DIRECTORS' REPORT

Your Directors present the Fifty-eighth Annual Report of your Company together with the Audited Statements of Accounts for the year ended on March 31, 2003.

FINANCIAL RESULTS

(Rs. Crores)

	Year ended 31st March, 2003	Year ended 31st March, 2002
INCOME & PROFITS		
Net Sales & Other Income	**998.11**	1161.85
Profit before Interest, Depreciation & Amortisation	**146.84**	113.68
Profit before Tax	**22.26**	5.01
Profit after Tax	**24.04**	8.13
DIVIDENDS		
Provision for Dividend	**7.22**	7.22
Dividend Tax	**0.93**	–
SHAREHOLDERS' FUNDS		
Share Capital	**72.23**	72.23
Reserves & Surplus	**843.68**	835.34
Total	**915.91**	907.57

DIVIDEND

The Directors are pleased to recommend a payment of dividend of Re. 1/- per share on the share capital of Rs. 72.23 crores for the year ended on 31st March, 2003. This will entail an outflow of Rs. 7.22 crores. Additionally, an amount of Rs. 0.93 crore is payable as Dividend Tax.

MANAGEMENT DISCUSSION AND ANALYSIS

1. AGRI MACHINERY BUSINESS

a) Industry Structure and Developments

The Indian tractor industry has been growing at an annual growth rate of 8% over the last three decades and had reached a level of 2.70 lacs tractors in the year 1999-2000, the largest in the world. However, over the last three years, tractor wholesales have declined by 37%. The main contributing factors for this decline are:

- **Poor Monsoons :** One of the key factors adversely influencing tractor demand has been "below normal" monsoons in the last three years. The 2002 southwest monsoon failure was particularly severe resulting in one of the four worst droughts of the century.
- **Lower Farm Incomes :** Lower overall production resulted in lower farm incomes. Food grain production declined by 13.6%, oilseeds by 22.7%, cotton by 15.1% and sugarcane by 6.9%. Depressed procurement and farm produce prices on account of surplus food grains stocks impacted rural incomes adversely and discouraged buying of heavy investment items such as tractors.

The promising growth of the industry over the last three decades has also resulted in many new entrants including all the major multinational players. The Industry now consists of 14 manufacturers with an aggregate installed capacity of approximately 4.50 lac tractors. The decline in Industry volumes over the last three years has resulted in a below 50% capacity utilisation and severe cut-throat competition. One of the most significant developments over the last three years has been the extending of credit by dealers to its customers, which in turn resulted in a sharp increase in receivables of manufacturers.

The Industry is segmented by Horse Power of which the 30-40 HP segment is the most popular, due to small and fragmented land holdings. Geographically, Northern India (Punjab, Haryana, Uttar Pradesh and Rajasthan) accounts for about 50% of total tractor sales. Escorts enjoys a greater market share in this geographical segment, which accounts for about 60% of its total annual sales.

b) Performance

Against the steep decline in the industry during the financial year 2002-03 Escorts consciously decided to aggressively reduce dealers' pipeline inventories by approximately 8,500 tractors resulting in reduction in receivables by about Rs. 200 crores. Despite loss of some retail sales which would inevitably result from such a sharp reduction in dealer's inventory, Escorts managed to increase its market share at the retail level in various states. However, at the wholesales level Escorts sold 21,011 tractors against last year's 38,016 tractors.

The Company exported 1,653 tractors during 2002-03 as against 1,419 tractors in the previous year. We have large back orders and are confident of doubling our exports turnover in the current year.

c) Initiatives

- ***Re-engineering :*** With a view to improving efficiencies and reducing costs, after re-engineering the manufacturing plants and bringing them to international standards of quality, the Company followed it up by implementing the new ERP "Oracle" Software, under the aegis of Project PRAGATI, which extended "Re-engineering" into the Indirect areas. The implementation of the Oracle E-business suite, is expected to bring about further improvements in productivity, manpower rationalisation, improvement in the processes and further reduction in costs.
- ***Product Development :*** In a state-of-the-art R&D Centre, your Company has maintained its focus on improvement of processes as well as product development. Your Company has the most comprehensive product range in the Industry. We have three brands and 14 models to cater to every segment in the market place. The 'Escort' range is renowned for its ruggedness and reliability. The 'Powertrac' series has high fuel economy whereas the 'Farmtrac' series is associated with Premium, Power (high output per hour) and Prestige. In addition we have a significant number of variants of each model to cater to the specific requirements of particular markets. Your Company is also poised to launch region-specific models for the Southern markets as well as for the Haulage applications in the 20-25 HP range segments in Northern region.
- ***Marketing :*** Several new initiatives have been adopted by your Company to increase market share in an otherwise stagnant market :
  - A unique marketing initiative was taken to promote "Brands". For the first time in the industry, celebrities including Mr. Amitabh Bachchan and Mr. Sunny Deol were selected as Brand Ambassadors.
  - New Initiatives in terms of a new and improved product range, brand building campaigns and grass-root level marketing initiatives are expected to herald a revolutionary change in approach in the Industry.
  - The E335 "JOSH", the FT35 "CHAMPION" and FT30 "HERO" Campaigns rolled out from October 2002 onwards.
  - Marketing Strategy Initiative – MISSILE (Mission Leadership) is aimed at introducing very focussed, and result oriented marketing initiatives at the Village Level optimising resources. We have already implemented the project at 150 Dealerships and expect to implement it in the remaining dealerships by the end of this financial year.

– Project AGNI is aimed at improving Dealers' Performance through a "Balanced Score Card" which measures Dealers' Performance on a wide range of parameters and is expected to enhance the quality of Management Systems operating at the Dealership level.

d) Industry Outlook

The correction of high dealers' inventory and credit outstanding from its customers is likely to restrict current year Industry (2003-04) to the previous year levels. However, at the retail level it is felt that the Industry has bottomed out and will increase subject to a satisfactory monsoon.

In the medium to long term however, the Company is extremely bullish on the agricultural sector. The growing and increasing population will inevitably result in a growing demand for food grains and other Agri products. Against a current demand of food grains of 200 million tons, estimated demand by the years 2010 and 2020 is 270 million and 340 million tonnes respectively. Apart from the requirement of Irrigation, HYV seeds, biotechnology and fertilisers, this will require substantial step up in farm mechanisation. It is estimated that the country requires a population of around seven million tractors as against under three million at the present. At that level the replacement annual demand itself is likely to be in the region of 3,50,000 to 3,75,000 tractors.

We therefore believe that the current downtrend is purely transitory in nature and your Company is fully geared to meet these challenges through continuous investment in product development as well as focussed and aggressive marketing initiatives.

2. AUTO SUSPENSION PRODUCTS BUSINESS

The Auto Suspension Products Business posted a record gross turnover of over Rs.123.31 crores during the year 2002-03 reflecting a growth of 45% over the previous year.

Despite continuing pressure from price concessions to OEMs and price war in the replacement market, profitability increased substantially as a result of strategic cost reduction, enhanced productivity and economies of scale.

3. RAILWAY EQUIPMENT BUSINESS

The gross turnover of Railway Equipment Business increased by 65% to a record level of Rs. 95.75 crores, with more than commensurate increase in profits.

The year saw major breakthroughs in export markets as well as consolidation of the Company's share in Brake Block business with Indian Railways. Commissioning of the REXLOK Fasteners' fully automated plant heralded entry of the Company into the export oriented business of fastening systems and is expected to generate significant contribution in the near future.

The Railway Equipment Business of the Company is expected to further improve upon the performance in the coming years on all operational & financial parameters.

4. FINANCIAL PERFORMANCE

Despite the persisting recessionary conditions in the Indian tractor industry, the Company embarked upon a major drive to reduce the channel stocks of tractors with the dealers during the year. This has helped the Company reduce its working capital requirements and its current liabilities in a very significant way. However, wholesale volumes of tractors for the year have been impacted resulting into a lower net sales of the Company Rs. 767.92 crores against Rs. 1081.03 crores in the previous year. This loss of sales has been more than compensated by increase in the income from investments recorded at Rs. 273.14 crores, which is substantially higher than the previous year's figure of Rs. 58.24 crores.

Personnel cost is higher than last year mainly due to provision for an additional liability to meet deficit in the Superannuation Fund of the Company which has arisen on account of declining interest earnings of the fund and increase in the cost of annuities. Selling expenses are higher than last year due to higher spend on advertisement and sales promotion activities.

As a result of all the above, the Company earned a profit before tax of Rs. 22.26 crores for the year ended on 31st March, 2003 against Rs. 5.01 crores in the previous year. Profit after tax was also higher at Rs. 24.04 crores as against Rs. 8.13 crores in the previous year.

5. HUMAN RESOURCES/INDUSTRIAL RELATIONS

The industrial relations with the workers and staff of the Company have remained harmonious and peaceful during the period under review. The Workers Union and workmen have exhibited maturity and understanding of the current financial position of the Company and have agreed to the deferment of consideration of their charter of demands.

6. RISKS AND CONCERNS

The major risks associated with this Industry are adequacy of monsoons since 70% of land sowing is dependent on rainfall, Credit availability (almost 90% of tractor sales are funded by credit) and change in policies by the Government with regard to procurement of food stocks particularly grains. However, given the increasing recognition of the agricultural sector not only because of the fact that it accounts for almost a quarter of the GDP and employs over 60% of the population but also because of the fact that a high growth rate in the agricultural sector is imperative to sustain a high growth rate of the Indian economy, we do not foresee any problems with regard to both Credit Availability and Procurement policies in the near future.

7. OPPORTUNITIES AND THREATS

The growing domestic demand of Food grains and Agri products promises a very good future for Escorts Core business. We believe that India can be a major exporter of grains and other Agri products and increased demand both Domestic and Exports will call for increased yields, which besides other key inputs will result in increased Farm mechanisation. Tractor density as well as the HP input per hectare is extremely low relative to international standards. We therefore believe that there is large scope of expansion of the Industry. However, the last decade has seen a very large number of increase in tractor manufacturers and therefore consolidation in the Industry appears inevitable.

8. DIVESTMENTS

In order to utilize its economic and managerial resources towards its core businesses, the Company has taken bold initiatives to liquidate the following investments during the year 2002-03 :

(Rs. Crores)

Ventures	Type of Investment	Shareholding (%)	Value Realised
Escorts Claas Ltd.	Equity Shares	60.00%	62.71
Escorts JCB Ltd.	Equity Shares	40.00%	147.27
Escorts Mahle Ltd.	Equity Shares	50.00%	4.30
Escorts Mahle Ltd.	Preference Shares		15.80
Goetze India Ltd.	Equity Shares	27.21%	21.33
			251.41

SUBSIDIARIES

ESCORTS AGRI MACHINERY INC.

Escorts Agri Machinery Inc. (EAMI) is a wholly-owned subsidiary of your Company with a capital base of USD 9.69 million. EAMI made an investment of USD 9 million in M/s. Long Agribusiness LLC, a joint venture of EAMI in USA to acquire 49% shareholding. EAMI sold 912 tractors through this JV valued at USD 6.75 million during the calendar year 2002.

EAMI also invested USD 0.5 million in M/s. Pol-mot Escorts Spolka z.o.o. to acquire 49% of this joint venture in Poland with the objective of expanding its operations to the East European markets.

The Company proposes to invest about USD 3 million in this subsidiary during the current year which would be used to gain control over both the above joint ventures of this subsidiary. This is expected to provide a major thrust to the export initiatives of the Company in the agri-machinery business.

ESCOTEL MOBILE COMMUNICATIONS LIMITED

Escotel Mobile Communications Limited (Escotel), which provides cellular telephony services in the circles of UP (West), Haryana and Kerala, has maintained a steady growth in its subscriber base and has grown from 500,800 customers to 586,700 customers during the year under review thereby recording an increase of 17% over the last year. This growth has been achieved inspite of a very intense competition due to the entry of two more operators in each circle, which also resulted in a massive drop in airtime charges across the board.

With the help of its aggressive marketing strategies, Escotel maintained its leadership position in each of its circles and closed the year with a market share of 54%, 37% and 38% (by subscriber numbers) in UP (West), Haryana and Kerala respectively.

The strategies included launch of a slew of innovative products by Escotel including Full Roaming on prepaid, Lost call Alerts, Voice Messenger Service, Instant Messenger and Chat services on SMS, Playwin Lottery on SMS etc. which helped it maintain its leadership position in all the circles besides boosting the revenues.

ESCORTS TELECOMMUNICATION LIMITED

Escorts Telecommunication Limited (ETL) was awarded licenses to operate in the telecom circles of Punjab, UP (East), Rajasthan and Himachal Pradesh. With a view to restructuring its operations, ETL has decided to transfer its business of cellular mobile service in Punjab Circle to Hutch Essar South Limited with effect from 1st April, 2003 through the process of Demerger which is presently pending for approval by the Hon'ble Delhi High Court.

The Company is in discussion with strategic and financial investors for debt and equity participation in the project for financing the telecom projects in the remaining three circles. The cellular services in these circles are expected to be launched within 4-6 months of the financial closure.

ESCORTS HOSPITAL AND RESEARCH CENTRE LIMITED

As part of its strategy to migrate from a General to a Super Speciality Hospital, Escorts Hospital and Research Centre Limited (EHRC) embarked on an expansion program in 2001. Focus areas include comprehensive cardiac care, renal transplant, trauma management and high-end orthopaedics. The first Cardiac Surgery at EHRC was performed in January 2003. The current facility in Faridabad has been expanded from a capacity of 151 beds to 186 beds. Capacity for an additional 69 beds has also been created and will be operational soon. Besides, 3 new operation theatres and 1 new Cath Lab have been set up under the expansion programme.

During FY 2003, EHRC had over 116,500 outpatient visits and 10,500 admissions. The hospital performed 5,382 surgeries, 403 Angiographies and 18 cardiac surgeries this year. It derived bulk (85%) of its revenues from inpatient care, with an average length of stay of 3.7 days. The current revenue mix includes significant contribution from services other than cardiac care like medicine, general surgery and paediatrics. However this is expected to undergo a change with high end tertiary services contributing a larger share of the revenue. This is also expected to result in a significant increase in the profitability and revenue per bed.

The hospital successfully achieved ISO 9001-2000 standards in 2002. It is the first hospital, which has been certified by British Standards Institution for Comprehensive Health Care Services against 9001-2000 standards released in 2000.

ESCORTS HEART INSTITUTE AND RESEARCH CENTRE LIMITED

Escorts Heart Institute and Research Centre Limited (EHIRCL) is one of the largest dedicated cardiac hospitals in the world. It is focused on its founding principles of providing the highest standards of cardiac care to its patients and is recognised as a premier institute of healthcare the world over. EHIRCL has carried out about 13% of the total heart surgeries in India since 1988. During the year ended March 31, 2003, EHIRCL provided services to over 50,000 patients and performed 4,000 cardiovascular and thoracic surgeries.

Recognising the increasing incidence of heart diseases in India and the increasing need for quality cardiac care, EHIRCL embarked on an expansion program in 2000. The current facility in New Delhi has been expanded from a capacity of 225 beds to 321 beds. In addition, EHIRCL has acquired 79% equity shares in its subsidiary Escorts Heart and Super Speciality Institute Limited (EHSSIL), which has commissioned a 150 bedded, high end cardiac care hospital has been set up in Amritsar, Punjab. This hospital was commissioned in February 2003. Post expansion, EHIRCL and EHSSIL have a total capacity of 471 beds, 11 operation theatres (5 new), and 7 Cath Labs (3 new). EHIRCL also initiated an expansion plan at the level of secondary hospitals. In this regard the Company has set up Escorts Heart Centre Limited, an invasive cardiac centre in Kanpur.

EHIRCL is also its brand equity in the area of cardiology by entering into managed care contracts with a variety of hospitals. These contracts entail EHIRCL taking over the management of the cardiac care facilities of these hospitals at minimal investments and bringing them up to the levels of excellence expected from the Escorts brand. Further, an extensive heart care network comprising a mix of invasive, non-invasive and surgical Heart Command Centers has been established in and around Delhi.

EHIRCL demonstrated its ability to continually create benchmarks in the Indian healthcare sector by performing the first robotic cardiac surgery in India. EHIRCL is the only centre "from Germany to Japan" to acquire this facility to carry out this robot assisted cardiovascular surgery (the "da Vinci" system). It is currently the most advanced technology for heart patients and ensures a speedy recovery with much less trauma and pain.

In recognition of these efforts, EHIRCL has been awarded the highest accreditation of Level A from rating agency CRISIL. Besides, Escorts Heart Institute and Research Centre Limited has been ranked as the best cardiac hospital in India by the Outlook-Cfore survey. This grade reflects excellence in the quality of healthcare delivered by EHIRCL to its patients.

ESCORTS CONSTRUCTION EQUIPMENT LIMITED

During 2002-03, Escorts Construction Equipment Limited (ECEL), a Company engaged in the manufacture and sale of road construction and material handling equipments recorded growth of approximately 30% both in terms of sale value and volumes over the previous year which was higher than the industry growth. ECEL achieved a turnover of Rs. 92.34 crores during the year against Rs. 71.37 crores in the previous year. A significant portion of growth was contributed by the Road Construction Equipment Segment, where sales more than doubled over the previous year.

ECEL's efforts for increasing the sale of large sized Slew Cranes also materialised during the year in a significant way. In the Pick-n-Carry Cranes segment the Company maintained its undisputed leadership during the year.

However, ECEL's financial performance was adversely affected due to a significant appreciation of Euro and increase in steel prices during the year. The impact of the increase in the input costs due to these factors could not be passed on to the market due to the prevailing competitive market conditions in the industry.

The performance of ECEL is expected to improve significantly during 2003-04 in view of good prospects in the road construction and material handling equipment industry, extremely healthy order position at ECEL and launch of various new products planned during this year. The outlook for the industry in the medium to long term also appears to be very promising especially in view of the numerous projects initiated by of NHAI/States on road construction and the proposed project for joining of major rivers across the country announced by the Prime Minister of India. Due to their sheer magnitude, these initiatives are expected to create huge demand for products manufactured by ECEL.

CELLNEXT SOLUTIONS LIMITED

Cellnext Solutions Limited (Cellnext) is a complete Mobile Internet Solutions & Services company. Cellnext is focused on IPR development with an existing IPR portfolio of multi-component Messaging Engines, Telco Content Aggregation Platforms and Enterprise Application Integrators.

Cellnext is successfully catering to the Wireless Communications Industry as well as the Wireless IT needs of the Enterprise market. Company's core competence revolves around Wireless Data Technologies like SMS, WAP, MMS, GPRS, SAT, J2ME and 3G and Core Network Technologies like IVR, SS7 and IN. Cellnext also provides application design, development and integration services to both Enterprises and Wireless Telecom Operators. It also provides Wireless ASP services to both Enterprises and Operators. The Company has technology development centre in New Delhi and has Sales & Support offices in Mumbai, Bangalore, London and Stockholm.

Cellnext also has a fully integrated WEB and WAP enabled Multimedia portal - www.go667.com - which is an initiative to bring a range of MMS, SMS and Java Applications and Content to the end user directly.

Cellnext is ISO 9001:2000 certified by BVQI, London, UK for "design, development, deployment and maintenance of software products, customised software solutions and services for Enterprises and Telecom companies" and "provision of application hosting and aggregation of mass-market, Enterprise and Operator content for delivery over pervasive media by service providers".

iSERV INDIA SOLUTIONS PRIVATE LIMITED

iServ India Solutions Private Limited (iServ) is in the business of providing Network Services and Solutions and offers a full range of network-based services catering to the entire gamut of business needs. It has a Class A ISP license from the Department of Telecom for providing Internet Services. It has set up a state-of-the-art 12 city fibre based communication network, with two Internet Data Centres two thousand kilometers apart, each backed by its own Network Operating Centre. Today it is a carrier neutral service provider with four different gateway interconnects that land on different parts of the globe from different operators and interconnectivity to nationwide fibre backbones of three of the largest backbone operators, so that customers can enjoy unparalleled uptime and exercise their choice of carriers.

iServ India uses this infrastructure to provide a host of IP based services for its customers such as Data Centre Services, Managed Services, Messaging Solutions, Colocation Services, Data Recovery Services, Voice Over IP Solutions, Gateway Bandwidth, Virtual Private Network, Unified Messaging Services and Advanced Logistics Management Service (GPS/GIS based vehicle tracking system). It also undertakes turnkey projects for setting up and managing complex Wide Area Networks (WANs).

iServ has operating arrangements with Tata Infotech for Managed Services, CommWorks for Unified Messaging Services, MediaRing and Deltathree for Voice Over IP Solutions. It has recently tied up with Diebold HMA to offer ATM management services to Banks. iServ India's retail services include Internet and Net Telephony services, Zyberway and Zybertalk respectively.

Apart from a Class 'A' license, iServ has licenses for VoIP (Voice over Internet Protocol), OSP (Other Service Providers) for NMS (Network Management Services) and Fleet Management Services, Gateway licenses (Delhi and Cochin) and license to use 2.7-2.9 GHz frequency for Multi Point Radio in 8 cities.

Due to its excellent service and wide spectrum of services, iServ's client base has grown to encompass a broad spectrum of industry segments like Insurance, Telecom, Manufacturing, Software, Portals, Consulting, Education, Exporters and Government. Some of iServ's customers are Jubiliant Organosys Ltd., Signal Tree Solutions, Hewitt Associates, Keane India Ltd., Tata Projects Ltd., Kerala IT Mission and Reliance Infocom.

AUTOMATRIX INDIA PRIVATE LIMITED

Automatrix India Private Limited (Automatrix) is a premier private e-marketplace providing the buy side solutions. It has deployed an efficient online and neutral marketplace to locate, negotiate, order and fulfill automotive purchases and sales for the agri-machinery business of the Company.

The e-commerce platform of Automatrix provides efficiency and visibility, through the net, to conduct transactions across the Supply Chain. This improves demand visibility, reduces inventory in the supply chain and enables real-time decision-making. Integrated to the Oracle ERP, the platform enables variability in demand to be communicated to the suppliers to enable a timely action on supplies. This helps the clients reduce costs and ensures delivery of right goods at the right time to the right customer. During the year under review, the services for 'Capacity Planning, Forecasting & Replenishment (CPFR)' were also integrated in the platform. The facility for reverse auction with global suppliers was also included as a service during this year.

In order to extend the spectrum of its services, Automatrix is now planning to extend the current activities to a public marketplace as well as to implement Supply Chain Management products.

ESCOSOFT TECHNOLOGIES LIMITED

Escosoft Technologies Limited (Escosoft) has been making steady progress in its chosen business areas. The slow pace in the economy has led to severe competitive pressures and had an impact on Escosoft's margins during the year despite the continuous recession faced by the Indian IT industry. During the year ended 31st March, 2003, Escosoft's turnover increased to Rs. 11.61 crores from Rs. 8.19 crores in the previous year. The major activities of Escosoft are in the areas of Services in IT, Animation and Interactive Software Development.

Its growth in the Enterprise Management Solutions and ERP Business gave an impetus for an expansion in this area. As a step in this direction, Escosoft and its affiliate IFS Solutions Asia Pacific Pte, Singapore have entered into an agreement to form a Joint Venture named IFS Solutions India Pvt. Ltd., as a subsidiary of Escosoft. This venture will be able to achieve a greater market penetration in the domestic market and also has the potential of becoming an IFS Regional hub in the future.

Escosoft obtained the Type Approval Certificate from Telecommunication Engineering Centre for sale of Magnetic Tape Emulators (MTEs) to BSNL/MTNL in India. Escosoft also got the ISO 9001 Quality Certification from an international company of repute.

ESCORTS ASSET MANAGEMENT LIMITED

Escorts Asset Management Limited, the investment manager to Escorts Mutual Fund, is successfully managing seven schemes of the Fund offering a variety of products to the investors. These schemes have provided good returns to the investors despite adverse market conditions.

ESCORTS SECURITIES LIMITED

Escorts Securities Limited is a SEBI registered intermediary in the capital and debt markets as a member of National Stock Exchange of India Limited in the capital market as well as Futures and Options segments. Besides being Category I Merchant Banker it is also a Depository Participant with National Securities Depository Limited. Merchant Banking activities have also been initiated during the current year. During the year the Company has expanded its network at Faridabad by adding another branch to its existing network.

CONSOLIDATED FINANCIAL STATEMENTS

In compliance of Clause 32 and Clause 50 of the Listing Agreement with the Stock Exchanges, as amended pursuant to the directive of the Securities and Exchange Board of India (SEBI), the Company has prepared Consolidated Financial Statements as per the Accounting Standards applicable to Consolidated Financial Statements (AS-21, AS-23 and AS-27) issued by the Institute of Chartered Accountants of India. The Audited Consolidated Financial Statements along with the Auditors' Report have been annexed with this Report.

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

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

DIRECTORS

It is with deep sorrow that we report the sad demise of Mr. Mantosh Sondhi and Mr. Jahar Sengupta, eminent members of the Board of your Company, during the year.

Mr. Mantosh Sondhi was a distinguished technocrat, who had been Secretary to the Government of India in the Ministries of Steel, Mines and Coal and Heavy Industry. He adorned the Boards of several blue chip companies.

He was awarded “Padma Shree” in 1965.

Mr. Jahar Sengupta was another distinguished professional, who held the position of Chairman and Managing Director of Exide India Ltd. He held directorships in Chloride U.K., Reserve Bank of India and several reputed companies. He also had been President of Bengal Chamber of Commerce and Industry and Assocham, and had the honour of being Sheriff of Kolkata.

The Board of your Company will always remember the valuable advice and counsel given by both of them during their tenure as Directors.

Mr. K. M. Mammen resigned from the Board during the year due to his pre-occupations. The Board places on record their appreciation of the valuable advice and counsel rendered by Mr. Mammen during his tenure as Director.

Dr. S. A. Dave, Dr. Fredie A. Mehta and Prof. Dr. M. G. K. Menon retire by rotation at the ensuing Annual General Meeting, and being eligible, offer themselves for re-appointment as Directors.

CORPORATE GOVERNANCE

Pursuant to Clause 49 of the Listing Agreement with Stock Exchanges, a Report on Corporate Governance is enclosed as Annexure B.

A Certificate from Auditors confirming compliance of conditions of Corporate Governance is enclosed as Annexure C.

INVESTOR SERVICES

Your company has set new standards in investor services and continues its quest for improvement. Some of the important initiatives taken by the company are as follows :

(i) Interactive Voice Response System (IVR) through which investors can make queries in respect of their holdings of shares, payment of dividend/transfer etc. Operational details of this system are given elsewhere in this Report.

(ii) Investor Relation Centres at New Delhi and Mumbai which provide effective personal interaction between investors and the company officials.

(iii) Investor friendly Website of the Company (www.escortsgroup.com) which gives most of the details and data frequently used by investors.

(iv) Dividend payment through Electronic Clearing System (ECS).

Corporate Secretariat and Law Department of the Company, which is inter alia, responsible for investor services, has obtained the prestigious 9001:2000 certification which epitomises Company’s philosophy of providing best possible services to investors.

DIRECTORS’ RESPONSIBILITY STATEMENT

Directors’ Responsibility Statement under Section 217 (2AA) of the Companies Act, 1956, forming part of this Report is given as Annexure D.

AUDITORS

M/s. S. N. Dhawan & Company, Chartered Accountants, retire as Auditors of the Company at the conclusion of the forthcoming Annual General Meeting, and being eligible, offer themselves for re-appointment. They have furnished a certificate to the effect that their re-appointment, if made, will be in accordance with Section 224 (1B) of the Companies Act, 1956.

PUBLIC DEPOSITS

“1693 deposits aggregating to Rs. 2.62 crores matured, but were not claimed as on 31st March, 2003. Subsequently, out of the above 459 deposits of Rs. 0.81 crore have been repaid or renewed till 4th June, 2003”.

PERSONNEL

Statutory statement of particulars of employees pursuant to Section 217 (2A) of the Companies Act, 1956 is given as Annexure E and forms an integral part of this Report.

ACKNOWLEDGEMENT

The Directors wish to thank the customers, dealers, bankers, financial institutions, the Central and the State Governments for their continued support. They also take this opportunity to record their appreciation of the contribution made by all the employees to the operations of the Company during the year.

Annexure – A to the Directors' Report

I) CONSERVATION OF ENERGY

1. Energy Conservation Measures taken

- Improved load power factor from 0.96 (in 2001-02) to 0.98 (in 2002-03).
- Energy Audit Team formed for regular audit of Energy Conservation initiatives.
- ERP system installed for on line monitoring of schedules for preventive/predictive maintenance programs relating to captive power generation.
- Restricted lighting for vigilance purpose only during night shifts & off days.
- Control on running of Central Air Conditioners.
- Replaced conventional chokes with HF electronics chokes in conference rooms to reduce energy consumption.
- Use of high lux low wattage tubelights in offices.
- Reuse of treated effluent water for gardening purposes.
- Provision of natural light in shop floors by use of polycarbonate roof sheets.
- Monitoring of energy consumption by each PU which has resulted in avoiding losses.
- Control on running of Central Air Compressors and use of small compressors for petty requirements in night shift and holidays.
- Utilisation of Solar Water heating system for hot water requirements in Canteens.

2. Additional Investment & Proposals

- Modern Diesel Generator Set with electronic injectors planned in years 2003-04 to meet captive power requirements of CED based paint lines and plant modernisation, which would generate power at 10% lower cost.
- Re-circulation of hot water through Heat Exchanger in Closed Circuit Cooling System in other production units.
- Automatic power factor control systems for further improvement in power factor.
- Overhead Compressed Air Line network for effective utilisation of both sources to run the Plant and reduce losses.
- Replacement of conventional 40W Chokes with HF Electronic Ballast in tube lights in Offices.

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

- Reduction in transmission losses.
- Rebate of 3.5% in energy bills obtained.
- Reduction in fuel cost of captive power generation by over 5% in the last two years.
- Savings in water consumption by 20%

4. Total Energy Consumption and Energy Consumption Per Unit

Not applicable

II) TECHNOLOGY ABSORPTION

1. RESEARCH & DEVELOPMENT

(a) Specific areas in which R&D was carried out by the Company :

- Export tractor engines developed to meet applicable EPA-II emission norms for USA market, which would be enforced from 2004.
- Engines are being continually upgraded for increased power output and optimised for fuel efficiency, oil consumption and torque back up for domestic and overseas markets, to meet growing demand for internationally competitive engines.
- Tractors with upgraded features like reverse PTO, independent PTO, higher lift capacity and oil-immersed brakes developed for domestic and export markets, to meet demand for changing agricultural practices and increasing use of tractor-mounted combine harvestors.
- Concept for new looks/styling and better ergonomics made to meet aspirations of high-end farmers for international styling and features.

- 4-cylinder engine concept studies – better fuel efficiency & backup torque.
- New 4-wheel drive tractors and power steering feature developed for export markets.
- Speciality tractors developed for application-specific markets, like Industrial tractors, and crop-specific tractors.
- Have undertaken basic research work in diesel engine development, both at simulation as well as at laboratory level.

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

- Farmtrac tractors FT - 35 Champion and FT - 30 Hero introduced to fill the gap in Farmtrac range in this HP class.
- A new model, E - 325 'Josh' introduced with additional customer-demanded features.
- New Farmtrac FT - 60 Deluxe variant introduced to meet aspirations of high-end farmers.
- FT - 35 new model introduced in US market – a new offering in this HP range.
- FT - 70/60/45 with advanced technology Engine introduced in USA market for improved performance and to meet mandatory USA emission standards.
- Improved product reliability and durability.
- Reduced emission levels contributing to cleaner environment.
- FT - 35 high-manoeuvrability tractor introduced in West market.
- Introduction of tractors for speciality use like industrial applications, crop-specific applications.
- Major initiatives in value engineering and standardisation launched for cost reduction.
- Four-wheel-drive (4WD) tractors are being introduced in export markets.

(c) Future Plan of Action :

- New product development for domestic industry.
- Region-specific and application-specific tractor models development to intensify.
- Development of products particularly suited to more diversified export markets in USA, Europe and other countries.
- Implementation of major initiatives in value engineering and standardisation for cost reduction.
- Rationalisation and standardisation of transmissions to suit customer requirements.
- Higher KVA capacity gensets.

(d) Expenditure on R & D :

(Rs. Crores)

		2002-03	2001-02
a)	Capital Expenditure	**2.40**	2.98
b)	Recurring Expenditure	**14.25**	13.75
	Total	**16.25**	16.73
c)	Total R & D Expenditure as a percentage of		
	– Gross Sales	**1.87%**	1.36%
	– Net Sales	**2.12%**	1.55%

2. TECHNOLOGY ABSORPTION, ADAPTATION & INNOVATION

a) Efforts made towards technology absorption, adaptation and Innovation

- Interaction with apex national and international technical institutes and research and consulting organisation.
- Project based joint technical tie-up with technology leaders.

b) Benefits derived as a result of the above efforts

- Latest appropriate technology available leading to product improvement and reduced time.
- Improved product features and reliability.
- Product development for niche, extended non-agricultural application.