



CHAIRMAN'S MESSAGE

Dear Shareholder,

The Indian economy during the year has grown in all sectors and there has been a supporting growth in consumption that has given the country a GDP growth of 8% in real terms.

Ironically however, the farm sector was confronted with many adversities that have reduced its growth to mere 3% and was expected to decline further.

Whilst the country had a normal monsoon and harvested a good standing crop, the support price given by the Government to the farmers was unattractive – in fact it was lower than the cost at which India was proposing to import wheat. This has upset the agriculture market very extensively. The lapse of this crop income limited the farmers from raising fresh loans for buying equipment and for some farmers they had to repay old loans. There has been higher NPA from farm loans and hence lower lending by banks.

The above vicious cycle is proposed to be corrected a year later in the next wheat crop to be harvested in March-April '08. The Food and Agriculture Ministry has already fixed the support price and the standing crop is assessed to be good. The farmers' cash flow will thus become positive and business will begin to grow again.

AGRI MACHINERY

Your company with a long term view has been consistently improving its fundamentals. Towards this end, we have expanded our product offering and technologically advanced the tractors to become more competitive for specific products like –

- i) Lighter axle rice plantation tractor for South India
- ii) Orchard & Vineyard tractors
- iii) Heavy duty large tractors in the range of 70-80 hp for four wheel drive suitable for heavy duty haulage and use in hilly terrain.

We have established our brand "Farmtrac" which carries a strong reputation of quality products and we will build on this brand further. Our manufacturing quality has become consistent and the manufacturing processes have been refined. All these will help us gain market share and give incremental growth beyond the country's industry volume growth.

ESCORTS LIMITED

In the past year we lost substantially on our export volumes because of weakening of the Dollar by 12-14% which has eroded our entire working margin of sale for export destinations. As a result we had to withhold exports to the Dollar markets – mostly to USA where we have our own company and organisation to distribute, service and sell. We have attractive margins and growing volume sales in export markets of Africa, Europe and South East Asia that will continue to bring good export volumes for the company.

We have transformed the management leadership of our farm equipment and tractor business by bringing in a new CEO who will cultivate a strong marketing culture in our company, as well as make strong focused efforts to unleash a cost sensitive management culture and monetise the enormous value creation opportunities that this business is sitting on.

All of us at Escorts are very optimistic about showing significant gains and growth in our farm machinery business by growing in volumes and concurrently reducing the cost of operations and achieving significant profitability from Agribusiness.

The company's market network of dealers has intensified and we are aggressively targeting market share gains through new products for niche markets. This will strengthen our brand appeal and grow our business volumes over the next 2 years to reach 75,000 - 80,000 tractors. Tractor engines are being sold for industrial stationary use for which there is a very attractive market opportunity, the market size at present being around Rs. 2,500 – 3000 crs. annually. In our efforts to add more revenue from the existing investments, we have geared up to gain a sizeable share of this engine market.

Your company is bringing in technology for farm implements from European companies to add more productivity to tractors and assist the farmer to improve his horticulture yields to meet the retail activity started by private sectors. Additionally, for water management we are going to be distributing and selling laser land levelling equipment.

Escorts with the knowledge of customer market and farmer opportunity is now packaging a holistic offering to the farmer specific for improving his present yields and ultimately his income from farming.

In summary as our fortunes linked with the performance of the agriculture sector rise with government interventions and policies, the excitement within this business at Escorts is in unlocking its true wealth potential.

CONSTRUCTION MACHINERY - ECEL

Our subsidiary company Escorts Construction Equipment Limited is in an equally exciting mode of business opportunity and demand growth. We have experienced extraordinary growth in demand and actual execution despite having limited manufacturing infrastructure till we move to our new premises in April '08.

The results are excellent as you would see from the comparative in-depth analysis of top line, bottom line and volume line that is reproduced below:

		Actuals		Estimated 31.3.2008	Growth over Previous Year
		31.3.2006	31.3.2007		
I	Equipment Sales Volume (Units)	2547	3064	4350	42%
II	Gross Sales Turnover (Rs. Crs.)	315.67	408.21	585	43%
III	Net Sales Turnover (Rs. Crs.)	279.27	364.56	520	43%
IV	Profit Before Tax (Rs. Crs.)	26.76	26.58	40	50%

ECEL has wisely well invested in a very intelligent and modern manufacturing plant capable of handling an annual volume of 14,000 machines per annum. The major products to be built at this plant would be:

- i) Compaction Road Rollers
- ii) Pick and Carry Cranes
- iii) Forklift trucks
- iv) Loaders & Excavators
- v) Slew Cranes

All the above machines would be in serial production at the new plant location from May-June '08.



The retained earnings of this company are going to get stronger as the products which now have a growing demand are more profitable than the Pick and Carry Cranes. The road programmes of India are now becoming major activities and that generates a large demand for the products we manufacture.

ECEL has a mature well manned product designing department to design and develop improvements on our present machines so that the products offered to the markets are always comparative with the international branded products marketed. We also have exclusive Distribution Rights for India for some heavy machines that sell very well in major worksites in India such as:

- i) Crawler Cranes up to 280 tonnes
- ii) Heavy duty and special purpose forklift trucks
- iii) Road paving machines
- iv) Motor graders
- v) Tower Cranes
- vi) Equipment for Power and Telecom Utilities

For each of these products we have chosen a very competitive design from a reputed manufacturer who would give us the supply support to meet the demands of our markets. These arrangements can be converted to licensed manufacturing programmes at a later date if the demand of volumes from the market warrants local production initiatives.

ECEL will always be a high performance and high growth company because Construction Industry and business in India is a high growing area.

AUTO SHOCK ABSORBERS AND RAILWAY EQUIPMENT – ASP & RED

Escorts also has a component business of Auto Shock Absorbers and Railway Equipment. The railways have growing opportunities with traffic loads for both freight and passengers which warrants modernisation for which we have the products and are also looking at relationships and synergies with international companies for a two way exchange of technology products so that we have a bigger canvas to grow in the context of our future. Our plant in Rudrapur has also given us good economic savings of tax and business growth.

Likewise in Auto Shock Absorbers, we are refreshing our entire manufacturing facilities to primarily export the majority of our production that progressively will be actualised in the year 2007-08.

We have acquired excellent human skills at all the key function areas of the company and their collective efforts will transform Escorts into a high performance company with strengths of marketing and financial controls. This change will be progressive and will be reported by the management on a quarterly basis with the year ending in September '08. These results will also be reflected in the price quotation in the Stock Exchange of our listing because we hope to have good growth on top line and bottom line.

The fitness of the company is better than it has ever been and we owe this all to the collective intellectual minds that now serve the organisation to whom I am very grateful for their commitment to the company and to their profession.

I also want to place on record the cooperation we have had from the labour union who had a very constructive and progressive approach with the management to help the company grow and with that growth help the employees grow too.

I would also like to place on record the great help and advice I have had from the Board of Directors who have been very supportive in this transition period till we actually reinvented ourselves.

Rajan Nanda
Chairman and Managing Director

BOARD OF DIRECTORS

Chairman & Managing Director

Mr. Rajan Nanda

Joint Managing Director

Mr. Nikhil Nanda

Directors

Dr. M. G. K. Menon

Dr. S. A. Dave

Dr. P. S. Pritam

Mr. S. C. Bhargava

Sr. Vice President - Law & Company Secretary

Mr. G. B. Mathur

Exec. Vice President & Group Chief Financial Officer

Mr. R. K. Budhiraja

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

IDBI Bank

ABN Amro Bank N. V.

Bank of Baroda

Citibank, N.A.

Deutsche Bank AG

Hongkong & Shanghai Banking Corporation Limited

HDFC Bank Limited

Punjab National Bank

State Bank of India

State Bank of Travancore

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TEN YEARS' SUMMARY OF OPERATIONS

(Rs. Crores)

RESULTS FOR THE PERIOD	2006-07	2005-06	2004-05 @	2003-04 @	2002-03	2001-02	2000-01	1999-2000	1998-99	1997-98
Total Income	2156	*** 1929	** 1,847	1292	1124	1327	1579	1570	1320	1418
Index	152	136	130	91	79	94	111	111	93	100
Cost of Sale	2083	1798	1,649	* 1593	1017	1256	1397	1375	1152	1210
Index	172	149	136	132	84	104	115	114	95	100
Interest	90	96	167	121	85	66	61	53	58	44
Index	204	218	379	275	192	151	139	120	132	100
Profit before Tax	(17)	34	31	(422)	22	5	121	142	110	164
Index	(11)	21	19	(257)	14	3	74	87	67	100
Taxation	3	13	39	—	2	5	14	30	26	34
Index	9	38	115	—	6	13	41	88	76	100
Deferred Taxation	(14)	2	(47)	(108)	(4)	(8)	—	—	—	—
Index	132	(126)	617	1420	50	100	—	—	—	—
Profit after Tax	(6)	19	39	(314)	24	8	107	112	84	130
Index	(5)	15	30	(241)	18	6	82	86	64	100
Dividend	—	—	—	—	7	7	33	32	32	30
Index	—	—	—	—	24	24	108	107	107	100
Dividend Tax	—	—	—	—	1	—	3	4	3	3
Index	—	—	—	—	31	—	100	133	100	100
Profit/ (Loss)	(6)	19	39	(314)	16	1	71	76	49	97
Index	(7)	20	41	(323)	16	1	73	78	50	100

YEAR END POSITION

Fixed Assets :

Gross Block	1450	1423	1,013	1034	1012	963	952	845	740	665
Less : Depreciation	583	534	493	447	386	332	290	245	205	170
: Provision for impairment	—	—	—	6	5	5	—	—	—	—
Net Block	867	888	520	581	621	626	662	600	535	495
Index	175	179	105	117	125	126	134	121	108	100
Investments	425	456	497	613	619	517	548	475	487	381
Index	112	120	130	161	163	136	144	125	128	100
Net Current Assets	166	172	172	247	548	529	392	610	531	564
Index	29	30	31	44	97	94	69	108	94	100
Net Deferred Tax Assets/(Liability)	90	76	79	32	(77)	(80)	—	—	—	—
Index	(212)	(195)	(198)	(139)	95	100	—	—	—	—
Share Capital	84	72	72	72	72	72	72	72	72	68
Index	123	106	106	106	106	106	106	106	106	100
Reserves	# 1035	946	546	521	844	835	950	911	857	811
Index	128	117	67	64	104	103	117	112	106	100
Loans	445	590	668	894	816	719	618	743	651	582
Index	76	101	115	154	140	123	106	128	112	100

@ The figures for 2003-04 and 2004-05 are for 15 months whereas current year and all other previous years' figures are for 12 months.

* 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

*** Includes profit on divestment of Carraro India Limited shareholding amounting to Rs. 94.92 Crores

Includes addition on account of Revaluation of Land amounting to Rs. 387.64 Crores

ESCORTS LIMITED

DIRECTORS' REPORT

Your Directors have pleasure in presenting the Sixty Second Annual Report and Audited Accounts of your Company for the year ended on 30th September, 2007.

FINANCIAL RESULTS

(Rs. in Crores)

	Year ended 30th Sept.2007	Year ended 30th Sept.2006
INCOME & PROFIT/(LOSS)		
1. Sales & Business Income	2,102.15	1,780.98
2. Total Expenses	1,992.65	1,673.67
3. Profit/(Loss) before Interest, Depreciation, Amortisation & Exceptional Items (1-2)	109.50	107.31
4. Interest & Finance Charges (Net)	68.95	84.95
5. Cash Profit before Taxation from Business Operations (3-4)	40.55	22.36
6. Depreciation & Amortisation	52.52	47.05
7. Profit/(Loss) before Tax & Exceptional Items (5-6)	(11.97)	(24.69)
8. Income from Investments/ Exceptional Items (Expenses)	(5.36)	59.13
9. Tax	(10.89)	15.44
10. Profit after Tax	(6.44)	19.00

You will be happy to note that your Company has increased its sale of tractors from 47,612 to 53,235 units registering a growth of 12% and the turnover has increased from Rs.1781 crores to Rs.2102 crores this year registering a growth of 18%.

There has been sharp increase in input costs due to increase in the prices of base metals. The same could not be recovered fully due to the competitive market conditions, thereby, affecting margins. It is a matter of concern that this overhang of increase in input costs continued throughout the year. The Company is mitigating this difficult situation by adopting various measures including aggressive cost cutting, business process improvements and product re-engineering. The Company has substituted its high cost short term debts with long term loans and reduced overall borrowings which will have a positive impact in the coming years.

DIVIDEND

Due to inadequacy of profits, Board has decided not to recommend any dividend for the year ended 30th September, 2007.

SHARE CAPITAL

Promoter Group has subscribed to and have been allotted 36,11,610 Equity Shares of Rs.10 each at a price of Rs.83.79 per Equity Share aggregating Rs.30.26 crores in exchange for the share warrants issued to them in March 2006 in terms of Preferential Issue Guidelines of Securities and Exchange Board of India (Disclosure and Investor Protection) Guidelines, 2000.

During the year, your company issued 36,11,610 share warrants to the promoter group in accordance with the Preferential Issue Guidelines which are exchangeable with equal number of Equity Shares at a price of Rs.124.05 per share on or before 22nd May, 2008.



Your Company has during the year made Placement of 77,94,910 Equity Shares of Rs.10/- each for cash at issue price of Rs.112/- per Equity Share aggregating Rs.87.30 Crores and 61,455 Secured Convertible Debentures of Rs.10,000/- each (SCDs) for cash at par aggregating Rs. 61.45 Crores to the Qualified Institutional Buyers (QIBs) in terms of the SEBI Guidelines. Part A of SCDs of Rs.100/- each was converted into 54,870 Equity Shares @ Rs.112/- per Equity Share immediately on allotment and Part B of SCD of Rs.9,900/- each is redeemable as per the terms of the issue within 7th to 42nd months of the allotment.

Consequent upon the aforesaid allotments the paid up share capital of your company was Rs.83,69,36,300 as on 30th September, 2007.

Hon'ble High Court of Delhi has directed your Company to place shares of Escorts Limited @ Rs. 94/- per share, face value of which is Rs. 10/-, to the tune of Rs. 7 Crores at the disposal of the Committee appointed by the Hon'ble Court on 19th October, 2006 read with order dated 18th December, 2006, to provide relief to certain depositors of Escorts Finance Limited who have been identified as hardship cases by the Committee. Your Company has complied with the directions and allotted 7,44,681 Equity Shares to the Court appointed Committee on 12th December, 2007.

Management Discussion and Analysis

1. Overview

(A) Agri Machinery Business

The Agri Machinery Business, which is the main business of your Company, has demonstrated strong performance for the second year in a row in its path to recovery. The strong performance is evident from growth of 12% in sales volume from 47,612 to 53,235 tractors.

a) Business Strategy

Your Company successfully leveraged business strategy it had launched year before to attain growth in both domestic and international markets. Your Company has focused on grass root market research and activity so as to be able to deliver true product value to various consumer segments. This effort is ongoing and is expected to continue to deliver results. The concurrent action plans of product development to address the latent customer and market needs at profitable contributions will facilitate improved performance in the coming years.

b) Sales & Marketing

The exercise undertaken in repositioning our both Farmtrac & Powertrac Brands in a complimentary manner was successfully implemented in the current year. The emphasis on 'Reach and Access' continued to be pronounced, resulting in your Company's dealer network being amongst the largest in the Indian tractor industry. Focus was on strengthening the Channel in a multi-dimensional manner in terms of financial fundamentals, grass root level reach, After Sales Service and parts operations. The strong product offering through this strengthened channel enabled us to buck the trend and post a growth of 13.4% in a domestic market that de-grew by 0.2%.

c) Exports

'Farmtrac' is a preferred brand in several leading global markets including America, Poland and South Africa. Alongside seeking out growth and visibility in international markets, your Company intends to constantly consolidate its efforts and activities in international markets to achieve specific volume. Exports margins have been affected during the year due to the steep appreciation of Rupee vis-a-vis US Dollar. Your Company is focusing on markets benchmarked to the Euro so as to be able to withstand any further devaluation in the US Dollar.

d) Materials Management

The focus has been on Vendor Development and de-bottlenecking of capacity issues at existing vendors. Creation of alternative vendors has allowed us to focus on competitive cost and delivery efficiency. The accent has been on nurturing vendor partnerships and development of long term "Win – Win" partnerships with strategic suppliers. All these mark a shift in procurement culture from "Transactional" to "Strategic". Additionally, there has been a tremendous stress on support for value engineering exercises.

e) Manufacturing Operations

Production at 52,585 scaled a new high. Your company is now capable of producing 98,940 Tractors per annum on a 2 shift basis i.e. a 37% increase over the previous capacity of 72,000 Tractors per annum from the same assets. This is concurrent with flexible manufacturing norms allowing model mix inter-changeability across plants and flexibility in engine assembly to enable the manufacture of new advanced engines.

With the objective of delivering new products and improvement in operations for existing products, several major projects have been initiated like –

- New machining centre for transmissions which will enable the launch of a brand new series of tractors in higher HP range.
- New facility for Cylinder block machining and Cylinder head assembly for engine manufacturing.

ESCORTS LIMITED

Your Company has during the current year intensified initiative of Quality, both pre-delivery as well as in the field, so as to ensure total customer satisfaction. Your Company has cascading Total Quality Management as a culture which ensures continuous improvement in Quality, Productivity and Processes.

f) Knowledge Management

Escorts Knowledge Management Centre drives business in its quest to capitalize on national and international opportunities in mechanized farming through constant innovations in technology and development of new cost effective products.

It has expertise in the following areas:

Industrial design–styling, computer aided engineering and design, Project Management, Reverse Engineering, Metrology, Fatigue Testing, Engine Testing, Materials Engineering, Field Data Acquisition, Noise, Vibration & Harness, Tractor testing. This, in conjunction with robust market sensing systems, enables your Company in providing product offerings in line with the latest needs of the customers.

g) Industry Outlook

The key drivers of the Industry, namely monsoon, crops and minimum support price, coupled with the Government's focus on agriculture development with special emphases on irrigation, yield improvement and increasing area of cultivated land augurs well for the Tractor Industry. Banks are likely to enhance credit disbursement in line with the Government's policy of increasing Rural and Farm Credit. Your Company is well positioned at the development manufacturing and market end to achieve sustained growth and deliver maximum value to the customer. Your company is repositioning its products like any other Automobile manufacturer to create a niche for itself.

The Indian Tractor Industry, after having witnessed strong double digit growth for three consecutive years, slowed down this year with a nominal growth of 2.2% in the period October 2006 – September 2007. The domestic market de-grew nominally by about 0.2% while the export market grew by 27.5% resulting in an overall growth of 2.2% for the period October 06 to September 07. This marginal growth was mainly on account of change in the norms of tractor financing by the PSU banks, lower minimum support prices and irregular scattered rains.

(B) Auto Suspension Product Business

The two-wheeler industry in India, in volume terms, contributes three-fourth of all vehicles sold in the country. Two-wheeler sales in India has slowed down in the last few months. In the first seven months of this financial year, domestic sales fell by nearly 9%. Motorcycles and step-through sales, that account for 80% of two-wheelers sold in the country, witnessed 14% fall in sales, putting pressure on your Company's Auto Suspension Products Division, manufacturing shock absorbers and other components. Though the down side appear to be temporary, your Company has embarked on entering into the manufacturing of shock absorbers for commercial vehicles which will improve the capacity utilisation and margins of this business.

(C) Railway Equipment Business

Riding on the growth of Indian Economy, Indian Railways have turned around from a cash deficit to a cash surplus situation (Rs.20,000 crores for 2006-07, before dividend). Indian Railways is poised for a massive growth, with focus on safety and technology upgradation of Rolling stock, infrastructure and signaling sectors. To spur this growth, Indian Railways has firmed up Rs.2,51,000 crore capex plans for the next 5 years for creating the proposed Dedicated Freight Corridors, doubling of lines, electrification, gauge conversion and Rolling Stocks.

Indian Railways has clocked a growth of 9% in freight and 8% in passenger traffic over last 3 years. The operation of Indian Railways is poised to grow by at least 11-12% per annum through induction of 50,000–60,000 Freight cars, 3500-4000 Diesel and Electric Locos, 25000 Coaches and Electric Multiple Units and dedicated Freight Corridors in the next 5 years.

Your Company's Railway Equipment Division has been associated with Indian Railways for the last 45 years and is respected as one of the most trusted companies for product development, quality standards and delivery commitments, catering to a wide range of safety product requirements of Indian Railways. This Division has introduced new technology and products exclusively tailor made for Indian Railways to suit local working conditions, after sourcing initial technologies from some of the World's leading manufacturers like Knorr Bremse, Rhinemetall, Scharfenberg - Kupplung, ICER, Vulcanite, Holland Co. etc.

Apart from supplying equipments, the Railway Equipment Division has been carrying out installation and conversion and retro-fitment jobs as well.

2. RISKS & CONCERNS

The major risk associated with the tractor industry continues to be the dependency of the Agri Economy on normalcy of monsoons since more than two thirds of the sowing is dependant on rain and availability of credit, especially from PSU banks. The momentum of the last monsoon which was normal should see the industry through for most part of the year October 2007 – September 2008. Similarly, with the growth of the rural economy being a top priority agenda for the Government, PSU banks are expected to extend financing in line with the Government's policy of increased credit allocation to the Rural and Farm Sector. The continuing appreciation of the Rupee continues to be a risk that needs to be managed. Your Company has balanced its market exposures to those with similar appreciation in order to protect product profitability.



3. OPPORTUNITIES AND THREATS

The tractor density per hectare continues to be low in India in comparison to Western Standards of the US and Europe. This indicates the relatively lower level of "Tractorisation" – and thereby ample scope for growth. The increasing proliferation of tractor usage for specialised applications and wasteland development adds another advantageous dimension to the available opportunities for growth. International markets continue to present significant opportunities in virgin markets which your Company is actively pursuing. This growth however would have its threat of managing multi locations internationally and this is a skill the management team is constantly investing in.

4. INTERNAL CONTROL SYSTEM

Your Company has an appropriate internal control system for business processes with regard to efficiencies of operations, financial reporting and compliance with applicable laws and regulations etc.

5. (A) HUMAN CAPITAL AND INDUSTRIAL RELATIONS

Your Company believes that human resources are key to the success of business.

(B) INDUSTRIAL RELATIONS

Employees Relations remained cordial throughout the year at all units of your company.

EMPLOYEE STOCK OPTION SCHEME

With a view to motivate and retain employees, your Company has instituted an Employee Stock Option Scheme 2006("ESOS"), in accordance with the guidelines framed by SEBI.

Disclosure pursuant to the SEBI (Employees Stock Option Scheme and Employees Stock Purchase Scheme) Guidelines, 1999 is enclosed at Annexure-A to the Director's Report for the year ended 30th September, 2007.

PARTICULARS OF EMPLOYEES

Information in accordance with provisions of Section 217(2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules, 1975 as amended regarding employees is annexed to this Report. However, as per the provisions of Section 219(1)(b)(iv) of the Companies Act, 1956, the Report and Accounts are being sent to all shareholders of the Company excluding the aforesaid information. Any shareholder interested in obtaining such particulars may write to the Senior Vice President - Law & Company Secretary at the Registered Office of the Company.

6. RISK MANAGEMENT

Risk Management framework entails regular review of risk status and risk exposure in the areas of business, operations, Foreign Exchange etc. by Audit Committee and the initiatives taken by the company to mitigate material risks.

CAUTIONARY STATEMENT

Management Discussion and Analysis contains forward looking statements which may be identified by the use of words in that direction or connoting the same. Actual results, performance or achievements could differ materially. The company assumes no responsibility to publicly amend, modify or revise the same on the basis of any subsequent development of information or events.

SCHEME OF COMPROMISE AND ARRANGEMENT

Your company has filed Scheme of Compromise & Arrangement ("Scheme") in the Hon'ble High Court of Delhi to bail out fixed deposit holders of Escorts Finance Limited. The Scheme was approved by the Shareholders, Secured and Unsecured Creditors of your Company and the Fixed Deposit holders and Secured Creditors of Escorts Finance Limited on 10th May, 2006 and 5th May, 2006 respectively in the court convened meetings. The approval of the scheme by the court is awaited.

DIRECTORS

Mr. Nikhil Nanda, who was acting as the Executive Director and Chief Operating Officer of your Company, was promoted as Joint Managing Director of the Company w.e.f. 19th September, 2007 for a period of five years.

Dr. M.G.K. Menon, Director, retires by rotation at the ensuing Annual General Meeting of your Company, and being eligible, offers himself for reappointment.

ESCORTS LIMITED

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 B and forms an integral part of this Report.

CORPORATE GOVERNANCE

Your Company reaffirms its commitment to the good corporate governance practices. Pursuance to Clause 49 of the Listing Agreement, Corporate Governance Report and Auditors' Certificate regarding compliance of conditions of Corporate Governance are enclosed at Annexure C and forms an integral part of this report.

CONSOLIDATED FINANCIAL STATEMENTS

Pursuant to Clauses 32 and 50 of the Listing Agreement, your Company has prepared Consolidated Financial Statements as per the Accounting Standards applicable to the Consolidated Financial Statements issued by the Institute of Chartered Accountants of India. Audited Consolidated Financial Statements along with the Auditor's Report are annexed with this Report.

SUBSIDIARY COMPANIES

Particulars required under the provisions of Section 212 of the Companies Act, 1956 in respect of the subsidiary companies are appended.

AUDITORS

M/s. S.N. Dhawan & Co., Chartered Accountants, Auditors of the Company, retire at the ensuing Annual General Meeting and are eligible for reappointment. The observations of the Auditors in their Report on Accounts read with the relevant notes to accounts are self explanatory.

DIRECTORS' RESPONSIBILITY STATEMENT

As required under Section 217 (2AA) of the Companies Act 1956, your Directors state that:

- i. In the preparation of Annual Accounts for the year ended 30th September, 2007, the applicable accounting standards have been followed along with proper explanation relating to material departures;
- ii. The accounting policies selected and applied are consistent and judgement and estimates made are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the financial year and of the profit or loss of the Company for that period;
- iii. Proper and sufficient care has been taken for maintenance of adequate accounting records in accordance with the provisions of the said Act for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities; and
- iv. The Annual Accounts have been prepared on a going concern basis.

PUBLIC DEPOSITS

The Company has not accepted / renewed any Fixed Deposit during the year. 2669 Fixed Deposits aggregating Rs. 5.06 crores matured but remained unclaimed as on 30th September, 2007. Subsequently, out of the above, 546 Fixed Deposits aggregating Rs. 1.22 crores have been repaid till date.

ACKNOWLEDGEMENT

Your Directors wish to thank the Customers, Dealers, Lenders, Financers, Vendors, the Central and State Governments, and employees for their continued support and commitment to the Company.

On behalf of the Board

Place: Faridabad
Date: December 26, 2007

Sd/-
RAJAN NANDA
Chairman & Managing Director