

57th Annual Report 2001-2002

ESCORTS LIMITED

REGISTERED OFFICE : 11, SCINDIA HOUSE, CONNAUGHT CIRCUS, NEW DELHI - 110 001.

NOTICE

Notice is hereby given that the 57th Annual General Meeting of **ESCORTS LIMITED** will be held at Sapru House, Barakhamba Road, New Delhi 110 001, at 10.30 a.m. on Friday, September 27, 2002 to transact the following business:-

ORDINARY BUSINESS

1. To receive, consider and adopt the Audited Balance Sheet as at March 31, 2002, the Profit and Loss Account for the year ended on that date and the Reports of the Auditors and Directors thereon.
2. To declare dividend.
3. To appoint a Director in place of Mr. Mantosh Sondhi, who retires by rotation and, being eligible, offers himself for re-appointment.
4. To appoint a Director in place of Mr. Y.H. Malégam, who retires by rotation and, being eligible, offers himself for re-appointment.
5. To appoint a Director in place of Mr. Nimesh Kampani, who retires by rotation and, being eligible, offers himself for re-appointment.
6. To appoint Auditors to hold office from the conclusion of this Annual General Meeting till the conclusion of the next Annual General Meeting of the Company.

SPECIAL BUSINESS

To consider and, if thought fit, to pass, with or without modifications, the following Resolution :

7. (AS ORDINARY RESOLUTION)

"RESOLVED THAT Mr. N.R. Krishnan be and is hereby appointed a Director of the Company."

NOTES

1. Explanatory Statement, pursuant to Section 173(2) of the Companies Act, 1956, in respect of resolution set out under item no. 7 above, is annexed.
2. A MEMBER ENTITLED TO ATTEND AND VOTE IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE ON A POLL ON HIS BEHALF AND SUCH PROXY NEED NOT BE A MEMBER OF THE COMPANY. A PROXY MAY BE SENT IN THE FORM ENCLOSED AND IN ORDER TO BE EFFECTIVE MUST REACH THE REGISTERED OFFICE OF THE COMPANY AT LEAST 48 HOURS BEFORE THE COMMENCEMENT OF THE MEETING.
3. A copy of the Balance Sheet as at March 31, 2002 and the Profit and Loss Account for the year ended on that date together with the Auditors' and Directors' Reports thereon are enclosed. **Members are, however, requested to bring their copies of Annual Report to the meeting.**
4. The Register of Members and Share Transfer Books of the Company shall remain closed from Saturday, 14th September, 2002 to Friday, 27th September, 2002 (both days inclusive).
5. Dividend, if declared at the Annual General Meeting, will be payable to those members whose names appear on the Register of Members of the Company as on the last date of Book Closure. In respect of shares held in Electronic form, the dividend will be paid on the basis of beneficial ownership as per details furnished by the Depositories for this purpose, on that date.
6. The dividend is taxable in the hands of shareholders, if the amount exceeds Rs. 1,000/-. Shareholders whose dividend is more than Rs. 1,000/-, may submit Form 15G in duplicate before 18th September, 2002 to Corporate Secretariat & Law for non- deduction of TDS. The form can be downloaded from the Company's website www.escortsgroup.com.
7. Members, who have not encashed/received their dividend warrants for the financial years 1995-96, 1996-97, 1997-98, 1998-99, 1999-2000 and 2000-2001 may approach Corporate Secretariat & Law for revalidation of the original dividend warrants or for obtaining duplicate dividend warrants.
8. i) In terms of the provisions of Section 205A of the Companies Act, 1956, the unclaimed Equity Dividends for the financial year(s) upto 1994-95 have been transferred to the General Revenue Account of the Central Government. Those shareholders who have so far not claimed or collected their dividend for the said financial year(s), may claim the same by submitting an application in the prescribed Form II to the Registrar of Companies, NCT of Delhi and Haryana, Paryavaran Bhawan, Block B, CGO Complex, Lodhi Road, New Delhi - 110 003.
- ii) Members are hereby informed that Dividends which remain unclaimed/unencashed over a period of 7 years have to be transferred by the Company to Investor Education & Protection Fund (IEPF) constituted by the Central Government under Section 205C of the Companies Act, 1956. Further, under the amended provisions of Section 205B of the Companies Act, 1956, no claim shall lie for the unclaimed dividend from IEPF by the shareholders.
- iii) Shareholders are, therefore, advised to send all unencashed Dividend Warrants/seek payment of unclaimed dividend upon compliance with prescribed formalities by contacting the Corporate Secretariat & Law.

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9. Section 109A of the Companies Act, 1956 has extended nomination facility to individuals holding shares in Companies. Shareholders, in particular those holding shares in single name, are requested to avail of the above facility by furnishing to the Company the particulars of their nominations. Shareholders may please write to the Corporate Secretariat & Law for the prescribed Nomination Form 2B. The form can be downloaded from the Company's website www.escortsgroup.com.
10. Member(s) of the Company who 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) and send the relevant Share Certificates to Corporate Secretariat & Law.
11. With a view to ensure safety and protection against fraudulent encashment of the dividend warrants, you are requested to provide your bank account number, name of the bank and address of the branch to enable us to incorporate the said details in the dividend warrants in future. The relevant form can be downloaded from the Company's website www.escortsgroup.com. In case you wish to avail of this facility, please send the above information to the Corporate Secretariat & Law. Please do not forget to quote your folio number.
12. Your Company is also extending the facility of Electronic Clearing Service (ECS) for the receipt of dividend. In case you wish to avail of this facility, please send ECS mandate form (available on Company's website) to Corporate Secretariat & Law of the Company.
13. In terms of Notification issued by Securities and Exchange Board of India (SEBI), Equity Shares of the Company are under compulsory demat trading by all investors, with effect from 31st May, 1999. Shareholders are, therefore, advised to dematerialise their shareholding, to avoid inconvenience in future.
14. Please send all correspondence including requests for transfer/transmission of shares, change of address etc. to **Escorts Limited, Corporate Secretariat & Law, 15/5, Mathura Road, Faridabad - 121003.**
15. Appointment/Reappointment of Directors:

At the ensuing Annual General Meeting, Mr. Mantosh Sondhi, Mr. Y.H. Malegam and Mr. Nimesh Kampani, retire by rotation and being eligible, offer themselves for re-appointment. Mr. N.R. Krishnan, presently additional Director, is proposed to be appointed as a Director, for the first time. The information / details to be provided for the aforesaid Directors under Corporate Governance Code are as under :

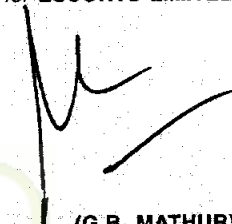
Name	Qualification	Brief Resume and Area of Expertise	Other Directorships	Committee Memberships Company	Committee
Mr. Mantosh Sondhi	M.A. (Pb), B.Sc. (Hons.) (Engg.) (London), D.L.C. (Hons.) (Lough), F.I.Mech.E. (London), F.I.E. (India)	He has had a distinguished academic and professional career which includes fellowships of professional institutions both in the UK and India. He has held Chairmanships of companies like Ashok Leyland, ABB, Wartsila India Ltd. etc. He is Ex-Secretary to Government of India in the Ministries of Steel, Mines, Coal and Heavy Industry. Before his appointment as Secretary to the Govt. of India, he was Chairman and Chief Executive of Bokaro Steel Ltd. for four years. He thus had unique distinction of dealing with the industry from both sides viz. Government to Industry and Industry to Government.	1. DCM Shriram Consolidated Ltd. 2. Tata Iron & Steel Company Ltd. (TISCO) 3. Honda Siel Power Products Ltd. 4. Timken India Ltd. 5. Turbo Energy Ltd. 6. Brakes India Ltd. 7. Dolphin Offshore Enterprises (India) Ltd. 8. Consindia Pvt. Ltd.	1. Escorts Ltd. 2. Tata Iron & Steel Company Ltd. (TISCO) 3. Timken India Ltd. 4. Brakes India Ltd. 5. DCM Shriram Consolidated Ltd. 6. Honda Siel Power Products Ltd.	(i) Investors' Grievance Committee (ii) Remuneration Committee (i) Audit Committee (ii) Remuneration Committee Audit Committee (i) Audit Committee (ii) Remuneration Committee Remuneration Committee (i) Audit Committee (ii) Investors' Relation Committee



Name	Qualification	Brief Resume and Area of Expertise	Other Directorships	Committee Memberships	
				Company	Committee
Mr. Nimesh Kampani	Chartered Accountant	<p>He is Chairman & Managing Director of JM Morgan Stanley Pvt. Ltd. – a leading global financial services firm. The joint venture is focussed on areas of investment banking, securities trading, research, retail and fixed income business.</p> <p>He has been actively associated in advising and raising domestic and overseas funds for many blue chip companies, as well as arranging merger and acquisition transactions.</p> <p>He has been a member of several committees set up by SEBI.</p>	1. Ambuja Cement India Ltd.	1. Britannia Industries Ltd.	Audit Committee
			2. Apollo Tyres Ltd.	2. Gujarat Ambuja Cements Ltd.	(i) Audit Committee (ii) Remuneration Committee
			3. Britannia Industries Ltd.	3. KSB Pumps Ltd.	Audit Committee
			4. Capital Market Publishers India Pvt. Ltd.	4. JM Trustee Company Pvt. Ltd.	Audit Committee
			5. Gujarat Ambuja Cements Ltd.	5. JM Share & Stock Brokers Ltd.	Audit Committee
			6. JM Financial & Investment Consultancy Services Pvt. Ltd.	6. JM Morgan Stanley Pvt. Ltd.	Remuneration Committee
			7. JM Share & Stock Brokers Ltd.	7. JM Morgan Stanley Securities Pvt. Ltd.	Remuneration Committee
			8. JM Trustee Company Pvt. Ltd.		
			9. JM Financial Ltd., Jersey		
			10. JM Morgan Stanley Pvt. Ltd.		
			11. JM Morgan Stanley Securities Pvt. Ltd.		
			12. JM Morgan Stanley Retail Services Pvt. Ltd.		
			13. JM Morgan Stanley Fixed Income Securities Pvt. Ltd.		
			14. Kampani Consultants Ltd.		
			15. KSB Pumps Ltd.		
			16. Ranbaxy Laboratories Ltd.		
			17. The Indian Index Fund Ltd., Mauritius		
Mr. Y.H. Malegam	Chartered Accountant	<p>He is the Managing Partner of S.B. Billimoria & Co., Chartered Accountants and Co-Chairman of Deloitte Haskins & Selis, Chartered Accountants.</p>	1. The Antifriction Bearings Corporation Ltd.	1. Bayer (India) Ltd.	Audit Committee
			2. Bayer (India) Ltd.	2. Cabot India Ltd.	Audit Committee
			3. Bayer Industries Pvt. Ltd.	3. Motor Industries Co. Ltd.	(i) Audit Committee (ii) Shareholders' Grievances Committee
			4. Tata Coffee Ltd.	4. National Stock Exchange of India Ltd.	Audit Committee
			5. Tata Tea Ltd.	5. Nicholas Piramal India Ltd.	Audit Committee
			6. Motor Industries Co. Ltd.	6. Siemens Ltd.	Audit Committee
			7. Siemens Ltd.	7. Tata Coffee Ltd.	(i) Audit Committee (ii) Remuneration Committee
			8. National Securities Clearing Corporation Ltd.	8. Tata Tea Ltd.	Audit Committee
			9. National Stock Exchange of India Ltd.		
			10. The Hindustan Construction Co. Ltd.		
			11. Cabot India Ltd.		
			12. Nicholas Piramal India Ltd.		
			13. Clearing Corporation of India Ltd.		

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Name	Qualification	Brief Resume and Area of Expertise	Other Directorships	Committee Memberships Company	Committee
Mr. N.R. Krishnan	M.Sc. (Chemistry)	He is a retired IAS Officer and has held senior positions of responsibility in Madhya Pradesh Government and Government of India. He retired as Secretary to the Govt. of India. He is a guest faculty at The National Law School University of India, Bangalore, Madras School of Economics, Chennai and ASCI, Hyderabad. He has been on the Boards of ICICI, IFCI, ITPO, IIM - Ahmedabad, IIM - Bangalore and The National Institute of Design, Ahmedabad.	1. Southern Petrochemical Industries Corporation Ltd. (SPIC), Chennai. 2. Tamil Nadu Road Development Company, Chennai. 3. Gujarat State Fertilizers and Chemicals Limited, Vadodara.	1. Southern Petrochemical Industries Corporation Ltd., (SPIC), Chennai. 2. Gujarat State Fertilizers and Chemicals Ltd., Vadodara.	(i) Audit Committee (ii) Shareholders' Grievances Committee Audit Committee

By Order of the Board
for **ESCORTS LIMITED**

(G.B. MATHUR)
 Vice President - Law &
 Company Secretary
Place : New Delhi
Date : 12th July, 2002**EXPLANATORY STATEMENT**

[Pursuant to Section 173(2) of the Companies Act, 1956]

Item No. 7

Mr. N.R. Krishnan was co-opted as Additional Director on 12th July, 2002. As per Section 260 of the Companies Act, 1956, he holds office only upto the date of the ensuing Annual General Meeting of the Company.

Particulars of his qualifications, brief resume and area of expertise etc. are included in Notice vide note no. 15.

Your Directors feel that his presence and participation in the deliberations of the Board would be beneficial for the Company's business.

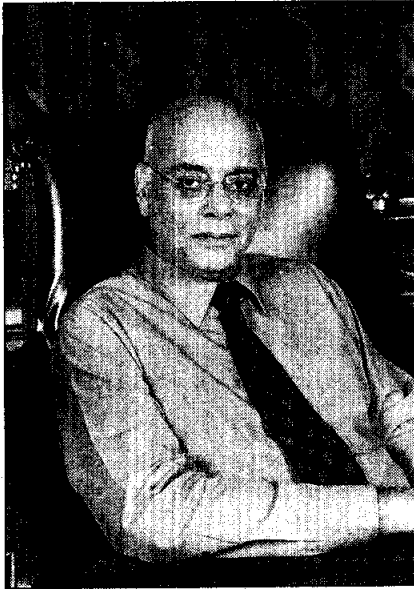
A notice in writing under Section 257 of the Companies Act, 1956, proposing Mr. Krishnan's candidature as Director of your Company, has been received.

Mr. N.R. Krishnan may be deemed to be interested in the resolution.

None of the other Directors are interested in the resolution.

The Board commends the resolution for approval.

F12/CL (NGM) ISSUE 01



Chairman's Message

Dear Shareholder,

India is on the threshold of being an open and liberated economy. Globalisation has changed the rules of competition, forcing Indian corporations to expand beyond their traditional markets even as they face incursions of foreign companies at home.

The challenges are indeed unprecedented and corporate India is now performing under free market principles. Companies are redesigning business processes, acquiring new skills and technologies to exploit the growth potential of current and future markets. Simultaneously, they are exiting areas where they cannot add value in terms of product development and technology. Indian corporations have no choice but to build their core competencies in delivering the best products and services to a customer base wider than before, to get to the depth of Indian market.

Your Company has witnessed enormous challenges, continuous evolution and the emergence of a revitalised and younger corporation ready to successfully face this business environment.

The evolving Indian markets will change and transform the behavioral pattern of expenditure and investments, which will continue to be more customer centric. Products and their cost will have to be adopted to lower income customers.

Today, the entire country is addressable in a connected India through television and internet. As agriculture is the mainstay of the economy, search for new markets segments in rural India has already begun. We envision India to be among the top three markets in the world where the profile of the customer is changing fast with an upward bias.

In the next few years, as the standards of population from rural areas are uplifted to urban life standards, corporate India will have a reservoir of growth opportunities.

Understanding this, Escorts has identified businesses and has decided to sharpen its focus on the ones which, first we are able to drive independently, and secondly reach out to the masses and assist the customer in his achieving the changes that he must realise to grow.

To grow and compete in this economy, it is imperative to expand our customer base through cost reduction, increased efficiency and technology upgradation. This is only the way to enhance shareholders value and expand markets for sustainable growth.

Agriculture, telecom and healthcare are the high growth areas of the Indian economy addressing both the rural and urban customers.

We have broadly completed our realignment and consolidation of core businesses through:

- Investments in our core areas that offer opportunities for sustained growth on which to build commerce on global scale.
- Exiting from those areas where we have to depend on foreign business partner on technology and cannot add value addition on our own.

Having completed the major strategic disinvestments as well as investments, your Company has been focussing on enriching and widening customer base to achieve higher top line growth while maintaining the break-even levels. This will result in better profitability and thereby improve the returns on investment. We expect that from second half 2002-03, the results of these efforts would start showing positive impact.

Our business plans project that in tractors your Company will increase its market share on a year to year basis from the present 19 per cent, and move to a leadership position while maintaining our current break-even levels. We are proud of our modern and efficient manufacturing facilities where the productivity has increased and costs have been lowered by rightsizing the work force. Various initiatives taken in business process reengineering, R&D and marketing with the assistance of world class consultants would take us to a leadership position.

We are now offering the most comprehensive range of products under the brand names of Farmtrac, Powertrac and Escorts. The development of new features, variant and products have been and will be key to achieving market leadership in the Indian markets and making deeper dent in the international market. Therefore the Company is pursuing an aggressive marketing strategy to cover all regions of the country and also strengthening our dealers and channel partners to increase market share. Our mission is to ensure that our tractors are the first choice of the farmers.

In our country, telecom services have very limited penetration as compared to teledensity in Southeast Asian countries. The growth in cellular telephony has been around 80 per cent and we expect this to continue.

In cellular telephony business, we already have EBIDA earnings above 40 per cent of the total revenue. In the current fiscal Escotel will begin to repay its debt and meet its interest costs from its own cash generation.

Our search and closure for a financial investor will fill the investments requirements for undertaking future roll outs to sustain our present leadership in the existing circles of UP (West), Haryana and Kerala and achieve financial closure of the newly acquired circles of Punjab, Rajasthan, UP (East) and Himachal Pradesh.

Escotel is moving ahead by increasing market share, enhancing customer services and controlling the expenses leading to stronger EBIDA earnings. Escotel will become our strongest retail chain with the largest numbers of channel partners, customer base and third most popular brand recall.

Road building countrywide has become a national priority. We all are aware of the Golden Quadrilateral project connecting major Indian cities. Construction and road building programmes undertaken by respective State Governments aided by funds from Central Government and World Bank will require a range of construction and road building equipment. Your Company's subsidiary Escorts Construction Equipment Ltd. (ECEL) has now a complete range of machines and equipment for road building and other construction activities with new technology transfers from Germany and other European countries. ECEL will be producing all the new technology machines such as road compactors, tandem rollers, pavers and a range of cranes from 5 to 40 ton capacity.

We have already found our niche in healthcare delivery and have transformed to make our hospitals the standard trendsetter. Steadfastly pursuing its credo of moving beyond excellence, Escorts Heart Institute and Research Centre has already established itself among the best cardiac care hospitals in the world. Convinced that healthcare is a business with soul, we are committed to spread our research base for prevention of heart disease. Besides expanding and modernising our existing hospitals in Delhi and Faridabad, we are setting up new cardiac care hospitals at strategic locations with a vision that Escorts healthcare is not only seen as the best in the country but is accessible to a large section of our society.

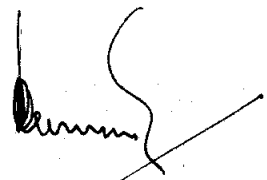
Your Company is now uniquely positioned to capitalise on significant opportunities for long term growth. We are moving ahead with vision and commitment, to serve the mass markets in our core areas of agri business, cellular telephony and healthcare. Thus, each of our core businesses is moving forward contributing to mass market covering both urban and rural segments.

The job of the management has always been to see the Company not as it is, but as it can grow to be. We believe in our ability to guide the forces of change and forge ahead to emerge as leaders in the areas of our operations.

But it is the employees of Escorts who will make the ultimate difference. Their dedication, energy, inventiveness and professionalism, I firmly believe, will optimise our business portfolio to unleash growth in the years ahead.

Finally, I wish to express my sincere appreciation to our eminent Board of Directors, esteemed shareholders and other stakeholders who have reposed trust and confidence in the management.

I look forward to the future with hope and excitement.



RAJAN NANDA
Chairman and Managing Director

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ESCORTS LIMITED

BOARD OF DIRECTORS

Chairman & Managing Director

Mr. Rajan Nanda

Vice-Chairman & Managing Director

Mr. Anil Nanda

Executive Director

Mr. Nikhil Nanda

Vice President - Law & Company Secretary

Mr. G.B. Mathur

Directors

Mr. Y.H. Malegam
Mr. Jahar Sengupta
Mr. Mantosh Sondhi
Prof. Dr. M.G.K. Menon
Mr. Nimesh Kampani
Mr. K.M. Mammen
Dr. S.A. Dave
Dr. Freddie A. Mehta
Dr. P.S. Pritam
Mr. Jai S. Pathak
Mr. N.R. Krishnan

Registered Office

11, Scindia House
Connaught Circus
New Delhi - 110 001

Corporate Centre

15/5 Mathura Road,
Faridabad - 121 003

Auditors

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

Bankers

Standard Chartered Grindlays Bank
ABN Amro Bank
Bank of America, NT & SA
Bank of Baroda
Citibank N.A.
Deutsche Bank
Hongkong & Shanghai Banking Corporation
HDFC Bank Limited
Punjab National Bank
State Bank of India
State Bank of Travancore



Ten Years Summary of Operations

(Rs. Crores)

RESULTS FOR THE YEAR	2001-02	2000-2001	1999-2000	1998-99	1997-98	1996-97	1995-96	1994-95	1993-94	1992-93
Total Income	1327	1579	1570	1320	1418	1657	1444	1423	1056	982
Index	135	161	160	134	144	169	147	145	108	100
Cost of Sale	1256	1397	1375	1152	1210	1437	1258	1312	997	930
Index	135	150	148	124	130	155	135	141	107	100
Interest	66	61	53	58	44	53	47	40	48	43
Index	154	142	123	135	102	123	109	93	112	100
Profit before Tax	5	121	142	110	164	167	139	71	12	9
Index	56	1341	1577	1217	1822	1856	1544	789	133	100
Taxation	5	14	30	26	34	40	39	20	-	-
Index	23	70	150	130	170	200	195	100	-	-
Deferred Taxation	(8)	-	-	-	-	-	-	-	-	-
Index	100	-	-	-	-	-	-	-	-	-
Profit after Tax	8	107	112	84	130	127	100	51	12	9
Index	90	1185	1243	929	1444	1411	1111	567	133	100
Dividend	7	33	32	32	30	28	23	12	10	7
Index	100	464	457	457	429	400	329	171	143	100
Dividend Tax	-	3	4	3	3	3	-	-	-	-
Index	-	100	133	100	100	100	-	-	-	-
Profit Retained	1	71	76	49	97	96	77	39	2	2
Index	50	3558	3794	2429	4850	4800	3850	1950	100	100

YEAR END POSITION

Fixed Assets :										
Gross Block	963	952	845	740	665	678	715	371	352	338
Less : Depreciation	332	290	245	205	170	163	182	163	151	135
Provision for impairment	5	-	-	-	-	-	-	-	-	-
Net Block	626	662	600	535	495	516	533	208	201	203
Index	308	326	295	263	244	254	263	102	99	100
Investments	517	548	475	487	381	261	190	117	57	37
Index	1397	1482	1285	1316	1030	705	514	316	154	100
Net Current Assets	529	392	610	531	564	504	425	203	184	209
Index	253	188	292	254	270	241	203	97	88	100
Deferred Tax Liability (Net)	(80)	-	-	-	-	-	-	-	-	-
Index	100	-	-	-	-	-	-	-	-	-
Share Capital	72	72	72	72	68	65	59	34	34	34
Index	212	212	212	212	200	191	174	100	100	100
Reserves	835	950	911	857	811	732	646	183	147	146
Index	572	651	624	587	555	501	442	125	101	100
Loans	719	618	743	651	582	495	445	325	253	278
Index	258	222	267	234	209	178	160	117	91	100