

## ESCORTS LIMITED

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### DIRECTORS' REPORT

Your Directors present the Fifty-eighth Annual Report of your Company together with the Audited Statements of Accounts for the year ended on March 31, 2003.

### FINANCIAL RESULTS

		(Rs. Crores)
	Year ended 31st March, 2003	Year ended 31st March, 2002
<b>INCOME &amp; PROFITS</b>		
Net Sales & Other Income	998.11	1161.85
Profit before Interest, Depreciation & Amortisation	146.84	113.68
Profit before Tax	22.26	5.01
Profit after Tax	24.04	8.13
<b>DIVIDENDS</b>		
Provision for Dividend	7.22	7.22
Dividend Tax	0.93	—
<b>SHAREHOLDERS' FUNDS</b>		
Share Capital	72.23	72.23
Reserves & Surplus	843.68	835.34
<b>Total</b>	<b>915.91</b>	<b>907.57</b>

### DIVIDEND

The Directors are pleased to recommend a payment of dividend of Re. 1/- per share on the share capital of Rs. 72.23 crores for the year ended on 31st March, 2003. This will entail an outflow of Rs. 7.22 crores. Additionally, an amount of Rs. 0.93 crore is payable as Dividend Tax.





## MANAGEMENT DISCUSSION AND ANALYSIS

### 1. AGRI MACHINERY BUSINESS

#### a) Industry Structure and Developments

The Indian tractor industry has been growing at an annual growth rate of 8% over the last three decades and had reached a level of 2.70 lacs tractors in the year 1999-2000, the largest in the world. However, over the last three years, tractor wholesales have declined by 37%. The main contributing factors for this decline are:

- **Poor Monsoons** : One of the key factors adversely influencing tractor demand has been “below normal” monsoons in the last three years. The 2002 southwest monsoon failure was particularly severe resulting in one of the four worst droughts of the century.
- **Lower Farm Incomes** : Lower overall production resulted in lower farm incomes. Food grain production declined by 13.6%, oilseeds by 22.7%, cotton by 15.1% and sugarcane by 6.9%. Depressed procurement and farm produce prices on account of surplus food grains stocks impacted rural incomes adversely and discouraged buying of heavy investment items such as tractors.

The promising growth of the industry over the last three decades has also resulted in many new entrants including all the major multinational players. The Industry now consists of 14 manufacturers with an aggregate installed capacity of approximately 4.50 lac tractors. The decline in Industry volumes over the last three years has resulted in a below 50% capacity utilisation and severe cut-throat competition. One of the most significant developments over the last three years has been the extending of credit by dealers to its customers, which in turn resulted in a sharp increase in receivables of manufacturers.

The Industry is segmented by Horse Power of which the 30-40 HP segment is the most popular, due to small and fragmented land holdings. Geographically, Northern India (Punjab, Haryana, Uttar Pradesh and Rajasthan) accounts for about 50% of total tractor sales. Escorts enjoys a greater market share in this geographical segment, which accounts for about 60% of its total annual sales.

#### b) Performance

Against the steep decline in the industry during the financial year 2002-03 Escorts consciously decided to aggressively reduce dealers' pipeline inventories by approximately 8,500 tractors resulting in reduction in receivables by about Rs. 200 crores. Despite loss of some retail sales which would inevitably result from such a sharp reduction in dealer's inventory, Escorts managed to increase its market share at the retail level in various states. However, at the wholesales level Escorts sold 21,011 tractors against last year's 38,016 tractors.

The Company exported 1,653 tractors during 2002-03 as against 1,419 tractors in the previous year. We have large back orders and are confident of doubling our exports turnover in the current year.

#### c) Initiatives

- **Re-engineering** : With a view to improving efficiencies and reducing costs, after re-engineering the manufacturing plants and bringing them to international standards of quality, the Company followed it up by implementing the new ERP “Oracle” Software, under the aegis of Project PRAGATI, which extended “Re-engineering” into the Indirect areas. The implementation of the Oracle E-business suite, is expected to bring about further improvements in productivity, manpower rationalisation, improvement in the processes and further reduction in costs.
- **Product Development** : In a state-of-the-art R&D Centre, your Company has maintained its focus on improvement of processes as well as product development. Your Company has the most comprehensive product range in the Industry. We have three brands and 14 models to cater to every segment in the market place. The ‘Escort’ range is renowned for its ruggedness and reliability. The ‘Powertrac’ series has high fuel economy whereas the ‘Farmtrac’ series is associated with Premium, Power (high output per hour) and Prestige. In addition we have a significant number of variants of each model to cater to the specific requirements of particular markets. Your Company is also poised to launch region-specific models for the Southern markets as well as for the Haulage applications in the 20-25 HP range segments in Northern region.
- **Marketing** : Several new initiatives have been adopted by your Company to increase market share in an otherwise stagnant market :
  - A unique marketing initiative was taken to promote “Brands”. For the first time in the industry, celebrities including Mr. Amitabh Bachchan and Mr. Sunny Deol were selected as Brand Ambassadors.
  - New Initiatives in terms of a new and improved product range, brand building campaigns and grass-root level marketing initiatives are expected to herald a revolutionary change in approach in the Industry.
  - The E335 “JOSH”, the FT35 “CHAMPION” and FT30 “HERO” Campaigns rolled out from October 2002 onwards.
  - Marketing Strategy Initiative – MISSILE (Mission Leadership) is aimed at introducing very focussed, and result oriented marketing initiatives at the Village Level optimising resources. We have already implemented the project at 150 Dealerships and expect to implement it in the remaining dealerships by the end of this financial year.



- Project AGNI is aimed at improving Dealers' Performance through a "Balanced Score Card" which measures Dealers' Performance on a wide range of parameters and is expected to enhance the quality of Management Systems operating at the Dealership level.

### d) Industry Outlook

The correction of high dealers' inventory and credit outstanding from its customers is likely to restrict current year Industry (2003-04) to the previous year levels. However, at the retail level it is felt that the Industry has bottomed out and will increase subject to a satisfactory monsoon.

In the medium to long term however, the Company is extremely bullish on the agricultural sector. The growing and increasing population will inevitably result in a growing demand for food grains and other Agri products. Against a current demand of food grains of 200 million tons, estimated demand by the years 2010 and 2020 is 270 million and 340 million tonnes respectively. Apart from the requirement of Irrigation, HYV seeds, biotechnology and fertilisers, this will require substantial step up in farm mechanisation. It is estimated that the country requires a population of around seven million tractors as against under three million at the present. At that level the replacement annual demand itself is likely to be in the region of 3,50,000 to 3,75,000 tractors.

We therefore believe that the current downtrend is purely transitory in nature and your Company is fully geared to meet these challenges through continuous investment in product development as well as focussed and aggressive marketing initiatives.

## 2. AUTO SUSPENSION PRODUCTS BUSINESS

The Auto Suspension Products Business posted a record gross turnover of over Rs.123.31 crores during the year 2002-03 reflecting a growth of 45% over the previous year.

Despite continuing pressure from price concessions to OEMs and price war in the replacement market, profitability increased substantially as a result of strategic cost reduction, enhanced productivity and economies of scale.

## 3. RAILWAY EQUIPMENT BUSINESS

The gross turnover of Railway Equipment Business increased by 65% to a record level of Rs. 95.75 crores, with more than commensurate increase in profits.

The year saw major breakthroughs in export markets as well as consolidation of the Company's share in Brake Block business with Indian Railways. Commissioning of the REXLOK Fasteners' fully automated plant heralded entry of the Company into the export oriented business of fastening systems and is expected to generate significant contribution in the near future.

The Railway Equipment Business of the Company is expected to further improve upon the performance in the coming years on all operational & financial parameters.

## 4. FINANCIAL PERFORMANCE

Despite the persisting recessionary conditions in the Indian tractor industry, the Company embarked upon a major drive to reduce the channel stocks of tractors with the dealers during the year. This has helped the Company reduce its working capital requirements and its current liabilities in a very significant way. However, wholesale volumes of tractors for the year have been impacted resulting into a lower net sales of the Company Rs. 767.92 crores against Rs. 1081.03 crores in the previous year. This loss of sales has been more than compensated by increase in the income from investments recorded at Rs. 273.14 crores, which is substantially higher than the previous year's figure of Rs. 58.24 crores.

Personnel cost is higher than last year mainly due to provision for an additional liability to meet deficit in the Superannuation Fund of the Company which has arisen on account of declining interest earnings of the fund and increase in the cost of annuities. Selling expenses are higher than last year due to higher spend on advertisement and sales promotion activities.

As a result of all the above, the Company earned a profit before tax of Rs. 22.26 crores for the year ended on 31st March, 2003 against Rs. 5.01 crores in the previous year. Profit after tax was also higher at Rs. 24.04 crores as against Rs. 8.13 crores in the previous year.

## 5. HUMAN RESOURCES/INDUSTRIAL RELATIONS

The industrial relations with the workers and staff of the Company have remained harmonious and peaceful during the period under review. The Workers Union and workmen have exhibited maturity and understanding of the current financial position of the Company and have agreed to the deferment of consideration of their charter of demands.

## 6. RISKS AND CONCERNS

The major risks associated with this Industry are adequacy of monsoons since 70% of land sowing is dependent on rainfall, Credit availability (almost 90% of tractor sales are funded by credit) and change in policies by the Government with regard to procurement of food stocks particularly grains. However, given the increasing recognition of the agricultural sector not only because of the fact that





it accounts for almost a quarter of the GDP and employs over 60% of the population but also because of the fact that a high growth rate in the agricultural sector is imperative to sustain a high growth rate of the Indian economy, we do not foresee any problems with regard to both Credit Availability and Procurement policies in the near future.

## 7. OPPORTUNITIES AND THREATS

The growing domestic demand of Food grains and Agri products promises a very good future for Escorts Core business. We believe that India can be a major exporter of grains and other Agri products and increased demand both Domestic and Exports will call for increased yields, which besides other key inputs will result in increased Farm mechanisation. Tractor density as well as the HP input per hectare is extremely low relative to international standards. We therefore believe that there is large scope of expansion of the Industry. However, the last decade has seen a very large number of increase in tractor manufacturers and therefore consolidation in the Industry appears inevitable.

## 8. DIVESTMENTS

In order to utilize its economic and managerial resources towards its core businesses, the Company has taken bold initiatives to liquidate the following investments during the year 2002-03 :

(Rs. Crores)			
Ventures	Type of Investment	Shareholding (%)	Value Realised
Escorts Claas Ltd.	Equity Shares	60.00%	62.71
Escorts JCB Ltd.	Equity Shares	40.00%	147.27
Escorts Mahle Ltd.	Equity Shares	50.00%	4.30
Escorts Mahle Ltd.	Preference Shares		15.80
Goetze India Ltd.	Equity Shares	27.21%	21.33
			<u>251.41</u>

## SUBSIDIARIES

### ESCORTS AGRI MACHINERY INC.

Escorts Agri Machinery Inc. (EAMI) is a wholly-owned subsidiary of your Company with a capital base of USD 9.69 million. EAMI made an investment of USD 9 million in M/s. Long Agribusiness LLC, a joint venture of EAMI in USA to acquire 49% shareholding. EAMI sold 912 tractors through this JV valued at USD 6.75 million during the calendar year 2002.

EAMI also invested USD 0.5 million in M/s. Pol-mot Escorts Spolka z.o.o. to acquire 49% of this joint venture in Poland with the objective of expanding its operations to the East European markets.

The Company proposes to invest about USD 3 million in this subsidiary during the current year which would be used to gain control over both the above joint ventures of this subsidiary. This is expected to provide a major thrust to the export initiatives of the Company in the agri-machinery business.

### ESCOTEL MOBILE COMMUNICATIONS LIMITED

Escotel Mobile Communications Limited (Escotel), which provides cellular telephony services in the circles of UP (West), Haryana and Kerala, has maintained a steady growth in its subscriber base and has grown from 500,800 customers to 586,700 customers during the year under review thereby recording an increase of 17% over the last year. This growth has been achieved inspite of a very intense competition due to the entry of two more operators in each circle, which also resulted in a massive drop in airtime charges across the board.

With the help of its aggressive marketing strategies, Escotel maintained its leadership position in each of its circles and closed the year with a market share of 54%, 37% and 38% (by subscriber numbers) in UP (West), Haryana and Kerala respectively.

The strategies included launch of a slew of innovative products by Escotel including Full Roaming on prepaid, Lost call Alerts, Voice Messenger Service, Instant Messenger and Chat services on SMS, Playwin Lottery on SMS etc. which helped it maintain its leadership position in all the circles besides boosting the revenues.



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### **ESCORTS TELECOMMUNICATION LIMITED**

Escorts Telecommunication Limited (ETL) was awarded licenses to operate in the telecom circles of Punjab, UP (East), Rajasthan and Himachal Pradesh. With a view to restructuring its operations, ETL has decided to transfer its business of cellular mobile service in Punjab Circle to Hutch Essar South Limited with effect from 1st April, 2003 through the process of Demerger which is presently pending for approval by the Hon'ble Delhi High Court.

The Company is in discussion with strategic and financial investors for debt and equity participation in the project for financing the telecom projects in the remaining three circles. The cellular services in these circles are expected to be launched within 4-6 months of the financial closure.

### **ESCORTS HOSPITAL AND RESEARCH CENTRE LIMITED**

As part of its strategy to migrate from a General to a Super Speciality Hospital, Escorts Hospital and Research Centre Limited (EHRC) embarked on an expansion program in 2001. Focus areas include comprehensive cardiac care, renal transplant, trauma management and high-end orthopaedics. The first Cardiac Surgery at EHRC was performed in January 2003. The current facility in Faridabad has been expanded from a capacity of 151 beds to 186 beds. Capacity for an additional 69 beds has also been created and will be operational soon. Besides, 3 new operation theatres and 1 new Cath Lab have been set up under the expansion programme.

During FY 2003, EHRC had over 116,500 outpatient visits and 10,500 admissions. The hospital performed 5,382 surgeries, 403 Angiographies and 18 cardiac surgeries this year. It derived bulk (85%) of its revenues from inpatient care, with an average length of stay of 3.7 days. The current revenue mix includes significant contribution from services other than cardiac care like medicine, general surgery and paediatrics. However this is expected to undergo a change with high end tertiary services contributing a larger share of the revenue. This is also expected to result in a significant increase in the profitability and revenue per bed.

The hospital successfully achieved ISO 9001-2000 standards in 2002. It is the first hospital, which has been certified by British Standards Institution for Comprehensive Health Care Services against 9001-2000 standards released in 2000.

### **ESCORTS HEART INSTITUTE AND RESEARCH CENTRE LIMITED**

Escorts Heart Institute and Research Centre Limited (EHIRCL) is one of the largest dedicated cardiac hospitals in the world. It is focused on its founding principles of providing the highest standards of cardiac care to its patients and is recognised as a premier institute of healthcare the world over. EHIRCL has carried out about 13% of the total heart surgeries in India since 1988. During the year ended March 31, 2003, EHIRCL provided services to over 50,000 patients and performed 4,000 cardiovascular and thoracic surgeries.

Recognising the increasing incidence of heart diseases in India and the increasing need for quality cardiac care, EHIRCL embarked on an expansion program in 2000. The current facility in New Delhi has been expanded from a capacity of 225 beds to 321 beds. In addition, EHIRCL has acquired 79% equity shares in its subsidiary Escorts Heart and Super Speciality Institute Limited (EHSSIL), which has commissioned a 150 bedded, high end cardiac care hospital has been set up in Amritsar, Punjab. This hospital was commissioned in February 2003. Post expansion, EHIRCL and EHSSIL have a total capacity of 471 beds, 11 operation theatres (5 new), and 7 Cath Labs (3 new). EHIRCL also initiated an expansion plan at the level of secondary hospitals. In this regard the Company has set up Escorts Heart Centre Limited, an invasive cardiac centre in Kanpur.

EHIRCL is also its brand equity in the area of cardiology by entering into managed care contracts with a variety of hospitals. These contracts entail EHIRCL taking over the management of the cardiac care facilities of these hospitals at minimal investments and bringing them up to the levels of excellence expected from the Escorts brand. Further, an extensive heart care network comprising a mix of invasive, non-invasive and surgical Heart Command Centers has been established in and around Delhi.

EHIRCL demonstrated its ability to continually create benchmarks in the Indian healthcare sector by performing the first robotic cardiac surgery in India. EHIRCL is the only centre "from Germany to Japan" to acquire this facility to carry out this robot assisted cardiovascular surgery (the "da Vinci" system). It is currently the most advanced technology for heart patients and ensures a speedy recovery with much less trauma and pain.

In recognition of these efforts, EHIRCL has been awarded the highest accreditation of Level A from rating agency CRISIL. Besides, Escorts Heart Institute and Research Centre Limited has been ranked as the best cardiac hospital in India by the Outlook-Cfore survey. This grade reflects excellence in the quality of healthcare delivered by EHIRCL to its patients.

### **ESCORTS CONSTRUCTION EQUIPMENT LIMITED**

During 2002-03, Escorts Construction Equipment Limited (ECEL), a Company engaged in the manufacture and sale of road construction





and material handling equipments recorded growth of approximately 30% both in terms of sale value and volumes over the previous year which was higher than the industry growth. ECEL achieved a turnover of Rs. 92.34 crores during the year against Rs. 71.37 crores in the previous year. A significant portion of growth was contributed by the Road Construction Equipment Segment, where sales more than doubled over the previous year.

ECEL's efforts for increasing the sale of large sized Slew Cranes also materialised during the year in a significant way. In the Pick-n-Carry Cranes segment the Company maintained its undisputed leadership during the year.

However, ECEL's financial performance was adversely affected due to a significant appreciation of Euro and increase in steel prices during the year. The impact of the increase in the input costs due to these factors could not be passed on to the market due to the prevailing competitive market conditions in the industry.

The performance of ECEL is expected to improve significantly during 2003-04 in view of good prospects in the road construction and material handling equipment industry, extremely healthy order position at ECEL and launch of various new products planned during this year. The outlook for the industry in the medium to long term also appears to be very promising especially in view of the numerous projects initiated by of NHAI/States on road construction and the proposed project for joining of major rivers across the country announced by the Prime Minister of India. Due to their sheer magnitude, these initiatives are expected to create huge demand for products manufactured by ECEL.

### **CELLNEXT SOLUTIONS LIMITED**

Cellnext Solutions Limited (Cellnext) is a complete Mobile Internet Solutions & Services company. Cellnext is focused on IPR development with an existing IPR portfolio of multi-component Messaging Engines, Telco Content Aggregation Platforms and Enterprise Application Integrators.

Cellnext is successfully catering to the Wireless Communications Industry as well as the Wireless IT needs of the Enterprise market. Company's core competence revolves around Wireless Data Technologies like SMS, WAP, MMS, GPRS, SAT, J2ME and 3G and Core Network Technologies like IVR, SS7 and IN. Cellnext also provides application design, development and integration services to both Enterprises and Wireless Telecom Operators. It also provides Wireless ASP services to both Enterprises and Operators. The Company has technology development centre in New Delhi and has Sales & Support offices in Mumbai, Bangalore, London and Stockholm.

Cellnext also has a fully integrated WEB and WAP enabled Multimedia portal - [www.go667.com](http://www.go667.com) - which is an initiative to bring a range of MMS, SMS and Java Applications and Content to the end user directly.

Cellnext is ISO 9001:2000 certified by BVQI, London, UK for "design, development, deployment and maintenance of software products, customised software solutions and services for Enterprises and Telecom companies" and "provision of application hosting and aggregation of mass-market, Enterprise and Operator content for delivery over pervasive media by service providers".

### **iSERV INDIA SOLUTIONS PRIVATE LIMITED**

iServ India Solutions Private Limited (iServ) is in the business of providing Network Services and Solutions and offers a full range of network-based services catering to the entire gamut of business needs. It has a Class A ISP license from the Department of Telecom for providing Internet Services. It has set up a state-of-the-art 12 city fibre based communication network, with two Internet Data Centres two thousand kilometers apart, each backed by its own Network Operating Centre. Today it is a carrier neutral service provider with four different gateway interconnects that land on different parts of the globe from different operators and interconnectivity to nationwide fibre backbones of three of the largest backbone operators, so that customers can enjoy unparalleled uptime and exercise their choice of carriers.

iServ India uses this infrastructure to provide a host of IP based services for its customers such as Data Centre Services, Managed Services, Messaging Solutions, Colocation Services, Data Recovery Services, Voice Over IP Solutions, Gateway Bandwidth, Virtual Private Network, Unified Messaging Services and Advanced Logistics Management Service (GPS/GIS based vehicle tracking system). It also undertakes turnkey projects for setting up and managing complex Wide Area Networks (WANs).

iServ has operating arrangements with Tata Infotech for Managed Services, CommWorks for Unified Messaging Services, MediaRing and Deltathree for Voice Over IP Solutions. It has recently tied up with Diebold HMA to offer ATM management services to Banks. iServ India's retail services include Internet and Net Telephony services, Zyberway and Zybertain respectively.

Apart from a Class 'A' license, iServ has licenses for VoIP (Voice over Internet Protocol), OSP (Other Service Providers) for NMS (Network Management Services) and Fleet Management Services, Gateway licenses (Delhi and Cochin) and license to use 2.7-2.9 GHz frequency for Multi Point Radio in 8 cities.

Due to its excellent service and wide spectrum of services, iServ's client base has grown to encompass a broad spectrum of industry segments like Insurance, Telecom, Manufacturing, Software, Portals, Consulting, Education, Exporters and Government. Some of iServ's



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customers are Jubilant Organosys Ltd., Signal Tree Solutions, Hewitt Associates, Keane India Ltd., Tata Projects Ltd., Kerala IT Mission and Reliance Infocom.

### **AUTOMATRIX INDIA PRIVATE LIMITED**

Automatrix India Private Limited (Automatrix) is a premier private e-marketplace providing the buy side solutions. It has deployed an efficient online and neutral marketplace to locate, negotiate, order and fulfill automotive purchases and sales for the agri-machinery business of the Company.

The e-commerce platform of Automatrix provides efficiency and visibility, through the net, to conduct transactions across the Supply Chain. This improves demand visibility, reduces inventory in the supply chain and enables real-time decision-making. Integrated to the Oracle ERP, the platform enables variability in demand to be communicated to the suppliers to enable a timely action on supplies. This helps the clients reduce costs and ensures delivery of right goods at the right time to the right customer. During the year under review, the services for 'Capacity Planning, Forecasting & Replenishment (CPFR)' were also integrated in the platform. The facility for reverse auction with global suppliers was also included as a service during this year.

In order to extend the spectrum of its services, Automatrix is now planning to extend the current activities to a public marketplace as well as to implement Supply Chain Management products.

### **ESCOSOFT TECHNOLOGIES LIMITED**

Escosoft Technologies Limited (Escosoft) has been making steady progress in its chosen business areas. The slow pace in the economy has led to severe competitive pressures and had an impact on Escosoft's margins during the year despite the continuous recession faced by the Indian IT industry. During the year ended 31st March, 2003, Escosoft's turnover increased to Rs. 11.61 crores from Rs. 8.19 crores in the previous year. The major activities of Escosoft are in the areas of Services in IT, Animation and Interactive Software Development.

Its growth in the Enterprise Management Solutions and ERP Business gave an impetus for an expansion in this area. As a step in this direction, Escosoft and its affiliate IFS Solutions Asia Pacific Pte, Singapore have entered into an agreement to form a Joint Venture named IFS Solutions India Pvt. Ltd., as a subsidiary of Escosoft. This venture will be able to achieve a greater market penetration in the domestic market and also has the potential of becoming an IFS Regional hub in the future.

Escosoft obtained the Type Approval Certificate from Telecommunication Engineering Centre for sale of Magnetic Tape Emulators (MTEs) to BSNL/MTNL in India. Escosoft also got the ISO 9001 Quality Certification from an international company of repute.

### **ESCORTS ASSET MANAGEMENT LIMITED**

Escorts Asset Management Limited, the investment manager to Escorts Mutual Fund, is successfully managing seven schemes of the Fund offering a variety of products to the investors. These schemes have provided good returns to the investors despite adverse market conditions.

### **ESCORTS SECURITIES LIMITED**

Escorts Securities Limited is a SEBI registered intermediary in the capital and debt markets as a member of National Stock Exchange of India Limited in the capital market as well as Futures and Options segments. Besides being Category I Merchant Banker it is also a Depository Participant with National Securities Depository Limited. Merchant Banking activities have also been initiated during the current year. During the year the Company has expanded its network at Faridabad by adding another branch to its existing network.

### **CONSOLIDATED FINANCIAL STATEMENTS**

In compliance of Clause 32 and Clause 50 of the Listing Agreement with the Stock Exchanges, as amended pursuant to the directive of the Securities and Exchange Board of India (SEBI), the Company has prepared Consolidated Financial Statements as per the Accounting Standards applicable to Consolidated Financial Statements (AS-21, AS-23 and AS-27) issued by the Institute of Chartered Accountants of India. The Audited Consolidated Financial Statements along with the Auditors' Report have been annexed with this Report.

### **CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION, FOREIGN EXCHANGE EARNINGS AND OUTGO**

Information required under Section 217 (1) (e) of the Companies Act, 1956 read with Companies (Disclosure of Particulars in the Report of the Board of Directors) Rules, 1988 is given in Annexure – A and forms an integral part of this Report.





## **DIRECTORS**

It is with deep sorrow that we report the sad demise of Mr. Mantosh Sondhi and Mr. Jahar Sengupta, eminent members of the Board of your Company, during the year.

Mr. Mantosh Sondhi was a distinguished technocrat, who had been Secretary to the Government of India in the Ministries of Steel, Mines and Coal and Heavy Industry. He adorned the Boards of several blue chip companies.

He was awarded "Padma Shree" in 1965.

Mr. Jahar Sengupta was another distinguished professional, who held the position of Chairman and Managing Director of Exide India Ltd. He held directorships in Chloride U.K., Reserve Bank of India and several reputed companies. He also had been President of Bengal Chamber of Commerce and Industry and Assocham, and had the honour of being Sheriff of Kolkata.

The Board of your Company will always remember the valuable advice and counsel given by both of them during their tenure as Directors.

Mr. K. M. Mammen resigned from the Board during the year due to his pre-occupations. The Board places on record their appreciation of the valuable advice and counsel rendered by Mr. Mammen during his tenure as Director.

Dr. S. A. Dave, Dr. Fredie A. Mehta and Prof. Dr. M. G. K. Menon retire by rotation at the ensuing Annual General Meeting, and being eligible, offer themselves for re-appointment as Directors.

## **CORPORATE GOVERNANCE**

Pursuant to Clause 49 of the Listing Agreement with Stock Exchanges, a Report on Corporate Governance is enclosed as Annexure B.

A Certificate from Auditors confirming compliance of conditions of Corporate Governance is enclosed as Annexure C.

## **INVESTOR SERVICES**

Your company has set new standards in investor services and continues its quest for improvement. Some of the important initiatives taken by the company are as follows :

- (i) Interactive Voice Response System (IVR) through which investors can make queries in respect of their holdings of shares, payment of dividend/transfer etc. Operational details of this system are given elsewhere in this Report.
- (ii) Investor Relation Centres at New Delhi and Mumbai which provide effective personal interaction between investors and the company officials.
- (iii) Investor friendly Website of the Company ([www.escortsgroup.com](http://www.escortsgroup.com)) which gives most of the details and data frequently used by investors.
- (iv) Dividend payment through Electronic Clearing System (ECS).

Corporate Secretariat and Law Department of the Company, which is inter alia, responsible for investor services, has obtained the prestigious 9001:2000 certification which epitomises Company's philosophy of providing best possible services to investors.

## **DIRECTORS' RESPONSIBILITY STATEMENT**

Directors' Responsibility Statement under Section 217 (2AA) of the Companies Act, 1956, forming part of this Report is given as Annexure D.

## **AUDITORS**

M/s. S. N. Dhawan & Company, Chartered Accountants, retire as Auditors of the Company at the conclusion of the forthcoming Annual General Meeting, and being eligible, offer themselves for re-appointment. They have furnished a certificate to the effect that their re-appointment, if made, will be in accordance with Section 224 (1B) of the Companies Act, 1956.

## **PUBLIC DEPOSITS**

"1693 deposits aggregating to Rs. 2.62 crores matured, but were not claimed as on 31st March, 2003. Subsequently, out of the above 459 deposits of Rs. 0.81 crore have been repaid or renewed till 4th June, 2003".

## **PERSONNEL**

Statutory statement of particulars of employees pursuant to Section 217 (2A) of the Companies Act, 1956 is given as Annexure E and forms an integral part of this Report.

## **ACKNOWLEDGEMENT**

The Directors wish to thank the customers, dealers, bankers, financial institutions, the Central and the State Governments for their continued support. They also take this opportunity to record their appreciation of the contribution made by all the employees to the operations of the Company during the year.



### Annexure – A to the Directors' Report

#### I) CONSERVATION OF ENERGY

##### 1. Energy Conservation Measures taken

- Improved load power factor from 0.96 (in 2001-02) to 0.98 (in 2002-03).
- Energy Audit Team formed for regular audit of Energy Conservation initiatives.
- ERP system installed for on line monitoring of schedules for preventive/predictive maintenance programs relating to captive power generation.
- Restricted lighting for vigilance purpose only during night shifts & off days.
- Control on running of Central Air Conditioners.
- Replaced conventional chokes with HF electronics chokes in conference rooms to reduce energy consumption.
- Use of high lux low wattage tubelights in offices.
- Reuse of treated effluent water for gardening purposes.
- Provision of natural light in shop floors by use of polycarbonate roof sheets.
- Monitoring of energy consumption by each PU which has resulted in avoiding losses.
- Control on running of Central Air Compressors and use of small compressors for petty requirements in night shift and holidays.
- Utilisation of Solar Water heating system for hot water requirements in Canteens.

##### 2. Additional Investment & Proposals

- Modern Diesel Generator Set with electronic injectors planned in years 2003-04 to meet captive power requirements of CED based paint lines and plant modernisation, which would generate power at 10% lower cost.
- Re-circulation of hot water through Heat Exchanger in Closed Circuit Cooling System in other production units.
- Automatic power factor control systems for further improvement in power factor.
- Overhead Compressed Air Line network for effective utilisation of both sources to run the Plant and reduce losses.
- Replacement of conventional 40W Chokes with HF Electronic Ballast in tube lights in Offices.

##### 3. Impact of the above measures on Energy Conservation and Cost of Production

- Reduction in transmission losses.
- Rebate of 3.5% in energy bills obtained.
- Reduction in fuel cost of captive power generation by over 5% in the last two years.
- Savings in water consumption by 20%

##### 4. Total Energy Consumption and Energy Consumption Per Unit

Not applicable

#### II) TECHNOLOGY ABSORPTION

##### 1. RESEARCH & DEVELOPMENT

###### (a) Specific areas in which R&D was carried out by the Company :

- Export tractor engines developed to meet applicable EPA-II emission norms for USA market, which would be enforced from 2004.
- Engines are being continually upgraded for increased power output and optimised for fuel efficiency, oil consumption and torque back up for domestic and overseas markets, to meet growing demand for internationally competitive engines.
- Tractors with upgraded features like reverse PTO, independent PTO, higher lift capacity and oil-immersed brakes developed for domestic and export markets, to meet demand for changing agricultural practices and increasing use of tractor-mounted combine harvesters.
- Concept for new looks/styling and better ergonomics made to meet aspirations of high-end farmers for international styling and features.





- 4-cylinder engine concept studies – better fuel efficiency & backup torque.
- New 4-wheel drive tractors and power steering feature developed for export markets.
- Speciality tractors developed for application-specific markets, like Industrial tractors, and crop-specific tractors.
- Have undertaken basic research work in diesel engine development, both at simulation as well as at laboratory level.

**(b) Benefits derived as a result of the above R&D :**

- Farmtrac tractors FT - 35 Champion and FT - 30 Hero introduced to fill the gap in Farmtrac range in this HP class.
- A new model, E - 325 'Josh' introduced with additional customer-demanded features.
- New Farmtrac FT - 60 Deluxe variant introduced to meet aspirations of high-end farmers.
- FT - 35 new model introduced in US market – a new offering in this HP range.
- FT - 70/60/45 with advanced technology Engine introduced in USA market for improved performance and to meet mandatory USA emission standards.
- Improved product reliability and durability.
- Reduced emission levels contributing to cleaner environment.
- FT - 35 high-maneuvrability tractor introduced in West market.
- Introduction of tractors for speciality use like industrial applications, crop-specific applications.
- Major initiatives in value engineering and standardisation launched for cost reduction.
- Four-wheel-drive (4WD) tractors are being introduced in export markets.

**(c) Future Plan of Action :**

- New product development for domestic industry.
- Region-specific and application-specific tractor models development to intensify.
- Development of products particularly suited to more diversified export markets in USA, Europe and other countries.
- Implementation of major initiatives in value engineering and standardisation for cost reduction.
- Rationalisation and standardisation of transmissions to suit customer requirements.
- Higher KVA capacity gensets.

**(d) Expenditure on R & D :**

		(Rs. Crores)
	2002-03	2001-02
a) Capital Expenditure	2.40	2.98
b) Recurring Expenditure	14.25	13.75
Total	16.25	16.73
c) Total R & D Expenditure as a percentage of		
– Gross Sales	1.87%	1.36%
– Net Sales	2.12%	1.55%

**2. TECHNOLOGY ABSORPTION, ADAPTATION & INNOVATION**

**a) Efforts made towards technology absorption, adaptation and Innovation**

- Interaction with apex national and international technical institutes and research and consulting organisation.
- Project based joint technical tie-up with technology leaders.

**b) Benefits derived as a result of the above efforts**

- Latest appropriate technology available leading to product improvement and reduced time.
- Improved product features and reliability.
- Product development for niche, extended non-agricultural application.



## ESCORTS LIMITED

### c) Imported technology

- |   |   |  |
|---|---|--|
| a) Technology import  | : | Technology for manufacture of higher HP tractors |
| b) Year of import   | : | 1997   |
| c) Has technology been fully absorbed   | : | Yes  |
| d) If not fully absorbed, areas where this has not taken place, reasons therefore and future plan of action | : | Not applicable                                   |

### 3. PROPOSED & ACTUAL INVESTMENT FOR ENVIRONMENT PROTECTION

- Dust free and washed air plants for Paint shop & assembly line.
- New Paint Shop setup with CED process, which is water based and environment friendly.
- Provision for use of Natural Gas in Burners for Ovens in New Paint Shop.
- Rain Water Harvesting planned in all the Plants.
- Planned Noise Proofing of DG Sets.

### III) FOREIGN EXCHANGE EARNINGS AND OUTGO

#### 1) Activities relating to exports etc.

As explained earlier, the Company has taken various initiatives to increase export of its products. These include setting up of a wholly-owned subsidiary, Escorts Agri Machinery Incorporated in United States of America. This Company has made investments in joint ventures in USA and Poland for development of new export markets in North America and East Europe. The Company plans to double the export turnover in the current year.

#### 2) Total Foreign exchange used and earned

		(Rs. Crores)
	2002-03	2001-02
a) Foreign Exchange used :		
Imports (including capital goods)	26.16	34.30
Dividends remitted	0.02	0.12
Others	69.26	16.38
Total	95.44	50.80
b) Foreign Exchange earned	121.34	83.20





## Annexure - B to the Directors' Report

### REPORT ON CORPORATE GOVERNANCE

#### I. Company's Philosophy on Corporate Governance

Good Corporate Governance has been a way of life at Escorts. Paramount concern for interests of various stakeholders, fair dealings with all and active contribution to the society at large - have been the cardinal values that have propelled Escorts' growth for last 50+ years. Concept of "independent directors", which is being debated now, has been in actual practice in Escorts for last many decades. The Company's Board has traditionally been comprising virtual who-is-who of India such as ex-Ministers, industrialists, top-notch professionals, retired high ranking civil servants etc. This has ensured that only persons of vision, brilliance and statesmanship occupy the Board Room, and that the decisions emanating therefrom are well honed, pragmatic and balanced.

Our Investor Services have always been of the best possible standards. We were the first to obtain ISO certification for our Corporate Secretariat, which epitomises our commitment to deliver best services to investors and to gradually improve thereon. Our Investor Service centres located at Delhi and Mumbai providing effective personal interaction between investors and the Company officials have been hailed by all concerned. Some of the other investor service measures initiated are Interactive Voice Response System and a comprehensive investor friendly website.

The Board of Directors reaffirm their commitment to give best possible services to investors.

#### II. Board of Directors

The Board of Directors of the Company comprises of eminent personalities, who have made a mark in their respective fields. Majority of the Directors are independent and non-executive. The following table summarizes the status of each Director, meetings attended and other relevant particulars:

Sr. No.	Name	Designation	Category	No. of Board Meetings attended during 2002-03	Whether attended the last AGM	No. of Directorships in Public Companies *	No. of Committee Memberships/ (Chairmanships) in Public Companies**
<b>CURRENT DIRECTORS</b>							
1.	Mr. Rajan Nanda	Chairman & Managing Director	Executive & non-independent (Promoter)	4	Yes	11	2(1)
2.	Mr. Anil Nanda	Vice Chairman & Managing Director	Executive & non-independent (Promoter)	4	Yes	8	1(1)
3.	Mr. Nikhil Nanda	Executive Director	Executive & non-independent (Promoter)	4	Yes	14	3(1)
4.	Dr. P.S. Pritam	Director	Non-executive & independent (representing LIC as equity investor)	4	Yes	2	4
5.	Dr. M.G. K. Menon	Director	Non-executive & independent	3	Yes	2	3(1)
6.	Dr. S.A. Dave	Director	Non-executive & independent	4	Yes	12	10(3)
7.	Dr. Fredie A. Mehta	Director	Non-executive & independent	2	Yes	8	6(3)
8.	Mr. Y.H. Malegam	Director	Non-executive & independent	1	Yes	13	10(5)
9.	Mr. Nimesh Kampani	Director	Non-executive & independent	—	No	9	8(2)
10.	Mr. Jai S. Pathak	Director	Non-executive & independent	2	Yes	4	6(1)
11.	Mr. N.R. Krishnan	Director	Non-executive & independent (representing UTI as equity investor)	4	Yes	4	5(2)
<b>ERSTWHILE DIRECTORS</b>							
12.	*** Mr. Mantosh Sondhi	Director	Non-executive & independent	1	Yes	—	—
13.	*** Mr. Jahar Sengupta	Director	Non-executive & independent	—	No	—	—
14.	**** Mr. K. M. Mammen	Director	Non-executive & independent	—	No	—	—

\* Including Escorts Ltd.

\*\* for this purpose only Audit Committees, Remuneration Committees and Investors' Grievance Committees are considered (including in Escorts Ltd.)

\*\*\* Mr. Mantosh Sondhi and Mr. Jahar Sengupta ceased to be Directors, due to death, during the year 2002-03.

\*\*\*\* Mr. K.M. Mammen resigned during the year 2002-03.



## ESCORTS LIMITED

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During the year 2002-03, Board Meetings were held on:

12th July, 2002 (earlier slated for 29th June, 2002 and adjourned),

27th September, 2002,

28th November, 2002 (earlier slated for 28th October, 2002 and adjourned), and

27th January, 2003.

### III. Audit Committee

- **Constitution**

The Committee consists of 3 Directors - all non-executive and independent:

1. Dr. S. A. Dave – Chairman
2. Dr. M. G. K. Menon
3. Dr. P. S. Pritam (w.e.f 27.09.2002)

Mr. Jahar Sengupta was a member of the Committee upto the date of his death i.e. 28.12.2002.

The Committee is chaired by Dr. S. A. Dave, a reputed Economist, who is Ex-Chairman, UTI and Ex-Chairman, SEBI.

- **Terms of Reference**

The charter of the Committee is as prescribed under Clause 49 of the listing agreement viz.:

1. Oversight of Company's financial reporting process and disclosure of its financial information to ensure that the financial statements are correct, sufficient and credible.
2. Recommending the appointment and removal of external auditors, fixation of audit fee and also approval for payment of any other services.
3. Reviewing with the management the annual financial statements before submission to the Board focusing primarily on :
  - i) Any changes in accounting policies and practices.
  - ii) Major accounting entries based on exercise of judgement by management.
  - iii) Qualifications in draft Audit Report.
  - iv) Significant adjustments arising out of audit.
  - v) The 'going concern' assumption.
  - vi) Compliance with accounting standards.
  - vii) Compliance with stock exchange and legal requirements concerning financial statements.
  - viii) Any related party transactions i.e. transactions of the Company of material nature, with promoters or the management, their subsidiaries or relatives etc. that may have potential conflict with the interest of the Company at large.
4. Reviewing with the management, external and internal auditors, the adequacy of internal control system.
5. Reviewing the adequacy of internal audit function including the structure of internal audit department, staffing and seniority of the official heading the department, reporting structure coverage and frequency of internal audits.
6. Discussing with internal auditors any significant findings and follow up thereon.
7. Reviewing the findings of any internal investigations by the internal auditors into matters where there is suspected fraud and irregularity or a failure of internal control systems of a material nature and reporting the matter to the Board.
8. Discussion with the external auditors before the audit commences, nature and scope of audit, as well as post-audit discussion to ascertain any area of concern.
9. Reviewing the Company's financial and risk management policies.
10. Looking into the reasons for substantial defaults in the payment to the depositors, debentureholders, shareholders (in case of non-payment of declared dividends) and creditors.





- **Meetings & Attendance**

During the year 2002-03, the Committee met on 3 occasions. The following table summarizes the date of each meeting and meetings attended by the members:

<b>Date of Meeting</b>	<b>11.07.2002</b>	<b>28.11.2002</b>	<b>27.01.2003</b>
Current members			
<b>Dr. S. A. Dave</b>	Attended	Attended	Attended
<b>Dr. M. G. K. Menon</b>	Attended	Not attended	Attended
<b>Dr. P. S. Pritam</b>	Not Applicable	Attended	Attended
Erstwhile members			
<b>Mr. Jahar Sengupta</b>	Not attended	Not attended	Not Applicable

The Committee, in its meeting held on 11th July, 2002 reviewed Final Accounts for the year ended 31st March, 2002.

#### **IV. Remuneration Committee**

- **Constitution**

The Committee consists of 3 Directors – all non-executive and independent:

1. Dr. Freddie A. Mehta - Chairman
2. Mr. Jai S. Pathak (w.e.f. 27.01.2003)
3. Dr. M. G. K. Menon (w.e.f. 27.01.2003)

Mr. Matosh Sondhi and Mr. Jahar Sengupta were members of the Committee upto the date of their death i.e. 29.10.2002 and 28.12.2002, respectively.

The Committee is chaired by Dr. Freddie A. Mehta who is a famous Economist, holding a Doctorate degree from London School of Economics, and is associated with the TATA Group, for past many decades.

- **Terms of Reference**

The Remuneration Committee has been constituted to recommend and review the remuneration packages of the Managing/Whole time Directors, and to formulate a broad policy framework for managerial remuneration.

- **Meetings & Attendance**

During the year 2002-03, the Committee met once. The following table summarizes the date of meeting and attendance of the members:

<b>Date of Meeting</b>	<b>11.07.2002</b>
Current members	
<b>Dr. Freddie A. Mehta</b>	Attended
<b>Mr. Jai S. Pathak</b>	Not Applicable
<b>Dr. M. G. K. Menon</b>	Not Applicable
Erstwhile members	
<b>Mr. Mantosh Sondhi</b>	Attended
<b>Mr. Jahar Sengupta</b>	Not attended

- **Remuneration Policy**

The Remuneration Policy as outlined by the Committee aims at

- Recognising and rewarding performance and achievements,
- Motivating and inducing the concerned executives to put in their best.

This policy is in tune with current national and international practices considering the highly competitive business scenario.



## ESCORTS LIMITED

- Details of Remuneration of Directors**

The details of the remuneration paid to the Directors, during the financial year 2002-03 are as follows :

(Amount in Rs.)							
Name	Basic	Perquisites	Commission	Contribution to PF/ other Funds	Sitting fees	Stock option	Total
<b>CURRENT DIRECTORS</b>							
*Mr. Rajan Nanda	24,00,000	—	—	9,16,692	—	—	33,16,692
*Mr. Anil Nanda	20,71,429	—	—	8,27,977	—	—	28,99,406
*Mr. Nikhil Nanda	24,00,000	—	—	9,16,692	—	—	33,16,692
Dr. P. S. Pritam	—	—	—	—	26,000	—	26,000
Dr. M. G. K. Menon	—	—	—	—	89,000	—	89,000
Dr. S. A. Dave	—	—	—	—	30,000	—	30,000
Dr. Fredie A. Mehta	—	—	—	—	12,000	—	12,000
Mr. Y. H. Malegam	—	—	—	—	5,000	—	5,000
Mr. Nimesh Kampani	—	—	—	—	—	—	—
Mr. Jai S. Pathak	—	—	—	—	16,000	—	16,000
Mr. N. R. Krishnan	—	—	—	—	20,000	—	20,000
<b>ERSTWHILE DIRECTORS</b>							
Mr. Mantosh Sondhi	—	—	—	—	45,000	—	45,000
Mr. Jahar Sengupta	—	—	—	—	—	—	—
Mr. K M Mammen	—	—	—	—	—	—	—
<b>TOTAL</b>	<b>68,71,429</b>	<b>—</b>	<b>—</b>	<b>26,61,361</b>	<b>2,43,000</b>	<b>—</b>	<b>97,75,790</b>

- \* The appointment of Mr. Rajan Nanda, as Managing Director, is contractual for a period of five years with effect from 3rd April, 2000. The appointments of Mr. Anil Nanda, Managing Director, and Mr. Nikhil Nanda, Executive Director, are also contractual for a period of five years with effect from 1st July, 2001 and 1st May, 2000, respectively.

The services of Managing Directors & Executive Director may be terminated by giving six months' notice. In the event of termination of appointment, they will be entitled to receive compensation in accordance with the provisions of Section 318 of the Companies Act, 1956.

### V. Investors' Grievance Committee

- Constitution**

The Committee consists of 3 non-executive independent directors:

1. Dr. M. G. K. Menon - Chairman
2. Dr. S. A. Dave
3. Dr. P. S. Pritam (w.e.f. 27.01.2003)

Mr. Matosh Sondhi was a member of the Committee upto the date of his death i.e. 29.10.2002.

The Committee is chaired by Dr. M. G. K. Menon who is an internationally reputed scientist and has been awarded Padma Vibhushan. He is ex-Minister for Science and Technology, Government of India.





- **Terms of Reference**

The Committee looks into redressing of investors' complaints like delay in transfer of shares, non-receipt of dividends, non-receipt of Annual Reports etc.

The Committee also oversees the performance of in-house Share Registry and recommends measures for overall improvement in the quality and promptness in investor services.

- **Meetings & Attendance**

During the year 2002-03, the Committee met twice. The following table summarizes the date of each meeting and attendance of members :

<b>Date of Meeting</b>	<b>11.07.2002</b>	<b>27.01.2003</b>
Current members		
<b>Dr. S. A. Dave</b>	Attended	Attended
<b>Dr. M. G. K. Menon</b>	Attended	Attended
<b>Dr. P. S. Pritam</b>	Not Applicable	Attended
Erstwhile members		
<b>Mr. Mantosh Sondhi</b>	Attended	Not Applicable

- **Compliance Officer**

Mr. G. B. Mathur, Vice President – Law and Company Secretary is the Compliance Officer.

- **Complaints received/resolved**

During the year under review, 21 complaints were received from investors which were replied/resolved to the satisfaction of investors.

- **Pending Share Transfers**

No requests for transfer and/or dematerialisation were pending for approval as on 31st March, 2003.

## **VI. General Body Meetings**

The last three Annual General Meetings of the Company were held at following places:-

<b>Year</b>	<b>Date</b>	<b>Time</b>	<b>Place</b>
2000	22nd August, 2000	11.00 a.m.	Air Force Auditorium, Subroto Park, Near Dhaula Kuan, New Delhi – 110 010,
2001	29th September, 2001	12.00 noon	Sapru House, Barakhamba Road, New Delhi – 110 001
2002	27th September, 2002	10.30 a.m.	Sapru House, Barakhamba Road, New Delhi – 110 001

### **Postal Ballot**

#### **In financial year 2002-03:**

- The Company had adopted postal ballot route for two special resolutions viz. for providing Corporate Guarantee(s) not exceeding Rs. 7.50 Crores in favour of ICICI Bank Ltd. for securing retail financing scheme to the buyers of Company's tractors and for payment of commission to non – wholtime Directors at the rate of 1% of the net profits as per the provisions of Section 309 (4) of the Companies Act, 1956.
- The Postal Ballot exercise was conducted by Mr. M. L. Pahwa, retired Deputy Excise & Taxation Commissioner, Haryana, as Scrutinizer.
- 3,41,90,407 votes were cast in favour and 97,157 votes were cast against the first resolution viz. for providing Corporate Guarantee(s) not exceeding Rs. 7.50 Crores in favour of ICICI Bank Ltd. for securing retail financing scheme to the buyers of Company's tractors. 3,39,44,829 votes were cast in favour and 2,91,764 votes were cast against the second resolution viz. for payment of commission to non – wholtime Directors at the rate of 1% of the net profits as per the provisions of Section 309 (4) of the Companies Act, 1956.



## ESCORTS LIMITED

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Both resolutions were declared to have been passed as Special resolutions in the Annual General Meeting of the Company held on 27th September, 2002.

### **Proposed items for Postal Ballot :**

The Company is adopting postal ballot route for two Special resolutions viz. for alteration of Objects Clause of Memorandum of Association by inserting some agri-allied business and for commencing this business. It is expected to complete the postal ballot exercise before the ensuing Annual General Meeting.

### **VII. Disclosures**

- a. Disclosure on materially significant related party transactions i.e. transactions of the Company of material nature, with its promoters, the Directors or the management, their subsidiaries or relatives etc. that may have potential conflict with the interests of the Company at large.

None of the transactions with any of the related parties were in conflict with the interest of the Company.

- b. Details of non-compliance by the Company, penalties, strictures imposed on the Company by Stock Exchanges or SEBI or any statutory authority, on any matter related to capital markets, during the last three years.

None

### **VIII. Means of Communication**

- **Whether the half-yearly report for the year ended 30th September, 2002 sent to each household of the shareholders?**

No, as the same was not mandatory.

- **Quarterly Results :**

The Company has published its quarterly Financial results in the following newspapers :

For Quarter ended 30.06. 02	:	Veer Arjun The Hindu
For Quarter ended 30.09.02	:	Dainik Jagran Statesman
For Quarter ended 31.12.02	:	Dainik Jagran Business Standard
For Quarter and year ended 31.03.03	:	Jansatta Financial Express

These results were also displayed on Company's website viz. [www.escortsgroup.com](http://www.escortsgroup.com).

The website also displays official news releases.

- **Whether presentations were made to institutional investors or to the analysts?**

No presentations were made to institutional investors.

- **Management Discussion and Analysis Report :**

The Management Discussion and Analysis Report is included in the Directors' Report and forms part of the Annual Report.

### **IX. General Shareholder Information**

#### **Annual General Meeting**

Date : 30th September, 2003  
Time : 10.30 a.m.  
Venue : Sapru House,  
Barakhamba Road,  
New Delhi – 110001





### Appointment / Reappointment of Directors:

At the ensuing Annual General Meeting, Dr. S.A. Dave, Dr. Fredie A. Mehta and Dr. M.G.K. Menon, retire by rotation and , being eligible, offer themselves for re-appointment.

The information / details to be provided for the aforesaid Directors under Corporate Governance Code are as under:

Name	Qualification	Brief Resume and Area of Expertise	Other Directorships	Committee Memberships	
				Company	Committee
Dr. S. A. Dave	M.A. (Economics) Ph.D.	Dr. Dave is an Economist of International repute with extensive interest and experience in all facets of financial and capital markets. Starting his career with RBI, he moved ahead to IDBI where he was Executive Director. He subsequently, became Chairman of UTI and also the first Chairman of SEBI. Presently, he is also active as Director of Centre for Monitoring Indian Economy, Mumbai, CRISIL, HDFC and many other Companies.	1. HDFC Ltd.	1. Escorts Ltd.	(i) Audit Committee
			2. CRISIL Ltd.		(ii) Investors' Grievance Committee
			3. SBI Gilts Ltd.		
			4. Future Software Ltd.	2. HDFC Ltd.	Audit Committee
			5. GIIC		
			6. Phoenix Township Ltd.	3. CRISIL Ltd.	(i) Audit Committee
			7. Captech Online Pvt. Ltd.		(ii) Compensation Committee
			8. Quantum Information Services Ltd.	4. SBI Gilts Ltd.	Audit Committee
			9. Centre for Monitoring Indian Economy Pvt. Ltd.	5. Quantum Information Services Ltd.	Compensation Committee
			10. Merchant Media Ltd.	6. Phoenix Township Ltd.	Audit Committee
			11. Indo National Ltd.	7. Indo National Ltd.	Audit Committee
			12. Spice Corp. Ltd.	8. Future Software Ltd.	Audit Committee
			13. Spice Net Ltd.		
Dr. Fredie A. Mehta	Ph.D. in International Economics from London School of Economics	Dr. Mehta, a Ph.D. in International Economics from London School of Economics, has been with the House of Tatas for several decades and is a part of its Core Management team to prepare Growth blueprint of the Tata Group. He is consulted by Finance and Commerce Ministers on various fiscal and monetary policies of India.	1. Siemens Ltd.	1. Escorts Ltd.	Remuneration Committee
			2. SKF Bearings India Ltd.	2. SKF Bearings (India) Ltd.	Investors Grievance Redressal/Share Transfer Committee
			3. Goodlass Nerolac Paints Ltd.		
			4. Tata Investment Corporation Ltd.	3. IVP Ltd.	Audit Committee
			5. Tata McGraw-Hill Publishing Co. Ltd.	4. Tata Investment Corp. Ltd.	Remuneration Committee
			6. Rallis India Ltd.	5. Siemens Ltd.	Audit Committee
			7. IVP Ltd.	6. Goodlass Nerolac Paints Ltd.	Audit Committee
			8. Tata Precision Industries Pte Ltd.		



## ESCORTS LIMITED

Name	Qualification	Brief Resume and Area of Expertise	Other Directorships	Committee Memberships	
				Company	Committee
Dr. M.G.K. Menon	B.Sc., M.Sc., Ph.D., D.Sc(h.c.), F.R.S.	Dr. M.G.K. Menon is a distinguished scientist of international repute. He has been recipient of various laurels abroad apart from the Padma Shree, the Padma Bhushan & the Padma Vibhushan for his outstanding services to the Nation. He has been Minister for Science & Technology, and Member, Planning Commission, Govt. of India.	Indfos Industries Ltd. 1.	Escorts Ltd.	(i) Investors' Grievance Committee (ii) Audit Committee (iii) Remuneration Committee

### Financial Calendar 2003-04 (Tentative)

- Board Meetings to take on record :**

Financial results for Quarter ended 30.06.03	:	Last week of July 2003.
Financial results for Quarter ended 30.09.03	:	Last week of October 2003.
Financial results for Quarter ended 31.12.03	:	Last week of January 2004.
Financial results for Quarter/year ended 31.03.04	:	Last week of April 2004, in case of unaudited quarterly results, or alternatively, last week of June 2004, in case of audited results for the year.
Book Closure Date	:	13th September, 2003 to 26th September, 2003. (both days inclusive)
Dividend payment date	:	15th October, 2003 (proposed)

Listing	Stock Code
1. <b>The Delhi Stock Exchange Association Ltd.</b> DSE House, 3/1, Asaf Ali Road, New Delhi-110002	00012
2. <b>The National Stock Exchange of India Ltd.</b> Trade World, Senapati Bapat Marg, Lower Parel, Mumbai - 400 013	ESCORTS
3. <b>The Stock Exchange, Mumbai,</b> Phiroze Jeejeebhoy Towers, Dalal Street, Mumbai – 400 001	500495
4. <b>Bangalore Stock Exchange Ltd.</b> Stock Exchange Towers, No. 51, 1st Cross, J. C. Road, Bangalore - 560 027	ESC
5. <b>The Calcutta Stock Exchange Association Ltd.</b> 7, Lyons Range, Kolkata - 700 001	15020
6. <b>The Stock Exchange, Ahmedabad</b> Kamdhenu Complex, Panjra Pole, Ambawadi, Ahmedabad - 380 015	16410
7. <b>Madras Stock Exchange Ltd.</b> Exchange Building, P.B. No. 183, 11, Second Line Beach, Chennai - 600 001	—

It is proposed to delist the shares from all stock exchanges except Delhi, Mumbai and National Stock Exchanges. Appropriate resolution for approval of members is included in the Notice of the ensuing Annual General Meeting.

- Listing Fees**

The Company has already paid Annual Listing Fees for the year 2003-04 to all the Stock Exchanges.





- **Market Price Data**

**Monthly Stock Market Data**

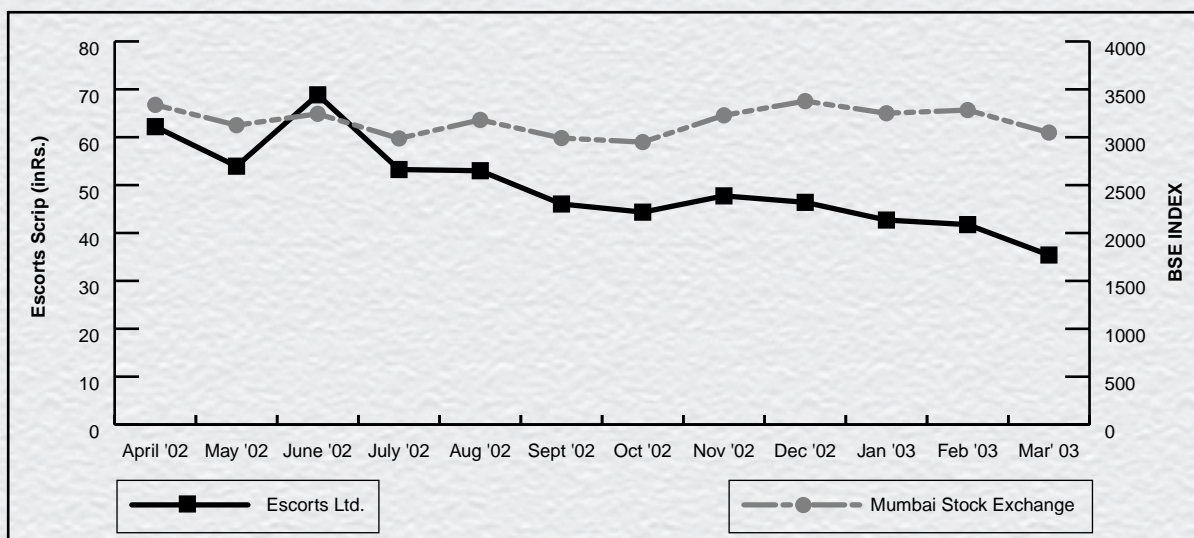
High and low prices of Equity Shares in the financial year 2002-03 were as follows :

Month	National Stock Exchange		Mumbai Stock Exchange	
	High (Rs.)	Low (Rs.)	High (Rs.)	Low (Rs.)
April 2002	73.00	58.50	72.75	58.80
May 2002	64.90	52.20	64.70	52.75
June 2002	69.80	53.50	69.80	53.00
July 2002	76.15	51.70	76.20	51.75
August 2002	58.90	50.50	59.00	50.60
September 2002	55.00	46.10	54.35	45.65
October 2002	47.65	42.00	47.85	43.00
November 2002	53.00	39.65	51.50	44.00
December 2002	51.30	46.00	51.20	45.80
January 2003	47.80	41.00	48.50	41.00
February 2003	47.00	40.90	46.85	40.80
March 2003	42.95	35.00	42.45	35.00

**Yearly Stock Market Data**

Year	Equity Shares		Name of the Stock Exchange
	High (Rs.)	Low (Rs.)	
1998-99	134.20	58.05	Mumbai Stock Exchange
1999-00	269.00	51.00	- do -
2000-01	156.00	66.75	- do -
2001-02	89.35	37.95	- do -
2002-03	76.20	35.00	- do -

**COMPARISON OF ESCORTS SCRIP MOVEMENT WITH MUMBAI STOCK EXCHANGE (BSE) INDEX**





## ESCORTS LIMITED

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- **Registrar and Share Transfer Agents**

The Company carries on the share transfer work in-house at:

**ESCORTS LTD.**

Corporate Secretariat & Law, 15/5, Mathura Road, Faridabad - 121 003

Phone: 0129-2250222 Ext. 4275/4268 • Fax: 0129-2250060

E-mail : corpsect@ndb.vsnl.net.in • Website: www.escortsgroup.com

- **Share Transfer System**

The Company has a Share Transfer Committee that normally meets four times a month. The shares received are usually transferred within a period of 5 to 10 days from the date of receipt, subject to their validity.

- **Investors Relation Centres**

<b>Escorts Limited,</b> 11, Scindia House, Connaught Circus, New Delhi - 110001 Telephone No. (011) 23310145 Fax No. (011) 23310271 (From Monday to Friday) Timings 9.30 a.m. to 5.30 p.m.	<b>The Delhi Stock Exchange Association Limited,</b> Investors' Service Cell, DSE House, 3/1, Asaf Ali Road, New Delhi - 110 002 (2nd and 4th Wednesday of every month) Timings: 2.30 p.m. to 4.30 p.m.
<b>Escorts Limited,</b> Shah House, Shiv Sagar Estate, Dr. Annie Besant Road, Worli, Mumbai - 400 018 Telephone No. (022) 24964461 Fax No. (022) 24950424 (First Wednesday of January, April, July and October) Timings 11.00 a.m. to 1.00 p.m.	<b>The Stock Exchange, Mumbai,</b> Investors' Service Cell, Rotunda Building (1st Floor), B. S. Marg, Mumbai - 400 001 (First Wednesday of January, April, July and October) Timings 2.00 p.m. to 4.00 p.m.

All enquiries, transfer/transmission/transposition requests in respect of shares and debentures both physical and electronic, nomination, change of address and payment of dividend/interest should be addressed directly to the Corporate Secretariat & Law.

- **Statistics of dividend payment**

<b>Year</b>	<b>Rate</b>	<b>Date of payment</b>
1992-1993	20%	5th November, 1993
1993-1994	30%	17th October, 1994
1994-1995	36%	23rd March, 1995 & 7th September, 1995
1995-1996	40%	9th September, 1996
1996-1997	45%	10th September, 1997
1997-1998	45%	15th September, 1998
1998-1999	45%	18th October, 1999
1999-2000	45%	29th May, 2000
2000-2001	45%	22nd October, 2001
2001-2002	10%	11th October, 2002
2002-2003	10%	15th October, 2003 (proposed)

- **Dividend for the year 2002-2003**

Dividend @ 10% has been proposed for the financial year 2002-2003, which if declared at the ensuing Annual General Meeting of the Company, will be paid to the shareholders, whose names appear in the Register of Members/Records of NSDL/CDSL on the last date of Book closure.





- **Payment of dividend through Electronic Clearing Service (ECS)**

Your Company has already introduced ECS mode of payment for dividend. The ECS has the following advantages :

- Timely credit of dividend amount to your bank account at no extra cost.
- No scope for theft/fraudulent encashment of dividend warrant.
- No chance of loss/damage of dividend warrant in transit.
- No need to visit bank for depositing dividend warrant.
- No need of writing to the Company for revalidation of dividend warrant.

In case an investor desires that the dividend be credited to his bank account through ECS, the ECS Mandate Form duly completed in all respects may be sent immediately.

- **Nomination Facility**

Investors are eligible to file their nominations against shares held under physical mode. The facility of nomination is not available to non-individual shareholders such as societies, trusts, bodies corporate, karta of Hindu Undivided families and holders of Power of Attorney. The investors, who wish to avail this facility, may send prescribed form 2B duly filled in and signed to the Corporate Secretariat and Law.

- **Financial calendar**

From 1st April to 31st March

- **Distribution of Shareholding**

**As on 31st March, 2003**

Category	Number of shares held	%
1. Promoters		
– Indian	1649899	2.28
– Foreign	–	–
2. Persons acting in concert	23928928	33.13
3. Institutional Investors		
a. Mutual Funds & UTI	2501137	3.46
b. Banks, Financial Institutions, Insurance Companies (Central/State Govt. Inst./non-Govt. Inst.)	16030832	22.19
c. FIIs	2525118	3.50
4. Others		
– Private Bodies Corporate	5554985	7.69
– Indian Public	19336245	26.77
– NRIs/OCBs	705096	0.98
<b>Total</b>	<b>72232240</b>	<b>100.00</b>

**As on 31st March, 2003**

Range of holding	Number of shareholders	%
1 to 100	50007	54.63
101 to 500	36052	39.39
501 to 1,000	3409	3.73
1,001 to 5,000	1844	2.02
5,001 to 10,000	112	0.12
10,001 to 50,000	67	0.07
50,001 to 1,00,000	12	0.01
Above 1,00,000	30	0.03
<b>TOTAL</b>	<b>91533</b>	<b>100.00</b>



## ESCORTS LIMITED

- **Dematerialisation of Shares**

The equity shares of the company are required to be compulsorily traded and settled only in the dematerialised form.

The Company has been prompting investors to convert their physical holding into demat form. The Company also gives an option to the new shareholders to have the shares dematerialised. For this, an option letter is sent to equity shareholders, immediately after approval of transfer, for sending the Demat Request Form through the Depository Participant to enable conversion of the shares into electronic form.

- **Liquidity of Shares**

Till now, approximately 60.17% Equity Shares have been dematerialised. The trading volumes at National Stock Exchange and Mumbai Stock Exchange, during the financial year 2002-03, are given below :

Month	National Stock Exchange			Mumbai Stock Exchange		
	No. of Shares	Value (Rs. in lacs)	No. of transactions	No. of Shares	Value (Rs. in lacs)	No. of transactions
April 2002	3360553	2239.07	22498	2889272	1922.68	25007
May 2002	771981	457.57	6682	540345	320.53	6163
June 2002	5235475	3297.72	30438	3784728	2397.01	30701
July 2002	8614102	5800.36	49743	5633891	3810.88	43419
August 2002	685735	375.03	6317	416939	228.72	5120
September 2002	448873	226.09	4428	248803	125.64	2859
October 2002	319939	145.55	3408	142232	64.89	1840
November 2002	650176	313.93	7152	349383	169.16	4391
December 2002	997637	480.43	8287	664523	319.12	6801
January 2003	538373	240.12	5430	324343	144.67	4112
February 2003	485345	210.85	5451	288398	125.51	3682
March 2003	422335	158.49	3555	224207	84.96	2393
<b>TOTAL</b>	<b>22530524</b>	<b>13945.21</b>	<b>153389</b>	<b>15507064</b>	<b>9713.77</b>	<b>136488</b>

- **Outstanding GDRs/ADRs/Warrants etc.**

There are no convertible instruments outstanding, which could increase the paid up equity capital of the Company.

- **Plant Locations**

The Company has its manufacturing plants at the following locations :

1. 18/4, Mathura Road, Faridabad - 121 007
2. Plot No. 2, Sector 13, Faridabad - 121 007
3. Plot No. 3, Sector 13, Faridabad - 121 007
4. 115, Sector 24, Faridabad - 121 003

- **Address for Correspondence**

**ESCORTS LIMITED**

Corporate Secretariat & Law, 15/5, Mathura Road, Faridabad - 121 003

Phone: 0129-2250222 Ext. 4275/4268 • Fax: 0129-2250060

E-mail address : corpsect@ndb.vsnl.net.in • Website: www.escortsgroup.com





- **Non Mandatory Requirements**

The status/extent of compliance of non mandatory requirements is as follows:

- a. **Maintenance of Chairman's Office**

Not applicable as the Chairman is executive.

- b. **Remuneration Committee**

Already constituted. Details given in preceding paragraphs.

- c. **Half-yearly financial performance and summary of significant events to be sent to each household of shareholders**

Not being followed. The Company disseminates the information through press.

- d. **Postal Ballot**

The Company is adopting postal ballot route for two Special resolutions viz. for alteration of Objects Clause of Memorandum of Association by inserting some agri-allied business and for commencing this business. It is expected to complete the postal ballot exercise before the ensuing Annual General Meeting.

#### **Annexure - C to the Directors' Report**

#### **AUDITORS' CERTIFICATE REGARDING COMPLIANCE WITH THE CONDITIONS OF CORPORATE GOVERNANCE UNDER CLAUSE 49 OF THE LISTING AGREEMENT**

##### **To the Members of Escorts Limited**

We have examined the compliance of the conditions of Corporate Governance by Escorts Limited for the year ended 31st March, 2003 as stipulated in clause 49 of the listing agreement of the said Company with the Stock Exchanges in India.

The compliance of conditions of Corporate Governance is the responsibility of the management. Our examination was limited to procedures and implementation thereof, adopted by the Company for ensuring the compliance of the conditions of Corporate Governance. It is neither an audit nor an expression of opinion on the financial statements of the Company.

In our opinion and to the best of our information and explanations given to us, we certify that the Company has complied with the conditions of Corporate Governance as stipulated in the above-mentioned Listing Agreement.

We state that in respect of investor grievances received during the year ended 31st March, 2003, no investor grievances are pending against the Company for a period exceeding one month as per records maintained by the Company which are presented to the Shareholders'/Investors' Grievance Committee.

We further state that such compliance is neither an assurance as to the future viability of the Company nor the efficiency or effectiveness with which the management has conducted the affairs of the Company.

For **S.N. DHAWAN & CO.**  
Chartered Accountants

**S.N. DHAWAN**  
Partner

Place : New Delhi  
Date : 27th June, 2003



# ESCORTS LIMITED

## Annexure – D to the Directors' Report

Pursuant to the requirement of Section 217(2AA) of the Companies Act, 1956, the Board of Directors hereby confirm :

- that in preparation of the annual accounts for the year ended 31st March, 2003, the applicable accounting standards had been followed.
- that the Directors had selected such accounting policies and applied them consistently and made judgements and estimates that are reasonable and prudent so as to give a true and fair view of the state of the affairs of the Company as at 31st March, 2003 and of the profit and loss of the Company for the year ended 31st March, 2003.
- that the Directors had taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities.
- that the Directors had prepared the annual accounts for the year ended 31st March, 2003 on a going concern basis.

## Annexure - E to the Directors' Report

Information as per Section 217(2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rule, 1975 and forming part of Directors' Report for the period ended 31st March, 2003.

### A. Employed throughout the year and in receipt of remuneration not less than Rs. 24,00,000.

Name of the Employee	Age (Yrs.)	Qualification	Experience (Yrs.)	Date of Employment	Designation & Nature of Duties	Remuneration Received Gross (Rs.)	Net (Rs.)	Last Employment held
Anand Suresh	55	M.Tech., B. Tech., IIT	30	08.04.1996	Head - Mfg. Operations (AMG)	3929696	1743522	Tech. Director, Shriram Piston & Rings
Banerji Umesh	59	B.Sc., FCA	34	01.04.1974	Group Controller of Finance	4270007	2234773	Mgt. Staff Indian Explosive Ltd.
Chopra Rakesh	53	FCA (Eng. & Wales) MBA (Cranfield, U.K.)	30	01.09.1979	Business Head & Sr. Vice President (AMG)	7259996	3950531	Vazir Sultan Tobacco Co. Ltd.
Khattar Sriram	45	B.Com. (Hons.), FCA	21	26.06.2000	VP - Corp. Strategic Planning & Corporate Affairs	4029762	1954938	ITC Ltd.
Mathur G.B.	53	B.Sc., ACS, LLB	28	16.08.1993	Vice President - Law & Company Secretary	3715268	1854517	Co. Secy., Chambal Fertiliser & Chemicals Ltd.
Nanda Anil *	51	Sr. Cambridge	31	01.07.1981	Vice Chairman & Managing Director	2588691	1197657	Intercontinent Travancore (P) Ltd.
Nanda Nikhil *	29	B.B.A.	7	01.05.2000	Executive Director	2956692	1383300	JMD, Escorts Yamaha Motor Ltd.
Nanda Rajan *	60	Sr. Cambridge, Training in UK & Germany	42	03.04.1970	Chairman & Managing Director	2956692	1383300	Director, Harparshad & Co. Ltd.
Padhi S.K.	41	B.Sc., MBA	18	02.11.2001	Head - Marketing AMG	3362832	1515908	Heinz India Ltd.
Sarkar M.C.	56	B.E. Mech., M.Tech. in Indst. Engg. & Oprtnl. Resch.	33	02.04.1993	Head - R&D (AMG)	3605448	1723195	Volta Ltd.
Sarkar Partha	52	B.Tech., MBA	27	07.08.2000	Vice President	3650049	1416024	RPG Itochu Fin. Ltd.
Singh Devraj	50	B. Tech., PGDM	26	02.01.1995	Business Head - Engineering Division	4501913	2176751	SRF Ltd.

### B. Employed for part of the year and in receipt of remuneration not less than Rs. 2,00,000 per month.

Khanna S.K.	58	Dip. in Mech. Engg.	35	01.08.1967	Chief General Manager - Product Dev. Group	881763	482372	—
Panwar Anil	49	C.A.	26	01.08.1986	Assoc. Vice President - Financial Plng. & Resources	606694	396698	Waltoch (I) Pvt. Ltd.
Subbaiah B.K.	51	B.Sc., Agri Engineering, MBA	27	24.06.2002	Head All India Sales	1901570	926033	Mahindra & Mahindra Ltd.

#### NOTES:

\* Employed on Contractual basis. Mr. Rajan Nanda and Mr. Anil Nanda, Managing Directors, are brothers. Mr. Nikhil Nanda, Executive Director is son of Mr. Rajan Nanda.

- Employees named above are/were whole time employees of the Company as per terms and conditions of the Company.
- Remuneration received gross includes Salary, Bonus, Commission, ex-gratia, actual expenditure for provision of rent free accommodation or benefits or amenities, house rent allowance, medical expenses, leave travel assistance, other allowances, reimbursement of gas, water and electricity expenses. Company's contribution to provident fund, employee pension scheme, gratuity fund and provision of car valued as perquisites in accordance with rules under the Income Tax Act, 1961, but excluding contribution towards superannuation scheme which is no longer allocated individually.
- Remuneration received net includes Salary, Bonus, Commission, ex-gratia and other allowances but excluding house rent allowance, Provident Fund and Gratuity less Income Tax deducted at source.
- Employees whose services have been loaned to other Companies have been excluded.

Date : June 27, 2003

**RAJAN NANDA**  
Chairman & Managing Director



# ESCORTS LIMITED

## BALANCE SHEET AS AT MARCH 31, 2003

	Schedule	31.03.2003 Rs. Crores	31.03.2002 Rs. Crores
<b>SOURCES OF FUNDS</b>			
Share Capital	1	72.23	72.23
Reserves & Surplus	2	843.68	835.34
Total Shareholders' Funds		915.91	907.57
Loans			
Secured	3	480.55	440.98
Unsecured	4	335.64	277.64
<b>Total</b>		<b>1,732.10</b>	<b>1,626.19</b>
<b>APPLICATION OF FUNDS</b>			
Fixed Assets			
Gross Block		975.16	954.03
Less : Depreciation		369.30	332.40
Provision for impairment		5.00	5.00
Net Block	5	600.86	616.63
Capital Work-in-Progress		2.13	9.40
Total Fixed Assets		602.99	626.03
Investments	6	619.26	516.80
Current Assets, Loans & Advances			
Current Assets	7		
Inventories		119.43	118.39
Sundry Debtors		256.76	422.87
Cash & Bank Balances		83.54	40.68
Other Current Assets		0.25	0.03
		459.98	581.97
Loans & Advances	8	427.32	473.22
Total Current Assets, Loans & Advances		887.30	1,055.19
<b>DEDUCT</b>			
Current Liabilities & Provisions	9		
Current Liabilities		299.19	499.22
Provisions		39.97	27.16
Total Current Liabilities & Provisions		339.16	526.38
Net Current Assets		548.14	528.81
Less : Deferred Tax Liability (Net) (Refer Note no.17 of Schedule 18)		(76.68)	(80.46)
Miscellaneous Expenditure (to the extent not written off or adjusted)		38.39	35.01
Total Fixed Assets, Investments and Net Current Assets		<b>1,732.10</b>	<b>1,626.19</b>
Significant Accounting Policies	17		
Notes to Accounts	18		

**RAJAN NANDA**  
Chairman and  
Managing Director

**NIKHIL NANDA**  
Executive Director

**PROF. DR. M.G.K. MENON**  
Director

**G.B. MATHUR**  
Vice President - Law &  
Company Secretary

**P.K. MAHESHWARI**  
Chief Financial Controller

As per our report attached  
For **S.N. DHAWAN & CO.**  
Chartered Accountants

C-37, Connaught Place  
New Delhi - 110 001  
Dated : June 27, 2003

**S.N. DHAWAN**  
Partner





# **PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED MARCH 31, 2003**

	<b>Schedule</b>	<b>2002-2003 Rs. Crores</b>	<b>2001-2002 Rs. Crores</b>
<b>INCOME</b>			
Sales (Gross)		<b>870.78</b>	1,231.08
Less : Excise Duty		<b>102.86</b>	150.05
Net Sales		<b>767.92</b>	1,081.03
Business Income	<b>10</b>	<b>21.56</b>	26.90
Income from Investments	<b>11</b>	<b>208.63</b>	53.92
<b>Total</b>		<b>998.11</b>	1,161.85
<b>EXPENDITURE</b>			
Material, Manufacturing & Operating Expenses	<b>12</b>	<b>546.35</b>	765.63
Personnel	<b>13</b>	<b>153.31</b>	135.95
Sales & Administration Expenses	<b>14</b>	<b>151.61</b>	146.59
Interest	<b>15</b>	<b>66.53</b>	53.81
		<b>917.80</b>	1,101.98
Profit before Depreciation and Amortisation		<b>80.31</b>	59.87
Depreciation		<b>47.74</b>	49.06
Less : Transfer of depreciation from Revaluation Reserve		<b>7.15</b>	7.65
		<b>40.59</b>	41.41
Amortisation of Miscellaneous Expenditure	<b>16</b>	<b>17.46</b>	13.45
		<b>58.05</b>	54.86
<b>PROFIT BEFORE TAX</b>		<b>22.26</b>	5.01
Provision for Taxation			
Less : Current Taxation		<b>2.00</b>	4.50
Add : Deferred Taxation		<b>(3.78)</b>	(7.62)
		<b>(1.78)</b>	(3.12)
<b>PROFIT AFTER TAX</b>		<b>24.04</b>	8.13
Balance brought forward		<b>66.33</b>	45.92
(Short)/Excess Provision of Income Tax for previous years		<b>—</b>	0.47
Transfer from Debenture Redemption Reserve		<b>12.01</b>	57.78
<b>Total</b>		<b>102.38</b>	112.30
<b>APPROPRIATIONS</b>			
Debenture Redemption Reserve		<b>0.48</b>	18.75
General Reserve		<b>5.00</b>	20.00
Dividend on Equity Shares @ 10% (2001-2002 @10%)		<b>7.22</b>	7.22
Dividend tax on Final Dividend		<b>0.93</b>	—
Balance carried to Balance Sheet		<b>88.75</b>	66.33
<b>Total</b>		<b>102.38</b>	112.30
Significant Accounting Policies	<b>17</b>		
Notes to Accounts	<b>18</b>		
<b>EARNINGS PER SHARE (Face Value Rs. 10)</b>			
Basic Earnings per Share (in Rupees)		<b>3.33</b>	1.13
Diluted Earnings per Share (in Rupees)		<b>3.33</b>	1.13

**RAJAN NANDA**  
Chairman and  
Managing Director

**NIKHIL NANDA**  
Executive Director

**PROF. DR. M.G.K. MENON**  
Director

**G.B. MATHUR**  
Vice President - Law &  
Company Secretary

**P.K. MAHESHWARI**  
Chief Financial Controller

As per our report attached  
For **S.N. DHAWAN & CO.**  
Chartered Accountants

C-37, Connaught Place  
New Delhi - 110 001  
Dated : June 27, 2003

**S.N. DHAWAN**  
Partner



## ESCORTS LIMITED

### SCHEDULES 1-18 FORMING PART OF THE BALANCE SHEET AND PROFIT & LOSS ACCOUNT

#### SCHEDULE 1 : SHARE CAPITAL

		31.03.2003 Rs. Crores	31.03.2002 Rs. Crores
<b>AUTHORISED CAPITAL</b>			
7,70,00,000	Equity Shares of Rs. 10 each	77.00	77.00
3,70,00,000	12% Cumulative Redeemable Preference Shares of Rs. 90 each	333.00	333.00
		<b>410.00</b>	<b>410.00</b>
<b>ISSUED, SUBSCRIBED AND PAID-UP CAPITAL</b>			
7,22,32,240	Equity Shares of Rs. 10 each	72.23	72.23

#### NOTES :

- Paid-up Capital includes :
  - 18,700 Equity Shares (2001-2002 - 18,700) allotted as fully paid-up for consideration other than cash pursuant to contracts.
  - Bonus Shares :  
1,94,34,125 Equity Shares allotted before 1988 as fully paid-up by capitalising Share Premium of Rs. 0.22 crore and General Reserve of Rs. 19.21 crores.

#### SCHEDULE 2 : RESERVES AND SURPLUS

	Share Premium Reserve	Capital Redemption Reserve	Share Forfeiture Reserve	Amalgamation Reserve	Debenture Redemption Reserve	General Reserve	Profit & Loss Account	Revaluation Reserve	Total
As at March 31, 2002	84.67	0.81	3.22	48.46	39.21	464.62	66.33	128.02	835.34
Additions during the year :									
Transfer from Profit and Loss Account					0.48	5.00	88.75		94.23
	84.67	0.81	3.22	48.46	39.69	469.62	155.08	128.02	929.57
Deductions during the year :									
On assets sold								0.40	0.40
Transfer to Profit & Loss Account					12.01 (a)		66.33	7.15	85.49
As at March 31, 2003	84.67	0.81	3.22	48.46	27.68	469.62	88.75	120.47	843.68

(a) Consequent to part redemption of Non-Convertible Debentures during 2002-2003.





## SCHEDULES 1-18 FORMING PART OF THE BALANCE SHEET AND PROFIT & LOSS ACCOUNT

### SCHEDULE 3 : SECURED LOANS

	31.03.2003 Rs. Crores	31.03.2002 Rs. Crores
<b>From Banks :</b>		
Cash Credit/Working Capital Term Loans	179.78	135.38
Interest Accrued & Due	0.25	0.31
<b>Term Loans from Banks</b>	<b>103.33</b>	<b>105.00</b>
<b>From Others :</b>		
Term Loans	45.00	50.00
Loans under asset credit scheme	18.88	34.38
<b>Debentures :</b>		
15% Secured Redeemable Non-Convertible Debentures	20.45	40.91
12% Secured Redeemable Non-Convertible Debentures	67.86	75.00
12% Secured Redeemable Non-Convertible Debentures	20.00	—
12% Secured Redeemable Non-Convertible Debentures	25.00	—
<b>Total</b>	<b>480.55</b>	<b>440.98</b>

#### NOTES :

**1. Cash Credit including Working Capital Term Loan from Banks :**

Secured by hypothecation of stocks and book debts on a pari-passu basis (except in case of a bank which is secured by a second charge on movable assets including Plant & Machinery).

**2. Term Loans from Banks :**

Secured by first pari-passu mortgage and charge on immovable and movable assets (except in case of two banks which have a second charge on fixed assets). Additionally 2,50,000 Equity Shares of Escorts Heart Institute and Research Centre Limited have been pledged as security against a loan disbursed in April, 2003.

**3. Term Loans from Others :**

**(a) Industrial Development Bank of India**

Secured by first pari-passu charge on immovable and movable assets.

**(b) Housing Development Finance Corporation Limited**

Secured by first pari-passu mortgage and charge on Land and Building and second charge on other fixed assets.

**4. Loans under asset credit scheme :**

Secured by an exclusive charge by way of hypothecation of the equipment financed (yet to be created).

**5. Debentures :**

- (i) 58,43,738 - 15% Secured Redeemable Non-Convertible Debentures of Rs.100 each (Date of allotment - 12th April, 1994). These debentures are redeemable in three instalments of Rs. 30/-, Rs. 35/- and Rs. 35/- each, at the end of 7th, 8th and 9th year respectively from the date of allotment.

(First and second instalment of redemption @ Rs. 30/- and Rs. 35/- each per debenture due on 12th April, 2001 and 12th April, 2002 were redeemed).

These Debentures are secured by first pari-passu mortgage and charge on immovable and movable assets of the Company.

- (ii) 75,00,000 - 12% Secured Redeemable Non-Convertible Debentures of Rs.100 each

(a) 51,00,000 - (Date of Allotment - 25th January, 2002)

(b) 24,00,000 - (Date of Allotment - 15th March, 2002)

Both the above series of Debentures are redeemable in twenty one monthly instalments starting 15th February, 2003 and ending on 15th October, 2004.

The twenty one instalments will be of Rs. 3.57 crores each.

These Debentures are secured by first pari-passu mortgage and charge on immovable and movable assets of the Company and also by hypothecation of a special no-lien bank account.

- (iii) 20 - 12% Secured Redeemable Non-Convertible Debentures of Rs.1,00,00,000/- each (Date of allotment - 19th July, 2002)

These Debentures are redeemable at the end of 18 months from the date of allotment i.e. 15th January, 2004 or earlier, as mutually agreed with the Debentureholders.

These Debentures are secured by first pari-passu mortgage and charge on immovable and movable assets of the Company.

- (iv) 2,50,00,000 - 12% Secured Redeemable Non-Convertible Debentures of Rs.10/- each (Date of allotment - 31st January, 2003)

These Debentures are redeemable at the end of 36 months from the date of allotment i.e. on 31st January, 2006.

These Debentures are secured by first pari-passu mortgage and charge on immovable and movable assets of the Company.



## ESCORTS LIMITED

### SCHEDULES 1-18 FORMING PART OF THE BALANCE SHEET AND PROFIT & LOSS ACCOUNT

#### SCHEDULE 4 : UNSECURED LOANS

	31.03.2003 Rs. Crores	31.03.2002 Rs. Crores
Fixed Deposits		
12% Unsecured Redeemable Non-Convertible Debentures	—	25.00
Others	146.60	108.23
Inter Corporate Deposits		
From Subsidiaries	22.00	20.00
From Others	22.50	5.00
Banks Book Overdraft	2.85	2.23
Other Long Term Loans	9.90	2.58
Short Term Loans & Advances :		
From Banks		
Commercial Paper (a)	60.00	25.00
Others	58.29	69.60
Rabo India Finance Private Limited	13.50	20.00
<b>Total</b>	<b>335.64</b>	<b>277.64</b>

#### NOTES :

(a) Maximum amount outstanding at any time during the year Rs. 75.00 crores (Previous Year Rs. 75.00 crores)

#### SCHEDULE 5 : FIXED ASSETS

										Rs. Crores	
Description	Original Cost as at 31.03.2002	Additions	Deductions	Cost as at 31.03.2003	Provision for impairment	Depreciation upto 31.03.2002	Depreciation for the year	Deductions during the year	Depreciation upto 31.03.2003	Net Book value as on 31.03.2003	Net Book value as on 31.03.2002
Land	99.60	6.75	0.80	105.55	—	0.01	—	—	0.01	105.54	99.59
Buildings	220.60	7.67	0.92	227.35	—	81.85	11.11	0.44	92.52	134.83	138.75
Plant & Machinery	526.42	12.51	7.04	531.89	—	187.16	27.64	6.11	208.69	323.20	339.26
Furniture & Fixtures	92.17	6.16	3.75	94.58	—	58.14	7.31	3.60	61.85	32.73	34.03
Vehicles	9.46	1.52	0.97	10.01	—	4.78	1.40	0.69	5.49	4.52	4.68
	948.25	34.61	13.48	969.38	—	331.94	47.46	10.84	368.56	600.82	616.31
Plant & Machinery held for sale	5.78	—	—	5.78	5.00	0.46	0.28	—	0.74	0.04	0.32
Sub-Total	954.03	34.61	13.48	975.16	5.00	332.40	47.74	10.84	369.30	600.86	616.63
Capital Work-in-Progress	9.40	2.02	9.29	2.13	—	—	—	—	—	2.13	9.40
Total	963.43	36.63	22.77	977.29	5.00	332.40	47.74	10.84	369.30	602.99	626.03
Previous Year Figures	952.45	25.88	14.90	963.43	5.00	290.12	49.06	6.78	332.40	626.03	

#### NOTES :

1. Land includes :

- Leasehold at cost Rs. 9.83 crores.
- Rs. 6.75 crores pending approval for registration in the name of the Company.
- Rs. 2.27 crores, the title to which has not been transferred in the name of the Company.

The lease deed for the leasehold land amounting to Rs. 9.52 crores taken by the Company from Maharashtra Industrial Development Corporation (MIDC) is yet to be executed.

2. Buildings include (at net book value) :

- Rs. 4.94 crores not registered in the name of the Company.
- Rs. 0.25 crore pending approval for registration in the name of the Company.
- Rs. 1.01 crores, the title to which has not been transferred in the name of the Company.





# **SCHEDULES 1-18 FORMING PART OF THE BALANCE SHEET AND PROFIT & LOSS ACCOUNT**

## **SCHEDULE 6 : INVESTMENTS**

		<b>31.03.2003</b>	<b>31.03.2002</b>
		<b>Rs. Crores</b>	<b>Rs. Crores</b>
<b>LONG TERM (At Cost)</b>			
<b>GOVERNMENT SECURITIES</b>			
<b>QUOTED INVESTMENTS</b>			
<b>TRADE INVESTMENTS</b>			
<b>COMPANIES UNDER THE SAME MANAGEMENT</b>			
Goetze (India) Limited			
–	Equity Shares of Rs. 10 each fully paid (68,80,260 Equity Shares sold during the year)	–	21.33
<b>OTHERS</b>			
Escorts Finance Limited			
38,19,700	Equity Shares of Rs. 10 each fully paid	<b>4.01</b>	4.01
<b>OTHER INVESTMENTS</b>			
Mahindra & Mahindra Limited			
7,665	Equity Shares of Rs. 10 each fully paid	<b>0.01</b>	0.01
Floatglass India Limited			
50,300	Equity Shares of Rs. 10 each fully paid	<b>0.13</b>	0.13
<b>UNQUOTED INVESTMENTS</b>			
<b>SUBSIDIARY COMPANIES</b>			
Escorts Automotives Limited			
1,00,00,000	Equity Shares of Rs. 10 each fully paid	<b>23.66</b>	23.66
Escorts Claas Limited			
–	Equity Shares of Rs. 10 each fully paid (42,00,000 Equity Shares sold during the year)	–	4.20
Escorts Construction Equipment Limited			
1,00,00,000	Equity Shares of Rs. 10 each fully paid	<b>10.00</b>	10.00
60,00,000	10% Cumulative Redeemable Preference Shares of Rs. 10 each fully paid	<b>6.00</b>	6.00
2,30,00,000	10% Non-Cumulative Redeemable Preference Shares of Rs. 10 each fully paid	<b>23.00</b>	23.00
Escotel Mobile Communications Limited			
18,66,60,000	Equity Shares of Rs. 10 each fully paid	<b>186.66</b>	186.66
Escorts Hospital & Research Centre Limited			
1,60,00,000	Equity Shares of Rs. 10 each fully paid	<b>16.00</b>	16.00
Escorts AgriMachinery Incorporated, USA			
750	(Shares with Nil par value amounting to US \$ 9.6925 million)	<b>41.63</b>	41.63
Escorts Heart Institute & Research Centre Limited			
16,00,000	Equity Shares of Rs. 10 each fully paid	<b>1.60</b>	1.60
Escorts Securities Limited			
12,00,000	10% Cumulative Redeemable Preference Shares of Rs.10/- each fully paid	<b>1.20</b>	1.20
Escorts Assets Management Limited			
30,00,000	Equity Shares of Rs. 10 each fully paid	<b>3.00</b>	3.00
Esconet Services Limited			
3,00,02,800	Equity Shares of Rs. 10 each fully paid	<b>30.00</b>	30.00
2,50,00,000	3% Cumulative Redeemable Preference Shares of Rs.10/- each fully paid (Subscribed during the year)	<b>25.00</b>	–
Escosoft Technologies Limited			
1,50,50,150	Equity Shares of Rs. 10 each fully paid	<b>15.05</b>	15.05



## ESCORTS LIMITED

### SCHEDULES 1-18 FORMING PART OF THE BALANCE SHEET AND PROFIT & LOSS ACCOUNT

#### SCHEDULE 6 : INVESTMENTS (Contd.)

		31.03.2003 Rs. Crores	31.03.2002 Rs. Crores
Escorts Telecommunications Limited			
5,70,00,000	Equity Shares of Rs. 10 each fully paid (5,10,00,000 Equity Shares subscribed during the year)	57.00	6.00
Escorts Telecom Services Limited (formerly Escotel Telecommunications Limited)			
50,000	Equity Shares of Rs. 10 each fully paid (49,830 Equity Shares subscribed during the year)	0.05	—
Escorts Healthcare Services Limited (formerly Escorts Research & Development Limited)			
50,000	Equity Shares of Rs. 10 each fully paid (49,200 Equity Shares subscribed during the year)	0.05	—
<b>OTHERS</b>			
Escorts Finance Investment & Leasing Private Limited			
1,50,00,000	Equity Shares of Rs. 10 each fully paid	15.00	15.00
43,82,000	5% Non-Cumulative Redeemable Preference Shares of Rs.100/- each fully paid (Subscribed during the year)	43.82	—
Escotracs Finance & Investments Private Limited			
1,50,00,000	Equity Shares of Rs. 10 each fully paid	15.04	15.04
1,00,00,000	10% Cumulative Redeemable Preference Shares of Rs. 10 each fully paid	10.00	10.00
4,84,40,000	5% Non-Cumulative Redeemable Preference Shares of Rs.10/- each fully paid (Subscribed during the year)	48.44	—
Escorts Finance Limited			
95,00,000	10% Cumulative Redeemable Preference Shares of Rs. 10 each fully paid	9.50	9.50
Escorts JCB Limited			
—	Equity Shares of Rs. 100 each fully paid (2,85,000 Equity Shares sold during the year) (1,15,000 Equity Shares bought back by Escorts JCB Limited during the year)	—	0.32
Escorts Mahle Limited			
—	Equity Shares of Rs. 10 each fully paid (2,17,58,908 Equity Shares sold during the year)	—	36.76
Drillmac Limited ( <i>in liquidation</i> )			
20,000	Equity Shares of Rs. 10 each fully paid	0.02	0.02
The Faridabad Central Co-operative Consumers Stores Limited			
447	Equity Shares of Rs. 10 each fully paid [Current year (Rs. 4,917), Previous year (Rs. 4,917)]	—	—
Escorts Auto Components Limited			
2,87,155	Equity Shares of Rs. 10 each fully paid	0.40	0.40
Escorts Electronics Limited ( <i>in liquidation</i> )			
32,000	Equity Shares of Rs. 100 each fully paid	0.32	0.32
Hughes Escorts Communication Limited			
37,64,992	Equity Shares of Rs. 10 each fully paid	3.76	3.76
Escorts Motors Limited			
1,00,000	Equity Shares of Rs. 10 each fully paid	1.50	1.50
Carraro India Limited			
1,96,00,000	Equity Shares of Rs. 10 each fully paid	19.60	19.60





# SCHEDULES 1-18 FORMING PART OF THE BALANCE SHEET AND PROFIT & LOSS ACCOUNT

## SCHEDULE 6 : INVESTMENTS (Contd.)

		31.03.2003 Rs. Crores	31.03.2002 Rs. Crores
<b>OTHER INVESTMENTS</b>			
Unit Trust of India			
80,66,152	Units under US-64 Scheme of Rs.10 each	12.37	12.37
1,830	Units under Venture Capital Unit Scheme - 1990 (3,760 Units redeemed during the year) (VECAUS - II) of Rs. 100 each fully paid	0.02	0.06
Credit Capital Finance Corporation Limited			
100	Equity Shares of Rs. 10 each fully paid [Current year (Rs. 1,000), Previous year (Rs. 1,000)]	—	—
INAPEX Auto Products Exports Limited			
60,000	Equity Shares of Rs. 10 each fully paid	0.06	0.06
State Bank of India			
	Unsecured Redeemable Subordinated Floating Interest Rate Bonds of Rs.1,000 each fully paid (2,500 Bonds redeemed during the year)	—	0.25
ILFS Bond Fund			
2,98,567	Bonds of Rs.100.48 each fully paid (2,98,567 Bonds redeemed during the year)	—	3.00
		<b>623.90</b>	<b>521.44</b>
Less : Provision for diminution in value of Investments in :			
	Escorts Electronics Limited ( <i>in liquidation</i> )	(0.32)	(0.32)
	Drillmac Limited ( <i>in liquidation</i> )	(0.02)	(0.02)
	Units under US-64 Scheme of Unit Trust of India	(4.30)	(4.30)
<b>Total</b>		<b>619.26</b>	<b>516.80</b>

### NOTES :

- Quoted Investments :
 

Book Value	4.15	25.48
Market Value	1.90	16.10
- Unquoted Investments
 

At cost	619.75	495.96
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- There is no investment (other than Units of Unit Trust of India) which, in the opinion of the management, has suffered a diminution in value other than temporary in nature.
- 59,99,830 Equity Shares of Escorts Telecommunications Limited (ETL) are pledged with Infrastructure Development Finance Company Limited to secure guarantee assistance and loans for ETL.



# ESCORTS LIMITED

## SCHEDULES 1-18 FORMING PART OF THE BALANCE SHEET AND PROFIT & LOSS ACCOUNT

### SCHEDULE 7 : CURRENT ASSETS

	31.03.2003 Rs. Crores	31.03.2002 Rs. Crores
<b>Interest/Dividend accrued on Investments and Deposits</b>	<b>0.25</b>	<b>0.03</b>
<b>Stocks (as taken, valued and certified by the Management)</b>		
Raw Material and Components	65.14	45.72
Finished & Trading Goods	32.93	47.97
Work-in-Progress	6.85	6.85
Stores and Machinery Spares	7.85	9.40
Loose Tools	9.72	8.45
	<b>122.49</b>	<b>118.39</b>
Less : Provision for obsolescence of inventory	3.06	—
	<b>119.43</b>	<b>118.39</b>
<b>Sundry Debtors</b>		
Debts outstanding for over six months		
Secured	1.33	1.08
Unsecured — Considered Good	58.71	50.60
— Considered Doubtful	13.00	8.10
	<b>73.04</b>	<b>59.78</b>
Less : Provision for doubtful debts	13.00	8.10
	<b>60.04</b>	<b>51.68</b>
Other Debts *		
Secured	2.27	4.26
Unsecured — Considered Good	194.45	366.93
— Considered Doubtful	0.14	—
	<b>196.86</b>	<b>371.19</b>
Less : Provision for doubtful debts	0.14	—
	<b>196.72</b>	<b>371.19</b>
<b>Cash &amp; Bank Balances</b>		
Cash and Cheques in hand and in transit	4.08	3.79
<b>Banks</b>		
On Current/Cash Credit accounts with Scheduled Banks	18.04	31.55
On Short term/Fixed Deposit with Scheduled Banks		
Pledged with various authorities and banks	58.41	4.50
Others	3.00	0.83
In Post Office Savings Bank Accounts	0.01	0.01
(Pledged as security with Government authorities)		
	<b>83.54</b>	<b>40.68</b>
<b>Total</b>	<b>459.98</b>	<b>581.97</b>
<b>* Includes balances due from</b>		
— a Private Company in which a Director is a Director Joint Investments Private Limited	14.22	—
— a Company under the same management Goetze (India) Limited (due from Coupled Investments Private Limited, since amalgamated with Goetze (India) Limited)	15.80	—





# **SCHEDULES 1-18 FORMING PART OF THE BALANCE SHEET AND PROFIT & LOSS ACCOUNT**

## **SCHEDULE 8 : LOANS & ADVANCES**

		<b>31.03.2003</b>		<b>31.03.2002</b>
		<b>Rs. Crores</b>		<b>Rs. Crores</b>
<b>Loans :</b>				
Unsecured – Considered Good	<b>337.03</b>		338.68	
– Considered Doubtful	<b>0.52</b>		0.52	
	<b>337.55</b>		339.20	
Less : Provision for doubtful Loan	<b>0.52</b>	<b>337.03</b>	0.52	338.68
<b>Inter-Corporate Deposits :</b>				
Unsecured – Considered Good	–		0.90	
– Considered Doubtful	<b>1.11</b>		1.11	
	<b>1.11</b>		2.01	
Less : Provision for doubtful Inter-Corporate Deposits	<b>1.11</b>	–	1.11	0.90
<b>Advances recoverable in cash or in kind or for value to be received :</b>				
Unsecured – Considered Good	<b>84.65</b>		85.12	
– Considered Doubtful	<b>6.27</b>		11.84	
	<b>90.92</b>		96.96	
Less : Provision for doubtful Advances	<b>6.27</b>	<b>84.65</b>	11.84	85.12
<b>Advance towards Share Application Money</b>		–		37.47
<b>Deposits :</b>				
Deposits – Considered Good	<b>5.64</b>		11.05	
– Considered Doubtful	<b>0.09</b>		0.07	
	<b>5.73</b>		11.12	
Less : Provision for doubtful Deposits	<b>0.09</b>	<b>5.64</b>	0.07	11.05
<b>Total</b>		<b>427.32</b>		473.22

## **NOTES :**

(Rs. Crores)

	<b>On account of loans/ advances as on 31.03.2003</b>	<b>Maximum balance outstanding at any time during the year</b>	<b>On account of loans/ advances as on 31.03.2002</b>	<b>Maximum balance outstanding at any time during the year</b>
<b>1. Balance due from :</b>				
<b>Companies under the same Management</b>				
Goetze (India) Limited	<b>0.01</b>	<b>4.56</b>	4.57	6.26
<b>Subsidiary Companies</b>				
Escosoft Technologies Limited	<b>1.93</b>	<b>1.93</b>	1.51	8.84
Esconet Services Limited	<b>20.25</b>	<b>45.25</b>	39.13	46.77
Escorts Automotives Limited	<b>72.15</b>	<b>72.15</b>	68.17	77.82
Escorts Telecommunications Limited	<b>76.61</b>	<b>127.61</b>	0.91	0.91
Escorts Telecom Services Limited	<b>0.01</b>	<b>0.01</b>	0.01	0.01
(formerly Escotel Telecommunications Limited)				
Escorts Construction Equipment Limited	<b>24.76</b>	<b>27.45</b>	18.79	19.72
Escotel Mobile Communications Limited	<b>87.86</b>	<b>89.88</b>	89.87	89.88
Escorts Hospital & Research Centre Limited	<b>0.20</b>	<b>0.22</b>	0.06	0.08
Escorts Heart Institute & Research Centre Limited	–	<b>0.34</b>	0.32	0.32
Escorts Securities Limited	<b>0.84</b>	<b>0.85</b>	0.80	1.18
Escorts Assets Management Limited	<b>0.12</b>	<b>0.12</b>	0.11	0.15
Cellnext Solutions Limited	<b>0.06</b>	<b>0.06</b>	0.04	0.04
iServ India Solutions Private Limited	<b>0.01</b>	<b>0.03</b>	0.02	0.02
Automatrix India Private Limited	–	<b>0.04</b>	–	–
Due from Directors*	–	<b>1.87</b>	1.87	1.87

\* Refer Note No. 1 of Schedule 18 - Notes on Balance Sheet and Profit and Loss Account

2. (a) The Company had given Inter-Corporate deposit of Rs. 0.60 crore to M.S. Shoes East Limited which is outstanding for recovery since February, 1995.  
Interest accrued on this deposit has not been accounted for. Adequate provision amounting to Rs. 0.60 crore has been made.
- (b) In respect of Inter-Corporate deposits earlier placed with third parties though the principal amounts have been received, the interest accrued and due on these deposits amounting to Rs.1.14 crores is still pending recovery. Adequate provision amounting to Rs. 1.14 crores has been made.



## ESCORTS LIMITED

### SCHEDULES 1-18 FORMING PART OF THE BALANCE SHEET AND PROFIT & LOSS ACCOUNT

#### SCHEDULE 9 : CURRENT LIABILITIES & PROVISIONS

		31.03.2003 Rs. Crores		31.03.2002 Rs. Crores
<b>CURRENT LIABILITIES</b>				
Acceptances		80.34		75.05
Sundry Creditors				
SSI Undertakings	13.39		26.72	
Others	172.80	186.19	319.13	345.85
Subsidiary Companies		0.03		14.01
Advance Payments		1.32		19.09
Liability towards Investors Education and Protection Fund under Section 205C of the Companies Act, 1956 not due				
Unpaid Dividends	1.75		1.81	
Unpaid matured Debentures	1.24		1.19	
Unpaid matured Secured Premium Notes	0.14	3.13	0.14	3.14
Other Liabilities		17.06		29.68
Interest accrued but not due on loans		11.12		12.40
		299.19		499.22
<b>PROVISIONS</b>				
Leave Encashment		4.11		4.43
Taxation	276.01		274.01	
Less : Advance Income Tax	248.30	27.71	258.50	15.51
Proposed Dividend		7.22		7.22
Dividend Tax		0.93		—
		39.97		27.16
<b>Total</b>		<b>339.16</b>		<b>526.38</b>

#### NOTES :

1. Estimated amounts of contracts remaining to be executed on capital account and not provided for	8.06	10.63
2. * Claims not acknowledged as debts	0.56	1.90
3. There is a Contingent liability of :		
* (a) Excise duty/Customs duty demands not acknowledged as liability	26.71	26.73
* (b) Others not acknowledged as liability till a demand is raised	—	9.84
* (c) ESI additional demand not acknowledged as liability	6.11	6.43
* (d) Sales Tax demand not acknowledged as liability	0.92	0.92
* (e) Pending Legal Cases - Personnel	1.13	1.78
* (f) Demand raised by Faridabad Municipal Corporation for external development charges where the Company is in litigation	2.38	2.38
	37.25	48.08
Gross		
Net of Tax	23.56	30.92
(g) Guarantees executed in favour of Customs/Excise Authorities	11.16	11.04

#### NOTE \* :

The amounts indicated as contingent liability or claims against the Company only reflect the basic value. Interest or legal costs, being indeterminable are not considered.





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## **SCHEDULES 1-18 FORMING PART OF THE BALANCE SHEET AND PROFIT & LOSS ACCOUNT**

### **SCHEDULE 9 : CURRENT LIABILITIES & PROVISIONS (Contd.)**

4. The Company has given letter of undertaking on behalf of Hughes Escorts Communications Limited to CitiBank N.A. for credit facilities of Rs. 1.26 crores granted by them.

The value actually utilised by Hughes Escorts Communications Limited on 31.03.2003 was Nil.

5. The Company has given guarantees on behalf of Escotel Mobile Communications Limited amounting to Rs. 486.69 crores to various banks/financial institutions in respect of rupee loans, lease facilities and currency swap.

The value of guarantees actually utilised as on 31.03.2003 were Rs.437.32 crores.

6. The Company has given guarantees on behalf of Escorts Construction Equipment Limited to Bank of Baroda as the lead bank for consortium of banks for Rs. 29.00 crores and Deutsche Bank GmbH for Rs. 2.50 crores for credit facilities and to Technology Information Forecasting and Assessment Council of India (TIFAC) for Rs. 2.31 crores for credit facilities.

The value of guarantees actually utilised as on 31.03.2003 were Rs. 19.32 crores.

The Company has given undertaking to Hongkong & Shanghai Banking Corporation against Letter of Credit opened by Escorts Construction Equipment Limited. The value of such Letters of Credit is Rs.1.89 crores as on 31.03.2003.

7. The Company has given a guarantee on behalf of Escorts Hospital & Research Centre Limited to the ICICI Bank Limited for Rs. 13.00 crores.

The value of guarantee actually utilised as on 31.03.2003 was Rs. 4.00 crores.

8. The Company has given a guarantee on behalf of iServ India Solutions Private Limited to HDFC Bank Limited for Rs. 2.00 crores for credit facilities granted to them.

The value of guarantee actually utilised as on 31.03.2003 was Rs. 2.00 crores.

9. The Company has given a guarantee on behalf of Escosoft Technologies Limited to HDFC Bank Limited for Rs. 5.00 crores for credit facilities granted to them. The value of guarantee actually utilised as on 31.03.2003 was Rs. 3.27 crores.

10. The Company has given guarantees on behalf of Escorts Telecommunications Limited amounting to Rs. 265.50 crores to various banks/financial institutions in respect of rupee loans/performance guarantee given by them to Department of Telecommunications (DoT).

The value of guarantees actually utilised as on 31.03.2003 were Rs.193.50 crores.

The Company has also provided a security for a loan of Rs. 50.00 crores granted to Escorts Telecommunications Limited in the form of pledge of a fixed deposit of an equal amount.

11. Included in SSI Undertakings, an amount of Rs. 13.39 crores pertaining to dues of SSI Undertakings which are outstanding for more than 30 days as at March 31, 2003.

The names of such SSI Undertakings are given in Schedule 18, point No. 20.



## ESCORTS LIMITED

### SCHEDULES 1-18 FORMING PART OF THE BALANCE SHEET AND PROFIT & LOSS ACCOUNT

#### SCHEDULE 10 : BUSINESS INCOME

	2002-2003 Rs. Crores	2001-2002 Rs. Crores
<b>BUSINESS INCOME</b>		
Commission *	1.56	1.25
Erection & Servicing	0.29	0.19
Surplus on sale of Assets (Net)	0.39	(3.43)
Cash Subsidy/Duty Drawback	1.68	1.83
Scrap Sale	1.44	1.99
Unclaimed balances written back	0.09	0.79
Provisions no longer required written back	3.39	3.50
Royalty Income	1.62	2.01
Others *	11.10	18.77
(includes rent and other recovery of services from Group Companies)		
<b>Total</b>	<b>21.56</b>	<b>26.90</b>
 * Income Tax deducted at source	 0.74	 1.15

#### SCHEDULE 11 : INCOME FROM INVESTMENTS

	2002-2003 Rs. Crores	2001-2002 Rs. Crores
<b>OTHER INCOME</b>		
Dividends : Trade Investments *	0.71	1.72
: Other Investments *	67.29	3.44
: Subsidiary *	—	0.84
	<b>68.00</b>	<b>6.00</b>
Surplus on Sale of Investments	205.14	52.24
Less : Loss on Sale of Investments	64.51	—
Less : Provision for diminution in value of Investments	—	4.32
<b>Total</b>	<b>208.63</b>	<b>53.92</b>
 * Income Tax deducted at source	 7.14	 —





# **SCHEDULES 1-18 FORMING PART OF THE BALANCE SHEET AND PROFIT & LOSS ACCOUNT**

## **SCHEDULE 12 : MATERIAL, MANUFACTURING AND OPERATING EXPENSES**

		<b>2002-2003</b>	<b>2001-2002</b>
		<b>Rs. Crores</b>	<b>Rs. Crores</b>
A. Raw Material & Components Consumed			
Opening Stock	<b>45.72</b>		58.99
Add : Purchases	<b>415.55</b>		593.32
	<b>461.27</b>		652.31
Less : Closing Stock	<b>65.14</b>	<b>396.13</b>	45.72
			<b>606.59</b>
B. Finished & Trading Goods and Work-in-Progress consumed			
Opening Stock			
Finished & Trading Goods	<b>47.97</b>		73.60
Work-in-Progress	<b>6.85</b>		11.78
	<b>54.82</b>		85.38
Add : Purchases	<b>99.01</b>		85.24
Less : Transfer at cost	<b>—</b>		0.09
	<b>153.83</b>		170.53
Less : Closing Stock			
Finished & Trading Goods	<b>32.93</b>		47.97
Work-in-Progress	<b>6.85</b>	<b>114.05</b>	6.85
			<b>115.71</b>
Material Consumed		<b>510.18</b>	722.30
Excise duty on increase/(decrease) in stock of finished goods		<b>(5.30)</b>	(2.39)
Stores, Spares and Tools		<b>9.59</b>	10.81
Lease Charges on Plant & Machinery		<b>1.19</b>	3.12
Power and Fuel		<b>16.31</b>	18.27
Repairs to Building		<b>4.98</b>	4.27
Repairs to Machinery		<b>9.35</b>	9.10
Water		<b>0.05</b>	0.15
<b>Total</b>		<b>546.35</b>	<b>765.63</b>

	<b>2002-2003</b>	<b>2001-2002</b>
	<b>Rs. Crores</b>	<b>Rs. Crores</b>

### **NOTES :**

1. Company's own manufactured spare parts have been classified under trading goods.		
2. Consumption includes : Adjustment for previous year	<b>0.03</b>	0.01
: Inventory write off	<b>0.23</b>	2.85

## **SCHEDULE 13 : PERSONNEL**

	<b>2002-2003</b>	<b>2001-2002</b>
	<b>Rs. Crores</b>	<b>Rs. Crores</b>
Salary, Wages and Bonus	<b>107.51</b>	100.15
Contribution to Gratuity Fund	<b>5.85</b>	4.67
Contribution to Provident Fund and other Funds	<b>9.05</b>	8.69
Additional Contribution to Superannuation Fund	<b>9.09</b>	—
Staff Welfare Expenses	<b>21.81</b>	22.44
<b>Total</b>	<b>153.31</b>	<b>135.95</b>



## ESCORTS LIMITED

### SCHEDULES 1-18 FORMING PART OF THE BALANCE SHEET AND PROFIT & LOSS ACCOUNT

#### SCHEDULE 14 : SALES AND ADMINISTRATION EXPENSES

	2002-2003 Rs. Crores	2001-2002 Rs. Crores
Erection & Servicing	0.13	0.17
Warranties	5.86	5.93
Rent (Net)	4.43	5.34
Rates and Taxes	0.76	0.88
Insurance	3.39	5.06
Bank and Finance Charges	27.34	24.85
Travelling & Conveyance	14.04	14.17
Printing & Stationery	2.37	2.58
Postage, Telegrams and Telephones	4.53	5.30
Repairs and Maintenance	5.35	4.31
Audit Fee & Legal Expenses	8.45	7.81
Entertainment	0.60	0.91
Commission, Discount and Brokerage	20.47	24.19
Advertisement	14.46	6.03
Royalty	3.40	3.98
Packing, Freight & Forwarding	16.71	15.75
Sales & Purchase Tax	1.88	0.37
Directors Fee & Commission	0.02	0.04
General	6.60	7.35
Exchange variation (Net)	0.91	1.29
Amount written off	0.68	
Less : Provisions created in earlier years	0.29	1.12
Provision for Obsolescence of Inventory	3.06	—
Provision for Doubtful Debts/Advances/Deposits	6.46	4.16
Provision for impairment in value of Fixed Assets	—	5.00
<b>Total</b>	<b>151.61</b>	<b>146.59</b>

#### NOTES :

	2002-2003 Rs. Crores	2001-2002 Rs. Crores
1. Audit Fee and Legal Expenses include payments/provisions to Auditors of :		
(a) Audit Fee	0.28	0.20
(b) Tax Audit Fee	0.08	0.08
(c) In Other Capacity		
Limited review of half yearly results	0.07	0.05
Certification and other Services	0.07	0.08
(d) Service Tax	0.02	0.02
(e) Out of Pocket Expenses	0.02	0.02
2. Cost Audit Fee	0.01	0.01
3. General includes Charity & Donations	0.27	0.20
4. Sales & Administration expenses include Lease Charges	0.49	1.21



**SCHEDULES 1-18 FORMING PART OF THE BALANCE SHEET AND PROFIT & LOSS ACCOUNT****SCHEDULE 15 : INTEREST**

	2002-2003 Rs. Crores	2001-2002 Rs. Crores
Interest cost related to :		
Fixed Period Loans and Debentures	72.93	64.66
Others	32.88	31.78
	105.81	96.44
Less : Interest Income *		
On Loans to Group Companies	21.12	30.21
Others (includes interest on income tax refunds, housing loans to employees and dealer overdues etc.)	18.16	12.42
	39.28	42.63
<b>Total</b>	<b>66.53</b>	<b>53.81</b>
* Income tax deducted at source.	5.44	7.19

**SCHEDULE 16 : AMORTISATION OF MISCELLANEOUS EXPENDITURE**

	2002-2003 Rs. Crores	2001-2002 Rs. Crores
Voluntary Retirement Scheme	7.17	6.21
Technical Know-how	2.72	2.48
Miscellaneous Expenditure written-off	7.57	4.76
<b>Total</b>	<b>17.46</b>	<b>13.45</b>



## SCHEDULE 17 : SIGNIFICANT ACCOUNTING POLICIES

### 1. ACCOUNTING CONVENTION

The financial statements are prepared under the historical cost convention in accordance with applicable accounting standards and relevant provisions of the Companies Act, 1956.

### 2. FIXED ASSETS AND DEPRECIATION

Fixed assets are stated at cost or at replacement cost in case of revaluation, less accumulated depreciation.

Depreciation on Plant and Machinery is provided on Straight Line Method. Depreciation on all other Fixed Assets is calculated on the basis of Diminishing Balance Method at the rates prescribed in Schedule XIV of the Companies Act, 1956 except Leasehold Land which is amortised over the lease period. However the depreciation on assets acquired/sold/discarded/demolished during the year is provided from/upto the month the asset is commissioned/sold or discarded.

### 3. INVENTORY VALUATION

Raw Material and Components, stores and machinery spares are stated at lower of cost and net realisable value.

Loose Tools are stated at cost or under.

Work-in-Progress, Finished and Trading goods/Spare parts are stated at lower of cost and net realisable value.

In determining the cost of Raw Materials and Components, tools, jigs and dies, stores and machinery spares Weighted Average Cost Method is used while in the case of Trading goods FIFO Method is used.

Work-in-Progress and Finished Goods include cost of conversion and other costs incurred in bringing the Inventories to their present location and condition.

### 4. RETIREMENT BENEFITS

The liability on account of Superannuation and Gratuity is provided on the basis of actuarial valuation.

### 5. LEAVE ENCASHMENT

The provision in accounts for leave encashment benefit to employees is based on actuarial valuation.

### 6. FOREIGN EXCHANGE FLUCTUATION

Transactions in foreign currency are recorded at the exchange rates prevailing at the dates of the transactions. Gains/losses arising out of fluctuation in exchange rates on settlement are recognised in the Profit & Loss Account, except in case of fixed assets where such gains/losses are adjusted to the carrying cost of the respective assets.

Foreign currency monetary assets & liabilities are restated at the exchange rate prevailing at the year end and the overall net gain/loss is adjusted to the Profit & Loss Account, except in case of liabilities relating to acquisition of fixed assets which are adjusted to the carrying cost of the respective assets.

In case of Forward Exchange Contracts, the difference between the forward rate and the exchange rate at the date of transaction is recognised in the Profit & Loss Account over the life of the contract, except in case of liabilities relating to acquisition of fixed assets which are adjusted to the carrying cost of the respective assets.

### 7. INVESTMENTS

Investments intended to be held for less than one year are classified as current investments and are carried at lower of cost or market value. All other investments are classified as long term investments and are carried at cost. Investments in foreign companies are stated at the exchange rates prevailing on the date of investment.

A provision for diminution is made to recognise a decline other than temporary in the value of long term investments.

### 8. REVENUE RECOGNITION

Dividend is taken on accrual basis, if declared/received by the time of finalisation of the accounts.

### 9. BORROWING COSTS

Borrowing costs that are attributable to the acquisition, construction of qualifying assets are capitalised as part of cost of such assets upto the date the assets are ready for its intended use. All other borrowing costs are recognised as an expense in the year in which they are incurred.

### 10. DEFERRED REVENUE EXPENDITURE

Development expenditure represents Project related development expenditure/business process re-engineering consultancy, expenditure on major software products and market research. Such expenditure is written off over a period of six years.

Advertisement expenses incurred for brand development and promotion are written off over a period of three years.

Prototypes including work-in-progress developed during Research and Development and advances given for tooling are written off over a period of four years.

Technical know-how fee is written off over a period of six years.

Payment under Voluntary Retirement Scheme to the direct/indirect employees is written off over a period of five years.

Cost of Civil structures constructed on rented accommodation is written off over a period of six years.

Upfront & Structuring fees are written off during the term of the respective loan.

### 11. DEFERRED TAX

Deferred Tax is recognised, subject to consideration of prudence, on timing differences, representing the difference between the taxable income and accounting income that originated in one period and are capable of reversal in one or more subsequent periods.

Deferred Tax assets and liabilities are measured using tax rates and the tax laws that have been enacted or substantively enacted by the Balance Sheet date.





## SCHEDULE 18 : NOTES ON BALANCE SHEET AND PROFIT & LOSS ACCOUNT

	2002-2003 Rs. Crores	2001-2002 Rs. Crores
1. Computation of Net Profit in accordance with Section 198 of the Companies Act, 1956 for calculation of Managerial Remuneration		
Profit as per Profit & Loss Account	24.04	5.01
Add : Directors remuneration including Perquisites	0.95	0.97
Directors' Sitting Fee	0.02	0.04
	25.01	6.02
Less : Profit on sale of Investments (Net)	140.63	52.24
Net Profit for Section 198 of the Companies Act, 1956	(115.62)	(46.22)
Maximum remuneration payable to the Managing/Wholetime Directors	—	—
Actual remuneration paid to the Managing/Wholetime Directors being minimum remuneration as per Schedule XIII of the Companies Act, 1956 for the year 2002-03.	0.95	0.97
<b>Note :</b> Remuneration paid to the Directors in excess of the minimum remuneration for the year 2001-02 (Rs. 1.87 crores) appearing as a balance due from Directors has been recovered during the year 2002-03.		
2. Payments made to Directors :		
(a) Salaries	0.95	0.97
(b) Commission	—	—
(c) Other Perquisites	—	—
(d) Directors' Sitting Fee	0.02	0.04
3. (a) Expenses pertaining to previous years :		
Personnel	0.01	0.01
Sales and Administration	0.24	0.20
(b) Income relating to previous year	—	0.05
4. Miscellaneous expenditure (to the extent not written off or adjusted) represents :		
(a) Development expenditure	8.14	7.43
Add : Additions during the year	13.99	3.89
Less : Written off during the year	5.59	3.18
	16.54	8.14
(b) Technical know-how fees	10.36	12.57
Add : Additions during the year	0.39	0.27
Less : Written off during the year	2.72	2.48
	8.03	10.36
(c) Payments under Voluntary Retirement Scheme	12.47	15.38
Add : Additions during the year	6.16	3.30
Less : Written off during the year	7.17	6.21
	11.46	12.47
(d) Civil structure on rented premises	1.09	1.74
Add : Additions during the year	—	—
Less : Written off during the year	0.33	0.65
	0.76	1.09
(e) Upfront Fee	2.95	0.75
Add : Additions during the year	0.32	3.13
Less : Written off during the year	1.67	0.93
	1.60	2.95
	38.39	35.01
	In Rupees	In Rupees
5. Profit & Loss Account of Agricultural business is as follows :		
Opening Stock	80,785.00	9,000.00
Expenses	129,392.00	99,190.00
Sales and Other Income	219,789.00	68,030.00
Closing Stock	—	80,785.00
Net Profit/(Loss)	9,612.00	40,625.00



## ESCORTS LIMITED

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### SCHEDULE 18 : NOTES ON BALANCE SHEET AND PROFIT & LOSS ACCOUNT (Contd.)

6. As on 31st March, 2003 the Company has discounted and factored the sales debts of tractors and spare parts of Rs. 92.22 crores and assigned them in favour of various Banks and Institutions.

Since the above sums are received against the specific debt, the Company has netted these amounts from the figures of outstanding Sales debt as on 31.03.2003.

As on 25th June, 2003 the outstanding debts are Rs. 57.54 crores which shall be repaid by 31st July, 2003.

7. The Company has taken endowment/keyman insurance policies on the life of its Senior Executives including the Managing Directors. Some of these policies have been assigned to the Executives and Managing Directors. The consideration for such assignment is the guaranteed surrender value as certified by the Life Insurance Corporation of India. The Company has been advised that such surrender value is adequate consideration for the transfer and on receipt thereof, there is no benefit accruing as remuneration under the Companies Act, 1956 or the Income Tax Act, 1961.
8. At the year end, Escotel's accumulated loss and miscellaneous expenditure (to the extent not written off/adjusted) amounting to Rs. 859.01 crores and Rs. 19.23 crores respectively has exceeded its Net Worth. However, the management is of the view that erosion of the equity is not unusual in a sizeable infrastructure project during its initial years.

The Company has not provided for diminution in the value of long term investments made in Escotel since in the opinion of the management, such diminution is temporary in nature, considering that Escotel has started making cash profits during the year, the inherent value of its assets and the strategic nature of this investment.

9. The Company has unconditionally and irrevocably assigned with recourse by way of securitisation its receivables pertaining to Escorts Hospital & Research Centre Limited (EHRC) in favour of the ICICI Bank Limited amounting to Rs. 13.00 crores (outstanding as on 31st March, 2003 Rs. 4.00 crores) to be secured by :

- (i) Lien on the proceeds of the receivables from EHRC, and
- (ii) A first charge on the fixed assets of EHRC.

Vide an agreement dated 29th March, 1999. As a consequence thereof, the debt due from EHRC has been extinguished by the amount received from ICICI Bank Limited.

10. Consequent to an agreement dated 31st March, 2000 between the Company and Hughes Network Systems (HNS), the joint venture partner of the company in Hughes Escorts Communication Limited (HECL), and ICICI Bank Limited (ICICI), the company sold 34,50,000 equity shares of HECL to Escorts Motors Limited (EML).

HNS and ICICI thereafter subscribed to the equity share capital of EML equally to hold 98% of its total equity share capital. Under the terms of the agreement, the Company has given an assurance to HNS and ICICI of a minimum return compounded annually for a period of four years. On the other hand, the company has been assured by both HNS and ICICI severally that gain on disinvestment of the said HECL equity shares over the assured minimum return will be shared by them equally with the Company.

11. Consequent to an agreement dated 21st September, 2000 between the Company, its subsidiary Escorts Hospital & Research Centre Limited (EHRC) and ICICI Bank Limited (ICICI), ICICI has subscribed to 60,00,000 equity shares of Rs. 10/- each of EHRC. Under the terms of the agreement, the Company has given an assurance to ICICI of a minimum return till 31st March, 2004. On the other hand, the Company has been assured by ICICI that gain on divestment of the said equity shares of EHRC over the assured minimum return will be shared by ICICI equally with the Company.

12. The Company has earned surplus during the year of :

- (a) Rs. 58.23 crores on sale of 42,00,000 equity shares of Escorts Claas Limited representing its entire 60% shareholding to its erstwhile joint venture partner Claas, KgaA mbH, Germany.
- (b) Rs.105.69 crores on sale of 2,85,000 equity shares of Escorts JCB Limited to its erstwhile joint venture partner JC Bamford & Co., U.K.
- (c) Rs. 41.26 crores on buy-back of 1,15,000 equity shares by Escorts JCB Limited.

13. Escorts Mahle Limited a joint venture of the Company with 50% holding has been incurring losses for the past few years and had accumulated losses of Rs. 95.92 crores as on 31st March, 2002.

The Company has during the year sold the entire holding of 2,17,58,908 equity shares of Escorts Mahle Limited at a loss of Rs. 32.46 crores.





# **SCHEDULE 18 : NOTES ON BALANCE SHEET AND PROFIT & LOSS ACCOUNT (Contd.)**

14. The Company acquired 26,25,000 14% Cumulative Redeemable Preference shares of Escorts Mahle Limited as stipulated under the terms of the agreement of the Company dated 25th April, 2000 with Infrastructure Leasing & Financial Services Limited (IL&FS). These Preference shares, which were due for redemption on 11th June, 2007 have been sold by the Company during the year at a loss of Rs. 32.05 crores.
15. In order to make the accounting and management information system quick, responsive and more effective, the Company has implemented a new ERP system "Oracle 11i" during the year. The new system is, however, in the initial stages of stabilisation and is expected to be fully streamlined during the current year.
16. In view of declining interest rates and a substantial increase in the cost of annuities, the Company has amended the superannuation scheme applicable to its senior and supervisory staff from a "benefit defined" scheme to a "contribution defined/hybrid" scheme with effect from 1st May, 2003. Adequate provision has been made for the deficit in the Superannuation Fund as on 31st March, 2003.
17. Deferred Tax

The deferred tax liability as at 31st March, 2003 comprises of the following :

(Rs. Crores)			
Particulars	Deferred tax assets/ (liabilities) as at 01.04.2002	Charge/(credit) during the year	Deferred tax assets/ (liabilities) as at 31.03.2003
Depreciation	(84.83)	(2.51)	<b>(87.34)</b>
Deferred revenue expenditure	(10.36)	2.99	<b>(7.37)</b>
Disallowance u/s 43B	6.99	(2.29)	<b>4.70</b>
Provision for Doubtful Debts	7.74	1.16	<b>8.90</b>
Unabsorbed loss	—	4.43	<b>4.43</b>
Total	(80.46)	3.78	<b>(76.68)</b>

18. Related party disclosures (as identified and certified by the management)  
Related party disclosures as required under Accounting Standard on "Related Party Disclosures" issued by the Institute of Chartered Accountants of India are given hereunder :

## (i) Subsidiary Companies

### **Domestic**

Escorts Construction Equipment Limited	Esconet Services Limited
Escorts Automotives Limited	Cellnext Solutions Limited
Escorts Securities Limited	iServ India Solutions Private Limited
Escorts Asset Management Limited	Automatrix India Private Limited
Escorts Claas Limited	Escorts Telecommunications Limited
<i>(ceased to be subsidiary on 12th August, 2002)</i>	Escorts Telecom Services Limited
Escorts Hospital & Research Centre Limited	<i>(formerly Escotel Telecommunications Limited)</i>
Escorts Heart Institute & Research Centre Limited	Escotel Mobile Communications Limited
Escorts Heart and Super Speciality Institute Limited, Amritsar	Escosoft Technologies Limited
Escorts Heart Care Centre, Kanpur	Escorts Healthcare Services Limited
	<i>(formerly Escorts Research &amp; Development Limited)</i>

### **Overseas**

Esoft (Mauritius) Holdings Limited	Escosoft Singapore Pte. Limited
Escosoft Technologies (UK) Private Limited	Escorts Agri Machinery Inc.
Escosoft Technologies (USA) Limited	



# ESCORTS LIMITED

## SCHEDULE 18 : NOTES ON BALANCE SHEET AND PROFIT & LOSS ACCOUNT (Contd.)

### (ii) Joint Ventures and Associates

#### Domestic

Goetze (India) Limited  
(ceased to be an Associate Company on 10th February, 2003)  
Hughes Escorts Communications Limited

Escotrac Finance & Investment Private Limited  
Escorts Finance Investment & Leasing Private Limited

Escorts Auto Components Limited  
Escorts Finance Limited

#### Overseas

Long Agri Business LLC, USA  
Pol-Mot Escorts Spolka z.o.o.

Carraro India Limited  
Escorts Mahle Limited  
(ceased to be a Joint Venture Company on 8th October, 2002)  
Escorts JCB Limited  
(ceased to be an Associate Company on 21st January, 2003)  
CA Escosoft Private Limited  
Escorts Motors Limited

### (iii) Key Management Personnel (Whole-time Directors)

Mr. Rajan Nanda  
Mr. Anil Nanda  
Mr. Nikhil Nanda

### (iv) Related Party Transactions :

(Rs. Crores)

Nature of Transactions	Subsidiary	Joint Venture	Associate	Key Management Personnel	Total
Sale of goods	2.57 (34.06)	— (—)	38.46 (10.32)		41.03 (44.38)
Rendering of services (Income)	2.30 (6.15)	1.04 (2.65)	0.67 (1.11)		4.01 (9.91)
Rent Income	1.01 (0.95)	0.26 (0.83)	0.33 (0.71)		1.60 (2.49)
Interest Income	17.22 (17.79)	2.77 (12.23)	— (—)		19.99 (30.02)
Dividend Income	— (0.84)	67.29 (2.24)	0.69 (1.72)		67.98 (4.80)
Assignment of Keyman Insurance Policy	— (—)	— (—)	— (—)	0.26 (0.38)	0.26 (0.38)
Amount written back	— (—)	1.21 (—)	0.73 (—)		1.94 (—)
Purchase of goods	5.77 (27.93)	7.83 (7.95)	3.83 (4.50)		17.43 (40.38)
Receiving of services	0.77 (1.99)	— (—)	0.38 (0.13)		1.15 (2.12)
Financial transactions					
a) Interest expense	2.83 (3.81)	— (—)	0.18 (1.08)		3.01 (4.89)
b) Discounting charges paid	— (—)	— (—)	0.12 (0.59)		0.12 (0.59)
Management contracts including for deputation of employees	1.53 (1.66)	0.09 (0.21)	0.48 (0.58)		2.10 (2.45)
Managerial Remuneration Paid	— (—)	— (—)	— (—)	0.95 (0.97)	0.95 (0.97)
Fixed assets					
Purchase of Fixed Assets	— (0.11)	— (—)	— (0.01)		— (0.12)
Sale of Fixed Assets	— (0.01)	— (0.03)	— (0.03)		— (0.07)
Leasing or hire purchase arrangements	— (—)	— (—)	0.34 (0.43)		0.34 (0.43)
Investments					
Balance as at 1st April, 2002	368.01	101.98	35.23		505.22
Purchased during the year	76.10 (31.87)	140.11 (14.26)	— (—)		216.21 (46.13)
Sold during the year	4.20 (—)	84.93 (—)	21.33 (62.48)		110.46 (62.48)
Balance as at 31st March, 2003	439.91 (368.01)	157.16 (101.98)	13.90 (35.23)		610.97 (505.22)





(Rs. Crores)

Nature of Transactions	Subsidiary	Joint Venture	Associate	Key Management Personnel	Total
<b>Loans/ICD Given</b>					
Balance as at 1st April, 2002	168.58	141.86	—		310.44
Given/Additions during the year	94.65	2.49	—		97.14
	(31.64)	(21.76)	(—)		(53.40)
Returned during the year	4.24	94.35	—		98.59
	(12.96)	(1.80)	(—)		(14.76)
Balance as at 31st March, 2003	258.99	50.00	—		308.99
	(168.58)	(141.86)	(—)		(310.44)
<b>Advances Given (incl. Running accounts)</b>					
Balance as at 1st April, 2002	13.11	8.32	6.68		28.11
Additions during the year	25.79	3.20	8.68		37.67
	(105.02)	(7.80)	(0.25)		(113.07)
Reductions during the year	13.80	11.08	13.08		37.96
	(110.01)	(15.93)	(0.13)		(126.07)
Balance as at 31st March, 2003	25.10	0.44	2.28		27.82
	(13.11)	(8.32)	(6.68)		(28.11)
<b>Advance towards Share Application money</b>					
Balance as at 1st April, 2002	37.47	—	—		37.47
Additions during the year	52.77	—	—		52.77
	(37.47)	(—)	(—)		(37.47)
Reductions during the year	90.24	—	—		90.24
	(—)	(—)	(—)		(—)
Balance as at 31st March, 2003	—	—	—		—
	(37.47)	(—)	(—)		(37.47)
<b>Advances Recoverable from Directors</b>					
Balance as at 1st April, 2002	—	—	—	1.87	1.87
Additions during the year	—	—	—	—	—
	(—)	(—)	(—)	(1.87)	(1.87)
Reductions during the year	—	—	—	1.87	1.87
	(—)	(—)	(—)	(—)	(—)
Balance as at 31st March, 2003	—	—	—	—	—
	(—)	(—)	(—)	(1.87)	(1.87)
<b>Receivables/Debtors</b>					
Balance as at 1st April, 2002	53.93	—	5.60		59.53
Additions during the year	5.14	—	38.70		43.84
	(0.01)	(—)	(—)		(0.01)
Realizations during the year	52.58	—	6.81		59.39
	(5.24)	(—)	(5.97)		(11.21)
Balance as at 31st March, 2003	6.49	—	37.49		43.98
	(53.93)	(—)	(5.60)		(59.53)
<b>Borrowings/Loans taken</b>					
Balance as at 1st April, 2002	20.00	—	—		20.00
Availed during the year	2.00	—	—		2.00
	(—)	(—)	(—)		(—)
Repaid during the year	—	—	—		—
	(—)	(—)	(—)		(—)
Balance as at 31st March, 2003	22.00	—	—		22.00
	(20.00)	(—)	(—)		(20.00)
<b>Payables</b>					
Balance as at 1st April, 2002	0.48	0.58	1.20		2.26
Additions during the year	2.21	5.65	30.25		38.11
	(0.68)	—	—		(0.68)
Payments made during the year	2.13	4.30	7.24		13.67
	(1.11)	(—)	(1.27)		(2.38)
Balance as at 31st March, 2003	0.56	1.93	24.21		26.70
	(0.48)	(0.58)	(1.20)		(2.26)
<b>Guarantees</b>	659.41	—	—		659.41
	(864.42)	(1.03)	(—)		(865.45)
<b>Provisions (Debts/Loans/Advances/Deposits)</b>					
Balance as at 1st April, 2002	—	3.81	2.27		6.08
Additions during the year	—	—	—		—
	(—)	(—)	(—)		(—)
Write off out of existing Provisions	—	2.53	1.54		4.07
	(—)	(—)	(—)		(—)
Write back of Provisions	—	1.21	0.73		1.94
	(—)	(—)	(—)		(—)
Balance as at 31st March, 2003	—	0.07	—		0.07
	(—)	(3.81)	(2.27)		(6.08)
<b>Amounts directly written off</b>	—	0.02	—		0.02
	(—)	(—)	(—)		(—)



## ESCORTS LIMITED

19. Earnings per Share (EPS)	2002-03	2001-02
(a) Net Profit after tax (Rs. crores)	24.04	8.13
(b) Total number of Equity shares	7,22,32,240	7,22,32,240
(c) Basic and diluted earnings per share (in rupees)	3.33	1.13
20. The list of Small Scale Industrial Undertakings to whom the company owes any sum which is outstanding for more than 30 days during the current year are given hereunder :		

Sr. No.	Name of SSI Undertakings	Sr. No.	Name of SSI Undertakings	Sr. No.	Name of SSI Undertakings
1	ALHIND METAL INDUSTRIES	38	MICRO ENGG. CORPORATION	82	TOOL MAKERS & ASSOCIATES
2	ALLENA AUTO INDUSTRIES PVT. LTD.	39	MICRON PRECISION SCREWS LTD.	83	UNITED METAL & PLASTICS PVT. LTD.
3	AMAR UDYOG	40	MODERN MACHINE TOOLS	84	UNITED SMALL SCALE ENGINEERING WORKS
4	A.R. INDUSTRIES PVT. LTD.	41	NEW PRAGATI UDYOG	85	UNITY CHAINS
5	AAR KAY ENGG. INDUSTRIES	42	O.K. AUTO COMPONENTS PVT. LTD.	86	VALLABH INDUSTRIES
6	ASIAD ENGINEERING WORKS PVT. LTD.	43	PADAM ENGINEERING WORKS	87	VEE GEE INDL. ENTERPRISES
7	AUTO & GENERAL CASTINGS PVT. LTD.	44	PADAM ENGINEERS	88	VEEKAY MACHINE TOOLS
8	AUTO TECH ENGINEERS	45	PARYKAM AUTO PVT. LTD.	89	VIJAY METAL FORGINGS PVT. LTD.
9	BAJWA APPLIANCES PVT. LTD.	46	PEE CEE ENGINEERS	90	VIKRAM FABRICATORS
10	CAST-E-CULA	47	PERTAP ENGINEERING WORKS	91	VINAY TRADING CORPORATION
11	CENTRIFUGAL CASTING COMPANY	48	PIPLANI ENTERPRISES	92	VIRMANI ELECTRICALS ENGINEERS
12	CHANDRA AUTOMOTIVE COMPONENTS	49	PRECISION CASTINGS	93	VISHWAKARMA AUTOMOTIVE PVT. LTD.
13	COOLWELS AUTOMOBILE ENGINEERS	50	PRECISION ENGG. INDUSTRIES	94	WESCO AUTO PROD. (I) PVT. LTD.
14	DEEP ENGINEERS & COMPANY	51	PRECISION METAL INDUSTRY	95	YOGDAAN ENGINEERS
15	DELIGHT PRESSINGS	52	PREET INDUSTRIAL CORPORATION	96	YOGESH ENGINEERING WORKS
16	DELITE AUTO PRODUCTS	53	PREETAM ENTERPRISES	97	VIJAY ENGG. & METAL WORKS
17	DHIMAN ENGINEERING CORPORATION	54	PRESTO MACHINE TOOLS	98	VIKAS FORGING PVT. LTD.
18	DURO ENGINEERING WORKS	55	PRITIKA AUTO PRODUCTS PVT. LTD.	99	SWATANTRA AUTO INDUSTRIES PVT. LTD.
19	ELITES ENGINEERS & MFG.	56	PROGRESSIVE INSTRUMENTS AND MACHINE TOOLS	100	SNEH ENTERPRISES
20	G.K. MACHINE TOOLS	57	R.R. AUTOMOTIVE COMPANY PVT. LTD.	101	S.M. ENGG. WORKS
21	GLOBE ENGG. CORPORATION	58	RAJAN ENGG. WORKS	102	NAV BHARAT INDUSTRIES
22	GOYAL ENGG. CORPORATION (INDIA)	59	RAJESH ENGINEERS & COMPANY	103	KAY AAR INDUSTRIES
23	H.S. MACHINE TOOLS INDUSTRIES	60	RAJSHI UDYOG	104	CHROME WELL INDUSTRIES (P) LTD.
24	HARYANA AGRO ENGG. PRODUCTS	61	RANA ENTERPRISES	105	BHATIA ELECTRICAL PVT. LTD.
25	HI-LUX AUTOMOTIVE PVT. LTD.	62	ROYAL TOOLS (INDIA)	106	ARKAY INDUSTRIES
26	INDUSTRIAL & FARM EQUIPMENT COMPANY	63	S.K. TOOLS	107	ASHUMECH
27	INTERNATIONAL AUTOMOTIVE COMPONENTS	64	SANKLA CASTINGS	108	AMAR ENGINEERING WORKS
28	J.B. ENGINEERING WORKS	65	SANKLA ENGINEERING WORKS	109	SHYAM METALS
29	J.K. ENGINEERS	66	SAROJ IRON INDUSTRIES	110	KEWALI UDYOG
30	J.S. INDUSTRIES	67	SAWAN INDUSTRIES	111	SYNCHRO PRESSING PVT. LTD.
31	JAYEM AUTO INDUSTRIES PVT. LTD.	68	SETHI INDUSTRIAL CORPORATION	112	PERFECT INDUSTRIES
32	KARAM ENGG. WORKS	69	SHAKTI AUTO VALVES & ENGG. COMPANY PVT. LTD.	113	ACME ENGINEERING WORKS, CALCUTTA
33	KOCHAR AGRO INDUSTRIES PVT. LTD.	70	SHARMA ENGG. & FAB WORKS	114	ACME ENGINEERING CO.
34	KUNAL AUTOMOTIVE COMPONENT	71	SHIVON INTERNATIONAL	115	AMAR ENGINEERS & FABRICATORS
35	LUXMI AUTOMAT	72	SHYAM ALLOYS PVT. LTD.	116	ANAND SALES CORPORATION
36	MEENASHA CASTINGS PVT. LTD.	73	SPIRE INDIA	117	ARVIND ENGINEERS
37	METAL PRESSINGS & ENGG. WORKS	74	STEERWELS	118	AUTO GENERAL AGENCIES
		75	SUPER AUTO ELECTRICALS PVT. LTD.	119	B.K. INDUSTRIES
		76	SUPER STAR RUBBER COMPANY	120	GRAVITAS ENTERPRISE PVT. LTD.
		77	SUPER STEEL FORGINGS	121	GROWNEX ENGG. WORKS
		78	SUPRAJIT ENGG. LTD.	122	KAPOOR ENGG. ENTERPRISES
		79	SURABHI ENGINEERS LTD.	123	K.K. TECHFAB (PVT.) LTD.
		80	TECHNOFORGE (INDIA)	124	K.T. INDUSTRIES
		81	TIGHTWELL FASTENERS	125	MARVELOUS METALS PVT. LTD.
				126	PARYCAM AUTO PVT. LTD.
				127	RAJSHREE INDUSTRIES
				128	R.R. ENGINEERING
				129	TYSON TECHNO CRAFTS





21. Disclosure pursuant to Clause 32 of the Listing Agreement

(Rs. Crores)

Loanees	Amount of loan/advances in nature of loan outstanding		Amount where there is no repayment schedule		Amount where the loans are interest free	
	As on 31st March, 2003	Max. during 2002-03	As on 31st March, 2003	Maximum amount outstanding during 2002-03	As on 31st March, 2003	Maximum amount outstanding during 2002-03
<b>Subsidiary Companies</b>						
Escorts Automotives Limited	70.26	70.26	70.26	70.26	16.53	16.53
Escorts Construction Equipment Limited	21.59	21.59	21.59	21.59	21.59	21.59
Escotel Mobile Communications Limited	87.63	87.63	87.63	87.63	87.63	87.63
Escorts Telecommunications Limited	76.61	76.61	—	—	—	—
Esconet Services Limited	20.11	20.11	—	—	—	—
<b>Associates</b>						
Escorts Finance Investment & Leasing Pvt. Limited	25.00	69.72	25.00	69.72	25.00	23.20
(including Inter-Corporate Deposit)						
Escotrak Finance & Investment Pvt. Limited	25.00	73.73	25.00	73.73	25.00	44.77
<b>Firms/Companies in which Directors are interested</b>	—	—	—	—	—	—
<b>Others</b>						
Escorts Employees Welfare Limited	4.43	4.43	4.43	4.43	4.43	4.43
Escorts Employees Stock Option	24.31	24.31	24.31	24.31	(#) 24.31	(#) 24.31

(#) Includes Rs. 22.75 crores where the rate of interest being charged is below the rate stipulated u/s 372A

Particulars of Investments by the Loanees	Book Value of Investment	
	By the Loanees as on 31st March, 2003	Max. amount outstanding during 2002-03
<b>A) Loanee - Escorts Telecommunications Limited</b>		
Escotel Mobile Communications Limited (*) (subsidiary)	40.55	40.55
<b>B) Loanee - Esconet Services Limited</b>		
Escorts Construction Equipment Limited (subsidiary)		
- Preference Shares	2.00	2.00
Cellnext Solutions Limited (subsidiary)		
- Equity Shares	10.52	10.52
- Preference Shares	6.80	6.80
iServe India Solutions (P) Limited (subsidiary)		
- Equity Shares	11.50	11.50
- Preference Shares	7.50	7.50
Automatrix India Private Limited (subsidiary)		
- Equity Shares	1.95	1.95
- Preference Shares	2.85	2.85
<b>C) Loanee - Escorts Finance Investment &amp; Leasing Pvt. Limited</b>		
Escorts Limited (parent)	67.32	67.32
<b>D) Loanee - Escotrak Finance &amp; Investment Pvt. Limited</b>		
Escorts Limited (parent)	104.75	104.75
Escorts Asset Management Limited (subsidiary)	4.98	4.98
Escorts Securities Limited (subsidiary)	1.97	1.97
Escosoft Technologies Limited (subsidiary)	0.25	0.25
<b>E) Loanee - Escorts Employees Stock Option</b>		
Escorts Limited (parent)	22.55	22.55

(\*) represents advance against equity shares



## ESCORTS LIMITED

22. In accordance with Accounting Standard (AS 19) "Leases" the disclosure is hereunder :

Details of fixed assets acquired on finance lease during the year 2002-03 :

(Rs. Crores)

Category of Fixed Asset	Furniture & Fixtures (Computers)	Vehicles
Total addition during the year	<b>4.12</b>	<b>0.73</b>
	(-)	(-)
Addition under finance lease arrangement during the year	<b>1.22</b>	<b>0.51</b>
	(-)	(-)
Depreciation charged on assets under finance lease, during the year	<b>0.33</b>	<b>0.02</b>
	(-)	(-)
Net carrying value as on 31st March, 2003	<b>0.89</b>	<b>0.49</b>
	(-)	(-)

The details of amounts of minimum lease payments outstanding as on 31st March, 2003 and present value thereof are as under :

(Rs. Crores)

	Minimum Lease payments outstanding		Present value of minimum lease payments outstanding		Future interest on outstanding lease payments	
	2002-03	2001-02	2002-03	2001-02	2002-03	2001-02
- Total amount due	<b>1.74</b>	-	<b>1.45</b>	-	<b>0.29</b>	-
- Due within one year	<b>0.64</b>	-	<b>0.49</b>	-	<b>0.15</b>	-
- Due later than one year and not later than five years	<b>1.10</b>	-	<b>0.96</b>	-	<b>0.14</b>	-

All the lease arrangements are upto four years.

23. Figures have been rounded off to the nearest lac rupees and figures which are less than Rs. 50,000 are shown in brackets are actuals.

24. Previous year figures have been regrouped wherever necessary.

### Information Pursuant to paragraphs 3 & 4 of part - II of Schedule VI of the Companies Act, 1956

(a) Expenditure in Foreign Currency		Rs. Crores
(i)	Royalty/Technical know-how/Technical Fee	<b>1.16</b>
		(0.56)
(ii)	Travelling Expenses	<b>1.17</b>
		(1.65)
(iii)	Interest	<b>1.31</b>
		(1.01)
(iv)	Others	<b>65.62</b>
		(13.16)
<b>Total</b>		<b>69.26</b>
		(16.38)
(b) Earnings in Foreign Currency		
(i)	Export of goods including partly executed sales contracts on F.O.B. basis	<b>120.38</b>
		(82.03)
(ii)	Commission	<b>0.85</b>
		(1.07)
(iii)	Others	<b>0.11</b>
		(0.10)
<b>Total</b>		<b>121.34</b>
		(83.20)





## SCHEDULE 18 : NOTES ON BALANCE SHEET AND PROFIT & LOSS ACCOUNT (Contd.)

### (c) Dividend Remittances in Foreign Currency

	No. of Non-Resident Shareholders	No. of Shares Held	Net Dividend (Rs. Crores)
Equity Shares of Rs. 10/- each	<b>21</b> (20)	<b>271,593</b> (271,693)	<b>0.02</b> (0.12)

Note : Net Remittance of Dividend on Equity Shares for 2002-2003 represents Dividend for the year 2001-2002

### (d) Licensed and installed capacity, production, purchases, opening and closing balance and sales :

#### (i) MANUFACTURING OPERATIONS :

	Licensed Capacities*	Installed Capacities**	Actual Production	Opening Balance Quantity	Opening Balance Value	Closing Balance Quantity	Closing Balance Value	Sales Quantity	Sales Value	Other Consumption Captive Consumption	Consumption Capitalisation	Quantity Misc.
					Rs. Crores		Rs. Crores		Rs. Crores			
1. ***Agricultural Tractors	— (—)	72,000 (72,000)	19,562 (37,118)	1,656 (2,572)	32.90 (49.04)	192 (1,656)	5.59 (32.90)	21,011 (38,016)	545.57 (958.23)	— (—)	15 (18)	— (—)
2. ***Internal Combustion Engine ***Engine for Agricultural Tractors	— (—)	72,000 (72,000)	19,393 (37,125)	209 (350)	0.93 (1.51)	127 (209)	0.60 (0.93)	— (—)	— (—)	19,375 (37,094)	100 (172)	— (—)
3. Round and Flat Tubes Heating Elements (Meters)	— (—)	180,000 (180,000)	92,092 (88,944)	3,791 (3,634)	0.14 (0.14)	2,659 (3,791)	0.11 (0.14)	110,590 (88,362)	3.50 (2.97)	401 (372)	— (—)	31 (53)
4. Double Acting Hydraulic Shock Absorbers for Railway Coaches	— (—)	36,000 (36,000)	17,061 (13,344)	— (—)	— (—)	— (—)	— (—)	16,569 (13,344)	6.11 (4.09)	— (—)	— (—)	492 (—)
5. Centre Buffer Couplers	— (—)	1,800 (1,800)	666 (537)	— (—)	— (—)	— (—)	— (—)	666 (537)	3.63 (3.60)	— (—)	— (—)	— (—)
6. Automobile Shock Absorbers, Telescopic Front Fork & McPherson struts	— (—)	4,000,000 (4,000,000)	2,901,498 (1,987,640)	128,313 (68,178)	2.46 (1.29)	130,162 (128,313)	2.90 (2.46)	2,899,206 (1,927,209)	123.31 (85.83)	— (—)	— (—)	443 (296)
7. Brake Block	— (—)	600,000 (600,000)	770,010 (420,020)	— (—)	— (—)	— (—)	— (—)	768,204 (416,882)	40.28 (21.96)	— (—)	— (—)	1,806 (3,138)
8. All types of Brakes used by Railways	— (—)	36,000 (36,000)	9,735 (7,736)	— (—)	— (—)	— (—)	— (—)	9,735 (7,736)	13.96 (7.59)	— (—)	— (—)	— (—)
9. Others	— (—)	— (—)	— (—)	— (—)	— (—)	— (—)	— (—)	— (—)	33.25 (17.69)	— (—)	— (—)	— (—)

#### NOTES :

\*(a) Licensed capacity is not applicable in the above items because of delicensing by the Government.

\*\*(b) As certified by the management and not verified by the auditors, being a technical matter.

(c) Sales and production pertain to finished goods only. Opening and Closing stocks include partly executed contracts but exclude stocks held by the consuming/selling divisions.

(d) In item no. 3 Installed capacities and actual production are in meters, rest are in numbers.

\*\*\* (e) Opening and Closing stocks of items of Research and Development have been excluded.

(f) Opening and Closing stocks are inclusive of Work-in-Progress.

(g) Miscellaneous consumption includes samples for development, research, testing, export etc.

(h) Captive consumption includes stocks transferred to divisions for sale as spare parts.

#### (ii) TRADING OPERATIONS :

	Purchases Quantity	Purchases Value	Opening Balance Quantity	Opening Balance Value	Closing Balance Quantity	Closing Balance Value	Sales Quantity	Sales Value	Other Consumption (Quantity)	Consumption Capitalisation	Quantity Misc.
	Nos.	Rs. Crores	Nos.	Rs. Crores	Nos.	Rs. Crores	Nos.	Rs. Crores	Captive Consumption		
Claas Combines	57 (182)	7.01 (21.01)	35 (28)	3.75 (3.24)	41 (35)	4.36 (3.75)	51 (175)	7.43 (23.82)	— (—)	— (—)	— (—)
Claas Sugarcane Harvester	— (—)	— (—)	— (8)	— (6.97)	13 (—)	11.26 (—)	(13) (8)	(15.08) (9.27)	— (—)	— (—)	— (—)
Implements Trailers, Compressor accessories, spares and others	— (—)	91.12 (27.71)	— (—)	8.71 (12.92)	— (—)	8.73 (8.71)	— (—)	108.82 (96.03)	— (—)	— (—)	— (—)

#### NOTES :

1. Opening and Closing balances include partly executed sales contracts but do not include goods-in-transit and Job-in-Progress.



## ESCORTS LIMITED

### SCHEDULE 18 : NOTES ON BALANCE SHEET AND PROFIT & LOSS ACCOUNT (Contd.)

(e) Value of Imports - CIF basis :

(Rs. Crores)

Raw Material	Components & Spare parts	Capital Goods	Trading Goods	Total
6.77 (6.05)	17.93 (4.57)	1.46 (0.35)	– (23.33)	26.16 (34.30)

(f) Imported and indigenous raw materials and components, stores and spares and tools consumed :

	Value Rs. Crores	Percentage
Imported	20.64 (14.84)	5.09 (2.40)
Indigenous	385.08 (602.56)	94.91 (97.60)
<b>Total</b>	<b>405.72</b> (617.40)	<b>100.00</b> (100.00)

(g) Details of Raw Materials Consumed :

	Unit of Measure	Quantity	Value Rs. Crores	Rs. Crores
1. <b>Raw Materials (Basic)</b>				
(i) Aluminium	Kgs	151,282	1.43	
	Kgs	(96,306)	(0.98)	
(ii) M.S. Sheets & Plates	Kgs	340,114	1.08	
	Kgs	(455,807)	(1.39)	
(iii) Bars	Kgs	377,476	1.31	
	Kgs	(630,493)	(1.51)	
(iv) Tubes	Mtrs	1,586,766	7.90	
	Mtrs	(1,119,552)	(4.95)	
(v) Strips	Kgs	9,922	0.49	
	Kgs	(10,062)	(0.35)	
(vi) Round Channel & Angles	Kgs	57,668	0.18	
	Kgs	(267,460)	(0.67)	
(vii) Other Steel Items	Kgs	105	–	
	Kgs	(658)	–	
(viii) Castings & Forgings	Nos	874,503	49.86	
	Nos	(2,186,392)	(77.49)	
(ix) Other Raw Materials	Kgs	–	–	62.25
	Kgs	(139)	(0.51)	(87.85)





# **SCHEDULE 18 : NOTES ON BALANCE SHEET AND PROFIT & LOSS ACCOUNT (Contd.)**

	Unit of Measure	Quantity	Value Rs. Crores	Rs. Crores
<b>2. Components:</b>				
(i) Engines S-312D (excluding Radiators & Silencers)	Nos	<b>2,472</b>	<b>6.96</b>	
	Nos	(3,707)	(10.57)	
(ii) Engine E - 273	Nos	<b>851</b>	<b>3.28</b>	
	Nos	(2,374)	(9.11)	
(iii) Engine E - 342	Nos	—	—	
	Nos	(—)	(—)	
(iv) Engine E - 2179D	Nos	<b>2,287</b>	<b>8.57</b>	
	Nos	(2,524)	(7.18)	
(v) Engine E - 3179	Nos	<b>352</b>	<b>0.99</b>	
	Nos	(5,852)	(22.08)	
(vi) Engine E - 3215	Nos	<b>3,095</b>	<b>11.07</b>	
	Nos	(7,658)	(29.15)	
(vii) Engine E - 3312	Nos	<b>396</b>	<b>1.56</b>	
	Nos	(579)	(2.27)	
(viii) Engine Farmtrac - 35	Nos	<b>3,115</b>	<b>10.70</b>	
	Nos	(1,444)	(4.94)	
(ix) Engine Farmtrac - 45	Nos	<b>2,442</b>	<b>8.76</b>	
	Nos	(5,009)	(18.08)	
(x) Engine Farmtrac - 50	Nos	<b>443</b>	<b>1.59</b>	
	Nos	(1,397)	(5.04)	
(xi) Engine Farmtrac - 55	Nos	—	—	
	Nos	(—)	(—)	
(xii) Engine Farmtrac - 60	Nos	<b>3,800</b>	<b>14.09</b>	
	Nos	(6,336)	(23.62)	
(xiii) Engine Farmtrac - 70	Nos	<b>122</b>	<b>0.45</b>	
	Nos	(162)	(0.54)	
(xiv) Engine Farmtrac - 80	Nos	—	—	
	Nos	(52)	(1.22)	
(xv) Other Components	Nos		<b>265.86</b>	<b>333.88</b>
	Nos		(384.94)	(518.74)
		<b>19,375</b>		<b>396.13</b>
		(37,094)		(606.59)

**NOTE :** Raw Materials and components consumed include sale of raw materials and components.

General Notes : (a) Figures in brackets pertain to previous year.

(b) Previous years figures have been regrouped wherever necessary.

(c) Other Components includes Rs. NIL provided for HLADT (Previous year Rs.12.08 crores).

**RAJAN NANDA**  
Chairman and  
Managing Director

**NIKHIL NANDA**  
Executive Director

**PROF. DR. M.G.K. MENON**  
Director

**G.B. MATHUR**  
Vice President - Law &  
Company Secretary

**P.K. MAHESHWARI**  
Chief Financial Controller

As per our report attached  
For **S.N. DHAWAN & CO.**  
Chartered Accountants

C-37, Connaught Place  
New Delhi - 110 001  
Dated : June 27, 2003

**S.N. DHAWAN**  
Partner

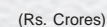


# ESCORTS LIMITED

## STATEMENT REGARDING SUBSIDIARY COMPANIES PURSUANT TO SECTION 212 OF THE COMPANIES ACT, 1956

1.	Name of Subsidiary Company	Escorts Automotives Ltd.	Escosoft Technologies Ltd.	IFS Solutions India Pvt. Ltd.	E-Soft (Mauritius) Holdings Ltd.	Escosoft Technologies (UK) Pvt. Ltd.	Escosoft (Singapore) Pte. Ltd.	Escosoft Technologies (USA) Ltd.
2.	Financial Year of the Subsidiary Company ended on	March 31, 2003	March 31, 2003	March 31, 2003	March 31, 2003	March 31, 2003	March 31, 2003	December 31, 2002
3.	Holding Company's Interest	Holders of 1,00,00,000 equity shares out of the subscribed and paid-up capital of 1,00,00,000 equity shares of Rs. 10/- each.	Holders of 1,50,50,150 equity shares out of the subscribed and paid-up capital of 1,88,00,150 equity shares of Rs. 10 each.	Escosoft Technologies Ltd. - subsidiary company holds 980 equity shares of Rs. 100 each out of the subscribed and paid-up capital of 1000 equity shares of Rs. 100 each.	Escosoft Technologies Ltd. - subsidiary company holds 4,96,600 equity shares of US\$ 1 each out of 4,96,600 equity shares of US\$ 1 each.	E-Soft Mauritius Holdings Ltd. - subsidiary company, holds 3,03,210 ordinary shares of £1 each out of 3,03,210 ordinary shares of £1 each.	Escosoft Technologies (UK) Pvt. Ltd. - subsidiary company holds 1,21,000 ordinary shares of S\$1 each out of 1,21,000 ordinary shares of S\$1 each.	Escosoft Technologies (UK) Pvt. Ltd. - subsidiary company holds 2,14,947 equity shares out of 2,14,947 equity shares of US\$ 1 each.
4.	Net aggregate amount of Profits Less Losses of the Subsidiary Company so far as it concerns the members of Escorts Limited							
	a) Not dealt with in the Accounts of Escorts Limited							
	i) for the Subsidiary's financial year above referred	(4.10) loss	(5.37) loss	(0.95) loss	(US\$ 7483) loss (Rs. 0.04 Crore)	Profit £ 3650.28 Rs. 0.03 Crore	Profit S\$ 1266.39 Rs. 0.003 Crore	(US\$ 11972) loss (Rs. 0.06 Crore)
	ii) for previous financial years of Subsidiary since it became Subsidiary of Escorts Limited	(6.16) loss	(4.43) loss	—	(US\$ 14,566) loss (Rs. 0.07 Crore)	(£44,903) loss (Rs. 0.30 Crore)	(S\$ 104,613) loss (Rs. 0.27 Crore)	(US\$ 148547) loss (Rs. 0.70 Crore)
	b) Dealt with in the accounts of Escorts Limited							
	i) for the Subsidiary's financial year above referred	—	—	—	—	—	—	—
	ii) for previous financial years of the Subsidiary since it became Subsidiary of Escorts Ltd.	8.37	—	—	—	—	—	—
5.	Changes in the interest of Escorts Ltd. in the Subsidiary Company between the end of the financial year of the Subsidiary and the financial year of the Company.	Not Applicable	Not Applicable	Not Applicable	Not Applicable	Not Applicable	Not Applicable	Escosoft Technologies (UK) Pvt. Ltd. - subsidiary has acquired 7,000 equity shares during the period 1st January, 2003 to 31st March, 2003.
6.	Material changes between the end of the financial year of the Subsidiary and the financial year of the Company in respect of:							
	* Subsidiary's fixed assets	Not Applicable	Not Applicable	Not Applicable	Not Applicable	Not Applicable	Not Applicable	Nil
	* Subsidiary's investments	Not Applicable	Not Applicable	Not Applicable	Not Applicable	Not Applicable	Not Applicable	Nil
	* Moneys lent by the Subsidiary.	Not Applicable	Not Applicable	Not Applicable	Not Applicable	Not Applicable	Not Applicable	Nil
	* Moneys borrowed by the Subsidiary for any purpose other than that of meeting current liabilities.	Not Applicable	Not Applicable	Not Applicable	Not Applicable	Not Applicable	Not Applicable	Nil



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## ESCORTS LIMITED

1.	Name of Subsidiary Company	iServ India Solutions Pvt. Ltd.	Automatrix India Pvt. Ltd.	Cellnext Solutions Ltd.	Escorts Telecommunications Ltd.
2.	Financial Year of the Subsidiary Company ended on	March 31, 2003	March 31, 2003	March 31, 2003	March 31, 2003
3.	Holding Company's Interest	Esconet Services Ltd. - subsidiary company holds 1,15,00,025 equity shares and 75,00,000 3% Cumulative Redeemable Preference shares out of the subscribed and paid-up capital of 1,15,00,025 equity shares of Rs. 10 each, and 75,00,000 3% Cumulative Redeemable Preference shares of Rs.10 each, respectively.	Esconet Services Ltd. - subsidiary company holds 19,50,100 equity shares and 28,50,000 3% Cumulative Redeemable Preference Shares out of the subscribed and paid-up capital of 19,50,600 equity shares of Rs.10/- each and 28,50,000 3% Cumulative Redeemable Preference Shares of Rs. 10/- each.	Esconet Services Ltd.- subsidiary company holds 1,05,23,270 equity shares and 68,00,000 3% Cumulative Redeemable Preference Shares out of the subscribed and paid-up capital of 1,10,43,330 equity shares of Rs. 10 each and 68,00,000 3% Cumulative Redeemable Preference Shares of Rs. 10 each, respectively.	Holdings of 5,70,00,000 equity shares out of the subscribed and paid-up capital of 6,10,00,000 equity shares of Rs.10 each. Further iServ India Solutions Pvt. Ltd., 100% subsidiary company holds balance 40,00,000 equity shares.
4.	Net aggregate amount of Profits Less Losses of the Subsidiary Company so far as it concerns the members of Escorts Limited				
	a) Not dealt with in the Accounts of Escorts Limited				
	i) for the Subsidiary's financial year above referred	(8.59) loss	—	(8.41) loss	—
	ii) for previous financial years of Subsidiary since it became Subsidiary of Escorts Limited	(8.88) loss	—	(6.17) loss	—
	b) Dealt with in the accounts of Escorts Limited				
	i) for the Subsidiary's financial year above referred	—	—	—	—
	ii) for previous financial years of the Subsidiary since it became Subsidiary of Escorts Ltd.	—	—	—	—
5.	Changes in the interest of Escorts Ltd. in the Subsidiary Company between the end of the financial year of the Subsidiary and the financial year of the Company	Not Applicable	Not Applicable	Not Applicable	Not Applicable
6.	Material changes between the end of the financial year of the Subsidiary and the financial year of the Company in respect of :				
	* Subsidiary's fixed assets	Not Applicable	Not Applicable	Not Applicable	Not Applicable
	* Subsidiary's investments	Not Applicable	Not Applicable	Not Applicable	Not Applicable
	* Moneys lent by the Subsidiary	Not Applicable	Not Applicable	Not Applicable	Not Applicable
	* Moneys borrowed by the Subsidiary for any purpose other than that of meeting current liabilities	Not Applicable	Not Applicable	Not Applicable	Not Applicable





(Rs. Crores)

Escorts Telecom Services Ltd. (formerly known as Escotel Telecommunications Ltd.) March 31, 2003	Escorts Construction Equipment Ltd. March 31, 2003	Escotel Mobile Communications Ltd. March 31, 2003	Escorts Agri Machinery Inc., USA December 31, 2002	Escorts Asset Management Ltd. March 31, 2003	Escorts Securities Ltd. March 31, 2003
Holders of 50,000 equity shares out of subscribed and paid-up capital of 50,000 equity shares of Rs.10 each.	Holders of 1,00,00,000 equity shares, 60,00,000 10% Cumulative Redeemable Preference Shares and 2,30,00,000 10% Non-Cumulative Redeemable Preference Shares out of the subscribed and paid up capital of 1,00,00,000 equity shares of Rs.10/- each, 80,00,000 10% Cumulative Redeemable Preference Shares of Rs. 10/- each and 2,30,00,000 10% Non-Cumulative Redeemable Preference Shares of Rs. 10/- each, respectively.	Holders of 18,66,60,000 equity shares out of the subscribed and paid-up capital of 36,60,00,000 equity shares of Rs.10/- each.	Holders of 750 shares without par value out of 750 shares aggregating US Dollars 9.6925 million (Rs. 41.63 Crores)	Holders of 30,00,000 equity shares out of subscribed & paid up capital of 1,00,00,000 equity shares of Rs.10 each and 1,00,000 1% Non Cumulative Preference Shares of Rs. 100 each. However, the Company is Board controlled subsidiary of Escorts Limited.	Holders of 12,00,000 10% Cumulative Redeemable Preference Shares of Rs. 10 each out of subscribed & paid-up capital of 40,00,000 equity shares of Rs. 10 each and 12,00,000 10% Cumulative Redeemable Preference Shares of Rs. 10 each. However, the Company is Board controlled subsidiary of Escorts Limited.
—	(6.34) loss	(193.95) loss	(US\$ 0.2 million) loss (Rs. 0.95 Crore) loss	0.04	0.02
—	(34.22) loss	(360.42) loss	(US\$ 2.14 million) loss (Rs. 10.18 Crores) loss	0.04	0.02
—	—	—	—	—	—
—	0.90	—	—	—	—
Not Applicable	Not Applicable	Not Applicable	Nil	Not Applicable	Not Applicable
Not Applicable	Not Applicable	Not Applicable	Nil	Not Applicable	Not Applicable
Not Applicable	Not Applicable	Not Applicable	Investment in Long Agri Business LLC, USA has reduced by US \$ 962829.50. Its investment in Pol-Mot Escorts Spolka z.o.o. Poland has reduced by US\$ 16148. (These changes are solely because the Company follows 'Equity method' while accounting for its investments)	Not Applicable	Not Applicable
Not Applicable	Not Applicable	Not Applicable	Nil	Not Applicable	Not Applicable
Not Applicable	Not Applicable	Not Applicable	Nil	Not Applicable	Not Applicable
<b>RAJAN NANDA</b> Chairman and Managing Director		<b>NIKHIL NANDA</b> Executive Director	<b>PROF. DR. M.G.K. MENON</b> Director		
<b>G.B. MATHUR</b> Vice President - Law & Company Secretary		<b>P.K. MAHESHWARI</b> Chief Financial Controller			

Dated : June 27, 2003

**Note :** The Balance Sheets, Profit and Loss Accounts , Directors' Reports and Auditors' Reports of the Subsidiaries are not being attached in view of exemption received from Government of India, Ministry of Finance, Department of Company Affairs, vide their Letter No. 47/81/2003-CL-III, dated 19th August, 2003. The accounts of the subsidiary companies and their detailed information will be made available to the investors seeking such information at any point of time.



## ESCORTS LIMITED

### CASH FLOW STATEMENT

	2002-2003 Rs. Crores	2001-2002 Rs. Crores
<b>A. CASH FLOW FROM OPERATING ACTIVITIES</b>		
Net Profit before tax and extraordinary items	(117.91)	(43.34)
Adjustments for :		
Depreciation	40.59	41.41
Misc. Exp./Assets Write off/Provisions	25.56	23.39
Interest Expense	105.81	96.44
Dividend Income	(68.00)	(6.00)
Interest Income	(39.28)	(44.59)
Operating Profit before working capital changes	(53.23)	67.31
Adjustments for :		
Trade and other Receivables	161.07	(162.53)
Inventories	(4.10)	45.39
Trade Payables	(199.07)	58.77
Miscellaneous Expenditure	(20.84)	(10.60)
	(62.94)	(68.97)
Cash Generated from Operations	(116.17)	(1.66)
Direct Taxes Paid/Refunds	10.20	(8.14)
<b>Net Cash Flow from Operating Activities</b>	<b>(105.97)</b>	<b>(9.80)</b>
<b>B. CASH FLOW FROM INVESTING ACTIVITIES</b>		
Purchase of Fixed Assets	(27.35)	(24.53)
Proceeds from Sale of Fixed Assets	1.78	2.24
Movement in Loans and Advances	(72.26)	6.76
Purchase of Investments	(152.86)	(50.64)
Share application money pending allotment	—	(37.47)
Sale of Investments	254.38	125.42
Interest Received (net of provisions)	39.06	44.59
Dividend Received	68.00	9.06
<b>Net Cash Flow from Investing Activities</b>	<b>110.75</b>	<b>75.43</b>





	2002-2003 Rs. Crores	2001-2002 Rs. Crores
<b>C. CASH FLOW USED IN FINANCING ACTIVITIES</b>		
Proceeds from Long Term Borrowings	234.09	260.60
Less : Repayment of Long Term Borrowings	(173.82)	(153.72)
Proceeds from short term borrowings (net)	60.27	106.88
Premium on redemption of Debentures & SPNs	38.21	(5.84)
Interest Paid	—	(15.59)
Dividend Paid	(107.09)	(100.11)
Dividend Tax Paid	(7.22)	(32.50)
	—	(3.32)
<b>Net Cash used in Financing Activities</b>	<b>(15.83)</b>	<b>(50.48)</b>
<b>Net Increase/(Decrease) in Cash and Cash equivalents</b>	<b>(11.05)</b>	<b>15.15</b>
<b>Cash and Cash equivalents as at 01.04.2002</b>	<b>36.17</b>	<b>21.02</b>
<b>Cash and Cash equivalents as at 31.03.2003</b>	<b>25.12</b>	<b>36.17</b>

**NOTES :**

1. Cash and Cash equivalents include Cash in hand, demand deposits with banks and short term highly liquid investments.
2. Previous years figures have been regrouped wherever necessary.

**RAJAN NANDA**  
Chairman and  
Managing Director

**NIKHIL NANDA**  
Executive Director

**PROF. DR. M.G.K. MENON**  
Director

**G.B. MATHUR**  
Vice President - Law &  
Company Secretary

**P.K. MAHESHWARI**  
Chief Financial Controller

As per our report attached  
For **S.N. DHAWAN & CO.**  
Chartered Accountants

C-37, Connaught Place  
New Delhi - 110 001  
Dated : June 27, 2003

**S.N. DHAWAN**  
Partner



# ESCORTS LIMITED

## BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE

### I. Registration Details

Registration No. 

C	-	1	8	6	0
---	---	---	---	---	---

Balance Sheet Date 

3	1	-	0	3	-	2	0	0	3
---	---	---	---	---	---	---	---	---	---

State Code 

			5	5
--	--	--	---	---

### II. Capital Raised during the year (Amount in Rs. Thousands)

Public Issue  

				-				
--	--	--	--	---	--	--	--	--

Bonus Issue  

				-				
--	--	--	--	---	--	--	--	--

Rights Issue  

				-				
--	--	--	--	---	--	--	--	--

Private Placement  

				-				
--	--	--	--	---	--	--	--	--

### III. Position of Mobilisation and Deployment of funds (Amount in Rs. Thousands)

Total Liabilities  

	1	7	3	2	1	0	0	9
--	---	---	---	---	---	---	---	---

Sources of Funds  
Paid-up-Capital  

			7	2	2	3	2	2
--	--	--	---	---	---	---	---	---

Secured Loans  

		4	8	0	5	4	6	6
--	--	---	---	---	---	---	---	---

Application of Funds  
Net Fixed Assets  

		6	0	2	9	9	0	3
--	--	---	---	---	---	---	---	---

Net Current Assets  

		5	4	8	1	3	9	1
--	--	---	---	---	---	---	---	---

+ - Deferred Tax Liability (Net)  

	✓			7	6	6	8	0	0
--	---	--	--	---	---	---	---	---	---

Accumulated Losses  

				-				
--	--	--	--	---	--	--	--	--

Total Assets  

	1	7	3	2	1	0	0	9
--	---	---	---	---	---	---	---	---

Reserves & Surplus  

		8	4	3	6	8	1	0
--	--	---	---	---	---	---	---	---

Unsecured Loans  

		3	3	5	6	4	1	1
--	--	---	---	---	---	---	---	---

Investments  

		6	1	9	2	6	1	2
--	--	---	---	---	---	---	---	---

Misc. Expenditure  

			3	8	3	9	0	3
--	--	--	---	---	---	---	---	---

### IV. Performance of Company (Amount in Rs. Thousands)

Turnover including Other Income  

	1	1	1	8	5	2	9	0
--	---	---	---	---	---	---	---	---

+ - Profit /Loss Before Tax  

	✓		2	2	2	5	8	1
--	---	--	---	---	---	---	---	---

+ - Provision for Tax  

	✓		2	0	0	0	0
--	---	--	---	---	---	---	---

Earning per Share in Rs.  

								3
--	--	--	--	--	--	--	--	---

Total Expenditure  

	1	0	9	6	2	7	0	9
--	---	---	---	---	---	---	---	---

+ - Deferred Taxation  

	✓		3	7	8	0	0
--	---	--	---	---	---	---	---

+ - Profit/Loss After Tax  

	✓		2	4	0	3	8	1
--	---	--	---	---	---	---	---	---

Final Dividend Rate %  

	1	0
--	---	---

### V. Generic Names of Three Principal Products of the Company

Item Code No. 

8	7	0	1	3	0	.	0	9
---	---	---	---	---	---	---	---	---

Product Description 

T	R	A	C	T	O	R	S						
---	---	---	---	---	---	---	---	--	--	--	--	--	--

Item Code No. 

8	7	0	8	8	0	.	0	0
---	---	---	---	---	---	---	---	---

Product Description 

S	H	O	C	K		A	B	S	O	R	B	E	R	S	
---	---	---	---	---	--	---	---	---	---	---	---	---	---	---	--

Item Code No. 

8	6	0	7	2	9	.	0	0
---	---	---	---	---	---	---	---	---

Product Description 

R	A	I	L	W	A	Y		P	A	R	T	S			
---	---	---	---	---	---	---	--	---	---	---	---	---	--	--	--



# ESCORTS LIMITED

## CONSOLIDATED BALANCE SHEET OF ESCORTS LIMITED AS AT MARCH 31, 2003

	Schedule	31.03.2003 Rs. Crores	31.03.2002 Rs. Crores
<b>SOURCES OF FUNDS</b>			
Share Capital	1	61.94	72.13
Reserves & Surplus	2	349.17	649.13
Total Shareholders' Funds		411.11	721.26
Minority Interest		59.80	12.98
Loans			
Secured	3	1,174.14	1,557.32
Unsecured	4	371.09	384.83
<b>Total</b>		<b>2,016.14</b>	<b>2,676.39</b>
<b>APPLICATION OF FUNDS</b>			
Fixed Assets			
Gross Block		1,817.86	2,023.91
Less : Depreciation		707.48	735.01
Less : Provision for impairment		5.00	5.00
Net Block	5	1,105.38	1,283.90
Capital Work-in-Progress		11.54	92.57
Total Fixed Assets		1,116.92	1,376.47
Investments			
Associates		72.17	86.12
Others		102.46	149.15
Licence Fees		320.68	452.03
Preoperative Expenditure		90.76	41.46
Current Assets, Loans & Advances			
Current Assets	6		
Inventories		151.10	162.18
Accrued Billing		4.37	9.04
Sundry Debtors		329.95	455.84
Cash & Bank Balances		147.56	103.55
Other Current Assets		1.88	2.16
Loans & Advances	7	634.86	732.77
		252.56	390.82
Total Current Assets, Loans & Advances		887.42	1,123.59
<b>DEDUCT</b>			
Current Liabilities & Provisions	8		
Current Liabilities		510.16	780.71
Provisions		47.21	27.46
Total Current Liabilities & Provisions		557.37	808.17
Net Current Assets		330.05	315.42
Net Deferred Tax Assets/(Liabilities)		(71.84)	192.18
Miscellaneous Expenditure (to the extent not written off or adjusted)		54.94	63.56
<b>Total</b>		<b>2,016.14</b>	<b>2,676.39</b>

Schedules 1 to 20 annexed hereto form an integral part of the Consolidated Balance Sheet and Profit and Loss Account.

**RAJAN NANDA**  
Chairman and  
Managing Director

**NIKHIL NANDA**  
Executive Director

**PROF. DR. M.G.K. MENON**  
Director

**G.B. MATHUR**  
Vice President - Law &  
Company Secretary

**P.K. MAHESHWARI**  
Chief Financial Controller

As per our report attached  
For **S.N. DHAWAN & CO.**  
Chartered Accountants

C-37, Connaught Place  
New Delhi - 110 001  
Dated : June 27, 2003

**VIJAY DHAWAN**  
Partner





# **CONSOLIDATED PROFIT & LOSS ACCOUNT OF ESCORTS LIMITED FOR THE YEAR ENDED MARCH 31, 2003**

	Schedule	2002-2003 Rs. Crores	2001-2002 Rs. Crores
<b>INCOME</b>			
Gross Sales		1,269.61	1,300.01
Less : Excise Duty		146.74	157.29
Net Sales		1,122.87	1,142.72
Business Income	9	436.64	520.83
Income from Investments	10	137.67	53.26
Total		1,697.18	1,716.81
<b>EXPENDITURE</b>			
Material, Manufacturing & Operating Expenses	11	936.97	951.81
Personnel	12	274.62	228.36
Sales & Administration Expenses	13	312.33	265.87
Interest	14	132.47	169.98
		1,656.39	1,616.02
Profit before Depreciation and Amortisation		40.79	100.79
Depreciation		135.34	166.34
Amortisation of Expenditure	15	22.11	19.56
		(116.66)	(85.11)
Share in loss of associates		25.38	6.99
<b>PROFIT/(LOSS) BEFORE TAX</b>		(142.04)	(92.10)
Provision for Taxation – Current		11.81	18.65
– Deferred		(2.03)	(47.63)
<b>PROFIT/(LOSS) AFTER TAX</b>		(151.82)	(63.12)
Share of Profit/(Loss) of Minority Interest		1.18	(30.02)
<b>PROFIT/(LOSS) AFTER TAX ATTRIBUTABLE TO THE COMPANY</b>		(153.00)	(33.10)
<b>EARNINGS PER SHARE (Face Value Rs. 10)</b>			
– Basic and Diluted (in Rupees)		(24.70)	(4.59)
Significant Accounting Policies	16		
Related Party Disclosures	17		
Segment Information	18		
Notes to Accounts	19		
Cash Flow Statement	20		

Schedules 1 to 20 annexed hereto form an integral part of the Consolidated Balance Sheet and Profit and Loss Account.

**RAJAN NANDA**  
Chairman and  
Managing Director

**NIKHIL NANDA**  
Executive Director

**PROF. DR. M.G.K. MENON**  
Director

**G.B. MATHUR**  
Vice President - Law &  
Company Secretary

**P.K. MAHESHWARI**  
Chief Financial Controller

As per our report attached  
For **S.N. DHAWAN & CO.**  
Chartered Accountants

C-37, Connaught Place  
New Delhi - 110 001  
Dated : June 27, 2003

**VIJAY DHAWAN**  
Partner



# ESCORTS LIMITED

## SCHEDULES TO THE CONSOLIDATED ACCOUNTS

### SCHEDULE 1 : SHARE CAPITAL

		31.03.2003 Rs. Crores	31.03.2002 Rs. Crores
<b>AUTHORISED CAPITAL</b>			
7,70,00,000	Equity Shares of Rs. 10 each	77.00	77.00
3,70,00,000	12% Cumulative Redeemable Preference Shares of Rs. 90 each	333.00	333.00
		<b>410.00</b>	<b>410.00</b>
<b>ISSUED, SUBSCRIBED AND PAID-UP CAPITAL</b>			
7,22,32,240	Equity Shares of Rs. 10 each	72.23	72.23
	Less : Share capital held by subsidiaries (prior to their being subsidiaries) and by joint ventures (based on proportionate consolidation)	10.29	0.10
		<b>61.94</b>	<b>72.13</b>

### SCHEDULE 2 : RESERVES AND SURPLUS

	Share Premium	Capital Reserve	Capital Redemption Reserve	Share Forfeiture Reserve	Amalgamation Reserve	Debenture Redemption Reserve	General Reserve	Profit & Loss Account	Revaluation Reserve	Total	Previous year figures
As at March 31, 2002	101.39	102.60	5.00	3.22	48.46	39.21	438.09	(216.86)	128.02	649.13	706.75
Additions :											
Changes due to addition of joint ventures, and divestment of businesses			(4.20)				2.44	(7.18)		(8.94)	
Adjustment for Goodwill/Unrealised Profits, Net Equity and Exchange gain		0.43					11.54			11.97	(20.09)
Transfer from Profit and Loss Account						0.48	2.60	(149.05)		(145.97)	16.36
	101.39	103.03	0.80	3.22	48.46	39.69	454.67	(373.09)	128.02	506.19	703.02
Deductions :											
On assets sold									0.40	0.40	0.94
Deferred tax asset for previous years reversed								137.46		137.46	—
Deferred tax liabilities/(assets)											(32.30)
Premium paid on "Part D" redemption of SPNs										—	15.59
Transfer to Profit & Loss Account						12.01			7.15	19.16	69.66
As at March 31, 2003	101.39	103.03	0.80	3.22	48.46	27.68	454.67	(510.55)	120.47	349.17 *	649.13
Previous year figures	101.39	102.60	5.00	3.22	48.46	39.21	438.09	(216.86)	128.02	649.13	

\* Includes joint venture share of Rs. (-) 428.15 crores

\* Excluding share of Minority Interest Rs. 38.60 crores (previous year Rs. (-) 191.57 crores)





## SCHEDULES TO THE CONSOLIDATED ACCOUNTS

### SCHEDULE 3 : SECURED LOANS

	31.03.2003 Rs. Crores	31.03.2002 Rs. Crores
<b>From Banks :</b>		
Cash Credit/Working Capital Term Loans	195.62	151.47
Interest Accrued & Due	0.25	0.31
<b>Loans from :</b>		
Banks	255.57	237.05
Others	183.17	198.89
Interest Accrued & Due	5.96	8.17
<b>Foreign Currency Loan</b>	<b>152.42</b>	320.52
<b>Debentures</b>		
12% Secured Redeemable Non-Convertible Debentures	112.86	75.00
14.5% Secured Redeemable Non-Convertible Debentures	247.84	525.00
15% Secured Redeemable Non-Convertible Debentures	20.45	40.91
	<b>381.15</b>	640.91
<b>Total</b>	<b>1,174.14</b>	1,557.32
Includes joint venture share	418.56	

### SCHEDULE 4 : UNSECURED LOANS

	31.03.2003 Rs. Crores	31.03.2002 Rs. Crores
Fixed Deposits	146.60	133.23
External Commercial Borrowing	33.79	77.16
Interest Accrued & Due	0.08	—
Inter Corporate Deposits	22.85	6.65
Interest Accrued & Due	—	0.11
Bank Overdraft	2.85	5.69
Housing Development Finance Corporation Limited	9.90	2.58
Short Term Loans & Advances :		
From Banks — Commercial Paper	60.00	25.00
— Others	80.67	89.60
From Others	14.35	44.81
<b>Total</b>	<b>371.09</b>	384.83
Includes joint venture share	49.89	



# ESCORTS LIMITED

## SCHEDULES TO THE CONSOLIDATED ACCOUNTS

### SCHEDULE 5 : FIXED ASSETS

								Rs. Crores
Description	Original Cost as at 31.03.2002	Additions	Deductions/ adjustments	Original Cost as at 31.03.2003	Provision for impairment	Depreciation upto 31.03.2003	Net Book value as on 31.03.2003	Net Book value as on 31.03.2002
Goodwill	4.74	0.35		5.09		0.98	4.11	4.26
Land	124.20	6.75	3.07	127.88		0.07	127.81	124.19
Buildings	248.82	66.66	0.93	314.55		106.14	208.41	153.65
Leasehold Improvements	13.58	0.23	6.28	7.53		4.77	2.76	6.78
Plant & Machinery	1,502.80	104.20	382.04	1,224.96		515.39	709.57	945.55
Furniture & Fixtures	103.68	13.97	5.80	111.85		69.03	42.82	38.88
Vehicles	20.31	4.08	4.17	20.22		10.36	9.86	10.27
	2,018.13	196.24	402.29	1,812.08	—	706.74	1,105.34	1,283.58
Plant & Machinery held for sale	5.78			5.78	5.00	0.74	0.04	0.32
Sub-Total	2,023.91	196.24	402.29	1,817.86	5.00	707.48	1,105.38	1,283.90
Capital Work-in-Progress	92.57	22.92	103.95	11.54	—	—	11.54	92.57
Total Fixed Assets	2,116.48	219.16	506.24	1,829.40	5.00	707.48	1,116.92 *	1,376.47
Previous Year Figures	1,907.76	379.81	171.09	2,116.48	5.00	735.01	1,376.47	

\* Includes joint venture share :

Gross Block	499.21
Depreciation	(213.99)
Net Block	285.22
Capital Work-in-Progress	2.94
<b>Total Fixed Assets</b>	<b>288.16</b>

### SCHEDULE 6 : CURRENT ASSETS

	31.03.2003 Rs. Crores	31.03.2002 Rs. Crores
<b>Interest/Dividend accrued on Investments and Deposits</b>	<b>1.88</b>	<b>2.16</b>
<b>Stocks (as taken, valued and certified by the Management)</b>		
Raw Material and Components	77.68	56.19
Finished & Trading Goods	42.51	72.70
Work-in-Progress	9.18	9.25
Stores and Machinery Spares	8.02	10.99
Medical Consumables, Drugs and Pharmaceuticals	4.97	2.45
Loose Tools	9.72	8.45
Current Investments	2.13	2.20
	154.21	162.23
Less : Provision for Obsolete Stock	3.11	0.05
	151.10	162.18
<b>Accrued Billing Revenue</b>	<b>4.37</b>	<b>9.04</b>
<b>Sundry Debtors</b>		
Debts outstanding for over six months		
Secured	1.39	6.56
Unsecured — Considered Good	75.82	47.41
— Considered Doubtful	23.77	21.84
	100.98	75.81
Less : Provision for Doubtful Debts	23.77	21.84
	77.21	53.97





## SCHEDULES TO THE CONSOLIDATED ACCOUNTS

### SCHEDULE 6 : CURRENT ASSETS (Contd.)

	31.03.2003 Rs. Crores	31.03.2002 Rs. Crores
<b>Other Debts</b>		
Secured	6.15	17.75
Unsecured – Considered Good	246.59	384.12
– Considered Doubtful	0.99	1.54
	253.73	403.41
Less : Provision for Doubtful Debts	0.99	1.54
	252.74	401.87
<b>Total Debtors</b>	329.95	455.84
<b>Cash &amp; Bank Balances</b>		
Cash and Cheques in hand and in transit	23.54	12.13
On Current/Cash Credit accounts with Banks	53.20	64.07
On Short/Fixed Deposit with Banks	70.79	27.34
(Pledged with various Banks, Authorities and FIs)		
In Post Office Savings Bank Accounts	0.03	0.01
(Pledged as security with Government authorities)		
	147.56	103.55
<b>Total</b>	634.86	732.77
Includes joint venture share :		
Stocks/Inventory	9.61	
Accrued Billing	4.13	
Sundry Debtors	29.06	
Cash and Bank balances	11.98	
Other Current Assets	0.08	
<b>Total</b>	54.86	

### SCHEDULE 7 : LOANS & ADVANCES

	31.03.2003 Rs. Crores	31.03.2002 Rs. Crores
<b>Loans :</b>		
Secured	0.42	0.37
Unsecured – Considered Good	129.81	181.76
– Considered Doubtful	1.21	0.52
	131.44	182.65
Less : Provision for Doubtful Loan	1.21	0.52
	130.23	182.13
<b>Inter-Corporate Deposits :</b>		
Unsecured – Considered Good	3.41	5.32
– Considered Doubtful	1.11	1.11
	4.52	6.43
Less : Provision for doubtful Inter-Corporate Deposits	1.11	1.11
	3.41	5.32
<b>Advances recoverable in cash or in kind or for value to be received :</b>		
Unsecured – Considered Good	111.21	187.89
– Considered Doubtful	7.43	14.02
	118.64	201.91
Less : Provision for Doubtful Advances	7.43	14.02
	111.21	187.89
<b>Deposits :</b>		
Deposits – Considered Good	7.71	15.48
– Considered Doubtful	0.20	0.18
	7.91	15.66
Less : Provision for Doubtful Deposits	0.20	0.18
	7.71	15.48
<b>Total</b>	252.56	390.82
Includes joint venture share	64.04	



# ESCORTS LIMITED

## SCHEDULES TO THE CONSOLIDATED ACCOUNTS

### SCHEDULE 8 : CURRENT LIABILITIES & PROVISIONS

		31.03.2003 Rs. Crores		31.03.2002 Rs. Crores
<b>CURRENT LIABILITIES</b>				
Acceptances		86.61		118.64
Sundry Creditors		317.87		502.04
Advance Payments		15.54		42.11
Liability towards Investors Education and Protection Fund under Section 205C of the Companies Act, 1956 not due				
Unpaid Dividends	1.75		1.81	
Unpaid matured Debentures	1.24		1.19	
Unpaid matured Secured Premium Notes	0.14	3.13	0.14	3.14
Other Liabilities		67.83		51.55
Interest accrued but not due on Loans		19.18		63.23
		510.16		780.71
<b>PROVISIONS</b>				
Leave Encashment		7.02		6.51
Gratuity		3.99		2.27
Taxation	286.87		309.07	
Advance Tax	(258.82)	28.05	(297.61)	11.46
Proposed Dividend		7.22		7.22
Dividend Tax		0.93		-
		47.21		27.46
<b>Total</b>		557.37		808.17
Includes joint venture share :				
Current Liabilities		129.24		
Provisions		6.77		
<b>Total</b>		136.01		

### SCHEDULE 9 : BUSINESS INCOME

		2002-2003 Rs. Crores		2001-2002 Rs. Crores
<b>Income from Rendering of Services</b>				
Investment, Management and Advisory	1.12		1.04	
Trading Income	2.75		22.59	
Healthcare	200.37		164.80	
Software Development	7.11		7.64	
Subscriber Revenue from ISP and Telecom	188.45	399.80	284.55	480.62
<b>Business Income : Others</b>				
Commission	2.68		1.29	
Erection & Servicing	0.36		0.38	
Lease Rental	1.00		1.46	
Cash Subsidy/Duty Drawback	1.68		1.89	
Scrap Sale	2.10		2.50	
Unclaimed Balance written back	7.74		5.13	
Provision no longer required written back	5.29		8.60	
Royalty Income	0.34		2.01	
Surplus on Sale of Assets (Net)	0.19		(4.01)	
Others	15.46	36.84	20.96	40.21
<b>Total</b>		436.64		520.83
Includes joint venture share		196.62		

### SCHEDULE 10 : INCOME FROM INVESTMENTS

		2002-2003 Rs. Crores		2001-2002 Rs. Crores
Dividends : Trade Investments	0.73		1.72	
: Other Investments	67.45	68.18	3.74	5.46
Surplus on Sale of Investments (net)		69.49		52.12
Provision for diminution in value of Investments		-		(4.32)
<b>Total</b>		137.67		53.26
Includes joint venture share		0.08		





## SCHEDULES TO THE CONSOLIDATED ACCOUNTS

### SCHEDULE 11 : MATERIAL, MANUFACTURING AND OPERATING EXPENSES

	2002-2003 Rs. Crores	2001-2002 Rs. Crores
A. Raw Material & Components Consumed		
Opening Stock	62.95	66.22
Add : Purchases	594.25	647.08
	657.20	713.30
Less : Closing Stock	86.58	55.49
	570.62	657.81
B. Finished & Trading Goods and Work-in-Progress Consumed		
Opening Stock		
Finished & Trading Goods	81.34	86.16
Work-in-Progress	13.97	14.44
	95.31	100.60
Add : Purchases	140.70	97.76
	236.01	198.36
Less : Closing Stock		
Finished & Trading Goods	55.23	73.10
Work-in-Progress	14.98	9.27
	165.80	115.99
Material Consumed	736.42	773.80
Excise Duty on Increase/(Decrease) in Stock of Finished Goods	(5.06)	(2.39)
Stores, Spares and Tools	19.97	11.57
Lease Charges on Plant & Machinery	3.55	6.16
Licence Fees and Network Operation Charges	50.84	47.74
Healthcare Operating Expense	65.74	47.02
ISP Operating Expense	0.15	1.75
Software Development and Operation	3.00	0.44
Power and Fuel	35.09	32.99
Repairs to Building	7.42	4.90
Repairs to Machinery	19.76	27.53
Water	0.09	0.30
<b>Total</b>	<b>936.97</b>	<b>951.81</b>
Includes joint venture share	228.75	

### SCHEDULE 12 : PERSONNEL

	2002-2003 Rs. Crores	2001-2002 Rs. Crores
Salary, Wages and Bonus	207.75	176.38
Contribution to Gratuity Fund	9.26	6.14
Contribution to Provident Fund and other Funds	24.97	13.84
Staff Welfare Expenses	32.64	32.00
<b>Total</b>	<b>274.62</b>	<b>228.36</b>
Includes joint venture share	42.95	



# ESCORTS LIMITED

## SCHEDULES TO THE CONSOLIDATED ACCOUNTS

### SCHEDULE 13 : SALES AND ADMINISTRATION EXPENSES

	2002-2003 Rs. Crores	2001-2002 Rs. Crores
Erection and Servicing	1.95	0.61
Warranties	9.06	6.50
Rent (Net)	12.12	13.87
Rates and Taxes	4.34	2.10
Insurance	15.75	16.97
Bank and Finance Charges	35.79	29.75
Travelling & Conveyance	28.21	25.00
Printing & Stationery	5.57	5.81
Communication Charges	9.98	11.50
Repairs and Maintenance	14.11	11.58
Audit Fee & Legal Expenses	26.63	21.61
Entertainment	1.04	1.29
Commission, Discount and Brokerage	36.02	36.94
Advertisement	31.71	23.74
Royalty	4.53	4.32
Packing, Freight & Forwarding	22.05	17.52
Sales & Purchase Tax	2.63	0.39
Directors Fee & Commission	0.28	0.17
General	33.21	20.17
Exchange Variation	1.76	(0.28)
Amount written off	2.95	2.51
Provision for Doubtful Debts/Advances/Deposits	12.64	8.80
Provision for impairment of Plant and Machinery	—	5.00
<b>Total</b>	<b>312.33</b>	<b>265.87</b>
Includes joint venture share	75.53	
– Audit Fee and Legal Expenses include payments/provisions to Auditors for :		
(a) Audit Fee	0.73	0.74
(b) Tax Audit Fee	0.16	0.12
(c) In Other Capacity		
Limited Review	0.07	0.08
Certification and Other Services	0.03	0.11
(d) Service Tax	0.02	0.03
(e) Out of Pocket Expenses	0.03	0.03

### SCHEDULE 14 : INTEREST

	2002-2003 Rs. Crores	2001-2002 Rs. Crores
Interest cost related to :		
Fixed period Loans and Debentures	126.59	159.93
Others	41.06	29.97
	<b>167.65</b>	<b>189.90</b>
<i>Less</i>		
Interest Income*	35.18	19.92
<b>Total</b>	<b>132.47</b>	<b>169.98</b>
Includes joint venture share	56.05	
* Includes Income tax deducted at source	8.87	1.90
* Includes interest on investments in deposits and bonds, income tax refunds, housing loan to employees, dealer overdues		

### SCHEDULE 15 : AMORTISATION OF EXPENDITURE

	2002-2003 Rs. Crores	2001-2002 Rs. Crores
Voluntary Retirement Scheme	7.53	6.57
Technical Know-how	3.07	2.82
Miscellaneous Expenditure written-off	11.51	10.17
<b>Total</b>	<b>22.11</b>	<b>19.56</b>
Includes joint venture share	15.90	





## SCHEDULES TO THE CONSOLIDATED ACCOUNTS

### SCHEDULE 16 : SIGNIFICANT ACCOUNTING POLICIES

#### 1. ACCOUNTING CONVENTION

The financial statements are prepared under the historical cost convention in accordance with applicable accounting standards and relevant provisions of the Companies Act, 1956.

#### 2. PRINCIPLES OF CONSOLIDATION

- The consolidation of accounts is done in accordance with the requirements of Accounting Standard 21 (AS 21) "Consolidated Financial Statements", Accounting Standard 23 (AS 23) "Accounting for Investments in Associates in Consolidated Financial Statements" and Accounting Standard 27 (AS 27) "Financial Reporting of Interests in Joint Ventures" issued by the Institute of Chartered Accountants of India. The consolidated financial statements include the financial statements of Escorts Limited ('the Parent Company') its Subsidiary Companies and Joint Ventures.
- The Subsidiaries, Joint Ventures and Associates considered in the preparation of consolidated financial statements are as follows :**

Name of the Company	Country of Incorporation	Proportion of ownership	Held by	Reporting period/dates
<b>LIST OF SUBSIDIARIES</b>				
1. Escorts Automotives Ltd. (EAL)	India	100%	Escorts Limited	April 02-March 03
2. Escorts Construction Equipment Ltd. (ECEL)	India	100%	Escorts Limited	April 02-March 03
3. Escorts Agrimachinery Inc. (EAMI)	USA	100%	Escorts Limited	January 01-Dec. 02
4. Escorts Heart Institute and Research Centre Ltd. (EHIRC) - Delhi *	India	79.99%	Escorts Limited	April 02-March 03
5. Escorts Heart and Super Speciality Institute Ltd. - Amritsar *	India	78.89%	EHIRC	April 02-March 03
6. Escorts Heart Centre Ltd. - Kanpur *	India	77.16%	EHIRC	April 02-March 03
7. Escosoft Technologies Ltd. (ESCOSOFT)	India	80.05%	Escorts Limited	April 02-March 03
8. Escosoft Technologies (USA) Ltd.	USA	100%	ESOFT - UK	January 01-Dec. 02
9. Escosoft Technologies (UK) Pvt. Ltd. (ESOFT - UK)	UK	100%	ESOFT - Mauritius	April 02-March 03
10. Escosoft Singapore Pte. Ltd.	Singapore	100%	ESOFT - UK	April 02-March 03
11. E-Soft (Mauritius) Holdings Ltd. (ESOFT - Mauritius)	Mauritius	100%	ESCOSOFT	April 02-March 03
12. IFS Solutions Limited	India	98.00%	ESCOSOFT	April 02-March 03
13. Esconet Services Ltd. (ESCONET)	India	100%	Escorts Limited	April 02-March 03
14. Cellnext Solutions Ltd.	India	95.78%	ESCONET	April 02-March 03
15. iServ India Solutions Pvt. Ltd. (iSERV)	India	100%	ESCONET	April 02-March 03
16. Automatrix India Pvt. Ltd.	India	99.97%	ESCONET	April 02-March 03
17. Escorts Securities Ltd. (ESL) (Board Controlled)	India	49.00%	EAML	April 02-March 03
18. Escorts Asset Management Ltd. (EAML) (Board Controlled)	India	30.00%	Escorts Limited	April 02-March 03
19. Escorts Telecom Services Ltd. (Formerly Escotel Telecommunications Ltd.)	India	100%	Escorts Limited	April 02-March 03
20. Escorts Health Care Services Ltd. (Formerly Escorts Research and Development Ltd.)	India	100%	Escorts Limited	April 02-March 03
21. Escorts Telecommunications Ltd.	India	93.44%	Escorts Limited	April 02-March 03
		6.56%	iSERV	
22. Escorts Hospital and Research Centre Ltd.*	India	72.73%	Escorts Limited	April 02-March 03

#### LIST OF JOINT VENTURES

1. Carraro India Ltd.	India	49.00%	Escorts Limited	April 02-March 03
2. Escotel Mobile Communications Ltd. (ESCOTEL)	India	51.00%	Escorts Limited	April 02-March 03
3. Escorts Claas Ltd. (ceased w.e.f. 12th August, 2002)*	India	60.00%	Escorts Limited	April 02-March 03
4. Escorts JCB Ltd. (ceased w.e.f. 21st January, 2003) *	India	40.00%	Escorts Limited	April 02-March 03
5. Escorts Mahle Ltd. (ceased w.e.f. 8th October, 2002)	India	50.00%	Escorts Limited	April 02-March 03
6. Escotrac Finance & Investments Pvt. Ltd. (ESCOTRAC) *	India	49.50%	Escorts Limited	April 02-March 03
		49.50%	EFILL	
7. Escorts Finance Investment & Leasing Pvt. Ltd. (EFILL) *	India	49.50%	Escorts Limited	April 02-March 03
		49.50%	ESCOTRAC	
8. Hughes Escorts Communications Ltd.*	India	25.10%	Escorts Limited	April 02-March 03
9. CA Escosoft Ltd.	India	50.00%	ESCOSOFT	April 02-March 03



# ESCORTS LIMITED

## SCHEDULES TO THE CONSOLIDATED ACCOUNTS

### SCHEDULE 16 : SIGNIFICANT ACCOUNTING POLICIES (Contd.)

Name of the Company	Country of Incorporation	Proportion of ownership	Held by	Reporting period/dates
<b>LIST OF ASSOCIATES</b>				
1. Escorts Finance Ltd. *	India	18.86% 20.71%	Escorts Limited EAL	Oct. 02-Sept. 03
2. Goetze India Ltd. (ceased w.e.f. 10th February, 2003)	India	27.21%	Escorts Limited	April 02-March 03
3. Escolife IT Services (P) Ltd. (ceased w.e.f. 10th February, 2003)*	India	49.00%	ESCONET	April 02-March 03
4. Escorts Consumer Credit Ltd.*	India	5.88% 17.65% 23.53%	ECEL ESL EAML	April 02-March 03
5. Pol-Mot Escorts Spolka zo.o	Poland	49.00%	EAMI	January 01-Dec. 02
6. Escorts Auto Components Ltd. *	India	31.98% 11.48%	EAML Escorts Limited	April 02-March 03
7. Long Agribusiness LLC, USA	USA	49.00%	EAMI	January 01-Dec. 02

#### NOTES :

- \* Accounted for on the basis of unaudited financial statements.
- Escorts Motors Limited (a Joint Venture company) has been ignored, as 2% holding has been considered as insignificant.
- Escotel Mobile Communications Ltd. and Escorts Claas Ltd. have been reclassified as Joint Ventures as per Accounting Standard-27 during the year while they were considered as subsidiaries in the previous year.
- Where a company has ceased to be an Associate or Joint Venture during the year, the accounts have been considered proportionately after making adjustments to their financial statements.
- Where reporting dates are different from the Company, the financial statements have been drawn to the Company's reporting date after taking effect of significant transactions.

#### 3. RECOGNITION OF REVENUE

- Revenue from sale of goods are recognised on despatch, except in the following cases :
  - Billing revenue and revenue from telecom services on account of sale of goods is recognised on completion of provision of service and despatch of goods respectively.
  - Revenue from healthcare services are recognised on the basis of completed service contract method i.e. when the final bill is raised on discharge of patients/customers.
  - Fixed price contract is recognised on the basis of milestone achieved or percentage of completion as per the contract and other revenue from rendering of services is recognised as per the specific terms of the contract on the basis of man-days/man-hour rates for services rendered.
  - Sub-licensing of software applications is recognised on the basis of granting rights to use such sub-licenses and annual maintenance contracts for software services is recognised on time proportion basis.
  - Revenue from investment management and advisory services is recognized on accrual basis.
- Dividend is taken on accrual basis, if declared/received by the time of finalisation of the accounts.

#### 4. FIXED ASSETS AND DEPRECIATION

- Fixed assets are stated at cost or at replacement cost in case of revaluation, less accumulated depreciation.
  - Depreciation on plant and machinery is provided on Straight Line Method. Depreciation on all other fixed assets is calculated on the basis of Diminishing Balance Method at the rates prescribed in Schedule XIV of the Companies Act, 1956 except leasehold land, which is amortised over the lease period and that at Escorts Heart Institute and Research Centre Limited where Diminishing Balance Method is adopted on plant and machinery.
  - Depreciation in Companies related to e-commerce and software development is provided on Straight Line Method based on estimated useful life of the assets.
  - The fixed component of licence fees in case of Escotel Mobile Telecommunications Limited and Escorts Telecommunications Limited has been capitalised as an asset and amortised equally over the period of license.
- Goodwill is amortised over a period of ten years.

#### 5. INVENTORY VALUATION

Raw material and components, stores and machinery spares are stated at lower of cost and net realisable value.  
Loose tools are stated at cost or under.





## SCHEDULES TO THE CONSOLIDATED ACCOUNTS

### SCHEDULE 16 : SIGNIFICANT ACCOUNTING POLICIES (Contd.)

Work-in-progress, finished and trading goods, spares are stated at lower of cost and net realisable value.

In determining the cost of raw materials and components, tools, jigs and dies, stores and machinery spares, Weighted Average Cost Method is used while in the case of trading goods FIFO Method is used.

Work-in-progress and finished goods include cost of conversion and other costs incurred in bringing the inventories to their present location and condition.

#### 6. RETIREMENT BENEFITS

The liability on account of superannuation and gratuity is provided on the basis of actuarial valuation.

#### 7. LEAVE ENCASHMENT

The provision in accounts for leave encashment benefit to employees is based on actuarial valuation.

#### 8. FOREIGN EXCHANGE FLUCTUATION

Transactions in foreign currency are recorded at the exchange rates prevailing at the dates of the transactions. Gains/(losses) arising out of fluctuation in exchange rates on settlement are recognised in the Profit & Loss Account, except in case of fixed assets where such gains/(losses) are adjusted to the carrying cost of the respective assets.

Foreign currency monetary assets & liabilities are restated at the exchange rate prevailing at the year end and the overall net gain/(loss) is adjusted to the Profit & Loss Account, except in case of liabilities relating to acquisition of fixed assets which are adjusted to the carrying cost of the respective assets.

In case of Forward Exchange Contracts, the difference between the forward rate and the exchange rate at the date of transaction is recognised in the Profit & Loss Account over the life of the contract, except in case of liabilities relating to acquisition of fixed assets, which are adjusted to the carrying cost of the respective assets.

#### 9. INVESTMENTS

Investments in foreign companies are stated at the exchange rates prevailing on the date of investment. A provision for diminution is made to recognise a decline other than temporary in the value of long term investments. Investments in Associates are classified as long-term.

#### 10. BORROWING COST

Borrowing costs that are attributable to the acquisition, construction of qualifying assets are capitalised as part of cost of such assets upto the date the assets are ready for its intended use. All other borrowing costs are recognised as an expense in the year in which they are incurred.

#### 11. DEFERRED REVENUE EXPENDITURE

Development expenditure represents project related development expenditure/business process re-engineering consultancy and expenditure on major software products. Such expenditure is written off over a period of six years.

Prototypes including work-in-progress developed during research and development and advances given for tooling are written off over a period of four years.

Technical know-how fee is written off over a period of six years.

Payment under voluntary retirement scheme to the direct/indirect employees is written off over a period of five years.

Cost of civil structures constructed on rented accommodation is written off over a period of six years.

Upfront & structuring fees in case of Escorts Limited are written off during the period of the term of the respective loan.

Advertisement, marketing and publicity expenses in case of Escotel Mobile Telecommunication Limited is written off over a period of five years from the commencement of commercial production.

Website development costs are written off over a period of two years.

#### 12. DEFERRED TAX

Deferred tax is recognised, subject to consideration of prudence, on timing differences, representing the difference between the taxable income/(loss) and accounting income/(loss) that originated in one period and are capable of reversal in one or more subsequent periods. Deferred tax assets and liabilities are measured using tax rates and the tax laws that have been enacted or substantively enacted by the Balance Sheet date. Deferred tax assets viz. unabsorbed depreciation and carry forward losses are recognised if there is virtual certainty that sufficient future taxable income will be available against which such deferred tax assets can be realised.

#### 13. TRANSLATION OF FOREIGN SUBSIDIARIES

In case of foreign subsidiaries, the revenue and expense transactions at the year end reflected in Profit & Loss Account have been translated into Indian rupees at an average exchange rate.

The assets and liabilities in the Balance Sheet have been translated into Indian rupees at the closing exchange rate at the year end.

The resultant translation exchange, gain/(loss) is adjusted in Profit and Loss Account.



# ESCORTS LIMITED

## SCHEDULES TO THE CONSOLIDATED ACCOUNTS

### SCHEDULE 17 : RELATED PARTY DISCLOSURES

#### Related party disclosures (as identified and certified by the management)

Related party disclosures as required under Accounting Standard 18 on "Related Party Disclosures" issued by the Institute of Chartered Accountants of India are given below :

(i) Joint Ventures and Associates

**Domestic**

Carraro India Limited  
Hughes Escorts Communications Limited  
Escotrac Finance & Investment Private Limited  
Escorts Finance Investment & Leasing Private Limited  
Escorts Auto Components Limited  
CA Escosoft Limited  
Escorts Consumer Credit Limited  
Escorts Finance Limited  
Escotel Mobile Communications Limited

Escorts Mahle Limited (ceased to be a Joint Venture on 8th October, 2002)  
Escorts JCB Limited (ceased to be a Joint Venture on 21st January, 2003)  
Escolife IT Services Pvt. Limited (ceased to be an Associate on 10th February, 2003)  
Escorts Claas Limited (ceased to be a Joint Venture on 12th August, 2002)  
Goetze (India) Limited (ceased to be an Associate on 10th February, 2003)

**Overseas**

Long Agribusiness LLC, USA  
Pol-Mot Escorts Spolka zo.o.

(ii) Key Management Personnel (Whole-Time Directors)

Mr. Rajan Nanda  
Mr. Anil Nanda  
Mr. Nikhil Nanda

(iii) Related Party Transactions –

(Rs. Crores)

Nature of Transactions	Joint Venture*	Associate	Key Management Personnel	Total
Sale of goods	–	38.46		38.46
	(–)	(15.22)		(15.22)
Rendering of services (Income)	1.41	0.67		2.08
	(4.82)	(1.11)		(5.93)
Rent Income	0.36	0.33		0.69
	(1.07)	(0.71)		(1.78)
Interest Income	2.77	–		2.77
	(23.33)	(–)		(23.33)
Dividend Income	67.29	0.69		67.98
	(3.08)	(1.72)		(4.80)
Assignment of Keyman Insurance Policy	–	–	0.26	0.26
	(–)	(–)	(0.76)	(0.76)
Amount written back	1.21	0.73		1.94
	(–)	(–)		(–)
Purchase of goods	12.68	3.83		16.51
	(35.70)	(4.51)		(40.21)
Receiving of services	–	0.38		0.38
	(–)	(0.13)		(0.13)
Financial transactions				
a) Interest expense	0.27	0.18		0.45
	(0.60)	(11.90)		(12.50)
b) Discounting charges paid	–	0.12		0.12
	(–)	(0.59)		(0.59)
Management contracts including for deputation of employees	0.35	0.48		0.83
	(0.21)	(0.58)		(0.79)
Directors' Sitting Fee	–	–	–	–
	(–)	(–)	(0.01)	(0.01)
Managerial Remuneration Paid	–	–	0.95	0.95
	(–)	(–)	(1.65)	(1.65)
Fixed Assets				
Purchase of Fixed Assets	–	–		–
	(–)	(0.01)		(0.01)
Sale of Fixed Assets	–	–		–
	(0.03)	(0.03)		(0.06)
Leasing or hire purchase arrangements	–	0.34		0.34
	(–)	(0.43)		(0.43)





# **SCHEDULES TO THE CONSOLIDATED ACCOUNTS**

(Rs. Crores)

Nature of Transactions	Joint Venture*	Associate	Key Management Personnel	Total
<b>Investments</b>				
Balance as at 1st April, 2002	292.84	35.23		328.07
Purchased during the year	140.11	—		140.11
	(14.26)	(—)		(14.26)
Sold during the year	89.13	21.33		110.46
	(—)	(62.48)		(62.48)
Balance as at 31st March, 2003	343.82	13.90		357.72
	(292.84)	(35.23)		(328.07)
<b>Loans/ICDs Given</b>				
Balance as at 1st April, 2002	229.48	—		229.48
Given/Additions during the year	2.49	—		2.49
	(30.55)	(—)		(30.55)
Returned during the year	94.35	—		94.35
	(1.80)	(—)		(1.80)
Balance as at 31st March, 2003	137.62	—		137.62
	(229.48)	(—)		(229.48)
<b>Advances Given (including running accounts)</b>				
Balance as at 1st April, 2002	10.67	6.68		17.35
Additions during the year	4.17	8.68		12.85
	(31.88)	(0.25)		(32.13)
Reductions during the year	14.18	13.08		27.26
	(39.03)	(0.13)		(39.16)
Balance as at 31st March, 2003	0.66	2.28		2.94
	(10.67)	(6.68)		(17.35)
<b>Advances Recoverable from Directors</b>				
Balance as at 1st April, 2002	—	—	1.87	1.87
Additions during the year	—	—	—	—
	(—)	(—)	(1.87)	(1.87)
Reductions during the year	—	—	1.87	1.87
	(—)	(—)	(—)	(—)
Balance as at 31st March, 2003	—	—	—	—
	(—)	(—)	(1.87)	(1.87)
<b>Receivables/Debtors</b>				
Balance as at 1st April, 2002	0.02	5.60		5.62
Additions during the year	—	38.70		38.70
	(—)	(—)		(—)
Realizations during the year	—	6.81		6.81
	(—)	(5.97)		(5.97)
Balance as at 31st March, 2003	0.02	37.49		37.51
	(0.02)	(5.60)		(5.62)
<b>Payables</b>				
Balance as at 1st April, 2002	0.66	1.20		1.86
Additions during the year	5.65	30.25		35.90
	(—)	(—)		(—)
Payments made during the year	4.32	7.24		11.56
	(—)	(1.27)		(1.27)
Balance as at 31st March, 2003	1.99	24.21		26.20
	(0.66)	(1.20)		(1.86)
<b>Guarantees</b>	437.32	—		437.32
	(494.42)	(—)		(492.42)
<b>Provisions (Debts/Loans/Advances/Deposits)</b>				
Balance as at 1st April, 2002	3.81	2.27		6.08
Additions during the year	—	—		—
	(—)	(—)		(—)
Write off out of existing Provisions	2.53	1.54		4.07
	(—)	(—)		(—)
Write back of Provisions	1.21	0.73		1.94
	(—)	(—)		(—)
Balance as at 31st March, 2003	0.07	—		0.07
	(3.81)	(2.27)		(6.08)
<b>Amounts directly written off</b>	0.02	—		0.02
	(—)	(—)		(—)

\* The full amount of transactions and balances with Joint Ventures have been reported here although the same have been considered proportionately in the preparation of consolidated Balance Sheet and Profit and Loss Account.

# Figures for the previous year for Escotel Mobile Communications Limited and Escorts Claas Limited have been incorporated to make them comparable with current year figures.



# ESCORTS LIMITED

## SCHEDULES TO THE CONSOLIDATED ACCOUNTS

### SCHEDULE 18 : SEGMENT INFORMATION FOR THE YEAR ENDED MARCH 31, 2003

#### I) INFORMATION ABOUT PRIMARY BUSINESS SEGMENTS

	Rs. Crores								
	Agri- machinery Products	Construction Equipment	Telecom	Healthcare	Railway Equipments	Auto Ancillary Products	Other Operations	Unallocated	Consolidated Total
Revenue	622.35 (931.58)	248.05 (69.63)	171.83 (291.33)	206.09 (169.72)	84.07 (57.71)	160.36 (74.75)	30.82 (73.99)	176.32 (58.98)	1,699.89 (1727.69)
Less : Inter-Segment	2.71 (4.87)	— —	— (0.20)	— (0.03)	— —	— —	— (5.78)	— —	2.71 (10.88)
Revenue – External	619.64 (926.71)	248.05 (69.63)	171.83 (291.13)	206.09 (169.69)	84.07 (57.71)	160.36 (74.75)	30.82 (68.21)	176.32 (58.98)	1,697.18 (1,716.81)
Results									
Segment Result	(112.40) (55.39)	32.34 (-5.54)	(5.11) (2.52)	19.18 (31.43)	17.21 (6.82)	(5.99) (1.19)	(18.31) (-13.00)	— —	(73.08) (78.81)
Other Unallocated Expenditure (Net of Unallocable Income)								(48.78)	(48.78)
								(-47.20)	(-47.20)
Interest Expense								(167.65)	(167.65)
								(-189.90)	(-189.90)
Interest Income								35.18	35.18
								(19.92)	(19.92)
Dividend Income								68.18	68.18
								(5.46)	(5.46)
Share in Loss of Associates								(25.38)	(25.38)
								(-6.99)	(-6.99)
Profit/(Loss) on Sale of Investments								69.49 (47.80)	69.49 (47.80)
Profit before Taxation	(112.40) (55.39)	32.34 (-5.54)	(5.11) (2.52)	19.18 (31.43)	17.21 (6.82)	(5.99) (1.19)	(18.31) (-13.00)	(68.96) (-170.91)	(142.04) (-92.10)
Provision for Taxation :									
– Current Tax								11.81 (18.65)	11.81 (18.65)
– Deferred Tax								(2.03) (-47.63)	(2.03) (-47.63)
Net Profit	(112.40) (55.39)	32.34 (-5.54)	(5.11) (2.52)	19.18 (31.43)	17.21 (6.82)	(5.99) (1.19)	(18.31) (-13.00)	(78.74) (-141.93)	(151.82) (-63.12)
Other Information	—								
Segment Assets	828.50 (1,053.45)	60.53 (63.15)	704.99 (1,165.51)	231.03 (193.15)	52.45 (49.45)	64.93 (56.15)	220.16 (141.09)	489.58 (771.84)	2,652.17 (3,493.79)
Segment Liabilities	250.51 (346.83)	32.24 (33.06)	98.08 (170.78)	30.31 (28.23)	9.96 (7.32)	15.46 (16.42)	57.19 (24.67)	1,687.51 (2,132.24)	2,181.26 (2,759.55)
Additions to Tangible Fixed Assets	11.68 (15.00)	0.52 (1.37)	36.18 (135.14)	134.86 (59.84)	5.04 (0.68)	7.62 (1.19)	5.05 (8.67)	18.21 (6.10)	219.16 (227.99)
Additions to Intangible Fixed Assets	— —	— —	— —	0.35 (1.40)	— —	— —	— —	— (3.34)	0.35 (4.74)
Depreciation and Amortisation	45.79 (40.97)	3.88 (2.13)	63.48 (113.42)	16.52 (9.24)	3.45 (3.12)	5.98 (3.09)	9.93 (5.06)	8.42 (8.87)	157.45 (185.90)
Non-cash Expenses other than Depreciation & Amortisation	8.27 (7.64)	0.23 (0.84)	2.31 (3.91)	0.01 —	1.20 (1.50)	0.51 (0.24)	2.99 (0.85)	0.07 (12.63)	15.59 (27.61)

#### II) INFORMATION ABOUT SECONDARY GEOGRAPHICAL SEGMENTS

	India	Outside India	Consolidated Total
Revenue by Geographical Market - External	1,543.17 (1,686.52)	154.01 (30.29)	1,697.18 (1,716.81)
Carrying amount of Segment Assets	2,133.38 (2,673.23)	29.21 (48.72)	2,162.59 (2,721.95)
Additions to Tangible Fixed Assets	219.09 (227.98)	0.07 (0.01)	219.16 (227.99)
Additions to Intangible Fixed Assets	0.35 (4.74)	— —	0.35 (4.74)





## SCHEDULES TO THE CONSOLIDATED ACCOUNTS

### SCHEDULE 18 : SEGMENT INFORMATION FOR THE YEAR ENDED MARCH 31, 2003 (Contd.)

#### III) NOTES :

- (a) The Company is organised into seven main business segments, namely;
- Agri-machinery Products : comprising of Tractors, Harvester Combines, Spares and Agri-products.
  - Auto Ancillary Products : comprising of Shock Absorbers, Telescopic Front Forks and McPherson Struts.
  - Railway Equipments : comprising of Shock Absorbers, Couplers and Brake Blocks.
  - Construction Equipments : comprising of Earthmoving equipment, Material handling equipment, Road construction equipment etc.
  - Healthcare Services : comprising of Super-special heart care and various other multi speciality medical facilities.
  - Telecom Services : comprising of Cellular Telecommunication Services.
  - Other Operations : comprising of Software Development, Internet Service Provider and other E-Commerce services, Financial and Investment services.

The segments have been identified and reported taking into account, the nature of products and services, the differing risks and returns, the organisation structure, and the internal financial reporting systems.

- (b) Segment Revenue, Results, Assets and Liabilities include the respective amounts identifiable with each of the segment and are determined before intra-enterprise balances and intra-enterprise transactions are eliminated as part of the process of preparation of enterprise financial statements, except to the extent that such intra-enterprise balances and transactions are within a single segment.

Segment Revenue and Results does not include interest income, dividend income, interest expense, profit/(loss) on sale of investments/assets, other exceptional provisions or losses, income tax provisions and corporate expenses/incomes. Segment Assets and Liabilities does not include any interest or dividend generating assets, interest bearing liabilities, income tax assets/liabilities and corporate assets/liabilities.

Such exclusion from Segments as mentioned above have been grouped under the head 'Unallocables'.

- (c) Segment Revenue in the geographical market considered for disclosure are as follows :
- Revenue outside India includes sales to customers located outside India and earnings outside India.
  - Revenue within India includes sales to customers located within India and earnings in India.
  - Carrying amount of Segment Assets has been determined by location of assets.
  - Additions to tangible and intangible fixed assets has been determined by location of assets.

### SCHEDULE 19 : NOTES ON BALANCE SHEET AND PROFIT & LOSS ACCOUNTS

1. Escorts Telecommunications Limited (ETL) got the license to operate cellular mobile phone service in the Telecom Circles of Punjab, UP (East), Rajasthan and Himachal Pradesh with effect from October 5, 2001 for a period of twenty years. The licence fees of Rs. 230.35 crores paid as entry fees has been capitalised in the books and has been amortised over the license period of twenty years. As ETL has not started commercial operations, all expenditure during the financial year Rs. 58.95 crores (previous year Rs. 37.44 crores) has been transferred to pre-operative expenditure pending allocation.
2. Escotel has revised the useful life of Remote Switching Modules at Haryana and UP-West, VMS systems at all the three circles and Pre-paid software for UP West downwards. Accordingly the charge of depreciation for the year is higher by accelerated depreciation on these assets amounting to Rs. 8.90 crores (Company's share Rs. 4.54 crores ), with consequential impact on the loss for the year and the year end net assets of Escotel.
3. Consequent to an agreement dated March 31, 2000 between the Company and Hughes Network Systems (HNS), the joint venture partner of the Company in Hughes Escorts Communication Limited (HECL), and ICICI Bank Limited (ICICI), the Company sold 34,50,000 equity shares of HECL to Escorts Motors Limited (EML). HNS and ICICI thereafter subscribed to the equity share capital of EML equally to hold 98% of its total equity share capital. Under the terms of the agreement, the Company has given an assurance to HNS and ICICI of a minimum return compounded annually for a period of four years. On the other hand, the Company has been assured by both HNS and ICICI severally that gain on disinvestment of the said HECL equity shares over the assured minimum return will be shared by them equally with the Company.
4. Consequent to an agreement dated September 21, 2000 between the Company, its subsidiary Escorts Hospital & Research Centre Limited (EHRC) and ICICI Bank Limited (ICICI), ICICI has subscribed to 60,00,000 equity shares of Rs. 10/- each of EHRC. Under the terms of the agreement, the Company has given an assurance to ICICI of a minimum return till 31st March, 2004. On the other hand, the Company has been assured by ICICI that gain on divestment of the said equity shares of EHRC over the assured minimum return will be shared by ICICI equally with the Company.



# ESCORTS LIMITED

## SCHEDULES TO THE CONSOLIDATED ACCOUNTS

### SCHEDULE 19 : NOTES ON BALANCE SHEET AND PROFIT & LOSS ACCOUNTS (Contd.)

5. Net Deferred Tax Assets/(Liabilities)

The deferred tax liability (net) as at 31st March, 2003 comprises of the following :

(Rs. Crores)			
Particulars	Deferred tax assets/ (liabilities) as at 31.03.2002	Credit/(charge) during the year	Deferred tax assets/ (liabilities) as at 31.03.2003
Accumulated Losses	4.01	4.26	8.27
Depreciation	(89.64)	(6.61)	(96.25)
Unabsorbed Depreciation	6.86	1.53	8.39
Deferred Revenue Expenditure	(11.22)	3.53	(7.69)
Disallowance u/s 43 B	7.05	(1.79)	5.26
Provision for Doubtful Debts	7.74	1.18	8.92
Others	1.33	(0.07)	1.26
Total *	(73.87)	2.03	(71.84)

\* During the year Escotel Mobile Communications Limited has reassessed its deferred tax asset in view of several significant regulatory and commercial changes which have impacted the cellular industry in India. In view of resultant uncertainties associated with the timing of effective utilisation of tax benefits relating to unabsorbed tax losses and depreciation allowance, although it has started achieving cash profits, it is considered prudent to derecognise the asset. Accordingly, the deferred tax assets of Rs. 137.46 crores earlier recognised has been reversed in the consolidated accounts representing Escorts Limited share in the joint venture of 51%. The effect of the above reversal has not been considered in the above table.

(Rs. Crores)		
6. Contingent Liability	2002-03	2001-02
i) Estimated amounts of contracts remaining to be executed on capital account and not provided for	23.80	72.07
ii) * Claims not acknowledged as debts	11.33	51.46
iii) There is a contingent liability of :		
* a) Excise duty/Customs duty demand not acknowledged as liability	28.91	26.73
* b) Others not acknowledged as liability till demand is raised	0.17	10.22
* c) ESI additional demand not acknowledged as liability	6.11	6.43
* d) Sales Tax demand not acknowledged as liability	6.15	1.82
* e) Pending legal cases - personnel	1.13	1.79
* f) Faridabad Municipal Corporation (litigation against demand for external development charges)	2.38	2.38
	Gross	44.85
	Net of Tax	28.37
g) Guarantees executed in favour of Customs/Excise Authorities	11.16	11.22
h) Guarantees (financial and performance) to Banks and Financial Institutions	23.69	157.71

\*Note : The amounts indicated as contingent liability or claims against the Company only reflect the basic value. Interest or legal costs, being indeterminable, not considered.

7. Earnings Per Share (EPS)	2002-03	2001-02
(a) Profit/(Loss) after tax attributable to the Company (Rs. Crores)	(153.00)	(33.10)
(b) Total number of Equity Shares	61,948,237	72,133,642
(c) Basic and Diluted Earnings Per Share (Rupees)	(24.70)	(4.59)





## SCHEDULES TO THE CONSOLIDATED ACCOUNTS

### SCHEDULE 19 : NOTES ON BALANCE SHEET AND PROFIT & LOSS ACCOUNTS (Contd.)

8. Miscellaneous expenditure (to the extent not written off or adjusted) represents : (Rs. Crores)

	2002-03	2001-02
(a) Development Expenditure	10.73	9.34
Add : Additions during the year	15.83	6.15
Less : Written off during the year	6.91	4.10
	19.65	11.39
(b) Technical Know-how Fees	11.30	13.61
Add : Additions during the year	0.92	0.51
Less : Written off during the year	3.07	2.82
	9.15	11.30
(c) Payments under Voluntary Retirement Scheme	13.22	16.23
Add : Additions during the year	6.35	3.60
Less : Written off during the year	7.53	6.57
	12.04	13.26
(d) Civil Structure on Rented Premises	1.09	2.00
Add : Additions during the year	—	—
Less : Written off during the year	0.33	0.75
	0.76	1.25
(e) Upfront Fees	2.94	0.75
Add : Additions during the year	0.32	3.13
Less : Written off during the year	1.67	0.93
	1.59	2.95
(f) Preliminary Expenditure	0.47	0.59
Add : Additions during the year	—	0.05
Less : Written off during the year	0.23	0.19
	0.24	0.45
(g) License Fee	10.34	21.75
Add : Additions during the year	—	—
Less : Written off during the year	0.76	1.48
	9.58	20.27
(h) Other Deferred Revenue Expenditure	2.77	4.26
Add : Additions during the year	0.78	1.15
Less : Written off during the year	1.62	2.72
	1.93	2.69
<b>Total</b>	<b>54.94</b>	<b>63.56</b>

9. In accordance with Accounting Standard 19 (AS 19) "Leases" the disclosure under various leases are hereunder (Rs. Crores) :

(a) Assets acquired under finance lease during the year 2002-03:

	Furniture & Fixtures	Vehicles
Total Additions (Previous year figures - Nil)	4.12	1.16
Addition under finance lease arrangement (Previous year figures - Nil)	1.22	0.68
Depreciation under finance lease (Previous year figures - Nil)	0.33	0.08
Net carrying value as on March 31, 2003 (Previous year figures - Nil)	0.89	0.60

Amount of minimum lease payments outstanding and present value thereof as on March 31, 2003 :

	Minimum lease payments outstanding (A)	Present value of (A)	Future interest on outstanding lease payments
Total Amount due (Previous year figures - Nil)	1.91	1.59	0.32
Due within one year (Previous year figures - Nil)	0.69	0.53	0.16
Due later than one year and not later than five years (Previous year figures - Nil)	1.22	1.06	0.16

All the lease arrangements are upto five years.



# ESCORTS LIMITED

## SCHEDULES TO THE CONSOLIDATED ACCOUNTS

### SCHEDULE 19 : NOTES ON BALANCE SHEET AND PROFIT & LOSS ACCOUNTS (Contd.)

- (b) Assets taken on cancellable operating leases :

The total lease payments recognised in Profit and Loss statement for the period ended March 31, 2003 is Rs. 1.93 crores (Previous Year Nil)

The cancellable operating leases pertaining to offices, infrastructure houses and vehicles are for periods between 1-3 years. In respect of leases for sites, the period ranges from 5-15 years. Terms of lease includes terms of renewal, increase in rents for future periods and terms of cancellation.

- (c) Assets taken under non-cancellable operating leases :

The details of future minimum lease payments under non-cancellable operating leases are as follows :

Due within one year	0.11
Due later than one year and not later than five years	0.50
Due later than five years	0.52

In the non-cancellable operating lease, the lease agreement has a provision for renewal of further period of ten years with mutual consent.

- (d) Assets given on finance lease as on March 31, 2003 :

	Amt. Recoverable in next one year
Gross Investment in Lease	0.02
Less: Unearned Finance Income	—
<b>Total</b>	<u>0.02</u>
Present value of minimum lease payments	0.02

10. (a) Where an investment in an Associate or Joint Venture has been sold during the year, the computation of surplus/(loss) on disposal for the purposes of consolidated profit and loss is represented by the difference between sale proceeds and the Company's share in net assets of Associate/Joint Venture on the date of disposal (this implies that the Company's share of profit/(loss) of an Associate and also the difference between the proportionate share of the Company in income and expenses of a Joint Venture upto the date of disposal would get incorporated in the consolidated Profit and Loss Account).

- (b) Proportionate share of Joint Ventures in the following line items is given below as there is no separate schedule attached :

	(Rs. Crores)
— Gross Sales	283.29
Less: Excise	32.88
Net Sales	250.41
— Depreciation	72.08
— Investments	47.58
— License Fees	107.45
— Miscellaneous Expenditure (to the extent not written off or adjusted)	9.86
— Contingent Liability	31.02

11. This being the first year of adoption of Accounting Standard 23, "Accounting for Investments in Associates" and Accounting Standard 27, "Financial Reporting of interests in Joint Ventures in Consolidated Financial Statements", issued by the Institute of Chartered Accountants of India, figures for the previous year are not comparable to that extent. Also Escotel Mobile Communication Ltd. and Escorts Claas Ltd. have been reclassified as Joint Ventures as per Accounting Standard-27 during the year while they were consolidated as subsidiaries in the previous year.

12. Previous year figures have been re-grouped/re-classified wherever necessary.





**SCHEDULE 20 : CONSOLIDATED CASH FLOW STATEMENT OF ESCORTS LIMITED AS AT MARCH 31, 2003**

	2002-2003 Rs. Crores	2001-2002 Rs. Crores
<b>A. CASH FLOW FROM OPERATING ACTIVITIES</b>		
Net Profit before tax and extraordinary items	(211.53)	(139.75)
Adjustments for :		
Depreciation	135.34	166.34
Misc. Exp./Assets Write off/Provisions/Unrealised gains	45.88	35.81
Interest Expense	167.65	189.90
Dividend Income	(68.18)	(5.46)
Interest Income	(35.18)	(19.92)
Operating Profit before working capital changes	33.98	226.92
Adjustments for :		
Trade and other Receivables	136.59	(146.29)
Inventories	14.89	27.21
Trade Payables	(192.42)	83.41
Miscellaneous Expenses	(24.20)	(14.59)
Cash Generated from Operations	(31.16)	176.66
Direct Taxes Paid (net of refunds received)	(1.02)	(13.33)
<b>Net Cash Flow from Operating activities</b>	<b>(32.18)</b>	<b>163.33</b>
<b>B. CASH FLOW FROM INVESTING ACTIVITIES</b>		
Payment of licence fees/pre-operative expenditure	(47.43)	(237.18)
Purchase of Fixed Assets	(123.75)	(171.25)
Sale of Fixed Assets	5.08	3.98
Purchase of Investments	(144.53)	(39.97)
Proceeds from Sale of Investments	336.78	152.82
Interest Received	35.18	19.92
Dividend Received	68.18	6.30
<b>Net Cash Flow from Investing activities</b>	<b>129.51</b>	<b>(265.38)</b>
<b>C. CASH FLOW FROM FINANCING ACTIVITIES</b>		
Proceeds from Issue of Share Capital	1.52	1.06
'Repayment of Share Capital	—	(0.80)
Premium paid on redemption of Debentures & SPNs	—	(15.59)
Proceeds from Long Term Borrowings	281.76	1,028.15
Repayment of long term borrowings	(209.74)	(676.49)
Net Proceeds from Short Term Borrowings	6.26	24.73
Interest Paid	(169.37)	(231.03)
Dividend Paid	(7.22)	(34.54)
Dividend Tax Paid	—	(3.82)
<b>Net Cash Flow from Financing activities</b>	<b>(96.79)</b>	<b>91.67</b>
<b>Net Increase/(Decrease) in Cash and Cash equivalents</b>	<b>0.54</b>	<b>(10.38)</b>
<b>Cash and Cash equivalents as at 01.04.2002</b>	<b>76.20</b>	<b>86.58</b>
<b>Cash and Cash equivalents as at 31.03.2003*</b>	<b>76.74</b>	<b>76.20</b>

\* **Note** : Cash and Cash equivalents include Cash-in-hand, Demand Deposits with Banks and short-term highly liquid investments.

**RAJAN NANDA**  
Chairman and  
Managing Director

**NIKHIL NANDA**  
Executive Director

**PROF. DR. M.G.K. MENON**  
Director

**G.B. MATHUR**  
Vice President - Law &  
Company Secretary

**P.K. MAHESHWARI**  
Chief Financial Controller

As per our report attached  
For **S.N. DHAWAN & CO.**  
Chartered Accountants

C-37, Connaught Place  
New Delhi - 110 001  
Dated : June 27, 2003

**VIJAY DHAWAN**  
Partner