Sixtieth Annual Report
2004-2005

ESCORTS

Corporate Centre: 15/5 Mathura Road, Faridabad - 121 003, INDIA
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REPRO

ESCORTS

Chairman's Message

Dear Shareholders,

We made steady progress in the year under review. What is heartening is the momentum gained during the end of the year has been sustained. All our core businesses, spearheaded by agri machinery, are in robust health, vindicating our decision to get out from the non-core businesses.

To give sharper focus to our agri machinery business, management thought it prudent to exit from the non-core business of healthcare delivery. Though Escorts had been running healthcare business efficiently and profitably, it was felt that for better future prospects, the company should concentrate in the areas of agri machinery, construction equipment and auto and railway ancillaries.

The Group's strong brand equity in healthcare led to handsome returns. Ploughing back this money in our core business has given the much needed fillip to our tractor operations.

While the India economy is burgeoning, we, as pioneers of farm mechanization in the country, are concerned over inadequate progress on the agriculture front. Despite speedy progress on the industrial front and commendable performance of the service sector, agriculture sector's progress has been rather tardy.

India still lives in villages and more than 75% of our population still depends on agriculture for employment. Therefore, if prosperity has to percolate down and impact average Indian, it is imperative that agriculture sector receives the importance it deserves. The scenario is certainly changing but the shift has to be speedier.

We see immense possibilities in the agriculture sector and hope the Government will soon take measures to tackle the problems of low productivity, inadequate infrastructure, inadequate linkage with the industry and lack of market orientation. India has the potential of emerging as a major exporter of agri products.

With nearly two-thirds of Indian villages still without a tractor, the scope of farm mechanization is enormous. And we are well positioned to play a significant role in this area. Conservative estimates envisage a growth of 8 to 10% for the tractor industry in the years ahead.

After re-engineering of our manufacturing plants, bringing them to international standards and financial restructuring, we have extended re-engineering into the indirect areas like manpower rationalization, productivity improvement and cost reduction. These should certainly provide us keener edge over the competition.

With a complete range of tractors to cater to the domestic as well as overseas markets, we are confident of making most of the growth the tractor industry is slated to experience in the years ahead. With the industry likely to cross an annual figure of 3 lacs by next year, we expect to significantly increase our production and notch a greater marker share. On the export front, we are equally optimistic largely owing to growing acceptance of our tractors in the US, European and African markets. On balance, our tractor business is on a sound footing and the coming years should see Escorts further consolidate its position on both domestic and overseas fronts.

Our second core business of construction and material handling equipment recorded 37% growth in turnover in 2004-05. With several new products in our portfolio and growing demand for material handling and road construction equipment, we are confident of further accelerating our growth in this business. Next three/four years should see Escorts emerge as a major player in crane and road compaction segments.

New initiatives taken in the area of auto suspension products have started yielding results. A new line of products has been developed successfully for the European market and the company has already secured a large chunk of business from OEMs. The Division has also made a deeper dent in the after market segment. The company hopes to regain the ground it had lost in the past few years owing to fall in production volumes of its OEM customers in the country.

The railway equipment business had another good year during which the Division improved its turnover/profit ratio. With new products on the anvil and a second manufacturing facility to be commissioned soon, the railway business is likely to grow substantially in the years ahead.

With the current year 2005—2006 showing signs of improvement and all the businesses in the acceleration mode, we are determined to turn around the operations this year itself. With wherewithal to excel on all parameters, we are very excited about the future, which is bright and belongs to us.

Our grateful thanks to you, dear shareholders, for reposing your trust in us. We have a clear agenda to grow shareholder value and do hope to measure up to their expectations in coming years.

My sincere thanks to our employees who have played a key role in the turnaround of the company, to the members of the Board for their advice and guidance and other stakeholders for their cooperation.

RAJAN NANDA

Chairman and Managing Director

BOARD OF DIRECTORS

Chairman & Managing Director
Mr. Rajan Nanda

Executive Director & COO
Mr. Nikhil Nanda

Directors
Dr. M.G.K. Menon
Dr. S.A. Dave
Dr. P.S. Pritam
Mr. S.C. Bhargava

Vice President - Law & Company Secretary
Mr. G.B. Mathur

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 Bank
ABN Amro Bank
Bank of Baroda
Citibank N.A.
Deutsche Bank
Hongkong & Shanghai Banking Corporation Limited
HDFC Bank Limited
Punjab National Bank
State Bank of India
State Bank of Travancore
The United Western Bank Limited

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Ten Years' Summary of Operations

(Rs. Crores)

RESULTS FOR THE YEAR	2004-05@	2003-04@	2002-03	2001-02	2000-01	1999-2000	1998-99	1997-98	1996-97	1995-96
Total Income	**1860	1292	1124	1327	1579	1570	1320	1418	1657	1444
Index	*129*	*89*	*78*	*92*	*109*	*109*	*91*	*98*	*115*	*100*
Cost of Sale	1680	*1593	1017	1256	1397	1375	1152	1210	1437	1258
Index	*134*	*127*	*81*	*100*	*111*	*109*	*92*	*96*	*114*	*100*
Interest	149	121	85	66	61	53	58	44	53	47
Index	*317*	*257*	*180*	*141*	*130*	*113*	*123*	*94*	*113*	*100*
Profit before Tax	31	(422)	22	5	121	142	110	164	167	139
Index	*23*	*(403)*	*16*	*4*	*87*	*102*	*79*	*118*	*120*	*100*
Taxation	39	–	2	5	14	30	26	34	40	39
Index	*100*	–	*5*	*12*	*36*	*77*	*67*	*87*	*103*	*100*
Deferred Taxation	(47)	(108)	(4)	(8)	–	–	–	–	–	–
Index	*617*	*1420*	*50*	*100*	–	–	–	–	–	–
Profit after Tax	39	(314)	24	8	107	112	84	130	127	100
Index	*39*	*(414)*	*24*	*8*	*107*	*112*	*84*	*130*	*127*	*100*
Dividend	–	–	7	7	33	32	32	30	28	23
Index	–	–	*31*	*31*	*141*	*139*	*139*	*130*	*122*	*100*
Dividend Tax	–	–	1	–	3	4	3	3	3	–
Index	–	–	*31*	–	*100*	*133*	*100*	*100*	*100*	–
Profit/(Loss)	39	(314)	16	1	71	76	49	97	96	77
Index	*51*	*(507)*	*21*	*1*	*92*	*99*	*63*	*126*	*125*	*100*
YEAR END POSITION										
Fixed Assets :										
Gross Block	1009	1034	1012	963	952	845	740	665	678	715
Less : Depreciation	493	447	386	332	290	245	205	170	163	100
: Provision for impairment	–	6	5	5	–	–	–	–	–	–
Net Block	516	581	621	626	662	600	535	495	516	615
Index	*84*	*94*	*101*	*102*	*108*	*97*	*87*	*80*	*84*	*100*
Investments	497	613	619	517	548	475	487	381	261	190
Index	*262*	*323*	*326*	*272*	*289*	*250*	*256*	*201*	*137*	*100*
Net Current Assets	176	247	548	529	392	610	531	564	504	425
Index	*41*	*58*	*129*	*124*	*92*	*144*	*125*	*133*	*119*	*100*
Net Deferred Tax Assets/(Liability)	79	32	(77)	(80)	–	–	–	–	–	–
Index	*198*	*139*	*95*	100	–	–	–	–	–	–
Share Capital	72	72	72	72	72	72	72	68	65	59
Index	*122*	*122*	*122*	*122*	*122*	*122*	*122*	*115*	*110*	*100*
Reserves	546	521	844	835	950	911	857	811	732	646
Index	*85*	*81*	*131*	*129*	*147*	*141*	*133*	*126*	*113*	*100*
Loans	668	894	816	719	618	743	651	582	495	445
Index	*150*	*201*	*183*	*161*	*139*	*167*	*146*	*131*	*111*	*100*

@ The current and immediately preceding accounting periods are for 15 months whereas the other previous years are for 12 months. Therefore the figures of the current period are comparable with that of the immediate preceding previous period.

* Includes Loss on Sale/Provision for Diminution in the value of Investments, Loans to Telecom and Other Businesses amounting to Rs. 185.02 crores.

** Includes profit on divestment of healthcare business amounting to Rs. 505.51 crores.

DIRECTORS' REPORT

Your Directors present the Sixtieth Annual Report of your Company together with the Audited Statements of Accounts for the period ended on September 30, 2005.

FINANCIAL RESULTS

(Rs. Crores)

	Period ended 30th September 2005	Period ended 30th June, 2004
INCOME & PROFITS/(LOSS)		
Sales & Business Income	**1,307.93**	1,120.81
Income from Investments	**505.73**	0.21
Profit/(Loss) before Interest, Depreciation & Amortisation	**477.78**	(56.68)
Interest	**141.79**	101.66
Depreciation & Amortisation	**61.95**	68.34
Loss on Sale/Provision for Diminution in value Long Term Investments & Loans to Group Companies	**243.02**	195.06
Profit/(Loss) before Tax	**31.02**	(421.74)
Profit/(Loss) after Tax	**39.09**	(313.54)
DIVIDENDS		
Provision for Dividend	**—**	–
Dividend Tax	**—**	–
SHAREHOLDERS' FUNDS		
Share Capital	**72.23**	72.23
Reserves & Surplus	**545.90**	521.05
TOTAL	**618.13**	593.28

DIVIDEND

Due to operational losses incurred by the Company during the period, the Board of Directors have decided not to recommend any dividend for the period ended September 30, 2005.

SHARE CAPITAL

Your Company proposes to issue 36,11,610 Convertible Share Warrants to the promoters and/or person acting in concert, to part finance its Working Capital needs, at a price to be determined in accordance with the Preferential Issue Guidelines issued by Securities and Exchange Board of India (SEBI). The said Share Warrants shall be converted into equal number of Equity Shares on or before 18 months from the date of allotment. Consequent upon the conversion, the paid up capital of the Company shall stand increased to Rs. 75.84 crores.

MANAGEMENT DISCUSSION AND ANALYSIS

1. AGRI MACHINERY BUSINESS

a) Industry Structure and Developments

After three years of decline, Tractor Industry grew by 11.5% in 2003-04 and 30.9% in 2004-05 to a level of 2.52 Lac tractors. The Indian Tractor industry had been growing at an average compounded annual growth rate of 8% over the last 3 decades and it attained a peak of 2.70 Lacs tractors in 1999-2000. Since then, however, the industry showed a decline to a level of 1.72 Lac tractors in the year 2002-03. The key factors that adversely influenced tractor demand was below-normal monsoons for three years, i.e. from 2000-01 to 2002-03 and the high foodgrain stocks that led to market rates for crops being depressed, thus adversely affecting farmers' incomes.

The growth of the industry over the last three decades resulted in entry of several new entrants including all the major tractor multinationals. Today, the industry consists of 14 manufacturers with an aggregate installed capacity of approx. 4.50 Lacs tractors. The additional capacity created and the decline in industry volumes from 2.70 Lacs tractors to 1.72 Lacs tractors from 2000-01 to 2002-03 resulted in below 50 percent utilisation of capacities leading to severe cutthroat competition.

The industry is segmented by Horse Power of which the 30-40 HP segment is the dominant one due to small and fragmented land holdings. Geographically, Northern India (Punjab, Haryana, Uttar Pradesh and Rajasthan) accounts for about 50% of total tractor sales. Our Company enjoys a relatively better market share in this geographical territory.

b) Performance

Despite the steep decline in the industry, Escorts consciously decided to aggressively reduce channel inventory further by approximately 1100 units in 2004-05 in addition to approximately 12,000 units inventory reduction carried out in the previous years. This no doubt impacted our revenue and profits adversely but has enabled the Company to optimize its working capital and thus put us on a strong foundation for the future to be built upon.

During the period July 2004 to September 2005, Escorts wholesaled 32,557 tractors including export of 3,855 units.

c) Initiatives

Re-engineering: With a view to improving efficiencies and reducing cost, after re-engineering of the manufacturing plants and bringing them to international standards of quality, successful implementation of ERP "Oracle 11-I" suite and financial re-structuring, we extended our "Re-engineering" into the indirect areas such as further improvement in productivity, manpower rationalisation, improvement in the processes and further reduction in costs.

Product Development: In its state of the art R&D Centre, the Company has maintained its focus on improvement of processes as well as product development. The Company is one of the leading tractor manufacturers of the country and produces tractors in the 27-75 HP range. Its tractors are marketed under three brand names, viz. ESCORT, POWERTRAC and FARMTRAC. Escort brand of tractors are symbolic of reliability and trust and enjoy the confidence of the farming community for the last 40 years. These are economy range tractors available in different models ranging from 27-35 HP. Powertrac brand of tractors are one of the most fuel-efficient tractors in their respective categories that offer excellent value for money and have helped the farmers improve their quality of life. Different models in this category are available from 20-55 HP. Farmtrac brand tractors are one of the most powerful premium range of tractors that give maximum productivity to the farmers. Models in this category are available in the range of 35-75 HP.

Spanning these three brands, the Company has a full range of tractors to cater to the domestic as well as overseas markets. Several new models like Farmtrac Champion, Farmtrac Hero and Escort 335 Josh are establishing themselves in the marketplace. Escort Jawan MPT, the first multipurpose tractor positioned by the company in the haulage and agricultural segment in the smaller HP range has evoked tremendous response in the market place. With the introduction of the new revamped Powertrac DS series (Powertrac 434, Powertrac 439, Powertrac 445 and Powertrac 455) and with a dedicated distribution system for marketing this range, the Company is bound to give a tough fight to the competitors in the marketplace. With the infusion of latest technology in the form of epicyclic transmissions, we shall work towards maintaining the premium positioning of Farmtrac range.

Our continued focus on product development has resulted in the widest range of tractors in the market catering to the needs of diverse segments of customers and applications. Today our world class manufacturing plants roll out quality products and our TS 16949 certification of quality management system is a vindication of our customer-oriented processes for development of quality.

Marketing: Several new initiatives have been adopted by the Company to increase market share. One of the biggest Marketing strengths is our widest distribution network in the country with more than 700 dealers & distributors, 2000 sales outlets, 30 area offices and strong field force of 150 persons.

d) Industry Outlook

Compound growth rate of the Tractor industry has been 8% over the last three decades. Increasing recognition over the last few years to the importance of agricultural sector will the spur growth of this sector, which will give impetus to the continued growth of tractor industry.

At the same time, increasing usage of tractors for haulage and the Government's focus on infrastructure development shall also give a boost to this industry. With exports also growing substantially, the industry is likely to cross an annual figure of 3 Lacs by next year.

The Company is fully geared to meet these challenges through continuous investment in product development, cost reduction as well as focused and aggressive marketing initiatives.

2. AUTO SUSPENSION PRODUCTS BUSINESS

Margins remained under pressure for the fifth year running and there was a significant fall in production volumes of our domestic OEM customers.

However, the aggressive market development programme initiated last year has been a huge success. The Division has developed over 20 products for the European market and secured big orders from prestigious OEMs.

Exports are likely to constitute over 20% of sales turnover in the current year. New export programmes are also underway and export business should more than double within next two years.

The new business of sourcing and marketing a range of auto components in the After Market has also made good progress and sales turnover should soon cross Rs.20 Cr.

3. RAILWAY EQUIPMENT BUSINESS

The Division continued its good performance and further consolidated its position in the industry.

The Division is setting up a second manufacturing facility in Uttranchal to avail of the significant tax benefits. Commercial production from this location should start within next 6 months.

Some of the long gestation new product programmes are on the verge of commercialisation and the Division should continue to grow profitably despite increasing competition in existing products.

4. FINANCIAL PERFORMANCE

The Company has suffered an operational cash loss of Rs. 169.74 crores as the Company could not participate in the growth of tractor industry mainly on account of liquidity problems faced by the Company resulting in lower production levels. Tractor industry registered growth of 32% in the financial year 2004-05 over the financial year 2003-04. This operational loss has been more than compensated by income from sale of investments of Rs. 505.73 crores as against loss on sale of investments of Rs. 185.02 crores recorded in the previous period. In view of extra ordinary income from Healthcare divestment, the Company took this as an opportunity to provide for diminution in value of investments and its impaired assets to an extent of Rs. 243.02 crores.

Consequentially, the Company has recorded Profit before tax of Rs. 31.02 crores and Profit after tax of Rs. 39.09 crores in the current period as compared to Loss before tax of Rs. 421.74 crores and Loss after tax of Rs. 313.54 crores during the previous period.

5. HUMAN RESOURCES/INDUSTRIAL RELATIONS

The Industrial relations with the workers and staff of the Company have remained cordial 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 not to press for their charter of demands, till the financial situation of the Company improves.

6. RISKS & CONCERNS

The major risks associated with this industry are inadequacy of monsoons since more than 70% of sowing land is dependent on rainfall, non-availability of credit (almost 90% of tractor sales are funded by credit) and the policies of the Government with regard to the agriculture sector. However, given the increasing recognition and contribution of the agriculture sector to the growth of Indian economy and the mere fact that the agriculture sector employs over 60% of the country's population and accounts for almost a quarter of the GDP, a high growth in the agriculture sector is imperative to sustain the growth of Indian economy. Given all this, we do not foresee any problems both with regard to credit availability and procurement policies of the Government in the near future.

7. OPPORTUNITIES AND THREATS

The growing domestic demand for food grains and agri products promises a very good future for Company's 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 mechanization. Tractor density as well as the HP input per hectare is extremely low relative to international standards, tractor population today is concentrated in 10% of villages and even today 70% of our villages do not have a tractor. CRISIL INFA has estimated a growth of 7.5%-8.5% CAGR for the next five years. All this shows great potential for the growth in this industry.

8. DIVESTMENTS

In order to utilise its economic and managerial resources towards its core business, the Company took the initiative to liquidate the following investment during the period ended 30th September, 2005.

Venture	Type of Investment	Shareholding (%)	Value Realised
Escorts Heart Institute & Research Centre Limited	Equity Shares	80	Rs. 520 crores

Your Company had entered into an agreement in September, 2005 with Fortis Healthcare Limited to divest its shares in Escorts Heart Institute & Research Centre Limited for a consideration of Rs. 520 crores. The sale proceeds have been received, excepting for Rs. 85.08 crores which has been retained in Escrow Account, awaiting fulfillment of certain conditions.

The Hon'ble Delhi High Court has ordered status quo in this matter. The Company has recognised the sale in these Accounts and has also obtained legal opinion, which has advised that there is no adverse effect on the sale transaction, in view of the High Court Order.

SUBSIDIARY COMPANIES :

ESCORTS TELECOMMUNICATIONS LIMITED

Your Company had entered into an agreement with Idea Cellular Limited to divest its share in ETL in January 2004. Requisite DOT approvals for the sale are yet to be received, after obtaining which the transfer of shares will happen.

ESCORTS CONSTRUCTION EQUIPMENT LIMITED

Escorts Construction Equipment Limited (ECEL) has reported significantly improved performance in the FY 2004-05, by achieving a growth of 37% in the turnover in FY 2004-05 over last fiscal year. During FY 2004-05, ECEL has reported a Profit After Tax (PAT) of Rs. 17.80 crores including Deferred Tax Savings of Rs. 13.10 crores. ECEL has been able to effectively consolidate on the turnaround reported in the last fiscal year.

ECEL had introduced a number of "application specials" cranes during the year to take advantage of an increasing material handling and construction market. The Company also enhanced its manufacturing capacity to more than double, through associates' actions.

Material handling equipment market has shown steady growth in the last fiscal as well. Road construction equipment segment has started signs of growth in the current fiscal year 2005-06 after remaining subdued for some period in the past. ECEL introduced a 12T Vibratory Soil Compactor into the market, manufactured in collaboration with Hamm AG, Germany. This addition to its existing range of compactors will ensure a growth for the company in the road segment also.

ECEL is expected to report sizably improved performance both in terms of top-line and bottom-line in the current FY 2005-06.

ESCOSOFT TECHNOLOGIES LIMITED

The Accounts of 31st March 2005 represent Operating Income without Animation and IFS business, since the same had been hived off into separate Companies.

Your Company has been able to consolidate its Facilities Management Business by adding new orders from CBSE for result processing and Eli lily for payroll processing. This has opened up opportunities to the Company to qualify for getting orders from other Government/ Non-Government educational Institutes.

The Company has MTEs which are Type Approved by the Telecom Authority. These are likely to be implemented in leading Telecom Projects for which Tenders have been bid along with reputed system integrators.

The wholly-owned subsidiary of your Company "Escotoonz Entertainment Pvt. Ltd." which was earlier a division of Escosoft Technologies Ltd., has successfully completed the Project "King - II" which was applauded in MIPCOM in France. The Company is currently engaged in another project named "Cyberdodo". The Company has been able to get Venture Capital Fund of Rs. 2 crores from Rajasthan Asset Management Co. Pvt. Ltd. during the Financial year under review. The Company is in advanced stage of negotiations with some International Clients for Animation serials/ films.

IFS SOLUTIONS INDIA PVT. LIMITED

The wholly-owned subsidiary of Escosoft Technologies Ltd., "IFS Solutions India Pvt. Ltd." had bagged a large deal with HAL for implementing its ERP package. This Company has been able to penetrate the domestic market successfully, despite stiff competition.

The Sales and income for the financial year under review were Rs. 76,539,510 as against Rs.46,933,222 for the previous financial year registering an increase of 63%.The profit before tax (after interest and depreciation charges) of Rs. 15,594,235 and the profit after tax of Rs. 7,873,697 for the financial year under review as against Rs. 760,533 and Rs. 4,393,881 respectively for the previous financial year, improved by 1950% and 79% respectively.

CELLNEXT SOLUTIONS LIMITED

The Total Sales income for the financial year under review were Rs.62,037,181 as against Rs.38,754,645 for the previous financial year registering an increase of 60%. The profit after tax in the current year is reported at Rs.3,580,268 for the financial year under review as against loss of Rs.38,299,706 in the previous financial year.

The Company is an established market leader in providing complete wireless IT & internet solutions and services to all leading telecom operators and enterprises. Company's core competence revolves around GSM & CDMA over data technologies like SMS, MMS, GPRS, IVR and development of wireless applications over the same.

CA ESCOSOFT

During the financial year under review there were no operations in the Company. Your Directors have decided to wind up the Company in the coming year.

ESCORTS ASSET MANAGEMENT LTD.

Escorts Asset Management Ltd. is the investment manager to Escorts Mutual Fund and is successfully managing eight schemes covering a broad spectrum of equity and debt segment as well as money market instruments. The schemes have provided excellent returns to the unit holders during the year.

ESCORTS SECURITIES LTD.

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. The Company has also been granted license by SEBI for acting as Portfolio Manager. In order to extend its network, Escorts Securities Limited has opened many new branches during this period.

CONSOLIDATED FINANCIAL STATEMENTS

In compliance of clause 32 and clause 50 of the Listing Agreement with Stock Exchanges, the Company has prepared Consolidated Financial Statements as per the Accounting Standards applicable to the Consolidated Financial Statements issued by Institute of Chartered Accountants of India. The Audited Consolidated Financial Statements along with the Auditor's 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 Dr. Fredie A. Mehta, eminent member of the Board of your Company. Dr. Mehta was a distinguished professional, who had been with the House of Tata for several decades besides being on the Board of many renowned companies. He had also been consulted by Finance and Commerce Ministries on various fiscal and monetary policies of India.

The Board of your Company places on record its appreciation for the valuable contribution made by Dr. Mehta in the growth of the Company during his tenure as Director.

During the period under review, Mr. Y. H. Malegam, Mr. Nimesh Kampani, Mr. J. S. Pathak, Mr. N. R. Krishnan, Mr. D. K. Mehrotra and Mr. Anil Nanda ceased to be Directors of the Company. The Board places on record its appreciation of the valuable advice and counsel rendered by them during their tenure as Directors.

Mr. Manoj Jain and Dr. N. K. Pandey were co-opted on the Board on 16th August, 2005 as Additional Directors. However, due to their pre-occupation in their respective profession they resigned from the Board of Directors on 2nd September, 2005 and 28th September, 2005, respectively.

Mr. Nikhil Nanda was appointed as Executive Director and Chief Operating Officer of the Company on 17th October, 2005 for the period of five years.

Mr. S. C. Bhargava, Dr. P. S. Pritam, Dr. S. A. Dave and Dr. M. G. K. Menon were co-opted on the Board on 2nd September, 2005 as Additional Directors. They hold office upto the ensuing Annual General Meeting. A notice under Section 257 of the Companies Act, 1956, proposing their candidature as Directors of your Company, have been received.

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) Investor Relation Centres at New Delhi and Mumbai, which provide effective personal interaction between investors and the Company officials.

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

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

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**.

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.**