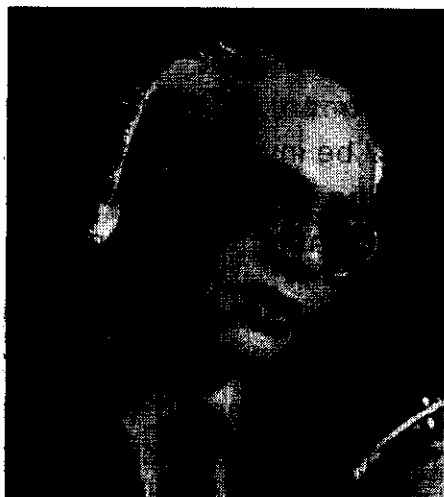




FIFTY FIFTH ANNUAL REPORT 1999-2000

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Chairman's Message



Dear Shareholder,

The Indian economy has undergone a major transformation and has now become a surplus economy in every sector of consumption. To grow and compete in this economy, it is imperative that industries expand their customer base and push demand through cost reduction, increased efficiency and technology upgradation. The new economy, which has emerged stronger in this changing environment, has thrown open greater opportunities and challenges to the service sectors. If the Indian industry is to succeed in the current competitive globalized scenario, there must be a right blend between the old and the new economies.

Your company is now moving ahead with greater certainty by enhancing value of its product lines and businesses. All previous and current investments are being inducted into businesses to give them the cutting edge technology, which would enable them to grow in market share. This will also give us the added advantage of reaching international markets, as in the case of agri products, where we have already made a good beginning.

With divestments in Escorts Yamaha Motor Limited, Escorts JCB Limited. and Escorts Hughes Communications Limited., we have passed on the business management to our partners and are now able to provide sharper focus to our core businesses of agri, telecom, information technology and healthcare. In the long run, this will help expand commerce and add to investor value. With the redefinition of our business strategy, we are now

able to take a closer look at debt reduction, enhancing liquidity and acquiring technology for the purpose of building world class products and expanding business.

Our equity investments have grown despite divestment in some of our businesses and in the current fiscal, your company will be investing nearly Rs. 250 crore into the equity of its core business. These investments are predominantly in the areas of cellular service and information technology.

The cellular service business is in a state of buoyancy and new services built around world class technology will provide the customer a greater degree of functional mobility. To provide these services to our consumers in the three operating circles, we have to invest in the technologies of the backbone so that our customers can avail of these benefits and, in turn, help increase revenues. Principally, we are putting in more equity in this business to acquire additional territories, which will expand our subscriber base substantially.

This large consumer base, added to what the company already enjoys through its businesses of agri machinery, bi-wheelers and construction equipment, will considerably enhance the brand value and strength of the company. I am confident that the solid foundation of our existing businesses will enable our new initiatives into telecom and IT not only to flourish but add value to our growth. Thus, by developing the "old" and the "new" economy businesses concurrently, Escorts is all set to become a formidable player. I shall now broadly cover our vision for the next three years.

In the area of agri machinery, we hope to regain our leadership status through a wide range of world class products and aggressive marketing. As part of our expansion plans, we are launching highly specialised tractors and draft implements and are also looking at forward and backward integration - food processing, food chains, genetic engineering, etc. Through our various overseas alliances, we hope to become the largest exporter in the Indian tractor industry, with exports being doubled during this year itself. To sustain the present momentum and to realise future goals, your company is investing Rs. 60 crore towards new product development programmes and enhancement of R&D capabilities.

In the telecom business, Escotel, established on a robust base, is all set to take off for long term growth. The company's subscriber base will expand to two million with the addition of two to three new circles. Despite DoT entering the market as a third operator in the next few years, we are confident of retaining our market leadership in the existing circles. With the company offering world class business operations and multiple services, it will become a full-fledged telecom company by 2003.

In the sphere of information technology, we plan to develop software solutions for different areas of businesses. Through its joint venture, the company plans to develop new solutions and services for telecom and healthcare industries, using leading technology platforms. Our initiative in internet and e-commerce will enable our group businesses to use this model as a vehicle to create customer and shareholder value.

This is being done through the establishment of four e-services, one for each area of Escorts core businesses;

- A B2B marketplace for the purchase and sale of auto components and equipment through supply chain management.
- An interactive health portal to provide health related services, utilities and content supported by our two hospitals.
- An Internet Service Provider (ISP) in association with our telecom company to provide internet access.
- A mobile internet service to provide internet access to mobile users.

Healthcare has recently emerged as a major thrust area of the group. Both our hospitals are undertaking major expansion plans towards increasing their bed capacities and upgrading their technologies and facilities to world standards. Expansion plans also include setting up of a chain of cardiac care hospitals across the country. With the formation of the healthcare portal, the hospitals would be able to upgrade their patient care services through an inter-active mode.

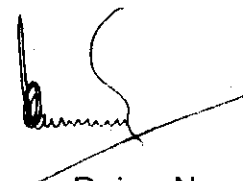
With the infrastructure sector assuming significance, our construction business is expected to take major strides in supporting various developmental activities across the country. Through a constant process of technological upgradation, coupled with the introduction of a host of new products, this business will continue to record robust growth. Major expansion plans are also afoot to build new manufacturing facilities which will give a boost to our exports.

In the area of financial services, the company's strategy is to use innovative financial schemes to create markets for our products and services. This will ensure a healthy growth rate while maintaining a high capital adequacy. It also plans to increase the share of construction equipment business in its lending portfolio and has recently started plant hire of construction and other equipment as an additional facility for its clients.

Whilst we leave the trails of our past behind, I would like to share with you the accounts for the fiscal year ended 31st March, 2000. The total income of Escorts Limited during the year was up 19 percent to Rs. 1570.01 crore. from Rs. 1319.70 crore. in the previous year. The company posted a 33% growth in net profit at Rs. 112.35 crore against Rs. 84.17 crore in 1998-99. EPS grew to Rs. 15.55 as against Rs. 11.65 in the previous year.

For us at Escorts, the core sectors will remain at the forefront of our endeavours. The company will continue to navigate its path, using its time honoured strength, technological superiority, business acumen and an abiding empathy with customer needs. Creating value for the shareholders will continue to remain our prime objective.

Finally, I wish to express my sincere appreciation to our eminent board of directors and esteemed shareholders who have reposed trust and confidence in the management. I am sure that with your continued support and guidance we shall together take Escorts to greater heights.



Rajan Nanda
Chairman & Managing Director

June 15, 2000

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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

Directors

Mr. Y.H. Malegam
 Mr. Jahar Sengupta
 Mr. Mantosh Sondhi
 Mr. M Narasimham
 Prof. Dr. M.G.K. Menon
 Mr. Nimesh Kampani
 Mr.K.M.Mammen
 Dr.S.A.Dave
 Dr.Fredie A Mehta
 Dr.P.S.Pritam
 Mr. K.G.Vassal
 Mr. Jai S.Pathak

Vice-President & Company Secretary

Mr. G.B. Mathur

Registered Office

A-36, Mohan Co-operative Industrial Estate,
 Mathura Road
 New Delhi - 110 044

Corporate Centre

15/5, Mathura Road,
 Faridabad - 121 003

Auditors

M/s S.N. Dhawan & Co.

Bankers

ANZ Grindlays Bank p.l.c.
 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

ESCORTS LIMITED**Ten Years' Summary of Operations**

(Rs. Crores)

RESULTS FOR THE YEAR	1999-2000	1998-99	1997-98	1996-97	1995-96	1994-95	1993-94	1992-93	1991-92	1990-91
Total Income	1570	1320	1418	1657	1444	1423	1056	982	1093	969
Index	162	136	146	171	149	147	109	101	113	100
Cost of Sale	1375	1152	1210	1437	1258	1312	997	930	1038	891
Index	154	129	136	161	141	147	112	104	116	100
Interest	53	58	44	53	47	40	48	43	34	25
Index	210	232	176	212	188	160	192	172	136	100
Profit before Tax	142	110	164	167	139	71	12	9	21	53
Index	269	207	309	315	262	134	23	17	40	100
Taxation	30	26	34	40	39	20	-	-	8	20
Index	150	130	170	200	195	100	-	-	40	100
Profit after Tax	112	84	130	127	100	51	12	9	13	33
Index	340	253	394	385	303	155	36	27	39	100
Dividend	32	32	30	28	23	12	10	7	10	12
Index	267	267	250	233	192	100	83	58	83	100
Dividend Tax	4	3	3	3	-	-	-	-	-	-
Index	133	100	100	100	-	-	-	-	-	-
Profit Retained	76	49	97	96	77	39	2	2	3	21
Index	364	231	462	457	367	186	10	10	14	100

YEAR END POSITION

Fixed Assets :										
Gross Block	845	740	665	678	715	371	352	338	327	293
Less : Depreciation	245	205	170	163	182	163	151	135	120	106
Net Block	600	535	495	516	533	208	201	203	206	187
Index	321	286	265	276	285	111	107	109	110	100
Investments	475	487	381	261	190	117	57	37	33	25
Index	1902	1948	1524	1044	760	468	228	148	132	100
Net Current Assets	610	531	564	504	425	203	184	209	141	145
Index	421	366	389	348	293	140	127	144	97	100
Share Capital	72	72	68	65	59	34	34	34	34	34
Index	212	212	200	191	174	100	100	100	100	100
Reserves	911	857	811	732	646	183	147	146	148	146
Index	624	587	555	501	442	125	101	100	101	100
Loans	743	651	582	495	445	325	253	278	208	179
Index	415	364	325	277	249	182	141	155	116	100

ESCORTS LIMITED

REGISTERED OFFICE: A-36, MOHAN CO-OPERATIVE INDUSTRIAL ESTATE, MATHURA ROAD, NEW DELHI - 110 044

NOTICE

Notice is hereby given that the 55th Annual General Meeting of ESCORTS LIMITED will be held at the Air Force Auditorium, Subroto Park, Near Dhaula Kuan, New Delhi - 110 010, at 11.00 AM on Tuesday, August 22, 2000, to transact the following business:-

ORDINARY BUSINESS

1. To receive, consider and adopt the Audited Balance Sheet as at March 31, 2000, the Profit and Loss Account for the year ended on that date and the Reports of the Auditors and Directors thereon.
2. To confirm payment of interim dividend.
3. To appoint a Director in place of Dr. Fredie A. Mehta, who retires by rotation and, being eligible, offers himself for re-appointment.
4. To appoint a Director in place of Dr. S. A. Dave, who retires by rotation and, being eligible, offers himself for re-appointment.
5. To appoint a Director in place of Mr. Jahar Sengupta, who retires by rotation and, being eligible, offers himself for re-appointment.
6. To appoint a Director in place of Mr. K M Mammen, who retires by rotation and, being eligible, offers himself for re-appointment.
7. To appoint Auditors and fix their remuneration by passing the following resolution as Special Resolution with or without modification(s):-

"RESOLVED that Messrs. S. N. Dhawan & Company, Chartered Accountants be and are hereby appointed as Statutory Auditors of the Company for the year ending March 31, 2001 and to hold office from the conclusion of this Annual General Meeting till the conclusion of the next Annual General Meeting at a remuneration of Rupees twenty lacs only plus service tax and reimbursement of out-of-pocket expenses, actually incurred in connection with the audit work of the Company."

SPECIAL BUSINESS

To consider and, if thought fit, to pass, with or without modification(s), the following Resolutions:-

8. (AS ORDINARY RESOLUTION)

"Resolved that in terms of the provisions of Sections 198, 269, 309, 310, 311, Schedule XIII and other applicable provisions, if any, of the Companies Act, 1956, approval be and is hereby accorded to the re-appointment of Mr. Anil Nanda as Managing Director of the Company, for a period of five years with effect from July 1, 2001, on the remuneration and terms as set out in the draft agreement to be executed between the

Company and Mr. Anil Nanda.

Resolved further that the Board of Directors be and is hereby authorized to increase, vary or amend the remuneration including salary, commission, perquisites and benefits, minimum remuneration and other terms of his appointment from time to time as deemed expedient or necessary."

9. (AS ORDINARY RESOLUTION)

"Resolved that in terms of the provisions of Sections 198, 269, 309, Schedule XIII and other applicable provisions, if any, of the Companies Act, 1956, approval be and is hereby accorded to the appointment of Mr. Nikhil Nanda as Executive Director of the Company, for a period of five years with effect from May 1, 2000, on the remuneration and terms as set out in the draft agreement to be executed between the Company and Mr. Nikhil Nanda.

Resolved further that the Board of Directors be and is hereby authorized to increase, vary or amend the remuneration including salary, commission, perquisites and benefits, minimum remuneration and other terms of his appointment from time to time as deemed expedient or necessary."

10. (AS SPECIAL RESOLUTION)

"RESOLVED that in terms of the provisions of Section 372A and other applicable provisions, if any, of the Companies Act, 1956 and subject to such approvals / sanctions as may be required, consent be and is hereby accorded for investing a sum not exceeding Rs. 2.70 crores only for acquiring upto 23,13,600 equity shares of Rs.10/- each of Escorts Finance Limited, notwithstanding that such investment together with the Company's existing investments in other bodies corporate and loans to or guarantees/securities provided on behalf of, other bodies corporate, be in excess of the percentages prescribed under Section 372A(1) of the Companies Act, 1956.

RESOLVED FURTHER that the Board be and is hereby authorised to agree to any modifications or conditions that may be prescribed by the concerned authorities while granting their approval to the proposed investment, and to settle all matters arising out of and incidental thereto, including determining the actual time and manner of such investment from time to time, and generally to take all such steps as may be necessary to give effect to this resolution."


NOTES

1. Explanatory Statement, pursuant to Section 173(2) of the Companies Act, 1956, in respect of resolutions set out under item nos. 8 to 10 above, is annexed.

ESCORTS LIMITED

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, 2000 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 August 11 to August 22, 2000 (both days inclusive).
5. Interim dividend @ 45% on equity shares as declared by the Board of Directors of the Company in their meeting held on 15th April, 2000 has already been paid on 29th May, 2000 to the shareholders whose names appeared on the Record Date i.e. 9th May, 2000 in the Register of Members/records of NSDL/CDSL as beneficial owners. In case you have not received the same, please contact **Escorts Limited, Corporate Secretariat, 15/5, Mathura Road, Faridabad - 121 003.** The Directors have proposed that no final dividend be declared and that the interim dividend of 45% already paid be treated as total dividend for the year 1999-2000.
6. Members, who have not encashed/received their dividend warrants for the financial years 1995-96, 1996-97, 1997-98 and 1998-99 may approach Corporate Secretariat for revalidation of the original dividend warrants or for obtaining duplicate dividend warrants.
7. i) In terms of the provisions of Section 205A of the Companies Act, 1956, the unclaimed Equity Dividend for the financial year(s) upto 1994-95 has 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 above dividend 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
8. 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 for the prescribed Nomination Form.
9. 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.
10. 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. In case you wish to avail of this facility, please send the above information to the Corporate Secretariat. Please do not forget to quote your folio number.
11. Your Company is also extending the facility of Electronic Clearing Service for the receipt of dividend. In case you wish to avail of this facility, please send ECS mandate form to Corporate Secretariat of the Company.
12. **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.**
13. **Please send all correspondence including requests for transfer/ transmission of shares, change of address etc. to Escorts Limited, Corporate Secretariat, 15/5, Mathura Road, Faridabad - 121 003.**

By Order of the Board
for ESCORTS LIMITED


(G B MATHUR)
Vice President &
Company Secretary

Dated : June 15, 2000