform regularly scheduled maintenance services on goods purchased from the Group. Revenue is recognised over time based on the ratio between the number of services provided/lapsed in the current period and the total number of such services expected to be provided under each contract. This method best depicts the transfer of services to the customer because details of the services to be provided are specified by management in advance as part of its published maintenance program.
- Extended warranty program – The Group enters into agreements with its customers to perform necessary repairs falling outside the Group's standard warranty period. As this service involves an indeterminate number of acts, the Group is required to 'stand ready' to perform whenever a request falling within the scope of the program is made by a customer. Revenue is recognised on a straight-line basis over the term of the contract and matched to related costs. This method best depicts the transfer of services to the customer as (a) the Group's historical experience demonstrates no statistically significant variation in the quantum of services provided in each year of a multi-year contract, and (b) no reliable prediction can be made as to if and when any individual customer will require service.

### Other income

Income from export incentives are recognised on accrual basis.

### Interest Income

Interest income is recognised on time proportion basis taking into account the amount outstanding and rate applicable. For all financial assets measured at amortised cost (refer 'h' below), interest income is recorded using the effective interest rate (EIR) i.e. the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the net carrying amount of the financial assets. The future cash flows include all other transaction costs paid or received, premiums or discounts if any, etc.

### Dividend income

Dividend income is recognised at the time when right to receive the payment is established, which is generally when the shareholders approve the dividend.

## b) Foreign currency translation

### Functional and presentation currency

The financial statements are presented in Indian Rupee ('₹') and are rounded to two decimal places of crores, which is also the functional and presentation currency of the Group.

### Transactions and balances

Foreign currency transactions are recorded in the functional currency, by applying to the exchange rate between the functional currency and the foreign currency at the date of the transaction.

Foreign currency monetary items are converted to functional currency using the closing rate. Non-monetary items denominated in a foreign currency which are carried at historical cost are reported using the exchange rate at the date of the transactions.

Exchange differences arising on monetary items on settlement, or restatement as at reporting date, at rates different from those at which they were initially recorded, are recognised in the statement of profit and loss in the year in which they arise.

### Foreign operations

In the Group's financial statements, all assets, liabilities and transactions of the Group entities with functional currency other than the Indian Rupee are translated into Indian Rupee upon consolidation. The functional currency of the entities in the Group has remained unchanged during the reporting period. On consolidation, assets and liabilities have been translated into Indian Rupee at the closing rate at the reporting date. Fair value adjustments arising on the acquisition of a foreign entity have been treated as assets and liabilities of the foreign entity and translated into Indian Rupee at the closing rate. Income and expenses have been translated into Indian Rupee at the average rate over the reporting period. Exchange differences are charged/credited to other comprehensive income and recognised in the currency translation reserve in equity. On disposal of a foreign operation, the related cumulative translation differences recognised in equity are reclassified to the statement of profit or loss and are recognised as part of the gain or loss on disposal.

## c) Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset are capitalised during the period of time that is necessary to complete and prepare the asset for its intended use or sale. A qualifying asset is one that necessarily takes substantial period of time to get ready for its intended

# Notes forming part of the Consolidated Financial Statements

for the year ended 31 March 2020

use. Capitalisation of borrowing costs is suspended in the period during which the active development is delayed due to, other than temporary, interruption. All other borrowing costs are charged to the statement of profit and loss as incurred.

## d) Property, plant and equipment

### Recognition and initial measurement

Property, plant and equipment are stated at their cost of acquisition. The cost comprises purchase price, borrowing cost if capitalisation criteria are met and directly attributable cost of bringing the asset to its working condition for the intended use. Any trade discount and rebates are deducted in arriving at the purchase price. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits attributable to such subsequent cost associated with the item will flow to the Group. All other repair and maintenance costs are recognised in statement of profit and loss as incurred.

In case an item of property, plant and equipment is acquired on deferred payment basis, interest expenses included in deferred payment is recognised as interest expense and not included in cost of asset.

### Subsequent measurement (depreciation and useful lives)

Depreciation on property, plant and equipment of the Group is provided on the straight-line method except for Adico Escorts Agri Equipment Private Limited (Joint Venture) which provided depreciation on written down value method, computed on the basis of useful lives mentioned below:

Asset category	Estimated useful life (in years)
Factory buildings	30
Office buildings	60
Tubewells and fencing	5
Roads	10
Sheds	3
Plant and machinery	3-15*
Furniture and fixtures	5-10*
Office equipment	3-10
Vehicles	8-20
Leasehold improvements	Over the effective term of the lease
Electrical appliances	10
IT equipments	6
Computers	3

\*Based on technical evaluation, the management believes that the useful lives as given above best represent the period over which management expects to use these assets. Hence, the useful lives

for certain items within these classes of assets are different from the useful lives as prescribed under Part C of Schedule II to the Companies Act 2013.

The residual values, useful lives and method of depreciation are reviewed at each financial year end and adjusted prospectively, if appropriate.

Where, during any financial year, any addition has been made to any asset, or where any asset has been sold, discarded, demolished or destroyed, or significant components replaced; depreciation on such assets is calculated on a pro rata basis as individual assets with specific useful life from the month of such addition or, as the case may be, up to the month on which such asset has been sold, discarded, demolished or destroyed or replaced.

In case of one of the subsidiary (Farmtrac Tractors Europe Spolka Z.O.O). No depreciation of the land with perpetual usufruct right is made by the Company.

### De-recognition

An item of property, plant and equipment and any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on de-recognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the income statement when the asset is derecognised.

## e) Investment properties

### Recognition and initial measurement

Investment properties are properties, including right-of-use in properties, held to earn rentals or for capital appreciation, or both. Investment properties are measured initially at their cost of acquisition. The cost comprises purchase price, borrowing cost if capitalisation criteria are met and directly attributable cost of bringing the asset to its working condition for the intended use. Any trade discount and rebates are deducted in arriving at the purchase price.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group. All other repair and maintenance costs are recognised in statement of profit and loss as incurred.

Though the Group measures investment property using cost based measurement, the fair value of

# Notes forming part of the Consolidated Financial Statements

## for the year ended 31 March 2020

investment property is disclosed in the notes to the financial statements.

### Subsequent measurement (depreciation and useful lives)

Depreciation on investment properties other than right-of-use in properties is provided on the straight-line method, computed on the basis of useful lives prescribed under Part C of Schedule II to the Companies Act, 2013.

The residual values, useful lives and method of depreciation are reviewed at each financial year end and adjusted prospectively, if appropriate.

Where during any financial year, any addition has been made to any asset, or where any asset has been sold, discarded, demolished or destroyed, or significant components replaced; depreciation on such assets is calculated on a pro rata basis as individual assets with specific useful life from the month of such addition or, as the case may be, up to the month on which such asset has been sold, discarded, demolished or destroyed or replaced.

### De-recognition

Investment properties are derecognised either when they have been disposed of or when they are permanently withdrawn from use and no future economic benefit is expected from their disposal. The difference between the net disposal proceeds and the carrying amount of the asset is recognised in profit or loss in the period of de-recognition.

## f) Intangible assets

### Recognition and initial measurement

Purchased intangible assets are stated at cost less accumulated amortisation and impairment, if any.

### Internally developed intangible assets

Expenditure on the research phase of projects is recognised as an expense as incurred.

Costs that are directly attributable to a project's development phase are recognised as intangible assets, provided the Group can demonstrate the following:

- the technical feasibility of completing the intangible asset so that it will be available for use.
- its intention to complete the intangible asset and use or sell it
- its ability to use or sell the intangible asset
- how the intangible asset will generate probable future economic benefits

- the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset.
- its ability to measure reliably the expenditure attributable to the intangible asset during its development

Development costs not meeting these criteria for capitalisation are expensed as incurred.

Directly attributable costs include employee costs incurred on development of prototypes along with an appropriate portion of relevant overheads and borrowing costs.

### Subsequent measurement (amortisation)

All finite-lived intangible assets, including internally developed intangible assets, are accounted for using the cost model whereby capitalised costs are amortised on a straight-line basis over their estimated useful lives. The estimated useful life of an identifiable intangible asset is based on a number of factors including the effects of obsolescence, demand, competition, and other economic factors (such as the stability of the industry, and known technological advances), and the level of maintenance expenditures required to obtain the expected future cash flows from the asset

Residual values and useful lives are reviewed at each reporting date. The following useful lives are applied:

Asset category	Estimated useful life (in years)
Software	2- 6
Prototypes	4
Technical know how	6

## g) Leases

### Transition

Effective 1 April 2019, the Company adopted Ind AS 116 "Leases" and applied the standard to all lease contracts existing on 1 April 2019 using the modified retrospective method. The Company recorded the lease liability at the present value of the lease payments discounted at the incremental borrowing at the date of initial application and right-of-use assets at an amount equal to the lease liability adjusted for any prepaid or accrued lease payments that existed at the date of transition. Comparatives as at and for the year ended 31 March 2019 have not been retrospectively adjusted and therefore will continue to be reported under the accounting policies included as part of our Annual Report for year ended 31 March 2019.

Refer note 42 for details.

# Notes forming part of the Consolidated Financial Statements

## for the year ended 31 March 2020

### The Group as a lessee

The Group's lease asset classes primarily consist of leases for land and buildings. The Group assesses whether a contract contains a lease, at inception of a contract. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Group assesses whether: (i) the contract involves the use of an identified asset (ii) the Group has substantially all of the economic benefits from use of the asset through the period of the lease and (iii) the Group has the right to direct the use of the asset.

At the date of commencement of the lease, the Group recognises a right-of-use asset ("ROU") and a corresponding lease liability for all lease arrangements in which it is a lessee, except for leases with a term of twelve months or less (short-term leases) and low value leases. For these short-term and low value leases, the Group recognises the lease payments as an operating expense on a straight-line basis over the term of the lease.

Certain lease arrangements includes the options to extend or terminate the lease before the end of the lease term. ROU assets and lease liabilities includes these options when it is reasonably certain that they will be exercised.

The right-of-use assets are initially recognised at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or prior to the commencement date of the lease plus any initial direct costs less any lease incentives. They are subsequently measured at cost less accumulated depreciation and impairment losses.

Right-of-use assets are depreciated from the commencement date on a straight-line basis over the shorter of the lease term and useful life of the underlying asset.

The lease liability is initially measured at amortised cost at the present value of the future lease payments. The lease payments are discounted using the interest rate implicit in the lease or, if not readily determinable, using the incremental borrowing rates in the country of domicile of these leases. Lease liabilities are remeasured with a corresponding adjustment to the related right of use asset if the Group changes its assessment if whether it will exercise an extension or a termination option.

### The Group as a lessor

Leases for which the Group is a lessor is classified as a finance or operating lease. Whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee, the contract is classified as a finance lease. All other leases are classified as operating leases.

When the Group is an intermediate lessor, it accounts for its interests in the head lease and the sublease separately. The sublease is classified as a finance or operating lease by reference to the right-of-use asset arising from the head lease.

For operating leases, rental income is recognised on a straight-line basis over the term of the relevant lease.

## h) Financial instruments

Financial instruments are recognised when the Group becomes a party to the contractual provisions of the instrument and are measured initially at fair value adjusted for transaction costs, except for those carried at fair value through profit or loss which are measured initially at fair value.

If the Group determines that the fair value at initial recognition differs from the transaction price, the Group accounts for that instrument at that date as follows:

- a) at the measurement basis mentioned above if that fair value is evidenced by a quoted price in an active market for an identical asset or liability (i.e. a Level 1 input) or based on a valuation technique that uses only data from observable markets. The Group recognises the difference between the fair value at initial recognition and the transaction price as a gain or loss.
- b) in all other cases, at the measurement basis mentioned above, adjusted to defer the difference between the fair value at initial recognition and the transaction price. After initial recognition, the Group recognises that deferred difference as a gain or loss only to the extent that it arises from a change in a factor (including time) that market participants would take into account when pricing the asset or liability.

Subsequent measurement of financial assets and financial liabilities is described below.

# Notes forming part of the Consolidated Financial Statements

## for the year ended 31 March 2020

### Financial assets

#### *Classification and subsequent measurement*

For the purpose of subsequent measurement, financial assets are classified into the following categories upon initial recognition:

i. **Financial assets at amortised cost** – a financial instrument is measured at amortised cost if both the following conditions are met:

- The asset is held within a business model whose objective is to hold assets for collecting contractual cash flows, and
- Contractual terms of the asset give rise on specified dates to cash flows that are solely payments of principal and interest (SPPI) on the principal amount outstanding.

After initial measurement, such financial assets are subsequently measured at amortised cost using the effective interest method.

ii. **Financial assets at fair value**

- **Investments in equity instruments other than above** – All equity investments in scope of Ind AS 109 are measured at fair value. Equity instruments which are held for trading are generally classified at fair value through profit and loss (FVTPL). For all other equity instruments, the Group decides to classify the same either at fair value through other comprehensive income (FVOCI) or fair value through profit and loss (FVTPL). The Group makes such election on an instrument by instrument basis. The classification is made on initial recognition and is irrevocable.

If the Group decides to classify an equity instrument as at FVOCI, then all fair value changes on the instrument, excluding dividends, are recognised in the other comprehensive income (OCI). There is no recycling of the amounts from OCI to P&L, even on sale of investment. However, the Group may transfer the cumulative gain or loss within equity. Dividends on such investments are recognised in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment.

Equity instruments included within the FVTPL category are measured at fair value with all changes recognised in the P&L.

- **Mutual funds** – All mutual funds in scope of Ind-AS 109 are measured at fair value through profit and loss (FVTPL).

#### *De-recognition of financial assets*

A financial asset is primarily de-recognised when the rights to receive cash flows from the asset have expired or the Group has transferred its rights to receive cash flows from the asset.

#### **Financial liabilities**

##### *Subsequent measurement*

After initial recognition, the financial liabilities are subsequently measured at amortised cost using the effective interest method.

Amortised cost is calculated by considering any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The effect of EIR amortisation is included as finance costs in the statement of profit and loss.

#### *De-recognition of financial liabilities*

A financial liability is de-recognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the de-recognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the statement of profit and loss.

#### **Derivative financial instruments**

##### *Initial and subsequent measurement*

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured to their fair value at the end of each reporting period.

#### **Offsetting of financial instruments**

Financial assets and financial liabilities are offset and the net amount is reported in the balance sheet if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, to realise the assets and settle the liabilities simultaneously.

i) **Impairment of financial assets**

All financial assets except for those at FVTPL are subject to review for impairment at least at each reporting date to identify whether there is any objective evidence that a financial asset or a group of financial assets is impaired.

## Notes forming part of the Consolidated Financial Statements

### for the year ended 31 March 2020

Different criteria to determine impairment are applied for each category of financial assets.

In accordance with Ind-AS 109, the Group applies expected credit loss (ECL) model for measurement and recognition of impairment loss for financial assets carried at amortised cost.

ECL is the weighted average of difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive, discounted at the original effective interest rate, with the respective risks of default occurring as the weights. When estimating the cash flows, the Group is required to consider –

- All contractual terms of the financial assets (including prepayment and extension) over the expected life of the assets.
- Cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

#### Trade receivables

The Group applies approach permitted by Ind AS 109 Financial Instruments, which requires lifetime expected credit losses to be recognised upon initial recognition of receivables. Lifetime ECL are the expected credit losses resulting from all possible default events over the expected life of a financial instrument.

The Group uses the expected credit loss model to assess any required allowances and uses a provision matrix to compute the expected credit loss allowance for trade receivables. Life time expected credit losses are assessed and accounted based on company's historical collection experience for customers and forecast of macro-economic factors for each identified segment.

The Group defines default as an event when the financial asset is past due for more than 365 days. This definition is based on management's expectation of the time period beyond which if a receivable is outstanding, it is an objective evidence of impairment.

#### Other financial assets

For recognition of impairment loss on other financial assets and risk exposure, the Group determines whether there has been a significant increase in the credit risk since initial recognition. If the credit risk has not increased significantly since initial recognition, the Group measures the loss allowance at an amount equal to 12-month expected credit losses, else at an amount equal to the lifetime expected credit losses.

When making this assessment, the Group uses the change in the risk of a default occurring over the expected life of the financial asset. To make that assessment, the Group compares the risk of a default occurring on the financial asset as at the balance sheet date with the risk of a default occurring on the financial asset as at the date of initial recognition and considers reasonable and supportable information, that is available without undue cost or effort, that is indicative of significant increases in credit risk since initial recognition. The Group assumes that the credit risk on a financial asset has not increased significantly since initial recognition if the financial asset is determined to have low credit risk at the balance sheet date.

#### j) Impairment of non-financial assets

For impairment assessment purposes, assets are grouped at the lowest levels for which there are largely independent cash inflows (cash generating units). As a result, some assets are tested individually for impairment and some are tested at cash-generating unit level.

At each reporting date, the Group assesses whether there is any indication based on internal/external factors, that an asset may be impaired. If any such indication exists, the Group estimates the recoverable amount of the asset. If such recoverable amount of the asset or the recoverable amount of the cash generating unit to which the asset belongs is less than its carrying amount, the carrying amount is reduced to its recoverable amount and the reduction is treated as an impairment loss and is recognised in the statement of profit and loss. If, at the reporting date there is an indication that a previously assessed impairment loss no longer exists, the recoverable amount is reassessed which is the higher of fair value less costs of disposal and value-in-use and the asset is reflected at the recoverable amount subject to a maximum of depreciated historical cost. Impairment losses previously recognised are accordingly reversed in the statement of profit and loss.

To determine value-in-use, management estimates expected future cash flows from each cash-generating unit and determines a suitable discount rate in order to calculate the present value of those cash flows. The data used for impairment testing procedures are directly linked to the Group's latest approved budget, adjusted as necessary to exclude the effects of future re-organisations and asset enhancements. Discount factors are determined individually for each cash-generating unit and reflect current market assessment of the time value of money and asset-specific risk factors.

# Notes forming part of the Consolidated Financial Statements

for the year ended 31 March 2020

## k) Fair value measurement

The Group measures certain financial instruments, such as, investments at fair value at each balance sheet date.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability

The principal or the most advantageous market must be accessible by the Group.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

Refer Note 36 for fair value hierarchy.

## l) Inventories

Inventories are stated at the lower of cost and net realisable value. The cost of inventories comprises of all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition. Costs of inventories are computed using the weighted average cost formula. Net realisable value is the estimated selling price in the ordinary course of business less any applicable selling expenses. Provision for obsolescence and slow moving inventory is made based on management's best estimates of net realisable value of such inventories.

## m) Income taxes

Tax expense recognised in profit or loss comprises the sum of deferred tax and current tax not recognised in other comprehensive income or directly in equity.

Current income tax is measured at the amount expected to be paid to the tax authorities in accordance with the Income-tax Act, 1961. Current tax items are recognised in correlation to the underlying transaction either in other comprehensive income or directly in equity.

Deferred tax liabilities are generally recognised in full for all taxable temporary differences. Deferred tax assets are recognised to the extent that it is probable that the underlying tax loss, unused tax credits (Minimum alternate tax credit entitlement) or deductible temporary

difference will be utilised against future taxable income. This is assessed based on the Group's forecast of future operating results, adjusted for significant non-taxable income and expenses and specific limits on the use of any unused tax loss or credit. Unrecognised deferred tax assets are re-assessed at each reporting date and are recognised to the extent that it has become probable that future taxable profits will allow deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date. Deferred tax items are recognised in correlation to the underlying transaction either in other comprehensive income or directly in equity.

Current tax assets and current tax liabilities are offset when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle the asset and liability on a net basis. Deferred tax assets and deferred tax liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities; and the deferred tax assets and the deferred tax liabilities relate to income taxes levied by the same taxation authority.

## n) Government grants

Government grants are recognised where there is reasonable assurance that the grant will be received and all attached conditions will be complied with. When the grant relates to an expense item, it is recognised as income on a systematic basis over the periods that the related costs, for which it is intended to compensate, are expensed. When the grant relates to an asset, it is recognised as income in equal amounts over the expected useful life of the related asset.

When the Group receives grants for non-monetary assets, the asset and the grant are recorded at fair value amounts and released to profit or loss over the expected useful life in a pattern of consumption of the benefit of the underlying asset i.e. by equal annual instalments.

## o) Cash and cash equivalents

Cash and cash equivalents comprise cash in hand, demand deposits with banks/corporations and short-term highly liquid investments (original maturity less than 3 months) that are readily convertible into known amount of cash and are subject to an insignificant risk of change in value.

## Notes forming part of the Consolidated Financial Statements

for the year ended 31 March 2020

**p) Post-employment, long term and short term employee benefits**

The Group provides post-employment benefits through various defined contribution and defined benefit plans

**Defined contribution plans**

A defined contribution plan is a plan under which the Group pays fixed contributions into an independent fund administered by the government. The Group has no legal or constructive obligations to pay further contributions after its payment of the fixed contribution, which are recognised as an expense in the year in which related employee services are received.

**Defined benefit plans**

The defined benefit plans sponsored by the Group define the amount of the benefit that an employee will receive on completion of services by reference to length of service and last drawn salary. The legal obligation for any benefits remains with the Group.

Gratuity and pension are post-employment benefits and are in the nature of a defined benefit plan. The liability recognised in the financial statements in respect of gratuity and pension is the present value of the defined benefit obligation at the reporting date, together with adjustments for unrecognised actuarial gains or losses and past service costs. The defined benefit obligation is calculated at or near the reporting date by an independent actuary using the projected unit credit method.

Actuarial gains and losses arising from past experience and changes in actuarial assumptions are credited or charged to the statement of OCI in the year in which such gains or losses are determined.

**Other long-term employee benefits**

Liability in respect of compensated absences becoming due or expected to be availed more than one year after the balance sheet date is estimated on the basis of an actuarial valuation performed by an independent actuary using the projected unit credit method.

Actuarial gains and losses arising from past experience and changes in actuarial assumptions are charged to statement of profit and loss in the year in which such gains or losses are determined.

**Short-term employee benefits**

Expense in respect of other short term benefits is recognised on the basis of the amount paid or payable for the period during which services are rendered by the employee.

**q) Non-current assets held for sale and discontinued operations**

An entity shall classify a non-current asset (or disposal group) as held for sale if its carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the asset is available for immediate sale in its present condition subject only to terms that are usual and customary for sale of such asset and its sale is highly probable. Management must be committed to sale which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

Non-current assets classified as held for sale are presented separately and measured at the lower of their carrying amounts immediately prior to their classification as held for sale and their fair value less costs to sell. However, some held for sale assets such as financial assets, assets arising from employee benefits and deferred tax assets, continue to be measured in accordance with the Group's relevant accounting policy for those assets. Once classified as held for sale, the assets are not subject to depreciation or amortisation.

A discontinued operation is a component of the Group that either has been disposed of, or is classified as held for sale. Profit or loss from discontinued operations comprise the post-tax profit or loss of discontinued operations and the post-tax gain or loss resulting from the measurement and disposal of assets classified as held for sale. Any profit or loss arising from the sale or re-measurement of discontinued operations is presented as part of a single line item, profit or loss from discontinued operations.

**r) Share based payments**

The Group has equity-settled share-based remuneration plans for its employees. None of the Group's plans are cash-settled.

Where employees are rewarded using share-based payments, the fair value of employees' services is determined indirectly by reference to the fair value of the equity instruments granted. This fair value is appraised at the grant date and excludes the impact of non-market vesting conditions (for example profitability and sales growth targets and performance conditions).

All share-based remuneration is ultimately recognised as an expense in profit or loss with a corresponding credit to equity. If vesting periods or other vesting conditions apply, the expense is allocated over the vesting period,



# Notes forming part of the Consolidated Financial Statements

## for the year ended 31 March 2020

based on the best available estimate of the number of share options expected to vest.

Upon exercise of share options, the proceeds received, net of any directly attributable transaction costs, are allocated to share capital up to the nominal (or par) value of the shares issued with any excess being recorded as share premium.

### s) Provisions, contingent assets and contingent liabilities

Provisions are recognised only when there is a present obligation, as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and when a reliable estimate of the amount of obligation can be made at the reporting date. These estimates are reviewed at each reporting date and adjusted to reflect the current best estimates. If the effect of the time value of money is material, provisions are discounted to reflect its present value using a current pre-tax rate that reflects the current market assessments of the time value of money and the risks specific to the obligation. When provisions are discounted, the increase in the provision due to the passage of time is recognised as a finance cost.

Contingent liability is disclosed for:

- Possible obligations which will be confirmed only by future events not wholly within the control of the Group or
- Present obligations arising from past events where it is not probable that an outflow of resources will be required to settle the obligation or a reliable estimate of the amount of the obligation cannot be made.

Contingent assets are not recognised. However, when inflow of economic benefits is probable, related asset is disclosed.

### t) Treasury shares

Treasury shares are presented as a deduction from equity. The original cost of treasury shares and the proceeds of any subsequent sale are presented as movements in equity.

### u) Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker.

The board of directors assess the financial performance and position of the Group, and makes strategic decisions and therefore the board would be the chief operating decision maker.

The Group has the following operating/reportable segments: Agri machinery, Construction equipment, Railway equipment and Auto ancillary products (Discontinued in financial year 2016-17). In identifying these operating segments, management generally follows the Group's service lines representing its main products and services.

Each of these operating segments is managed separately as each requires different technologies, marketing approaches and other resources. All inter-segment transfers are carried out at arm's length prices based on prices charged to unrelated customers in standalone sales of identical goods or services.

For management purposes, the Group uses the same measurement policies as those used in its financial statements.

In addition, corporate assets which are not directly attributable to the business activities of any operating segment are not allocated to a segment.

### v) Earnings per share

Basic earnings per share is calculated by dividing the net profit or loss for the period attributable to equity shareholders (after deducting attributable taxes) by the weighted average number of equity shares outstanding during the period. The weighted average number of equity shares outstanding during the period is adjusted for events including a bonus issue.

For the purpose of calculating diluted earnings per share, the net profit or loss for the period attributable to equity shareholders and the weighted average number of shares outstanding during the period are adjusted for the effects of all dilutive potential equity shares.

## 2.3 Significant management judgements in applying accounting policies and estimation uncertainty

The following are the critical judgments and the key estimates concerning the future that management has made in the process of applying the Group's accounting policies and that may have the most significant effect on the amounts recognised in the financial Statements or that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

### Significant management estimates

**Allowance for doubtful debts** – The allowance for doubtful debts reflects management's estimate of losses inherent in its credit portfolio. This allowance

# Notes forming part of the Consolidated Financial Statements

## for the year ended 31 March 2020

is based on the Group's estimate of the losses to be incurred, which derives from past experience with similar receivables, current and historical past due amounts, dealer termination rates, write-offs and collections, the careful monitoring of portfolio credit quality and current and projected economic and market conditions. The Group has also taken into account estimates of possible effect from the pandemic relating to COVID-19. Should the present economic and financial situation persist or even worsen, there could be a further deterioration in the financial situation of the Group's debtors compared to that already taken into consideration in calculating the allowances recognised in the financial statements.

### **Allowance for obsolete and slow-moving inventory-**

The allowance for obsolete and slow-moving inventory reflects management's estimate of the expected loss in value, and has been determined on the basis of past experience and historical and expected future trends in the used vehicle market. A worsening of the economic and financial situation could cause a further deterioration in conditions in the used vehicle market compared to that taken into consideration in calculating the allowances recognised in the financial statements.

**Product warranties-** The Group makes provisions for estimated expenses related to product warranties at the time products are sold. Management establishes these estimates based on historical information of the nature, frequency and average cost of warranty claims. The Group seeks to improve vehicle quality and minimise warranty expenses arising from claims. Warranty costs may differ from those estimated if actual claim rates are higher or lower than historical rates.

### **Useful lives of depreciable/amortisable assets –**

Management reviews its estimate of the useful lives of depreciable/amortisable assets at each reporting date, based on the expected utility of the assets. Uncertainties in these estimates relate to technical and economic obsolescence that may change the utility of certain software, IT equipment and other plant and equipment.

**Defined benefit obligation (DBO) –** Management's estimate of the DBO is based on a number of critical underlying assumptions such as standard rates of inflation, mortality, discount rate and anticipation of future salary increases. Variation in these assumptions may significantly impact the DBO amount and the annual defined benefit expenses.

### **Significant management judgments**

**Capitalisation of internally developed intangible assets-** Distinguishing the research and development phases for new products and design enhancements determining whether the recognition requirements for the capitalisation of development costs are met requires judgement. After capitalisation, management monitors whether the recognition requirements continue to be met and whether there are any indicators that capitalised costs may be impaired.

### **Evaluation of indicators for impairment of assets –**

The evaluation of applicability of indicators of impairment of assets requires assessment of several external and internal factors which could result in deterioration of recoverable amount of the assets.

### **Non-consolidation of Farmtrac North America LLC (FNA) –**

At the behest of the creditors of FNA the authorities had appointed receiver who has taken over all the assets, books and records of FNA. Therefore, the Group has lost its control on the relevant activities of FNA, hence the Group has not considered FNA for consolidation in these financial statements.

### **Contingent liabilities –**

The Group is the subject of legal proceedings and tax issues covering a range of matters, which are pending in various jurisdictions. Due to the uncertainty inherent in such matters, it is difficult to predict the final outcome of such matters. The cases and claims against the Group often raise difficult and complex factual and legal issues, which are subject to many uncertainties, including but not limited to the facts and circumstances of each particular case and claim, the jurisdiction and the differences in applicable law. In the normal course of business management consults with legal counsel and certain other experts on matters related to litigation and taxes. The Group accrues a liability when it is determined that an adverse outcome is probable and the amount of the loss can be reasonably estimated.

## **2.4 Standards issued but not yet effective**

Ministry of Corporate Affairs ("MCA") notifies new standard or amendments to the existing standards. There is no such notification which would have been applicable from 1 April 2020.

# Notes forming part of the Consolidated Financial Statements

for the year ended 31 March 2020

## 3 (i) Property, plant and equipment

(₹ crores)

Description	Land	Leasehold land*	Buildings	Leasehold improvements	Plant and equipment	Furniture and fixtures	Computers	Vehicles	Office equipment	Total
<b>Gross carrying amount</b>										
As at 1 April 2018	1,049.04	9.34	388.96	0.33	792.84	68.69	45.55	14.87	9.53	2,379.15
Additions	-	-	5.00	-	108.43	7.07	6.75	14.15	1.29	142.69
Disposals	-	-	-	(0.28)	(21.44)	(1.82)	(0.37)	(0.03)	(0.35)	(24.29)
Exchange differences	-	(0.02)	(0.11)	-	(0.01)	(0.01)	-	(0.01)	-	(0.16)
<b>As at 31 March 2019</b>	<b>1,049.04</b>	<b>9.32</b>	<b>393.85</b>	<b>0.05</b>	<b>879.82</b>	<b>73.93</b>	<b>51.93</b>	<b>28.98</b>	<b>10.47</b>	<b>2,497.39</b>
Reclassified on account of adoption of Ind AS 116 (refer note 5)	-	(8.89)	-	-	-	-	-	-	-	(8.89)
Additions	-	-	9.04	-	93.89	6.46	5.89	2.73	0.86	118.87
Disposals	-	-	-	-	(16.70)	(0.89)	(5.04)	(1.66)	(0.01)	(24.30)
Exchange differences	-	-	0.02	-	(0.01)	0.01	-	-	-	0.02
<b>As at 31 March 2020</b>	<b>1,049.04</b>	<b>0.43</b>	<b>402.91</b>	<b>0.05</b>	<b>957.00</b>	<b>79.51</b>	<b>52.78</b>	<b>30.05</b>	<b>11.32</b>	<b>2,583.09</b>
<b>Accumulated depreciation</b>										
As at 1 April 2018	-	1.01	248.92	0.09	505.89	50.15	33.31	4.64	7.14	851.15
Charge for the year	-	0.10	7.21	-	50.20	4.20	6.95	2.94	1.07	72.67
Adjustment for disposals	-	-	-	(0.06)	(17.03)	(1.67)	(0.36)	(0.03)	(0.35)	(19.50)
Exchange differences	-	-	(0.02)	-	(0.01)	-	-	(0.01)	-	(0.04)
<b>As at 31 March 2019</b>	<b>-</b>	<b>1.11</b>	<b>256.11</b>	<b>0.03</b>	<b>539.05</b>	<b>52.68</b>	<b>39.90</b>	<b>7.54</b>	<b>7.86</b>	<b>904.28</b>
Reclassified on account of adoption of Ind AS 116 (refer note 5)	-	(1.11)	-	-	-	-	-	-	-	(1.11)
Charge for the year	-	-	7.93	-	63.04	10.09	0.92	4.01	1.13	87.12
Adjustment for disposals	-	-	-	-	(13.80)	(0.89)	(5.04)	(0.69)	(0.01)	(20.43)
Exchange differences	-	-	(0.01)	-	-	0.01	-	-	-	-
<b>As at 31 March 2020</b>	<b>-</b>	<b>-</b>	<b>264.03</b>	<b>0.03</b>	<b>588.29</b>	<b>61.89</b>	<b>35.78</b>	<b>10.86</b>	<b>8.98</b>	<b>969.86</b>
<b>Net carrying amount as at 31 March 2019</b>	<b>1,049.04</b>	<b>8.21</b>	<b>137.74</b>	<b>0.02</b>	<b>340.77</b>	<b>21.25</b>	<b>12.03</b>	<b>21.44</b>	<b>2.61</b>	<b>1,593.11</b>
<b>Net carrying amount as at 31 March 2020</b>	<b>1,049.04</b>	<b>0.43</b>	<b>138.88</b>	<b>0.02</b>	<b>368.71</b>	<b>17.62</b>	<b>17.00</b>	<b>19.19</b>	<b>2.34</b>	<b>1,613.23</b>

\*Leasehold land with perpetual usufruct right

### Notes:

#### (i) Contractual obligations

Refer note 35 for disclosure of contractual commitments for the acquisition of property, plant and equipment.

#### (ii) Property plant and equipment pledged as security

Refer note 46 for information on property, plant and equipment pledged as security by the Group.

#### (iii) Property, plant and equipment include assets in use for in house research and development

Refer note 45 for details.

#### (iv) Depreciation for the year has been included in " Depreciation & amortisation expense " line item in the statement of profit & loss.

## 3 (ii) Capital work-in-progress

(₹ crores)

	31 March 2020	31 March 2019
Capital work-in-progress	104.42	56.55

# Notes forming part of the Consolidated Financial Statements

for the year ended 31 March 2020

## Movement in capital work-in-progress:

Particulars	(₹ crores)
	Amount
<b>Capital work-in-progress as at 1 April 2018</b>	<b>48.45</b>
Add: additions during the year	140.17
Less: capitalisation during the year	(130.81)
Less: discarded during the year	(1.26)
<b>Capital work-in-progress as at 31 March 2019</b>	<b>56.55</b>
Add: additions during the year	169.99
Less: capitalisation during the year	(118.64)
Less: discarded during the year	(3.48)
<b>Capital work-in-progress as at 31 March 2020</b>	<b>104.42</b>

## 4 Investment property

Description			(₹ crores)
	Freehold Land	Building	Total
<b>Gross carrying amount</b>			
As at 1 April 2018	19.70	4.86	24.56
Additions	-	-	-
Disposals	-	-	-
<b>As at 31 March 2019</b>	<b>19.70</b>	<b>4.86</b>	<b>24.56</b>
Additions	-	-	-
Disposals	-	-	-
<b>As at 31 March 2020</b>	<b>19.70</b>	<b>4.86</b>	<b>24.56</b>
<b>Accumulated depreciation</b>			
<b>As at 1 April 2018</b>	-	1.33	1.33
Charge for the year	-	0.14	0.14
Disposals	-	-	-
<b>As at 31 March 2019</b>	<b>-</b>	<b>1.47</b>	<b>1.47</b>
Charge for the year	-	0.15	0.15
Disposals	-	-	-
<b>As at 31 March 2020</b>	<b>-</b>	<b>1.62</b>	<b>1.62</b>
<b>Net carrying amount as at 31 March 2019</b>	<b>19.70</b>	<b>3.39</b>	<b>23.09</b>
<b>Net carrying amount as at 31 March 2020</b>	<b>19.70</b>	<b>3.24</b>	<b>22.94</b>

### (i) Amount recognised in profit and loss for investment property

	(₹ crores)	
	31 March 2020	31 March 2019
Rental income	0.35	0.35
Direct operating expenses that generated rental income	-	-
Direct operating expenses that did not generate rental income	-	-
<b>Profit from leasing of investment properties</b>	<b>0.35</b>	<b>0.35</b>

### (ii) Leasing arrangements

Certain investment properties are leased to tenants under long-term operating leases with rentals payable monthly. However all the leases are cancellable at the option of lessee, hence there is no lease disclosure given, as required by Ind AS 116 "Leases".

# Notes forming part of the Consolidated Financial Statements

for the year ended 31 March 2020

## (iii) Fair value of investment property

(₹ crores)

Particulars	31 March 2020	31 March 2019
Land	20.02	23.39
Building	2.44	2.60

The Group obtains independent valuations for its investment property at least annually. The best evidence of fair value is current prices in an active market for similar properties.

Where such information is not available, the independent valuer consider information from a variety of sources including:

- In case of valuation of land, current prices in an active market for similar properties of the same area and localities have been taken.
- In case of constructed building, rates derived from CPWD/CWC PARS as on 01-10-2010-12/1997 have been taken as the basis of valuation. These rates have further been modified to bring them at par with the present day price index and as per specifications found at site. Necessary depreciation for age and life of the structure has been taken into account.

## 5 Right-of-use assets

(₹ crores)

Description	Property, plant and equipment		Investment property	Total
	Land	Buildings	Land	
<b>Gross carrying amount</b>				
As at 1 April 2018	-	-	-	-
Additions	-	-	-	-
Disposals	-	-	-	-
<b>As at 31 March 2019</b>	-	-	-	-
Reclassified on account of adoption of Ind AS 116 (refer note 3)	8.89	-	-	8.89
Adjustment on transition to Ind AS 116	21.54	4.58	4.16	30.28
Additions	-	0.72	-	0.72
Disposals	-	-	-	-
<b>As at 31 March 2020</b>	<b>30.43</b>	<b>5.30</b>	<b>4.16</b>	<b>39.89</b>
<b>Accumulated depreciation</b>				
As at 1 April 2018	-	-	-	-
Charge for the year	-	-	-	-
Adjustment for disposals	-	-	-	-
<b>As at 31 March 2019</b>	-	-	-	-
Reclassified on account of adoption of Ind AS 116 (refer note 3)	1.11	-	-	1.11
Charge for the year	2.82	1.86	0.64	5.32
Adjustment for disposals	-	-	-	-
<b>As at 31 March 2020</b>	<b>3.93</b>	<b>1.86</b>	<b>0.64</b>	<b>6.43</b>
<b>Net carrying amount as at 31 March 2019</b>	-	-	-	-
<b>Net carrying amount as at 31 March 2020</b>	<b>26.50</b>	<b>3.44</b>	<b>3.52</b>	<b>33.46</b>

## Notes forming part of the Consolidated Financial Statements

for the year ended 31 March 2020

### Notes:

#### (i) Right-of-use assets in the nature of investment property

##### (a) Amount recognised in profit and loss for investment property

	31 March 2020	31 March 2019
Rental income	0.73	-
Direct operating expenses that generated rental income	-	-
Direct operating expenses that did not generate rental income	-	-
<b>Profit from leasing of investment properties</b>	<b>0.73</b>	<b>-</b>

##### (b) Leasing arrangements

Land classified as investment property is leased to a tenant under long-term operating lease arrangement with rentals payable monthly. However the lease is cancellable by mutual agreement between the parties, hence there is no lease disclosure given, as required by Ind AS 116 "Leases".

##### (c) Fair value of investment property

Particulars	31 March 2020	31 March 2019
Land	3.93	-

The Group obtains independent valuations for its investment property annually. The best evidence of fair value is current prices in an active market for similar properties.

Where such information is not available, the independent valuer considers information from a variety of sources such as in case of ROU of land, fair value is determined by discounting market lease rentals for the remaining tenure of the lease.

#### (ii) Depreciation for the year has been included in "Depreciation and amortisation expense" line item in statement of profit and loss.

### 6 (i) Intangible assets

Description	Prototypes	Technical know how	Software	Total
<b>Gross carrying amount</b>				
As at 1 April 2018	31.62	19.15	42.85	93.62
Additions	3.48	1.18	6.10	10.76
Disposals	-	(3.47)	-	(3.47)
Exchange differences	-	(0.06)	-	(0.06)
<b>As at 31 March 2019</b>	<b>35.10</b>	<b>16.80</b>	<b>48.95</b>	<b>100.85</b>
Additions	4.51	6.72	5.14	16.37
Disposals	-	-	-	-
Exchange differences	-	0.02	-	0.02
<b>As at 31 March 2020</b>	<b>39.61</b>	<b>23.54</b>	<b>54.09</b>	<b>117.24</b>
<b>Accumulated amortisation</b>				
As at 1 April 2018	16.14	11.49	29.42	57.05
Charge for the year	7.66	1.95	4.79	14.40
Adjustment for disposals	-	(1.59)	-	(1.59)
Exchange differences	-	(0.04)	-	(0.04)
<b>As at 31 March 2019</b>	<b>23.80</b>	<b>11.81</b>	<b>34.21</b>	<b>69.82</b>
Charge for the year	8.51	1.89	4.23	14.63
Adjustment for disposals	-	-	-	-
Exchange differences	-	0.01	-	0.01
<b>As at 31 March 2020</b>	<b>32.31</b>	<b>13.71</b>	<b>38.44</b>	<b>84.46</b>
<b>Net carrying amount as at 31 March 2019</b>	<b>11.30</b>	<b>4.99</b>	<b>14.74</b>	<b>31.03</b>
<b>Net carrying amount as at 31 March 2020</b>	<b>7.30</b>	<b>9.83</b>	<b>15.65</b>	<b>32.78</b>

# Notes forming part of the Consolidated Financial Statements

for the year ended 31 March 2020

## Notes:

### (i) Contractual obligations

Refer note 35 for disclosure of contractual commitments for the acquisition of intangible assets.

### (ii) Expenses incurred and assets in use for in house research and development :

During the year, expenditure of ₹ 106.76 crores (31 March 2019: ₹ 92.22 crores) was incurred on research and development (excluding depreciation) recognised in statement of profit and loss.

Refer note 45 for details.

### (iii) Amortisation for the year has been included in line item 'Depreciation and amortisation expense' in statement of profit and loss.

## 6 (ii) Intangible assets under development

	31 March 2020	31 March 2019
Intangible assets under development	20.24	23.41

### Movement in intangible assets under development:

Particulars	Amount
Intangible assets under development as at 1 April 2018	17.27
Add: additions during the year	16.65
Less: capitalisation during the year	(10.51)
Intangible assets under development as at 31 March 2019	23.41
Add: additions during the year	13.01
Less: capitalisation during the year	(16.18)
Intangible assets under development as at 31 March 2020	20.24

## 7 Investments

	As at 31 March 2020	As at 31 March 2019
<b>Investments - Non-current</b>		
<b>(i) Investments accounted for using equity method</b>		
Fully paid equity shares (unquoted)	144.58	85.15
	<b>144.58</b>	<b>85.15</b>
Aggregate amount of impairment in value of investments	1.00	1.00
<b>(ii) Investments (other than investment accounted using equity method)</b>		
<b>(A) Investments carried at fair value through OCI</b>		
Fully paid equity shares (quoted)	0.34	0.58
<b>(B) Investment carried at fair value through profit and loss</b>		
Fully paid equity shares (quoted)	0.01	0.01
<b>(C) Debt instruments quoted at amortised cost</b>		
Fully paid preference shares (unquoted)	1.52	1.38
	<b>1.87</b>	<b>1.97</b>
Aggregate amount of quoted investments and market value thereof	0.35	0.59
Aggregate amount of unquoted investments	1.52	1.38
<b>(iii) Investments - Current</b>		
<b>Investment carried at fair value through profit or loss</b>		
Investment in equity shares (quoted)	0.23	0.61
Mutual funds (quoted)	650.68	403.05
Bonds (unquoted)	-	0.01
	<b>650.91</b>	<b>403.67</b>

The market value of quoted investments is equal to the carrying value.

## Notes forming part of the Consolidated Financial Statements

for the year ended 31 March 2020

### Details of investments are as follows: Non-current investments

(₹ crores)

	Number of shares		Amount	
	As at 31 March 2020	As at 31 March 2019	As at 31 March 2020	As at 31 March 2019
<b>In equity instruments<sup>^</sup></b>				
<b>Joint ventures and associates (unquoted)</b>				
Escorts Consumer Credit Limited	12,50,000	12,50,000	1.00	1.00
Less: provision for impairment			(1.00)	(1.00)
			-	-
Adico Escorts Agri Equipment Private Limited	84,00,000	84,00,000	3.17	2.82
Tadano Escorts India Private Limited.	2,94,00,000	2,94,00,000	22.20	23.32
Escorts Kubota India Private Limited (face value of ₹ 100 each)	1,20,00,000	60,00,000	119.21	59.01
			<b>144.58</b>	<b>85.15</b>
<b>Others (quoted)</b>				
Asahi India Glass Limited (face value of ₹ 1 each)	18,862	18,862	0.30	0.49
Godavari Drugs Limited	19,700	19,700	0.02	0.05
Twenty First Century Medicare Limited	19,400	19,400	0.02	0.04
Tamilnadu Newsprints & Papers Limited *	100	100	-	-
Gujarat State Financial Corporation Limited	93,600	93,600	0.01	0.01
			<b>0.35</b>	<b>0.59</b>
<b>Others (unquoted)</b>				
Escorts Skill Development*	9,500	9,500	-	-
<b>In preference shares</b>				
Allgrow Finance & Investment Private Limited. (face value of ₹ 10 each, 10% redeemable non-cumulative preference share)	7,30,000	7,30,000	0.17	0.16
Allgrow Finance & Investment Private Limited (face value of ₹ 100 each, 4% redeemable non-cumulative preference share)	1,97,000	1,97,000	1.35	1.22
			<b>1.52</b>	<b>1.38</b>

<sup>^</sup>All equity shares are of ₹ 10 each unless otherwise stated.

\*Amount less than ₹ 1 lakh

(₹ crores)

	As at 31 March 2020	As at 31 March 2019
<b>Current investments</b>		
<b>Mutual funds (quoted)</b>		
Axis Bluechip Fund (Direct) (Growth)	1.64	-
Axis Strategic Bond Fund (Direct) (Growth)	23.42	21.64
Aditya Birla Sun Life Credit Risk Fund (Direct) (Growth)	1.00	0.94
Aditya Birla Sun Life Liquid Fund (Direct) (Growth)	17.17	-
Aditya Birla Sun Life Medium Term Plan (Direct) (Growth)	-	15.57
Aditya Birla Sun Life Corporate Bond Fund (Direct) (Growth)	17.73	16.22
Edelweiss Finvest Private Limited Structure Product	11.07	10.21
HDFC Credit Risk Fund (Direct) (Growth)	23.34	21.30
HDFC Fmp - Series 39-1208 Days (Direct) (Growth)	29.03	26.74
HDFC Corporate Bond Fund (Direct) (Growth)	26.14	23.72
HDFC Liquid Fund (Direct) (Growth)	21.14	-
HDFC Short Term Debt Fund (Direct) (Growth)	23.71	21.58
ICICI Fmp - Series 82 - 1136 Days (Direct) (Growth)	29.32	26.81
ICICI Bond Fund (Direct) (Growth)	47.45	42.50



# Notes forming part of the Consolidated Financial Statements

## for the year ended 31 March 2020

(₹ crores)

	As at 31 March 2020	As at 31 March 2019
ICICI Liquid Fund (Direct) (Growth)	37.36	-
ICICI Pru Credit Risk Fund (Direct) (Growth)	11.86	10.78
IDFC Banking & PSU Fund (Direct) (Growth)	10.34	-
IDFC Credit Risk Fund (Direct) (Growth)	35.24	32.09
IDFC Liquid Fund (Direct) (Growth)	17.06	-
IDFC Ultra Short Term Fund (Direct) (Growth)	15.15	-
IIFL - LWFEC825-140520 Structured Product	17.80	16.28
IIFL Focused Equity Fund (Direct) (Growth) (earlier Capital Enhancer Fund)	2.56	3.16
Kotak Liquid Fund (Direct) (Growth)	48.47	-
Kotak Medium Term Fund (Direct) (Growth)	25.12	23.37
Kotak Standard Multicap Fund (Direct) (Growth)	2.32	1.35
L&T Liquid Fund (Direct) (Growth)	13.05	-
L&T Resurgent Corporate Bond Fund (Direct) (Growth)	25.35	23.22
Mirae Assets Large Cap Fund (Direct) (Growth)	2.22	-
Nippon Liquid Fund (Direct Growth)	6.10	-
Nippon Money Market Fund (Direct) (Growth)	10.10	-
SBI Focused Equity Fund (Direct) (Growth)	1.59	-
SBI Liquid Fund (Direct Growth)	21.11	-
SBI Magnum Ultra Short Duration Fund (Direct) (Growth)	25.13	-
UTI Fixed Term Income Fund Series XXVIII-XIII - 1134 Days (Direct) (Growth)	28.16	26.39
UTI Liquid Fund (Direct) (Growth)	10.03	-
UTI Short Term Income Fund (Direct) (Growth)	-	27.21
Aditya Birla SL Corporate Bond (Regular) (Growth)	4.38	4.27
ABSL Credit Risk Fund (Regular) (Growth)	3.89	3.68
HDFC Corporate Debt Opportunities (Regular) (Growth)	4.13	4.02
	<b>650.68</b>	<b>403.05</b>
<b>Bonds (unquoted)</b>		
ICICI Deep Discount Bonds	-	0.01
	-	<b>0.01</b>
<b>Others*</b>		
Equity shares	0.23	0.61
<b>Total</b>	<b>650.91</b>	<b>403.67</b>

### Notes:

\* This item contains investment in multiple companies which have been held by the Group to earn short term capital appreciation, hence these investments are carried at FVTPL. The individual amounts of investment in each company is considered insignificant by the management, hence not disclosed.

Refer note 36 - Financial Instruments for disclosure of fair value of investments and underlying assumptions.

## 8 Loans

### (i) Non-current loans

(₹ crores)

	As at 31 March 2020	As at 31 March 2019
Unsecured, considered good		
Security deposits*	13.64	9.01
	<b>13.64</b>	<b>9.01</b>

\* includes deposit given to related party for ₹ 0.08 crores

Refer note 36 - Financial instruments for disclosure of fair values in respect of financial assets measured at amortised cost and assessment of expected credit losses

# Notes forming part of the Consolidated Financial Statements

for the year ended 31 March 2020

## (ii) Current loans

	As at 31 March 2020	(₹ crores) As at 31 March 2019
Unsecured, considered good		
Security deposits	17.10	5.63
	<b>17.10</b>	<b>5.63</b>

The carrying values are considered to be a reasonable approximation of their fair values.

## 9 Other financial assets

### (i) Non-current financial assets

	As at 31 March 2020	(₹ crores) As at 31 March 2019
Deposits with remaining maturity more than 12 months	0.80	-
	<b>0.80</b>	<b>-</b>

Refer note 36 - Financial instruments for disclosure of fair values in respect of financial assets measured at amortised cost and assessment of expected credit losses

### (ii) Current financial assets

	As at 31 March 2020	(₹ crores) As at 31 March 2019
Export incentives receivable	11.19	9.99
Claims receivable	3.65	0.60
Other recoverable		
- from related parties (refer note 47 for related party balances)	4.07	2.46
- from others	2.55	1.90
	<b>21.46</b>	<b>14.95</b>

The carrying values are considered to be a reasonable approximation of their fair values.

### 10(i) Deferred tax liabilities (net)

	As at 31 March 2020	(₹ crores) As at 31 March 2019
<b>Deferred tax asset arising on account of :</b>		
Receivables, financial assets and financial liabilities at amortised cost	(28.76)	(28.63)
Provision for employee benefits and other liabilities deductible on actual payment	(21.23)	(24.14)
MAT credit entitlement	(0.16)	(0.16)
Unabsorbed losses	(1.03)	(0.71)
<b>Deferred tax liability arising on account of :</b>		
Investments carried at fair value	15.77	12.84
Property, plant and equipment, investment property and intangible assets	64.68	92.45
<b>Net deferred tax liabilities</b>	<b>29.27</b>	<b>51.65</b>

# Notes forming part of the Consolidated Financial Statements

for the year ended 31 March 2020

## Notes:

(a) Movement in deferred tax assets/liabilities for the year ended 31 March 2020 is as follows:

Description	(₹ crores)					
	Opening balance deferred tax assets	Opening balance deferred tax liabilities	(Reversed)/ recognised through profit and loss	(Reversed) in other comprehensive income	Closing balance deferred tax liabilities	Closing balance deferred tax assets
<b>Deferred tax assets/liabilities in relation to:</b>						
Property, plant and equipment, investment property and intangible assets	0.03	92.48	(27.77)	-	64.72	0.04
Receivables, financial assets and liabilities at amortised cost	0.19	(28.44)	(0.13)	-	(28.66)	0.10
Provision for employee benefits and other liabilities deductible on actual payment	0.12	(24.02)	4.35	(1.44)	(21.13)	0.10
MAT credit entitlement	0.16	-	-	-	-	0.16
Unrealised gain on investment carried at fair value	0.01	12.85	2.95	(0.02)	15.78	0.01
Unabsorbed losses	0.71	-	(0.32)	-	-	1.03
<b>Net deferred tax assets/liabilities</b>	<b>1.22</b>	<b>52.87</b>	<b>(20.92)</b>	<b>(1.46)</b>	<b>30.71</b>	<b>1.44</b>

(b) Movement in deferred tax assets/liabilities for the year ended 31 March 2019 is as follows:

Description	(₹ crores)					
	Opening balance deferred tax assets	Opening balance deferred tax liabilities	(Reversed)/ recognised through profit and loss	(Reversed) in other comprehensive income	Closing balance deferred tax liabilities	Closing balance deferred tax assets
<b>Deferred tax assets/liabilities in relation to:</b>						
Property, plant and equipment, investment property and intangible assets	(0.08)	89.52	2.85	-	92.48	0.03
Receivables, financial assets and liabilities at amortised cost	0.39	(40.54)	12.30	-	(28.44)	0.19
Provision for employee benefits and other liabilities deductible on actual payment	0.24	(28.47)	5.17	(0.60)	(24.02)	0.12
MAT credit entitlement	0.17	(11.38)	11.39	-	-	0.16
Unrealised gain on investment carried at fair value	0.01	10.57	7.40	(5.12)	12.85	0.01
Unabsorbed losses	0.08	-	(0.63)	-	-	0.71
<b>Net deferred tax assets/liabilities</b>	<b>0.81</b>	<b>19.70</b>	<b>38.48</b>	<b>(5.72)</b>	<b>52.87</b>	<b>1.22</b>

## 10(ii) Tax expense

The income tax expense consists of the following:

	(₹ crores)	
	Year ended 31 March 2020	Year ended 31 March 2019
<b>Current tax</b>		
Current tax expense	174.45	198.63
Deferred tax (credit)/charge	(20.92)	38.48
<b>Total income tax expense for continuing operations</b>	<b>153.53</b>	<b>237.11</b>
Tax expense for discontinued operations	-	0.66
<b>Total income tax expense</b>	<b>153.53</b>	<b>237.77</b>

# Notes forming part of the Consolidated Financial Statements

for the year ended 31 March 2020

## Notes:

**(a) The reconciliation of estimated income tax expense at statutory income tax rate to income tax expense reported in statement of profit and loss is as follows:**

	Year ended 31 March 2020	Year ended 31 March 2019
		(₹ crores)
Profit before income tax from continuing and discontinued operations	625.25	715.67
Statutory income tax rate*	25.17%	34.61%
Expected income tax expense	157.36	247.68
<b>Tax effect of adjustments to reconcile expected income tax expense to reported income tax expense</b>		
Tax effect of expenses not eligible for deduction	4.83	2.21
Weighted and standard deduction for certain expenditures under Income Tax Act, 1961	(0.23)	(13.30)
Adjustment for tax expense pertaining to prior years	3.81	2.68
Impact of change in tax rate	(15.76)	-
Addition/(utilisation) of tax losses on which no deferred tax is recognised	3.10	(1.97)
Others	0.42	0.47
<b>Total income tax expense</b>	<b>153.53</b>	<b>237.77</b>

\* Statutory tax rate applicable to the Holding Company has been computed as follows

Base tax rate	22%	30%
Surcharge (% of tax)	10%	12%
Cess (% of tax and surcharge)	4%	4%
Applicable rate	25.17%	34.94%

The Taxation Laws (Amendment) Act, 2019 has amended the Income-tax Act, 1961 and Finance Act, 2019 to inter-alia provide an option to the Group to pay Income Tax at concessional rate of 22% plus applicable surcharge and cess, subject to certain specified conditions, as compared to the earlier rate of 30% plus applicable surcharge and cess for the assessment year 2020-21 onwards. The Holding Company has opted for the concessional tax rate during the year ended 31 March 2020 and accordingly remeasured deferred tax and current tax liability at such concessional rate.

## **(b) Unused tax losses and credits**

### **Minimum alternate tax (MAT)**

The Group has unutilised MAT credit amounting to ₹ 0.16 crores as at 31 March 2020 (31 March 2019: ₹ 0.16 crores). Tax credits have been recognised on the basis that recovery is probable in the foreseeable future. This recognised MAT credit expires, if unutilised, based on the year of origination as follows:

Year of origination	Year of expiry	Amount
31 March 2014	31 March 2029	0.05
31 March 2015	31 March 2030	0.04
31 March 2016	31 March 2031	0.07
		<b>0.16</b>

### **Unrecognised temporary difference**

The Group has not recognised any deferred tax liability in respect to unrecognised temporary differences relating to investment in subsidiaries as the Parent Company is able to control the timing of distributions from the subsidiaries. The subsidiaries are not expected to distribute profits in the foreseeable future.

# Notes forming part of the Consolidated Financial Statements

for the year ended 31 March 2020

## 11 Other assets

	As at 31 March 2020	As at 31 March 2019
(₹ crores)		
<b>(i) Non-current</b>		
Prepaid expenses	6.25	6.45
Capital advances*	23.96	23.56
Deposits with statutory authorities**	69.18	68.38
	<b>99.39</b>	<b>98.39</b>
Allowance for doubtful advances	(2.08)	(2.08)
	<b>97.31</b>	<b>96.31</b>

\* includes advance given to related party for ₹ 0.10 crores

\*\* includes deposit paid under protest with statutory authorities.

	As at 31 March 2020	As at 31 March 2019
(₹ crores)		
<b>(ii) Current</b>		
Refund asset	2.03	-
Advances to suppliers*	27.40	19.05
Prepaid expenses**	10.33	4.88
Balances with statutory authorities	227.17	275.43
Other advances	0.51	0.66
	<b>267.44</b>	<b>300.02</b>

\* includes advance given to related party for ₹ 1.00 crores

\*\* includes advance payment made to related party for ₹ 1.15 crores

## 12 Inventories

(Valued at lower of cost and net realisable value, unless otherwise stated)

	As at 31 March 2020	As at 31 March 2019
(₹ crores)		
<b>Raw materials and components</b>	325.52	296.74
Goods-in-transit	39.04	51.39
	<b>364.56</b>	<b>348.13</b>
<b>Work-in-progress</b>	47.01	37.10
<b>Finished goods</b>	320.55	306.52
Goods-in-transit	52.87	64.64
	<b>373.42</b>	<b>371.16</b>
<b>Stock-in-trade</b>	71.73	79.97
Goods-in-transit	2.04	0.32
	<b>73.77</b>	<b>80.29</b>
<b>Stores and spares</b>	17.35	13.56
<b>Loose tools</b>	7.25	7.18
	<b>883.36</b>	<b>857.42</b>

### Notes:

(i) Refer note 20 and 46 for inventories pledged as security for liabilities.

## Notes forming part of the Consolidated Financial Statements

for the year ended 31 March 2020

(ii) Amount of write down and reversal of write down of inventories recognised in statement of profit and loss:

Particulars	(₹ crores)
	Amount
<b>Allowance for obsolete and slow moving inventories as at 1 April 2018</b>	<b>34.05</b>
Add: write-down recognised during the year	17.07
Less: allowance utilised during the year	(21.74)
<b>Allowance for obsolete and slow moving inventories as at 31 March 2019</b>	<b>29.38</b>
Add: write-down recognised during the year	1.43
Less: allowance utilised during the year	(2.11)
<b>Allowance for obsolete and slow moving inventories as at 31 March 2020</b>	<b>28.70</b>

### 13 Trade receivables

	(₹ crores)	
	As at 31 March 2020	As at 31 March 2019
Trade receivables considered good - secured	56.80	101.04
Trade receivables considered good - unsecured	687.13	840.07
Less: allowance for doubtful receivables	(12.07)	(10.06)
	<b>675.06</b>	<b>830.01</b>
Trade receivables credit impaired	51.00	46.38
Less: allowance for doubtful receivables	(51.00)	(46.38)
	-	-
	<b>731.86</b>	<b>931.05</b>

#### Notes:

- Refer note 20 and 46 for trade receivables pledged as security for liabilities.
- Refer note 36 - Financial instruments for assessment of expected credit losses.
- The carrying values are considered to be a reasonable approximation of their fair value.
- Trade receivables include ₹ 8.54 crores (31 March 2019 ₹ 1.11 crores) due from related parties. For details refer note 47 - related party disclosures

### 14 Cash and cash equivalents

	(₹ crores)	
	As at 31 March 2020	As at 31 March 2019
Balances with banks in current accounts	15.38	33.92
Remittance in transit	-	50.08
Cash in hand	0.71	0.10
Debit balance in cash credit accounts	103.49	5.08
Bank deposits with maturity less than 3 months	49.31	3.87
	<b>168.89</b>	<b>93.05</b>

The carrying values are a reasonable approximation of their fair values.

# Notes forming part of the Consolidated Financial Statements

for the year ended 31 March 2020

## 15 Other bank balances

	As at 31 March 2020	As at 31 March 2019
Earmarked bank balances	1.46	1.28
Fixed deposits with maturity of more than 3 months but less than 12 months	2.48	6.17
Margin money deposits	0.12	0.12
Escrow account	151.93	142.68
	<b>155.99</b>	<b>150.25</b>

### Notes:

- (i) Earmarked balances with banks largely pertains to unclaimed dividends.
- (ii) ₹ 0.16 crores (31 March 2019: ₹ 0.19 crores) represents deposits with original maturity for more than 3 months but less than 12 months, held by the entity and are not available for use by the Group, as these are lien marked.
- (iii) Balance in Escrow account is not available for use by the Group, refer note 23 (ii) for details.
- (iv) ₹ 0.12 crores (31 March 2019: ₹ 0.12 crores) represent margin money pledged with various authorities.
- (v) Other than as disclosed, there are no repatriation restrictions with respect to other bank balances as at the end of the reporting year and prior year.
- (vi) The carrying values are a reasonable approximation of their fair values.

## 16 Assets held for sale

	As at 31 March 2020	As at 31 March 2019
Assets held for sale	13.92	13.92
	<b>13.92</b>	<b>13.92</b>
<b>Details of assets held for sale:</b>		
Land	9.00	9.00
Investment in equity instruments of Hughes Communications India Limited	3.25	3.25
Investment in equity instruments of Escorts Motors Limited	1.67	1.67
<b>Total</b>	<b>13.92</b>	<b>13.92</b>

### Notes:

#### (i) Details of assets held for sale :

- a. The Group executed an agreement to sell in earlier years, for transfer of 25 acres of land at Plot No. 219, Sector 58, Balabgarh, Haryana for a consideration of ₹ 9.00 crores. The said transfer is subject to necessary approval from HUDA and accordingly the consideration amount of ₹ 9.00 crores is being classified in other current liabilities. Owing to the inordinate delay in obtaining approval from HUDA, the transfer has been delayed beyond one year that was not originally envisaged. However, the Group is taking necessary action to respond to the current conditions and favorable resolution is expected. Therefore, such land continues to be classified as held for sale.
- b. During the previous year, the Group purchased 1,35,000 equity instruments of Hughes Communications India Limited from Escorts Employee Welfare Limited at a purchase price of ₹ 3.25 crores. Also, the Group has entered into an agreement with HNS-India VSAT, Inc. for the sale of these equity shares at a consideration of ₹ 3.25 crores. Therefore, such equity shares have been classified as 'held for sale'.
- c. During the previous year, the Group has entered into an agreement with HNS-India VSAT, Inc. for the sale of equity shares of Escorts Motors Limited at a consideration of ₹ 1.67 crores. Therefore, such equity shares have been classified as 'held for sale'.

## Notes forming part of the Consolidated Financial Statements

### for the year ended 31 March 2020

- d. Consequent to an agreement, the Holding Company had agreed to purchase 19% holding (9,50,000 equity shares) in Escorts Motors Limited (EML) from ICICI Bank Limited (ICICI). Pending transfer of shares in favour of the Holding Company and final settlement with ICICI, the advance paid by the Holding Company to ICICI against the aforesaid agreement was considered doubtful of recovery and was written off in the books of account in the previous years.

Further, pursuant to the Share Purchase Agreement dated 29 March 2019, the Holding Company had agreed to sell the afore mentioned equity shares of EML to HNS-India VSAT, Inc. U.S.A.

While ICICI has transferred the said equity shares (9,50,000 equity shares) in the Demat account of the Holding Company, pending the aforesaid settlement and the regulatory clearances, the above mentioned transactions have not been completed yet and accordingly, not recorded in the books of account.

#### (ii) Non-recurring fair value measurements

Assets classified as held for sale are measured at the lower of carrying amount and fair value less costs to sell at the time of re-classification. A total write down of ₹ 0.76 crores was made in earlier years on account of such measurement for land. This is Level 3 measurement as per fair value hierarchy set out in fair value measurement disclosures (refer note 36). Investments in equity shares classified as 'held for sale' is measured at fair value through OCI at the price agreed under the sale agreement considering that the same is the fair value of the instrument.

## 17 Equity Share Capital

	As at 31 March 2020	As at 31 March 2019
(₹ crores)		
<b>Authorised</b>		
40,10,00,000 (previous year 40,10,00,000) Equity shares of ₹ 10 each	401.00	401.00
88,80,00,000 (previous year 88,80,00,000) Unclassified shares of ₹ 10 each	888.00	888.00
	<b>1,289.00</b>	<b>1,289.00</b>
<b>Issued, Subscribed and Fully paid-up</b>		
12,25,76,878 (previous year 12,25,76,878) Equity shares of ₹ 10 each	122.58	122.58
	<b>122.58</b>	<b>122.58</b>

#### (a) Reconciliation of number of shares

	As at 31 March 2020		As at 31 March 2019	
	No of shares	₹ crores	No of shares	₹ crores
Equity shares at the beginning of the year	12,25,76,878	122.58	12,25,76,878	122.58
Changes during the year	-	-	-	-
<b>Equity shares at the end of the year</b>	<b>12,25,76,878</b>	<b>122.58</b>	<b>12,25,76,878</b>	<b>122.58</b>

#### (b) Rights/preferences/restrictions attached to equity shares

The Parent Company has only one class of shares, i.e. equity shares having a face value of ₹ 10 per share. Each holder of equity shares is entitled to one vote per share. Dividend is paid in Indian Rupees. In the event of liquidation of the Parent Company, equity shareholders will be entitled to receive remaining assets after distribution of all preferential amounts. The distribution will be in proportion to the number of equity shares held by the shareholders.

#### (c) Details of shareholders holding more than 5% shares in the Company

	As at 31 March 2020		As at 31 March 2019	
	No of shares	% holding	No of shares	% holding
Escorts Benefit and Welfare Trust	3,37,00,031	27.49	3,37,00,031	27.49
Harprasad and Company Private Limited	1,07,26,308	8.75	1,05,26,308	8.59
Jhunjhunwala Rakesh Radheyshyam	91,00,000	7.42	1,00,00,000	8.16



# Notes forming part of the Consolidated Financial Statements

for the year ended 31 March 2020

- (d) The Company has issued total 5,37,100 (31 March 2019: 5,37,100) equity shares to employees (through Escorts Employees Benefit and Welfare Trust) on exercise of option granted under the Employee Stock Option Scheme 2006, wherein part consideration was received in form of employee services.

## (e) Shares reserved for issue under options

	As at 31 March 2020	As at 31 March 2019
	No of shares	No of shares
Under the Employee Stock Option Plan (ESOP) 2006, equity share of ₹ 10 each, at an exercise price as decided by management on case to case basis	30,74,512	30,74,512

These shares are held as treasury shares under other equity (refer note 18).

For terms and other details refer note 41

## 18 Other equity

(₹ crores)

	As at 31 March 2020	As at 31 March 2019
<b>Capital reserve</b>	97.40	97.40
Add: Share of capital reserve recognised by joint venture on acquisition of business	0.51	
	<b>97.91</b>	<b>97.40</b>
<b>Capital redemption reserve</b>	6.00	6.00
<b>General reserve</b>		
Opening balance	729.86	729.95
Less: adjustment on transaction between shareholders	-	(0.09)
Add: transferred from employees' stock option outstanding account against vested options lapsed during the year	0.33	-
	<b>730.19</b>	<b>729.86</b>
<b>Securities premium</b>	456.69	456.69
<b>Employees' stock option outstanding account</b>		
Opening balance	4.03	-
Add: charge for the year	3.40	4.03
Less: transferred to general reserve against vested options lapsed during the year	(0.33)	-
	<b>7.10</b>	<b>4.03</b>
<b>Treasury shares</b>	(337.23)	(337.23)
<b>Retained earnings</b>		
Opening balance	1,591.48	1,095.49
Add: net profit for the year	472.25	478.93
Less: Equity dividend (net of dividend on treasury shares)	(21.45)	(23.90)
Less : tax on equity dividend	(4.57)	(5.04)
Add : transferred to retained earnings on account of disposal of investment in equity instruments classified as fair value through other comprehensive income	-	48.00
Less: remeasurement of defined benefit plans (net of tax)	(5.50)	(1.14)
Less: loss on transaction between shareholders against dilution of non-controlling stake in subsidiaries	-	(0.86)
	<b>2,032.21</b>	<b>1,591.48</b>

# Notes forming part of the Consolidated Financial Statements

for the year ended 31 March 2020

	As at 31 March 2020	(₹ crores) As at 31 March 2019
<b>Additional paid in capital</b>		
Opening balance	0.75	3.76
Add: changes during the year	-	(3.07)
Less: Adjustment on transaction between shareholders	-	0.06
	<b>0.75</b>	<b>0.75</b>
<b>Special reserve</b>	0.07	0.07
<b>Other comprehensive income, net of tax</b>		
<b>Fair value changes of equity instruments measured at fair value through other comprehensive income</b>		
Opening balance	0.62	39.47
Add : net changes in fair values of equity instruments carried at fair value through other comprehensive income	(0.21)	9.15
Less: transfer to retained earnings	-	(48.00)
	<b>0.41</b>	<b>0.62</b>
<b>Foreign currency translation reserve</b>		
Opening balance	1.24	0.96
Add: changes during the year	(0.52)	0.28
	<b>0.72</b>	<b>1.24</b>
<b>Total</b>	<b>2,994.82</b>	<b>2,550.91</b>

## Nature and purpose of other reserves

### (i) Securities premium

Securities premium represents premium received on issue of shares. The reserve is utilised in accordance with the provisions of the Companies Act, 2013.

### (ii) Employee's stock options outstanding account

The account is used to recognise the grant date value of options issued to employees under Employee stock option plan and adjusted as and when such options are exercised or otherwise expire.

### (iii) Capital redemption reserve

This reserve represents reserve created on redemption of preference shares. The reserve is utilised in accordance with the provisions of the Companies Act, 2013.

### (iv) Capital reserve

This reserve represents the excess of net assets taken, over the cost of consideration paid at the time of amalgamation done in earlier year. This reserve is not available for the distribution to the shareholders.

### (v) Treasury shares

This reserve represents the cost of Parent Company's own equity shares held by the Escorts Employees Benefit and Welfare Trust, which is created under the Employee Stock Option Plan, Escorts Benefit and Welfare Trust which has been consolidated in these financial statements.

### (vi) General reserve

The Group has transferred a portion of the net profit of the group before declaring dividend to general reserve pursuant to the earlier provision of Companies Act 1956. Mandatory transfer to general reserve is not required under the Companies Act, 2013

# Notes forming part of the Consolidated Financial Statements

for the year ended 31 March 2020

## (vii) Additional paid in capital

The Group had issued Optionally Convertible Redeemable Preference Shares (OCRPS) during the earlier years. Considering the accounting principles to be followed in line with Indian Accounting Standards, the Group had computed the liability portion of OCRPS as the present value of the contractual obligations associated with the instrument. The difference between the issue amount of the OCRPS and the liability so computed had been treated as the 'Additional paid in capital' and grouped under other equity.

## (viii) Special reserve

This reserve was created by Escorts Finance Limited ('subsidiary company') pursuant to the requirements of section 45-IC of the Reserve Bank of India Act, 1934.

## (ix) Other Comprehensive Income (OCI)

- (i) The Group has elected to recognise changes in the fair value of certain investments in equity securities in other comprehensive income. These changes are accumulated within the FVOCI reserve within equity. The Group transfers amounts from this reserve to retained earnings when the relevant equity securities are derecognised.
- (ii) The Group has recognised remeasurements of defined benefits plans through other comprehensive income.
- (iii) The Group recognised exchange differences arising on translation of the foreign operations in other comprehensive income and accumulated in foreign currency translation reserve in other equity.

## 19 Non-controlling interest

(₹ crores)

	As at 31 March 2020	As at 31 March 2019
Opening balance	5.64	(0.40)
Add: Equity Share issued during the year	-	6.50
Add: adjustment on transaction between shareholders for loss realised on dilution of stake in certain subsidiaries	-	0.89
Less: equity component of financial instrument carried at amortised cost attributed to non-controlling interest	-	(0.34)
Less: share of loss for the year	(0.54)	(1.01)
<b>Closing non-controlling interest</b>	<b>5.10</b>	<b>5.64</b>

Refer note 39 for summarised financial information of subsidiary that has non-controlling interest that are material to the Group.

## 20 Borrowings

### (i) Non-current borrowings

(₹ crores)

	As at 31 March 2020	As at 31 March 2019
<b>Secured</b>		
Term loans from banks	-	7.34
Other loans from financial institutions	3.44	4.27
Finance lease obligations (refer note 42)	-	0.12
	<b>3.44</b>	<b>11.73</b>
Current maturities of long-term borrowings (refer note 21)	(0.75)	(8.20)
	<b>2.69</b>	<b>3.53</b>

#### Notes:

- a. **Rate of interest** - The Group's borrowings from banks were at an effective weighted average rate of 9.98 % during the previous year ended 31 March 2019.

## Notes forming part of the Consolidated Financial Statements

for the year ended 31 March 2020

### b. Other terms

Nature of security	(₹ crores)	
	31 March 2020	31 March 2019
(i) Term loan from State bank of India is secured by exclusive first charge on the plant and machinery acquired/to be acquired out of the said term loan and exclusive charge by way of equitable mortgage of freehold immovable property being a part of site no.2, sector-13, Faridabad. The same is repayable in equal quarterly installments starting from 31 December 2017.	-	7.34
(ii) Finance lease obligations are secured by assets taken on lease. Refer note 42 for details.	-	0.12
(iii) Vehicle and other loans are secured by the hypothecation of respective equipment and vehicles and are repayable in equal monthly installments.	0.05	0.20
(iv) Vehicle loans from financial institutions are secured by deposits. The same is repayable in 60 half yearly instalments ending on 03 December 2023.	3.39	4.07
	<b>3.44</b>	<b>11.73</b>

c. Refer note 36 - Financial instruments for disclosure of fair values in respect of financial liabilities measured at amortised cost and analysis of their maturity profiles.

### (ii) Current borrowings

	(₹ crores)	
	As at 31 March 2020	As at 31 March 2019
<b>Secured</b>		
Cash credit and other working capital facilities from banks	10.41	269.23
Buyer's Credit	6.10	-
	<b>16.51</b>	<b>269.23</b>

### (a) Security and repayment details

- (i) Cash credit and other working capital facilities from banks are secured against first pari passu charge on current assets and second charge on moveable fixed assets (excluding assets specifically charged to other term loan lenders). These facilities carry an interest rate of 5.50%-9.65% per annum in year ended 31 March 2020 (31 March 2019: 5.50%.- 9.65% per annum) and is repayable on demand.
- ii) Buyer's credit from banks are secured against Stand by Letter of Credit (SBLC) carrying an interest rate of 2.65% (12 month's USD Libor + 58 bps) per annum for purchase of machine.
- (iii) Working capital demand loan amounting to ₹ 7.45 crores is secured against first and exclusive charge over the current and movable fixed assets of Escorts Securities Limited both present and future and corporate guarantee of the Parent Company (Holding Company of Escorts Securities Limited). The facility carry floating interest rate as 10.75% on 31 March 2020.
- (iv) Working capital credit facility amounting to ₹ 2.46 crores is secured against inventory of Farmtrac Tractors Europe Spolka z.o.o and joint mortgage on two real estate properties situated in (i) Mragowo, Poland at ul Przemyslowa 11/4 comprising parcels of land no 4/62, 4/36 and no 4/37 and (ii) Mragowo, Poland at ul Przemyslowa 11/4 comprising parcels of land no 2/16. The facility carry variable interest rate as WIBOR 1 month base rate plus 1.7%.

(b) The carrying values are considered to be reasonable approximation of their fair values.

# Notes forming part of the Consolidated Financial Statements

for the year ended 31 March 2020

## (iii) Reconciliation of financial liabilities arising from financing activities:

(₹ crores)

Description	Non-current borrowings and Current maturities of long-term borrowings	Lease liabilities	Preference shares	Current borrowings
<b>Opening balance as at 1 April 2019</b>	<b>50.06</b>	-	<b>1.03</b>	-
Cash flows:				
Repayments	(42.45)	-	-	-
Proceeds	4.08	-	-	269.23
Interest paid	(5.84)	-	-	(7.99)
Interest expenses	5.88	-	0.01	7.99
Other non cash transactions	-	-	(1.04)	-
<b>Closing balance as at 31 March 2019</b>	<b>11.73</b>	-	-	<b>269.23</b>
Cash flows:				
Repayments	(8.17)	(3.19)	-	(269.23)
Proceeds	-	-	-	16.16
Interest paid	(1.23)	(2.91)	-	(5.86)
Interest expenses	1.23	2.91	-	5.86
Non cash:	-	-	-	-
Adoption of Ind AS 116	-	30.12	-	-
Addition during the year	-	0.67	-	-
Foreign currency fluctuation impact	-	-	-	0.35
Reclassification on adoption of Ind AS 116	(0.12)	0.12	-	-
<b>Closing balance as at 31 March 2020</b>	<b>3.44</b>	<b>27.72</b>	-	<b>16.51</b>

## 21 Other financial liabilities

### (i) Other non-current financial liabilities

(₹ crores)

	As at 31 March 2020	As at 31 March 2019
Security deposits	20.10	17.46
	<b>20.10</b>	<b>17.46</b>

Refer note 36 - Financial instruments for disclosure of fair values in respect of financial liabilities measured at amortised cost and analysis of their maturity profiles.

### (ii) Other current financial liabilities

(₹ crores)

	As at 31 March 2020	As at 31 March 2019
Current maturities of long-term borrowings (refer note 20)	0.75	8.20
Capital creditors	20.62	32.07
Security deposits	2.37	1.88
Unpaid dividends*	1.45	1.28
Payable to related parties (refer note 47)	0.43	2.39
Employee related payables	73.52	71.47
Retention money	0.58	0.63
Liability against fixed deposit holders	10.69	10.85
Other payables	26.91	19.83
	<b>137.32</b>	<b>148.60</b>

\*Investor Education and Protection Fund will be credited as and when due

The carrying values are considered to be a reasonable approximation of their fair values.

# Notes forming part of the Consolidated Financial Statements

for the year ended 31 March 2020

## 22 Other liabilities

### (i) Other non-current liabilities

	As at 31 March 2020	As at 31 March 2019
Deferred income	11.65	10.80
	<b>11.65</b>	<b>10.80</b>

### (ii) Other current liabilities

	As at 31 March 2020	As at 31 March 2019
Advances received from customers	86.74	41.74
Advance against sale of property, plant and equipment	9.00	9.00
Payable to statutory authorities	30.61	33.09
Deferred income	24.55	22.85
Others	46.01	25.29
	<b>196.91</b>	<b>131.97</b>

## 23 Provisions

### (i) Non-current

	As at 31 March 2020	As at 31 March 2019
<b>Provision for employee benefits</b>		
Provision for gratuity	0.28	0.25
Provision for compensated absences	16.01	14.84
Provision for pension	4.92	4.80
<b>Others</b>		
Provision for warranty	9.30	5.83
	<b>30.51</b>	<b>25.72</b>

### (ii) Current

	As at 31 March 2020	As at 31 March 2019
<b>Provision for employee benefits</b>		
Provision for gratuity	42.00	38.90
Provision for compensated absences	2.68	2.12
Provision for pension	0.65	0.67
<b>Others</b>		
Provision for claims	65.00	65.00
Provision for warranty	15.42	13.35
	<b>125.75</b>	<b>120.04</b>

# Notes forming part of the Consolidated Financial Statements

for the year ended 31 March 2020

## 1 Information about individual provisions

### Provision for claims

During the year 2004-05, the Group sold its entire shareholding in Escorts Heart Institute and Research Center Limited (EHIRCL) vide Share Purchase Agreement (SPA) dated 25 September 2005. At the time of sale, EHIRCL had certain pending income-tax demands. For this purpose and in terms of said SPA, an amount of ₹ 64.99 crores had been kept under Escrow as fixed deposit by the Company, which after renewal(s) along with interest cumulatively amounts to ₹ 151.93 crores as on 31 March 2020 (31 March 2019: ₹ 142.68 crores). In accordance with the terms of said SPA, the Company has undertaken to indemnify the purchaser against the aforesaid tax demands arising on EHIRCL upon final adjudication in law, to the maximum extent of funds lying in the Escrow Account plus one-third of the remaining tax demand in excess of the balance in the Escrow Account or as may be finally settled between the parties. Correspondingly, a provision was created earlier on prudent basis to meet this liability, if and when the same arises, whose carrying value is ₹ 65.00 crores on 31 March 2020 (31 March 2019: ₹ 65.00 crores). The disputed tax demands on EHIRCL are presently reduced to Nil after the first appellate authority decided the disputed matters in their favour and the appeals filed by Income Tax Department against the orders of first appellate authority have been dismissed. The income-tax department has now filed appeal(s) before Hon'ble Delhi High Court where these are pending.

### Provision for warranty

The Group gives warranties on certain products and undertakes to repair or replace them if these fail to perform satisfactorily during the free warranty period. Such provision represents the amount of expected cost of meeting the obligations of such rectification/replacement. The timing of outflows is expected to be within a period of five years. The provision is based on estimates made from historical warranty data associated with similar products and services. The Group expects to incur the related expenditure over the future periods.

## 2 Movement in provisions:

	(₹ crores)	
	Provision for claims	Provision for warranty
<b>Provision at 1 April 2018</b>	72.40	14.59
Additions during the year	-	18.02
Amount utilised during the year	(8.24)	(13.43)
Unwinding of discount and effect of change in discount rate	0.46	-
Exchange fluctuation	0.38	-
<b>Provision at 31 March 2019</b>	<b>65.00</b>	<b>19.18</b>
Additions during the year	-	16.44
Amount utilised during the year	-	(10.40)
Unused amounts reversed during the year	-	(1.13)
Unwinding of discount and effect of change in discount rate	-	0.63
<b>Provision at 31 March 2020</b>	<b>65.00</b>	<b>24.72</b>

3 For disclosures on employee benefits, refer note 40.

## 24 Trade payables

	(₹ crores)	
	As at 31 March 2020	As at 31 March 2019
Acceptances	135.48	184.31
Trade payables		
-due to micro, small and medium enterprises (refer note 44)	80.25	32.98
-due to others	879.98	832.69
Other accrued liabilities	197.21	198.76
	<b>1,292.92</b>	<b>1,248.74</b>

The carrying values are considered to be a reasonable approximation of their fair values.

# Notes forming part of the Consolidated Financial Statements

for the year ended 31 March 2020

## 25 Revenue from operations

	Year ended 31 March 2020	Year ended 31 March 2019
(₹ crores)		
<b>Operating revenue</b>		
Sale of products		
Export	207.13	195.03
Domestic*	5,468.10	5,969.55
Sale of services	13.13	5.26
	<b>5,688.36</b>	<b>6,169.84</b>
<b>Other operating revenue</b>		
Sale of services	15.29	14.94
Export incentives	10.49	10.58
Scrap sales	28.96	30.27
Management fee/brokerage income	3.97	3.99
Liabilities no longer required written back	38.89	21.79
Others	24.13	10.61
	<b>121.73</b>	<b>92.18</b>
	<b>5,810.09</b>	<b>6,262.02</b>

\*Domestic sale includes domestic sale made by foreign subsidiary of the Group in its country of domicile.

## 26 Other income

	Year ended 31 March 2020	Year ended 31 March 2019
(₹ crores)		
<b>Interest from</b>		
Bank deposits	10.91	11.26
Other financial assets carried at amortised cost	33.52	23.91
Others	2.71	0.19
	<b>47.14</b>	<b>35.36</b>
<b>Other income</b>		
Gain on foreign currency transactions (net)	-	4.79
Lease rentals	3.12	1.47
Gain on fair valuation of investments carried at fair value through profit or loss (net)	37.35	34.24
Gain on disposal of property, plant and equipment (net)	1.39	1.53
Miscellaneous income	8.60	15.01
	<b>50.46</b>	<b>57.04</b>
	<b>97.60</b>	<b>92.40</b>

## 27 Cost of materials consumed

	Year ended 31 March 2020	Year ended 31 March 2019
(₹ crores)		
<b>(i) Cost of material consumed</b>		
Opening stock	348.13	260.07
Purchases	3,492.34	4,166.65
	<b>3,840.47</b>	<b>4,426.72</b>
Closing stock	(364.56)	(348.13)
Foreign currency translation	0.40	(1.12)
Less: cost of material consumed for discontinued operations	-	0.01
	<b>3,476.31</b>	<b>4,077.48</b>



# Notes forming part of the Consolidated Financial Statements

for the year ended 31 March 2020

(₹ crores)

	Year ended 31 March 2020	Year ended 31 March 2019
<b>(ii) Changes in inventories of work-in-progress, stock-in-trade and finished goods</b>		
<b>Opening stock</b>		
Finished goods	371.16	179.71
Work-in-progress	37.10	38.44
Stock-in-trade	80.29	66.10
	<b>488.55</b>	<b>284.25</b>
<b>Closing stock</b>		
Finished goods	(373.42)	(371.16)
Work-in-progress	(47.01)	(37.10)
Stock-in-trade	(73.77)	(80.29)
	<b>(494.20)</b>	<b>(488.55)</b>
Foreign currency translation	0.07	(0.24)
	<b>(5.58)</b>	<b>(204.54)</b>

## 28 Employee benefit expense

(₹ crores)

	Year ended 31 March 2020	Year ended 31 March 2019
Salaries, wages and bonus	461.03	416.69
Share based payments to employees (refer note 41)	3.40	4.03
Post-employment and long term benefits expense (refer note 40)	8.78	13.52
Contribution to provident and other funds (refer note 40)	19.06	17.30
Staff welfare	28.24	33.19
	<b>520.51</b>	<b>484.73</b>

## 29 Finance costs

(₹ crores)

	Year ended 31 March 2020	Year ended 31 March 2019
Interest on		
Long term loans	0.12	2.56
Cash credit and short term loans	5.86	7.99
Lease liabilities	2.91	-
Others	1.18	1.09
Finance and bank charges	2.89	3.70
Unwinding of discount on provisions and financial liabilities carried at amortised cost	4.27	4.20
	<b>17.23</b>	<b>19.54</b>

## 30 Depreciation and amortisation

(₹ crores)

	Year ended 31 March 2020	Year ended 31 March 2019
<b>(i) Depreciation on</b>		
Property, plant and equipment	87.12	72.67
Investment property	0.15	0.14
Right-of-use assets	5.32	-
<b>(ii) Amortisation on</b>		
Intangible assets	14.63	14.40
	<b>107.22</b>	<b>87.21</b>

# Notes forming part of the Consolidated Financial Statements

for the year ended 31 March 2020

## 31 Other expenses

	Year ended 31 March 2020	Year ended 31 March 2019
	(₹ crores)	
Stores and spares consumed	45.36	52.21
Power, fuel and electricity	40.07	45.44
Repair and maintenance		
Building	8.36	10.55
Machinery	13.48	15.36
Others	27.35	27.77
Outsourcing expenses	25.01	36.44
Warranties and after sale service	39.32	37.29
Rent	5.73	11.25
Research and development expense on projects	6.04	6.60
Rates and taxes	3.16	3.02
Insurance	7.04	6.07
Traveling and conveyance	61.97	57.69
Postage and telephones	5.22	6.64
Manpower hiring on contract	111.05	109.54
Legal and professional	69.96	57.26
Commission, discounts and sales incentive	8.55	11.43
Advertisement and promotional expenses	92.12	88.42
Royalty paid	28.25	30.58
Packing, freight and forwarding	84.87	104.44
Security charges	6.16	6.04
Printing and stationery	5.22	4.73
Director's sitting fees and commission	6.08	8.03
Corporate social responsibility (CSR) expenditure *	9.85	6.13
Provision for doubtful debts/advances and deposits	9.93	0.30
Bad debts & inventory written off	-	19.13
Less : Provision already held	-	(19.13)
Assets written off	0.46	2.05
Miscellaneous expenses	65.47	30.55
	<b>786.08</b>	<b>775.83</b>
<b>* CSR Expenditure</b>		
(i) Gross amount required to be spent by the Group during the year	9.80	5.92
(ii) Amount spent (in cash) during the year on:		
a) Construction/acquisition of any asset	-	-
b) For the purposes other than (a) above	9.85	6.13

## 32 Exceptional items

	Year ended 31 March 2020	Year ended 31 March 2019
	(₹ crores)	
Income from transfer of assets under Business Transfer Agreement (refer note 43 (c))	-	5.56
Settlement of product liability matter (refer note 43 (f))	(9.22)	-
	<b>(9.22)</b>	<b>5.56</b>

# Notes forming part of the Consolidated Financial Statements

for the year ended 31 March 2020

## 33 Discontinued operations

### (i) Description

Pursuant to approval of the Board and execution of the Asset Purchase Agreement (Agreement) dated 11 August 2016, the Group had divested its OEM and Export business of its Auto Product Division. The said divestment became effective w.e.f. 6 December 2016 upon completion of defined actions and covenants as per the Agreement. The Group shall continue to pursue its sale of auto products in after market operations.

### (ii) Financial performance and cash flow information

	Year ended 31 March 2020	Year ended 31 March 2019
<b>Total income</b>	-	2.82
<b>Total expenses</b>	-	0.93
<b>Profit before tax from discontinued operations</b>	-	1.89
Income tax expense	-	0.66
<b>Profit for the year from discontinued operations</b>	-	1.23

\*This includes income/expenses on providing/writing off/writing back various unrecoverable/unpayable amounts in respect to various items of inventories, trade receivables, other assets, trade payables and other liabilities.

	Year ended 31 March 2020	Year ended 31 March 2019
Net cash outflow from operating activities	-	-
Net cash inflow from investing activities	-	-
Net cash outflow from financing activities	-	-
Net cash inflow/(outflow) from discontinued operation	-	-

## 34 Earnings per share (EPS)

	Year ended 31 March 2020	Year ended 31 March 2019
<b>Net profit from:</b>		
Continuing operations attributable to owners of the Company (₹ in crores)	472.25	477.70
Discontinued operation (₹ in crores)	-	1.23
<b>Net profit for the year from continuing and discontinued operations</b>	<b>472.25</b>	<b>478.93</b>
Profit from continuing operations attributable to owners of the Company (A) (₹ in crores)	472.25	477.70
<b>Computation of weighted average number of shares for EPS</b>		
Total shares issued	12,25,76,878	12,25,76,878
Less: shares reserved for issue under options held by Escorts Employees Benefit & Welfare Trust at the beginning of the year	30,74,512	30,74,512
Less: shares held by Escorts Benefit and Welfare Trust at the beginning of the year	3,37,00,031	3,37,00,031
<b>Weighted-average number of equity shares for basic EPS (B)</b>	<b>8,58,02,335</b>	<b>8,58,02,335</b>
Effect of Dilution :		
Weighted average number of share options granted to employees*	-	-
<b>Weighted average number of Equity shares adjusted for the effect of dilution (C)</b>	<b>8,58,02,335</b>	<b>8,58,02,335</b>
Basic EPS (Amount in ₹) (A/B)	55.04	55.68
Diluted EPS (Amount in ₹) (A/C)	55.04	55.68
<b>Profit from discontinued operations attributable to owners of the Company (A)</b>	<b>-</b>	<b>1.23</b>
<b>Weighted-average number of equity shares for basic EPS (B)</b>	<b>8,58,02,335</b>	<b>8,58,02,335</b>

## Notes forming part of the Consolidated Financial Statements

for the year ended 31 March 2020

	Year ended 31 March 2020	Year ended 31 March 2019
Effect of Dilution :		
Weighted average number of share options granted to employees*	-	-
<b>Weighted average number of Equity shares adjusted for the effect of dilution (C)</b>	<b>8,58,02,335</b>	<b>8,58,02,335</b>
Basic EPS (Amount in ₹) (A/B)	-	0.14
Diluted EPS (Amount in ₹) (A/C)	-	0.14
Profit from continuing operations and discontinued operations attributable to owners of the Company (A) (₹ in crores)	472.25	478.93
<b>Weighted-average number of equity shares for basic EPS (B)</b>	<b>8,58,02,335</b>	<b>8,58,02,335</b>
Effect of Dilution :		
Weighted average number of share options granted to employees*	-	-
<b>Weighted average number of equity shares adjusted for the effect of dilution (C)</b>	<b>8,58,02,335</b>	<b>8,58,02,335</b>
Basic EPS (Amount in ₹) (A/B)	55.04	55.82
Diluted EPS (Amount in ₹) (A/C)	55.04	55.82

\* Share options granted to employees (refer note 41) are not included in the calculation of diluted earnings per share because they are anti dilutive for the period(s) presented.

### 35 Commitments and contingencies

	As at 31 March 2020	(₹ crores) As at 31 March 2019
<b>A. Capital commitments</b>		
- Estimated amounts of contracts remaining to be executed on capital account and not provided for	205.27	190.21
- Letter of Credit/guarantees executed in favour of others	75.28	29.23
<b>B. Contingencies</b>		
<b>(i) Taxation related contingencies</b>		
Excise duty/ customs duty /service tax demands	463.52	460.42
Sales Tax and other demands	48.77	75.75
Demand raised by Income Tax department, disputed by the Group and pending in appeal (refer note 1 below)	65.45	70.01
<b>(ii) Others</b>		
Cases under litigation relating to:		
- Personnel	4.61	4.52
- Others	17.20	29.89
<b>(iii) Claims not acknowledged as debts</b>	-	0.55
<b>(iv) Demand raised by Faridabad Municipal Corporation for external development charges where the Group is in litigation</b>	<b>2.38</b>	<b>2.38</b>

#### Notes:

- Contingencies for demand raised by income tax department, disputed by the Group and pending in appeal does not include Income tax cases pending w.r.t. Escorts Heart Institute and Research Center Limited since the amount is indeterminable (refer note 23 for details). Further the amount includes ₹ 32.17 crores (31 March 2019 ₹ 32.17 crores) in respect of matters which have been decided in favour of the Group, however the income tax department has preferred appeals at the next levels.
- The amounts indicated as contingent liability or claims against the Group only reflect the basic value. Interest, penalty if any or legal costs, being indeterminable are not considered. Penalties wherever quantified have been included.

# Notes forming part of the Consolidated Financial Statements

## for the year ended 31 March 2020

3. Pursuant to order dated 11 December 2014 passed by the Hon'ble Supreme Court of India, compensation amount for the general category allottees of plots in Sector-58, Ballabhgarh, Faridabad was enhanced @ ₹ 1,987 per square meter by the Chief Administrator HUDA, Panchkula and the same was intimated to Estate Officer, Haryana Urban Development Authority (HUDA), Faridabad. Accordingly, a demand was raised by HUDA on the Holding Company for its land at Sector-58 admeasuring about 40 acres. Being aggrieved by the arbitrary action of Chief Administrator HSVP (Haryana Shahari Vikas Pradhikaran), Panchkula, "The Faridabad Industries Association" filed a Civil Writ Petition before the Hon'ble High Court of Punjab & Haryana at Chandigarh whereby the court passed direction for recalculation of enhancement demands to be raised. In view of the directions as passed by the Hon'ble High Court of Punjab & Haryana at Chandigarh, an Instruction no. 58 has been passed by HSVP, Panchkula for recalculation of enhancement fees. In spite of the said directions, the Holding Company received a demand from the Estate Officer, HSVP for a sum of ₹ 37.61 crores without any basis for the same. The Holding Company is awaiting the fresh demand after recalculation for taking further appropriate action.

### 36 Financial Instruments

#### A Financial assets and liabilities

The carrying amounts of financial instruments by category are as follows:

	Note	As at 31 March 2020	As at 31 March 2019
(₹ crores)			
<b>Financial assets measured at fair value</b>			
Investments measured at			
Fair value through other comprehensive income	7 (ii)	0.34	0.58
Fair value through profit and loss	7 (ii) (iii)	650.92	403.68
<b>Financial assets measured at amortised cost</b>			
Investments	7 (ii)	1.52	1.38
Trade receivables	13	731.86	931.05
Loans	8	30.74	14.64
Cash and cash equivalents	14	168.89	93.05
Other bank balances	15	155.99	150.25
Others	9	22.26	14.95
<b>Total</b>		<b>1,762.52</b>	<b>1,609.58</b>
<b>Financial liabilities measured at amortised cost</b>			
Borrowings (including current maturities of long term borrowings)	20, 21 (ii)	19.20	280.96
Trade payables	24	1,292.92	1,248.74
Lease liabilities	42	27.72	-
Other financial liabilities	21	157.42	157.86
<b>Total</b>		<b>1,497.26</b>	<b>1,687.56</b>

Investment in joint ventures and associates are measured using equity method and hence, not presented here.

#### B Fair values hierarchy

The fair value of financial instruments as referred to in note (A) above has been classified into three categories depending on the inputs used in the valuation technique. The hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities [Level 1 measurements] and lowest priority to unobservable inputs [Level 3 measurements].

The categories used are as follows:

**Level 1:** Quoted prices for identical instruments in an active market;

**Level 2:** Directly (i.e. as prices) or indirectly (i.e. derived from prices) observable market inputs, other than Level 1 inputs; and

**Level 3:** Inputs which are not based on observable market data (unobservable inputs). Fair values are determined in whole or in part using a net asset value or valuation model based on assumptions that are neither supported by prices from observable current market transactions in the same instrument nor are they based on available market data.

## Notes forming part of the Consolidated Financial Statements

for the year ended 31 March 2020

### B.1 Financial assets and liabilities measured at fair value - recurring fair value measurements

As at 31 March 2020	Level 1	Level 2*	Level 3	(₹ crores) Total
<b>Assets at fair value</b>				
Investments measured at				
Fair value through other comprehensive income	0.34	-	-	0.34
Fair value through profit and loss	650.92	-	-	650.92

As at 31 March 2019	Level 1	Level 2*	Level 3	(₹ crores) Total
<b>Assets at fair value</b>				
Investments measured at				
Fair value through other comprehensive income	0.58	-	-	0.58
Fair value through profit and loss	403.68	-	-	403.68

\* The Group has derivative liability which is valued using forward exchange rates as at the reporting date. The numbers are immaterial when rounded off to crores, hence not presented here.

#### a. Valuation process and technique used to determine fair value

- (i) The fair value of quoted equity shares is based on the current bid price of respective investment as at the balance sheet date.
- (ii) The fair value of investments in mutual fund units is based on the net asset value (NAV) as stated by the issuers of these mutual fund units in the published statements as at the Balance Sheet date. NAV represents the price at which the issuer will issue further units of mutual fund and the price at which issuers will redeem such units from the investors.

#### b. The following table presents the changes in level 3 items for the periods ended 31 March 2020 and 31 March 2019:

Particulars	(₹ crores) Unquoted equity shares
<b>As at 1 April 2018</b>	<b>47.54</b>
Gains recognised in other comprehensive income	4.21
Investments sold during the year (refer note 6 for details)	(50.08)
Investments classified as held for sale during the year (refer note 15 for details)	(1.67)
<b>As at 31 March 2019</b>	<b>-</b>
Gains recognised in other comprehensive income	-
<b>As at 31 March 2020</b>	<b>-</b>

### B.2 Fair value of instruments measured at amortised cost

Fair value of instruments measured at amortised cost for which fair value is disclosed is as follows, these fair values are calculated using Level 3 inputs:

As at 31 March 2020	Carrying value	(₹ crores) Fair value
Loans given	13.64	13.75
Investments	1.52	1.52
Security deposits received	20.10	22.70
Lease liabilities	27.72	28.97

As at 31 March 2019	Carrying value	(₹ crores) Fair value
Loans given	9.01	9.02
Investments	1.38	1.38
Security deposits received	17.46	18.78

# Notes forming part of the Consolidated Financial Statements

## for the year ended 31 March 2020

The management assessed that fair values of current loans, other current financial assets, cash and cash equivalents, other bank balances, trade receivables, other receivables, short term borrowings, trade payables and other current financial liabilities approximate their respective carrying amounts largely due to the short-term maturities of these instruments. The fair value of the financial assets and liabilities is included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. The following methods and assumptions were used to estimate the fair values:

- (i) Long-term fixed-rate receivables are evaluated by the Group based on parameters such as interest rates, individual creditworthiness of the customer and other market risk factors.
- (ii) The fair values of the Group's fixed interest-bearing receivables and lease liabilities are determined by applying discounted cash flows ('DCF') method, using discount rate that reflects the issuer's borrowing rate as at the end of the reporting period. The own non-performance risk as at 31 March 2020 was assessed to be insignificant.
- (iii) All the other long term borrowing facilities availed by the Group are variable rate facilities which are subject to changes in underlying Interest rate indices. Further, the credit spread on these facilities are subject to change with changes in Group creditworthiness. The management believes that the current rate of interest on these loans are in close approximation from market rates applicable to the Group. Therefore, the management estimates that the fair value of these borrowings are approximate to their respective carrying values.

### C Financial Risk Management

#### Risk Management

The Group's activities expose it to market risk, liquidity risk and credit risk. The Group's Board of Directors has overall responsibility for the establishment and oversight of the Group risk management framework. This note explains the sources of risk which the entity is exposed to and how the entity manages the risk and the related impact in the financial statements.

Risk	Exposure arising from	Measurement	Management
Credit risk	Cash and cash equivalents, trade receivables, financial assets measured at amortised cost	Ageing analysis	Bank deposits, diversification of asset base, credit limits and collateral.
Liquidity risk	Borrowings and other liabilities	"Rolling cash flow forecasts"	Availability of committed credit lines and borrowing facilities
Market risk - foreign exchange	Recognised financial assets and liabilities not denominated in Indian rupee (INR)	Cash flow forecasting	Forward contract/hedging, if required
Market risk - interest rate	Long-term borrowings at variable rates	Sensitivity analysis	Negotiation of terms that reflect the market factors
Market risk - security price	Investments in equity securities	Sensitivity analysis	Diversification of portfolio, with focus on strategic investments

The Group's risk management is carried out by a central treasury department (of the Group) under policies approved by the Board of Directors. The Board of Directors provides written principles for overall risk management, as well as policies covering specific areas, such as foreign exchange risk, interest rate risk, credit risk and investment of excess liquidity.

#### C.1 Credit risk

Credit risk is the risk that a counterparty fails to discharge its obligation to the Group. The Group exposure to credit risk is influenced mainly by cash and cash equivalents, trade receivables and other financial assets measured at amortised cost. The Group continuously monitors defaults of customers and other counterparties and incorporates this information into its credit risk controls.

## Notes forming part of the Consolidated Financial Statements

for the year ended 31 March 2020

### a) Credit risk management

The Group assesses and manages credit risk based on internal credit rating system. Internal credit rating is performed for each class of financial instruments with different characteristics. The Group assigns the following credit ratings to each class of financial assets based on the assumptions, inputs and factors specific to the class of financial assets.

- (i) Low credit risk
- (ii) Moderate credit risk
- (iii) High credit risk

Based on business environment in which the Group operates, a default on a financial asset is considered when the counter party fails to make payments within the agreed time period as per contract. Loss rates reflecting defaults are based on actual credit loss experience and considering differences between current and historical economic conditions.

Assets are written off when there is no reasonable expectation of recovery, such as a debtor declaring bankruptcy or a litigation decided against the Group. The Group continues to engage with parties whose balances are written off and attempts to enforce repayment. Recoveries made are recognised in statement of profit and loss.

The Group provides for expected credit loss on financial assets other than trade receivables based on the following:

Asset group	Asset class exposed to credit risk	Provision for expected credit loss
Low credit risk	Cash and cash equivalents, other bank balances, loans and other financial assets	12 month expected credit loss
Moderate credit risk	Other financial assets	Other financial assets-12 month expected credit loss, unless credit risk has increased significantly since initial recognition, in which case allowance is measured at lifetime expected credit loss.
High credit risk	Other financial assets	Other financial assets - Life time expected credit loss (when there is significant deterioration) or specific provision, whichever is higher.

In respect of trade receivables that result from contracts with customers, loss allowance is always measured at lifetime expected credit losses

### Financial assets (other than trade receivables) that expose the entity to credit risk\* –

	As at 31 March 2020	As at 31 March 2019
(₹ crores)		
<b>Low credit risk on financial reporting date</b>		
Loans	30.74	14.64
Investments	1.52	1.38
Cash and cash equivalents	168.89	93.05
Other bank balances	155.99	150.25
Other financial assets	22.26	14.95

\*These represent carrying values of financial assets, without deduction for expected credit losses

### Cash & cash equivalents and bank deposits

Credit risk related to cash and cash equivalents and bank deposits is managed by only accepting highly rated banks and diversifying bank deposits and accounts in different banks across the country.



# Notes forming part of the Consolidated Financial Statements

## for the year ended 31 March 2020

### *Trade receivables*

Credit risk related to trade receivables are mitigated by taking bank guarantees/letter of credit from customers where credit risk is high and taking insurance cover for receivables. The Group closely monitors the credit-worthiness of the debtors through internal systems that are configured to define credit limits of customers, thereby, limiting the credit risk to pre-calculated amounts. In case of trade receivables, default is considered to have occurred when amounts receivable become one year past due.

### *Other financial assets measured at amortised cost*

Other financial assets measured at amortised cost includes loans and advances to employees, security deposits and others. Credit risk related to these other financial assets is managed by monitoring the recoverability of such amounts continuously, while at the same time internal control system are in place ensure the amounts are within defined limits.

### b) Expected credit losses for financial assets

#### i) *Financial assets (other than trade receivables)*

Group provides for expected credit losses on loans and advances other than trade receivables by assessing individual financial instruments for expectation of any credit losses.

- For cash & cash equivalents and other bank balances - Since the Group deals with only high-rated banks and financial institutions, credit risk in respect of cash and cash equivalents, other bank balances and bank deposits is evaluated as very low.

- For loans comprising security deposits paid - Credit risk is considered low because the Group is in possession of the underlying asset.

- For other financial assets - Credit risk is evaluated based on Group knowledge of the credit worthiness of those parties and loss allowance is measured. Since this category includes loans and receivables of varied natures and purpose, there is no trend that the Company can draw to apply consistently to entire population. For such financial assets, the Group policy is to provide for 12 month expected credit losses upon initial recognition and provide for lifetime expected credit losses upon significant increase in credit risk. The Group does not have any expected loss based impairment recognised on such assets”

#### ii) *Expected credit loss for trade receivables under simplified approach*

The Group recognizes lifetime expected credit losses on trade receivables using a simplified approach, wherein Group has defined percentage of provision by analyzing historical trend of default (net of any recoveries from the insurance companies) relevant to each business segment based on the criteria defined above and such provision percentage determined have been considered to recognize life time expected credit losses on trade receivables (other than those where default criteria are met in which case the full expected loss against the amount recoverable is provided for). Trade receivables amounting to ₹ 56.80 crores (31 Mar 2019 : ₹ 101.04 crores) are secured by way of security deposits from customer and letter of credit issued by banks. The letter of credit are issued by reputable banks and their credit risk is assessed to be low.

## Notes forming part of the Consolidated Financial Statements

for the year ended 31 March 2020

### 31 March 2020

#### Agri machinery

							(₹ crores)
Ageing	0-90 days	91-180 days	181-270 days	271-365 days	More than 365 days	Total	
Gross carrying amount - trade receivables	421.21	36.03	6.68	3.13	32.65	499.70	
Expected loss rate	0.52%	6.52%	21.71%	31.31%	48.30%		
Expected credit loss allowance (net of expected recoveries under insurance contracts)	2.18	2.35	1.45	0.98	15.77	22.73	

#### Construction equipment

							(₹ crores)
Ageing	0-90 days	91-180 days	181-270 days	271-365 days	More than 365 days	Total	
Gross carrying amount - trade receivables	108.86	6.86	1.05	1.09	22.49	140.35	
Expected loss rate	0.73%	11.66%	39.05%	86.24%	98.27%		
Expected credit loss allowance (net of expected recoveries under insurance contracts)	0.79	0.80	0.41	0.94	22.10	25.04	

### 31 March 2019

#### Agri machinery

							(₹ crores)
Ageing	Not Due	0-90 days past due	91-180 days past due	181-270 days past due	271-365 days past due	More than 365 days past due	Total
Gross carrying amount - trade receivables	535.02	53.78	66.61	15.61	1.72	10.25	682.99
Expected loss rate	0.02%	0.53%	1.49%	2.16%	37.11%	100.00%	
Expected credit loss allowance (net of expected recoveries under insurance contracts)	0.11	0.28	0.99	0.34	0.64	10.25	12.61

#### Construction equipment

							(₹ crores)
Ageing	Not Due	0-90 days past due	91-180 days past due	181-270 days past due	271-365 days past due	More than 365 days past due	Total
Gross sales in respect of customers where no specific default has occurred	139.46	21.30	7.60	1.64	1.72	19.73	191.45
Expected loss rate	0.48%	5.09%	23.53%	42.43%	68.33%	100.00%	
Expected credit loss allowance (net of expected recoveries under insurance contracts)	0.67	1.09	1.79	0.69	1.17	19.73	25.14

# Notes forming part of the Consolidated Financial Statements

for the year ended 31 March 2020

Particulars	31 March 2020			31 March 2019		
	Auto products*	Railway products	Financing & others	Auto products*	Railway products	Financing & others
Historical loss rate on sales during the year	-	0.67%	-	-	0.59%	-
Loss allowance provision on the sales	-	0.61	-	-	2.28	-
Loss allowance provision on the debtors outstanding more than one year	4.30	2.01	8.38	4.30	4.23	7.89

(₹ crores)

The Group estimates loss allowance provision for the railway products division at 100% for the debtors outstanding more than one year as at the reporting date and historical loss rate on the sales made during the year.

\* Auto products business was discontinued and all assets and liabilities were transferred under a sale agreement executed in FY 2016-17 (refer note 33), except certain receivables and other assets which remained with the Group.

## Reconciliation of loss allowance provision from beginning to end of reporting period:

Reconciliation of loss allowance	Trade receivables	Other financial assets
<b>Loss allowance on 1 April 2018</b>	<b>69.80</b>	<b>5.47</b>
Loss allowance written back	(10.36)	(2.93)
Write – offs	(3.00)	(2.54)
<b>Loss allowance on 31 March 2019</b>	<b>56.44</b>	-
Loss allowance created	6.63	-
<b>Loss allowance on 31 March 2020</b>	<b>63.07</b>	-

(₹ crores)

## C.2 Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Group's approach to managing liquidity is to ensure as far as possible, that it will have sufficient liquidity to meet its liabilities when they are due.

Management monitors rolling forecasts of the Group liquidity position and cash and cash equivalents on the basis of expected cash flows. The Group takes into account the liquidity of the market in which the entity operates.

### (a) Financing arrangements

The Group had access to the following undrawn borrowing facilities at the end of the reporting period:

Floating rate	31 March 2020	31 March 2019
- Expiring within one year (cash credit and other facilities)	544.64	206.00
- Expiring beyond one year (bank loans)	-	-
	<b>544.64</b>	<b>206.00</b>

(₹ crores)

The cash credit and other facilities may be drawn at any time and may be terminated by the bank without notice. For long term borrowings, there were no undrawn facilities as at 31 March 2020.

## Notes forming part of the Consolidated Financial Statements

for the year ended 31 March 2020

### (b) Maturities of financial liabilities

The tables below analyse the Group financial liabilities into relevant maturity groupings based on their contractual maturities.

The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant

	(₹ crores)				
31 March 2020	Less than 1 year	1-2 year	2-3 year	More than 3 years	Total
<b>Non-derivatives</b>					
Borrowings	17.67	1.11	1.11	1.11	21.00
Lease liabilities	6.24	5.63	5.14	22.28	39.29
Trade payable	1,292.92	-	-	-	1,292.92
Security deposits	2.36	0.14	-	30.16	32.66
Other financial liabilities	134.20	-	-	-	134.20
<b>Total</b>	<b>1,453.39</b>	<b>6.88</b>	<b>6.25</b>	<b>53.55</b>	<b>1,520.07</b>

	(₹ crores)				
31 March 2019	Less than 1 year	1-2 year	2-3 year	More than 3 years	Total
<b>Non-derivatives</b>					
Borrowings	277.86	1.14	1.11	2.23	282.34
Finance lease obligation	0.01	0.01	0.01	1.03	1.06
Trade payables	1,248.74	-	-	-	1,248.74
Security deposits	1.88	-	-	27.15	29.03
Other financial liabilities	138.52	-	-	-	138.52
<b>Total</b>	<b>1,667.01</b>	<b>1.15</b>	<b>1.12</b>	<b>30.41</b>	<b>1,699.69</b>

### C.3 Market risk

#### a) Foreign currency risk

The Group is exposed to foreign exchange risk arising from foreign currency transactions, primarily with respect to the US Dollar, EURO, GBP and JPY. Foreign exchange risk arises from recognised assets and liabilities denominated in a currency that is not the functional currency of the Group. Considering the low volume of foreign currency transactions, the Group's has taken forward contracts to manage its exposure. Also, the Group does not use forward contracts and swaps for speculative purposes.

#### (i) Foreign currency risk exposure in USD:

The Group exposure to foreign currency risk at the end of the reporting period expressed in ₹ are as follows

	(₹ crores)	
Particulars	31 March 2020	31 March 2019
Financial assets	23.23	15.56
Financial liabilities	16.13	9.06
<b>Net exposure to foreign currency risk assets/(liabilities)</b>	<b>7.10</b>	<b>6.50</b>

#### Sensitivity

The sensitivity of profit or loss and equity to changes in the exchange rates arises mainly from foreign currency denominated financial instruments.

	(₹ crores)	
Particulars	31 March 2020	31 March 2019
<b>USD sensitivity</b>		
INR/USD- increase by 5.45% (31 March 2019 - 6.82%)*	0.29	0.29
INR/USD- decrease by 5.45% (31 March 2019 - 6.82%)*	(0.29)	(0.29)

\* Holding all other variables constant

# Notes forming part of the Consolidated Financial Statements

## for the year ended 31 March 2020

### (ii) Foreign currency risk exposure in EURO:

The Group's exposure to foreign currency risk at the end of the reporting period expressed in ₹ are as follows:

Particulars	(₹ crores)	
	31 March 2020	31 March 2019
Financial assets	6.39	8.23
Financial liabilities	15.51	24.94
<b>Net exposure to foreign currency risk assets/(liabilities)</b>	<b>(9.12)</b>	<b>(16.71)</b>

#### Sensitivity

The sensitivity of profit or loss and equity to changes in the exchange rates arises mainly from foreign currency denominated financial instruments.

Particulars	(₹ crores)	
	31 March 2020	31 March 2019
<b>EURO sensitivity</b>		
INR/EURO- increase by 7.57% (31 March 2019 - 7.26%)*	(0.52)	(0.79)
INR/EURO- decrease by 7.57% (31 March 2019 - 7.26%)*	0.52	0.79

\* Holding all other variables constant

### (iii) Foreign currency risk exposure in JPY:

The Group's exposure to foreign currency risk at the end of the reporting period expressed in ₹ are as follows

Particulars	(₹ crores)	
	31 March 2020	31 March 2019
Financial assets	-	-
Financial liabilities	6.11	0.05
<b>Net exposure to foreign currency risk (liabilities)</b>	<b>(6.11)</b>	<b>(0.05)</b>

#### Sensitivity

The sensitivity of profit or loss and equity to changes in the exchange rates arises mainly from foreign currency denominated financial instruments.

Particulars	(₹ crores)	
	31 March 2020	31 March 2019
<b>JPY sensitivity</b>		
INR/JPY- increase by 10.65% (31 March 2019 - 5%)*	(0.49)	-
INR/JPY- decrease by 10.65% (31 March 2019 - 5%)*	0.49	-

\* Holding all other variables constant

### (iv) Foreign currency risk exposure in GBP:

The Group's exposure to foreign currency risk at the end of the reporting period expressed in are as follows

Particulars	(₹ crores)	
	31 March 2020	31 March 2019
Financial assets	0.20	0.18
Financial liabilities	0.11	0.83
<b>Net exposure to foreign currency risk (liabilities)</b>	<b>0.09</b>	<b>(0.65)</b>

#### Sensitivity

The sensitivity of profit or loss and equity to changes in the exchange rates arises mainly from foreign currency denominated financial instruments.

Particulars	(₹ crores)	
	31 March 2020	31 March 2019
<b>GBP sensitivity</b>		
INR/GBP- increase by 10.26% (31 March 2019 - 8.82%)*	0.01	(0.04)
INR/GBP- decrease by 10.26% (31 March 2019 - 8.82%)*	(0.01)	0.04

\* Holding all other variables constant

## Notes forming part of the Consolidated Financial Statements

for the year ended 31 March 2020

### b) Interest rate risk

#### i) Liabilities

The Group's policy is to minimise interest rate cash flow risk exposures on long-term financing. At 31 March 2020 and 31 March 2019, the Group is exposed to changes in interest rates through bank borrowings carrying variable interest rates. The Group's investments in fixed deposits carry fixed interest rates.

#### Interest rate risk exposure

Below is the overall exposure of the Group to interest rate risk:

Particulars	(₹ crores)	
	31 March 2020	31 March 2019
Variable rate borrowing	9.91	134.51
Fixed rate borrowing	10.04	146.45
<b>Total borrowings</b>	<b>19.95</b>	<b>280.96</b>
<b>Amount disclosed under other current financial liabilities</b>	<b>0.75</b>	<b>8.20</b>
<b>Amount disclosed under borrowings</b>	<b>19.20</b>	<b>272.76</b>

#### Sensitivity

Below is the sensitivity of profit or loss and equity in interest rates.

Particulars	(₹ crores)	
	As at 31 March 2020	As at 31 March 2019
<b>Interest sensitivity*</b>		
Interest rates – increase by 100 basis points (100 bps)	0.07	0.88
Interest rates – decrease by 100 basis points (100 bps)	(0.07)	(0.88)

\* Holding all other variables constant

#### ii) Assets

The Group's fixed deposits are carried at amortised cost and are fixed rate deposits. They are therefore not subject to interest rate risk as defined in Ind AS 107, since neither the carrying amount nor the future cash flows will fluctuate because of a change in market interest rates.

### c) Price risk

#### i) Exposure

The Group's exposure price risk arises from investments held and classified in the balance sheet either as fair value through other comprehensive income or at fair value through profit or loss. To manage the price risk arising from investments, the Group diversifies its portfolio of assets.

#### ii) Sensitivity

The table below summarises the impact of increases/decreases of the index on the Group's equity and profit for the period :

#### Impact on profit after tax

Particulars	(₹ crores)	
	31 March 2020	31 March 2019
<b>Equity shares (quoted)</b>		
Net assets value – increase by 100 bps (100bps)	-	0.01
Net assets value – decrease by 100 bps (100bps)	-	(0.01)
<b>Mutual funds</b>		
Net assets value – increase by 100 bps (100bps)	4.87	2.62
Net assets value – decrease by 100 bps (100bps)	(4.87)	(2.62)

# Notes forming part of the Consolidated Financial Statements

for the year ended 31 March 2020

## Impact on other comprehensive income after tax

Particulars	(₹ crores)	
	31 March 2020	31 March 2019
<b>Quoted equity instruments</b>		
Market price – increase by 500 bps (500bps)	0.02	0.03
Market price – decrease by 500 bps (500bps)	(0.02)	(0.03)

## 37 Capital management

The Group's capital management objectives are

- to ensure the Group's ability to continue as a going concern
- to provide an adequate return to shareholders

The Group monitors capital on the basis of the carrying amount of equity less cash and cash equivalents as presented on the face of balance sheet.

Management assesses the Group's capital requirements in order to maintain an efficient overall financing structure while avoiding excessive leverage. This takes into account the subordination levels of the Group's various classes of debt. The Group manages the capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares, or sell assets to reduce debt.

### (a) Debt equity ratio

Particulars	(₹ crores)	
	31 March 2020	31 March 2019
Net debts	-	-
Total equity	3,122.50	2,679.13
<b>Net debt to equity ratio</b>	<b>0%</b>	<b>0%</b>

### (b) Dividends

Particulars	(₹ crores)	
	31 March 2020	31 March 2019
<b>(i) Equity shares</b>		
Final dividend for the year ended 31 March 2019 of ₹ 2.5 per share (excluding tax)	22.22	-
Final dividend for the year ended 31 March 2018 of ₹ 2.0 per share (excluding tax)	-	24.52
<b>(ii) Dividends proposed</b>		
In addition to the above dividends, the dividends, if any recommended by the Board of Directors post end of relevant reporting year shall be accrued and distributed in the year of approval in annual general meeting.	30.65	30.65

# Notes forming part of the Consolidated Financial Statements

for the year ended 31 March 2020

## 38 Summarised financial information for joint venture that is material to the Group:

(₹ crores)

Summarised balance sheet	Adico Escorts Agri Equipment Private Limited	
	31 March 2020	31 March 2019
<b>Current assets</b>		
Cash and cash equivalents	0.03	0.01
Other assets	13.00	13.01
<b>Total current assets</b>	<b>13.03</b>	<b>13.02</b>
<b>Total non-current assets</b>	<b>6.42</b>	<b>6.89</b>
<b>Current liabilities</b>		
Financial liabilities	9.38	10.13
Other liabilities	2.07	2.67
<b>Total current liabilities</b>	<b>11.45</b>	<b>12.80</b>
Non-current liabilities		
Other liabilities	0.08	0.08
<b>Total non-current liabilities</b>	<b>0.08</b>	<b>0.08</b>
<b>Net assets</b>	<b>7.92</b>	<b>7.03</b>

(₹ crores)

Reconciliation to carrying amounts	Adico Escorts Agri Equipment Private Limited	
	31 March 2020	31 March 2019
Opening net assets	7.03	1.61
Profit/(loss) for the year	0.89	(0.58)
Proceeds from equity share capital enhancement	-	6.00
<b>Closing net assets</b>	<b>7.92</b>	<b>7.03</b>
Group's share in %	40%	40%
Group's share in Indian Rupees	3.17	2.82
<b>Carrying amount</b>	<b>3.17</b>	<b>2.82</b>

(₹ crores)

Summarised statement of profit and loss	Adico Escorts Agri Equipment Private Limited	
	31 March 2020	31 March 2019
Revenue	49.62	43.12
Interest Income	0.04	0.01
Finance costs	0.18	0.75
Depreciation and amortisation expense	0.73	0.78
Tax expense	0.35	0.66
Profit/(loss) for the year	0.89	(0.58)
Total comprehensive Profit/(loss)	0.89	(0.58)



# Notes forming part of the Consolidated Financial Statements

for the year ended 31 March 2020

(₹ crores)

## Summarised balance sheet

Tadano Escorts India Private Limited	
31 March 2020	31 March 2019
<b>Current assets</b>	
Cash and cash equivalents	33.45
Other assets	11.32
<b>Total current assets</b>	<b>44.77</b>
<b>Total non-current assets</b>	<b>21.84</b>
<b>Current liabilities</b>	
Financial liabilities	7.79
Other liabilities	0.29
<b>Total current liabilities</b>	<b>8.08</b>
Non-current liabilities	
Financial liabilities	-
Other liabilities	0.04
<b>Total non-current liabilities</b>	<b>0.04</b>
<b>Net assets</b>	<b>58.49</b>

(₹ crores)

## Reconciliation to carrying amounts

Tadano Escorts India Private Limited	
31 March 2020	31 March 2019
Opening net assets	-
Loss for the year	(1.51)
Capital Reserve Adjustment	-
Proceeds from equity share capital enhancement	60.00
<b>Closing net assets</b>	<b>58.49</b>
Less : Adjustment on account of Business Transfer Agreement	(10.91)
<b>Closing net assets</b>	<b>47.58</b>
Group's share in %	49%
Group's share in Indian Rupees	23.32
<b>Carrying amount</b>	<b>23.32</b>

(₹ crores)

## Summarised statement of profit and loss

Tadano Escorts India Private Limited	
31 March 2020	31 March 2019
Revenue	4.87
Interest Income	0.56
Finance costs	-
Depreciation and amortisation expense	0.18
Loss for the year	(1.51)
Total comprehensive loss	(1.51)

# Notes forming part of the Consolidated Financial Statements

for the year ended 31 March 2020

Summarised balance sheet	(₹ crores)	
	Escorts Kubota India Private Limited	
	31 March 2020	31 March 2019
<b>Current assets</b>		
Cash and cash equivalents	146.65	148.01
Other assets	42.76	0.00
<b>Total current assets</b>	<b>189.41</b>	<b>148.01</b>
<b>Total non-current assets</b>	<b>173.39</b>	<b>0.05</b>
<b>Current liabilities</b>		
Financial liabilities	37.68	0.47
Other liabilities	0.78	0.06
<b>Total current liabilities</b>	<b>38.46</b>	<b>0.53</b>
Non-current liabilities		
Financial liabilities	26.16	-
Other liabilities	0.17	-
<b>Total non-current liabilities</b>	<b>26.33</b>	<b>-</b>
<b>Net assets</b>	<b>298.01</b>	<b>147.53</b>

Reconciliation to carrying amounts	(₹ crores)	
	Escorts Kubota India Private Limited	
	31 March 2020	31 March 2019
Opening net assets	147.53	-
Profit/(loss) for the year	3.04	(2.47)
Retained Earning adjustment for share issue expenses	(2.56)	-
Proceeds from equity share capital enhancement	150.00	150.00
<b>Closing net assets</b>	<b>298.01</b>	<b>147.53</b>
Group's share in %	40%	40%
Group's share in Indian Rupees	119.21	59.01
<b>Carrying amount</b>	<b>119.21</b>	<b>59.01</b>

Summarised statement of profit and loss	(₹ crores)	
	Escorts Kubota India Private Limited	
	31 March 2020	31 March 2019
Revenue	-	-
Interest Income	9.95	0.37
Finance costs	1.90	-
Depreciation and amortisation expense	0.49	-
Tax expense	2.49	0.10
Profit/(loss) for the year	3.04	(2.47)
Total comprehensive Income/(loss)	3.04	(2.47)

# Notes forming part of the Consolidated Financial Statements

for the year ended 31 March 2020

## 39 Summarised financial information for subsidiary that has non-controlling interest that is material to the Group:

The Group has non-controlling interest in the following subsidiaries:

1. Escorts Finance Limited
2. Escorts Securities Limited

Out of above, the non-controlling interest considered material to the Group is in Escorts Securities Limited, whose summarised financial information is produced below.

(₹ crores)

Summarised balance sheet	Escorts Securities Limited	
	31 March 2020	31 March 2019
Current assets	22.87	18.17
Current liabilities	19.50	12.02
<b>Net current assets</b>	<b>3.37</b>	<b>6.15</b>
Non-current assets	9.36	7.89
Non-current liabilities	0.40	0.52
<b>Net non-current assets</b>	<b>8.96</b>	<b>7.37</b>
<b>Net assets</b>	<b>12.33</b>	<b>13.52</b>
<b>Accumulated NCI</b>	<b>6.01</b>	<b>6.59</b>

(₹ crores)

Summarised statement of profit and loss	Escorts Securities Limited	
	31 March 2020	31 March 2019
Revenue	3.96	3.89
Loss for the year	(1.17)	(2.49)
Other comprehensive income/(loss)	(0.02)	0.02
<b>Total comprehensive loss</b>	<b>(1.19)</b>	<b>(2.47)</b>
Loss allocated to NCI	(0.58)	(0.93)

(₹ crores)

Summarised cash flows	Escorts Securities Limited	
	31 March 2020	31 March 2019
Cash flows from operating activities	(11.25)	(4.26)
Cash flows from investing activities	(1.13)	3.83
Cash flows from financing activities	7.45	2.60
<b>Net increase in cash and cash equivalents</b>	<b>(4.93)</b>	<b>2.17</b>

# Notes forming part of the Consolidated Financial Statements

for the year ended 31 March 2020

## 40 Employee benefits

### A Gratuity

The Group provides for gratuity for employees in India as per the Payment of Gratuity Act, 1972. Employees who are in continuous service for a period of 5 years are eligible for gratuity. The amount of gratuity payable on retirement/termination is the employees last drawn basic salary per month computed proportionately for 15 days salary multiplied for the number of years of service.

#### (i) Amount recognised in the balance sheet is as under:

Particulars	31 March 2020		31 March 2019	
	Current	Non-current	Current	Non-current
Gratuity	42.00	0.28	38.90	0.25

(₹ crores)

#### (ii) Amount recognised in the statement of profit and loss is as under:

Description	31 March 2020	31 March 2019
Current service cost	5.44	4.55
Net interest cost	2.93	3.56
<b>Net impact on profit (before tax)</b>	<b>8.37</b>	<b>8.11</b>
<b>Continuing operations</b>	<b>8.37</b>	<b>8.11</b>
<b>Discontinued operations</b>	<b>-</b>	<b>-</b>
<b>Amount recognised in the other comprehensive income</b>		
Actuarial loss/(gain) recognised during the year (Continuing operations)	6.51	1.72
<b>Impact on total comprehensive income</b>	<b>14.88</b>	<b>9.83</b>

(₹ crores)

#### (iii) Movement in the present value of defined benefit obligation recognised in the balance sheet is as under:

Description	31 March 2020	31 March 2019
<b>Present value of defined benefit obligation as at the start of the year</b>	<b>78.05</b>	<b>82.30</b>
Current service cost	5.44	4.55
Interest cost	5.98	6.36
Actuarial loss/(gain) recognised during the year	6.24	1.71
Benefits paid	(12.53)	(16.88)
<b>Present value of defined benefit obligation as at the end of the year</b>	<b>83.18</b>	<b>78.05</b>

(₹ crores)

#### (iv) Movement in the plan assets recognised in the balance sheet is as under:

Description	31 March 2020	31 March 2019
<b>Fair value of plan assets at beginning of year</b>	<b>38.90</b>	<b>36.42</b>
Expected return on plan assets	3.05	2.81
Employer's contribution	11.76	16.58
Benefits paid	(12.53)	(16.90)
Actuarial gain/(loss) on plan assets	(0.27)	(0.01)
<b>Fair value of plan assets at the end of the year</b>	<b>40.91</b>	<b>38.90</b>
Actual return on plan assets	2.78	2.80

(₹ crores)

# Notes forming part of the Consolidated Financial Statements

for the year ended 31 March 2020

## (v) Breakup of actuarial (gain)/loss:

Description	(₹ crores)	
	31 March 2020	31 March 2019
Actuarial (gain)/loss on arising from change in demographic assumption	(0.01)	-
Actuarial (gain)/loss on arising from change in financial assumption	4.13	0.33
Actuarial (gain)/loss on arising from experience adjustment	2.39	1.39
<b>Total actuarial (gain)/loss</b>	<b>6.51</b>	<b>1.72</b>

## (vi) Actuarial assumptions

Description	(₹ crores)	
	31 March 2020	31 March 2019
Discount rate	6.80%	7.65%
Future salary increase	5.00%	5.00%
Expected average remaining working lives of employees (years)	19.19	18.50

Gratuity is payable to the employees on death or resignation or on retirement at the attainment of superannuation age. To provide for these eventualities, the Actuary has used Indian Assured Lives Mortality (2006-08) Ultimate table.

These assumptions were developed by management with the assistance of independent actuarial appraisers. Discount factors are determined close to each year-end by reference to government bonds and that have terms to maturity approximating to the terms of the related obligation. Other assumptions are based on management's historical experience.

## (vii) Sensitivity analysis for gratuity liability

Description	(₹ crores)	
	31 March 2020	31 March 2019
<b>Impact of the change in discount rate</b>		
Present value of obligation at the end of the year	83.18	78.05
- Impact due to increase of 0.50 %	(2.34)	(2.07)
- Impact due to decrease of 0.50 %	2.50	2.19
<b>Impact of the change in salary increase</b>		
Present value of obligation at the end of the year	83.18	78.05
- Impact due to increase of 0.50 %	2.53	2.23
- Impact due to decrease of 0.50 %	(2.39)	(2.13)

The above sensitivity analysis are based on a change in an assumption while holding all other assumptions constant. In practice, this is unlikely to occur and changes in some of the assumptions may be correlated. When calculating the sensitivity of the defined benefit obligation to significant actuarial assumptions the same method (present value of the defined benefit obligation calculated with the projected unit credit method at the end of the reporting period) has been applied which was applied while calculating the defined benefit obligation recognised in the balance sheet.

The methods and types of assumptions used in preparing the sensitivity analysis did not change compared to prior period.

## (viii) Maturity profile of defined benefit obligation

Description	(₹ crores)	
	31 March 2020	31 March 2019
Within next 12 months	12.60	10.19
Between 1-5 years	32.57	11.08
Beyond 5 years	37.67	56.50

## Notes forming part of the Consolidated Financial Statements

for the year ended 31 March 2020

### (ix) Category of plan assets:

Particulars	(₹ crores)	
	31 March 2020	31 March 2019
LIC of India - Group gratuity cash accumulation fund	40.26	38.64
Others	0.65	0.26
<b>Total</b>	<b>40.91</b>	<b>38.90</b>

(x) The Group expects to contribute ₹ 7 crores (previous year ₹ 8.11 crores) to its gratuity plan for the next year.

### B Compensated absences (unfunded)

The leave obligations cover the Group's liability for sick and earned leaves. The Group does not have an unconditional right to defer settlement for the obligation shown as current provision balance above. However based on past experience, the Group does not expect all employees to take the full amount of accrued leave or require payment within the next 12 months, therefore based on the independent actuarial report, only a certain amount of provision has been presented as current and remaining as non-current. Amount of ₹ 7.41 crores (previous year: ₹ 6.01 crores) has been recognised in the statement of profit and loss.

Particulars	(₹ crores)			
	31 March 2020		31 March 2019	
	Current	Non-current	Current	Non-current
Compensated absences (unfunded)	2.68	16.01	2.12	14.84

### C Pension

Particulars	(₹ crores)			
	31 March 2020		31 March 2019	
	Current	Non-current	Current	Non-current
Pension	0.65	4.92	0.67	4.80

### (i) Amount recognised in the balance sheet is as under:

Particulars	(₹ crores)			
	31 March 2020		31 March 2019	
	Current	Non-current	Current	Non-current
<b>Pension:</b>				
Present value of defined benefit obligation	0.65	4.92	0.67	4.80
Fair value of plan assets	-	-	-	-
<b>Net value of defined benefit obligation</b>	<b>0.65</b>	<b>4.92</b>	<b>0.67</b>	<b>4.80</b>

### (ii) Amount recognised in the statement of profit and loss is as under:

Description	(₹ crores)	
	31 March 2020	31 March 2019
Current service cost	-	-
Past service cost including curtailment gains/losses	-	5.79
Net interest cost	0.42	0.45
<b>Net impact on profit (before tax)</b>	<b>0.42</b>	<b>6.24</b>
<b>Continuing operations</b>	<b>0.42</b>	<b>5.56</b>
<b>Discontinued operations</b>	<b>-</b>	<b>0.68</b>
<b>Amount recognised in the other comprehensive income</b>		
Actuarial loss/(gain) recognised during the year (Continuing operations)	0.43	-
<b>Impact on total comprehensive income</b>	<b>0.85</b>	<b>6.24</b>

# Notes forming part of the Consolidated Financial Statements

for the year ended 31 March 2020

(iii) Movement in the present value of defined benefit obligation recognised in the balance sheet is as under:

Description	(₹ crores)	
	31 March 2020	31 March 2019
Present value of defined benefit obligation as at the start of the year	5.47	-
Current service cost	-	-
Past service cost	-	5.79
Interest cost	0.42	0.45
Actuarial loss/(gain) recognised during the year	0.43	
Benefits paid	(0.75)	(0.77)
<b>Present value of defined benefit obligation as at the end of the year</b>	<b>5.57</b>	<b>5.47</b>

(iv) Breakup of actuarial (gain)/loss:

Description	(₹ crores)	
	31 March 2020	31 March 2019
Actuarial (gain)/loss on arising from change in financial assumption	0.22	0.03
Actuarial (gain)/loss on arising from experience adjustment	0.21	(0.03)
<b>Total actuarial (gain)/loss</b>	<b>0.43</b>	<b>-</b>

(v) Actuarial assumptions

Description	(₹ crores)	
	31 March 2020	31 March 2019
Discount rate	6.80%	7.65%

Pension liability arises on account of future payments, which are required to be made after retirement. It is a special plan in which selective retired employees are getting some fixed amount of pension on quarterly and annual basis.

These assumptions were developed by management with the assistance of independent actuarial appraisers. Discount factors are determined close to each year-end by reference to government bonds and that have terms to maturity approximating to the terms of the related obligation. Pension growth rate is Group long term best estimate as to salary increases & takes account of inflation, on long term basis as provided in relevant accounting standard. As this is a fix pension plan so this has been assumed as nil.

(vi) Sensitivity analysis for pension liability

Description	(₹ crores)	
	31 March 2020	31 March 2019
<b>Impact of the change in discount rate</b>		
Present value of obligation at the end of the year	5.57	5.47
- Impact due to increase of 0.50 %	(0.13)	(0.12)
- Impact due to decrease of 0.50 %	0.13	0.12

The above sensitivity analysis are based on a change in an assumption while holding all other assumptions constant. In practice, this is unlikely to occur and changes in some of the assumptions may be correlated. When calculating the sensitivity of the defined benefit obligation to significant actuarial assumptions the same method (present value of the defined benefit obligation calculated with the projected unit credit method at the end of the reporting period) has been applied which was applied while calculating the defined benefit obligation recognised in the balance sheet.

## Notes forming part of the Consolidated Financial Statements

for the year ended 31 March 2020

### (vii) Maturity profile of defined benefit obligation

Description	(₹ crores)	
	31 March 2020	31 March 2019
Within next 12 months	0.65	0.67
Between 1-5 years	2.34	2.32
Beyond 5 years	2.58	2.48

(viii) The Group expects to contribute ₹ 0.38 crores (previous year ₹ 0.42 crores) to its pension plan for the next year.

### D Defined contribution plans

The Group makes contributions, determined as a specified percentage of employee salaries, in respect of qualifying employees towards Provident Fund and Employee State Insurance Scheme which are defined contribution plans. The Group has no obligations other than to make the specified contributions. The contributions are charged to the statement of profit and loss as they accrue. The amount recognised as an expense towards contribution to Provident Fund for the year aggregated to ₹ 18.72 crores (previous year: ₹ 17.01 crores) and contribution to Employee State Insurance Scheme for the year aggregated to ₹ 0.21 crores (previous year: ₹ 0.23 crores).

E The Group has taken an Insurance policy for medical benefits in respect of its retired and working employees. The Insurance policy for on-roll employees is fully funded by the Group.



# Notes forming part of the Consolidated Financial Statements

## for the year ended 31 March 2020

### 41 Share-based payments

The option plan is designed to provide incentives to employees of the Group. Under the plan, participants have been granted options which will vest as follows –

Scheme	Vesting conditions	Exercise period	Exercise price per share (₹)
Employees Stock Option Scheme, 2006	Vested equally over 4 years from the date of grant	Three years from the date of vesting	870.00

Options are granted under the plan for the consideration of ₹ 870 per share and carry no dividend or voting rights. When exercisable, each option is convertible into one equity share.

**Set out below is a summary of options granted under the plan:**

Particulars	31 March 2020	31 March 2019
	Number of options	Number of options
Opening balance	11,21,850	-
Granted during the year	-	11,70,000
Lapsed during the period	1,55,075	48,150
<b>Closing balance</b>	<b>9,66,775</b>	<b>11,21,850</b>

Weighted average remaining contractual life of options as at 31 March 2020 3.87 years (31 March 2019 : 4.88 years).

**Share options outstanding at the end of the year have the following expiry date and exercise prices:**

Grant Date	Expiry date	Exercise price (₹)	Share options 31 March 2020	Share options 31 March 2019
August 16, 2018	August 15, 2022	870	2,44,225	2,80,462
August 16, 2018	August 15, 2023	870	2,40,850	2,80,462
August 16, 2018	August 15, 2024	870	2,40,850	2,80,463
August 16, 2018	August 15, 2025	870	2,40,850	2,80,463
			<b>9,66,775</b>	<b>11,21,850</b>

### Fair value of options granted

The value of the options has been determined by an independent valuer. The following assumptions were used for calculation of fair value of options in accordance with Black Scholes model:

- Options are granted for consideration equivalent to exercise price referred below and vest in a graded manner over a period of four years. Vested options are exercisable for a period of three years after vesting.
- Exercise price: ₹ 870.00
- Grant date: 16 August, 2018 as per the details shared above.
- Expiry date: 15 August, 2022 as per the details shared above.
- Share price at grant date: ₹ 869.50
- Expected price volatility of the company's shares: 26.86%
- Expected dividend yield: 0.29%
- Risk free rate: 7.56% - 7.97%

The expected price volatility is based on the historic volatility (based on the remaining life of the options), adjusted for any expected changes to future volatility due to publicly available information.

# Notes forming part of the Consolidated Financial Statements

## for the year ended 31 March 2020

### 42 Leases

Lease liabilities are presented in the statement of financial position as follows:

	31 March 2020	31 March 2019
Current	5.94	-
Non-current	21.78	-
	<b>27.72</b>	<b>-</b>

(₹ crores)

The Group has leases for the factory lands, marketing offices, depots and related facilities. With the exception of short-term leases and leases of low-value underlying assets, each lease is reflected on the balance sheet as a right-of-use asset and a lease liability. The Group classifies its right-of-use assets in a consistent manner to its property, plant and equipment.

Also, the Group has a leasehold land at Rudrapur which has been taken on a lease for a period of 90 years in the year 2004. Initial land premium of ₹ 1.7 crores has been paid. In addition to the land premium, the Group pays an annual rent of ₹ 0.01 every year. Also, the management has revalued the amount of land in 2009 and has created a revaluation reserve of ₹ 7.13 crores pertaining to the same. The said lease of land was considered as finance lease under Ind AS 17 by the Group.

Each lease generally imposes a restriction that, unless there is a contractual right for the Group to sublet the asset to another party, the right-of-use asset can only be used by the Group. Leases are either non-cancellable or may only be cancelled by incurring a substantive termination fee. Some leases contain an option to extend the lease for a further term. The Group is prohibited from selling or pledging the underlying leased assets as security. For leases over office buildings and factory premises the Group must keep those properties in a good state of repair and return the properties in their original condition at the end of the lease. Further, the Group must insure items of property, plant and equipment and incur maintenance fees on such items in accordance with the lease contracts.

The Group has considered automatic extension option available for land leases in lease period assessment since the Group can enforce its right to extend the lease beyond the initial lease period. The Group also has plans of setting up production facility on the land, therefore is likely to be benefited by exercising the extension option.

The table below describes the nature of the Group's leasing activities by type of right-of-use asset recognised on balance sheet:

Right-of-use asset	No of right-of-use assets leased	Range of remaining term (in years)	No of leases with extension options	No of leases with termination options
Land	4	5.50 - 74	3	-
Marketing offices and related facilities	28	0.27 - 6.76	-	1

#### Adoption of Ind AS 116 'Leases'

Ind AS 116 'Leases' replaces Ind AS 17 'Leases' along with three Interpretations (Appendix A 'Operating Leases-Incentives', Appendix B 'Evaluating the Substance of Transactions Involving the Legal Form of a Lease' and Appendix C 'Determining whether an Arrangement contains a Lease').

The adoption of this new Standard has resulted in the Group recognising a right-of-use asset and related lease liability in connection with all former operating leases except for those identified as low-value or having a remaining lease term of less than 12 months from the date of initial application.

The new Standard has been applied using the modified retrospective approach, with the cumulative effect of adopting Ind AS 116 being recognised in equity as an adjustment to the opening balance of retained earnings for the current period. Prior periods have not been restated.

For contracts in place at the date of initial application, the Group has elected to apply the definition of a lease from Ind AS 17 and Appendix C and has not applied Ind AS 116 to arrangements that were previously not identified as lease under Ind AS 17 and Appendix C.

# Notes forming part of the Consolidated Financial Statements

## for the year ended 31 March 2020

The Group has elected not to include initial direct costs in the measurement of the right-of-use asset for operating leases in existence at the date of initial application of Ind AS 116, being 01 April 2019. At this date, the Group has also elected to measure the right-of-use assets at an amount equal to the lease liability adjusted for any prepaid or accrued lease payments that existed at the date of transition.

Instead of performing an impairment review on the right-of-use assets at the date of initial application, the Group has relied on its historic assessment as to whether leases were onerous immediately before the date of initial application of Ind AS 116.

On transition, for leases previously accounted for as operating leases with a remaining lease term of less than 12 months and for leases of low-value assets the Group has applied the optional exemptions to not recognise right-of-use assets but to account for the lease expense on a straight-line basis over the remaining lease term.

For those leases previously classified as finance leases, the right-of-use asset and lease liability are measured at the date of initial application at the same amounts as under Ind AS 17 immediately before the date of initial application.

On transition to Ind AS 116 the weighted average incremental borrowing rate applied to lease liabilities recognised under Ind AS 116 was 10.05% -11%.

The Group has benefited from the use of hindsight for determining the lease term when considering options to extend and terminate leases.

A. The following is a reconciliation of the financial statement line items from Ind AS 17 to Ind AS 116 at 01 April 2019:

	Carrying amount at 31 March 2019	Reclassification	Adjustment upon transition to Ind AS 116	Ind AS 116 carrying amount at 01 April 2019
				(₹ crores)
Property, plant and equipment	1,593.11	(7.78)	-	1,585.33
Right-of-use assets	-	7.78	30.28	38.06
Lease liabilities	-	(0.12)	(30.12)	(30.24)
Borrowings including current maturities of finance lease obligations	(11.73)	0.12	-	(11.61)
Other non-current assets	96.31	-	(0.10)	96.21
Other current assets	300.02	-	(0.06)	299.96
<b>Total</b>	<b>1,977.71</b>	<b>-</b>	<b>-</b>	<b>1,977.71</b>

B. The following is a reconciliation of total operating lease commitments at 31 March 2019 (as disclosed in the financial statements to 31 March 2019) to the lease liabilities recognised at 01 April 2019:

		(₹ crores)
<b>Total operating lease commitments disclosed at 31 March 2019</b>		<b>23.54</b>
Recognition exemptions:		
Leases of low value assets	-	
Leases with remaining lease term of less than 12 months	(0.60)	
Variable lease payments not recognised	-	
Other adjustments relating to commitment disclosures	0.16	(0.44)
Reasonably certain extension options taken		18.42
Leases considered cancellable under Ind AS 17		2.06
Operating lease liabilities before discounting		<b>43.58</b>
Discounted using incremental borrowing rate		(13.46)
Operating lease liabilities		<b>30.12</b>
<b>Finance lease obligations</b>		0.12
<b>Total lease liabilities recognised under Ind AS 116 at 01 April 2019</b>		<b>30.24</b>

## Notes forming part of the Consolidated Financial Statements

### for the year ended 31 March 2020

C. The following are amounts recognised in profit or loss:

	(₹ crores)
	<b>31 March 2020</b>
Depreciation expense of right-of-use assets	5.32
Interest expense on lease liabilities	2.91
Rent expense*	5.73
<b>Total</b>	<b>13.96</b>

\*Rent expense relating to short term leases

The lease liabilities are secured by the related underlying assets. The maturity analysis of lease liabilities are disclosed in note 36.

#### Lease payments not recognised as a liability

The Group has elected not to recognise a lease liability for short term leases (leases with an expected term of 12 months or less) or for leases of low value assets. Payments made under such leases are expensed on a straight-line basis. The Group does not have any liability to make variable lease payments for the right to use the underlying asset recognised in the financials statements.

The expense relating to payments not included in the measurement of the lease liability for short term leases is ₹ 5.73 crores.

Total cash outflow for leases for the year ended 31 March 2020 was ₹ 11.85 crores.

#### Operating leases as lessor

The Group leases out investment properties under operating leases (see note 4 and 5).

#### Diclosures under Ind AS 17 for the year ended 31 March 2019:

##### Operating leases - Assets taken on lease

Minimum lease payments in relation to non- cancellable operating leases are payable as follows:

	(₹ crores)
Within one year	5.83
Later than one year but not later than five years	17.71
Later than five years	-
<b>Total</b>	<b>23.54</b>

Total lease payments recognised in the statement of profit and loss is ₹ 11.25 crores.

##### Finance leases – Assets taken on lease

The disclosures for minimum lease payments in respect of such finance lease are as follows:

	Minimum lease payments due			(₹ crores)
	Within 1 year	1 to 5 years	after 5 years	Total
Lease payments	0.01	0.06	0.99	1.06
Finance charges	-	0.02	0.92	0.94
<b>Net present values</b>	<b>0.01</b>	<b>0.04</b>	<b>0.07</b>	<b>0.12</b>

# Notes forming part of the Consolidated Financial Statements

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- (a) During 2008 the Haryana State Government introduced Haryana Tax on Entry of Goods into Local Area Act, 2008 ("Entry Tax") by repealing the Haryana Local Area Development Tax Act, 2000 ("HLADT"). The said Act was held unconstitutional by the Hon'ble Punjab & Haryana High Court in their judgment dated 1 October 2008. The State Government of Haryana has preferred an appeal before the Hon'ble Supreme Court which was disposed of by the Hon'ble Supreme Court by nine Hon'ble Judges of Constitution Bench and hence that Compensator issue is no more relevant as it does not arise out of the Constitution but imaginary. Matters are not decided by Division Bench by making an order that the interested parties may prefer writs before the High Court. Hence the matter remains pending till its decision. Based on the legal advice received by the Group no further provision on this account is considered necessary after 31 March 2008.
- (b) 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'), a subsidiary company and Escotrac Finance and Investments Private Limited ('Escotrac') and Escorts Finance Investments and Leasing Private Limited ('EFILL'), joint ventures of the Company (together referred to as 'transferor companies'), was sanctioned by the Hon'ble High Court of Punjab and Haryana at Chandigarh vide its order dated 9 August 2012 (hereinafter referred to as 'the Scheme'). Upon necessary filings with the Registrar of Companies, NCT of Delhi and Haryana by the Transferor Companies and Transferee Company, the Scheme became effective on 12 October 2012. In accordance with the Scheme, 37,300,031 equity shares of the Company comprising (a) equity shares issued in consideration of amalgamation of ECEL and (b) investments held by two amalgamating entities in the Company were transferred to Escorts Benefit and Welfare Trust ('EBWT'). The beneficiary interest of the Holding Company in EBWT in respect of the Holding Company's equity shares held by EBWT has been accounted for as 'Treasury Shares' and reduced from 'Other Equity' in the consolidated financial statements.

EBWT presently holds 33,700,031 (31 March 2019: 33,700,031) equity shares of the Company and 23,497,478 (31 March 2019: 23,497,478) equity shares of Escorts Finance Limited (subsidiary of the Company). The Company is the sole beneficiary of the Trust. Market value of outstanding shares held by Trust on 31 March 2020 is ₹ 2,234.14 crores (31 March 2019: ₹ 2,685.39 crores).

- (c) The Holding Company has entered into an Investment and Shareholders Agreement dated 27 August, 2018 ('Agreement') with Tadano Limited, Japan (Tadano) for manufacturing of rough terrain cranes ('RT Cranes') in India. Under the said Agreement, joint venture company with the name Tadano Escorts India Private Limited (formerly Optunia Power Infrastructure Private Limited) ('TEI') has been incorporated wherein the equity capital of ₹ 60 crores. have been contributed in the ratio of 51:49 by Tadano and Escorts respectively.

Under the Business Transfer Agreement dated 7 December, 2018 executed between Escorts Limited and TEI, the Holding Company has sold its existing RT Crane Business on a slump sale basis for a sum of ₹ 25 crores plus inventory as mutually agreed between the parties.

- (d) The Holding Company has entered into Business Collaboration Agreement dated 10 December 2018 ('Agreement') with Kubota Corporation, Japan (Kubota) for manufacturing of tractors in India. Under the said Agreement, joint venture company has been incorporated under the name and style of Escorts Kubota India Private Limited wherein the equity capital of ₹ 150 crores have been contributed in the ratio of 60:40 by Kubota and Escorts respectively. During the year, the Holding Company has additionally contributed ₹ 60 crores for its ratio of 40%. The equity capital of Escorts Kubota India Private Limited have increased to ₹ 300 crores.

## Notes forming part of the Consolidated Financial Statements

for the year ended 31 March 2020

- (e) The Board of Directors in their meeting dated 20 March 2020, approved the raising of equity share capital aggregating to ₹ 1,041.90 crores through preferential issue of 1,22,57,688 equity shares of face value ₹ 10 each at ₹ 850 (including a premium of ₹ 840) per equity share, to Kubota Corporation, Japan. Further, subject to completion of the said issue, the Board has granted an in-principle approval to consider reduction of the issued, subscribed and paid-up equity share capital of the Holding Company by cancelling and extinguishing 1,22,57,688 equity shares of ₹ 10 each, which are currently held by the Escorts Benefit and Welfare Trust, without payment of any consideration to the aforesaid Trust. The Board has also approved the acquisition of 2,00,00,000 equity shares of Kubota Agricultural Machinery India Private Limited (KAI), a private company incorporated under the laws of India from Kubota Corporation, Japan constituting 40% of the share capital of KAI at ₹ 45 per equity share for an aggregate value of ₹ 90 crores, all for cash.
- (f) During the financial year 2014-15, Mr. Cameron Parsons (“Plaintiff”) initiated a civil action before the Circuit Court of Tuscaloosa, Alabama against the Holding Company and others claiming loss due to accident caused while running an Escorts made Tractor which left permanent injuries, scarring, permanent limitations, mental anguish, medical expenses and loss of income for the plaintiff. Both the parties decided to settle the matter out of court and executed a Settlement Agreement dated 12 June 2019 whereby the Holding Company has paid an amount of \$ 1,300,000 in lieu of full and final closure of the case.
- (g) The outbreak of Coronavirus (COVID-19) pandemic globally and in India is causing significant disturbance and slowdown of economic activity. The Group is majorly in the business of manufacturing agri-machinery, construction equipment and railway equipment which are related with activities that are fundamental to the Indian economy. The Group has evaluated impact of this pandemic on its business operations and based on its review and current indicators of future economic conditions, there is no significant impact on its consolidated financial statements.

**44** Disclosure under the Micro, Small and Medium Enterprises Development Act, 2006 (“MSMED Act, 2006”) is as under:

	As at 31 March 2020	As at 31 March 2019
i) the principal amount and the interest due thereon remaining unpaid to any supplier as at the end of each accounting year;	80.25	32.98
ii) the amount of interest paid by the buyer in terms of section 16, along with the amounts of the payment made to the supplier beyond the appointed day during each accounting year;	-	-
iii) the amount of interest due and payable for the period of delay in making payment (which have been paid but beyond the appointed day during the year) but without adding the interest specified under MSMED Act, 2006;	-	-
iv) the amount of interest accrued and remaining unpaid at the end of each accounting year; and	0.74	0.79
v) the amount of further interest remaining due and payable even in the succeeding years, until such date when the interest dues as above are actually paid to the small enterprise, for the purpose of disallowance as a deductible expenditure under Section 23.	-	-

The above disclosure has been determined to the extent such parties have been identified on the basis of information available with the Group. This has been relied upon by the auditors.

# Notes forming part of the Consolidated Financial Statements

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## 45 Research and development

- (i) Research and development costs on in house R&D centers amounting to ₹ 129.33 crores (31 March 2019: ₹ 111.25 crores) were incurred during the year.

Particulars	Tractor		Construction equipment	
	31 March 2020	31 March 2019	31 March 2020	31 March 2019
	Cost of materials consumed	2.32	8.29	0.06
Employee benefits expense	57.22	50.13	9.83	6.69
Other expenses	35.55	25.40	1.78	1.69
Depreciation	20.58	17.08	1.99	1.95
<b>Total</b>	<b>115.67</b>	<b>100.90</b>	<b>13.66</b>	<b>10.35</b>

(₹ crores)

- (ii) Assets purchased/capitalised for research and development centers\*:

Description	R & D Centre	
	(Tractors)	(Construction Equipment)
<b>Gross carrying amount</b>		
<b>As at 1 April 2018</b>	<b>263.42</b>	<b>11.40</b>
Additions	21.29	2.00
Disposals	(4.37)	(0.01)
<b>As at 31 March 2019</b>	<b>280.34</b>	<b>13.39</b>
Additions	33.75	3.65
Disposals	(3.99)	(0.72)
<b>As at 31 March 2020</b>	<b>310.10</b>	<b>16.32</b>
<b>Accumulated depreciation</b>		
<b>As at 1 April 2018</b>	<b>92.99</b>	<b>6.66</b>
Depreciation for the year	17.08	1.95
Disposals	(4.28)	-
<b>As at 31 March 2019</b>	<b>105.79</b>	<b>8.61</b>
Depreciation for the year	20.58	1.99
Disposals	(3.91)	(0.54)
<b>As at 31 March 2020</b>	<b>122.46</b>	<b>10.06</b>
<b>Net carrying amount as at 31 March 2019</b>	<b>174.55</b>	<b>4.78</b>
<b>Net carrying amount as at 31 March 2020</b>	<b>187.64</b>	<b>6.26</b>

(₹ crores)

\* Exclude capital advance/capital work-in-progress

- (iii) Expenses on research and development as percentage to gross turnover is:

	R & D Centre	
	31 March 2020	31 March 2019
Tractors	2.03%	1.64%
Construction equipment	0.24%	0.17%

(₹ crores)

# Notes forming part of the Consolidated Financial Statements

for the year ended 31 March 2020

## 46 Assets pledged as security

	Notes	As at 31 March 2020	(₹ crores) As at 31 March 2019
<b>Current</b>			
<b>Financial assets</b>			
First charge			
Investments	7 (iii)	638.51	391.09
Trade receivables	13	771.92	931.96
Cash and cash equivalents	14	167.77	85.80
Bank balances other than above	15	156.00	144.27
Loans	8 (ii)	16.81	5.51
Other financial assets	9 (ii)	22.02	14.48
<b>Non Financial assets</b>			
Inventories	12	878.75	821.93
Other current assets	11 (ii)	266.56	298.91
<b>Total current assets pledged as security</b>		<b>2,918.34</b>	<b>2,693.95</b>
<b>Non-current</b>			
First charge			
Land & Building	3 (i)	2.16	66.59
Plant and equipment	3 (i)	-	35.81
Furniture and fixtures	3 (i)	0.03	-
Computers	3 (i)	0.22	-
Office equipment	3 (i)	0.06	-
Security deposits	8 (i)	0.74	0.71
Second Charge			
Other movable assets (other than specifically charged to other term lenders)	3 (i)	413.43	348.44
<b>Total non-currents assets pledged as security</b>		<b>416.64</b>	<b>451.55</b>
<b>Total assets pledged as security*</b>		<b>3,334.98</b>	<b>3,145.50</b>

\* charge on the assets shall be limited to the amount of borrowings.

## 47 Related party transactions

### A Joint venture of the Group

Adico Escorts Agri Equipment Private Limited  
Escorts Kubota India Private Limited  
Tadano Escorts India Private Limited (formerly known as Optunia Power Infrastructure Private Limited)

### B Associates of the Group

Escorts Consumer Credit Limited

### C Key management personnel

Late Mr. Rajan Nanda (date of demise 5 August 2018)

Mr. Nikhil Nanda* (w.e.f 07 August 2018)	Chairman and Managing Director and Trustee
Mr. Shailendra Agrawal (w.e.f 22 March 2019)	Executive Director
Mr. Bharat Madan*	Group Chief Financial Officer and Corporate Head and Trustee
Mr. Ajay Sharma*	Group General Counsel and Company Secretary (cease to be Group General Counsel and Company Secretary w.e.f 30 November 2019)
Mr. Satyendra Chauhan*	Company Secretary & Compliance Officer and Trustee (appointed as Company Secretary w.e.f 29 January 2020)
Mr. Ashok Aggarwal*	Whole Time Director (cease to be Director w.e.f 03 November 2018)
Ms. Nitasha Nanda	Director
Mr. Hardeep Singh	Director



# Notes forming part of the Consolidated Financial Statements

for the year ended 31 March 2020

Mr. P.H Ravikumar	Director
Ms. Vibha Paul Rishi	Director
Mr. Sutanu Behuria	Director and Trustee
Mr. Darius Jehangir Kakalia	Director (cease to be Director w.e.f 27 November 2019)
Mr. Ravi Narain	Director (cease to be Director w.e.f 01 May 2019)
Mr. G. B. Mathur	Director (cease to be Director w.e.f 31 December 2019)
Mr. Sunil Kant Munjal	Director (appointed as Director w.e.f 07 May 2019)
Ms. Tanya Arvind Dubash	Director (appointed as Director w.e.f 29 January 2020)
Mr. Deba Prasad Roy	Director
Mr. Amal Dattkumar Dhru	Director (cease to be Director w.e.f 23 July 2019)
Mr. Pawan Kumar Bhalla	Director and Trustee
Mr. Ashish Kumar Bhattacharya	Director
Mr. Shenu Agarwal	Director
Mr. Rajan Chugh*	Managing Director (appointed as Director w.e.f 27 November 2019)
Mr. Pritam Narang*	Whole Time Director (cease to be Director w.e.f 03 June 2019)
Mr. Vinod Dixit*	Director (appointed as Director w.e.f 26 July 2019)
Mr. Rajeev Khanna*	Whole Time Director (appointed as Director w.e.f 04 June 2019)
Ms. Preeti Chauhan	Director
Mr. Sumit Raj	Director
Mr. Priyank Kalra	Director
Ms. Rupinder Kaur*	Company Secretary
Mr. Vicky Chauhan*	Company Secretary
Ms. Bobby Mehndiratta*	Company Secretary (appointed as Company Secretary w.e.f 25 September 2019)
Mr. Donald Fernandez*	Chief Financial Officer
Mr. Tejinder Singh*	Chief Financial Officer (appointed as CFO w.e.f 20 November 2019)
Mr. Arbindo Biswas	Director (cease to be Director w.e.f 23 December 2019)
Mr. Sridhar Sambandam	Director (cease to be Director w.e.f 27 November 2019)

\*Key managerial personnel (KMP) as defined under section 2(51) the Companies Act, 2013.

#### **Enterprises over which key management personnel and relatives of such personnel exercise significant influence**

AAA Portfolios Private Limited
Big Apple Clothing Private Limited
EEWL Limited (formerly known as Escorts Employees Welfare Limited)
Escorts Skill Development
Harpashad and Company Private Limited
Momento Communications Private Limited
Niky Tasha Communications Private Limited
Niky Tasha Energies Private Limited
Raksha Health Insurance TPA Private Limited (formerly known as Raksha TPA Private Limited)
Rimari India Private Limited
Ritu Nanda Insurance Service Private Limited
Sietz Technologies India Private Limited
Sun & Moon Travels (India) Private Limited
GBM Management Advisors LLP (cease to be w.e.f 31 December 2019)
The IVY Trust (w.e.f 07 May 2019)
Agresource Management Private Limited
Hero Mindmine Institute Private Limited (w.e.f 07 May 2019)
Smartparts Innovations Private Limited
All Grow Finance & Investment Private Limited

#### **List of other related parties in the Group**

Late Mrs. Ritu Nanda (relative of key managerial personnel, date of demise 14 January 2020)
Escorts Limited Employees' Group Gratuity Fund Trust (refer note 40 for transaction)

## Notes forming part of the Consolidated Financial Statements

for the year ended 31 March 2020

Key management personnel remuneration includes the following expenses:

	31 March 2020	31 March 2019
Short-term employee benefits:	21.94	23.86
Other long term benefits	0.14	0.40
Post-employment benefits:	0.69	0.64
<b>Total remuneration</b>	<b>22.77</b>	<b>24.90</b>

### (i) Transactions and balances with joint ventures

Nature of transactions*	(₹ crores)										
	Purchase of goods	Interest Income	Expense recovered / Rendering of Services	Rent Received	Expenses reimbursed	Sale of goods	Loan/ Advance given	Business transfer	Investments made	Advance given/Trade receivables	Payables
Adico Escorts Agri Equipment Private Limited	56.42	0.03	-	-	-	0.32	1.00	-	-	1.00	3.35
Escorts Kubota India Private Limited	(52.44)	-	(0.07)	-	-	(0.13)	-	-	(2.40)	-	(3.49)
Tadano Escorts India Private Limited (formerly known as Optunia Power Infrastructure Private Limited)	-	-	3.13	1.45	1.70	0.21	-	-	60.00	3.87	-
	-	-	(0.26)	-	(2.47)	-	-	-	(60.00)	(0.47)	-
	14.95	-	2.86	0.73	0.72	11.55	-	-	-	5.39	3.37
	(5.74)	-	(0.10)	(0.21)	(1.18)	(1.73)	-	(29.71)	(29.40)	(7.13)	(4.45)

\*Numbers in brackets represents financial year ending 31 March, 2019.

### (ii) Transactions and balance with associates

There is NIL payable outstanding on account of transactions as at 31 March 2020 (31 March 2019: ₹ 2.09 crores) against Escorts Consumer Credit Limited.

### (iii) Transactions and balances with key management personnel, their relatives and entities in which they exercise control/significant influence

Nature of transactions*	(₹ crores)												
	Royalty	Remuneration/ Commission	Rent received	Rent paid	Purchase of goods	Sale of goods and services	Services received	Commission Received	Interest Expense	Dividend Paid	Advance given	Trade Receivables/ Other Receivables	Payables
Rajan Nanda	-	-	-	-	-	-	-	-	-	-	-	-	-
	-	(2.64)	-	-	-	-	-	-	-	(0.21)	-	-	-
Ritu Nanda	-	-	-	0.38	-	-	-	-	-	0.05	-	-	-
	-	-	-	(0.38)	-	-	-	-	-	(0.01)	-	-	-
Nikhil Nanda	-	11.13	0.49	-	-	-	-	-	-	0.28	-	-	4.40
	-	(11.32)	(0.49)	-	-	-	-	-	-	(0.04)	-	-	(5.00)
Nitasha Nanda	-	2.62	-	0.51	-	-	0.02	-	-	0.03	0.06	-	0.75
	-	(3.23)	-	(0.51)	-	-	(0.06)	-	-	-	(0.06)	-	(1.75)
Shailendra Agrawal**	-	3.23	-	-	-	-	-	-	-	**	-	-	-
	-	(0.07)	-	-	-	-	-	-	-	-	-	-	-
Bharat Madan**	-	2.17	-	-	-	-	-	-	-	**	-	-	-
	-	(2.29)	-	-	-	-	-	-	-	-	-	-	-
Ajay Sharma**	-	0.71	-	-	-	-	-	-	-	**	-	-	-
	-	(1.48)	-	-	-	-	-	-	-	-	-	-	-
Satyendra Chauhan	-	0.13	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-	-	-
Girish Bihari Mathur**	-	-	-	-	-	-	0.33	-	-	**	-	-	-
	-	-	-	-	-	-	(1.13)	-	-	(**)	-	-	(0.15)

# Notes forming part of the Consolidated Financial Statements

for the year ended 31 March 2020

(₹ crores)

Nature of transactions*	Royalty	Remuneration/ Commission	Rent received	Rent paid	Purchase of goods	Sale of goods and services	Services received	Commission Received	Interest Expense	Dividend Paid	Advance given	Trade Receivables/ Other Receivables	Payables
Ravi Narain	-	-	-	-	-	-	-	-	-	-	-	-	-
	-	(0.10)	-	-	-	-	(0.09)	-	-	-	-	-	(0.10)
Hardeep Singh**	-	0.09	-	-	-	-	0.09	-	-	**	-	-	0.09
	-	(0.10)	-	-	-	-	(0.11)	-	-	(**)	-	-	(0.10)
P.H Ravikumar	-	0.09	-	-	-	-	0.07	-	-	-	-	-	0.09
	-	(0.10)	-	-	-	-	(0.10)	-	-	-	-	-	(0.10)
Vibha Paul Rishi	-	0.09	-	-	-	-	0.08	-	-	-	-	-	0.09
	-	(0.10)	-	-	-	-	(0.09)	-	-	-	-	-	(0.10)
Sutanu Behuria	-	0.09	-	-	-	-	0.09	-	-	-	-	-	0.09
	-	(0.10)	-	-	-	-	(0.10)	-	-	-	-	-	(0.10)
Darius Jehangir Kakalia	-	-	-	-	-	-	0.02	-	-	-	-	-	-
	-	(0.10)	-	-	-	-	(0.05)	-	-	-	-	-	(0.10)
Sunil Kant Munjal	-	0.09	-	-	-	-	0.03	-	-	0.01	-	-	0.09
	-	-	-	-	-	-	-	-	-	-	-	-	-
Tanya Arvind Dubash	-	0.05	-	-	-	-	0.01	-	-	-	-	-	0.05
	-	-	-	-	-	-	-	-	-	-	-	-	-
Harpashad and Company Private Limited	28.25	-	-	-	-	-	-	-	-	2.68	1.51	-	0.10
	(30.58)	-	-	-	-	-	-	-	-	(2.11)	-	-	(0.28)
Raksha Health Insurance TPA Private Limited	-	-	0.74	-	-	-	-	-	-	-	0.62	-	-
	-	-	(0.74)	-	-	-	-	-	-	-	(0.52)	-	-
Rimari India Private Limited	-	-	-	-	-	-	0.05	-	-	-	0.12	-	-
	-	-	-	-	-	-	(0.08)	-	-	-	(0.12)	-	-
Momento Communications Private Limited	-	-	-	-	-	-	0.95	-	-	-	-	-	0.07
	-	-	-	-	-	-	(0.45)	-	-	-	-	-	-
AAA Portfolios Private Limited	-	-	-	-	-	-	-	-	-	0.42	-	-	-
	-	-	-	-	-	-	-	-	-	(0.34)	-	-	-
Big Apple Clothing Private Limited	-	-	-	-	-	-	-	-	-	0.44	-	-	-
	-	-	-	-	-	-	-	-	-	(0.35)	-	-	-
Niky Tasha Communications Private Limited**	-	-	-	-	-	-	-	-	-	**	-	-	-
	-	-	-	-	-	-	-	-	-	(**)	-	-	-
Niky Tasha Energies Private Limited**	-	-	-	-	-	-	-	-	-	**	-	-	-
	-	-	-	-	-	-	-	-	-	(**)	-	-	-
Sietz Technologies India Private Limited**	-	-	0.35	1.31	160.23	2.11	-	-	-	**	1.23	0.63	16.81
	-	-	(0.35)	(1.27)	(264.32)	(3.49)	(0.31)	(1.44)	-	-	(0.90)	(1.11)	(11.64)
Sun & Moon Travels (India) Private Limited	-	-	0.02	-	-	-	14.35	-	-	-	0.05	-	0.31
	-	-	(0.02)	-	-	-	(12.41)	-	-	-	(0.02)	-	(0.10)
EEWL Limited (formerly known as Escorts Employees Welfare Limited) (Gross of provisions)	-	-	-	-	-	-	-	-	-	-	0.56	-	0.43
	-	-	-	-	-	-	-	-	-	-	(0.35)	-	(0.30)
Ritu Nanda Insurance Service Private Limited	-	-	-	-	-	-	-	-	-	-	0.08	-	-
	-	-	-	-	-	-	-	-	-	-	(0.08)	-	-
Hero Mindmine Institute Private Limited	-	-	-	-	-	-	0.07	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-	-	-
GBM Management Advisors LLP	-	-	-	-	-	-	0.21	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-	-	-

## Notes forming part of the Consolidated Financial Statements

for the year ended 31 March 2020

(₹ crores)

Nature of transactions*	Royalty	Remuneration/ Commission	Rent received	Rent paid	Purchase of goods	Sale of goods and services	Services received	Commission Received	Interest Expense	Dividend Paid	Advance given	Trade Receivables/ Other Receivables	Payables
The IVY Trust	-	-	-	0.13	-	-	0.01	-	-	-	-	0.08	-
Agresource Management Private Limited	-	-	-	-	-	-	0.64	-	-	-	-	-	-
Ashok Aggarwal	-	-	-	-	-	-	-	-	-	-	-	-	-
	-	(0.42)	-	-	-	-	-	-	-	-	-	-	-
Pritam Narang**	-	-	-	-	-	-	**	-	-	-	-	-	-
Sumit Raj**	-	-	-	-	-	-	**	-	-	-	-	-	-
Preeti Chauhan**	-	-	-	-	-	-	**	-	-	-	-	-	-
Rajeev khanna**	-	-	-	-	-	-	**	-	-	-	-	-	-
Donald Fernandez	-	0.08	-	-	-	-	-	-	-	-	-	-	-
	-	(0.07)	-	-	-	-	-	-	-	-	-	-	-
Priyank Kalra	-	1.13	-	-	-	-	-	-	-	-	-	-	-
	-	(0.92)	-	-	-	-	-	-	-	-	-	-	-
Rupinder Kaur	-	0.06	-	-	-	-	-	-	-	-	-	-	-
	-	(0.06)	-	-	-	-	-	-	-	-	-	-	-
Amal Dattkumar Dhru**	-	-	-	-	-	-	**	-	-	-	-	-	-
	-	-	-	-	-	-	(**)	-	-	-	-	-	-
Deba Prasad Roy**	-	-	-	-	-	-	0.01	-	-	-	-	-	-
	-	-	-	-	-	-	(**)	-	-	-	-	-	-
Pawan Bhalla**	-	-	-	-	-	-	**	-	-	-	-	-	-
	-	-	-	-	-	-	(**)	-	-	-	-	-	-
Vinod Dixit**	-	0.24	-	-	-	-	0.01	-	-	-	-	-	-
	-	(0.05)	-	-	-	-	(**)	-	-	-	-	-	-
Ashish Kumar Bhattacharya	-	-	-	-	-	-	0.01	-	-	-	-	-	-
	-	-	-	-	-	-	(0.01)	-	-	-	-	-	-
Smartparts Innovations Private Limited	-	-	0.05	-	0.67	0.04	-	-	-	-	0.17	-	-
All Grow Finance & Investment Private Limited	-	-	-	-	-	-	-	-	0.04	-	-	-	0.62
	-	-	-	-	-	-	(0.09)	-	(0.33)	-	-	-	(0.68)

\*Numbers in brackets represents financial year ending 31 March 2019

\*\* Amount represents less than a lakh

# Notes forming part of the Consolidated Financial Statements

for the year ended 31 March 2020

## 48 Segment information

The Group has determined following reportable segments based on the information reviewed by the Group's management:

- Agri machinery products
- Construction equipments
- Railway equipments
- Auto ancillary products (discontinued operation)
- Others

### A. Segment revenue and results

Particulars	31-Mar-20					31-Mar-19								
	Agri machinery products	Construction equipments	Railway equipments	Auto ancillary products (discontinued operation)	Unallocated	Inter segment adjustment	Total	Agri machinery products	Construction equipments	Railway equipments	Auto ancillary products (discontinued operation)	Unallocated	Inter segment adjustment	Total
Revenue	4,472.49	839.76	477.22	-	20.69	(0.07)	5,810.09	4,798.51	1,054.07	394.07	-	15.90	(0.53)	6,262.02
Segment Result before interest income unallocable, exceptional items, finance cost and tax	572.49	30.22	85.83	-	(48.77)		639.77	666.04	37.81	78.32	1.89	(63.08)		720.98
Add: Interest income unallocable							13.01							10.63
Less: Finance cost							(17.23)							(19.54)
Less: Exceptional items							(9.22)							5.56
Less: Share of loss of equity accounted investments							(1.08)							(1.96)
<b>Profit before tax</b>							625.25							715.67
Less: Tax expense							(153.53)							(237.77)
<b>Profit after tax</b>							471.72							477.90
Other comprehensive income							(6.24)							8.31
<b>Total comprehensive income</b>							<b>465.48</b>							<b>486.21</b>

### B Other information

Segment	Segment assets		Segment liabilities	
	As on 31 March 2020	As on 31 March 2019	As on 31 March 2020	As on 31 March 2019
Agri machinery products	2,972.09	3,005.26	1,364.24	1,431.76
Construction equipments	391.65	420.54	272.31	277.09
Railway equipments	288.90	214.69	88.63	80.70
Auto ancillary products (discontinued operation)	0.69	1.10	7.08	7.56
Unallocated	1,362.07	1,066.60	160.64	231.95
<b>Total</b>	<b>5,015.40</b>	<b>4,708.19</b>	<b>1,892.90</b>	<b>2,029.06</b>

# Notes forming part of the Consolidated Financial Statements

for the year ended 31 March 2020

## C Additional information by geographies

	Year ended 31 March 2020	Year ended 31 March 2019
(₹ crores)		
<b>Revenue by geographical market</b>		
India	5,523.91	5,986.02
Outside India	286.18	276.00
	<b>5,810.09</b>	<b>6,262.02</b>
<b>Non-current assets*</b>		
India	1,938.96	1,837.49
Outside India	3.18	3.39
	<b>1,942.14</b>	<b>1,840.88</b>

\*Non-current assets excludes financial instruments and deferred tax assets (net)

## D Revenue from major customers

The Group is not reliant on revenues on transactions with any single external customer and does not receive 10% or more of its revenues from transactions with any single external customer.

### Notes:

- i Operating segments have been identified by the Group taking into account nature of services, associated risks and returns and internal reporting system that reflects the manner in which operating results are regularly reviewed by the Chief Operating Decision Maker for purpose of making decisions on resources to be allocated to such segments and assess their performance.
- ii Segment revenue, segment results, segment assets and segment liabilities include the respective amount identifiable for each operating segment.

## 49 Revenue from Contracts with Customers

### (a) Disaggregation of revenue

The Group has performed a disaggregated analysis of revenues considering the nature, amount, timing and uncertainty of revenues. This includes disclosure of revenues by geography and timing of recognition.

#### As at 31 March 2020

	(₹ crores)			
Revenue from operations	Goods	Services	Other operating revenue*	Total
<b>Revenue by geography</b>				
Domestic	5,389.05	13.13	48.22	5,450.40
Export	286.18	-	-	286.18
<b>Total</b>	<b>5,675.23</b>	<b>13.13</b>	<b>48.22</b>	<b>5,736.58</b>
<b>Revenue by time</b>				
Revenue recognised at point in time				5,723.45
Revenue recognised over time				13.13
<b>Total</b>				<b>5,736.58</b>

# Notes forming part of the Consolidated Financial Statements

for the year ended 31 March 2020

As at 31 March 2019

				(₹ crores)
Revenue from operations	Goods	Services	Other operating revenue*	Total
<b>Revenue by geography</b>				
Domestic	5,888.58	5.26	49.20	5,943.04
Export	276.00	-	-	276.00
<b>Total</b>	<b>6,164.58</b>	<b>5.26</b>	<b>49.20</b>	<b>6,219.04</b>
<b>Revenue by time</b>				
Revenue recognised at point in time				6,213.78
Revenue recognised over time				5.26
<b>Total</b>				<b>6,219.04</b>

\* Other operating revenue amounting to ₹ 73.51 crores (31 March 2019 : ₹ 42.98 crores) in the nature of export incentives, liabilities no longer required written back and others is not in the scope of Ind AS 115. Hence, not covered here.

## (b) Revenue recognised in relation to contract liabilities

Ind AS 115 also requires disclosure of 'revenue recognised in the reporting period that was included in the contract liability balance at the beginning of the period' and 'revenue recognised in the reporting period from performance obligations satisfied (or partially satisfied) in previous periods. Same has been disclosed as below:

Description	(₹ crores)	
	As at 31 March 2020	As at 31 March 2019
Revenue recognised in the reporting period that was included in the contract liability balance at the beginning of the period	34.64	21.62
Revenue recognised in the reporting period from performance obligations satisfied (or partially satisfied) in previous periods	-	-

## (c) Assets and liabilities related to contracts with customers

Description	As at 31 March 2020		As at 31 March 2019	
	Non-current	Current	Non-current	Current
	<b>Contract liabilities related to sale of goods</b>			
Advance from customers	-	86.74	-	41.74
Deferred income	11.65	24.55	10.80	22.85

Remaining performance obligations as at the reporting date are expected to be substantially recognised over the next three years by the Group.

## (d) Reconciliation of revenue recognised in Statement of Profit and Loss with Contract price

Description	(₹ crores)	
	As at 31 March 2020	As at 31 March 2019
Contract price	5,996.86	6,594.84
Less: Discount, rebates, credits etc.	260.28	375.80
<b>Revenue from operations as per Statement of Profit and Loss*</b>	<b>5,736.58</b>	<b>6,219.04</b>

\* Other operating revenue amounting to ₹ 73.51 crores (31 March 2019 : ₹ 42.98 crores) in the nature of export incentives, liabilities no longer required written back and others is not in the scope of Ind AS 115. Hence, not covered here.

## Notes forming part of the Consolidated Financial Statements for the year ended 31 March 2020

- (e) The Group provide warranties on product sold by them and majority of these are in nature of assurance that the related product will function as the parties intended because it complies with agreed-upon specifications and hence accounted for in accordance with Ind AS 37, Provisions, Contingent Liabilities and Contingent Assets. Additionally, the Group extends its services by offering extended warranty with the sale of products which is deferred over the warranty period.
- 50 The Scheme of Compromise and Arrangement pending before the Delhi High Court to bail out the fixed deposit holders of Escorts Finance Limited stands disposed-off vide order dated 4 March 2011.

Escorts Benefit Trust which inherited the funds and shares from Hardship Committee constituted under directions of the High Court has sufficient funds to meet the payment obligations towards Escorts Finance Limited deposits.

As per our Report of even date attached

For **Walker Chandiok & Co LLP**

Chartered Accountants

(Firm Regn No. 001076N/N500013)

For and on behalf of the Board of Directors

**Siddharth Talwar**

Partner

Membership No. 512752

**Nikhil Nanda**

Chairman and Managing Director

(DIN: 00043432)

Place : Faridabad

**Shailendra Agrawal**

Executive Director

(DIN: 03108241)

Place : Faridabad

**Hardeep Singh**

Director

(DIN: 00088096)

Place : Gurugram

**Vibha Paul Rishi**

Director

(DIN: 05180796)

Place : Gurugram

**Bharat Madan**

Group Chief Financial

Officer & Corporate Head

Place : New Delhi

**Satyendra Chauhan**

Company Secretary &

Compliance Officer

Membership No. A14783

Place: Faridabad

Date: 14 May 2020

Place: Faridabad

Date: 14 May 2020



# Notes forming part of the Consolidated Financial Statements

for the year ended 31 March 2020

## Statement containing salient features of the consolidated financial statements of subsidiaries/joint venture for the year 2019-20

### Subsidiaries

(₹ crores)

Name of the subsidiaries	Escorts Finance Limited	Farmtrac Tractors Europe Sp. Z.o.o, Poland *	Escorts Securities Limited	Escorts Crop Solution Limited	Escorts Benefit and Welfare Trust	Escorts Benefit Trust
Reporting period	31 March 2020	31 March 2020	31 March 2020	31 March 2020	31 March 2020	31 March 2020
Capital	40.17	25.87	13.50	18.85	-	-
Reserves & Surplus	(218.67)	(25.46)	(1.17)	(9.45)	(0.01)	10.84
Total assets	4.91	71.21	32.24	14.02	0.71	10.85
Total liability	183.41	70.80	19.91	4.62	0.72	0.01
Investments	2.85	-	0.11	-	-	10.84
Turnover	0.09	79.36	3.96	11.72	-	-
Profit/(loss) before taxation	0.14	(5.35)	(1.40)	(7.10)	(0.01)	0.03
Provision for taxation	-	-	0.23	-	0.02	0.01
Profit/(loss) after taxation	0.14	(5.35)	(1.17)	(7.10)	(0.03)	0.02
Proposed dividend	-	-	-	-	-	-
% of shareholding	69.42%	100%	51.26%	100%#	100%	100%

\* Note : Exchange rate 1 PLN= 18.24 ₹ (i.e. closing rate)

# Rounded Off to 100%

### Joint venture

(₹ crores)

Name of the Joint venture	Adico Escorts Agri Equipment Private Limited	Tadano Escorts India Private Limited	Escorts Kubota India Private Limited
Latest audited balancesheet date	31 March 2020	31 March 2020	31 March 2020
Shares held by company			
Numbers	84,00,000	2,94,00,000	1,20,00,000
Amount of investment (₹ crores)	8.40	29.40	120.00
Holding %	40%	49%	40%
Description of how there is significant influence	Joint venture agreement	Joint venture agreement	Joint venture agreement
Reason For not considered for consolidation	Not applicable	Not applicable	Not applicable
Networth attributable to shareholding	3.17	22.20	119.21
Profit/(loss) for the year	0.89	(3.39)	3.04
Considered in consolidation	0.35	(1.66)	1.22
Not considered in consolidation	0.54	(1.73)	1.82

#### For and on behalf of the Board of Directors

##### Nikhil Nanda

Chairman and Managing Director  
(DIN: 00043432)  
Place : Faridabad

##### Shailendra Agrawal

Executive Director  
(DIN: 03108241)  
Place : Faridabad

##### Hardeep Singh

Director  
(DIN: 00088096)  
Place : Gurugram

##### Vibha Paul Rishi

Director  
(DIN: 05180796)  
Place : Gurugram

##### Bharat Madan

Group Chief Financial Officer & Corporate Head  
Place : New Delhi

##### Satyendra Chauhan

Company Secretary & Compliance Officer  
Membership No. A14783  
Place: Faridabad  
Date: 14 May 2020







# Corporate Information

## Mr. Nikhil Nanda

Chairman and Managing Director

## Mr. Hardeep Singh

Director

## Mr. P.H. Ravikumar

Director

## Mrs. Vibha Paul Rishi

Director

## Dr. Sutanu Behuria

Director

## Ms. Nitasha Nanda

Whole-time Director

## Mr. Shailendra Agrawal

Executive Director

## Mr. Sunil Kant Munjal

Director

## Ms. Tanya Dubash

Director

## Mr. Harish N. Salve

Director

## Mr. Dai Watanabe

Director

## Mr. Yuji Tomiyama

Director

## Group Chief Financial Officer & Corporate Head

### Mr. Bharat Madan

## Company Secretary & Compliance Officer

### Mr. Satyendra Chauhan

## Secretarial Auditors

### M/s. Jayant Gupta & Associates

## Internal Auditors

### M/s. Ernst & Young LLP

## Statutory Auditors

### M/s. Walker Chandiook & Co LLP

## Cost Auditors

### M/s. Ramanath Iyer & Co.

## Corporate Centre & Registered Office

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

## Bankers

IDBI Bank

Axis Bank

State Bank of India

ICICI Bank

IndusInd Bank

The Hongkong and Shanghai Banking Corporation Ltd.

Standard Chartered Bank



**Escorts Limited**  
Corporate Centre and Registered Office  
15/5, Mathura Road, Faridabad - 121003, Haryana (India)

[www.escortsgroup.com](http://www.escortsgroup.com)