



Promising
solutions
Harvesting
smiles



OUR CORE VALUES

**OUR CORE VALUES
DEFINE WHO WE
WANT TO BE. THESE
ARE TO BE UPHELD
AT ALL TIMES AND
EMBEDDED INTO
THE DNA OF THE
ORGANISATION.**

RESPECT FOR PEOPLE

We will demonstrate dignity and respect for people in all our interactions. We will not tolerate belittling of people, regardless of position or circumstance.

EMPOWERMENT

People at all levels must be vested with the power and confidence to take decisions concerning their area of work.

TRANSPARENCY

People will understand the processes and criteria used to arrive at decisions concerning them.

COLLABORATION

We will work with our colleagues with the spirit of collaboration and mutual respect

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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.

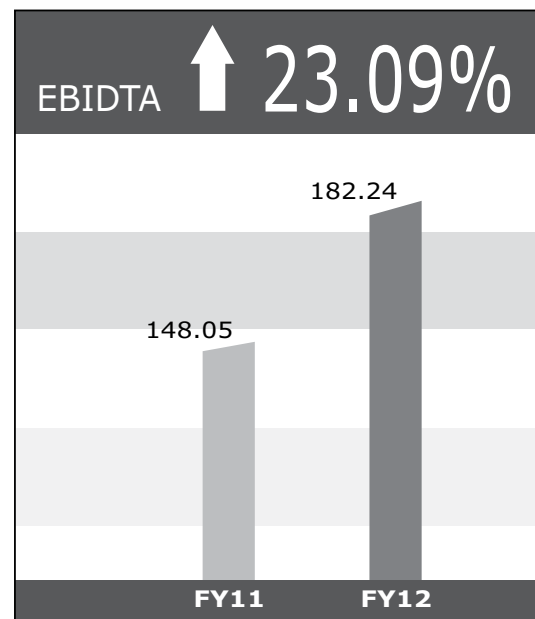
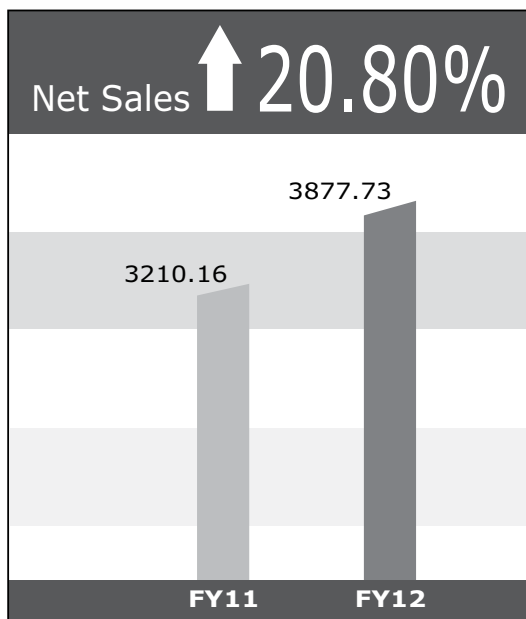
We caution you that the foregoing list of factors is not exclusive and that eventualities related to other risks and uncertainties may cause actual results to differ materially from those expressed in forward-looking statements. Forward-looking statements speak only as of the date they are made, and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



At **Escorts**, our **vision** and **values** are the guiding **force** behind all our **endeavours**.

We have always believed in being a customer centric Company for realising our aim of becoming one of the top engineering companies of India. We see ourselves not as just a supplier of products, but as a complete solutions provider to our customers. In doing so, we are working towards contributing our bit to India's growth story and bringing in quality change in the lives of people.

Financial Highlights



ESCORTS LIMITED**Letter from the CMD****Dear Shareholders,**

The country, economy and industry are at a cusp where the only certainty is the inevitability of change. Food security has emerged on top of the agenda even as food inflation has stayed rampant. Industrial production has dipped dramatically and the green shoots of revival have yet to create a carpet of hope for investments and return to growth. However, the proactive cross-sectoral initiatives of the government hold out promise for the year ahead. We are fortunate at Escorts to have been able to read the tea leaves and forge strategies that have kept us profitable through a very difficult year.

Even as I share with you some of our larger ambitions in the context of continued overall optimism over the future of India, I would like to first thank you for your support this year for the major realignment in the way your Company does business. The combined strength of the Group implies greater flexibility to deal with downturns and to stay profitable in the toughest of market situations.

Restructuring for Growth

The restructured Escorts Limited will be the transformation driver for your Company and will bring significant benefits to customers, shareholders and wider stakeholders. In FY 2012-13, the Company has embarked on the process of becoming a large, collaborative engineering enterprise with seamless sharing and transfer of manufacturing best practices between divisions. The years ahead will demonstrate the necessity and gains from the merger of the Group companies.

As a strategic business initiative, we merged our construction equipment division with the parent Company to synergize our efforts at tapping the emerging market opportunities. Clearly, Escorts Construction Equipment business is in the right sector at the right time with the right set of products. Your Company has invested over the years in the construction equipment business and, as a part of the merged entity, we expect the impending construction take-off in a far more emphatic manner.

The last fiscal was challenging and Escorts battled successfully against the market dynamics both in the tractor and construction industry. Escorts has decided to take the path of driving growth by opening up markets and capturing market share while keeping a tight rein on costs.

Co-creating the Future

Indian economy is poised to take the leap and propel us into the league of developed countries. We as business groups have the responsibility to strategise on how to



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produce profitably and tap the global markets. We must resolve to occupy areas of innovation that can distinguish us from the crowd and seek to provide technologically advanced solutions.

The Escorts approach to business has helped us serve our loftier ambitions of contributing to the livelihoods of our customers. Long term success of any business requires a happy and sustainable society with an appetite for growth. Escorts products facilitate increased returns and a better quality of life for all our customers. This is our small but tangible contribution to the emerging India of 21st century. As we resolve to take Escorts onto a new growth trajectory, we also become part of the national endeavour towards an Indian renaissance.

In recent years, aggregate demand from the Indian market has become significant by global standards and is projected to sustain rapid growth over the next two decades or more. India now stands as an important source of growth for manufacturers. Today, while economy wakes to the necessity of customising their designs to meet the Indian requirements, we at Escorts have already taken the lead by co-creating the future with our customers. In times when global supply chain patterns are making strategic shift towards Asia, we at Escorts have renewed our trust and commitment with our suppliers to etch out business opportunities outside the Indian market.

The continued market faith finds resonance in the organisational strength of the Company. We believe, businesses are created and sustained with the sweat and passion of fellow travelers. In pursuance, we have engaged proactively with our employees. We cherish their energetic and imaginative contribution towards the Company and its business goals.

Drivers of Change

Turning to the overall picture, our progress will be as fast and as sure as those that we walk with. The Working Group of the 12th Plan has correctly pointed out that it is almost impossible to sustain 8 per cent growth in economy and 4 per cent growth in agriculture sector if crop sector remains stagnant. One cannot be vocal enough in endorsing the view of the Planning Commission that the crop sector needs to continue to remain at the centre of public measures like institutional reforms, infrastructure creation, generation and dissemination of improved technology, price and trade policy, spreading use of modern inputs, increasing credit, enhancing irrigation facilities, etc.

Our entrepreneurial propulsion towards value generation gets defined within the macro and micro economic indicators of the country and the world at large. Recent moves towards allowing FDI in retail sector will allow the farmers to participate more effectively in the growth story of India. With direct corporate sourcing of farm produce from farmers becoming a distinct possibility, India's rural landscape could be up for another wave of economic transformation. We, as providers of farm mechanisation solutions, see new opportunities in this unfolding saga. We now act with the conviction that India is on the cusp of a gigantic leap forward in agriculture and we are prepared to be a partner to the farmer in every facet of his powered machinery usage.

The immediate prognosis for the farm sector, though, isn't very bright with projections of a decline in overall sales due to lower kharif output in this fiscal. However, over the longer term, tractor sales are expected to continue to grow at 8 to 10 per cent. A number of reasons seem to support this projection, particularly the

ESCORTS LIMITED



continued support to agriculture credit, rising MSPs and good crop output. Farm incomes are expected to continue to deliver strong growth as improvement of irrigation facilities, government support and strengthening of the commodity market takes place. The government's emphasis on increasing agricultural credit has been crucial in boosting the demand for tractors since almost 75 per cent of tractors are bought on credit.

We believe that the growth in the sector will be far more spread out, vertically across HP and horizontally across regions. Consequently, Escorts growth strategies have focused both on introducing higher HP tractors and mini-tractors for specialised needs even as we are aggressively creating a market for ourselves in the South. In addition, there is increasing use of tractors for non-farm activities and today accounts for around 30 per cent of the demand for tractors.

THE ESCORTS APPROACH TO
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CONTRIBUTE TO THE LIVELIHOODS
OF OUR CUSTOMERS. THIS IS
OUR SMALL BUT TANGIBLE
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INDIA OF 21ST CENTURY.

I draw your attention to the approach being taken by the agri machinery division which is introducing new products every six months, which not only brings value to the customers but will significantly increase Escorts' market share. The Company is today rolling out in the market a lot of what we had planned over the years. Escorts today is focused on building profitability by taking a higher share of the top end of the tractors market by launching higher HP tractors. Further, we are creating significant presence in the South while shoring up our portfolio in the North and West. We see the current phase as one of investment and expansion and we believe that we shall reap the rewards on the upturn of the market as the industry grows.

Our focus is on building a national market base, providing customers a range of crop solutions and implements, PTO and haulage applications for tractors, product upgrades and improvements as well as targeted marketing for non-agriculture usages. At the crux of our approach to the market is the increasing demand for farm mechanisation and the accessorised deployment of tractors for non-farm uses. We believe multi-domain growth drivers along with cost compression measures will enable Escorts to deliver profitable growth.

The year 2012 has continued to be a difficult one for the construction industry. The sluggishness in economy, policy inertia and lacklustre infrastructure projects have all impacted the much awaited boost in the country's infrastructure landscape. Infrastructure plays a key role in stimulating economic growth but unfortunately the roads sector has experienced difficulties in implementing national highway projects, the project closure of the four Ultra Mega Power Plants is unclear, and in the port projects too, the award rate has been around 50 per cent of the planned rate. The government is taking cognizance of this and in its 12th Five Year Plan envisages an increase in investment in infrastructure to \$1 trillion, taking annual investment in infrastructure from the current level of 6% of GDP to over 10%. With the government re-emphasising and providing the requisite impetus to infrastructure projects, we are bullish that the construction equipment industry will grow at a healthy pace.

With the expected return of the construction boom, Escorts Construction Equipment business has been introducing new application-based, high-end machines. Our focus is on innovative and optimal design, engineering, productivity and efficiency for enhanced products catering to customers' current and future needs. The potential of Indian market for lifting, loading and handling solutions is huge and we are capitalising on our engineering strength by developing products that suit the local application. In the recent years, our focus has been to enhance load capacities, reach and transmissions.

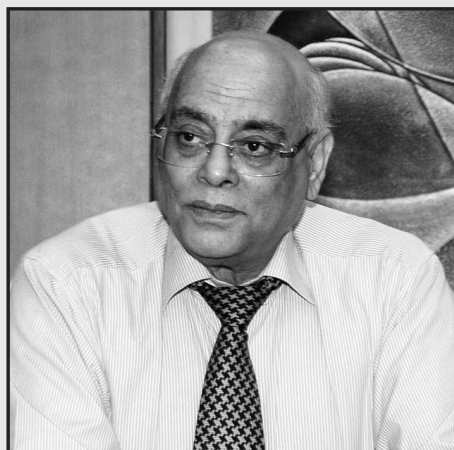
The construction equipment industry is witnessing a shift towards using safer and more advanced technology. To meet these needs we have introduced innovative and international standard safety features in our products. Introducing safety features in our entire range of products forms the central theme for all future product enhancements.

Our outlook on Indian Railways is positive. Correction of rail passenger tariffs should ease the pressure on availability of funds for growth and maintenance, resulting in a more vibrant business sentiment. The Indian Railways modernisation has the potential to add around 2% to GDP growth. Under the government's Vision 2020 plan of Indian Railways, radical modernisation process has been envisaged as part of the 12th Five Year Plan. Setting up of dedicated Railway Safety Authority, introduction of high-speed trains, new generation locomotives/coaches, installation of green toilets, capacity augmentation, manufacturing state-of-the-art railway technologies, components and equipment for global markets are some of the key points of the plan.

At Escorts, we are keen to help build a safer, a more reliable and a more comfortable Indian Railways by bringing in high technology, safety critical products available worldwide at Indian prices through innovation, technology partnerships, frugal engineering and quality excellence. We also look forward to tap world markets in SE Asia, Middle East and African countries, hitherto untapped by Escorts.

The auto component industry witnessed a moderate growth of 16 per cent in 2012, affected largely due to the rising fuel prices and high interest rates. Low-cost, ample production capacity, world-class technology and international quality standard products are factors that offer Indian auto component manufacturers an edge.

At Escorts, we have already positioned ourselves to meet the future demands by harping on global standard products and technology. We expect a surge in domestic demand for auto products too due to recent reform measures by the government and existing under penetration of vehicles. We are prepared to cash the new opportunities while continuing to tap the export market. Our strategy is to target newer markets, enrich our product range, reduce costs, and restructure the business. The Company won the "Best Supplier" award in 2012 from one of its key customers, an indicator of our in-house design and development capabilities that we can leverage to assure our global customers of our potential.



The performance of last year shows the success of strategies that your Company has adopted including launch of new products, deepening of sales and distribution network and robust brand building. This good performance is despite the market conditions which have toughened further. In the year ahead, your Company will continue an even more aggressive approach to expanding its product portfolio, strengthening its current product propositions and increasing its market share by being more aggressive in markets where it has had limited presence. This, we believe, is just a beginning as we

take a futuristic leap to further accelerate our efforts for building a stronger Escorts, that connects the lives of customers and communities at large.

Investing in the Future

The Escorts vision and values are the guiding force of our endeavours. We see ourselves not as just a supplier of products but as a service provider to our customers. Our successes are made possible by our ability to view the market from our customer's eyes. For us, lifetime value of our customer based on inherent value exchange is the growth driver and not just the price based profit motive. Our customers have reaffirmed our faith in our value system by becoming champions for the products they have bought and experienced.

Escorts has always believed in being a customer-centric Company for realising its aim of becoming one of the top engineering companies of India. We have worked towards contributing our bit to India's growth story and bringing in quality change in the lives of people. Our true reward is the confidence and trust of our customers which keep us driving and motivated for bringing the best for them. But, at the same time, I thank all our stakeholders with whose support the journey so far has been so comfortable.

As we enter the new fiscal, I am confident that we have the right combination of people, products and processes to take Escorts to the next level of performance and growth. As always, we are grateful to all our shareholders for the immense confidence you have placed in us and we are committed to continue to build and strengthen the Escorts brand.



Rajan Nanda
Chairman and Managing Director

ESCORTS LIMITED

Message from the JMD



OUR CULTURE OF CONTINUOUS INNOVATION HAS ALLOWED US TO UTILISE OUR ADVANCED CAPABILITIES TO CONSISTENTLY CREATE TECHNOLOGY-DRIVEN SOLUTIONS FOR EVOLVING MARKET NEEDS.

Dear Shareowners,

The success of our business relies on Trust and Respect we get from our customers, our shareholders, and our people. It is with this underlying strength that Escorts is able to leverage opportunities and drive growth.

We are building your Company with exceptional care to ensure that we leverage our operating strengths, foster a culture of quality, establish benchmarks of performance, develop strong relations with partners, and provide a platform to have a competitive edge in the market.

Fiscal 2012

The year 2011-12 has been a significant year for Escorts. Our results are a reflection of our prudent and conservative strategy and our resilience to withstand turbulent market changes.

We have taken some strong strategic decisions when we merged our three divisions Escorts Construction Equipment Limited, EFILL & Escotracs into Escorts Ltd. This was done to streamline the Group structure. We now see the creation of One Company, One Culture which is vital as we enter a phase of aggressive growth and expansion.

Post the merger, actions are underway to realise not only the commercial but also the technological benefits to both the construction equipment and the tractor businesses. Centralisation of Materials, Manufacturing Excellence, Finance and the HR Departments has been one of the first steps. These areas have come under rationalisation, as a result of which the Company will begin to see significant operational and financial efficiencies. It will result in better working capital management and a disciplined approach to treasury management.

Logistics and strategic outsourcing are critical areas in an engineering Company and are central to our operational transformation. Both these areas are expected to yield savings and improved operational margins for our business.

Market synergies are under way between the channel partners of the construction equipment and tractor businesses. The extensive network of the tractor business will further assist the construction equipment business and will also result in optimum coverage and utilisation. Overlap elimination and common utilisation of facilities will further add to the savings.

Post the merger, balancing and rightsizing the fixed and operational cost has become imperative and is being addressed.

Business Highlights 2012

Our promise is to delight our customers with highest-quality products and services. In 2012, we have achieved this by launching the first ever 'Executive' tractor for the progressive Indian farmer, India's most fuel efficient tractor, the power saver tractor, new technology cranes and hauling solutions.

Our culture of continuous innovation has allowed us to utilise our advanced capabilities to consistently create technology-driven solutions for evolving market needs. With our bold strategy of launching a new product every six months at Escorts Agri Machinery, we introduced a series of tractors for premium and marginal farmers that bring value to the customers and significantly increase Escorts' market share. With an aim of being the leader in premium tractor market with our Farmtrac brand and be predominant in the mid segment market, major product extensions have been aptly introduced along with a 360° marketing approach.

In order to meet ambitious infrastructure demands of the country, the Escorts Construction Equipment manufacturing facilities and our product portfolio has been significantly revved up. Our focus is on earth moving machinery, high end slew cranes and other machines with technically superior features, yielding better margins. Fabrication of low margin Pick n Carry Cranes will be outsourced to improve overall contribution levels. With the government planning to invest \$1 trillion in infrastructure development, we see huge market potential for our products.

Escorts Auto Products business is seeing a steady turnaround and is putting in place an active programme of product upgradation and technology induction.

Escorts Railway Products, too, is gearing itself to induct products that are aligned to the modernisation needs of the Indian Railways. Brakes, couplers and high-end brake pads will see a significant technological change in the months ahead, yielding and targeting profitability levels.

Gearing up for the Future

With a new leadership team at the helm of our businesses, we are geared up not only to improve but to exceed profit expectations of our stakeholders.

Our target is to reach EBITDA levels of 15% within the next 36-48 months. Top line improvement is underway with focus on the product mix. Technology-led New Product Development has recently witnessed the launch of several new tractors in both the premium and economy segments.

Raw material costs, which form the largest chunk, are under active strategic management. State-of-the-art design capabilities will ensure that we optimise the



balance between design requirements and raw material costs.

Manpower cost management is also under intense review to ensure a balance between the human resource requirements of today with the needs of the future and that they both align at optimum business levels.

Last, but not the least, end-to-end operations optimisation is underway and within 36 months, we will see the tractor business shrink its plants from the current three to two. This will take the capacity to 120,000 tractors from the current 95,000 tractors. As a result, indirect costs are expected to reduce and yield significant savings.

Strengthening our Core

Our people are our true ambassadors. Our strategy is to be a Company where employees can achieve their potential, grow and excel. Over the years, the Company has built a diverse and talented team. In the last few years, we have established our People, Performance and Growth framework, which provides us with a structure for managing the performance and development of our people and aligning them with the Group strategy. We continue to implement our leadership management programme to strengthen our talent pool and promote greater employee diversity.

As we move towards becoming a collaborative engineering enterprise, I am convinced that we shall collectively strive to transform and exceed our targets. I thank you all in extending your wholehearted support for growing the business.



Nikhil Nanda
Joint Managing Director

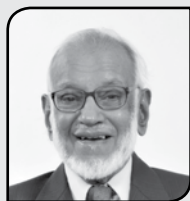
ESCORTS LIMITED

Board of Directors



Mr. Rajan Nanda

Mr. Rajan Nanda, Chairman and Managing Director of Escorts Group since 1994, is a visionary leader who has played a defining role in establishing Escorts as an organisation of repute. His astute leadership has resulted in giving Escorts a sharper focus in the high growth sectors of agri machinery, construction equipment, railway equipment and auto components. Mr. Nanda is an active member of several apex trade and industry bodies. As a member of the CII National Council, he has served as the Chairman of its Agriculture Committee. Mr. Nanda plays a pivotal role in promoting the cause of Indian agriculture and his endeavours resulted in the government announcing the long-awaited National Agriculture Policy.



Dr. M.G. K. Menon

Dr. M.G. K. Menon, Director, recipient of Padma Shri, Padma Bhushan and Padma Vibhushan, is a distinguished scientist of international repute. A former minister, Mr. Menon has also served as a member of the Planning Commission, scientific advisor to the Prime Minister, secretary to various departments of the Government of India for 12 years, President of the Indian Statistical Institute, a member and Chairman of various bodies in India and abroad. He is also an FRS and Honorary Member of IEEE.



Dr. S.A. Dave

Dr. S. A. Dave, Director, is an economist of international repute. He has a rich experience across multiple facets of financial and capital markets. Former Executive Director of IDBI, former Chairman of UTI and the first Chairman of SEBI, Mr. Dave is acting as Chairman of Centre for Monitoring Indian Economy, Mumbai, and is also the Director of HDFC Limited, and many other reputed companies.



Dr. P.S. Pritam

Dr. P.S. Pritam, Director, has held important managerial positions in mammoth financial institutions for over four decades with diverse functional expertise – legal & mortgage, finance & accounts, insurance underwriting & claims and all aspects of client servicing. He retired as the Executive Director (Marketing & International Operations) of LIC of India, worked as National Head (Sales & Marketing) for Allianz Bajaj Life Insurance and served on the Board of Bihar State Financial Corporation, Gujarat State Financial Corporation, Bihar State Housing Federation and various other companies.



Mr. Nikhil Nanda

Mr. Nikhil Nanda, Joint Managing Director, has been a key member of the Board since 1997. He plays a vital role in managing the Group's performance and steering its operations to create a customer-centric, technology-driven brand. Together with the leadership team, he is leading the organisational transformation into a culture of high-efficiency and aggressive growth. Mr. Nanda is a member of Northern Regional Council of Confederation of Indian Industry (CII), Federation of Indian Chambers of Commerce & Industry (FICCI), the Indo American Chambers of Commerce (IACC), high-level strategic group constituted by All India Management Association (AIMA), and Young India Committee of CII.



Mr. S.C. Bhargava

Mr. S.C. Bhargava, Director, is an eminent personality with a rich experience in all facets of finance and insurance. He possesses extensive knowledge in the field of securities market, treasury operations and investments, among others. Mr. Bhargava, Senior Fellow Member of Institute of Chartered Accountants, has also worked as member of the Technical Advisory Committee on Money, Foreign Exchange and Government Securities Market for Reserve Bank of India. Currently, he is serving on the Board of many reputed organisations.



Mr. Hardeep Singh

Mr. Hardeep Singh, Director, has a rich experience of holding top managerial positions in leading Indian and foreign companies. Mr. Singh was the former Executive Chairman of Cargill South Asia and Amalgamated Plantations Pvt. Ltd. (a Tata Enterprise) and non-executive Chairman of HSBC Invest Direct India Limited. He is the Chairman of the monitoring committee on Minimum Support Price constituted by Planning Commission, Government of India. He has been a member of National Council of CII, National Committee for Agriculture of FICCI, and served as an honorary advisor on agriculture to the Chief Minister of Punjab. An invited speaker at the World Bank, US Department of Agriculture Global Summit, International Food Policy Research Institute in Washington DC, Imperial College in the UK and Indian Institute of Management (IIM), Ahmedabad. He is a graduate in Economics from Pune University and an alumnus of Kellogg School of Management.