Elevating lives



Forward Looking Statement

We may from time to time make forward-looking statements in our annual reports to shareholders, in offering circulars and prospectuses, in press releases and other written materials and in oral statements made by our officers, directors or employees to financial analysts, institutional investors, representatives of the media and others.

Examples of such forward-looking statements may include:

- projections of revenues, operating income, net income (loss), net income (loss) per share capital expenditures, dividends, capital structure or other financial items or ratios,
- statements of our plans or objectives
- changes in our regulatory environment,
- statements about our future economic performance or that of the marketplace, and
- statements of assumptions underlying such statements.

Words such as "believe," "anticipate," "plan," "expect," "intend," "target," "estimate," "project," "predict," "forecast,""guideline," "should" and similar expressions are intended to identify forward-looking statements but are not the exclusive means of identifying such statements. Forward-looking statements involve inherent risks and uncertainties. We caution you that a number of important factors could cause actual results to differ materially from the projections, plans, objectives, expectations, estimates and intentions expressed in forward-looking statements. These factors, some of which are discussed above under "Risk Factors," include material changes in the performance or terms of our concessions, developments in legal proceedings, economic and political conditions and government policies in Escorts Limited or elsewhere, inflation rates, exchange rates, regulatory developments, customer demand and competition.

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

Contents

CORPORATE OVERVIEW

Elevating Lives	01
Performance at a Glance	02

STRATEGIC REVIEW

CMD's Letter	04
JMD's Message	08
Board of Directors	12
Management Team	13

STATUTORY REPORTS

Management Discussion and Analysis	14
Directors' Report	34
Report on Corporate Governance	44

FINANCIALS

Standalone

Auditors' Report	66
Balance Sheet	70
Profit & Loss Account	71
Schedules	72
Cash Flow Statement	97
Balance Sheet Abstract	98

Consolidated

Auditors' Report	99
Balance Sheet	100
Profit & Loss Account	101
Schedules	102
Cash Flow Statement	119
Statement Regarding Subsidiary Companies	120

At Escorts India, the focal point of all our business, research and strategy is the CUSTOMER.

We are calibrating resource allocation in response to the evolving customer aspirations.

Initiating structural changes in the organisation to accelerate decision-making and implementation.

Developing strategic values that are aimed at customer centricity, excellence, innovation and agility.

Raising the bar and defying limitations with a sense of urgency.

THIS IS JUST THE BEGINNING OF A FRESH WAVE OF REGENERATION.

TO MAKE LIVES OF THOSE WE SERVE AND WORK WITH... SIMPLER, HAPPIER AND MORE PRODUCTIVE.

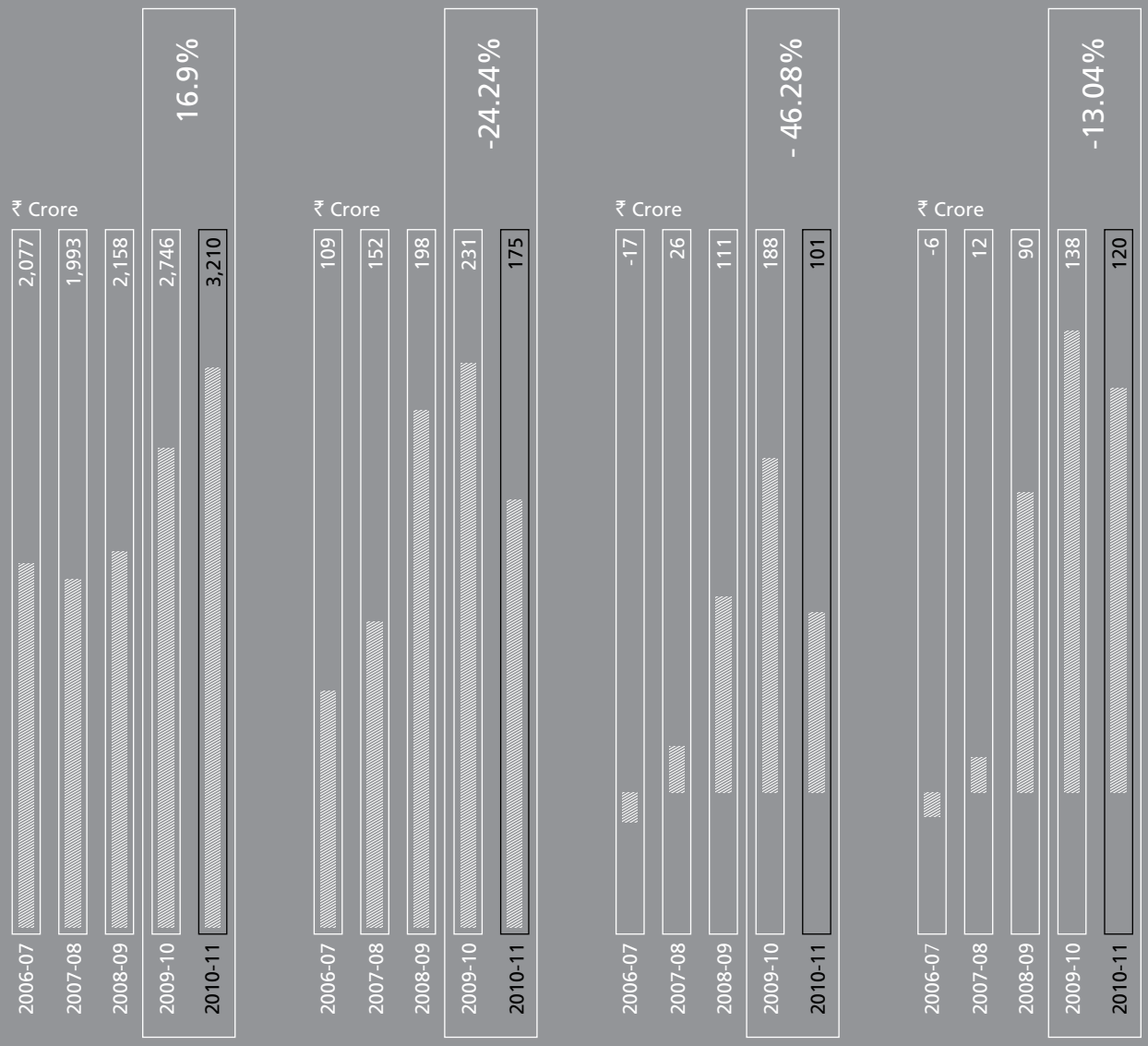


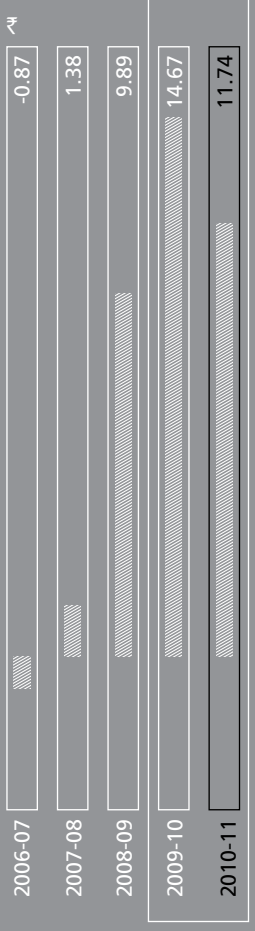
We believe, the more closely we can simulate on-ground conditions at the customer's end, the better capable we are to cater to his/her requirements.

ESCORTS, TODAY HAS A NEW FACE AND YOUTHFUL DYNAMISM.

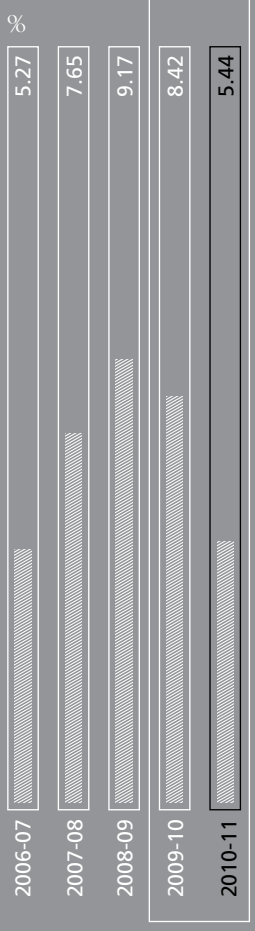
Performance at a glance

Financials*

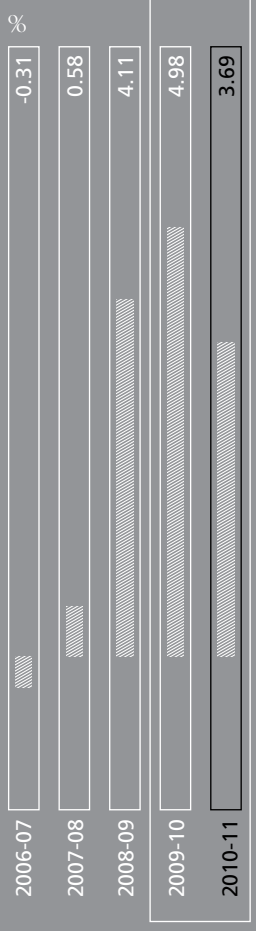




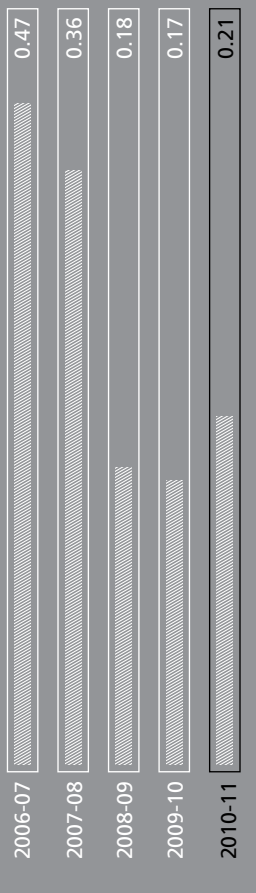
EPS



Operating profit margin



Net profit margin



Debt equity

*Standalone financials

Letter
from the CMD



Rajan Nanda, Chairman and Managing Director

AT ESCORTS, WE NEVER CLAIM TO PREDICT THE FUTURE, BUT WE DO THINK THAT WE CAN CO-CREATE IT BY MAKING OUR ORGANISATION MORE FLEXIBLE AND RESPONSIVE TO CHANGING REALITIES.

Dear Shareowners,

We are all aware of the prevailing global economic and business challenges. This is a time, when businesses need to think afresh to create value for their stakeholders, and stay relevant to their customers for today and tomorrow. At Escorts, we never claim to predict the future, but we do think that we can co-create it by making our organisation more flexible and responsive to changing realities.

First, let us consider the internal culture of the organisation. For decades we have created a high-performance internal culture. Now, we are making it more customer-centric, more responsive to daily requirements and realities. This is necessary, because the customer's requirements and aspirations are fast evolving in a growing economy like India. For example, in a single farming family, two members can have altogether different expectations from a single Escorts tractor. As an organisation, we need to manufacture products that serve the purposes of both; and also create advanced capabilities, so that even to future generations, Escorts products can be the first choice in a competitive market.

This is never easy. It requires careful planning and implementation of a set of strategies that transform the way we engage with our customers and position the Escorts brand to them.

The purpose of this initiative is not just to ensure escalating revenues or a stronger balance sheet; but a more humane strategy to understand and assist the customer in elevating his/her life. If our initiatives can bring qualitative transformation to the lives of our customers; it would mean we have achieved in creating a roadmap for long-term sustainability to create enduring value for the society and the economy.

The Indian economy has now reached such a stage, when it needs to be driven by innovation. The emphasis now is not just on how big is the domestic market, or how efficiently we are leveraging that market. The crucial question to ask is how Indian businesses can create product differentiation in the existing market and build future markets. Such a transformation can only help sustain India's high rate of GDP growth in the long-term, especially when the global economic conditions are not congenial for smooth and hassle-free growth. Our great advantage is our young people, who account for more than half of the population, and are reasonably educated with high awareness levels to drive the nation forward. This is in sharp contrast to the fast ageing population of the developed West.

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We believe value extended to the customer is never destroyed, it comes back in other forms and helps strengthen organisational sustainability or even social sustainability. Excellence (in strategy and execution), Innovation (in products and processes) and Alacrity (in responding to customer aspirations) are all inextricably linked to this grand enterprise of value generation.

The strategic values of Escorts underline our definition of transformation. When we say, customer centricity, it does not mean selling a product to the customer, but striving hard to provide maximum value to him/her; value that can uplift his/her quality of life. We believe value is never destroyed; it comes back in other forms to strengthen organisational sustainability or even social sustainability. Excellence (in strategy and execution), Innovation (in products and processes) and Alacrity (in responding to customer aspirations) are all inextricably linked to this grand enterprise of value generation.

Let me now discuss our inherent business optimism. We believe the full potential of India's agrarian sector still remains unexplored. Even today agriculture employs 52 per cent of the country's workforce, but contributes only 17 per cent of the GDP (*Source: Businessworld, December 2011*). The Planning Commission has emphasised on targeting a minimum 4 per cent growth in agriculture, as it envisions broad-based income benefits to the rural population. Such an attempt will also contribute in reducing the spiralling rise in food prices.

The Government has earmarked USD 40.66 billion for various programmes in 2011-12 and has adopted multiple policy initiatives and missions to strengthen the farm credit delivery system. The objective is to provide credit at affordable rates of interest to support the resource requirements of the agricultural sector. This will facilitate timely and adequate credit support to farmers with particular focus on small and marginal farmers. These initiatives will motivate the farmers to adopt modern technology and improved agricultural practices to enhance agricultural productivity.

We believe farm mechanisation needs to be addressed with greater focus and policy initiatives to enhance agriculture's contribution to GDP. At present, only 12 per cent of India's farmers own tractors. Around 4,80,000 tractors were sold across India in the previous fiscal. A sad reality, considering the fact that with the outflow of farm labour to other economic sectors, India is expected to witness an acute shortage of farm labour in future. Enhanced awareness and automation can only drive agricultural productivity and improve living condition of farmers.

Our customer-oriented business model has encouraged us to bring to the market the 'Jai Kisan Series' of tractors. These tractors are tailor-made for multiple applications. It's a complete divergence from a one-shoe-fits-all strategy of productisation. We have received encouraging response from farmers and that has reinforced our confidence. Our objective is to deliver advanced equipment to the farmers at affordable prices.

The demand in the construction equipment sector is driven by the steady growth in the construction-related activities across India. Infrastructure creation, like the agrarian sector, is a priority sector for a developing economy like India. Notwithstanding



temporary challenges in infra investment, the demand for various earthmoving and construction segments shall witness acceleration, and is expected to achieve revenues of over USD 12-13 billion by 2015 (Source: ECE Vision 2015 – Scaling new heights in the Indian earthmoving and construction equipment industry). We have upgraded our existing product mix, and have introduced new product variants to explore the additional demand that will be generated over the years.

India's auto-component sector is having a rough ride owing to global recessionary trends and persistently high fuel prices and interest rates. However, the long-term prospects of the sector continue to be bright owing to enhanced disposable income and rising proportion of young earners in the workforce. The introduction of a steady stream of new vehicles with advanced features and conveniences in all segments will also drive demand. The sector is expected to touch USD 113 billion by 2020. Thanks to our global alliances and improved engineering processes, we are ready to grab the opportunity to fulfil the demands from the OEMs and after-sales market.

To enhance safety, capacity and efficiency in railway operations, the Ministry of Railways has prepared the Vision 2020 for Railway modernisation. It involves progressive implementation of route relay, electronic interlocking, installation of block proving axle counters and data loggers, track circuiting, along with multi aspect colour light signalling system and upgrading traction technology. It shall also introduce anti-collision devices, implement mechanised maintenance of track and adopt German technology for building coaches. At Escorts, we will leverage our R&D capabilities for successfully developing home-grown products (like BMBS for wagons and AARH Coupler with BDG for LHB Coaches) to cater to the requirements of Indian Railways.

In over six decades of our existence, Escorts has never restricted itself to being just one of India's largest engineering companies. It has played a key role in driving industrial growth and enhancing living conditions of people across the social spectrum. Let me assure all stakeholders that this process will continue and accelerate in future.

I have often wondered what drives Escorts above all else. I think it is the smile of our customers. That is the highest reward for the efforts of our motivated workforce in all areas of operation. I am thankful to all our stakeholders for keeping their faith in our potential to widen that smile.



Rajan Nanda
Chairman and Managing Director

In over six decades of our existence, Escorts has never restricted itself to being just one of India's largest engineering companies.

INDIA HAS VAST RESERVES OF UNTAPPED POTENTIAL IN THE FORM OF KNOWLEDGE AND SKILL BASE AND GROWING AWARENESS LEVELS TO UTILISE RESOURCES OPTIMALLY.



Nikhil Nanda, Joint Managing Director

Message from the JMD