

World of

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ESCORTS

GROUP COMMUNIQUE



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ESCORTS

Excellence at
Every Step

Building A Stronger Escorts



Our Quarter performance is a clear reflection of our continued focus on fiscal discipline and innovative management principles which has helped us in unleashing our true potential. With professional leaders at the helm of each business, the right product-mix and leveraging technology, Escorts transformation is now evident. Our profits are growing every quarter in a sustained manner and our sales are increasing, which indicates a steady growth pattern.

Today, the Agri Machinery Group is entering new markets and reaching out to new customers. We are constantly evolving and creating new products to suit market demands and varied farming practices. Our contributions, be it in the

form of high quality innovative products, services and customer centric initiatives, reaffirms our commitment to continuously enhance India's agricultural productivity and our relationship with the farmer.

The Railway Equipment Division has grown by 24% over last year and is well

positioned to capture the growth opportunities arising from the modernization initiatives of Indian Railways. The Construction Equipment Business has also been recording a year-on-year growth. We have chalked out an ambitious growth plan which is driven by new product introductions and market expansion strategies.

By building structures for collaborations across functions, empowering employees to offer faster and better customer solutions and continuous evaluation of our systems and processes, we are well on our way to achieving best in class practices in our operations. As we march ahead, our long-term business approach will be to improve manufacturing efficiencies by eliminating defects, enhancing processes and creating a proactive work environment.

At the heart of this success has been the drive to continuously improve. I'm overwhelmed by the sheer enthusiasm of the employees who have come forward to sketch the growth story for Escorts.

The effort to transform ourselves has made us far more focused. Today, we are nimble, constantly evolving, and innovating. This, we believe is just the beginning as we move ahead full force to further accelerate our efforts to build a still stronger Escorts.

Thank you
Rajan Nanda

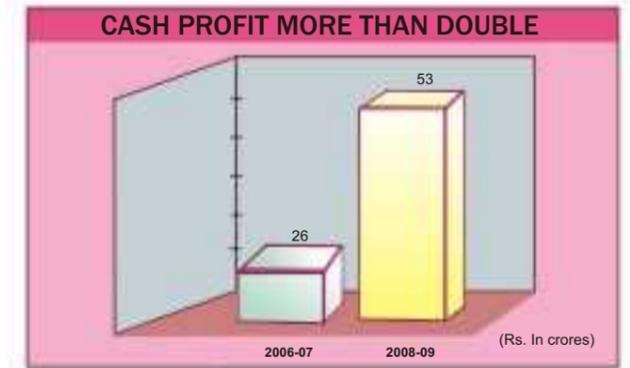
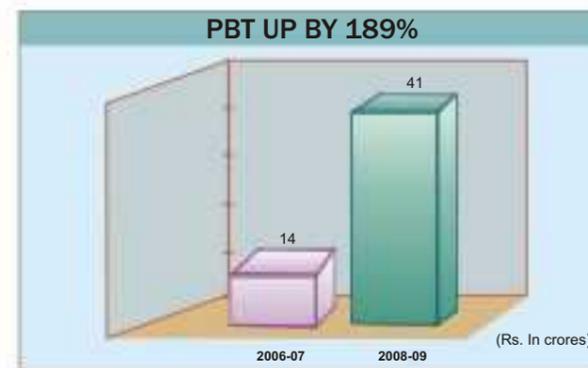
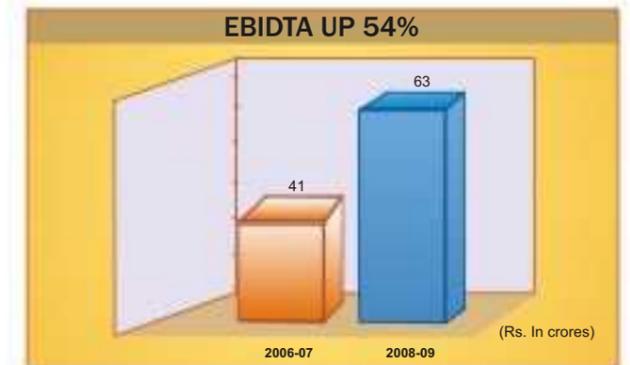
At a time when industry and business the world over is challenged by tough economic conditions, Escorts has demonstrated that even in tough times a relentless effort on fundamentals of cost, product quality, operational efficiencies, and a culture shift in driving business value can deliver profits.

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Powering Growth, Yeilding Profits

- Quarter Net Sales at Rs 582 crore; Year on Year growth of 10%
- Quarter Profit Before Tax (PBT) up by 189% at Rs 41 crore
- EBIDTA for the Quarter increases by 54% to Rs 63 crore
- EBIDTA margins up at 10.9% from 7.8%



Escorts Limited has showcased a Net Profit of Rs.22 crore for the third quarter of the fiscal ending June 30, 2009, a 139% increase over Rs. 9 crore registered for the corresponding period of last fiscal. Quarter sales grew 10% to Rs. 582 crore as against Rs. 527 crore registered in corresponding period in last fiscal.

Addressing the Board, Chairman and Managing Director Mr Rajan Nanda said "The transformation underway at Escorts has now begun to manifest itself in a sustained manner in the quarter results. The Quarter performance underlines the

inherent strength of our businesses to grow even in challenging economic environment. The Agri Machinery Division continues to improve its profitability. Despite a sluggish market, Agri Machinery Division increased its market share by growing faster than the tractor industry. Leveraging its technological strengths, Escorts is enriching its product mix through introduction of global quality higher horse power tractors that are marked and mapped to applications. The new products launched recently address more segments and agro-climatic zones."

Mr Nikhil Nanda, Joint Managing Director said, "We are building a high-performance culture at Escorts and efficiency is a key focus. On the operational front, cost rationalization initiatives have led to the EBIDTA margins moving up to double-digit figure of 10.9%. We have further improved our material to sales ratios in this quarter. The term debts requirements have been reduced through better management of working capital and faster turnaround of inventory. This has resulted in finance charges being lower by 32% from Rs. 14.6 crore to Rs 9.9 crore."

ECEL ties up with Zoomlion

Brings world-class Truck Cranes and All Terrain Cranes to India



L to R: Mr. Nikhil Nanda-Joint Managing Director Escorts Group, Mr. Rajan Nanda-Chairman Escorts Group, Mr. Xiong Yanning-Vice President, Zoomlion Group and Mr. Martin Xuping-GM, Zoomlion Cranes India

In July 2009, Escorts Construction Equipment Ltd. (ECEL), the Construction Equipment and Material Handling Equipment manufacturing arm of Escorts signed an agreement with, Hunan Zoomlion International Trade Co. Ltd., China, the world's top 10 mobile crane manufacturer and part of the US \$ 4 billion Zoomlion Group, for marketing a wide range of Truck Cranes and All-Terrain Truck Cranes in India. Escorts will market Zoomlion's range of

Truck Cranes which includes 12T-150T and All-Terrain Truck Cranes which includes 180T-350T.

Currently, ECEL has a wide variety of Pick-n-Carry cranes 5T-23T, Rough Terrain Slew Cranes 17T-40T under its Crane Product portfolio.

The launch of these truck cranes and All-Terrain truck cranes are further expected to complement ECEL's existing range of Material Handling equipment solution and hope to cater to large construction companies, engaged in infrastructural development.

The truck and all terrain Cranes are high-performance and high-reliable products which combine many

years' of manufacturing experience and advanced international technologies for meeting the market demands. These Cranes integrate mechanical system, electrical system and hydraulic system into a whole and provide good control performance, excellent jogging performance, large lifting capacity and super lifting height, so it can be applied in many fields for economic construction.



Annual General Meeting

The 63rd Annual General Meeting of Escorts Limited was held at Panchkula, Haryana. Addressing the shareholders, Chairman Mr. Rajan Nanda said 'the Performance in 2007-08 amidst a very challenging market conditions is the result of commitment and professionalism of the people at Escorts'. He also said that 'the Company has taken many steps during 07-08 in developing new products, new customers and new markets; on the strength of these initiatives we are confident of increasing our sales significantly'.



Escorts Research on Biodiesel gets International acclaim

Well known International Journal "FUEL" published the Joint Paper by Escorts and IIT Delhi on Biodiesel studies on Tractor Engine. Escorts R & D Centre & Indian Institute of Technology, Delhi's joint research titled *Comparative Evaluation of Performance and Emission characteristics of Jatropha, Karanja & Polanga based biodiesel as fuel in a Tractor Engine* details research on substitute fuel for different engine speeds at various operating conditions. Biofuel is the answer to future fuel needs. A significant reduction in smoke for all the biodiesel and their blends when compared with diesel has been proven through research.

After sales service camps for international customers

For its international customers, Escorts AMG recently organised free after sales service camps, workshops and training sessions. These camps were held in Bangladesh, Ghana, Tanzania, Sudan and Poland for 7-10 days each with the help of our dealers in each country.

Escorts to help the Govt. of Malawi build road network



In a new tie up, the compactors produced by the construction division of Escorts will be used in

developing a modern and international level road network in the south-eastern country of Africa. The Tandem Compactors of Escorts Construction Equipment Ltd (ECEL). have already been commissioned in Malawi. ECEL also provided training to 25 operators who would be handling these compactors.

Mega Service Camp for Crane operators

To train customers on safe usage of Pick 'n' Carry cranes, Escorts Construction Equipment Ltd. organised a Mega Summer Service Camp in Hyderabad. As an effort towards total customer satisfaction, operators were given training on air cleaner elements, cleaning and service tips on maintaining machines. ECEL will conduct one training camp every quarter in each dealer territory.

Powering ahead into EU market



Escorts Farmtrac 685DT and 690DT tractors has been granted EC-type approval for marketing its tractors across the EU. The two new higher hp models were introduced earlier this year by Farmtrac Tractors Europe Sp. Z.o.o - Farmtrac 685DT (60.5 KW/ 82 hp) and Farmtrac 690DT (64.5 KW/ 88 hp). These tractors are designed to incorporate efficiency with cost effective technical solutions, while offering a perfect blend of ruggedness, reliability and styling at most competitive prices.

Escorts Farmtrac 685DT and 690DT will cater to wide range of requirements across European continent for farmers with mid range agricultural farms and companies with wide variety of needs from transport to ploughing. The balanced power-to-weight ratio makes it one of the best tractors for general field work, PTO and transport applications. These tractors were launched in the 15th AgroTech International Agricultural technology Fair in Kielce Poland in March 2009.

The main features of Farmtrac 685DT and 690DT are :

- Original 4-cylinder Perkins engine 1104D-44T meeting the European and American emission norms of Stage-III A and Tier III standards respectively.

- Independent and ground speed 540 and 540E to use a variety of implements.
- The 40 kmph tractor with 24/24 synchromesh gear box with shuttle and reduction unit gives wide range of speeds to be achieved from 12 kmph to 39 kmph.
- Hydraulic pumps capacity 50 l/min, Cat. 2 three-point linkage and the power lift provides position, draft, intermix and float control functions, while ensuring a maximum lifting capacity of 3100 kg.
- Equipped with comfort cabin and Air Conditioning makes driving a pleasure with low fatigue.



VISITS



His Excellency Ambassador of Benin visits Escorts tractor plant.



Industrial Minister of Thailand explores business possibilities with Escorts



Representatives of Govt of Tanzania visit Escorts Agri Machinery Plant

Committed To Excellence

Refocusing manufacturing to make Escorts the preferred choice of Customer

In its quest for Excellence, Escorts Agri Machinery Group (AMG) began the journey of revamping its manufacturing operations in Jan, 2009 with an aim to meet continually rising expectations of the Customer.

The manufacturing excellence drive is all about factoring excellence in Processes, People, Plant/ Production and Partners' to achieve Product Excellence. In this endeavor, we sharply focus on **delivering quality product manufactured Right First Time, in Right Quantity and delivered at Right Time** to meet market needs.

Employee Involvement Fuels Continuous Improvement

Thinking differently and working differently are the two mantras given by Mr. Shailendra Agarwal, Chief of Operations at AMG to his team. The message through each interaction and each communication focuses on promoting innovation in whatever work they are doing.

Many brains working together is always better than any one individual working in isolation, hence the need to establish a culture of collaboration. AMG have taken several steps in this direction to make



Teamwork an integral part of working through formation of cross functional teams for resolution of quality issues, teams for SCORE (Strategic Cost Reduction) initiatives and teams for daily shopfloor management.

At the shopfloor level, it is the Small Group Activity (SGA) kicked off in February, 09 which is making waves with formation of 16 teams of shopfloor operators, so far. These teams have

received in depth training in structured problem solving process and have shown tremendous enthusiasm in identifying and implementing improvement opportunities. These ideas have resulted in Quality improvement, cost saving, safety

improvement and workplace improvement which range from small design changes to foolproofing of processes. An inter Production Unit (PU) event, **"PU to PU SGA Muqabla (contest)"** saw teams from all PUs sharing improvements done by them in past few months. What was highly encouraging was the level of pride and enthusiasm which was visible while making presentations on improvements.

On the path to Quality Excellence

At the heart of Escorts operations is our focus on Quality and Service. The aim is to achieve **"First time right, all the time"**. A holistic approach being adopted for quality excellence has involved Dealers, suppliers as well as our own employees.

More than 100 dealers have visited plant as a part of a structured exercise to capture the Voice of Customer.

Organisational realignment has been done to provide ownership of quality to Manufacturing PU heads. Cross functional teams led by PU heads and consisting of members from Manufacturing, KMC, QA, Materials and Customer Service have carried out major improvements in the

areas of Engine, Transmission, Hydraulics and Tractor.

A strong review mechanism has helped improve response time at all levels, an example is monthly review of product quality by Chief of Operations and Chief of Technology

where progress on important quality improvement initiatives is critically monitored.

A process excellence initiative using FMEA (Failure Mode Effect and Analysis) tools has thrown up ideas so far for manufacturing process improvement.

With the objective of receiving on time supply of quality components, a dedicated Supplier up gradation team has started work on up gradation of 10 component suppliers with a long term plan to upgrade 74 suppliers.

Cost Excellence

Cost compression exercise taken through SCORE (Strategic Cost Reduction) project focused on two important costs in Manufacturing, viz., Material cost and Conversion cost. A



range of initiatives were deployed which included VA-VE (Value analysis and Value engineering), best practices in purchasing, zero base budgeting, alternate materials, inventory control and energy saving exercise.

Power and Fuel cost reduction have been achieved through reduction in shifts, reallocation of workforce and utilization of surplus manpower. Diesel control by burner efficiency improvements, repair & maintenance by low cost automation and alternate spares are among other steps taken.

In pursuit of Delivery Excellence

Escorts is committed to delivering products and services on time. There has been **100 % schedule adherence** on a

consistent basis. This has been achieved through supply chain efficiency and de-bottlenecking of critical components.

AMG has deployed **IT enabled Integrated planning process** for efficient supply chain management.



HIGHLIGHTS

Production Schedule Adherence - 100 %

Straight pass percentage at Tractor assembly improved by 12.5 %

Improvement ideas generated by Small Groups - 1545

Power generation set efficiency improved by 10.4 %

Power consumption reduced by 12 %

Heat treatment cycle time reduced by 25 %

Consumption of Tools reduced by 8 %

Productivity (Man-hours / Tractor) improved by 10.3 %

This planning process begins from the Territory Business Manager's forecast all



Building Passion for Reliability

Interview with Mr Rohtash Mal, ED & CEO
Escorts Agri Machinery Group

organization meets the profit expectations of the business. For any organization maximization of profit is about making sure customers are satisfied, and all efforts to do so are done very efficiently. It is therefore important for us to keep focus on cost management while not sacrificing quality or customer service

Q1: People involvement, Process Improvements and Cost Management have been your focus areas. How has the company evolved with this exercise?

A: Through Sankalp, a large scale engagement exercise conducted at AMG in February 2009, the need to focus on Teamwork, Customers, Quality and Cost was identified, and common goals to improve our situation on each of these counts were set.

'Small Group Activity' and 'Samridhhi' (Suggestion Scheme) are centered on involving people at the ground level in the process of improvement.

Under cost management, we are on our way on the 'SCORE' (Strategic Cost Reduction) project where cost on materials, conversion, overheads, products (through variant rationalization and value engineering) are being addressed.

Benefits that will accrue apart from bottom-line savings are of cost sensitivity, cost ownership, measurement systems & dashboards, project management skills, and indeed cross-functional team working. Once embedded in the organization, we shall well be on our way to use this as our competitive advantage.

Lastly, our journey on the BPMS (Business Process Management System) initiative is reinforcing our belief that processes are key in replicating successes and avoiding failures. In a proactive manner, this initiative has and will continue to help us change and improve the way we do things. It will bring transparency, responsibility and accountability in our system.

Q3: How does one go about getting support for process change efforts within their organization?

A: There needs to be a robust Governance Structure in place to manage any large scale operation like ours.

Constituents of this structure should conduct

review of all key performance indicators of each division, department, initiative and each key role in the organization.

Senior leadership should establish a constant communication process that ensures that the internal community is aware of the key business challenges and various initiatives in place to ensure business growth.

Thirdly, when you ignite minds of people to display passion and skills going beyond the current level into the domain of excellence, it is important that a reward and recognition mechanism is created and visibly put together, where high performers are duly recognized and non-performers are de-rewarded.

Q4. Meaningful process improvements often involve significant changes in the way people work. What are the top three keys to creating change that works for everyone involved?

A: The key to excellence in performance lies in igniting minds of people to innovate, that is, to allow them to dream, allow them to cultivate their skills.

Secondly, there needs to be role clarity not only amongst individuals but also between departments as to what are their specific individual tasks and roles, and what are their combined roles as a group.

The third key for culture creation is the acknowledgment that we all need to measure our own work and monitor it regularly. No better way to do this than creating simple but comprehensive dashboards which not only reflect our own performance, but also drive management actions where & when required.

Lastly, a cultural requirement is that people need to be brave about failing. As the saying goes "it is better to have loved and lost, than never to have loved at all". Likewise, for an organization, it is better that we try honestly, sincerely, and with integrity, and maybe sometime fail, rather not trying at all. There is a major difference between "first trying and then perhaps failing" and "failing to try". The latter is a dangerous one. The first is a positive one and for this the organization needs to develop in a very conscious calibrated and controlled manner the acceptance of such failure. Once the fear of this kind of failure is removed, professionals persistently strive to reach their goals, and in a majority of cases, they do achieve them and thus celebrate their professionalism.

Embracing the Learning Culture

Developing a learning culture is to adapt on a continual basis and constantly improve performance. Continuous learning is a strategic initiative at Escort, we are promoting the culture of learning across our companies through series of trainings, workshops, theme-based initiatives, intensive leadership development programmes, and technology driven accelerated learning solutions.

In the last six months alone, Escorts has conducted over 31 trainings covering 600 managers and over 1000 workmen across the Group.

Unleashing Learning Potential programmes was conducted across the Group to understand the importance of continuous learning, develop an insight into identifying core values and motivators and align individual development priorities to company goals.

Developing the leadership DNA focuses on spotting potential and growing them. As part of building leadership capacity, we train our executives to be successful leaders and learn effective communication/influencing skills.

To ensure the safety of workers at shop floor and motivating them to succeed by developing positive attitude and self-determination, worker from all three businesses of Escorts are given **training on Behavioural and Safety Norms**. Around 860 workers were taught different aspects of Behavioural skills like motivation, communication skills, team spirit and self-management. Under Safety 30 different types of trainings have been organised.

As part of the Management Development Programme, **Open House Sessions** are



conducted by senior professionals, to give employees an insight into our strategic and futuristic vision of the Company. Thirteen such sessions have been conducted since Jan 09 for senior executives.

Professional drive and commitment are imperative to success and to imbibe this culture **Running That**

Extra Mile Drive & Initiatives was organized. It aimed at exploring the hidden passion that enables one to make extra effort in accomplishing critical and difficult tasks. Group discussions were on motivation, causes of de-motivation, how to energize ourselves, how to pursue high standards and focus on meaningful results to make that "extra effort".

Escorts constantly builds the culture of Team Work through **team building exercises** across all levels to understand importance of achieving organizational goals as a team, resolve conflicts, improve cross-functional working, and value the power of communication.

Finance for Non-finance, Writing Job Descriptions, Know Your Company sessions, etc are other trainings conducted. Management films like **Lessons in Excellence** by Dr. Sumantra Ghoshal's, GDs, quiz, case studies and questionnaires are used to make learning interesting. **Small Group Meetings** are organized to get feedback on the various learning programmes.



Learning to survive recession

Strong management and union bonds are vital for organizational success. To give a thrust on the crucial role of the Union, Agri Machinery Division of Escorts organized a 2-day workshop on "The role of Trade Unions in the period of recession/competitive environment" aimed at helping people embrace team building, KAIZEN, multi-skilling, stress handling, positive attitude and discipline.

The workshop was inaugurated by the ED & CEO of the AMG, Mr. Rohtash Mal. The workshop was attended by 17 union leaders and senior executives. Addressing the union leaders, Mr. Mal said that "Workers and Management are the one and the same and the entire unit should work together just like the different organs of our body".

AMG COO Mr. Shailendra Agarwal shared his views regarding Preventive Quality and Effective Leadership while emphasizing upon increasing the market share of our products. Mr. Sunil Gupta, VP Manufacturing ECEL stressed upon implementing the learning for accepting bigger challenges.

Escorts has been able to build a learning organization with motivated and committed workforce, who appreciate the investment that is being made in them. This self-sustaining culture will soon produce more energy than it consumes.

Bonding with the Farmer

Escorts engages with over 1,00,000 farmers across India



Andhra Pradesh, Maharashtra, Gujarat, Tamil Nadu, Chattisgarh, Rajasthan, Madhya Pradesh and Karnataka.

More than 300 Customer Meets were organized across the country where approximately 30,000 customers were informed about the initiatives of the Utsav, 550 tractors were delivered during these Meets.

A first-of-its-kind customer-focused initiative, Jai Kisan Utsav, for the Indian farming community targeting over 1,00,000 Indian villages was organized by Escorts across 14 states in India. Offering a host of benefits, ranging from insurance schemes, exchange programs, free service camps to special discounts, to farmers across the country, the Utsav aimed to serve most of the needs of our customers. 'Bachat, Sewa and Raksha' (Great Savings, Thoughtful Service and Solid Protection), the foremost values for any customer, with an added bonus of 'Inaam' (Gifts/Reward), are among the various initiatives under the Utsav.

The two-months long campaign reached out to famers across the states of Punjab, Haryana, Jharkand, West Bengal, Bihar,

Over 450 Service Camps were conducted across the country where free service was offered.

Nearly Rs. 85 lakhs worth of parts and lubricants were sold during these service camps. Many Exchange Melas too were conducted where 325 tractors were exchanged.



Motivating Dealers was crucial to the success of this campaign. To create higher levels of energy and enthusiasm, the Escorts Premier League (EPL) was launched. Teams for each region were identified. EPL was inaugurated by Mr Rohtash Mal, ED & CEO Agri Machinery Group in a unique style by playing cricket bringing fun, energy and commitment.

Teams were named Central Maharajas, Northern Shahenshas, Western Veers, Southern Sultans, Eastern Badshahs, Andhra Nizams, and UP Nawabs. Dealer Meets were organized to engage dealers, motivate them and learn from them about customer needs and inform them about product details and the Utsav offers.

The 'Jai Kisan Utsav' will go a long way in reaffirming our commitment to enhance India's agricultural productivity and our relationship with the farmer.



Steering the course of the nation

Harnessing Dealer Experience



suggestions related to New Product requirements, Product features/ Small design improvements and addressing Quality problems. Over a 100 Dealers from Punjab, Haryana, UP-East & West, Rajasthan, Madhya Pradesh and Chattisgarh have already visited AMG to see the actual application of their feedback.

Escorts Construction Equipment Limited (ECEL) too works with its Dealers' closely to get a market overview, customer needs and responses. In a recently conducted feedback, one of ECEL's valued Gujarat based Dealer, Yellow Line Engineering Services Pvt Ltd (YLES) shared his views on Escorts and its products.

Giving his feedback Mr. Bhushan Khadilkar from YLES said 'Seeing the Escorts business growing and with government thrust on infrastructure we are committed to Escorts and intend to give a

great emphasis to Escorts in our business over the next few years. YLES is confident that Escorts will definitely achieve 10-15 % market share in the coming year. Mr Khadilkar emphasized that with new product launches by Escorts YLES will be able to create markets in increasing the equipment base.

To better understand the Auto Suspension After Market, **Escorts Auto Suspension Division** organized Dealer Meets for its leading and prominent dealers from North India and Maharashtra.

All dealers shared their experience about Escorts products and efficient After Market moves. They were presented with the Company's Vision and ASP's growth plan for suspension products and auto e - parts.

A "Replenishment Model on Supplies" too was introduced which is designed to maintain minimum inventory vis-à-vis minimum fund block, a concept fully endorsed by all dealers.



Escorts has been one of the greatest ally in the country's growth and has forever imbedded its name in the lexicon of the nations transformation.

With principles based on sound philosophy, by introducing new world class products, practicing globally accepted best manufacturing practices and using modern technology, Escorts has helped India steer towards the path of unprecedented growth and development.



ESCORTS
New ideas. New endeavours