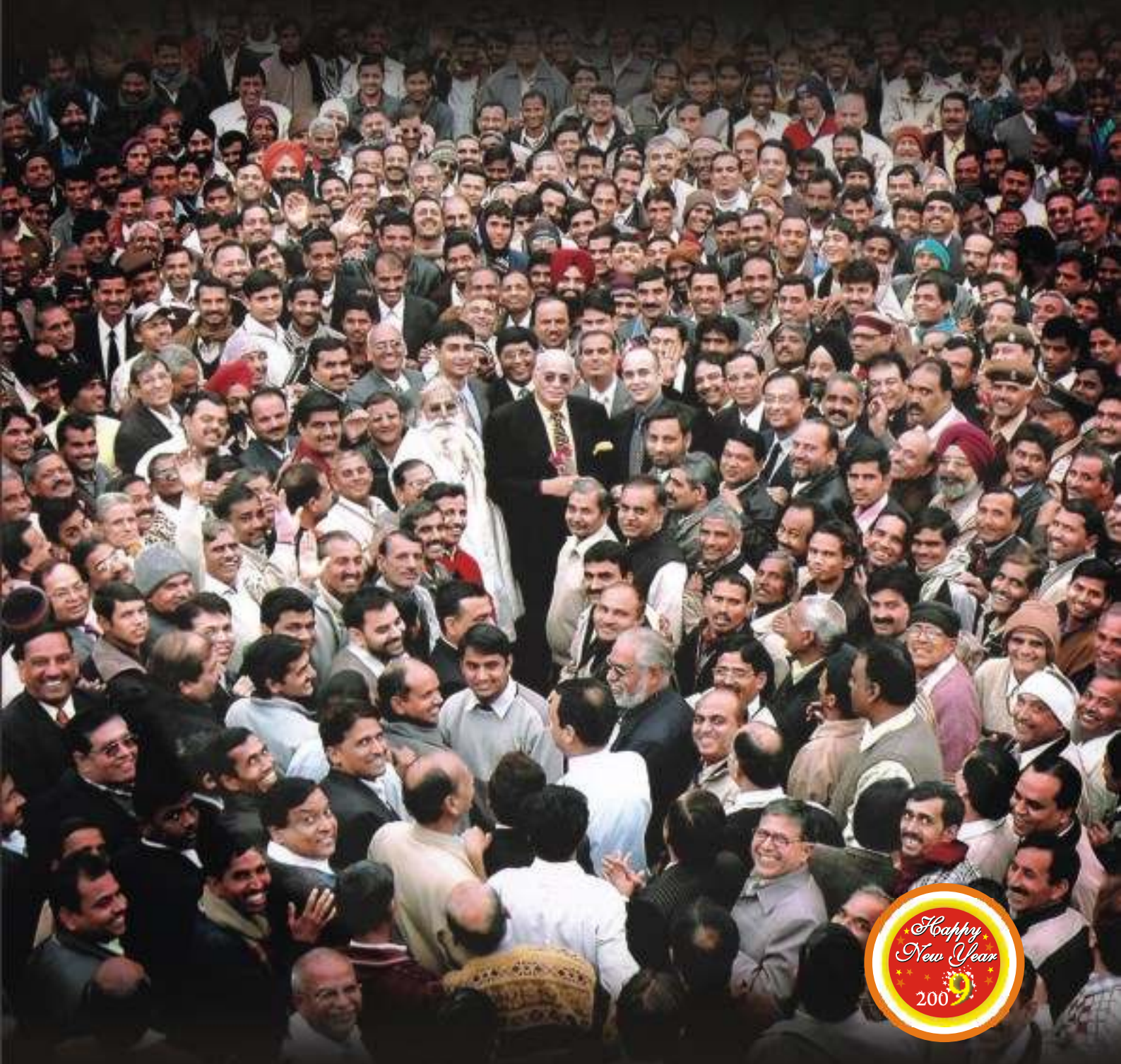


Vol. 7, Jan 2009

World *of* ESCORTS

THE ESCORTS GROUP COMMUNIQUE



TEAM ESCORTS

SHAPING THE FUTURE

Season's Greetings



We would like to convey our appreciation to all, for the cultural change which is taking effect in the company. The combined efforts of the entire organization, to build a robust performance management system, which in turn is leading to better economic management, is resulting in reducing costs and wasteful expenditure.

This cost rationalization, coupled with structural re-organization and improving operational efficiencies is yielding positive results, in an industry which is indicating a slackened demand. Even so we will be better off on revenue earnings.

The 'Quality Push Mission' is vital to build products that are preferred by customers over competitors and this too is yielding dividends. The combined effect of enhanced economic management with a good product will make Escorts the fittest company in both good and bad times.

Together we are well on the path of making Escorts a lean and efficient organization, which will be ahead of the competition. Team Escorts aims to meet and achieve these goals – the power drive of our future.

Our warm wishes to you all and your families for a very bright and prosperous New Year.

Rajan Nanda
Chairman

Nikhil Nanda
Joint Managing Director

2008: A Chronicle of Growth

- ▶ **Fiscal FY08 EBITDA up 40 per cent**
- ▶ **Cash profit doubles to Rs 96.55 crore**
- ▶ **PBT up at Rs 45.54 crore after loss previous year**
- ▶ **Domestic sales ramps up through aggressive, revamped retail push**
- ▶ **Strong rural demand hobbled by slowdown in agri finance disbursal**

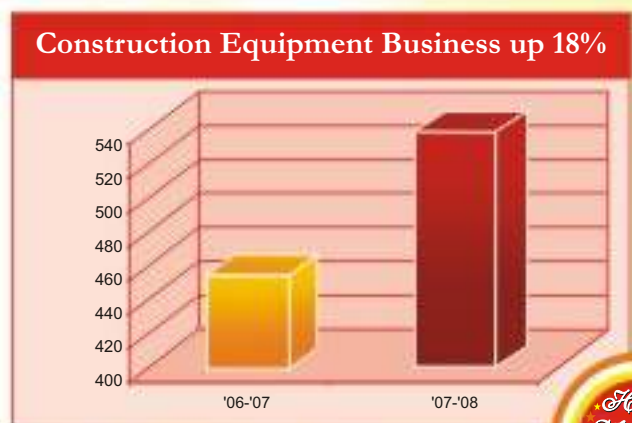
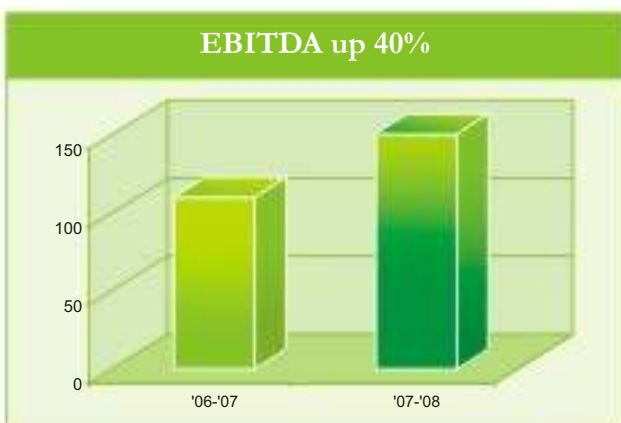
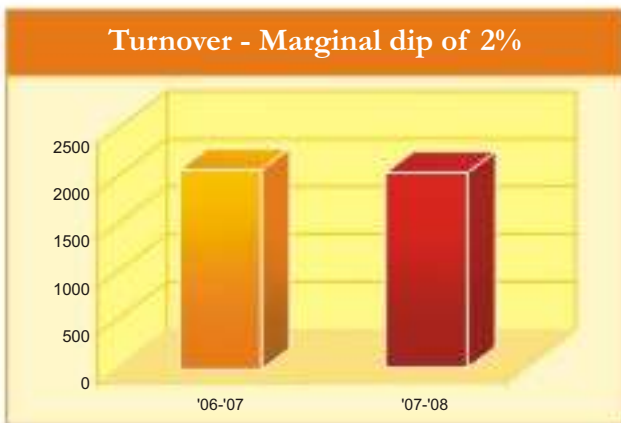
Escorts performance in the fiscal year Oct 07-Sep 08 is a reflection of strong economic management and aggressive revamping to efficiently manage the high inflation and constrained demand scenario. Escorts Ltd. profits rose to Rs. 11.87 crore in the financial year 2007-08 ending 30th September 2008.

The company recorded nearly 40% higher EBIDTA of Rs 152.48 crore as against Rs 109.50 crore in the previous

fiscal. Cash profit too, more than doubled at Rs 96.55 crore as against Rs 40.55 crore in the corresponding period. The turnover showed a marginal dip of 2% despite slowdown in market. Profit Before Tax (PBT) was also up at Rs 45.54 crore as against a loss in the previous fiscal.

The Railway Equipment Division witnessed significant domestic growth of nearly 24% over the previous fiscal, and touched 100% growth in exports. The Construction Equipment business showed a healthy growth of 18% at Rs. 536.58 crores from the previous level of Rs. 452.89 crores.

Despite industry slowdown in tractor sales, Escorts maintained its overall sales performance. Domestic sales demonstrated strong growth aided by the strengthening of its sales and marketing network. Escorts also captured incremental growth beyond the industrial volume of the market by adding niche products to its portfolio including Lighter axle rice plantation tractor for South India and Heavy duty large four wheel drive tractors.



The journey of cultural transformation

Change is an ongoing process and begins with personal transformation and building group cohesion. Escorts recognizes this and is on the journey of transformation - a continuous improvement culture - vital to its success.

Under prevailing market conditions, all Escorts businesses are committed to build a lean culture. Conservation of cash, cost optimization, efficiently managing line of credit, renegotiating with suppliers, improving operational efficiency, raising productivity and most of all working as cohesive team, are among the steps taken. With these initiatives, we have managed to reduce the strain on our cash resources by cutting inventories. Various quality improvement initiatives - Kaizen, 5 S, Suggestion Scheme, Quality mission - being actively implemented across businesses, is reforming the way we think and practice Quality. Energy saving, waste reduction, cost compression and improving business processes are also being pursued aggressively. This focus on lean culture is to bring continuous value to Escorts.

People form the 'brain power' of the Company and to ignite creativity and innovation, Escorts has embarked upon building a conducive environment where employees



can unleash their potential. Through a series of training sessions and facilitated discussions, including listening, leadership, and negotiating skills, Escorts is working on creating a positive change among its people. The focus of first series of training programs namely (i) Unleashing Learning Potential (ii) Running that Extra mile - drive & initiatives and (iii) Team Building, provides opportunities to the participants from across all businesses for learning through 'purposeful action',

experiencing the wonders of collaboration, moments of positive energy and indulgence in innovation, generating new ideas and out-of-the box thinking.

At Escorts, each employee is treated as an individual, recognized for their hard work and contribution they make to the organization. In a recently held Prize distribution ceremony of 100/100 Muqabla contest, team



members were awarded and rewarded for their contribution to continuous improvement of Quality and Cost. Deputy Commissioner of Faridabad, Shri Brijendra Singh, IAS, honored the event and gave away the prizes to the winners.

The prizes were for Quiz on Cost Awareness, Best Cost Saving Suggestion, Best Energy Saving Suggestion, Best Power House Trophy, Best Tool Room Trophy and Cost Theme - Champion Trophy.



Attended by team members from the plants, Union, management team, Faridabad government officials and employees from other businesses, the event was a huge success giving all employees encouragement and motivation to contribute.

Escorts at Agro Tech 2008

Escorts launched its unique four cylinder tractor PT 4455 at the premier biennial agricultural fair AGRO TECH 2008 held in Chandigarh. Positioned as an international level agri business fair, Agro Tech is the only Intergrated Agri show in India. The fair showcased the latest and most effective agricultural trends, practiced worldwide. Apart from 204 domestic participants, the fair had representation from Italy, Germany, Canada, Spain, UK, Japan and the Netherlands.



New Products

Escorts unveils a Versatile 4

Escorts has launched its new offering POWERTRAC 4455 (also PT 4455) for the Punjab market, which marks the company's entry into the four cylinder tractor segment. PT 4455 is positioned as India's No 1 economy tractor in the 55HP category and is ideal for all types of agriculture and non-farm applications. It is the first four cylinder 50 hp Engine tractor from Escorts with one of the most fuel efficient Engines in its category. The PT 4455 was unveiled at India's Premier Biennial Agro Technology Fair AGRO TECH 2008 at Chandigarh in November 2008.

To ensure a quality product, Escorts R&D center recognized by Department of Scientific & Industrial Research, Ministry of Science & Technology, Govt. of India, commercialized the Euro Stage III A compliant Indigenous engine tractor series for Europe and undertook reliability validation before seeking customer feedback. Virtual Validations are deployed using contemporary technologies and followed up with exhaustive Torture Track reliability load cycle.



FT 680 DT
(74 hp FT 4
cylinder Engine
with 12+12, 30
kmph Carraro
Transmission)
scheduled for
launch in
Europe in 2009



Escorts 4 Cylinder
TCI Euro Stage
IIIA Engine



and Ventures -cylinder Tractor – PT 4455

POWERTRAC 4455 offers a unique combination of 'HIGH PRODUCTIVITY – FUEL EFFICIENCY' for farmers. The product has been especially designed keeping in mind the increased proliferation of tractor usage in Punjab and Haryana for specialized applications and heavy-duty implements & attachments



- ▶ Powertrac 4455 marks the company's entry in the 4 - cylinder tractor segment
- ▶ PT 4455 - India's No. 1 Economy Tractor
- ▶ Best 'Productivity - Economy Combo' tractor with high end features

In The News!



Before the launch, a pilot lot of 21 tractors were given to customers for all the major applications during different seasons. Customers, thus, gave us detailed feedback on the PT 4455 and various aspects of the product. One of our valuable customer's, Mr. Shamsher Singh from village Kotbhai, Kotha Dashmesh Nagar, Muksar in Punjab said "After buying PT 4455 Tractor, I have saved 500 Ltrs of Diesel in one season, it is the most fuel efficient tractor".

Hindustan Times, Financial World, Business Standard, Dainik Jagran, Desh Pyar etc. are few of the many publications, which extensively covered this launch



New Products

Escorts unveils a Versatile 4-cylinder Tractor – PT 4455

The PT 4455 is a highly and can be a great asset to entrepreneurs, t h e be it the



PT 4455 on Dozer Application

versatile offering farmers and across country, prosperous farmers of Punjab/Haryana, the black cotton soils of Maharashtra or heavy duty non-farm applications like the loader, dozer etc.



PT 4455 with Loader and Back Hoe

Environment friendly product FT60 Bio diesel Tractor & Laser Leveler display at Agrotech '08



FT60 Bio diesel Tractor



Laser Leveler

Engineering Division & its Expanding Horizons

The Auto Suspension Division (ASP) and Railway Equipments Division (RED) – both wings of the Engineering Division of Escorts are developing several new products and expanding their product range for domestic as well as international market. Last month, ASP bagged an order worth 14 crores for supplying shock

absorbers to SAF Holland, a German company known for designing, manufacturing and distributing quality components to transportation industry. ASP would supply shock absorbers for the heavy duty vehicles.

During the year 07-08 Indian Railways grew by approximately 10% which gave the Railway Business of

and Ventures

Escorts a significant growth in its business of Air brake, Brake blocks, Shock absorbers, Couplers etc. and as a result of this RED business has grown by 24% over last year, while export business grew by 100%.

Railway Division has been expanding its business by tapping every possible opportunity being offered by modernisation of India Railways. Indian Railway has embarked upon many ambitious projects of environmental protection and one of them is introduction of Bio-Degradable toilets in passenger coaches. In order to become a partner in this corporate social responsibility of environmental protection, we initiated a new business proposal & signed TOT (Transfer of Technology) with DRDO for Bio-Degradable Toilets, which will go in commercial production in 2008-09 for Indian Railways. Escorts will

be manufacturing bio-degradable toilets to prevent dumping wastes on tracks.

Modern - fastening clips (REX) and Air Suspension brakes are among the two new products RED is manufacturing.

Modern - fastening clip is a product solution for Indian Railways as they move away from meter gauge to broad gauge to expand frequency. Air Suspension, a modern technology for high-speed trains, is fast replacing hydraulic suspension and is a component for future as it ensures more comfort and durability.



ECEL launches new TRX Cranes

As a consolidation on global leadership status in Pick-n-Carry Cranes, Escorts Construction Equipment Ltd (ECEL) recently launched TRX 2319, the world's largest articulated Pick and Carry Crane, an offering in the range of 22-25 Tonne Capacity. It has been packaged with scores of features that makes it suitable for many applications, including heavy duty (and higher height) erection at Mega Projects, capability to travel long distance for intercity movement as well as compactness.



State-of-the-art manufacturing facility of ECEL fully operational

As one of the major milestones in its transformation journey, ECEL has just moved into its state-of-the-art and intelligent manufacturing & assembly facility in Ballabgarh, Faridabad which spans a covered area of over 250,000 sq ft, spread over 15 acres land. This factory is equipped with contemporary capabilities and processes, to facilitate a three-time increase in its production to 14000 for its existing as well as new, high quality products.



Visits

Escorts Tractors to enable Green Revolution in Madagascar



Escorts will play a key role in the development of farming and farm mechanization in Madagascar. The first signs of Green Revolution in Madagascar will be apparent as 421

tractors from Escorts will reach its farmers. This has been made possible as the Agriculture Minister of Madagascar signed an agreement with Escorts Agri Machinery Group for exporting tractors, a deal that has earned Escorts the highest ever single letter of credit (LC) in its history. It is also one of the biggest deals signed for exporting tractors to Madagascar by any tractor manufacturer in India. Escorts is the only company to earn a deal directly from Export-Import (EXIM) India.

Inventors of REX-LOK visit Escorts

REX-LOK team from South Australia visited Escorts in Nov '08 for a technical evaluation & possibility to revive the product for Indian Railways and export market.



The MD of REX-LOK and inventor of the system, Mr. Robert Rex and his engineers visited the track at District Kurukshetra along with RED team, where the modern clips are being fastened on tracks for trial. Escorts is equipping its current facility to manufacture this product. Escorts has received a Pilot order from Australia for 4000 clips which would be shipped in January 2009.

New Appointment



Mr. Shailendra Agrawal - Chief of Operations, Agri Machinery Group

Mr. Agrawal has joined Escorts AMG as Chief of Operations. He has over 26 years of experience in the Automobile/Engineering industry and has worked with leading companies including Tata Motors, Bombardier-Rotax, Hero Honda, LG, GM and BMW. He has experience in Quality Assurance, Business Process Reengineering, Strategic Sourcing, Procurement and Planning. Prior to joining Escorts, Mr. Agrawal was with Hero Motors for 3 years as President and COO where he led the turnaround of the company in a short period of time, delivered highly profitable growth through cost efficiencies, quality excellence and global business development.

Mr. Agrawal is responsible for managing the supply chain functions covering all areas within Materials, Supplier Quality, Manufacturing Operations, Manufacturing Excellence and Product Quality at AMG.



Super productive performers with long service life.

From Escorts Construction Equipment's alliances with world leaders, Doosan and Heli, comes the widest range of Forklifts. Allowing you to select the right fit for your application and budget. You benefit with...

- Technology from Doosan and Heli, among the world's top 10 in forklifts.
- Performance that is economical, efficient and Euro II compliant.

The world-class performance is backed by Escorts Construction Equipment's unmatched customer service network of 88 support locations spread throughout the country.



PRO 5-30



CP-30



CP-30



On to bigger dreams

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We at Escorts are eagerly looking forward to your valuable inputs.

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