

World of

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ESCORTS

GROUP COMMUNIQUE



Unleashing the
spirit of Escorts



Making a new wave

Escorts is going through a transformation. The power of people, customers and innovation has never been more relevant than current times. We have taken a step forward in this change process by establishing different initiatives in the organization.

We are selling more tractors a month, than anytime before in our history. Our products are more farmer friendly and fuel efficient. Today, we are expanding our horizons to become a complete farm solutions provider from only being a tractor manufacturer. In construction equipment space, we are consolidating our position by venturing into earth moving products. With a 40% year-on-year growth and EBITDA margins of 26%, Escorts Railway Division is on a steady growth path. Today, we are far more focused. We are constantly evolving and innovating, creating new products to suit market demands.

The cost compression and rationalization exercise coupled with structural organization and improving operational efficiencies is reaping rewards for the company. The results are already encouraging and validate the entire exercise. We have been able to bring down our costs significantly and are looking at better margins in the coming months. By enabling people to drive this change, we are well on our path to make Escorts a lean and efficient organisation. What we have today is a company that is strong enough to battle market headwinds.

As we move ahead, our endeavor is to re-engineer ourselves and look at further reducing costs and improving our commercial management systems. While cost management is and will remain an area of focus for sustaining and improving profitability, we are closely monitoring the quality of our products and re-gearing our strategies which are both customer and market focussed.



Escorts is further increasing the market reach and subsequently the market share by offering price competitive models of global quality norms in terms of technology, performance and durability. Better marketing, innovative products, robust financial systems and controls, dealership penetration and greater emphasis on export markets will be the key pillars on which our growth strategies will be based.

Today, Escorts dreams of building a NEW INDIA. We are geared to acquire the muscles of iron, steel and fine engineering which actually will build the monuments of this new giant. Escorts today stands with incomparable high quality engineering products. Combine it with our engineering products in automotive and railways and you can see the picture of an Escorts that has mastered the core drivers of long term, sustainable, growth for any country and economy, anywhere in the world.

Thank You

Rajan Nanda

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Business in Brief

NEW APPOINTMENT



Kanwal Kishore Vij joins as ED & CEO of ECEL

Mr. Kanwal Kishore Vij has joined Escorts as Executive Director & Chief Executive Officer of Escorts Construction Equipment Ltd. (ECEL). He is a Mechanical Engineer and has studied advanced courses in Marketing and Management from Harvard, IIM (A) and Manila.

Mr. Vij has over 26 years of experience in the Automobile and Engineering industry and has worked with leading companies including Eicher Group, Baxy Motors (Div. of Continental Engines Ltd.) and Vege Intermotor B.V. Netherlands. Till

recently he was holding the position of CEO & Director, Vege Intermotor B.V. Netherlands.

With Eicher Tractors, Mr Vij played an instrumental role in turning around the company by raising its market share from 6.5% to 12%. He is an acclaimed professional with wide and varied exposure to both domestic and international markets. At Escorts he will be responsible for the entire business operations of ECEL.

PRODUCT LAUNCH

Escorts to capture larger market share with Four new tractor variants

With aggressive plans to further increase its market reach and share in India, Escorts launched in early 2009, four new tractor variants offering price competitive models of global quality norms in terms of technology, performance and durability.

In the 55HP category, Escorts has introduced **FARMTRAC 65 EPI** and its



4-cylinder **POWERTRAC 4455**. These are specially designed for tractor usage in heavy haulage applications and hard soil conditions.

Escorts has also introduced an upgraded version **FARMTRAC 60 DRPTO** and **POWERTRAC 439 Deluxe**, of its well established high-selling products FT 60 and PT439 respectively. While PT439DX, in the 39 HP category, has the best in class fuel economy & is ideal for all agri & haulage operations. FT60 DRPTO is ideal for farmers who are looking at a 50hp product with high end features, performance and the highest re-sale value

in this segment.

In Rajasthan, Madhya Pradesh and Chattisgarh, Escorts launched all the four variants PT 4455, FT 65EPI, FT 60 DRPTO and PT 439 DX. In Eastern UP, the PT 439 DX and PT 4455 and in Western UP, FT 65 EPI and PT 4455 were introduced.

Innovative FARMTRAC models unveiled in Europe

Escorts unveiled its recent FARMTRAC (FT) models at the 15th AGROTECH International Agricultural Technology Fair in Kielce, Poland. The three innovations: **FT 690 DT**, **FT 680 DT** and **FT 535** were displayed in the fair. For the Wood Industry and Forestry Planning participants, Escorts showcased its **FT 675DT**.

The Fair had every brand of tractor in the Polish market and a wide range of accessories for agriculture from Polish manufacturers and dealers from foreign corporations



EVENTS

President of Rwanda appreciates Escorts tractor technologies



Visiting the Escorts exhibits at the India-Africa Business Partnership Summit in New Delhi, in January 2009, Hon'ble President of the Republic of Rwanda and Chairman of the East African Community H E Mr Paul Kagame appreciated the various technologies of Escorts. This high-level summit aimed to further strengthen the bilateral trade between India & Africa. The Summit brought together stakeholders of the select priority sectors from economies of Africa and India to share and showcase the trade and investment opportunities for Indian companies in Africa and vice-versa.

VISITS

Escorts Tractors to revive agricultural mechanisation in Malawi



Malawi is all set to revive farming by importing high-quality tractors. As part of an assessment team, a top-level delegation from Malawi visited Escorts Agri Machinery Group plants to get in-depth understanding of our manufacturing, technologies, lean management practices. Malawi is looking towards India for experience, knowledge & technological expertise to further meet their needs for improving farming.

Gearing for

SANKALP- Khud Ko Kar Buland, 6 -7 February 2009

Sankalp, a first-of-its-kind event was held at Escorts with 702 employees – workmen, managers and management – all working together, under one roof, as a team to generate ideas, share views, make suggestions and most of all identify the key tenets for change.

Organised within the Agri Machinery Group (AMG) lawns, it was a unique event designed to accommodate more than 100 tables each represented by a mix of employees from all levels, creating an ambience of togetherness and openness to communicate.

Named Sankalp – Khud ko kar Buland (Pledge – To Be Fit and Healthy), the event brought people together to refocus on the future. Two days of rigorous introspection, understanding of current market and competitor dynamics, reality check from customers, dealers and suppliers and the urgency for continuous improvement was deeply felt by all.

The realization to make a difference resonated and thus evolved the 4 mantras for change:



Inauguration



Rajan Nanda
Chairman



Nikhil Nanda, JMD

Customer Orientation, Quality Improvement; Cost Management and Team Work.

The four Mantras identified by people themselves form the guiding principles for Change. Escorts has made inroads into all these already, and this platform reinforced the need for speed to imbibe these in everyday operations. Illustrated through a very highly participative Hat Factory game, the message of cost, quality and customer service was communicated to all. The Escorts Anthem focusing on the



Q&A session



Rohtash Mal,
ED & CEO, AMG



Dealer session



Tower Game

Day One

- Understanding Market Dynamics
- Owners Session
- Customer Session
- Dealer Session
- Vendor Session
- Employees Session
- Glad / Mad / Sad at Escorts



702 employees seated in 1700 sq ft area of AMG lawns at

Greater Success



Escorts Anthem Launch

mantras blended with high energy tune too was launched.

Similarly, the Tower Game created a new environment and passion for teamwork making people understand how to value strengths of individuals within a team. The last leg of the two-day session involved functional teams to develop 3-month plans on how they will implement the four mantras in their respective areas of work.

The two days were filled with action through various activities including

Day Two

- Identifying Mantras
- Launch of Anthem
- Hat Factory Game
- Tower Game
- Understanding Mantras
- Functional Action Plans
- Pledges
- Skit - Yesterday / Today / Tomorrow
- Balloon ceremony



N. K. Rane



Imteyaz Ahmed

Understanding the Mantras

To give an insight into what the Mantras mean for Escorts, senior officials explained through live examples of Mumbai Dabbawalas, Cost Optimization and Quality initiatives on what the 4 mantras:

- Customer Orientation,
- Quality Improvement
- Cost Management & Team work

imply and how we can imbibe these in our day-to-day operations.



Inderjit Singh



M M Bagai

stakeholder sessions followed by Q&A, games, creation of functional action plans, skit and pledges to reassure commitment.

The event concluded with reassurance from several employees taking pledges on how they will contribute to this change. Mini-



Design & Logistics team with Chairman & JMD



sankalps are planned to take this forward to rest of the employees at Escorts. Ending on a high note, everyone wrote their wishes and released 1000 balloons into the air sending their hopes, desires and wishes to the Almighty.



117 tables, with 6 people at each.



Action plan display



Closing ceremony

Organizational Unlock at

Why manage intangible assets?

In today's world, competition is stiff, opportunities are aplenty, and resources are common, the only one differentiator is the market value. Investment analysts currently base their valuation of organizations on intangible "assets" or "capital". These are the primary indicators of future profitability, a valuable realization and investment Escorts did several decades ago and continues to focus on even today.

The Escorts Farm Institution is one of the many such initiatives Escorts, invested in to expand the potential of our intellectual capital. Recognizing the need for systematic training and education, Escorts established this institution way back in 1969 at Bangalore. Spread over 85 acres of fertile land, it is a scientifically planned training complex including training halls, model workshops, and residential cottages and hostels covering 14 acres of land with facilities including canteens, dining halls, indoor & outdoor recreational areas. Another 76 acres is dedicated to model and demonstration farming.

Escorts Farm Institution provides training to farmers, employees, dealers, salesmen, service in-charge, parts in-charge, mechanics, financial institutions, government nominees and agricultural & engineering students. Escorts has till date achieved 3.25 lakh mandays in various training programmes.



Escorts Model Farm



Demonstration Training



Escorts Farm Institution is equipped with modern teaching aids including multimedia, computer learning centre, training literature in several languages, technical films, slide shows, extensive library for archival materials on various farming techniques, automobiles,

agricultural engineering & management.

The various trainings: Hands-on trainings through temporary classrooms; Workshops with working cut-away section models; Demonstration training; and Special trainings to students from



Dormitories



Canteen



Indoor recreation facility

Escorts

VITAL STATS

Total area over **85 acres**

14 acres - Training & Residential facilities

76 acres - Model & Demonstration farming

3.25 lakh - Mandays of trainings conducted till date

2089 - No. of people trained in 07-08

11000 Mandays of Trainings in 07-08

Trainees	Mandays
Dealers mechanics	4416
ECEL employees	1628
Agricultural & Engineering students	1431
Escorts executive on sales	1328
Customers & Farmers	529
Dealers & dealer salesmen	503
Escorts executives for product support	297
Government nominees	294
New recruits	268
Others (Mico, new business etc)	162
Export personnel	144
Total	11000



Customer training



Customer training

agriculture and engineering colleges – all form part of our effort to strengthen competitiveness by investing in knowledge, innovation and human capital to raise the potential for economic growth.

Our focus on operating efficiencies and cost management continues to drive profitability improvements; lean manufacturing applications and quality control have streamlined our supply chain mechanisms; and better use of our assets to move up the value chain remains.

Escorts Farm Institution

Trainings

Hands-on Training
Classroom Sessions
Model Workshops
Demonstration Training
Sales & Customer Training

Infrastructure

Powertrac Training Centre
Farmtrac Training Centre
ECEL Training Centre
Model Farm
Residential Cottages,
Hostels & Dormitories

Facilities

Computer Learning Centre
Multi-media Facilities
Technical Library
Lecture Halls
Dining Hall
Canteen
Indoor &
Outdoor Recreation



Class room training



Model work shop

ESCORTS Mumbai:

in the heart of India's financial hub

Established as Agency Sales Division for marketing Kirloskar Make Diesel Generating sets, Escorts set-up its base in the financial hub of India way back in 1968. As the Company grew, the Mumbai operations expanded, it is today the Regional / Zonal Office for Escorts Auto Suspension Products (ASP), Railway Equipment Division (RED) and Escorts Construction Equipment Ltd. (ECEL). It also supports Escorts Corporate Finance in various financial activities. Presently, it is functioning under Corporate Branch Head Mr. S K Phadke and the overall guidance of Ms. Natasha Nanda with a total staff strength of 31.

Located in a prime area of Mumbai, Worli, it is easily accessible and a convenient location. Well-equipped with spacious conference rooms with facilities like video conferencing, OHP, Plasma displays and WiFi, it is a totally modern set-up.



Corporate Branch Office is managed by DGM, Mr. S K Phadke who is responsible for Commercial and Admin operations. He manages this along with Sr Manager, Mr. Richard Pinto who looks after Accounts and Admin. They liaison with Banks and Financial institutions for proposals for loans, bills discounting facilities & maintain relationship with RBI, SEBI, Stock Exchanges and other Govt. authorities for various permissions.



Dealing Room



Natasha Nanda (seated) with Mumbai team



Head of Depts.

Sanjeev Godbole. RED is marketing Air Brakes, EP Brakes, Brake Blocks, Railway Shock Absorber, Coupler and Heating elements. It caters to three zonal railways: Western, Central and West-central zone and has a sales turnover of nearly Rs. 12 Crores per annum.

ECEL operations are managed by Zonal

Front: Natasha Nanda, L to R: Ravi Narayan, S C Godbole, Satish Sharma, S K Phadke, R S Jaiswal



ASP & RED team



ECEL team

ASP Mumbai office is managed by Regional Manager Mr. Satish Sharma. They market products including Shock Absorbers, Struts, Inner Tubes, Telescopic Front Fork and e-Auto Parts in Maharashtra, Gujarat, Goa, MP and Chattisgarh. Their sales turnover in the zone is around Rs. 15 to 18 crores per annum through 150 distributors spread over in districts and taluka places.

RED at Mumbai is led by Regional Manager, Mr.

Head, Mr. Ravi Narayan. ECEL Mumbai is marketing and providing services for Hydraulic mobile cranes, Fork Lifts, Compactors, and Tower Cranes in the states of Goa, MP and Mumbai Region. Their total annual sales of main equipments and spare parts are to the tune of Rs. 45 to 50 crores.



Conference room

Customers voice

matters most

Customer-orientation is central to Escorts. Listening to our customers and anticipating the needs of prospective customers is something we are serious about. Our efforts are to orchestrate our customer needs, desires and goals to provide them with a satisfied product, service and build a long-term relationship.

Farmers in UP rave about Pt4455



Escorts Powertrac 4455 (PT 4455) launched in November 2008, into the 4-cylinder tractor segment has already won the hearts of farmers. After its recent launch in UP, we spent time with our customers to get their response on its performance. The PT 4455 is meeting the customer needs as one of the most fuel efficient tractors capable of all types of agriculture and non-farm applications.

One of our satisfied customers from Muzzaffarnagar, UP Mr. Brahm Singh says "I have recently acquired PT 4455 and it is at par with my expectations. Before this, I have used tractors from other companies, such as Eicher, Swaraj and even PT 435, but found PT 4455 to be much better than any other tractor. The noise level is low compared to other tractors and fuel consumption also economical. I save at least 8 liters of fuel every day. I would recommend all my fellow farmers to buy PT 4455 instead of any other tractor".

"I am able to save 1 ½ liters – 2 liters of fuel every hour"

The success of PT4455 is further reinforced by another customer from Muzzaffarnagar, UP. Mr Sudhir Kumar, in an honest and candid interaction, said "I am very happy with my latest tractor, the PT 4455. It has a higher load carrying capacity resulting in better performance. I

drive it for long hours without facing the problem of overheating. Also, I am able to save 1 ½ liters – 2 liters of fuel every hour. Considering the fact that I use my tractor for at least 8 hours every day, I am able to save around Rs. 500 everyday. Everything that the dealer told me about qualities of PT 4455 has turned out to be true".

Crane as a production machine

Rarely used as a production machine, Escorts brought this new concept to the mining industry with its Hydra series at Bijolia, the mining hub of Rajasthan. The Escorts Hydra series cranes used at Bijolia is a treat to watch. The ubiquitous "Golden yellow" of Escorts – Hydras are something which one cannot miss being in that area, there are hundreds of these used for different mining operations.

The cost-effectiveness, operational efficiency and functional benefits of these cranes compared to mining equipment are so many that customers in the area only use cranes for mining. Even local dealers have opened world-class workshops in Dabi and Salavatia to support these machine.

Customers expressed the Escorts Hydra crane 'as their lifeline'

Our customers in Bijolia area have expressed the crane 'as their lifeline'. The adoption of the crane for this application stems from the fact that

Escorts Cranes are reliable, rugged and efficient. The customer support by ECEL dealer, Drillcon, has also made the difference.

The widespread usage of cranes on such a tough application has brought the entrepreneurial characteristics of the dealer to the fore, who has opened workshops nearby, making the availability of material and men literally at beck and call of the customer.

Old customer regains confidence

Embarking upon revamping the Railway Equipment Division (RED), Escorts has upgraded its manufacturing facilities, added new technologies and introduced a broader product-mix to cater to its customers' needs. One of our oldest and largest customers is the Indian Railways. On a recent visit to the RED plant, Mr. Pradeep Kumar, General Manager – Rail Coach Factory, Kapurthala along with Chief Material Manager Mr. Pardeep Kumar and Senior Mechanical Engineer Mr. Lalit Kishore got a holistic view of our operations. They toured our factory and got an insight into our current operations and future products. After going through all these details Mr. Pradeep Kumar expressed a great satisfaction on the development and assured full cooperation. He also appreciated our efforts to come out of deadlock.



Escorts RED: On the fast track to growth

A View from the Top on the expanding Railway Equipment Business of Escorts



An interview with **Mr Manoj Jha**, Executive Vice President, Engineering Division, Escorts Ltd.

Q. Escorts Engineering Division has a well-established Railway Equipment manufacturing unit in Faridabad, Haryana. It has set-up another unit in Rudrapur, Uttaranchal. Why a unit in Rudrapur?

A. The Railway Equipment Division (RED), part of Escorts Engineering Division is growing and expanding steadily which made it necessary to set-up a new manufacturing plant. And, as the Uttaranchal Govt. had introduced incentives including capital investment subsidies, income tax exemptions for next 10 years, and excise duties Rudrapur was an obvious choice. Labour cost was yet another benefit.

Q. Escorts is expanding its railway business, what role does the Rudrapur plant play in this process and what percentage of overall business comes from here?

A. With the increase in RED business, even 3 shifts at Faridabad were not able to meet the additional capacity needs. Hence the new plant. Over time, the Rudrapur plant has been able to achieve nearly 55% sales and the Faridabad plant nearly 45%. The Rubber Processing Unit to manufacture fire retardant vestibules and air springs form an important part of Escorts future portfolio and this unit is based out of Rudrapur.

Q. In addition to the RED plant in Faridabad, what products / product-mix does the Rudrapur plant manufacture?

A. Shock Absorbers, Air Brakes, and Composite Brake Blocks are manufactured both in Faridabad and Rudrapur. Electro-pneumatic brakes, bio-toilets and rex-locks are exclusively manufactured at Faridabad. And assembly of Semi-permanent couplers, manufacture of Rubber parts and E-parts is wholly at Rudrapur.

Q. E-parts seems to be very promising these days. What is Escorts focus in this regard?

A. E-parts is a major thrust for Escorts Engineering Division and we have aggressive growth plans for the same. The Rudrapur plant with excise exempt for producing parts gives us a competitive advantage in the market. E-parts will also add significant growth to our business. Our E-parts portfolio for 2-wheelers include Chain & Sprocket kits, Piston sets - pin, Brake Discs, Brake Pads, Spark Plugs, Batteries etc.

Q. Modern technologies are being implemented in manufacturing railway equipment these days. How is Escorts equipped to meet this need? What are the latest technologies implemented at Rudrapur?

A. To keep pace with manufacturing technologies, Escorts has introduced the latest machining technology MAKINO-VMC and associated machines. This vertical machining centre is for complicated CNC machining on air brakes and coupler parts. Also, high-end rubber technology is being introduced to produce fire retardant vestibules.

Q. Quality an integrative tool, which links manufacturing, administration, and marketing and is also one of your focus areas. What quality control measures is the RED focusing on?

A. Quality has always been a key focus at Escorts. The Railway Division is ISO: 9001 certified and has integrated Quality and Reliability test labs. All products go through multiple Quality checks and Assurances. Quality Control and Assurances are continuously upgraded at our manufacturing plants to keep pace with customer and product updates.

Q. Adapting to new ways of working is always a challenge. What culture change programmes have been implemented in Rudrapur?

A. Our aim is to inculcate a culture of total employee involvement in manufacturing processes. We are enabling this through KAIZEN, 5S, Suggestion Schemes and Autonomous Maintenance, to name a few.

Q. Escorts RED has been showcasing steady growth. What new manufacturing paradigms are you implementing ?

A. The latest Manufacturing paradigms being adopted by Escorts Engineering Division are a. Reduce lead time from order to delivery b. Exploiting Latent capacities to increase net output c. Adding new products and processes.

Q. Where do you see the RED business in a few years? And what are some of the challenges?

A. Escorts Railway Equipment Business is on a steady growth path and in the short term we have a target of doubling within 2 years. We plan to expand both our existing products and add new products. The main challenges to this business in today's times are a. Keeping pace with global technologies to meet customer expectations b. Global competition from Knorr Bremse India Ltd, Feively Transport India Ltd., Westing House etc. c. Ever-increasing cost pressures d. Meeting stringent quality requirements.



On the global fast track



The leading manufacturer of critical railway components, Escorts has played a significant role in the growth and modernization of Indian Railways since the last 40 years. An ISO 9001 certified company, Escorts is one of Asia's largest manufacturers of air brake systems. Backed by contemporary manufacturing facility for advanced product development, design, testing and validation, Escorts manufactures world class shock absorbers, composite brake blocks, electro-pneumatic brakes and couplers amongst others. With its vast repertoire of products and undeniable quality standards, Escorts, exports its products to over 15 countries worldwide.



Railway Equipment Division



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