



61<sup>st</sup> Annual Report 2005 - 2006

Growth. Re-energized.



## CHAIRMAN'S MESSAGE

Dear Shareholders,

We all are experiencing highly changing and challenging times like never before. Adapting to such changing scenario and responding fast and effective to the challenges are the keys to success. With our firm belief in creating long term value, we have successfully stood up to the situation and it is a pleasure sharing with you that we have had a healthy year of business recovery, reiterating the capability of your company.

Concerted efforts by us to unleash our potential and turnaround the Company have paid rich dividends. Our resurgence can be attributed to a host of initiatives like reinforced focus on core businesses, expansion of our production capacity and product portfolio, widening of our geographical reach, continued concentration on fiscal discipline and innovative management principles.

But more importantly, we are building structures for collaborations across functions, empowering employees to offer faster and better customer satisfaction. We are building a corporate culture that encourages and supports performance and leadership. Systems and processes are being continuously evaluated to establish best in class practices in our operations. Keeping pace with changing times, we have brought in new ideas and new competencies into our operations. We have infused highly experienced and competent new talent into the organization. In the midst of a modern day knowledge economy, we are laying increasingly greater emphasis on Knowledge Management to help us innovate and lead the market of future.

In today's Global Market place we have to be Globally Competitive for which we aim to Excel. We know that in the years to come our domestic market alone cannot accommodate the growth we are looking for. The mandate is clear: to spruce up share of exports in our businesses.

Today, farming practices are being made commercial with increased government support. Up-gradation of infrastructure and easier availability of complementary facilities are making a difference. Private capital with enterprise is creating the front end of market with opening of retail outlets. All these will culminate in the farmers' prosperity which will have a direct impact on their enhanced investments in tractors and farm mechanisation equipment. The growth of Agri economy provides substantial opportunity for your Company's growth.

Indian Railways is on a modernisation spree with a focus to increase freight and passenger capacity, run faster and safer trains. Escorts is a major manufacturer and supplier of equipments to Railways including brakes, couplers, suspension products, rail fastening systems, composite brake blocks and vulcanized rubber parts, all essential upgrades the rolling stock would require. With our new manufacturing plant set up at Rudrapur, in addition to capacity enhancement, we will also be substantially adding to our existing product portfolio.

In the domestic market, we are witnessing a fast growing automotive sector and with it the rising demand for Auto Suspension Products. This sector is on a steep growth path and is expected to further grow in the coming years. Apart from meeting the growing domestic demand, a substantial export market development will provide us with growing revenues in this business.

A spectacular boom is taking place in real estate development and expansion in industrial investment. Both the sectors have a high dependency on material handling equipment like cranes, forklifts and loaders. Your subsidiary company Escorts Construction Equipment Limited (ECEL) has an established product range of such equipment. The government's focus has also resulted in an accelerated pace in the roads and buildings construction, nationwide. There is a surge in the demand for road compaction machines for which ECEL is rightly placed. With the right product mix for the sector, ECEL is comfortably placed with a healthy order book. To effectively meet the demand, ECEL is setting up a large manufacturing facility in Ballabgarh (Haryana) which will be completed in 12 months.

With a lean cost structure, focused lines of business and all out efforts to make the best of people and processes, Escorts seems to be well poised for exciting days ahead. We are confident that all our initiatives will be instrumental for us to regain a leadership position in our areas of operation. But changes of the magnitude we are looking at will require substantial efforts on our part and continued faith of yours. Our determination and your continued support give us the optimism to take the organisation to a new altitude of business efficiency. We are extremely grateful to you, dear shareholders, for your continued faith in us. The future looks bright and promising and it is with the hallmark of a leader that we humbly take up the challenge to surpass your expectations.

My sincere thanks to our employees, who are the real source of our prowess and our growing inspiration, to the members of the Board for their advice and guidance and to all our customers, partners and well-wishers who have been with us all along and have provided us with their valuable advice and cooperation all these years.



**Rajan Nanda**  
*Chairman and Managing Director*



## BOARD OF DIRECTORS

### Chairman & Managing Director

Mr. Rajan Nanda

### Executive Director & COO

Mr. Nikhil Nanda

### Directors

Dr. M. G. K. Menon

Dr. S. A. Dave

Dr. P. S. Pritam

Mr. S. C. Bhargava

### Vice President - Law & Company Secretary

Mr. G. B. Mathur

### Registered Office

11, Scindia House, Connaught Circus,  
New Delhi 110 001

### Corporate Centre

15/5 Mathura Road, Faridabad 121 003

### Auditors

M/s. S. N. Dhawan & Co.

### Bankers

Standard Chartered Bank

ABN Amro Bank

Bank of Baroda

Citibank N. A.

Deutsche Bank

Hongkong & Shanghai Banking Corporation Limited

HDFC Bank Limited

Punjab National Bank

State Bank of India

State Bank of Travancore

The United Western Bank Limited

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# ESCORTS LIMITED

## TEN YEARS' SUMMARY OF OPERATIONS

(Rs. Crores)

RESULTS FOR THE PERIOD	2005-06	2004-05 @	2003-04@	2002-03	2001-02	2000-01	1999-2000	1998-99	1997-98	1996-97
Total Income <i>Index</i>	*** 1929 116	** 1,847 111	1292 78	1124 68	1327 80	1579 95	1570 95	1320 80	1418 86	1657 100
Cost of Sale <i>Index</i>	1798 125	1,649 115	* 1593 111	1017 71	1256 87	1397 97	1375 96	1152 80	1210 84	1437 100
Interest <i>Index</i>	96 181	167 315	121 228	85 160	66 125	61 115	53 100	58 109	44 83	53 100
Profit before Tax <i>Index</i>	34 21	31 19	(422) (353)	22 13	5 3	121 72	142 85	110 66	164 98	167 100
Taxation <i>Index</i>	13 33	39 98	- -	2 5	5 11	14 35	30 75	26 65	34 85	40 100
Deferred Taxation <i>Index</i>	2 (129)	(47) 617	(108) 1420	(4) 50	(8) 100	- -	- -	- -	- -	- -
Profit after Tax <i>Index</i>	19 15	39 31	(314) (347)	24 19	8 6	107 84	112 88	84 66	130 102	127 100
Dividend <i>Index</i>	- -	- -	- -	7 26	7 26	33 116	32 114	32 114	30 107	28 100
Dividend Tax <i>Index</i>	- -	- -	- -	1 31	- -	3 100	4 133	3 100	3 100	3 100
Profit/ (Loss) <i>Index</i>	19 20	39 41	(314) (427)	16 17	1 1	71 74	76 79	49 51	97 101	96 100

## YEAR END POSITION

Fixed Assets :										
Gross Block	1422	1,013	1034	1012	963	952	845	740	665	678
Less : Depreciation	534	493	447	386	332	290	245	205	170	163
: Provision for impairment -			6	5	5	-	-	-	-	-
Net Block <i>Index</i>	888 172	520 101	581 113	621 120	626 121	662 128	600 116	535 104	495 96	516 100
Investments <i>Index</i>	456 175	497 190	613 235	619 237	517 198	548 210	475 182	487 187	381 146	261 100
Net Current Assets <i>Index</i>	172 34	172 34	247 49	548 109	529 105	392 78	610 121	531 105	564 112	504 100
Net Deferred Tax Assets <i>Index</i>	76 (195)	79 (198)	32 (139)	(77) 95	(80) 100	- -	- -	- -	- -	- -
Share Capital <i>Index</i>	72 111	72 111	72 111	72 111	72 111	72 111	72 111	72 111	68 105	65 100
Reserves <i>Index</i>	# 946 129	546 75	521 71	844 115	835 114	950 130	911 124	857 117	811 111	732 100
Loans <i>Index</i>	590 119	668 135	894 181	816 165	719 145	618 125	743 150	651 132	582 118	495 100

@ The figures for 2003-04 and 2004-05 are for 15 months whereas current year and all other previous years' figures are for 12 months. Therefore, the figures of the current year are not comparable with that of the immediately preceding period.

\* Includes Loss on Sale/Provision for Diminution in the value of Investments, Loans to Telecom and Other Businesses amounting to Rs. 185.02 Crores.

\*\* Includes profit on divestment of healthcare business amounting to Rs. 505.51 Crores

\*\*\* Includes profit on divestment of Carraro India Limited shareholding amounting to Rs. 94.92 Crores

# Includes addition on account of Revaluation of Land amounting to Rs. 387.64 Crores



## DIRECTORS' REPORT

Your Directors have pleasure in presenting the Sixty First Annual Report of your Company together with the Audited Statements of Accounts for the year ended on September 30, 2006.

## FINANCIAL RESULTS

	(Rs. In Crores)	
	Year ended 30th Sept. 2006 (12 Months)	Period ended 30th Sept. 2005 (15 Months)
<b>(A) INCOME &amp; PROFIT/(LOSS)</b>		
1. Sales & Business Income	1,787.88	1,294.94
2. Total Expenses	1,673.79	1,305.03
3. Profit /(Loss) before Interest, Depreciation, Amortisation & Exceptional Items (1-2)	114.09	(10.09)
4. Interest & Finance Charges (Net)	84.95	159.65
5. Cash Profit before Taxation from Business Operations (3-4)	29.14	(169.74)
6. Depreciation & Amortisation	47.05	61.95
7. Profit/(Loss) before Tax & Exceptional Items (5-6)	(17.91)	(231.69)
8. Exceptional Items (Expenses)	42.58	243.02
9. Income from Investments	94.93	505.73
10. Profit before Tax (7-8+9)	34.44	31.02
11. Profit after Tax	19.00	39.09
<b>(B) DIVIDENDS</b>		
1. Provision for Dividend	--	--
2. Dividend Tax	--	--
<b>(C) SHAREHOLDERS' FUNDS</b>		
1. Share Capital	72.23	72.23
2. Reserves & Surplus	946.34	545.90
<b>3. TOTAL (1+2)</b>	<b>1,018.57</b>	<b>618.13</b>

## ESCORTS LIMITED

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### DIVIDEND

The Board of Directors have decided not to recommend any dividend for the year ended September 30, 2006 due to inadequacy of profits and also with a view to conserve the resources.

### SHARE CAPITAL

The present issued & paid up Equity Share Capital of the Company is Rs. 72,23,22,400/- divided into 7,22,32,240 Equity Shares of Rs. 10 each.

During the year, your Company issued 36,11,610 Convertible Share Warrants (Share Warrants) to the Promoter Group as approved by the Shareholders in the Annual General Meeting held on 31<sup>st</sup> March, 2006. The said Share Warrants were issued in accordance with the Preferential Issue Guidelines of Securities & Exchange Board of India (Preferential Issue Guidelines) convertible into equal number of Equity Shares at a price of Rs. 83.79 each of the face value of Rs. 10/- each at a premium of Rs. 73.79 per Equity Share within 18 months from the date of issuance, i.e. 31<sup>st</sup> March, 2006.

Yet another set of 36,11,610 share warrants were also issued and allotted to the Promoter Group in accordance with the Preferential Issue Guidelines. The issue of the said share warrants was approved by the shareholders through postal ballot on 7<sup>th</sup> November, 2006. These share warrants will be converted into equal number of Equity Shares at a price of Rs. 124.05 each of the face value of Rs. 10 each at a premium of Rs. 114.05 per Equity Share within 18 months from the date of their issuance i.e. 22<sup>nd</sup> November, 2006.

The Equity Shares issued upon the conversion of the said Share Warrants shall remain in 'Lock-in' for a period of three years from the date of issue of such Share Warrants.

### MANAGEMENT DISCUSSION AND ANALYSIS

#### 1. OVERVIEW

Your Company had, in the previous year, decided to strategically focus its economical and managerial resources on three major businesses and to divest the other businesses of the Company over a period of time. The three core businesses identified by the Company for long term growth are Agri Machinery, Railway Equipment & Auto Components and Construction Equipment. Your Company is a dominant player in each of these businesses and possesses requisite strengths like technical know-how, solid brand equity, a very effective and loyal distribution network, technical manpower and professional management to take these businesses to the global scale. The decision to remain focused on the core business resulted in remarkable turnaround in the performance of the Company.

Your Company is slowly getting out of all the unrelated business activities and the sale of your Company's stakes in the software companies as also divestment of its 49% stake in the joint venture, Carraro India Limited, were steps aligned with the overall vision to remain focused on the three core businesses.

#### 2. AGRIMACHINERY BUSINESS

The primary operations of your Company, the Agri Machinery Business Group (AMG), demonstrated significant improvement in performance during the current year. The resurgence demonstrated by AMG was across the entire operations of the Business and in a balanced manner which is evinced by the results with an increase in turnover from Rs. 1051.97 crores (15 months previous year) to Rs. 1600.24 crores (12 months this year) and in EBIT from a loss of Rs. 111.88 crores (15 months previous year) to a positive of Rs. 91.06 crores (12 months this year). In essence, culled out for the same period of 12 months, this indicates a doubling of turnover, a significant swing in EBIT and underpins AMG's commitment to profitable growth.

##### a) Industry

The Indian Tractor Industry witnessed robust growth for the third consecutive year with an increase of 26.6% in the financial year 2005-2006. The Industry achieved a record level of 3.08 lac Tractors for the domestic market, topping the erstwhile high of 2.70 lacs in 1999-2000. The current growth has been driven by the Government's increased thrust on developing Agriculture with a specific focus on yield improvement to meet the increased requirement of Agricultural produce emanating from the overall increase in disposable incomes and the population growth. Arable land area remains limited and water tables are shrinking, which again add to the need for more mechanized farming and hence the need for more Tractors. Nationalized and Private Banks, through focused and innovative retail financing initiatives, have also increasingly supported the Indian farmer in his procurement of agricultural machinery. The Industry has also registered an impressive increase of 16% in Exports which volumes have now begun significantly contributing to the Industry's total production. Indeed the Indian Tractor Industry has made significant international investments, which are now bearing fruit.

##### b) Business Strategy

Your Company launched the year looking at the Business in its Market Scope, Product Scope, Geographical Scope and Learning Scope. We laid down a clear Vision for the AMG Business and articulated a clear strategy. We deployed concurrent action plans across functions while integrating processes across these functions to deliver customer satisfaction at one end and Shareholder Value at the other. Key was leveraging the Strategy & Review loop. We have embarked on transformational change.

##### c) Sales & Marketing and Exports

Repositioning of our Brands was integral to our Marketing Strategy. We enhanced Reach & Access by institutionalizing a National Sales & Service grid pan India. Today we have over 1200 dealers, sub-dealers, distributors and stockists, over 200 Sales Offices. Our focus was to make a



Tri-Offering to our valued customer of Product, Service and Spares instead of Product alone. Service seeded the unique measurable of Customer Satisfaction Index and Spares became a key facilitator of referrals. We converted Exports from an activity to a Business, which also sought profitable growth. All this enabled AMG to sell 47,612 tractors during 2005-2006 and the enablers were both the Domestic & Export Markets where we doubled our volumes in each. Our growth was higher than the market signaling significant recovery in market share.

We repositioned our two International Subsidiaries in their respective markets; enhanced their Reach & Access by mirroring a similar strategy as in India and thereby leveraged competitive advantage. Both Subsidiaries have demonstrated significant growth. In addition, we increased our geographical spread and now cater to 31 countries.

#### **d) Materials Management**

Recognising the vulnerability of the Automotive Sector in India to Materials Management, we instated this function with full care. Current year saw the ramp-up of Supply Volumes; streamlining of small scale vendors; institutionalization of Supplier Quality Assurance (SQA) and Vendor Quality Assurance (VQA) and indeed nurturing Vendor Partnerships. We are now focusing our efforts on Vendor Development i.e. Current Suppliers, Alternate Suppliers and New Suppliers, all in a fiercely competitive environment.

#### **e) Manufacturing Operations**

Production at 48,282 scaled a new high and all this with excellent HR & IR where we signed a watershed Settlement with our workers, which paves the way for actualising our Vision "Go Global". Based on man-machine utilization norms and with some optimal investment in balancing equipment, we are now capable of producing 98,940 Tractors p.a. on a 2 shift basis i.e. a 37% increase over the previous capacity of 72,000 Tractors p.a. from the same assets. This is concurrent with flexible manufacturing norms allowing model mix inter-changeability across plants of AMG and flexibility in engine assembly to enable the manufacture of new advanced engines.

During the year, initiatives have been taken on de-bottlenecking, value engineering, strategic sourcing, supply chain management and consolidation of the vendor base so as to be able to deliver speedy, market oriented manufacturing abilities. AMG has further launched an intensive initiative of Quality, both pre-delivery as well as in the field, so as to ensure customer satisfaction.

Addressing the growing export volumes, your Company has invested in a containerizing facility within the factory premises so as to ensure high quality and high volume capabilities on stuffing and packing containers.

#### **f) Knowledge Management**

Assessing our technological advantage, AMG introduced the concept of Knowledge Management in the Organisation where the Knowledge Management Centre (KMC) is now the Knowledge Receptacle driving the Business. The "Knowledge Funnel & Gate" methodology is used to sift Value-Add Ideas and conceptualise them to a Project stage. KMC is tentacled to every function of the Business and builds the intellectual capital of AMG. KMC also drives R&D to business-focused development.

#### **g) Industry Outlook & AMG positioning**

The Tractor industry has over the last 3 years developed into a highly competitive industry with a large number of competitors. We believe this healthy competition coupled with political awareness of the critical role that agriculture plays in the Indian Economy, will ensure strong double-digit growth over the next few years. The AMG business has put in place the tools to meet and outperform the challenges emerging from this positive environment and has strategies in position to capitalize on the significant opportunities.

### **3. RAILWAY EQUIPMENT BUSINESS**

The Division maintained its good performance and a dominant position in the industry in spite of increased competition and price pressure for existing products.

The Second manufacturing facility in Uttranchal has now been commissioned, with first commercial dispatch having been made in October 2006. The facility is poised to undertake commercial production shortly, for some of the new products hitherto under development.

The Indian Railways have now turned around, with paradigm shift to Change and Transformation. The focus in the coming years is on Technology Driven, Public / Private Sector participation and Technology infusion in Rolling Stock, Infrastructure and Signalling. The Division plans to explore and leverage the opportunities arising out of the above, for a substantial growth in the years ahead.

### **4. AUTO SUSPENSION PRODUCTS BUSINESS**

The Auto Suspension Products Business took fresh initiatives in the current year : (i) to develop new OEM customers in the domestic market; (ii) to leverage the After Market Network, and (iii) to aggressively reduce costs through alternate material sourcing from outside India. These initiatives are likely to improve the business performance in the coming years.

Exports initiatives started in the previous year have shown encouraging results. Revenues continue to grow from business with prestigious OEMs in the European and South East Asia Markets; as also in the "After Market" from Europe and South East Asia. The Business is expecting greater volumes in the coming years, which should help in revamping ASP's economy. The Business envisages 30% Exports in the total sales turnover in the next fiscal year.

## ESCORTS LIMITED

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The division has initiated steps to explore Technology sources of international repute for new products lines to participate in the huge opportunity provided by the rapidly growing Auto Component Industry.

### 5. FINANCIAL PERFORMANCE

There was a remarkable turnaround in the performance of the Company during the year. Sales Revenue grew by 72% over the previous year on an annualised basis. PBDIT from business operations was Rs.114.09 Crores versus loss of Rs.10.09 Crores in the previous 15 months period - a turnaround of Rs.124 Crores. The interest and finance cost at Rs.84.95 Crores was significantly lower than the previous 15 months figure of Rs.159.65 Crores. Consequently, the cash profit before tax from business operations was Rs.29.14 Crores as opposed to a Cash loss of Rs.169.74 Crores in the previous 15 months period, a turnaround of almost Rs. 200 Crores.

The operational turnaround was further supported with income from investments of Rs. 94.93 Crores primarily on account of sale of 49% shareholding in the joint venture Carraro India Limited.

After providing for Exceptional items of Rs. 42.58 Crores (Rs. 243.02 Crores in the previous period), the Company recorded Profit Before Tax of Rs. 34.44 Crores and Profit After Tax of Rs. 19.00 Crores in the current year as compared to Rs. 31.02 Crores and Rs. 39.09 Crores respectively during the previous period.

The Company also revalued its Land during the year to reflect its current market value resulting in an addition of Rs. 387.64 Crores in the Reserves as Revaluation Reserve.

The sharp turnaround in the performance of the Company was possible due to a combination of factors.

- (a) The top management team of the Company was revamped with induction of fresh blood from outside the Company under the leadership of the Executive Director and Chief Operating Officer. A host of initiatives were undertaken, under the new leadership with the overall objective of establishing your Company as a serious and dominant player in the Agri space.
- (b) The market network was considerably widened with the opening of new distribution points and new offices.
- (c) Funds available from the divestment of the healthcare business were used to reduce and reprofile the overall debt structure of the company and ramp up the business operations, which were languishing till last year due to paucity of working capital funds.
- (d) A renewed partnership of the Company's management together with the new Union leadership was able to successfully conclude a "long-term agreement" for all manufacturing locations in a very harmonious manner. The agreement helped your Company to increase its overall production capacity from 72,000 tractors to approximately 1,00,000 tractors per annum for which very little capital expenditure is to be incurred. This will further help the Company in making the optimum use of its productive assets.

### 6. INDUSTRIAL RELATIONS

The Industrial relations with the workers and staff of the Company have remained cordial and peaceful during the year under review. During the year, your Company's commitment to building harmonious employees relation was evident in the successful conclusion of Long-Term Wage Agreements for all manufacturing locations. The collaborative spirit of partnership across all sections of employees has resulted in significant enhancement in quality and productivity.

### 7. EMPLOYEE STOCK OPTION SCHEME

The Board of Directors of your Company with a view to motivate and retain the employees of your Company have decided to launch Escorts Employee Stock Option Scheme 2006 ("ESOS"), in accordance with the guidelines framed by SEBI. The Board has constituted a Compensation Committee, comprising majority of Independent Directors.

Under the ESOS, the shareholders have approved the issue of 36,11,612 Equity Shares, which in due course would be issued by the Compensation Committee to the employees as per the policy framed by them.

### 8. RISKS & CONCERNS

The major risks associated with the Tractor Industry are inadequacy of monsoons since more than 70% of sowing land is dependent on rainfall, non-availability of credit (almost 90% of tractor sales are funded by credit) and the policies of the Government with regard to the agriculture sector. However, given the increasing recognition and contribution of the agriculture sector to the growth of Indian economy and the mere fact that the agriculture sector employs over 60% of the country's population and accounts for almost a quarter of the GDP, a high growth in the agriculture sector is imperative to sustain the growth of Indian economy. Given all this, we do not foresee any problems both with regard to credit availability and procurement policies of the Government in the near future.

### 9. OPPORTUNITIES AND THREATS

#### Agri opportunity

The growing domestic demand for food grains and Agri products promises a very good future for Company's 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 mechanization. Tractor density as well as the HP input per hectare is extremely low relative to international standards, tractor population today is concentrated in 10% of villages and even today 70% of our villages do not have a tractor. All this shows great potential for the growth in this industry.



### **Auto Components/Railway Opportunity**

India has become a very important centre for manufacture of auto components in the world, presenting huge opportunities for Companies in this Sector. The Company has started looking at the possibility of manufacturing & marketing various auto components for future growth.

Indian Railways with major modernization initiatives present another area of opportunity for the Companies Railway Equipment business.

### **Construction Equipment Business**

The Construction Equipment Business is done by your company through its 100% subsidiary Escorts Construction Equipment Ltd. (ECEL). ECEL has achieved a sharp increase in its gross revenues in the financial year 2005-06. Turnover was at Rs. 315.67 Crores in Financial Year 2005-06 as against Rs. 175.78 Crores achieved in the previous fiscal year. Profit before tax was substantially higher at Rs. 26.76 Crores as against Rs. 4.97 Crores in the previous fiscal year.

Apart from continuing growth in the material handling equipment range, the business also witnessed significant growth in road construction equipment segment as well. The road construction equipment segment is showing further growth in the current year 2006-07.

The business is on the growth path, which is well supported by the favourable market demand prevailing in the industry. New models and variants are being worked upon, which will be introduced in the market in future.

In this backdrop the business is expected to further increase its revenues in the current fiscal year 2006-07.

### **10. INTERNAL CONTROL SYSTEMS**

The Company has an effective Audit Committee comprising of Independent, Non-executive and professionally qualified Directors, who interact with the Statutory Auditors, Internal Auditors, Cost Auditors and Auditees. The Committee deals with all accounting, financial reporting and internal control matters.

Your Company has adequate system of internal controls. This ensures that Company assets are safeguarded and protected against loss from unauthorized use or disposition and that transactions are authorized, recorded and reported correctly.

The internal control systems have been designed to ensure that the financial and other records are reliable for preparing financial and other statements and for maintaining accountability of assets.

### **11. FORWARD LOOKING STATEMENTS**

Statements in this Report, particularly those which relate to Management Discussion and Analysis, describing the Company's objectives, projections, estimates and expectations with use of the words "anticipate", "believe", "estimate", "expect", "intend", "will", and other similar expressions may constitute "forward looking statements" within the meaning of applicable laws and regulations. Actual results, performance or achievements might materially differ from those either expressed or implied.

### **SCHEME OF COMPROMISE AND ARRANGEMENT**

Your Company has filed in the High Court of Delhi a Scheme of Compromise & Arrangement ("Scheme") to bail out the fixed deposit holders of Escorts Finance Limited. The Scheme was approved by the Shareholders, Secured & Unsecured Creditors of your Company and the Fixed Deposit holders and Secured Creditors of Escorts Finance Limited on 10<sup>th</sup> May, 2006 and 5<sup>th</sup> May, 2006 respectively in the Court convened meetings. The Scheme is still to be approved by the High Court of Delhi.

### **MATERIAL CHANGES**

No material changes in the business of the Company or its subsidiaries including the classes of business in which the Company has an interest, have taken place during the financial year ended 30<sup>th</sup> September, 2006.

### **RISK MANAGEMENT PROCESS HIGHLIGHTS**

Your Company has a well defined Risk Management policy established at the Board level to review the risk assessment and its minimization. The process is based on pre-identified types of risks and the risk events or factors which require regular assessment and response. Based on the probability and impact of the risk, the risks are prioritised and reports are forwarded to the Board of Directors through the channels of the Functional Heads, the Management Committee and the Audit Committee.

### **CONSOLIDATED FINANCIAL STATEMENTS**

In compliance of Clause 32 and Clause 50 of the Listing Agreement with Stock Exchanges, the Company has prepared Consolidated Financial Statements as per the Accounting Standards applicable to the Consolidated Financial Statements issued by Institute of Chartered Accountants of India. The Audited Consolidated Financial Statements along with the Auditor's 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.

## ESCORTS LIMITED

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### DIRECTORS

During the year under review, Mr. Nikhil Nanda was appointed as Executive Director and Chief Operating Officer of the Company w.e.f. 17<sup>th</sup> October, 2005 for a period of five years.

Dr. P.S. Pritam retires by rotation at the ensuing Annual General Meeting and he offers himself for reappointment as Director.

### INVESTOR SERVICES

Your Company constantly endeavors to make improvement in Investor Services and has benchmarked its performance in investor services against the best practices available worldwide. The important initiatives taken by the Company include:

- (i) Investor Relation Centers at New Delhi and Mumbai for effective personal interaction and attention to Investors' requests.
- (ii) Investor friendly Website of the Company ([www.escortsgroup.com](http://www.escortsgroup.com)) for making Company details and data available to stakeholders at all times.
- (iii) Dividend and other payments through Electronic Clearing System (ECS).

### 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**.

### 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 & Co., 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.

### AUDITORS' REPORT

With reference to the comments given by the Auditors in the Auditor's Report on Annual Accounts of the Company, the management explanations have been suitably made in the Notes to the Accounts given at Schedule 19 of the Balance Sheet and Profit & Loss Account and are self-explanatory.

### PUBLIC DEPOSITS

3,668 Deposits aggregating to Rs.6.90 Crores matured but remained unclaimed as on 30<sup>th</sup> September 2006. Subsequently, out of the above, 189 deposits of Rs. 0.37 Crores have been repaid till 12<sup>th</sup> December 2006. No fresh deposits were accepted/renewed during the year.

### PARTICULARS OF EMPLOYEES

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 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.

On behalf of the Board

Place: Faridabad

Date : 21<sup>st</sup> December, 2006

**RAJAN NANDA**  
Chairman & Managing Director





## Annexure - A to the Directors' Report

### I) CONSERVATION OF ENERGY

#### 1. Energy Conservation Measures taken

- Maintained load power factor of 0.98 lag for HSEB from last four years back by continuous Monitoring & improvements.
- Measurement & monitoring usage of compressed air in various plant activities for compressed air conservation.
- Maintained air pressure at minimum required band for maintenance during off days.
- Use of low intensity lighting for vigilance purpose during night shifts & off days.
- Coupling load bus bars to minimize transformer losses in C shift & holidays.
- Usage of treated effluent water for horticulture requirements.
- Accountability & monitoring of Energy Consumption with each Production Unit that has resulted in avoiding losses.
- Maximum use of natural light on shop floors by use of polycarbonate roof sheets in all AMG Plants.
- Minimize use of high cost self generation (D.G. Sets only during Grid power cuts & for critical loads)

#### 2. Additional Investment & Proposals

- Modern Diesel Generator Set 2000kva with electronic injectors is planned to be installed which would generate power at 10% lower cost to meet captive power requirements of CED based New Paint Line and other areas.
- Introduced transparent louvers windows & doors in sidewalls of shop in FT Plant.
- Automatic power factor control systems with high capacity capacitors for further improvement of power factor.
- Plan to introduce the synchronization of D.G. Sets.
- Introduce coil cooler in place of radiator for D.G. Set to increase the efficiency of D.G. Set.
- Increase usage of high lux low wattage tube lights in offices.
- Use of high frequency electronics ballast for tube lights in place of conventional ballast.
- Install new oil & water free energy efficient air compressor based on latest technology.
- Plan electrical operated solenoid valve in compressed air network for control on compressed air wastage at user end for tight maintenance of pneumatic tools to avoid leakages of compressed air.

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

- Reduction in consumption of units per tractor.
- Obtained rebate of 3.00 % in energy bills for maintaining high power factor.
- Reduction in fixed power consumption.
- Reduction in transmission & distribution losses.
- Reduction in water consumption.

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

- NotApplicable

### II) TECHNOLOGY ABSORPTION

#### 1. RESEARCH & DEVELOPMENT

##### a) Specific areas in which R&D was carried out by the Company in 2005-06

- Value Analysis Value Engineering & Standardisation
- Upgradation of all domestic models to meet Norms set by Regulatory (CMVR)
- Development & introduction of FT50EPI model with Epicyclic Reduction & Oil Immerse Brake
- Development of Tractors PT4455
- Introduction of FT35 with Power Steering
- Introduction of Tractors with Tandem Pumps
- Standardisation of wiring harness
- Standardisation of Platform & Pedals
- Introduction of South Special models
- Development of Aluminium Radiator
- Introduction of PT-series with New Look
- E 335 with power steering for Poland Export
- Indigenisation of Propeller Shaft & Rim for 4 WD models
- Development of design for Front Loader, Backhoe & Dozer attachment for FT 70 tractor
- Development of cabin on FT 70 tractor for reviews related to adaptability on FT / PT / EL
- Technical support to marketing for customization of industrial attachments for fitment on FT 70 & PT 455 tractors

- Design & Development of 4 cyl Engine E4.286 NA.
- Design & Development of 4 cyl Engine E4.286 TC / TCI.
- Development of Engine Simulation software with Technical assistance from C-DAC, Pune.
- Development of Air-cleaner with PU foam filter elements.
- Development of New Engine Generation Family (NEGF) from 30HP to 100HP with Technical Assistance from M/s AVL Austria.
- Development of Engine for US EPA Tier 3/EURO Stage 3A emissions applicable from January 2008.
- Development of New Vehicle for European Customers for New Vehicles
- Development of Prototypes for HD Truck Trailers for Shockers for Export Market

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

- Cost saving Achieved Rs. 1000 per Tractor
- To met norms set by Government Agencies
- Rice Special model
- Fuel efficient tractor
- For operator driving comfort
- Indigenous & Cost saving
- Variety reduction
- Longer life of Brakes & sealing System
- To improve cooling efficiency
- Improved Aesthetics
- Increase market share in Poland
- Availability of Design & Knowledge
- Additional sales of PT 455 & FT 70 tractors
- Highly fuel efficient 4 cyl Engine E4.286 NA developed.
- Highly fuel efficient 4 cyl Engine E4.286 TC/TCI NA developed
- Performance prediction without building actual engine thru Simulation software
- Very low maintenance cost and zero operating cost Air-cleaner with PU foam filter elements developed.
- Single Engine Family for power range from 30 HP to 100 HP. Feasibility study completed of New Engine Generation Family (NEGF)
- Uninterrupted production of US and Europe export tractor model

**c) Future Plan of Action**

- Design & development of Synchro Shuttle Transmission
- Design & development of Indigenous 4WD Configuration
- Design of tractor with New 50HP Transmission
- Design & development of FT60 with new cosmetic
- Design & development of FT80 with Simpson rotary FI Pumps.
- Design & development of FT80 Tier III with Perkins 3-cylinder
- Introduction of FT models with Avl Engines
- Development of Tractors with Rotary Fuel Injection System
- New Styling for FT Export & Domestic
- 100 / 120 HP tractors for International market
- FT 70 4 WD Orchard tractor for International market
- FT 65 EPI tractor with 4 Cylinder Engine for Export
- Development of Design for shunting attachment on FT 70 Tractor



- Development of air-conditioning system for FT 70 tractor with cabin
- Development of design for increasing capacity of existing FT 60 hydraulic lift using external hydraulic cylinder
- Technical support to marketing for customization of industrial attachments for fitment on FT 70 & PT 455 tractors
- Completing the Development & Validation of Ranges of Truck Trailer Shock Absorbers
- Development of New Engine generation Family (NEGF) from 30HP to 100HP with Technical Assistance from Ms. AVL Austria.
- Development of 10 KVA Genset Engine.
- Development of CNG / LPG fueled engines for Tractor and Genset application
- Development of Technology for Engines running on alternate fuels
- Up gradation of engines to meet future emission norms

d) Expenditure on R & D	(Rs. Crores)	
	2005-06	2004-05
(a) Capital Expenditure	0.26	0.06
(b) Recurring Expenditure	12.92	14.76
<b>Total</b>	<b>13.18</b>	<b>14.82</b>
(c) Total R & D Expenditure as a percentage of		
- Gross Sale	0.74%	1.13%
- Net Sale	0.75%	1.17%

## 2. TECHNOLOGY ABSORPTION, ADAPTATION & INNOVATION

### Efforts made towards technology absorption, adaptation and innovation

- Joint project work with leading research organizations like IITs, CDAC, IOC & AVL GMBH (Austria) etc.
- Regular interactive meetings with Agricultural Universities & Associations.

### Benefits derived as a result of the above efforts

- Enhanced skill levels and easy access to advanced technologies
- Improved products and features
- New Products for niche applications

## 3. PROPOSED & ACTUAL INVESTMENT FOR ENVIRONMENT PROTECTION

- Dust free environment provided for all assembly lines.
- Dust free air plant with spot cooling for New Paint Shop has provided.
- Paint Shop setup provided with CED process, which is water based and environment friendly.
- Rainwater Harvesting done in segments in each of the plants has been effective. Planned in more areas in phases.
- Noise Proofing of DG Sets rooms in AMG is under process.
- Development of Green belt in & around the Plants.
- Effluent Treatment Plants in operation in all the Plants are well maintained.
- Member of Haryana Environment Management Society for development of site for disposal of Hazardous waste.

## III) FOREIGN EXCHANGE EARNINGS AND OUTGO

- **Activities relating to exports etc.**

The Company has been pushing its exports aggressively through its overseas subsidiaries in USA and Poland as well as through direct customer network in various other countries in Africa, Central Asia and SAARC regions. During 2005-06 the Company has almost doubled its exports and targets to repeat the similar growth during 2006-07 with opening of new markets, expanding its overseas distributor network and introducing new Models.

- **Total Foreign exchange used and earned**

	(Rs. Crores)	
	2005-06	2004-05
a) Foreign Exchange used :		
Imports (including capital goods)	34.91	27.36
Dividends remitted	0.00	0.00
Others	2.78	10.93
<b>Total</b>	<b>37.69</b>	<b>38.29</b>
b) Foreign Exchange earned	<b>226.72</b>	<b>140.49</b>

## Annexure - B to the Directors' Report

### REPORT ON CORPORATE GOVERNANCE

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

Escorts Limited has always believed that an independent Board following international practices, transparent disclosures and empowerment of shareholders are as necessary as its solid financial results for creating and sustaining shareholders value. Company's philosophy of good Corporate Governance is reflected in commitment to achieve a balance between Stakeholder's interest and corporate goals through the efficient conduct of its business guided by transparency, accountability and integrity. The Company has benchmarked itself against the global best practices and is conscious that accomplishments of an organization are reflection of its professionalism, conduct and ethical values of its management and employees. Accordingly, the following information is provided for the information of Stakeholders and public at large.

#### II. Board of Directors

The Board of Directors of the Company comprises of distinguished personalities, who have been acknowledged in their respective fields. Four out of the six Directors on the Board as on date, are independent and non-executive. The Chairman is also acting as Managing Director of the Company and is in wholetime employment of the Company. All Independent Non Executive Directors comply with the requirements of the Listing Agreement for being an Independent Director and have also affirmed to this effect. The following table summarizes the status of each Director, meetings attended by them and other relevant particulars:

#### CURRENT DIRECTORS

Sr. No	Name	Designation	Category	No of Board meetings attended during the year	Whether attended the last AGM	No of directorships in Public Companies*	No of Committee memberships / (Chairmanships) in Public Companies**
1.	Mr. Rajan Nanda	Chairman & Managing Director	Executive & non-independent (Promoter)	9	Y	6	-
2.	Mr. Nikhil Nanda@	Executive Director & Chief Operating Officer	Executive & non-independent (Promoter)	8	Y	11	2
3.	Dr. P. S. Pritam	Director	Non Executive and Independent	9	N	1	2
4.	Dr. M. G. K. Menon	Director	Non Executive and Independent	8	Y	2	2 (2)
5.	Dr. S. A. Dave	Director	Non Executive and Independent	5	N	9	10 (1)
6.	Mr. S. C. Bhargava	Director	Non Executive and Independent	6	Y	15	2 (1)

\* Including Escorts Limited.

\*\* For this purpose only Audit Committees and Investors' Grievance Committees of Public companies have been considered (including in Escorts Ltd.).

@ Mr. Nikhil Nanda, Executive Director and Chief Operating Officer of the Company was appointed with effect from 17th October, 2005 by the shareholders vide resolution dated 10th November, 2005 passed through Postal Ballot.

**NOTE :** 1) None of the Directors is representing as a Lender or Equity Investor.  
2) None of the Non-Executive Directors hold substantial shareholding in the Company.

#### III. Directors' membership in board/committees of other companies

In terms of the Listing Agreement, none of the Directors of our Company were members in more than 10 committees nor acted as Chairman of more than five committees across all companies in which they were Directors.

#### IV. Board Meetings

During the year 2005-2006, the Board of Directors met Nine times on the following dates:-

17th October, 2005,  
20th January, 2006 (earlier slated for 30th December, 2005 and adjourned),  
27th January, 2006,  
4th March, 2006,  
30th March, 2006,  
18th April, 2006,  
5th May, 2006,  
24th July, 2006, and  
30th August, 2006.

The gap between any two Board meetings did not exceed three months.

## Board Meeting Procedures

The detailed agenda papers containing all information relevant for discussions at the upcoming Board meeting are sent to the Directors in advance so that each director has enough time to do meaningful discussions at the Board Meetings. Besides the business items, the agenda includes the items required to be considered by the Board of Directors as per the Listing Agreement. The Board of Directors have even adopted a frequency matrix to this effect so as to ensure that all items prescribed in the Clause 49 of the Listing Agreement are regularly brought to the notice of the Board of Directors.

## Information supplied to the Board

Regular presentations are made to the Board of Directors covering Finance, Sales and Marketing, Compliances and all the other important business issues.

The budgets are regularly approved by the Board of Directors. The Board spends considerable time in reviewing the performance of the Company vis-à-vis the budgets.

## V. Audit Committee

### • Constitution

The Audit Committee comprises of following Non-Executive and Independent Directors :

1. Dr. M. G. K. Menon
2. Dr. S. A. Dave
3. Dr. P. S. Pritam

The Audit Committee meetings are chaired by Dr. M. G. K. Menon who has a vast experience in the area of Finance. He is an internationally reputed Scientist and has been awarded the Padma Shri, the Padma Bhushan and the Padma Vibhushan. He is ex-Minister for Science and Technology, Government of India.

None of the members receive, directly or indirectly, any consulting, advisory or compensatory fees from the Company other than the Sitting Fee as a Director.

Mr. G. B. Mathur, Vice President - Law & Company Secretary is acting as Secretary of the Audit Committee.

### • Terms of Reference

The charter of the Committee is as prescribed under Section 292A read with Clause 49 of the Listing Agreement viz.:

1. Oversight of the Company's financial reporting process and the disclosure of its financial information to ensure that the financial statement is correct, sufficient and credible.
2. Recommending to the Board, the appointment, re-appointment and, if required, the replacement or removal of the statutory auditors and the fixation of audit fees.
3. Approval of payment to statutory auditors for any other services rendered by the statutory auditors.
4. Reviewing, with the management, the annual financial statements before submission to the Board for approval, with particular reference to:
  - a. Matters required to be included in the Directors' Responsibility Statement to be included in the Board's report in terms of Subsection (2AA) of Section 217 of the Companies Act, 1956.
  - b. Changes, if any, in accounting policies and practices and reasons for the same.
  - c. Major accounting entries involving estimates based on the exercise of judgment by the management.
  - d. Significant adjustments made in the financial statements arising out of audit findings.
  - e. Compliance with listing and other legal requirements relating to financial statements.
  - f. Disclosure of any related party transactions.
  - g. Qualifications in the draft audit report.
5. Reviewing, with the management, the quarterly financial statements before submission to the Board for approval.
6. Reviewing, with the management, performance of statutory and internal auditors, adequacy of the internal control systems.
7. Reviewing the adequacy of internal audit function, if any, including the structure of the internal audit department, staffing and seniority of the official heading the department, reporting structure coverage and frequency of internal audit.
8. Discussion with internal auditors any significant findings and followup thereon.
9. Reviewing the findings of any internal investigations by the internal auditors into matters where there is suspected fraud or irregularity or a failure of internal control systems of a material nature and reporting the matter to the Board.
10. Discussion with statutory auditors before the audit commences, about the nature and scope of audit as well as post-audit discussion to ascertain any area of concern.
11. To look into the reasons for substantial defaults in the payment to the depositors, debenture holders, shareholders (in case of non payment of declared dividends) and creditors.
12. To review the functioning of the Whistle Blower mechanism, in case the same is existing.
13. Carrying out any other function as may be referred by the Board from time to time.

## Meetings & Attendance

During the year 2005-2006 the Committee met on Ten (10) occasions. The following table summarizes the date of each meeting and meetings attended by the members:

Date of Meeting	27.12.05	19.01.06	27.01.06	18.02.06	24.02.06	4.03.06	18.04.06	27.04.06	3.05.06	24.07.06
Dr. M. G. K. Menon (Chairman)	A	A	A	A	A	A	A	A	A	A
Dr. S. A. Dave	A	A	NA	A	A	A	A	NA	A	A
Dr. P. S. Pritam	A	A	A	A	A	A	A	A	A	A

A = Attended NA= Not Attended

The Committee, in its meeting held on 27th December, 2005 reviewed the Annual Accounts for the period ended 30th September, 2005.

## VI. Remuneration Committee

### Constitution

The Remuneration Committee comprises of following non-executive and independent Directors :

1. Dr. M. G. K. Menon - Chairman
2. Dr. P. S. Pritam
3. Dr. S. A. Dave

### Terms of Reference

The Remuneration Committee recommends and reviews the remuneration packages of the Managerial Personnel and formulation of broad policy framework for managerial remuneration.

### Meetings & Attendance

During the year 2005-2006 the committee met once on 17th October, 2005 in which all the members of committee were present.

### Remuneration Policy

The Remuneration Policy as outlined by the Committee aims at:

- Recognizing 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.

### Details of Remuneration of Directors

No stock options were granted to any of the Directors during the year 2005-06.

The Company has not paid any remuneration to any of its Non Executive Directors, except the Sitting Fees for attending meetings of the Board / Audit Committee @Rs. 10000/- per meeting and Rs. 5000/- per meeting in respect of all other Committee meetings, aggregating to Rs.7.30 Lacs.

No remuneration was paid during the Financial Year 2005-06 to Mr. Rajan Nanda, Chairman and Managing Director and Mr. Nikhil Nanda, Executive Director and Chief Operating Officer of the Company (appointed with effect from 17th October, 2005 by the shareholders vide resolution dated 10th November, 2005 passed through Postal Ballot).

The services of Managing Director and Executive Director & COO can be terminated by each giving six calendar months' notice. In the event of termination of services, they shall be entitled to receive compensation in accordance with the provisions of Section 318 of the Companies Act, 1956.

## VII. Shareholding of the Non Executive Directors in the Company

Name	No. of Equity Shares held	% Of Total Paid-up Equity Capital
Dr. P S Pritam	500	Negligible
Dr. M G K Menon	3000	Negligible
Dr. S A Dave	500	Negligible
Mr. S C Bhargava	500	Negligible

## VIII. Investors' Grievance Committee

### Constitution

The Investors' Grievance Committee comprises the following non-executive independent Directors:

1. Dr. M. G. K. Menon - Chairman
2. Dr. S. A. Dave
3. Dr. P. S. Pritam

### Terms of Reference

The Committee looks into redressing of investors complaints like delay in transfer of shares, non-receipt of declared 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 2005-2006, the Committee met once on 27th December, 2005 in which all the members of committee were present.

- **Compliance Officer**

Mr. G. B. Mathur, Vice President Law & Company Secretary is the Compliance Officer as per the requirements of the Listing Agreement.

- **Complaints received / resolved**

During the period under review, 35 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 redressal as on 30th September, 2006.

## IX. General Body Meetings

Details of last three Annual General Meetings of the Company :

Year	Date	Time	Place	No. of Special Resolutions Passed at AGM
2003	19th December, 2003	10.30 a.m.	Sapru House, Barakhamba Road, New Delhi – 110 001	Two
2004	31st March, 2005	11.30 a.m.	FICCI Golden Jubilee Auditorium, Tansen Marg, New Delhi – 110 001	None
2005	31st March, 2006	11.00 a.m.	FICCI Golden Jubilee Auditorium, Tansen Marg, New Delhi – 110 001	One

## X. Postal Ballot

The Company has passed the following Special Resolutions through Postal Ballot:

Particulars of Special Resolutions	Details of Voting Pattern	
	Votes Casted in favour	Votes Casted against
<b>In the Financial Year 2005-2006</b>		
Appointment of Mr. Nikhil Nanda as Executive Director & Chief Operating Officer of the Company for a period of 5 years w.e.f. 17th October, 2005 on terms and conditions as set out in the resolution	2,57,68,093	91,275

The Postal Ballot exercise was conducted by Mr. M L Pahwa, retired Deputy Excise & Taxation Commissioner, Haryana, as Scrutinizer and the results were declared on 23rd December, 2005. The above said resolution was also declared as to have been passed as Special Resolution in the Annual General Meeting of the Company held on 31st March, 2006.

### In the Current Financial Year 2006-2007

Issuance of Stock options to Employees and Directors of the Company under Escorts Employees Stock Option Scheme- 2006	1,11,68,338	86,353
Issuance of Stock options to Employees and Directors of the Subsidiaries/Holding Companies of Escorts Limited under Escorts Employees Stock Option Scheme 2006.	1,11,44,935	1,06,693
Preferential Issue of 36,11,610 Share Warrants (convertible into equity shares) to the promoters Group and/ or person acting in concert.	1,11,31,075	1,20,077

The Postal Ballot exercise was conducted by Mr. M L Pahwa, retired Deputy Commissioner- Excise & Taxation Haryana, as Scrutinizer and the results for these resolutions were declared on 7th November, 2006.

No Special Resolution requiring approval of the shareholders through Postal Ballot is being proposed at the ensuing Annual General Meeting.

## XI. 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**

c. Whistle Blower policy and affirmation that no personnel has been denied access to the Audit Committee.

The Company has not adopted any Whistle Blower policy. However, no personnel were denied access to the Audit Committee.

## XII. Means of Communication

- **Quarterly Results released during the year 2005-2006.**

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

For Quarter ended 31.12.05 : Jansatta (Hindi), Financial Express (English)

For Quarter ended 31.03.06 : Jansatta (Hindi), Financial Express (English)

For Quarter ended 30.06.06 : Jansatta (Hindi), Financial Express (English)

The Quarterly Results were displayed on Company's website viz. [www.escortsgroup.com](http://www.escortsgroup.com) in accordance with the requirement of Listing Agreement. The website also displays official news releases.



## ESCORTS LIMITED

### • Presentations made to institutional investors or to the analysts?

During the year 2005-06, the Company made no presentations before the Institutional Investors or the Financial Analysts.

### • Management Discussion and Analysis Report

The Management Discussion and Analysis Report and Risk Management Process Highlights are included in the Directors' Report and form part of the Annual Report.

## XIII. General Shareholder Information

### • Annual General Meeting

Date : Saturday, 24th February, 2007

Time : 10:30 a.m.

Venue : Air Force Auditorium, Subroto Park, Near Dhaula Kuan, New Delhi - 110010

### • Appointment / Re-appointment of Directors:

At the ensuing Annual General Meeting, Dr. P.S. Pritam retires by rotation and is proposed to be reappointed as Director of the Company. The information / details to be provided for the aforesaid Director are as under:

Name	Qualification	Brief Resume And Area of Expertise	Other Directorships	Committee memberships
Dr. P. S. Pritam	M.A., LL.B., Ph.D. F.I.I.I.	Has rich experience of having worked in a financial institution for 36 years. Has held top positions in LIC of India, including Senior Divisional Manager, Ahmedabad, Zonal Manager, Hyderabad and Director (Marketing and International Operations) at Corporate Office, Mumbai. He is an all rounder and has worked in diverse functional areas eg. accounts, mortgage, legal & corporate, underwriting and client servicing. He was also National Head (Sales & Marketing) of Allianz Bajaj Life Insurance Company for about 4 years, post retirement from LIC of India.	ASL Brokers Private Limited	1. Escorts Limited: • Audit Committee • Investor Grievance Committee • Remuneration Committee • Share Transfer Committee • Loans & Guarantee Committee • Financial Results Committee • Share Allotment Committee

### Financial Calendar 2006-2007 (Tentative)

Board / Committee thereof Meetings to take on record :

Financial results for Quarter ended 31.12.06	:	By the end of January, 2007.
Financial results for Quarter ended 31.03.07	:	By the end of April, 2007.
Financial results for Quarter ended 30.06.07	:	By the end of July, 2007
Financial results for Quarter ended 30.09.07	:	By the end of October, 2007.

### Annual General Meeting for the

Financial ending 30th September, 2007 : By 31st March, 2008

**Date of Book Closure** : Monday, 25th December, 2006 to Sunday, 31st December, 2006 (both days inclusive)

**Dividend Payment Date** : Due to accumulated losses of the Company, the Board of Directors of the Company have decided not to recommend any dividend for the said year.

### • LISTING

#### The Delhi Stock Exchange Association Ltd.

DSE House, 3/1, Asaf Ali Road, New Delhi – 110002

#### The National Stock Exchange of India Ltd.

Trade World, Senapati Bapat Marg, Lower Parel, Mumbai - 400 013

#### The Stock Exchange, Mumbai

Phiroze Jeejeebhoy Towers, Dalal Street, Mumbai - 400 001

### STOCK CODE

00012

ESCORTS

500495

### • Listing Fees

The Company is up to date on the payment of the Annual Listing Fees.

### • Yearly Stock Market Data

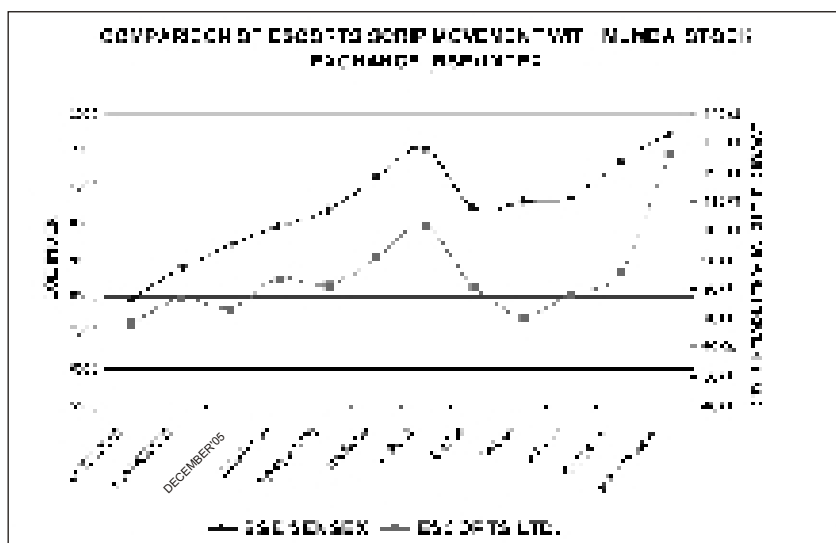
Year	Equity Shares		Name of the Stock Exchange
	High (Rs.)	Low (Rs.)	
1999-00	269.00	51.00	Mumbai Stock Exchange
2000-01	156.00	66.75	- do -
2001-02	89.35	37.95	- do -
2002-03	76.20	35.00	- do -
2003-04	113.30	34.70	- do -
2004-05	117.35	53.00	- do -
2005-06	127.30	53.00	- do -



### Monthly Stock Market Data

High and low prices of Equity Shares during the 12 months period ended 30th September, 2006 were as follows:

Month	National Stock Exchange		Mumbai Stock Exchange	
	High (Rs.)	Low (Rs.)	High (Rs.)	Low (Rs.)
OCTOBER '05	118.50	62.55	103.00	62.80
NOVEMBER '05	80.50	65.45	80.50	65.60
DECEMBER '05	82.00	69.25	81.90	69.50
JANUARY '06	92.00	68.65	92.30	72.00
FEBRUARY '06	88.20	75.05	86.70	77.35
MARCH '06	95.00	80.00	94.95	80.00
APRIL '06	103.50	85.00	105.00	88.05
MAY '06	112.40	68.05	112.30	69.00
JUNE '06	82.50	53.05	82.95	53.00
JULY '06	81.95	62.40	82.00	65.00
AUGUST '06	90.00	77.05	90.00	76.90
SEPTEMBER '06	127.30	81.50	127.30	81.55



### Registrar and Share Transfer Agents

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

- **ESCORTS LIMITED**

Corporate Secretariat & Law, 15/5, Mathura Road, Faridabad - 121003 (Haryana)

Phone: 0129 2250222 Extension 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 of Directors to approve the transfer, transmission, remat & issue of duplicate certificates etc. which normally meets four times in a month. The shares received are usually transferred within a period of 8 to 12 days from the date of receipt, subject to their validity.

- **Investors Relation Centers**

**Escorts Limited**

11, Scindia House, Connaught Circus,

New Delhi - 110 001

Telephone No.: (011) 23310145

Fax No.: (011) 23310271

**Escorts Limited**

1st Floor Part 1,

AO Bldg. at Pandurang Budhkar Marg,

Worli, Mumbai - 400 018

Telephone No.: (022) 24218151-52

Fax No.: (022) 24218153

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

## ESCORTS LIMITED

### Statistics of Dividend payment

Year	Rate	Date of payment
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%	24th December, 2003
2003-2004	Nil	N.A.
2004-2005	Nil	N.A.
2005-2006	Nil	N.A.

- Nomination Facility**

Shareholders 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 Powers of Attorney. The investors, who wish to avail this facility, may send prescribed form 2B duly filled in and signed to the Corporate Secretariat & Law.

- Financial Calendar (Current)**

From 1st October, 2006 to 30th September, 2007.

### Distribution of Shareholding as on 30th September, 2006

Category	%
1. Promoters	01.73
2. Persons acting in concert	28.11
3. Institutional Investors	37.73
4. Others	32.43
<b>Total</b>	<b>100.00</b>

### Share holding pattern as on 30th September, 2006

Range of holding			Number of shareholders	%
001	to	100	43316	58.16
101	to	500	26258	35.25
501	to	1,000	2869	3.85
1,001	to	5,000	1699	2.28
5,001	to	10000	158	0.21
10,001	to	50,000	124	0.17
50,001	to	1,00,000	18	0.02
Above 1,00,000			43	0.06
<b>TOTAL</b>			<b>74485</b>	<b>100.00</b>

- Dematerialisation of Shares**

Till now, approximately 94.76% Equity Shares have been dematerialized. Trading in Equity Shares of the Company is permitted only in dematerialized form as per the notification issued by the Securities and Exchange Board of India.

- Liquidity of Shares**

The trading volumes at National Stock Exchange and Mumbai Stock Exchange, during the Financial Year 2005-2006, are given below:

MONTHS	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
OCTOBER '05	20507173	16889.63	160477	8318323	6852.16	53674
NOVEMBER '05	24868093	18716.96	198350	9489358	7142.38	60911
DECEMBER '05	15481833	11834.72	125743	6585444	5046.50	46080
JANUARY '06	27648031	23138.74	192287	11074377	9288.49	66191
FEBRUARY '06	11593043	9527.35	100040	4231110	3483.40	30473
MARCH '06	32890116	29163.56	237614	16373003	14520.09	90511
APRIL '06	22218130	21411.55	174518	10058428	9692.73	66197
MAY '06	29090135	27683.94	245680	11866236	11344.17	85825
JUNE '06	14824589	9988.28	148026	6819233	4597.13	55782
JULY '06	22449055	16759.78	250057	14152233	10581.11	87325
AUGUST '06	18950898	15758.83	183118	9837940	8200.66	60950
SEPTEMBER '06	96683497	108756.66	779150	36244320	40415.55	216688
<b>TOTAL</b>	<b>337204593</b>	<b>309630.00</b>	<b>2795060</b>	<b>145050005</b>	<b>131164.37</b>	<b>920607</b>



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

There are 7223220 share warrants (i.e. 3611610 share warrants issued on 31st March, 2006 and 3611610 share warrants issued on 22nd November, 2006, each warrant convertible into one equity share of the Company @ of Rs. 84.39 per share and Rs. 124.05 per share respectively) outstanding in favour of Har Parshad And Company Private Limited. These warrants are convertible into equity shares within 18 months from the date of issuance and the shares issued upon conversion shall remain under lock-in for total period of 36 months from the date of issuance which shall be reduced by the period for which they were lock-in under warrants. There are no other 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
5. Plot No. 9, Sector 1, Integrated Industrial Estate, Pant Nagar, Rudrapur, District, Udham Singh Nagar, Uttranchal-263145.

• **Address for Correspondence**

**ESCORTS LIMITED**

Corporate Secretariat & Law, 15/5, Mathura Road, Faridabad - 121003 (Haryana)

Phone: 0129 2250222 Extension 4275 / 4268 • Fax: 0129 2250060

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

**Non Mandatory Requirements**

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

S.No.	Non Mandatory Provision	Status
1.	Maintenance of Chairman's Office	Not Applicable as Chairman is executive Managing Director of the Company
	Independent Directors' tenure not to exceed nine years in aggregate.	Not adopted
2.	Remuneration Committee	Already constituted. Details given elsewhere in this report.
3.	Shareholders' rights : Half-yearly financial performance and summary of significant events may be sent to each household of shareholders.	The said information is available on Company's website.
4.	Audit qualifications : Company may move towards regime of unqualified financial statements.	Adopted
5.	Training of Board Members	All Board members are experts in their respective fields and are well aware of Company's business model and risk profile.
6.	Mechanism for evaluating non-executive Board Members	Not adopted
7.	Whistle Blower Policy	Not adopted

**On behalf of the Board**

**RAJAN NANDA**  
CHAIRMAN

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## **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 conditions of Corporate Governance by Escorts Limited for the year ended September 30, 2006 as stipulated in Clause 49 of the Listing Agreement of the said Company with the Stock Exchanges of India.

The compliance of conditions of Corporate Governance is the responsibility of the management. Our examination was limited to a review of the 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 clause 49 of the above mentioned Listing Agreement.

We state that in respect of investor grievances received during the year ended September 30, 2006, 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**

Place: Faridabad  
Date: 21st December, 2006

**( S. N. Dhawan )  
Partner  
M.No. 925**



## ANNEXURE-D TO THE DIRECTORS' REPORT

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

- that in preparation of the annual accounts for the year ended 30th September, 2006, the applicable accounting standards had been followed;
- that the Directors had selected such accounting policies and applied them consistently and made judgments 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 30th September, 2006 and of the profit and loss of the Company for the year ended 30th September, 2006;
- 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 30th September, 2006 on a going concern basis.

## ANNEXURE-E TO THE DIRECTORS' REPORT

Information as per Section 217(2A) of the Companies Act, 1956 read with Companies (Particulars of Employees) Rules, 1975 and forming part of the Directors' Report for the year ended September 30, 2006.

Name of the Employee	Age (yrs.)	Qualification	Experience Years	Date of Employment	Designation and Nature of Duties	Remuneration Gross (Rs.)	Received Net (Rs.)	Last Employment held
<b>A. Employed throughout the year and in receipt of remuneration not less than Rs. 24,00,000/- per annum</b>								
Anand Suresh	58	M.Tech.B.Tech. IIT	33	08.04.1996	Head - Mfg. Operations & KMC (AMG)	4563130	1937721	Tech.Director,Shriram Piston & Rings.
Chopra Rakesh	56	FCA(Eng.& Wales)MBA(Cranfield, U.K.)	33	01.09.1979	Sr. Vice President	8182773	3774390	Asst. Mgr. - Comm., Vazir Sultan Tobacco Co. Ltd.
Havaladar K. S.	56	BE.Mech., Diploma in System Management	33	08.04.1996	Business Head - Engineering Division	5820681	2926651	VP, Real Value Appliances
Khanna Lalit K.	52	B.Sc., MBA	28	10.05.1978	Vice President	4123708	1854694	Officer Grade 'C', Punjab National Bank
Mathur G B	56	B Sc. ACS,LLB	31	16.08.1993	Vice President Law & Company Secretary	7032342	3497231	Co.Secy, Chambal Fertiliser & Chemicals Ltd
Nanda Nitasha *	37	B.Com.	11	01.04.1998	Head - Group Investment Companies	3504224	1021346	-
Nithyanand A.	36	BA, MA(Finance), MBA(MSIA)	15	01.04.2004	Head - International Sales & Business Development	3256022	1629021	Director - Business Development (India), Honeywell International (I) Pvt. Ltd.
Sarkar Partha	55	B Tech. MBA	30	07.08.2000	Vice President	5461793	2377789	President, RPG Itochu Fin. Ltd.
Singh Devraj	53	B Tech.PGDM	29	02.01.1995	Vice President	8180755	3746514	VP (Dubai Project), SRF Ltd.
Tandon Shailendra	51	ACA	28	08.09.2004	Group Chief Financial Officer	9135407	4176974	President (Financial Planning), Indo Rama Synthetics Ltd.
Yadav Yash	50	LLB / MBA	24	02.06.2003	Group VP - HR & IR	6319815	2981953	VP - HR & Admin., The Hindustan Times Ltd.
<b>B. Employed for part of the year and in receipt of remuneration not less than Rs. 2,00,000/- per month</b>								
Chadha A. K.	56	BSc.	36	16.11.2005	Chief Executive Officer - Agri Machinery Group	8975901	3786703	CEO, LML Ltd.
Guha Anup	51	CA	28	01.07.2004	Financial Controller	1572472	695018	Financial Controller, Escotel Mobile Communications Ltd.
Madan Bharat	39	B.Com (Hons.), FCA	18	16.12.2005	Financial Controller	2755954	1438858	Financial Controller, Electrolux Kelvinator Ltd.
Nagpal B. B.	48	M.Com, CS, LLB, CBA (Canada), CFC (USA)	26	09.05.2006	Head - Corporate Finance	1075505	471098	MD, Wisec Global Ltd.
Rane N. S.	46	B.Tech	23	25.02.2006	Head - Manufacturing Excellence	1753112	901217	GM - Production, Maruti Udyog Ltd.
Sarkar M.C.	59	BE.Mech.M.Tech.in Indst.Engg. & Oprtnl Resch.	36	02.04.1993	Head - R&D (AMG)	1808366	810416	GM (Works), Voltas Ltd.
Singhal D K	58	AMIE	36	20.10.1989	Head - Operations (ASP)	1054252	529629	Sr.Mgr (Engg.)Eicher Motors Ltd.
Subbaiah B. K.	55	B.Sc., MBA	31	24.06.2002	Head - Sales & Marketing - AMG	2493423	1087545	GM Sales - Automotive Divn., South & East Zones, Mahindra & Mahindra
Upadhyay Vinay	47	BE.Mech., Graduate Engr. Trainee (TELCO)	23	24.06.2002	Head - Manufacturing Excellence	3815977	2398482	GM, Mahindra & Mahindra Ltd.

### Notes:

\* Ms. Nitasha Nanda, Head Group Investment Companies is a relative of Mr. Rajan Nanda, Chairman & Managing Director and Mr. Nikhil Nanda, Executive Director & COO.

- 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 and gratuity fund
- Remuneration received net includes salary,bonus,commission exgratia 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.

**The Board of Directors,**

Escorts Limited,  
11, Scindia House,  
Connaught Circus,  
New Delhi 110 001

We, Rajan Nanda, Chairman and Managing Director, and Shailendra Tandon, Group Chief Financial Officer, of Escorts Limited to the best of our knowledge and belief, certify that :

1. We have reviewed the balance sheet and profit and loss account and all its schedules and notes on accounts as well as the cash flow statements and the director's report;
2. Based on our knowledge and information, these statement do not contain any materially untrue statement or omit any material fact necessary to make the statement made, in light of circumstances under which statement were made, not misleading with respect to statement made;
3. Based on our knowledge and information, the financial statement, and other financial information included in this report, fairly present in all material respects, the financial condition, results of operations and cash flow of the company as of and for, the period presented in this report and are in compliance with existing accounting standards and / or applicable laws and regulations, except to the extent stated in the notes to Accounts (Schedule 19)
4. To the best of our knowledge and belief, no transactions entered into by the company during the year are fraudulent, illegal or violative of the company's code of conduct.
5. The company's other certifying officers and we, are responsible for establishing and maintaining disclosure control and procedures for the company and we have :
  - a) designed reasonable disclosure controls and procedures to ensure that material information relating to company, is made known to us, particularly during the period in which this report is prepared; and
  - b) evaluated the effectiveness of company's disclosure, controls and procedures
6. The company's other certifying officers and we, have disclosed based on our most recent evaluation, wherever applicable to company's auditors and the audit committee of the company's board of directors (and person performing equivalent functions)
  - a) all significant deficiencies in the design or operation of internal controls, which could adversely affect the company's ability to record process, summarize and report financial data, and have identified for the company's auditors, any material weakness in internal controls;
  - b) any fraud, whether or not material that involves management or other employees who have significant role in the company's internal control;
  - c) the company's other certifying officers and we, have indicated in the report whether or not there were significant changes in internal controls or in other factors that could significantly affect internal control's subsequent to the date of our most recent evaluation, including any corrective action with regard to significant deficiencies and material weaknesses; and
  - d) all significant changes in the accounting policies during the year, if any, and that the same have been disclosed in the notes to the financial statements.
7. We further declare that all board members and senior managerial personnel have affirmed compliance with the code of conduct for the current year.

**Shailendra Tandon**  
Group Chief Financial Officer

**Rajan Nanda**  
Chairman & Managing Director





## AUDITORS' REPORT

### To The Members of Escorts Limited

- 1 We have audited the attached Balance Sheet of Escorts Limited as at September 30, 2006, the Profit & Loss Account and also the Cash Flow Statement for the year ended on that date, annexed thereto. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We conducted our audit in accordance with Auditing Standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. As required by the Companies (Auditor's Report) Order, 2003, as amended, issued by the Central Government of India, in terms of sub-section (4A) of Section 227 of the Companies Act, 1956, we enclose in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said Order.
4. Further to our comments in the Annexure referred to above, we report that :
  - (a) We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit.
  - (b) In our opinion, proper books of account as required by law have been kept by the Company so far as appears from our examination of those books.
  - (c) The Balance Sheet, Profit & Loss Account and Cash Flow Statement dealt with by this report are in agreement with the books of account.
  - (d) In our opinion, the Balance Sheet, Profit & Loss Account and Cash Flow Statement dealt with by this report comply with the Accounting Standards referred to in sub-section (3C) of Section 211 of the Companies Act, 1956.
  - (e) On the basis of written representations received from the directors, as on September 30, 2006 and taken on record by the Board of Directors, we report that none of the directors is disqualified as on September 30, 2006 from being appointed as a director in terms of clause (g) of sub-section (1) of Section 274 of the Companies Act, 1956. However, the Chairman and Managing Director of the Company is disqualified from being appointed as director in other companies in terms of clause (g) of sub-section (1) of Section 274 of the Companies Act, 1956.
  - (f) In our opinion and to the best of our information and according to the explanations given to us, the said accounts, read together with the notes thereon, give the information required by the Companies Act, 1956, in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:
    - i) in the case of the Balance Sheet, of the state of affairs of the Company as at September 30, 2006,
    - ii) in the case of the Profit & Loss Account, of the Profit for the year ended on that date and
    - iii) in the case of the Cash Flow Statement, of the cash flows for the year ended on that date.

**For S. N. Dhawan & Co.**  
**Chartered Accountants**

Place : Faridabad  
Dated: 21st December, 2006

**(S.N. Dhawan)**  
**Partner**  
**M.No.: 925**

**Annexure referred to in paragraph 3 of our Report of even date on the Accounts of Escorts Limited, for the year ended September 30, 2006.**

- i) (a) The Company has maintained proper records showing full particulars including quantitative details and situation of fixed assets.
- (b) According to the information and explanations given to us, physical verification of fixed assets is being conducted in a phased manner by the management under a programme designed to cover all the fixed assets over a period of three years, which, in our opinion, is reasonable having regard to the size of the Company and the nature of its assets. Discrepancies noticed on such verifications were not material and have been properly dealt with in the books of accounts.
- (c) According to the information and explanations given to us, the Company has not disposed off a substantial part of its fixed assets during the year under review.
- ii) (a) As explained to us, the inventories have been physically verified by the management at reasonable intervals during the year, except for materials lying with third parties for which certificates confirming stocks held by them have been obtained in most of the cases.
- (b) In our opinion and according to the information and explanations given to us, the procedures of physical verification of inventories followed by the management are reasonable and adequate in relation to the size of the Company and the nature of its business.
- (c) In our opinion and according to information and explanations given to us, the Company has maintained proper records of its inventories. Discrepancies noticed on physical verification of inventories were not material and have been properly dealt with in the books of account.
- iii) (a) The Company has granted unsecured loans to five companies covered in the register maintained under Section 301 of the Companies Act, 1956. The maximum amount involved during the year was Rs.11.91 crores and balance of the loans granted to such companies was Rs.6.14 crores as at September 30, 2006.
- (b) In our opinion and according to the information and explanations given to us, the rate of interest and other terms and conditions of such loans are not, prima-facie, prejudicial to the interest of the Company.
- (c) The receipt of the principal amounts and interest, wherever applicable, as stipulated.
- (d) There is no overdue amount of such loans granted to the aforesaid companies.
- (e) The Company has taken loans from two companies covered in the register maintained under Section 301 of the Companies Act, 1956. The maximum amount involved during the year was Rs.37.82 crores and the balance of loans taken from such companies was Rs. 37.82 crores as at September 30, 2006. In our opinion and according to the information and explanations given to us, the rate of interest and other terms and conditions of such loans are not, prima facie, prejudicial to the interest of the Company.
- (f) The Company has been regular in repaying the principal amount, as stipulated.
- iv) In our opinion and according to the information and explanations given to us, there are adequate internal control procedures commensurate with the size of the Company and the nature of its business, for the purchase of inventory and fixed assets and for the sale of goods and services. During the course of our audit, we have neither come across nor have been informed of any continuing failure to correct major weaknesses in the internal control systems.
- v) According to the information and explanations given to us, we are of the opinion that the transactions that need to be entered into the register maintained under section 301 of the Companies Act, 1956 have been so entered. In our opinion and according to the information and explanations given to us, the transactions made in pursuance of contracts or arrangements entered in the register maintained under Section 301 of the Companies Act, 1956 and exceeding the value of Rupees five lakhs in respect of any party during the year have been made at prices which are reasonable having regard to the prevailing market prices at the relevant time except for items stated to be of a specialised nature where no comparison is possible.
- vi) In our opinion and according to the information and explanations given to us, the Company has complied with the provisions of Sections 58A, 58AA and other relevant provisions of the Companies Act, 1956 and the Companies (Acceptance of Deposits) Rules, 1975 with regard to deposits accepted from the public.
- vii) In our opinion, the Company has an internal audit system which needs to be strengthened and scope enlarged to make it commensurate with the size and nature of its business.
- viii) We have broadly reviewed the books of account maintained by the Company pursuant to the Rules made by the Central Government for the maintenance of cost records under Section 209(1)(d) of the Companies Act, 1956 in respect of the tractors and auto-ancillary products and are of the opinion that prima-facie the prescribed accounts have been made and maintained. We have, however, not made a detailed examination of the records with a view to determine whether they are accurate and complete.
- ix) (a) The Company is generally regular in depositing with appropriate authorities undisputed statutory dues including provident fund, investor education and protection fund, employees' state insurance, income-tax, sales-tax, wealth-tax, Service tax, custom duty, excise duty, cess and other material statutory dues applicable to it. According to the information and explanations given to us, no undisputed amounts payable in respect of provident fund, investor education and protection fund, employees state insurance, income-tax, sales-tax, wealth-tax, service tax, custom duty, excise duty, cess were in arrears, as at September 30, 2006 for a period of more than six months from the date they became payable except Income Tax of Rs. 32.91 crores and Wealth Tax of Rs.0.35 crores.



(b) According to the information and explanations given to us, the details of statutory dues of income-tax, sales-tax, wealth-tax, service tax, customs duty, excise duty, cess which have not been deposited on account of dispute are given below:

Name of the Statute	Nature of Dues	Amount (Rs. Crores)	Period to which the amount relates	Forum where dispute is pending
Sales Tax Acts	Sales Tax	3.47	1979-2006	Appellate Authority
Central Excise Act, 1944	Excise Duty	81.75	1979-2006	Appellate Authority
Central Excise Act, 1944	Excise Duty	11.72	1989-2003	CESTAT
Central Excise Act, 1944	Excise Duty	19.66	1995-1998	Supreme Court
Income Tax Act, 1961	Income Tax	36.10	2002-2003	CIT(Appeals)

- x) In our opinion, the accumulated losses of the Company are not more than fifty percent of its net worth as at September 30, 2006. The Company has not incurred cash losses during the financial year covered by our audit and in the immediately preceding financial period.
- xi) In our opinion and according to the information and explanations given to us, the Company has not defaulted in repayment of dues to a financial institution or bank or debenture holders.
- xii) According to the information and explanations given to us, the Company has not granted loans and advances on the basis of security by way of pledge of shares, debentures and other securities.
- xiii) In our opinion, the Company is not a chit fund or a nidhi / mutual benefit fund/ society. Therefore, provisions of clause (xiii) of Paragraph 4 of the Order are not applicable to the Company.
- xiv) In our opinion and according to the information and explanations given to us, the Company is not dealing or trading in shares, securities, debentures and other investments. Accordingly, the provisions of clause (xiv) of Paragraph 4 of the Order are not applicable to the Company.
- xv) In our opinion and according to the information and explanations given to us, the terms and conditions on which the Company has given guarantees for loans taken by others from banks and financial institutions, are not prima facie prejudicial to the interest of the Company.
- xvi) To the best of our knowledge and belief and according to the information and explanations given to us, the term loans availed by the Company were applied for the purposes for which the loans were obtained. According to the information and explanations given to us and on an overall examination of the Balance Sheet of the Company, we report that the no funds raised on short-term basis have been used for long term investment.
- xvii) According to the information and explanations given to us, no preferential allotment of shares has been made by the Company to parties covered in register maintained under section 301 of the Companies Act, 1956.
- xviii) The Company has not issued any debentures during the year. Therefore, the provisions of clause (xix) of Paragraph 4 of the Order are not applicable to the company.
- xix) The Company has not raised any money through public issue during the year.
- xx) To the best of our knowledge and belief and according to the information and explanations given to us, no fraud on or by the Company has been noticed or reported during the year.

**For S. N. Dhawan & Co.  
Chartered Accountants**

Place : Faridabad  
Dated: 21st December, 2006

**(S.N. Dhawan)  
Partner  
M.No.: 925**

# ESCORTS LIMITED

## BALANCE SHEET AS AT SEPTEMBER 30, 2006

	Schedule	30.09.2006 Rs.Crores	30.09.2005 Rs.Crores
<b>SOURCES OF FUNDS</b>			
Share Capital	1	72.23	72.23
Reserves & Surplus	2	946.34	545.90
Total Shareholders Funds		1,018.57	618.13
Loans			
Secured	3	422.54	427.91
Unsecured	4	167.83	240.54
			668.45
<b>Total</b>		<b>1,608.94</b>	<b>1,286.58</b>
<b>APPLICATION OF FUNDS</b>			
Fixed Assets			
Gross Block		1,401.03	1,006.31
Less : Depreciation/ Amortisation		534.43	492.85
Net Block	5	866.60	513.46
Capital Work -in-Progress & Capital Advances		21.47	6.54
Total Fixed Assets		888.07	520.00
Investments	6	456.24	497.04
Deferred Tax Assets (Net) (Refer Note no.10 of Schedule 19)		76.40	78.63
<i>Current Assets, Loans &amp; Advances</i>			
Current Assets	7		
Inventories		172.49	125.94
Sundry Debtors		292.75	176.84
Cash & Bank Balances		215.72	148.52
Other Current Assets		0.31	0.12
		681.27	451.42
Loans & Advances	8	199.44	175.05
Total Current Assets, Loans & Advances		880.71	626.47
<b>DEDUCT</b>			
<i>Current Liabilities &amp; Provisions</i>	9		
Current Liabilities		546.58	351.94
Provisions		162.35	102.46
Total Current Liabilities & Provisions		708.93	454.40
Net Current Assets		171.78	172.07
Miscellaneous Expenditure ( to the extent not written off or adjusted )		16.45	18.84
<b>Total</b>		<b>1,608.94</b>	<b>1286.58</b>
Significant Accounting Policies	18		
Notes to Accounts	19		

Schedules 1 to 19 annexed hereto form an integral part of Balance Sheet and Profit and Loss Account

**RAJAN NANDA**  
Chairman and  
Managing Director

**NIKHIL NANDA**  
Executive Director & COO

**Dr. M. G. K. MENON**  
Director

**Dr. P. S. PRITAM**  
Director

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

**SHAILENDRA TANDON**  
Group Chief Financial Officer

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

Place : Faridabad  
Dated : December 21, 2006

**S. N. DHAWAN**  
Partner  
M No. 925



## PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED SEPTEMBER 30, 2006

	Schedule	Year ended 30.09.2006 Rs. Crores (12 Months)	Period ended 30.09.2005 Rs. Crores (15 Months)
<b>INCOME</b>			
Gross Sales		1,785.78	1,307.88
Less : Excise Duty		35.01	38.75
Net Sales		1,750.77	1,269.13
Business Income	10	37.11	25.81
Income from Investments	11	94.93	505.73
<b>Total</b>		<b>1,882.81</b>	<b>1,800.67</b>
<b>EXPENDITURE</b>			
Material, Manufacturing & Operating	12	1,337.97	955.89
Personnel	13	158.70	185.79
Sales & Administration	14	177.12	163.35
Interest	15	69.15	141.79
Bank & Finance Charges		15.80	17.86
Depreciation	5	45.74	61.59
Less : Transfer of depreciation from Revaluation Reserve		6.19	8.73
Amortisation of Miscellaneous Expenditure	16	7.50	9.09
		1,805.79	1,526.63
<b>PROFIT BEFORE TAX &amp; EXCEPTIONAL ITEMS</b>		<b>77.02</b>	<b>274.04</b>
Exceptional Items	17	42.58	243.02
<b>PROFIT BEFORE TAX</b>		<b>34.44</b>	<b>31.02</b>
Provision for Taxation			
Current Taxation		10.63	37.85
Fringe Benefit Tax		2.58	1.19
Deferred Taxation (Refer Note no.10 of Schedule 19)		2.23	(47.11)
<b>PROFIT AFTER TAX</b>		<b>19.00</b>	<b>39.09</b>
Balance brought forward		(169.27)	(218.90)
Transfer from Debenture Redemption Reserve		11.25	12.70
<b>Total</b>		<b>(139.02)</b>	<b>(167.11)</b>
<b>APPROPRIATIONS</b>			
Debenture Redemption Reserve		-	2.16
<b>BALANCE CARRIED TO BALANCE SHEET</b>		<b>(139.02)</b>	<b>(169.27)</b>
Significant Accounting Policies	18		
Notes to Accounts	19		
Earnings Per Share (Face Value Rs.10)			
Basic & Diluted Earnings per Share (In Rupees)		2.63	5.41

Schedules 1 to 19 annexed hereto form an integral part of Balance Sheet and Profit and Loss Account

**RAJAN NANDA**  
Chairman and  
Managing Director

**NIKHIL NANDA**  
Executive Director & COO

**Dr. M. G. K. MENON**  
Director

**Dr. P. S. PRITAM**  
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**G.B.MATHUR**  
Vice-President-Law &  
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**SHAILENDRA TANDON**  
Group Chief Financial Officer

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

Place : Faridabad  
Dated : December 21, 2006

**S. N. DHAWAN**  
Partner  
M No. 925

## ESCORTS LIMITED

### SCHEDULES 1 - 19 FORMING PART OF THE BALANCE SHEET AND PROFIT & LOSS ACCOUNT

#### SCHEDULE 1: SHARE CAPITAL

		30.09.2006 Rs.Crores	30.09.2005 Rs.Crores
<b>AUTHORISED CAPITAL</b>			
7,70,00,000	Equity Shares of Rs. 10 each	77.00	77.00
7,73,00,000	Unclassified Shares of Rs. 100 each	773.00	773.00
		<u>850.00</u>	<u>850.00</u>
<b>ISSUED, SUBSCRIBED AND PAID-UP CAPITAL</b>			
7,22,32,240	Equity Shares of Rs. 10 each	<u>72.23</u>	<u>72.23</u>

#### NOTES :

1. Paid-up Capital includes :

(i) 18,700 Equity Shares (previous year - 18,700) allotted as fully paid-up for consideration other than cash pursuant to contracts.

(ii) Bonus Shares :

1,94,34,125 Equity Shares allotted before 1988 as fully paid-up by capitalising Share Premium of Rs. 0.22 crores and General Reserve of Rs. 19.21 crores.

#### SCHEDULE 2: RESERVES AND SURPLUS

	(Rs.Crores)								
	Securities Premium Reserve	Capital Redemption Reserve	Share Forfeiture Reserve	Amalgamation Reserve	Debenture Redemption Reserve	General Reserve	Profit & Loss Account	Revaluation Reserve	Total
As at September 30, 2005	84.67	0.81	3.22	48.46	11.25	469.62	(169.27)	97.14	545.90
Additions during the year :								387.64	387.64
Transfer from Profit and Loss Account							(139.02)		(139.02)
	84.67	0.81	3.22	48.46	11.25	469.62	(308.29)	484.78	794.52
Deductions during the year :									
On assets sold								0.01	0.01
Transfer to Profit & Loss Account					11.25 (a)		(169.27)	6.19	(151.83)
<b>As at September 30, 2006</b>	<b>84.67</b>	<b>0.81</b>	<b>3.22</b>	<b>48.46</b>	<b>-</b>	<b>469.62</b>	<b>(139.02)</b>	<b>478.58</b>	<b>946.34</b>

(a) Consequent to redemption of Non-Convertible Debentures during the year ended 30th September 2006



# SCHEDULES 1 - 19 FORMING PART OF THE BALANCE SHEET AND PROFIT & LOSS ACCOUNT

## SCHEDULE 3 : SECURED LOANS

	30.09.2006 Rs.Crores	30.09.2005 Rs.Crores
<b>From Banks:</b>		
Cash Credit/ Working Capital Term Loans	206.33	238.07
Interest Accrued & Due	0.55	1.00
<b>Term Loans</b>		
<b>From Banks</b>	191.15	113.10
Interest Accrued & Due	1.08	0.34
<b>From Others</b>	23.28	29.20
Interest Accrued & Due	0.15	0.18
<b>Under Asset Credit Scheme</b>	-	0.09
<b>Debentures :</b>		
12% Secured Redeemable Non-Convertible Debentures	-	20.00
12% Secured Redeemable Non-Convertible Debentures	-	25.00
Interest Accrued & Due	-	0.93
<b>Total</b>	<b>422.54</b>	<b>427.91</b>

### NOTES :

#### 1. Cash Credit including Working Capital Term Loans from Banks :

Secured by hypothecation of stocks and book debts on a pari-passu basis.

#### 2. Term Loans from Banks

- Punjab National Bank : Rs. 114.13 Crores  
Secured by first pari-passu charge on immovable & movable assets
- UTI Bank Ltd: Rs. 58.10 Crores  
Secured against assignment of Unsecured Subordinated Bond of Idea Mobile Communications Ltd.  
(Refer Note (8 b) of Schedule 19)
- United Bank of India: Rs. 20.00 Crores  
Secured by first pari passu charge on the Company's Fixed Asset and second & sub-servient charge on immovable properties.

#### 3. Term Loans from Others

- Industrial Development Bank of India : Rs. 22.29 Crores  
Secured by first pari-passu charge on immovable and movable assets.
- Life Insurance Corporation of India : Rs. 0.96 Crores  
Secured against Insurance Policies.
- Vehicle loans are secured against the Vehicles financed: Rs. 0.18 Crores



## ESCORTS LIMITED

### SCHEDULES 1 - 19 FORMING PART OF THE BALANCE SHEET AND PROFIT & LOSS ACCOUNT

#### SCHEDULE 4 : UNSECURED LOANS

	30.09.2006 Rs.Crores	30.09.2005 Rs.Crores
<b>Fixed Deposits</b>		
Others	44.44	99.27
<b>Inter Corporate Deposits</b>		
From Others	47.49	73.84
Interest accrued & due	2.07	0.04
<b>Banks Book Overdraft (Refer Note 1 below)</b>	51.28	24.46
<b>Long Term Loans</b>		
From Bank	-	6.00
From Others	6.09	27.23
Interest Accrued & due	-	0.53
<b>Short Term Loans</b>		
From Banks	8.87	1.13
Rabo India Finance Private Limited	7.39	7.89
Interest accrued and due	0.20	0.15
<b>Total</b>	167.83	240.54

#### Note

1. Book Overdraft includes Rs.40.00 Crores towards cheques issued against amount lying in Sweep-in Fixed Deposit Account with a Bank

#### SCHEDULE 5 : FIXED ASSETS

(Rs.Crores)

Description	Original Cost as at 30.09.2005	Additions	Deductions	Cost as at 30.09.2006	Depreciation / Amortisation upto 30.09.2005	Depreciation / Amortisation for the year	Deductions during the year	Depreciation / Amortisation upto 30.09.2006	Net Book Value as on 30.09.2006	Net Book Value as on 30.09.2005
<b>Land Freehold</b>	89.63	387.91*	-	477.54	-	-	-	-	477.54	89.63
<b>Land Leasehold</b>	2.13	-	-	2.13	0.05	0.02	-	0.07	2.06	2.08
<b>Buildings</b>	217.77	0.36	-	218.13	111.88	8.08	-	119.96	98.17	105.89
<b>Plant &amp; Machinery</b>	551.79	5.02	1.51	555.30	272.94	27.51	0.89	299.56	255.74	278.85
<b>Furniture &amp; Fixtures</b>	93.65	3.43	1.11	95.97	72.47	4.05	0.98	75.54	20.44	21.18
<b>Vehicles</b>	7.93	2.02	2.98	6.97	5.39	0.63	2.29	3.73	3.23	2.54
<b>Leasehold Improvements</b>	3.41	-	-	3.41	2.45	0.59	-	3.04	0.37	0.96
<b>Sub-Total</b>	966.31	398.74	5.60	1,359.45	465.18	40.88	4.16	501.90	857.55	501.13
<b>Intangible Assets:</b>										
Prototypes	1.21	-	-	1.21	1.16	0.04	-	1.20	0.01	0.05
Technical Knowhow	24.02	0.02	-	24.04	15.70	2.85	-	18.55	5.49	8.32
Software Development	14.77	1.56	-	16.33	10.81	1.97	-	12.78	3.55	3.96
<b>Sub-Total</b>	40.00	1.58	-	41.58	27.67	4.86	-	32.53	9.05	12.33
<b>Capital Work-in-Progress</b>	2.38	7.87	0.34	9.91	-	-	-	-	9.91	2.38
<b>Capital Advances</b>	4.16	7.40	-	11.56	-	-	-	-	11.56	4.16
<b>Sub-Total</b>	6.54	15.27	0.34	21.47	-	-	-	-	21.47	6.54
<b>Total</b>	1,012.85	415.60	5.94	1,422.50	492.85	45.74	4.16	534.43	888.07	520.00
<b>Previous Year Figures</b>	1,033.64	19.49	40.28	1,012.85	452.71	61.59	21.45	492.85	520.00	

#### Notes :

1. Land includes :  
(a) Leasehold at cost Rs.0.38 crores - Surrendered to the Government and applied for refund  
(b) Rs. 6.75 crores pending approval for registration in the name of the Company.
2. Buildings include (at net book value) :  
(a) Rs. 0.21 crores pending approval for registration in the name of the Company.

\*3. The Company has revalued the freehold land as on September 01, 2006. The revaluation was done by an independent external agency. The amount added on revaluation was Rs.387.64 crores.



# SCHEDULES 1 - 19 FORMING PART OF THE BALANCE SHEET AND PROFIT & LOSS ACCOUNT

## SCHEDULE 6 : INVESTMENTS

	30.09.2006 Rs.Crores	30.09.2005 Rs.Crores
<b>LONG TERM (At Cost)</b>		
<b>GOVERNMENT SECURITIES</b>	—	—
[ Current year (Rs. 17,000), Previous period (Rs. 17,000) ]		
<b><u>QUOTED INVESTMENTS</u></b>		
<b>TRADE INVESTMENTS</b>		
<b>OTHER THAN SUBSIDIARY</b>		
Escorts Finance Limited		
38,19,700 Equity Shares of Rs. 10 each fully paid.	4.01	4.01
<b>OTHER INVESTMENTS</b>		
Mahindra & Mahindra Limited.		
15,330 Equity Shares of Rs. 10 each fully paid. (7,665 Bonus Share allotted during the year)	0.01	0.01
Asahi India Glass Limited		
37,724 Equity Shares of Rs. 10 each fully paid. (18,862 Bonus Share allotted during the year)	0.10	0.10
<b><u>UNQUOTED INVESTMENTS</u></b>		
<b>TRADE INVESTMENTS</b>		
<b>OTHER THAN SUBSIDIARY</b>		
Carraro India Limited		
Equity Shares of Rs. 10 each fully paid (1,96,00,000 shares divested during the year)	—	19.60
Escorts Finance Limited		
95,00,000 10% Cumulative Redeemable Preference Shares of Rs. 10 each fully paid	9.50	9.50
<b>OTHER THAN TRADE INVESTMENTS</b>		
<b>SUBSIDIARY COMPANIES</b>		
Escorts Automotives Limited		
1,00,00,000 Equity Shares of Rs. 10 each fully paid.	23.66	23.66
Escorts Construction Equipment Limited		
4,00,00,000 Equity Shares of Rs. 10 each fully paid.	40.00	40.00
80,00,000 10% Cumulative Redeemable Preference Shares of Rs. 10 each fully paid.	8.00	8.00
2,30,00,000 10% Non-Cumulative Redeemable Preference Shares of Rs. 10 each fully paid.	23.00	23.00
Escorts AgriMachinery Incorporated, USA		
750 (Shares with Nil par value amounting to US\$ 114,425 million)	49.29	49.29
Escorts Securities Limited		
12,00,000 10% Cumulative Redeemable Preference Shares of Rs.10/- each fully paid	1.20	1.20
Escorts Assets Management Limited		
30,00,000 Equity Shares of Rs. 10 each fully paid.	3.00	3.00

## ESCORTS LIMITED

### SCHEDULES 1 - 19 FORMING PART OF THE BALANCE SHEET AND PROFIT & LOSS ACCOUNT

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

		30.09.2006 Rs.Crores	30.09.2005 Rs.Crores
Esconet Services Limited			
-	Equity Shares of Rs. 10 each fully paid. (3,00,02,800 shares divested during the year)	-	30.00
-	3% Cumulative Redeemable Preference Shares of Rs.10/- each fully paid (2,50,00,000 shares divested during the year)	-	25.00
-	3% Non-Cumulative Redeemable Preference Shares of Rs.10/- each fully paid (1,43,00,000 shares divested during the year)	-	14.30
Cellnext Solutions Limited			
1,35,70,330	Equity shares of Rs. 10 each fully paid (1,35,70,330 shares acquired during the year)	0.02	-
75,00,000	3% Cumulative Redeemable Preference shares of Rs. 10 each fully paid (75,00,000 shares acquired during the year)	5.23	-
Escosoft Technologies Limited			
-	Equity Shares of Rs. 10 each fully paid. (1,50,50,150 shares divested during the year)	-	15.05
Escorts Telecommunications Limited			
-	Equity Shares of Rs. 10 each fully paid. (5,70,00,000 shares divested during the year)	-	57.00
Escorts Telecom Services Limited			
50,000	Equity Shares of Rs. 10 each fully paid.	-	0.05
Escorts Healthcare Services Limited			
50,000	Equity Shares of Rs. 10 each fully paid.	-	0.05
<b>OTHERS</b>			
Escorts Finance Investment & Leasing Private Limited			
4,00,00,000	Equity Shares of Rs. 10 each fully paid.	40.00	40.00
43,82,000	5% Non-Cumulative Redeemable Preference Shares of Rs.100/- each fully paid.	43.82	43.82
Escotrac Finance & Investments Private Limited			
4,00,00,000	Equity Shares of Rs. 10 each fully paid.	40.04	40.04
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.	48.44	48.44
The Faridabad Central Co-operative Consumers Stores Limited			
-	Equity Shares of Rs. 10 each fully paid. [Current year (Rs.4,917), Previous period (Rs.4,917)]	-	-
Drillmac Limited (in liquidation)			
20,000	Equity Shares of Rs. 10 each fully paid.	0.02	0.02
Escorts Electronics Limited (in liquidation)			
32,000	Equity Shares of Rs. 100 each fully paid.	0.32	0.32



# SCHEDULES 1 - 19 FORMING PART OF THE BALANCE SHEET AND PROFIT & LOSS ACCOUNT

## SCHEDULE 6 : INVESTMENTS (Contd.)

		30.09.2006 Rs.Crores	30.09.2005 Rs.Crores
Hughes Communications India Limited (formerly Hughes Escorts Communication Limited)			
2,074,492	Equity Shares of Rs. 10 each fully paid. (16,90,500 shares divested during the year) (Refer Note 9 (b) of Schedule 19)	2.07	3.76
Escorts Motors Limited			
1,00,000	Equity Shares of Rs. 10 each fully paid.	1.50	1.50
<b>OTHER INVESTMENTS</b>			
Idea Mobile Communications Limited (formerly Escotel Mobile Communications Limited)			
-	Zero percent Unsecured Subordinated Bond (Refer Note 2 (b) of Schedule 3)	175.74	175.74
Unit Trust of India			
1.830	Units under Venture Capital Unit Scheme - 1990 (VECAUS - II) of Rs. 100 each fully paid.	0.02	0.02
Credit Capital Finance Corporation Limited			
100	Equity Shares of Rs. 10 each fully paid. [Current year (Rs.1,000), Previous period (Rs.1,000)]	-	-
		<b>528.99</b>	<b>686.48</b>
Less : Provision for diminution in value of Investments in :			
Escorts Electronics Limited (in liquidation)		(0.32)	(0.32)
Drillmac Limited (in liquidation)		(0.02)	(0.02)
Esconet Services Limited		-	(60.43)
Idea Mobile Communications Limited		(57.86)	(57.86)
Escorts Telecommunications Limited		-	(42.00)
Escosoft Technologies Limited		-	(15.05)
Escorts Automotives Limited		(13.66)	(13.66)
Escorts Telecom Services Limited		-	(0.05)
Escorts Healthcare Services Limited		-	(0.05)
Escorts Finance Limited		(0.89)	-
<b>Total</b>		<b>456.24</b>	<b>497.04</b>

### NOTES :

#### 1. Quoted Investments :

Book Value	4.12	4.12
Market Value	3.95	5.27

#### 2. Unquoted Investments

At cost	524.87	682.36
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3. Other than the provision made in respect of permanent diminution in value of investments, there is no investment, which in the opinion of the management has suffered a diminution other than temporary in nature.

4. The following investments have been pledged to secure loans for the Company

- 20,61,992 shares of Hughes Communications India Limited are being held by UTI Bank Limited as security for the financial assistance availed by the Company. (Refer Note 9 (b) of Schedule 19)
- Bonds of Idea Mobile Communications Limited provided as security to UTI Bank Limited for loan assistance. Refer Note 8(b) of Schedule 19.

## ESCORTS LIMITED

### SCHEDULES 1 - 19 FORMING PART OF THE BALANCE SHEET AND PROFIT & LOSS ACCOUNT SCHEDULE 7 : CURRENT ASSETS

	30.09.2006 Rs.Crores	30.09.2005 Rs.Crores
<b>Interest accrued on Investments and Deposits</b>	<b>0.31</b>	<b>0.12</b>
<b>Stocks ( as taken, valued and certified by the Management )</b>		
Raw Material and Components	101.36	85.80
Finished & Trading Goods	39.61	23.68
Work-in-Progress	13.55	4.93
Stores and Machinery Spares	9.18	7.54
Loose Tools	10.76	10.40
	<b>174.46</b>	<b>132.35</b>
Less : Provision for obsolescence of inventory	1.97	6.41
	<b>172.49</b>	<b>125.94</b>
<b>Sundry Debtors*</b>		
Debts outstanding for over six months		
Secured	0.74	1.70
Unsecured - Considered Good	46.68	11.17
- Considered Doubtful	9.47	67.87
	<b>56.89</b>	<b>80.74</b>
Less : Provision for doubtful debts	9.47	67.87
	<b>47.42</b>	<b>12.87</b>
Other Debts		
Secured	2.59	1.86
Unsecured - Considered Good	242.74	162.11
	<b>245.33</b>	<b>163.97</b>
	<b>292.75</b>	<b>176.84</b>
<b>Cash &amp; Bank Balances</b>		
Cash in hand	0.60	0.47
Cheques in hand and in transit	0.04	5.32
<b>Banks :</b>		
On Current/Cash Credit accounts with Scheduled Banks	23.50	33.14
Held in Escrow Account (Refer Note 7(a) of Schedule 19)	85.08	85.08
On Short term/Fixed Deposit with Scheduled Banks		
- Pledged with various authorities and banks	24.99	14.50
(Refer Note 8(b) of Schedule 19)		
- Others (Refer Note 1 of Schedule 4)	81.50	10.00
In Post Office Savings Bank Accounts	0.01	0.01
	<b>215.72</b>	<b>148.52</b>
<b>Total</b>	<b>681.27</b>	<b>451.42</b>
* Dues from Susidiary Companies	94.11	71.30



# **SCHEDULES 1 - 19 FORMING PART OF THE BALANCE SHEET AND PROFIT & LOSS ACCOUNT**

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

	30.09.2006 Rs.Crores		30.09.2005 Rs.Crores
<b>Loans :</b>			
Unsecured - Considered Good	71.22		71.60
- Considered Doubtful	0.07		13.41
	71.29		85.01
Less : Provision for doubtful Loan	0.07	71.22	13.41
			71.60
<b>Inter - Corporate Deposits :</b>			
Unsecured - Considered Doubtful	-		0.51
	-		0.51
Less : Provision for doubtful Inter - Corporate Deposits	-	-	0.51
			-
<b>Advances recoverable in cash or in kind or for value to be received :</b>			
Unsecured - Considered Good	121.56		97.42
- Considered Doubtful	45.43		178.90
	166.99		276.32
Less : Provision for doubtful Advances	45.43	121.56	178.90
			97.42
<b>Deposits :</b>			
Deposits - Considered Good	6.66		6.03
- Considered Doubtful	0.07		0.07
	6.73		6.10
Less : Provision for doubtful Deposits	0.07	6.66	0.07
			6.03
<b>Total</b>	<b>199.44</b>		<b>175.05</b>

### **Notes :**

(Rs.Crores)

	On account of loans/ advances as on 30.09.2006	Maximum balance outstanding at any time during the year	On account of loans/ advances as on 30.09.2005	Maximum balance outstanding at any time during the period
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#### **1. Balance due from :**

##### **Companies under the same management**

Escorts Finance Limited	-	-	6.44	10.59
(ceased to be company under the same management w.e.f. 26th Dec. 2005)				

##### **Subsidiary Companies**

Escosoft Technologies Limited	-	-	5.92	6.03
(ceased to be subsidiary w.e.f 31st March 2006)				
Esconet Services Limited	-	-	5.06	5.89
(ceased to be subsidiary w.e.f 31st March 2006)				
Escorts Automotives Limited	84.88	84.88	82.62	82.63
Escorts Telecommunications Limited	-	-	142.62	142.62
(ceased to be subsidiary w.e.f 28th June 2006)				
Escorts Construction Equipment Limited	-	0.58	0.06	0.18
Escorts Securities Limited	0.78	0.78	0.76	0.88
Escorts Assets Management Limited	0.01	0.01	0.01	0.08
Cellnext Solutions Limited	3.23	3.23	0.27	0.27
iServ India Solutions Private Limited	-	-	0.13	0.13
(ceased to be subsidiary w.e.f 31st March 2006)				
Automatrix India Private Limited	-	-	-	-
(ceased to be subsidiary w.e.f 31st March 2006)				
Escotoonz Entertainment Pvt. Ltd	0.89	0.89	0.58	0.58
Escorts Hospital & Research Centre Limited	-	-	-	0.22
(ceased to be subsidiary w.e.f 25th September 2005)				
Escorts Heart Institute & Research Centre Limited	-	-	-	0.71
(ceased to be subsidiary w.e.f 25th September 2005)				

# ESCORTS LIMITED

## SCHEDULES 1 - 19 FORMING PART OF THE BALANCE SHEET AND PROFIT & LOSS ACCOUNT

### SCHEDULE 9 : CURRENT LIABILITIES & PROVISIONS

		30.09.2006 Rs.Crores		30.09.2005 Rs.Crores
<b>CURRENT LIABILITIES</b>				
Acceptances		54.08		55.71
Sundry Creditors				
SSI Undertakings	66.40		16.12	
Others	347.28	413.68	200.24	216.36
Advance Payments				
Others		14.35		36.47
Advance against Share Warrants		3.03		-
Subsidiary Company		4.76		-
Liability towards Investors Education and Protection Fund under Section 205C of the Companies Act, 1956 will be determined on the respective due dates				
i) Unpaid Dividends	0.83		1.21	
ii) Unpaid Matured Deposits	6.90		15.54	
iii) Unpaid Matured Debentures	0.39		0.75	
iv) Unpaid Matured Secured Premium Notes	0.07		0.10	
v) Interest accrued on (i) to (iv) above	0.97	9.16	0.11	17.71
Other Liabilities		41.60		15.80
Interest accrued but not due on loans & FDRs		5.92		9.89
		546.58		351.94
<b>PROVISIONS</b>				
Leave Encashment		8.05		7.52
Gratuity		31.37		12.37
Superannuation		32.88		37.39
Fringe Benefit Tax	2.58			
Less : Fringe Benefit Tax Deposit	1.42	1.16		-
Taxation	324.49		315.05	
Less : Advance Income Tax	235.60	88.89	269.87	45.18
		162.35		102.46
<b>Total</b>		<b>708.93</b>		<b>454.40</b>
<b>Notes :</b>				
1. Estimated amounts of contracts remaining to be executed on capital account and not provided for		14.53		5.00
2. * Claims not acknowledged as debts		7.64		2.99
3. There is a Contingent liability of :				
* (a) Excise duty/ Customs duty demands not acknowledged as liability		113.13		32.54
* (b) ESI additional demand not acknowledged as liability		17.97		11.96
* (c) Sales Tax demand not acknowledged as liability		3.47		0.81
* (d) Pending Legal Cases - Personnel		2.99		3.43
* (e) Demand raised by Faridabad Municipal Corporation for external development charges where the Company is in litigation		2.38		2.38
(f) Bills discounted with Banks/Financial Institutions		16.25		31.71
(g) Guarantees executed in favour of Customs/Excise Authorities		9.82		9.33
@ (h) i) Demand raised by Income Tax Department, disputed by the Company and appealed against		36.10		44.86
ii) Others		-		0.84
Gross		202.11		137.86
Net of Tax		134.08		87.41



## SCHEDULES 1 - 19 FORMING PART OF THE BALANCE SHEET AND PROFIT & LOSS ACCOUNT

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

#### Notes:

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

@ For the Assessment Year 2003-04, an additional demand of Rs 36.10 crores, has been raised by the Income Tax Department.

The appeal is pending before the CIT Appeals.

According to the Company, the demand shall not survive after the appeals, since it is highly contentious and debatable.

4. 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.22.00 crores and to Technology Information Forecasting and Assessment Council of India (TIFAC) for Rs. 2.31 crores, to Canara Bank for Rs. 0.75 crores and to SIDBI for Rs 2.00 crores for credit facilities. The value of guarantees actually utilised as on 30.09.2006 was Rs.23.44 crores.
5. The Company has given a guarantee on behalf of Escotoonz Entertainment Private Limited to Rajasthan Asset Management Company Private Limited (RAMC) for Rs. 2.00 crores for venture capital assistance. The value of guarantee actually utilised as on 30.09.2006 was Rs 2.00 crores.
6. Vide an agreement dated 15th January 2004 between Escotel Mobile Communications Limited (EMCL) and the Company, contingent liability amounting to Rs 17.00 crores on account of sales tax, service tax, excise duty, DoT claims, consumer court cases and Stamp Duty exists. In the event of any such claims being crystallized, the amount can be set off from the redemption proceeds of Bonds of Idea Mobile Communications Limited.
7. The tax authorities had raised a demand of tax amounting to Rs 52.33 crores and interest thereon amounting to Rs 29.16 crores on EHIRCL (the Subsidiary Company that was sold in the previous year). The demand was disputed by EHIRCL and is under appeal. The Company (EL) has undertaken vide the sale agreement dated 25th September, 2005 to indemnify the purchaser to the extent of Rs 65.00 crores plus one-third of any amount in excess of Rs.65.00 crores, in case the appeal is decided against EHIRCL.
8. Included in SSI Undertakings, an amount of Rs. 46.86 crores pertaining to dues of SSI Undertakings which are outstanding for more than 30 days as at September 30, 2006. The names of such SSI Undertakings are given in Annexure - II to Schedule 19.
9. During the year, the Company has issued 36,11,610 share warrants to Har Parshad and Company Private Limited, a Promoter Group Company, as approved by the shareholders in the Annual General Meeting held on 31st March, 2006. These warrants were issued at a price of Rs.83.79 each and are convertible into equal number of Equity Shares of the face value of Rs.10.00 each at a premium of Rs.73.79 per share within 18 months from the date of allotment (i.e., 31.03.2006). Equity Shares issued upon conversion shall remain under "lock-in" for a period of 3 years with effect from the date of allotment of such warrants.



## ESCORTS LIMITED

### SCHEDULES 1 - 19 FORMING PART OF THE BALANCE SHEET AND PROFIT & LOSS ACCOUNT

#### SCHEDULE 10 : BUSINESS INCOME

	Year ended 30.09.2006 Rs. Crores (12 Months)	Period ended 30.09.2005 Rs. Crores (15 Months)
Commission *	0.35	0.53
Erection & Servicing	2.04	1.76
Surplus on Sale of Assets (Net)	0.14	6.30
Export Incentives	5.65	-
Scrap Sale	2.76	2.31
Unclaimed Balances written back	0.01	0.37
Provisions no longer required written back	11.15	3.05
Foreign Exchange Variation (Net)	3.98	-
Others *	11.03	11.49
(includes rent and other recovery of services from Group Companies)		
<b>Total</b>	<b>37.11</b>	<b>25.81</b>
 * Income Tax deducted at source	 0.36	 0.51

#### SCHEDULE 11: INCOME FROM INVESTMENTS

	Year ended 30.09.2006 Rs. Crores (12 Months)	Period ended 30.09.2005 Rs. Crores (15 Months)
Dividends		
Long Term Investments		
Other than Trade Investments	0.01	0.19
Surplus on Sale of Investments		
Non -Trade		
Long Term Investments	94.92	505.54
<b>Total</b>	<b>94.93</b>	<b>505.73</b>



# SCHEDULES 1 - 19 FORMING PART OF THE BALANCE SHEET AND PROFIT & LOSS ACCOUNT

## SCHEDULE 12: MATERIAL, MANUFACTURING AND OPERATING EXPENSES

	Year ended 30.09.2006 Rs. Crores (12 Months)		Period ended 30.09.2005 Rs. Crores (15 Months)	
A. Raw Material & Components Consumed *				
Opening Stock	85.80		72.60	
Add : Purchases	1,229.37		848.15	
	1,315.17		920.75	
Less : Closing Stock	101.36	1,213.81	85.80	834.95
* (Net of Duty Draw Back)				
B. Finished & Trading Goods and Work-in-progress consumed				
Opening Stock				
Finished & Trading Goods	23.68		24.07	
Work -in- Progress	4.93		7.59	
	28.61		31.66	
Add : Purchases	81.11		59.82	
	109.72		91.48	
Less: Closing Stock				
Finished & Trading Goods	39.61		23.68	
Work -in- Progress	13.55	56.56	4.93	62.87
Material Consumed	1,270.37		897.82	
Excise duty on increase/(decrease) in stock of finished goods	-		(0.31)	
Stores, Spares and Tools	23.53		19.67	
Power and Fuel	28.88		25.51	
Repairs to Building	3.90		3.45	
Repairs to Machinery	11.27		9.74	
Water	0.02		0.01	
<b>Total</b>	<b>1,337.97</b>		<b>955.89</b>	

### Notes :

	Year ended 30.09.2006 Rs. Crores (12 Months)		Period ended 30.09.2005 Rs. Crores (15 Months)	

### NOTES :

1. Company's own manufactured spare parts have been classified under trading goods.

2. Consumption includes : Adjustment for previous year.

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## ESCORTS LIMITED

### Schedules 1 - 19 forming part of the Balance Sheet and Profit & Loss Account

#### SCHEDULE 13: PERSONNEL

	Year ended 30.09.2006 Rs. Crores (12 Months)	Period ended 30.09.2005 Rs. Crores (15 Months)
Salary, Wages and Bonus	116.73	135.63
Contribution to Gratuity Fund	5.13	7.74
Contribution to Provident Fund and other Funds	9.19	12.59
Staff Welfare Expenses	27.65	29.83
<b>Total</b>	<b>158.70</b>	<b>185.79</b>

#### SCHEDULE 14: SALES AND ADMINISTRATION EXPENSES

	Year ended 30.09.2006 Rs. Crores (12 Months)	Period ended 30.09.2005 Rs. Crores (15 Months)
Erection & Servicing	0.12	0.16
Warranties	6.14	5.64
Rent (Net)	3.40	4.50
Rates and Taxes	1.51	1.27
Insurance	3.91	5.59
Travelling & Conveyance	14.57	16.74
Printing & Stationery	1.74	2.09
Postage, Telegrams and Telephones	4.37	5.15
Repairs and Maintenance	8.35	6.30
Audit Fee & Legal Expenses	8.00	7.62
Entertainment	0.42	0.50
Commission, Discount and Brokerage	39.18	32.23
Advertisement	18.90	15.79
Royalty	5.95	4.58
Packing, Freight & Forwarding	48.64	36.35
Sales & Purchase Tax	3.46	2.87
Directors Fee & Commission	0.07	0.04
General	8.39	11.48
Foreign Exchange Variation (Net)	-	4.45
<b>Total</b>	<b>177.12</b>	<b>163.35</b>

#### NOTES :

	Year ended 30.09.2006 Rs. Crores (12 Months)	Period ended 30.09.2005 Rs. Crores (15 Months)
1. Audit Fee and Legal Expenses include payments/provisions to Auditors of :		
(a) Audit Fee	0.28	0.28
(b) Tax Audit Fee	0.08	0.08
(c) In other capacity		
Limited review of half yearly results	0.15	0.19
Certification and other services	0.08	0.08
(d) Service tax	0.06	0.06
(e) Out of pocket expenses	0.02	0.02
2. Cost Audit Fee	0.01	0.02
3. General expenses include Charity & Donation	-	0.10



## SCHEDULES 1 - 19 FORMING PART OF THE BALANCE SHEET AND PROFIT & LOSS ACCOUNT

### SCHEDULE 15: INTEREST

	Year ended 30.09.2006 Rs. Crores (12 Months)	Period ended 30.09.2005 Rs. Crores (15 Months)
Interest cost related to :		
Fixed Period Loans and Debentures	50.97	102.67
Others	29.02	46.71
		149.38
Less : Interest Income *		
On Loans to Group Companies	5.58	6.04
Others ( includes interest on income tax refunds, housing loans to employees and dealer overdues etc.)	5.26	1.55
		7.59
<b>Total</b>	<b>69.15</b>	<b>141.79</b>

\* Income tax deducted at source **3.36** 0.30

### SCHEDULE 16: AMORTISATION OF MISCELLANEOUS EXPENDITURE

	Year ended 30.09.2006 Rs. Crores (12 Months)	Period ended 30.09.2005 Rs. Crores (15 Months)
Voluntary Retirement Scheme	3.90	4.95
Miscellaneous Expenditure written-off	3.60	4.14
<b>Total</b>	<b>7.50</b>	<b>9.09</b>

### SCHEDULE 17: EXCEPTIONAL ITEMS

	Year ended 30.09.2006 Rs. Crores (12 Months)	Period ended 30.09.2005 Rs. Crores (15 Months)
Provision for diminution in value of investments	0.89	137.06
Bad Debts written off	1.51	-
Provision for Doubtful Debts	1.54	49.64
Provision for Doubtful Advances	1.00	35.75
Provisions for Doubtful Loans & Deposits	0.30	9.84
Provision for Obsolescence of Inventory	0.37	4.05
Provision for Gratuity *	13.24	-
Provision for Leave Salary *	9.09	-
Loss on Sale of Investments	8.87	-
Settlement Cost (Refer Note 9 (b) of Schedule 19)	4.09	-
Amounts written off	1.94	13.35
Less: Provision created in earlier years	0.26	6.67
		6.68
<b>Total</b>	<b>42.58</b>	<b>243.02</b>

\* The Company has reached a settlement with its Employees Union leading to revision in the employees' wages and wage structure effective 1st August 2006. As a result of the settlement, the Company has provided for additional liability on account of Gratuity & Leave Salary based on actuarial valuation for past period of service.

## SCHEDULES 1 - 19 FORMING PART OF THE BALANCE SHEET AND PROFIT & LOSS ACCOUNT

### SCHEDULE 18 : 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 & AMORTISATION

##### i) Tangible

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

##### Depreciation & Amortisation

- a. Depreciation on Plant and Machinery is provided on Straight Line Method.
- b. 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.
- c. The depreciation on assets acquired/ sold/discarded/demolished during the year is provided from/upto the month the asset is commissioned/sold or discarded.
- d. Leasehold Improvements are written off over a period of six years or lease period, whichever is less.

##### ii) Intangible

In accordance with AS 26- Intangible Assets are valued at cost less accumulated amortisation and any impairment losses.

- a. Prototypes including work-in-progress developed during Research and Development and advances given for tooling are written off over a period of four years.
- b. Technical know-how fee and expenditure on major Software products is written off over a period of six years.

Impairment in fixed assets, if any, is recognised in books of accounts in the financial year concerned as per Accounting Standard 28- Impairment of Assets' issued by Institute of Chartered Accountants of India.

#### 3. INVENTORY VALUATION

- a. Raw Material and Components, Stores and Machinery Spares are stated at lower of cost and net realisable value.
- b. Loose Tools are stated at cost.
- c. Work in Progress, Finished and Trading Goods/Spare Parts are stated at lower of cost and net realisable value.
- d. 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.
- e. 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

- a. The liability on account of Gratuity is provided on the basis of actuarial valuation at the year-end.
- b. The Superannuation Scheme has been discontinued w.e.f. 1st November, 2005. Prior to that the liability was provided on the basis of actuarial valuation at the year-end.
- c. The provision in accounts for leave encashment benefit to employees is based on actuarial valuation at the year-end.

#### 5. FOREIGN EXCHANGE FLUCTUATION

- a. 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.
- b. 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.
- c. 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.



## **SCHEDULES 1 - 19 FORMING PART OF THE BALANCE SHEET AND PROFIT & LOSS ACCOUNT**

### **SCHEDULE 18 : SIGNIFICANT ACCOUNTING POLICIES (Contd.)**

#### **6. 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.

#### **7. REVENUE RECOGNITION**

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

#### **8. 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.

#### **9. DEFERRED REVENUE EXPENDITURE**

- i. Development expenditure represents Project related development expenditure/ business process re-engineering consultancy and market research. Such expenditure is written off over a period of six years.
- ii. Payment under Voluntary Retirement Scheme to the direct / indirect employees is written off over a period of five years.
- iii. Upfront & Structuring fees are written off during the term of the respective loan.

#### **10. 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.

#### **11. PROVISIONS, CONTINGENT LIABILITIES AND CONTINGENT ASSETS**

Provisions are recognised for liabilities that can be measured only by using a substantial degree of estimation, if

- a) the Company has a present obligation as a result of past event,
- b) a probable outflow of resources is expected to settle the obligation and
- c) the amount of obligation can be reliably estimated.

Reimbursements expected in respect of expenditure required to settle a provision is recognised only when it is virtually certain that the reimbursement will be received.

Contingent liability is disclosed in the case of

- a) a present obligation arising from the past event, when it is not probable that an outflow of resources will be required to settle the obligation.
- b) a possible obligation, unless the probability of outflow of resources is remote.

Provisions, Contingent Liabilities are reviewed at each Balance Sheet date.

# ESCORTS LIMITED

## SCHEDULES 1 - 19 FORMING PART OF THE BALANCE SHEET AND PROFIT & LOSS ACCOUNT

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

		2005-2006 Rs.Crores		2004-2005 Rs.Crores
1	Computation of Net Profit in accordance with Section 198 of the Companies Act, 1956 for calculation of Managerial Remuneration			
	Profit/ (Loss) as per Profit & Loss Account	34.44		31.02
	Add : Directors remuneration including Perquisites	-		0.52
	Directors Sitting Fee	0.07		0.04
		34.51		31.58
	Less :			
	Profit/ (Loss) on Sale/ Provision for diminution in the value of Investments, Loans & Advances to Group Companies	85.16	333.00	
	Profit/(Loss) on Sale of Other Investments (net)	-	0.03	
	Profit/(Loss) on Sale of Assets	0.14	6.30	339.33
	Net Profit/(Loss) for section 198 of the Companies Act, 1956	(50.79)		(307.75)
	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.	-		0.52
2	Payments made to Directors :			
	(a) Salaries	-		0.52
	(b) Commission	-		-
	(c) Other perquisites	-		-
	(d) Directors' sitting Fee	0.07		0.04
3	(a) Expenses pertaining to previous years :			
	Personnel	0.02		-
	Sales and Administration	0.09		7.13
	Operating	0.01		0.02
	Interest	0.00		3.65
	(b) Income relating to previous year			
	Commission	-		0.09
4	Miscellaneous expenditure(to the extent not written off or adjusted) represents :-			
	(a) Development expenditure	2.56	4.14	
	Add : Additions during the year	0.48	1.08	
	Less : Written off during the year	1.05	2.66	2.56
	(b) Payments under Voluntary Retirement Scheme	7.78	10.66	
	Add : Additions during the year	2.25	2.07	
	Less : Written off during the year	3.90	4.95	7.78
	(c) Upfront Fee	8.50	0.24	
	Add : Additions during the year	2.38	9.75	
	Less : Written off during the year	2.55	1.49	8.50
		16.45		18.84
		In Rupees		In Rupees
5	Profit & Loss account of Agricultural business is as follows :			
	Opening Stock	-		30,000.00
	Expenses	305,357.00		602,074.00
	Sales and Other Income	294,063.00		334,658.00
	Closing Stock	-		-
	Net Profit/(Loss)	(11,294.00)		(297,416.00)



## SCHEDULES 1 - 19 FORMING PART OF THE BALANCE SHEET AND PROFIT & LOSS ACCOUNT

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

6 The Company has taken endowment / key-man insurance policies on the life of its Senior Executives including the Managing Director. Some of these policies have been assigned to the executives and Managing Director. 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.

7 a) During the year 2004-05, the Company sold its entire share holding in Escorts Heart Institute & Research Centre Limited (EHIRCL) for consideration of Rs 520.00 crores vide Sale Purchase Agreement dated 25th September, 2005. The sale proceeds have been received, excepting for Rs 85.08 crores which were retained in an Escrow Account, awaiting fulfilment of certain conditions. The Hon'ble Delhi High Court has ordered status quo, on a petition filed in this matter. The Company has recognised the sale in previous period Accounts and has also obtained legal opinion, which has advised that there is no adverse effect on the sale transaction, in view of the High Court Order. The matter is in advanced stages of adjudication.

7 b) During the year, the Company has sold its entire share holding in Esconet Services Limited and Escosoft Technologies Limited for total consideration of Rs.20000 each, vide Sale Purchase Agreements dated 31st March 2006. The sale proceeds have been received and Net loss of Rs. 8.87 Crores from divestment is shown in Schedule 17 'Exceptional Items'.

7 c) During the year, the Company sold its entire share holding in Carraro India Limited for a total consideration of Rs 114.52 Crores. The sale proceeds have been received and net profit of Rs. 94.92 Crores from divestment is shown in Schedule 11 'Income from Investments'.

7 d) The Company has proposed a scheme of Compromise & Arrangement with the Fixed Deposit holders and Secured Creditors of Escorts Finance Ltd (EFL), an Escorts Group Company under the provisions of Section 391 of the Companies Act, 1956. With a view to preserve its present value, reputation and image and on request of Board of Directors of EFL, Escorts Ltd (EL) proposes to grant under the Scheme liquidity options to all the fixed deposit holders in the form of either Equity Shares or Fully Convertible Unsecured Debentures of EL equivalent to 75% of the Fixed Deposit value, as described in the Scheme. EL may also assume liabilities of EFL towards Secured Creditors as a part of the Scheme such that EL shall realise the assets pledged by EFL to its secured creditors and settle their outstanding against EFL on effective date from the amount so realised to the extent of the amount so realised. EFL shall treat EL as Secured Creditors for 75% of Fixed Deposit Value and assign part of its Loans & Advances and part of Stock on hire in consideration for assuming liabilities of EFL.

The Shareholders, Secured Creditors and Unsecured Creditors of EL & Fixed Deposit holders & Secured Creditors of EFL have already approved the Scheme with requisite majority at the Court Convened Meetings held for this purpose on 5th May, 2006 & 10th May, 2006 respectively.

The petition made by the Company for the approval is pending before the Hon'ble High Court of Delhi. The impact on Accounts of the company, will be considered in the year in which the scheme is approved by the Hon'ble Delhi High Court.

8 a) The Company had entered into an agreement on the 15th of January, 2004, to divest its entire holding of equity in the telecom subsidiary Companies i.e Escotel Mobile Communications Limited (EMCL) and Escorts Telecommunications Limited (ETL). The sale transaction in case of EMCL was completed on 10th June, 2004 and the ETL transaction has been completed on 28th June, 2006. The net loss of Rs.177.61 crores arising on account of the loss of investment as well as towards loans given to the above two mentioned subsidiaries, was provided during the previous period. The loss was after taking into account the gain of Rs. 88.11 crores arising from the assignment of the shareholders' subordinated debt by the joint venture partner in favour of Escorts Limited. The consequential aggregate shareholders' subordinated debt of Rs. 175.74 crores is redeemable in January, 2014. However, the borrower EMCL has an option of early redemption at a discount rate of 10.50% per annum and the Company has a put option in January 2010. This Subordinated Debt (Bond) of Rs 175.74 crores is included in 'Investments' (Schedule 6) The difference between the book value of Rs 175.74 and the realisable value (NPV) of Rs.117.87 crores in January 2010 was provided during 2004-05.

8 b) The Company has assigned the above referred Bond of Idea Mobile Communication Limited (Idea) to UTI Bank Ltd. (Bank) to avail financial assistance. Idea has a call option exercisable at any time. On payment by Idea to the Bank, the Company will receive any surplus after deducting dues to Bank on account of loan amount, contingent liabilities to the extent set off by Idea and any outstanding interest / penal interest and charges. The Bank has also retained a cash margin whose book value of Rs 6.31 crore is included in 'Fixed deposits with Scheduled Banks (pledged)' in Schedule 7 'Current Assets'.

9 a) 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 Ltd (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 had given an assurance to HNS and ICICI of a minimum return compounded annually for a period of four years. Subsequent to 31st March 2004, the Company has in terms of earlier



## ESCORTS LIMITED

### SCHEDULES 1 - 19 FORMING PART OF THE BALANCE SHEET AND PROFIT & LOSS ACCOUNT

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

agreement agreed to purchase the 49% holding in EML from ICICI and had advanced Rs 68 crores out of which Rs 31.25 crores has been provided as diminution in the value of proposed investment, being the differential in excess of the original investment made by ICICI. The transfer of the shares in favour of the Company is awaited pending final settlement with ICICI. The amount of Rs 68 crores remains grouped under 'Advances recoverable in cash or kind' in Schedule 8 'Loans & Advances'.

- 9b) Pursuant to Settlement Agreement dated 14th September, 2006 between HNS and Escorts Limited, the Company agreed to pay a settlement amount of Rs.10.60 crores. During the year Company has paid Rs. 2.40 crores in cash and the balance of Rs. 8.20 crores by transfer of 16,90,500 Equity Shares of HECL (now Hughes Communications India Limited) of face value Rs. 10.00 each amounting to Rs.1.69 crores (Estimated Market Value of Rs. 8.20 crores). The amount of Rs. 4.09 crores has been shown as Settlement Cost in Schedule 17 'Exceptional Items'.

#### 10 Deferred Tax

The Deferred Tax Assets (Net) as at 30th September,2006 comprise of the following :

(Rs. Crores)

Particulars	Deferred tax assets (liabilities) as at 01.10.2005	(Charge) / credit during the year	Deferred tax assets/ (liabilities) as at 30.09.2006
Depreciation	(69.47)	5.10	(64.37)
Deferred revenue expenditure	(1.99)	4.04	2.05
Disallowance u/s 43B	22.14	(4.66)	17.48
Provision for Doubtful Debts	123.58	(81.05)	42.53
Long Term Capital Loss	-	14.50	14.50
Unabsorbed loss	4.37	59.84	64.21
Total	78.63	(2.23)	76.40

- 11 Debtors and creditors are under the process of review and reconciliation. Adjustment, if any, arising out of this will be accounted for in the next financial year.
- 12 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 given hereunder:

#### (i) Subsidiary Companies

##### Domestic

Escorts Construction Equipment Limited  
Escorts Automotives Limited  
Escorts Securities Limited  
Cellnext Solutions Limited  
Escotoonz Entertainment Private Limited  
Escorts Asset Management Limited  
Escorts Healthcare Services Limited \*\*\*  
Escorts Telecom Services Limited \*\*\*

( \* subsidiaries upto 28th June 2006)

( \*\* subsidiaries upto 31st March 2006)

( \*\*\* Liquidated w.e.f. 21st March 2006)

( \*\*\*\* subsidiaries upto 27th December 2005)

Escorts Telecommunications Limited \*  
Esconet Services Limited \*\*  
iServ India Solutions Private Limited \*\*  
Automatrix India Private Limited \*\*  
Escosoft Technologies Limited \*\*  
CA Escosoft Ltd \*\*  
IFS Solutions India Pvt Limited \*\*\*\*

##### Overseas

Escorts Agri Machinery Inc.  
Beaver Creeks Holdings LLC  
Farmtrac Escorts Europe Sp. Z.o.o  
Farmtrac North America LLC, USA  
(formerly Long Agri Business LLC, USA)

( \* subsidiaries upto 31st March 2006)

Esoft (Mauritus) Holdings Limited \*  
Escosoft Technologies (UK) Private Limited \*  
Escosoft Technologies (USA) Limited \*  
Escosoft Singapore Pte. Limited \*



## SCHEDULES 1 - 19 FORMING PART OF THE BALANCE SHEET AND PROFIT & LOSS ACCOUNT

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

#### (ii) Joint Ventures and Associates

##### Domestic

Carraro India Limited *	Escorts Motors Limited
Hughes Communications India Limited	Escorts Consumer Credit Ltd
Escotrac Finance & Investment Private Limited	
Escorts Finance Investment & Leasing Private Limited	
(* Joint Venture upto 25 September 2006)	

#### (iii) Key Management personnel (whole-time directors)

Mr. Rajan Nanda  
Mr. Nikhil Nanda

#### (iv) Others

Har Parshad & Company Pvt. Ltd.

#### (v) Related Party transactions - Refer Annexure I

13	Earnings per Share	Year Ended 2005-06	Period Ended 2004-05
	(a) Net Profit after Tax (Rs. Crores)	19.00	39.09
	(b) Total number of Equity Shares for Basic EPS	72,232,240	72,232,240
	(c) Total number of Equity Shares for Diluted EPS	72,232,240	72,232,240
	(d) Basic Earning per Share (In Rupees)	2.63	5.41
	(e) Diluted Earning per Share (in Rupees)	2.63	5.41

- 14 The Company gives warranties on certain products and undertakes to repair or replace them if they fail to perform satisfactorily during the warranty period which is 12 months or 1500 hours usage whichever is earlier. An amount of Rs 2.18 crores has been provided during the year ended 30th September, 2006. Such provision represents the amount of expected cost of meeting the obligations of such rectification/replacement. The timing of the outflows is expected to be within a period of one year.
- 15 The list of Small Scale Industrial Undertakings (SSI) to whom the Company owes any sum which is outstanding for more than 30 days during the current year are given in Annexure - II.
- 16 Clause 32 disclosure - Details as per Annexure - III.
- 17 Accounting for Leases (AS-19). Details as per Annexure - IV.
- 18 Figures have been rounded off to the nearest lac rupees. Current accounting year is for 12 months from October 1, 2005 to September 30, 2006 whereas the previous accounting year was for 15 months. Therefore the figures of the previous period are not comparable with that of the current year.

# ESCORTS LIMITED

## SCHEDULES 1 - 19 FORMING PART OF THE BALANCE SHEET AND PROFIT & LOSS ACCOUNT

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

#### TRANSACTIONS WITH SUBSIDIARIES

Nature of Transactions	Escorts Automotives Ltd.	Escorts Construction Equipment Ltd.	I-Serve	Escosoft Technologies	Esconet Services Ltd.	Cellnext Solutions Ltd.	Escorts Securities Ltd
<b>Sale of goods</b>	-	13.80	-	-	-	-	-
	0.00	(13.14)	0.00	0.00	0.00	0.00	0.00
<b>Rendering of services (Income) (excl.tpt)</b>	0.02	1.01	-	-	-	0.04	0.02
	(0.05)	(1.15)	0.00	0.00	0.00	(0.01)	(0.04)
<b>Rent Income</b>	-	0.65	-	-	-	-	-
	0.00	(0.81)	0.00	0.00	0.00	0.00	0.00
<b>Interest income</b>	5.41	-	-	0.01	-	-	-
	(5.53)	0.00	0.00	(0.45)	0.00	0.00	0.00
<b>Receiving of services</b>	-	-	-	-	-	0.01	-
	0.00	0.00	0.00	(0.44)	0.00	0.00	0.00
<b>Expenses recovery</b>	-	-	-	-	-	-	-
	0.00	0.00	0.00	0.00	0.00	0.00	0.00
<b>Purchases of goods</b>	-	3.12	-	-	-	-	-
	0.00	0.00	0.00	0.00	0.00	0.00	0.00
<b>Financial transactions ( pls specify)</b>							
a) Interest expense	-	-	-	-	-	-	-
	0.00	0.00	0.00	0.00	0.00	0.00	0.00
b) Discounting charges paid	-	-	-	-	-	-	-
	0.00	(1.47)	0.00	0.00	0.00	0.00	0.00
<b>Investments</b>							
Balance as at 1st Oct 2005	23.66	71.00	-	15.05	69.30	-	1.20
	(23.66)	(70.81)	0.00	(15.05)	(69.30)	0.00	(1.20)
Additions during the year	-	-	-	-	-	5.25	-
	0.00	(0.19)	0.00	0.00	0.00	0.00	0.00
Reductions during the year	-	-	-	15.05	69.30	-	-
	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Balance as at 30 Sept 2006	23.66	71.00	-	-	-	5.25	1.20
	(23.66)	(71.00)	0.00	(15.05)	(69.30)	0.00	(1.20)
<b>Advances Given (incl Running accounts)</b>							
Balance as at 1st Oct 2005	14.22	0.03	0.13	5.92	5.06	0.27	0.76
	(8.69)	(0.02)	(0.03)	(2.75)	(5.90)	(0.06)	(0.86)
Additions during the year	9.11	1.74	2.00	0.25	-	3.38	0.09
	(5.71)	(0.44)	(0.16)	(4.10)	(0.00)	(0.48)	(0.04)
Reductions during the year	6.85	6.23	0.13	6.17	5.06	0.40	0.07
	(0.18)	(0.42)	(0.01)	(0.94)	(0.84)	(0.27)	(0.14)
Balance as at 30 Sept 2006	16.48	-4.45	2.00	-	-	3.24	0.78
	(14.22)	(0.03)	(0.13)	(5.92)	(5.06)	(0.27)	(0.76)
<b>Receivables / Debtors</b>							
Balance as at 1st Oct 2005	-	0.09	-	-	-	-	-
	0.00	(18.92)	0.00	0.00	0.00	0.00	0.00
Additions during the year	-	14.34	-	-	-	-	-
	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Realizations during the year	-	14.43	-	-	-	-	-
	0.00	18.83	0.00	0.00	0.00	0.00	0.00
Balance as at 30 Sept 2006	-	-	-	-	-	-	-
	0.00	(0.09)	0.00	0.00	0.00	0.00	0.00
<b>Payables</b>							
Balance as at 1st Oct 2005	-	0.00	0.03	0.00	-	-	-
	0.00	(1.78)	(0.03)	0.00	0.00	0.00	0.00
Additions during the year	-	3.12	-	-	-	0.07	-
	0.00	0.00	0.00	(0.07)	0.00	0.00	0.00
Payments made during the year	-	2.80	0.03	0.00	-	0.01	-
	0.00	(1.78)	0.00	(0.06)	0.00	0.00	0.00
Balance as at 30 Sept 2006	-	0.32	-	-	-	0.05	-
	0.00	(0.00)	(0.03)	(0.00)	0.00	0.00	0.00
<b>Loans / ICD Given</b>							
Balance as at 1st Oct 2005	68.41	-	-	-	-	-	-
	(68.41)	0.00	0.00	0.00	0.00	0.00	0.00
Additions during the year	-	-	-	-	-	-	-
	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Payments made during the year/Returned	-	-	-	-	-	-	-
	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Balance as at 30 Sept 2006	68.41	-	-	-	-	-	-
	(68.41)	0.00	0.00	0.00	0.00	0.00	0.00



## ESCORTS LIMITED

### SCHEDULES 1 - 19 FORMING PART OF THE BALANCE SHEET AND PROFIT & LOSS ACCOUNT

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

##### TRANSACTIONS WITH SUBSIDIARIES (Contd.)

Nature of Transactions	Escorts Automotives Ltd	Escorts Construction Equipment Ltd.	I-Serve	Escosoft Technologies	Esconet Services Ltd.	Cellnext Solutions Ltd.	Escorts Securities Ltd
<b>Borrowings/ Loans taken</b>							
Balance as at 1st Oct 2005	-	-	-	-	-	-	-
	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Additions during the year	-	-	-	-	-	-	-
	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Payments made during the year	-	-	-	-	-	-	-
	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Balance as at 30 Sept 2006	-	-	-	-	-	-	-
	0.00	0.00	0.00	0.00	0.00	0.00	0.00
	-	-	-	-	-	-	-
<b>Provisions (Debts/Loans/Advances/Deposits)</b>							
Balance as at 1st Oct 2005	13.66	-	0.13	16.91	60.43	-	-
	(13.66)	0.00	(0.13)	(16.91)	(10.04)	0.00	0.00
Additions during the year	-	-	-	-	-	-	-
	0.00	0.00	0.00	0.00	(50.39)	0.00	0.00
Payments made during the year	-	-	-	16.91	60.43	-	-
	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Balance as at 30 Sept 2006	13.66	-	0.13	-	-	-	-
	(13.66)	0.00	(0.13)	(16.91)	(60.43)	0.00	0.00
<b>Guarantees</b>	-	27.06	-	-	-	-	-
	-	(27.06)	-	(5.00)	-	-	-

**NOTE:** Figures in brackets pertain to previous period.



Annexure-I ( Contd.)

Rs. Crores

Escorts Asset Management Ltd	Escorts Telecom Service Ltd	Escorts Telecommuni-cations Ltd.	Escorts Agri-Machinery Inc.	Farmtrac Tractors Europe Sp Zoo	IFS Solutions India Pvt. Ltd.	Escorts Health Care	Farmtrac North America, LLC, USA	Escotoonz Entertainment Pvt. Ltd	Total
0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
-	-	-	-	-	-	-	-	-	0.00
0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
-	-	-	-	-	-	-	-	-	0.00
0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
-	-	-	-	-	-	-	-	-	0.00
0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
-	-	-	-	-	-	-	-	-	0.00
-	-	-	-	-	-	-	-	-	91.13
0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	(40.74)
-	-	-	-	-	-	-	-	-	0.00
0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	(50.39)
-	-	-	-	-	-	-	-	-	77.34
0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
-	-	-	-	-	-	-	-	-	13.79
0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	(91.13)
-	-	-	-	-	-	-	-	-	0.00
-	-	27.50	-	-	-	-	-	-	54.56
-	-	(27.50)	-	-	-	-	-	-	(59.56)

# ESCORTS LIMITED

## SCHEDULES 1 - 19 FORMING PART OF THE BALANCE SHEET AND PROFIT & LOSS ACCOUNT

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

Annexure-I ( Contd.)

#### TRANSACTIONS WITH JOINT VENTURES

(Rs. Crores)

Nature of Transactions	Escorts Finance Investment & Leasing Ltd.	Escotracs Finance & Investment Pvt. Ltd.	Carraro India Ltd	Escorts Motors Ltd	Hughes Communications India Ltd	Total
<b>Sale of goods</b>	-	-	0.95	-	-	0.95
	-	-	(0.60)	-	-	(0.60)
<b>Rendering of services (Income)</b>	-	-	-	-	-	-
	-	(0.01)	-	-	-	(0.01)
<b>Rent Income</b>	-	-	-	-	-	-
	-	-	-	-	(0.19)	(0.19)
<b>Interest income</b>	-	-	-	-	-	-
	-	-	-	-	-	-
<b>Receiving of services</b>	-	-	-	-	-	-
	-	-	-	-	-	-
<b>Expenses recovery</b>	-	-	-	-	-	-
	-	-	-	-	-	-
<b>Amount written back</b>	-	-	-	-	-	-
	-	-	-	-	-	-
<b>Purchases of goods</b>	-	-	46.35	-	-	46.35
	-	-	(20.56)	-	-	(20.56)
<b>Investments</b>						
Balance as at 1st Oct 2005	83.82	98.48	19.60	1.50	3.76	207.16
	(83.82)	(98.48)	(19.60)	(1.50)	(3.76)	(207.16)
Additions during the year	-	-	-	-	-	-
	-	-	-	-	-	-
Reductions during the year	-	-	19.60	-	1.69	21.29
	-	-	-	-	-	-
Balance as at 30 Sept 2006	83.82	98.48	-	1.50	2.07	185.87
	(83.82)	(98.48)	(19.60)	(1.50)	(3.76)	(207.16)
<b>Advances Given (incl Running accounts)</b>						
Balance as at 1st Oct 2005	-	0.01	-	0.02	0.07	0.10
	(0.01)	(0.01)	-	(0.02)	(0.09)	(0.13)
Additions during the year	-	-	-	-	-	-
	-	-	-	-	-	-
Reductions during the year	-	0.01	-	-	-	0.01
	-	-	-	-	(0.02)	(0.02)
Balance as at 30 Sept 2006	-	-	-	0.02	-	0.02
	(0.01)	(0.01)	-	(0.02)	(0.07)	(0.11)
<b>Receivables / Debtors</b>						
Balance as at 1st Oct 2005	-	-	-	-	-	-
	-	-	-	-	-	-
Additions during the year	-	-	0.95	-	-	0.95
	-	-	(0.72)	-	-	(0.72)
Realizations during the year	-	-	0.95	-	-	0.95
	-	-	(0.72)	-	-	(0.72)
Balance as at 30 Sept 2006	-	-	-	-	-	0.00
	-	-	-	-	-	-
<b>Payables</b>						
Balance as at 1st Oct 2005	-	0.02	14.70	-	-	14.72
	-	(0.02)	(0.15)	-	-	(0.17)
Additions during the year	-	0.02	46.35	-	-	46.37
	-	-	(20.56)	-	-	(20.56)
Payments made during the year	-	-	51.27	-	-	51.27
	-	-	(6.01)	-	-	(6.01)
Balance as at 30 Sept 2006	-	0.05	9.84	-	-	9.89
	-	(0.02)	(14.70)	-	-	(14.72)



# SCHEDULES 1 - 19 FORMING PART OF THE BALANCE SHEET AND PROFIT & LOSS ACCOUNT

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

Annexure-I ( Contd.)

### TRANSACTIONS WITH JOINT VENTURES

(Rs. Crores)

Nature of Transactions	Escorts Finance Investment & Leasing Ltd.	Escotrac Finance & Investment Pvt. Ltd.	Carraro India Ltd	Escorts Motors Ltd	Hughes Communications India Ltd	Total
<b>Loans / ICD Given</b>						
Balance as at 1st Oct 2005	-	-	-	-	-	-
Additions during the year	-	-	-	-	-	-
Payments made during the year/Returned	-	-	-	-	-	-
Balance as at 30 Sept 2006	-	-	-	-	-	-
<b>Advances Given (incl Running accounts)</b>						
Balance as at 1st Oct 2005	-	(0.02)	-	-	-	(0.02)
Additions during the year	-	-	-	-	-	-
Payments made during the year	-	-	-	-	-	-
Balance as at 30 Sept 2006	-	(0.00)	-	-	-	(0.00)
<b>Provisions (Debts/Loans/Advances/ Deposits/Investments)</b>						
Balance as at 1st Oct 2005	-	-	-	31.25	0.07	31.32
Additions during the year	-	-	-	-	(0.07)	(0.07)
Payments made during the year	-	-	-	(31.25)	-	(31.25)
Balance as at 30 Sept 2006	-	-	-	31.25 (31.25)	0.07 (0.07)	31.32 (31.32)

**NOTE:** Figures in brackets pertain to previous period.

### TRANSACTIONS WITH ASSOCIATES

(Rs. Crores)

Nature of Transactions			
	---	Nil	---



## ESCORTS LIMITED

### SCHEDULES 1 - 19 FORMING PART OF THE BALANCE SHEET AND PROFIT & LOSS ACCOUNT

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

Annexure-I ( Contd.)

#### TRANSACTIONS WITH KEY MANAGEMENT PERSONNEL

(Rs. Crores)

Nature of Transactions	Mr. Rajan Nanda	Mr. Nikhil Nanda	Total
Managerial Remuneration Paid	(0.25)	(0.27)	(0.52)

**NOTES:** The figures in brackets pertain to previous period.

#### TRANSACTIONS WITH OTHERS

(Rs. Crores)

Nature of Transactions	Har Parshad & Company Pvt. Ltd.	Total
<b>Royalty</b>	5.01	5.01
	(3.64)	(3.64)
<b>Interest</b>	0.86	0.86
	(1.08)	(1.08)
<b>Borrowings/Loans taken</b>		
- Balance as on 01.10.2005	6.96	6.96
- Availed during the period	0.86	0.86
	(1.08)	(1.08)
- Repaid during the period	0.19	0.19
	(0.23)	(0.23)
- Balance as at 30.09.2006	7.63	7.63
	(6.96)	(6.96)
<b>Payables</b>		
- Balance as on 01.10.2005	7.46	7.46
- Availed during the period	5.01	5.01
	(3.64)	(3.64)
- Repaid during the period	3.51	3.51
	-	-
- Balance as at 30.09.2006	8.96	8.96
	(7.46)	(7.46)



## SCHEDULES 1 - 19 FORMING PART OF THE BALANCE SHEET AND PROFIT & LOSS ACCOUNT

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

The list of Small Scale Industrial Undertakings (SSI) to whom the company owes any sum which is outstanding for more than 30 days as at 30/09/2006 is given hereunder:

#### Annexure-II

Name of SSI Undertakings	Name of SSI Undertakings	Name of SSI Undertakings
Aasma Engg Works	Jagjit Industries	Roop Polymers Limited
Abhitech Engineers (P) Ltd	Jai Industries	Royal Tools (India)
Accurate Industries	Jaico Steel Fasteners Limited	S K Industries
Acme Engineering Works, Calcutta	Jayem Auto Industries Private Limited	S K Tools
Aggarwal Enterprises	Jigar Tube Ind	S N Engg. Works
Ajay Trading Co	Jv Enterprises	S.K. Enterprises
Alfa Computer Sales	Kamal Enterprises	Sai Engg Works
Alhind Metal Industries	Karm Engg. Works	Sankla Castings
Allena Auto Industries Private Limited	Kay Kay Udyog	Sargo Tools
Am Electricals	Kewali Udyog	Sawan Industries
Amar Engineers & Fabricators	Khosla Printers	Sbp Automotiv Private Limited
Amar Udyog	Kochar Agro Industries P Limited	Sethi Industrial Corporation
Ambica Forge P Ltd	M. S. Engineering Works	Shakti Auto Valves & Engg. Company Private Limited
Ashoka Bolt House	M.I. Engineering Works	Shankar Tin Industries
Atop Fasteners Pvt Ltd	Maa Shakti Engg Works	Shine Pack Pvt. Ltd.
Auto General Agencies	Manjeet Rubber Works	Shivji Steel
Auto Tech Engineers	Master Tools	Shivon International
Avn Tools & Instruments Private Limited	Mato Industries	Shyam Alloys Private Limited
B.A. Printers	Mechanica (M017)	Shyam Metals
B.T. Engineering Works	Meenasha Castings (P) Limited	Singla Forging (P) Ltd
Batra Brothers	Melco Steel & Wire Industries	Sisodia Engineering
Bhagwati Spherocast P Ltd	Menon Metalliks Pvt Ltd	Sneh Enterprises
Bhalla Techtran Ind. Ltd.	Metal Pressings & Engg. Works	Sood Associates
Bharat Pressing & Spring Udyog	Micro Engg Corporation	Star Tools And Casting (S280)
Bishandas Steel Tube	Micron Precision Screws Limited	Steel Fasteners (India)
Bony Polymers Limited	Modern Engg Industries	Steerwels
Centrifugal Casting Company	Motoren Industries	Sulabh Corp
Chandra Automotive Components	Mundhra Brothers	Sumutone Enterprises
Chitra Rubber Udyog	National Industries	Sunova Engineers.
D P Auto Industries	New Pragati Udyog	Super Steel Forging
Dashmesh Enterprise	Niksha Industries	Super Switch Pvt. Ltd.
Davindra Engg Corp	Noble Engineering Works	Swastik Castings Pvt. Limited
Delight Pressings	Olympic Agro Industry	Synchro Pressing Private Limited
Dinesh & Co.	Omega Bright Steel Ltd	Technoforge (India)
Doshi Tubes P Ltd	P.S. Camshafts (P) Ltd.	The General Rubber Co P Ltd
Drivewell Industries	Parkash Automotive	United S.S. Engineering Works
Durga Automation Enter	Pee Cee Castings Pvt. Limited	Universal Components
Duro Engineering Works	Pee Cee Engineers	V.N.M. Engineers
Ess Em Engineers	Pee Jay Engg. Works	Vee Gee Engg Works
Ess-Kay Engineers	Pepeco Machine Tools .	Veekay Machine Tools
Fabco	Pertap Engineering Works	Verma Engg Works
G.K. Machine Tools	Piplani Enterprises	Vijay Engg & Metal Works
Gautam Technocast	Pratap Enterprise	Vijay Metal Forgings Private Limited
Glide Engg Works	Precision Engg Industries	Vikas Forgings Pvt. Ltd.
Globe Engg. Corporation	Preet Industrial Corporation	Vikram Fabricators
Globe Engineering Industries	Presto Machine Tools	Vinay Trading Corporation
Goodwell Ind	Pritika Auto Products Private Limited	Vinayak Electro Platers
Goyal Engg. Corporation (India)	Pritika Industries Pvt Ltd	Vishal Engineering Works
G-Series Engineers	Puesh Enterprises	Vishwakarma Automotive Private Limited
H.K. Engg. Works	R. Engg. & Fabrication Works	Vnm Engineer
H.S. Machine Tools Industr	R.K. Engineering Corporation	Voith Turbo Pvt. Limited (V0916)
Harness India Private Limited	R.R Engineering	Wesco Auto Prod. (I) Private Limited
Haryana Agro Engg. Products	R.V. Engineering	Yogdaan Engineers
Hilux Autoelectric Pvt. Ltd	Rahul Induction Pvt Ltd	Yogesh Engineering Works
Hi-Lux Automotive Private Limited	Rajan Engg. Works	Arc Machine Tools P Ltd
Hi-Tech Arai Limited	Rajesh Engineers Pvt Ltd	Globe Auto Ancillaries
Industrial & Farm Equipment Company	Rajiv Industries	Modern Machine Tools
J. B. Engineering Works	Rajshree Industries	Narasipur Precision Pvt. Ltd.
J. K. Engineers	Rana Enterprises	Parykam Auto Private Limited
J.B Spring	Ravi Industrial Corporation	Shreenath Castings Private Limited
J.J. Engineering Works	Relex Automats	Techno Spring Industries
J.J. Engineers	Remco Electric Syndicate	Vinayak Diecast
Jagjit Engg Works	Rikki Plastic Private Limited.	

# ESCORTS LIMITED

## SCHEDULES 1 - 19 FORMING PART OF THE BALANCE SHEET AND PROFIT & LOSS ACCOUNT

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

#### Annexure-III

#### 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 there is no interest	
	As on 30th September 2006	Max. amount outstanding during 2005-06	As on 30th September 2006	Max. amount outstanding during 2005-06	As on 30th September 2006	Max. amount outstanding during 2005-06
<b>Subsidiary Companies</b>						
Escorts Automotives Limited	84.88 (82.16)	84.88 (82.16)	84.88 (82.16)	84.88 (82.16)	- (15.53)	- (15.53)
Escorts Telecommunications Limited	- (142.62)	- (142.62)	- (2.58)	- (2.58)	- (2.58)	- (2.58)
Esconet Services Limited	- (5.05)	- (5.90)	- -	- -	- -	- -
<b>Associates</b>						
Cellnext Solution Limited	2.75 -	2.75 -	2.75 -	2.75 -	2.75 -	2.75 -
Escotoonz Entertainment Pvt. Ltd	0.89 (0.58)	0.89 (0.58)	0.89 (0.58)	0.89 (0.58)	- -	- -
<b>Firms/Companies in which Directors are interested</b>	- -	- -	- -	- -	- -	- -
<b>Others</b>						
Escorts Employees Welfare Ltd	2.93 (2.93)	2.93 (4.93)	2.93 (2.93)	2.93 (4.93)	2.93 (2.93)	2.93 (4.93)
Escorts Employees Stock Option	- -	- (24.55)	- -	- (24.55)	- -	- (24.55)

(Rs. Crores)

Particulars of Investments by the Loanees	Book Value of Investment	
	By the Loanees as on 30th September 2006	Max. amount outstanding during 2005-06
<b>A) Loanee-Cellnext Solution Limited</b>		
Escotoonz Entertainment Pvt. Ltd. (subsidiary)		
-Equity Shares	2.75 -	2.75 -
<b>B) Loanee- Esconet Services Limited *</b>		
Escorts Construction Equipment Limited (subsidiary)		
-Preference Shares	- -	- (0.19)
Cellnext Solution Limited (subsidiary)		
-Equity Shares	- (13.05)	- (13.05)
- Preference Shares	- (7.50)	- (7.50)
Iserve India Solutions (P) Ltd (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 Employees Stock Option *</b>		
Escorts Limited (parent)	- -	- (22.55)

\* Ceased to be subsidiary w.e.f. 31.03.2006



# SCHEDULES 1 - 19 FORMING PART OF THE BALANCE SHEET AND PROFIT & LOSS ACCOUNT

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

### Annexure - IV

#### Disclosure under Accounting Standard - 19 (Leases)

In respect of 'Finance Lease' arrangements for the period 2005-06

(Rs. Crores)

	<b>Furniture &amp; Fixture</b>	<b>Vehicles</b>	<b>Computers &amp; Peripherals</b>
Total addition to Fixed Assets	- (1.09)	<b>0.13</b> (0.54)	<b>1.91</b> -
Asset under finance lease:			
Opening original Cost of assets	- (1.22)	<b>0.54</b> (0.60)	- -
Additions under finance lease	-	<b>0.13</b> (0.13)	<b>1.35</b> -
Deletion during the period	- (1.22)	0.00 -	- -
Closing Original Cost	-	<b>0.67</b> (0.73)	<b>1.35</b> -
Cumulative Depreciation	-	<b>0.32</b> (0.33)	<b>0.09</b> -
Net carrying value as on 30th September, 2006	-	<b>0.35</b> (0.40)	<b>1.26</b> -

The details of Minimum Lease Payments outstanding as on 30th September, 2006 and present value thereof are as under:

(Rs. Crores)

	<b>Minimum Lease payments outstanding</b>	<b>Present Value of minimum lease payments outstanding</b>	<b>Future interest on outstanding lease payments</b>
Total amount due	<b>1.85</b> (0.26)	<b>1.56</b> (0.24)	<b>0.28</b> (0.02)
Due within one year	<b>0.70</b> (0.14)	<b>0.53</b> (0.13)	<b>0.17</b> (0.01)
Due later than one year and not later than five years	<b>1.14</b> (0.12)	<b>1.03</b> (0.11)	<b>0.11</b> (0.01)

## ESCORTS LIMITED

### SCHEDULES 1 - 19 FORMING PART OF THE BALANCE SHEET AND PROFIT & LOSS ACCOUNT

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

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

	Rs.Crores		
(a) Expenditure in Foreign Currency			
(i) Royalty/Technical know-how/Technical Fee	<b>0.94</b> (1.54)		
(ii) Travelling Expenses	<b>1.11</b> (1.25)		
(iii) Investment in overseas subsidiary	0.00 (7.65)		
(iv) Others	<b>0.73</b> (0.49)		
<b>Total</b>	<b>2.78</b> (10.93)		
(b) Earnings in Foreign Currency			
(i) Export of goods including partly executed sales contracts on F.O.B basis	<b>226.61</b> (140.37)		
(ii) Others	<b>0.11</b> (0.12)		
<b>Total</b>	<b>226.72</b> (140.49)		
(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.	-	-	-
	-	-	-



# SCHEDULES 1 - 19 FORMING PART OF THE BALANCE SHEET AND PROFIT & LOSS ACCOUNT

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

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

#### (i) MANUFACTURING OPERATIONS :

	Installed	Actual	Opening Balance		Closing Balance		Sales		Other Consumption		Quantity
	Capacities**	Production	Quantity	Value	Quantity	Value	Quantity	Value	Captive Consumption	Capitalisation	Misc.
			Rs.Crores		Rs.Crores		Rs.Crores				
1.***Agricultural Tractors	98,940	48,282	269	8.21	851	25.90	47,612	1,444.83	-	88	-
	(72,000)	(32,578)	(295)	(8.38)	(269)	(8.21)	(32,557)	(943.53)	-	(47)	-
2.***Internal Combustion Engine	98,940	49,529	384	2.13	536	4.12	1,703	11.80	47,674	-	-
***Engine for Agricultural Tractors	(72,000)	(33,305)	(298)	(1.41)	(384)	(2.13)	(1,162)	(8.05)	(32,057)	-	-
3. Round and Flat Tubes	180,000	120,515	4,244	-	5,690	0.32	54,373	6.39	-	-	-
Heating Elements (Meters)	(180,000)	(108,325)	(4,463)	-	(4,244)	(0.21)	(93,948)	(7.49)	-	-	-
4. Double Acting Hydraulic Shock Absorbers	36,000	16,565	-	-	172	0.04	16,393	9.17	-	-	-
for Railway Coaches	(36,000)	(21,348)	-	-	-	-	(21,348)	(8.58)	-	-	-
5. Centre Buffer Couplers	1,200	465	-	-	-	-	465	3.25	-	-	-
	(1,200)	(335)	-	-	-	-	(335)	(4.92)	-	-	-
6. Automobile Shock Absorbers, Telescopic	4,000,000	1,797,821	208,453	4.85	127,778	2.77	1,878,496	98.39	-	-	-
Front Fork & McPherson struts	(4,000,000)	(2,159,678)	(205,076)	(5.29)	(208,453)	(4.85)	(2,156,301)	(102.30)	-	-	-
7. Brake Block	1,800,000	530,671	1,988	0.03	-	-	529,832	23.18	-	-	-
	(600,000)	(1,297,715)	-	-	(1,988)	(0.03)	(1,293,664)	(46.25)	-	-	-
8. All types of Brakes used by Railways	36,000	5,497	-	-	-	-	5,497	35.34	-	-	-
	(36,000)	(8,768)	-	-	-	-	(8,768)	(46.03)	-	-	-
9. Others	-	-	-	-	-	-	-	56.13	-	-	-
	-	-	-	-	-	-	-	(51.95)	-	-	-

#### Notes :

(a) Installed capacity is on per annum basis; Sales quantities and values are for 12 months period.

\*\*(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.

(i) Item no. 2 is not included in trading/finished stock.

#### (ii) TRADING OPERATIONS :

	Purchases		Opening Balance		Closing Balance		Sales		Other Consumption (Quantity)		
	Quantity	Value	Quantity	Value	Quantity	Value	Quantity	Value	Captive Consumption	Capitalisation	Misc
	Nos	Rs.crores	Nos	Rs.crores	Nos	Rs.crores	Nos	Rs.crores			
Claas Combines	-	-	-	-	-	-	-	-	-	-	-
	-	-	(10.00)	(1.02)	-	-	(10.00)	(1.02)	-	-	-
Claas Sugarcane Harvester	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-
Implements Trailers, Compressor	-	58.36	-	10.38	-	8.82	-	97.30	-	-	-
accessories, spares and others	-	(59.82)	-	(10.48)	-	(10.38)	-	(87.77)	-	-	-

#### Notes :

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

## ESCORTS LIMITED

### SCHEDULES 1 - 19 FORMING PART OF THE BALANCE SHEET AND PROFIT & LOSS ACCOUNT

#### SCHEDULE 19 : 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
5.91 (5.88)	28.91 (16.94)	0.09 (0.62)	0.00 (3.92)	34.91 (27.36)

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

	Value Rs.Crores	Percentage
Imported	50.47 (60.89)	4.08 (7.02)
Indigeneous	1,186.88 (806.72)	95.92 (92.98)
<b>Total</b>	<b>1,237.34</b> (867.61)	<b>100.00</b> (100.00)

##### (g) Details of Raw Materials Consumed :

	Unit of Measure	Quantity	Value Rs.Crores	
<b>1. Raw Materials (Basic)</b>				
(i) Aluminium	Kgs	110,406	0.67	
	Kgs	(108,352)	(1.22)	
(ii) M.S.Sheets & Plates	Kgs	176,910	0.54	
	Kgs	(350,098)	(1.31)	
(iii) Bars	Kgs	764,491	3.54	
	Kgs	(701,753)	(3.11)	
(iv) Tubes	Mtrs	1,068,696	5.79	
	Mtrs	(1,189,282)	(7.48)	
(v) Strips	Kgs	9,214	0.08	
	Kgs	(11,710)	(0.40)	
(vi) Round Channel & Angles	Kgs	290,879	1.81	
	Kgs	(21,024)	(0.12)	
(vii) Other Steel Items	Kgs	438	0.00	
	Kgs	(243)	(0.01)	
(viii) Castings & Forgings	Nos	0	0.00	
	Nos	(1,430,152)	(117.20)	
(ix) Other Raw Materials	Kgs	1,816,567	163.36	175.79
	Kgs	(711)	(0.01)	(130.85)



**SCHEDULES 1 - 19 FORMING PART OF THE BALANCE SHEET AND PROFIT & LOSS ACCOUNT**

**SCHEDULE 19 : 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>2,171</b>	<b>10.47</b>	
	Nos	(2,832)	(11.63)	
(ii) Engine E - 2179D	Nos	<b>2,073</b>	<b>9.44</b>	
	Nos	(751)	(3.06)	
(iii) Engine E - 3179	Nos	<b>4,704</b>	<b>25.91</b>	
	Nos	(578)	(2.62)	
(iv) Engine E - 3215	Nos	<b>8,350</b>	<b>46.14</b>	
	Nos	(1,499)	(7.06)	
(v) Engine E - 3273	Nos	<b>2,594</b>	<b>16.10</b>	
	Nos	(6,159)	(29.91)	
(vi) Engine E - 3312	Nos	<b>450</b>	<b>2.36</b>	
	Nos	(610)	(3.44)	
(vii) Farmtrac -35	Nos	<b>8,227</b>	<b>44.33</b>	
	Nos	(7,237)	(37.03)	
(viii) Farmtrac -45	Nos	<b>7,301</b>	<b>39.48</b>	
	Nos	(4,972)	(26.79)	
(ix) Farmtrac -50	Nos	<b>190</b>	<b>1.17</b>	
	Nos	(327)	(1.58)	
(x) Farmtrac -60	Nos	<b>9,485</b>	<b>56.27</b>	
	Nos	(6,253)	(34.96)	
(xi) Farmtrac -65	Nos	<b>9</b>	<b>0.06</b>	
	Nos	(5)	(0.03)	
(xii) Farmtrac -70	Nos	<b>1,232</b>	<b>9.11</b>	
	Nos	(834)	(6.20)	
(xiii) Farmtrac -80	Nos	<b>310</b>	<b>8.08</b>	
	Nos	-	-	
(xiv) Other Components	Nos	-	<b>769.10</b>	<b>1,038.02</b>
	Nos	-	(539.79)	(704.10)
		<b>47,096</b>		<b>1,213.81</b>
		(32,057)		(834.95)

**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.

**RAJAN NANDA**  
Chairman and  
Managing Director

**NIKHIL NANDA**  
Executive Director & COO

**Dr. M. G. K. MENON**  
Director

**Dr. P. S. PRITAM**  
Director

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

**SHAIENDRA TANDON**  
Group Chief Financial Officer

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

**S. N. DHAWAN**  
Partner  
M No. 925

Place : Faridabad  
Dated : December 21, 2006



# ESCORTS LIMITED

## CASH FLOW STATEMENT

	Year ended 30.09.2006 Rs. Crores (12 Months)	Period ended 30.09.2005 Rs. Crores (15 Months)
<b>A. CASH FLOW FROM OPERATING ACTIVITIES</b>		
Net Profit before tax	34.44	31.02
Adjustments for :		
Loss on sale/ Provision for diminution in value of Long Term Investments & loans to Group Companies	40.18	172.51
Gain on sale of Long Term Investments	(94.92)	(505.54)
Depreciation	39.55	52.86
Misc. Exp./ Assets Write off / Provisions	7.50	71.24
Interest Expense	79.99	149.38
Dividend Income	(0.01)	(0.19)
Interest Income	-	(7.59)
Operating Profit before working capital changes	106.73	(36.31)
Adjustments for :		
Trade and other Receivables	(120.35)	17.22
Money in Escrow Account	-	(85.08)
Inventories	(46.92)	(9.94)
Trade Payables	190.46	45.95
Miscellaneous Expenditure	(5.11)	(12.89)
	18.08	(44.74)
Cash Generated from Operations	124.81	(81.05)
Direct Taxes (Paid)/Refunds	31.66	(18.95)
<b>Net Cash Flow from operating activities</b>	156.47	(100.00)
<b>B. CASH FLOW FROM INVESTING ACTIVITIES</b>		
Purchase of Fixed Assets	(27.94)	(15.33)
Proceeds from sale of Fixed Assets	1.77	17.43
Movement in Loans and Advances	(16.44)	(1.90)
Purchase of Investments		(29.85)
Sale of Investments	114.52	529.14
Short Term Deposits with scheduled Banks	(10.48)	-
Interest Received	-	2.06
Dividend Received	0.01	0.19
Surplus on sale of Investments		
<b>Net Cash Flow from Investing activities</b>	61.44	501.74
<b>C. CASH FLOW USED IN FINANCING ACTIVITIES</b>		
Proceeds from Long Term Borrowings	-	85.60
Less : Repayment of Long Term Borrowings	(78.96)	(252.00)
Proceeds/ (Repayment) from short term borrowings (net)		(166.40)
Interest Paid	(82.23)	(54.25)
<b>Net Cash used in financing activities</b>	(161.19)	(376.60)
<b>Net Increase/(Decrease) in Cash and Cash equivalents</b>	56.72	25.14
Cash and Cash equivalents as at 1.10.2005	48.93	23.79
Cash and Cash equivalents as at 30.9.2006	105.65	48.93

**Note:**

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 & COO

**Dr. M. G. K. MENON**  
Director

**Dr. P. S. PRITAM**  
Director

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

**SHAILENDRA TANDON**  
Group Chief Financial Officer

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

Place : Faridabad  
Dated : December 21, 2006

**S. N. DHAWAN**  
Partner  
M No. 925



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

### I. Registration Details

Registration No. C - 1 8 6 0

State Code 5 5

Balance Sheet Date 3 0 0 9 2 0 0 6

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

Public Issue

-

Rights Issue

-

Bonus Issue

-

Private Placement

-

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

Total Liabilities

1 6 0 8 9 3 4 0

Total Assets

1 6 0 8 9 3 4 0

Sources of Funds

Paid-up-Capital

7 2 2 3 2 2

Reserves & Surplus

9 4 6 3 4 0 2

Secured Loans

4 2 2 5 4 0 0

Unsecured Loans

1 6 7 8 3 2 4

Application of Funds

Net Fixed Assets

8 8 8 0 7 7 2

Investments

4 5 6 2 4 0 0

Net Current Assets

1 7 1 7 8 0 0

Misc. Expenditure

1 6 4 5 2 9

+ - Deferred Tax Asset(Net)

✓ 7 6 4 0 0 0

Accumulated Losses

-

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

Turnover including Other Income

1 9 1 7 8 2 0 0

Total Expenditure

1 8 8 3 3 6 1 2

+ - Profit/Loss Before Tax

✓ 3 4 4 4 2 2 1

+ - Deferred Taxation

✓ 2 2 3 0 0 0

+ - Provision for Tax

✓ 1 3 2 1 0 0 0

+ - Profit/Loss After Tax

✓ 1 9 0 0 2 2 1

Earning per Share in Rs.

3

Final Dividend Rate %

- -

### 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

# **CONSOLIDATED FINANCIAL STATEMENT**



## Auditors' Report to the Board of Directors of Escorts Limited on the Consolidated Financial Statements of Escorts Limited

We have audited the attached Consolidated Balance Sheet of Escorts Limited Group as at September 30, 2006 and also the Consolidated Profit and Loss Account and the Consolidated Cash Flow Statement for the year ended on that date annexed thereto. These financial statements are the responsibility of the management of Escorts Limited and have been prepared by the management on the basis of separate financial statements and other financial information regarding components. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes, examining on a test basis, evidence supporting the amounts and disclosure in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

We did not audit the financial statements of certain subsidiaries and joint ventures, whose financial statements reflect total assets of Rs.104.80 crores as at September 30, 2006 and the total revenues of Rs.118.42 crores and cash flows amounting to Rs. 2.85 crores for the year then ended. These financial statements and other financial information, have been audited by other auditors whose reports have been furnished to us, and our opinion, insofar as it relates to the amounts included in respect of these subsidiaries and joint ventures is based solely on the report of the other auditors.

*We further considered unaudited financial statements of Escorts Agri Machinery Inc., USA, (EAMI) a wholly owned subsidiary, whose financial statements reflect total Assets of Rs.353.96 crores as at September 30, 2006 and the total revenues of Rs.372.37 crores for the year then ended as furnished by the management and the same has not been verified by us.*

We report that the consolidated financial statements have been prepared by the management of Escorts Limited in accordance with the requirements of Accounting Standard AS-21, Consolidated Financial Statements, AS-23, Accounting for Investments in Associates and AS-27, Financial Reporting of Interest in Joint Ventures, issued by the Institute of Chartered Accountants of India.

*Subject to the foregoing* and based on our audit and on consideration of the reports of other auditors on separate financial statement and on the other financial information of the components, in our opinion and to the best of our information and according to the explanations given to us, the attached consolidated financial statements give a true and fair view in conformity with accounting principles generally accepted in India.

- (a) in the case of Consolidated Balance Sheet, of the state of affairs of the Escorts Limited Group as at September 30, 2006;
- (b) in the case of Consolidated Profit and Loss Account, of the loss for the year ended on that date; and
- (c) in the case of the Consolidated Cash Flow Statement, of the Cash Flows for the year ended on that date.

**For S.N. Dhawan and Co.  
Chartered Accountants**

Place : Faridabad  
Dated: December 21, 2006

**(Vijay Dhawan)  
Partner  
M.No. 12565**

# ESCORTS LIMITED

## CONSOLIDATED BALANCE SHEET OF ESCORTS LIMITED AS AT SEPTEMBER 30, 2006

	Schedule	30.09.2006 Rs.Crores	30.09.2005 Rs.Crores
<b>SOURCES OF FUNDS</b>			
Share Capital	1	62.04	62.04
Reserves & Surplus	2	765.22	373.93
Total Shareholders' Funds		827.26	435.97
Minority Interest		11.45	13.30
Loans			
Secured	3	460.16	627.33
Unsecured	4	189.29	259.48
Deferred Tax Liabilities		155.77	78.10
<b>Total</b>		<b>1643.93</b>	<b>1414.18</b>
<b>APPLICATION OF FUNDS</b>			
Fixed Assets			
Gross Block		1533.38	1258.38
Less : Depreciation		602.38	600.45
Less : Provision for impairment		-	67.85
Net Block	5	931.00	590.08
Capital Work -in Progress		22.02	6.83
Total Fixed Assets		953.02	596.91
Investments : Long Term		246.49	247.85
Deferred Tax Assets		238.12	170.04
Preoperative Expenditure Pending Allocation		-	5.25
Current Assets, Loans & Advances			
Current Assets	6		
Inventories		297.96	254.35
Accrued Billing		0.79	0.64
Sundry Debtors		515.45	363.04
Cash & Bank Balances		231.34	177.65
Other Current Assets		3.99	0.59
		1049.53	796.27
Loans & Advances	7	219.40	199.82
Total Current Assets, Loans & Advances		1268.93	996.09
<b>DEDUCT</b>			
Current Liabilities & Provisions	8		
Current Liabilities		915.72	522.64
Provisions		164.11	101.30
Total Current Liabilities & Provisions		1079.83	623.94
Net Current Assets		189.10	372.15
Miscellaneous Expenditure ( to the extent not written off or adjusted )		17.20	21.98
<b>Total</b>		<b>1643.93</b>	<b>1414.18</b>
Significant Accounting Policies	16		
Related Party Disclosures	17		
Segment Information	18		
Notes to Accounts	19		

Schedules 1 to 19 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 & COO

**Dr. M. G. K. MENON**  
Director

**Dr. P. S. PRITAM**  
Director

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

**SHAILENDRA TANDON**  
Group Chief Financial Officer

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

**VIJAY DHAWAN**  
Partner

Place : Faridabad  
Dated : December 21, 2006

M No. 12565



# CONSOLIDATED PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED SEPTEMBER 30, 2006

	Schedule	Year ended 30.09.2006 Rs. Crores (12 Months)	Period ended 30.09.2005 Rs. Crores (15 Months)
<b>INCOME</b>			
Gross Sales		2,452.33	1,860.70
Less : Excise Duty		<u>86.27</u>	<u>85.51</u>
Net Sales		2,366.06	1,775.19
Business Income	9	73.02	445.96
Income from Investments	10	98.76	503.01
Total		2,537.84	2,724.16
<b>EXPENDITURE</b>			
Material, Manufacturing & Operating	11	1,792.07	1,473.65
Personnel	12	200.20	315.03
Sales & Administration	13	389.55	426.49
Interest	14	91.78	162.37
Bank and Finance Charges		19.54	19.37
Depreciation		48.93	102.49
Amortisation of Expenditure	15	<u>12.76</u>	<u>10.08</u>
		2,554.83	2,509.48
Profit & Loss before Tax, Share in loss of Associates & Minority Interest		(16.99)	214.68
Provision for dim.in value of Long Term investment & loans to group co.		<u>1.68</u>	<u>105.91</u>
		(18.67)	108.77
Share in loss of associates		<u>0.77</u>	<u>1.98</u>
<b>PROFIT/(LOSS) BEFORE TAX</b>		(19.44)	106.79
Provision for Taxation			
Current Tax		14.86	42.22
Fringe Benefit Tax		2.84	
Deferred Tax		<u>9.43</u>	<u>(13.82)</u>
<b>PROFIT/(LOSS) AFTER TAX</b>		(46.57)	120.61
Minority Interest		0.84	(0.23)
<b>PROFIT/(LOSS) AFTER TAX ATTRIBUTABLE TO THE COMPANY</b>		(47.41)	120.84
(Short)/Excess Provision of Income Tax for previous years		-	(0.08)
Transfer from Debenture Redemption Reserve		11.25	12.70
Total		(36.16)	133.46
<b>APPROPRIATIONS</b>			
Capital / Debenture Redemption Reserve		-	2.16
General Reserve		0.20	0.61
Dividend/ Dividend Tax		-	0.07
Balance carried to Balance Sheet		<u>(36.36)</u>	<u>130.62</u>
Total		(36.16)	133.46
<b>EARNINGS PER SHARE (Face Value Rs. 10)</b>			
- Basic and Diluted ( in Rupees)		(7.64)	19.48
Significant Accounting Policies	16		
Related Party Disclosures	17		
Segment Information	18		
Notes to Accounts	19		

Schedules 1 to 19 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 & COO

**Dr. M. G. K. MENON**  
Director

**Dr. P. S. PRITAM**  
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**G.B.MATHUR**  
Vice-President-Law &  
Company Secretary

**SHAILENDRA TANDON**  
Group Chief Financial Officer

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

**VIJAY DHAWAN**  
Partner  
M No. 12565

Place : Faridabad  
Dated : December 21, 2006

# ESCORTS LIMITED

## SCHEDULES 1-19 FORMING PART OF THE CONSOLIDATED BALANCE SHEET AND PROFIT & LOSS ACCOUNT

### SCHEDULE 1: SHARE CAPITAL

		30.09.2006 Rs.Crores	30.09.2005 Rs.Crores
<b>AUTHORISED CAPITAL</b>			
7,70,00,000	Equity Shares of Rs. 10 each	77.00	77.00
7,73,00,000	Unclassified Shares of Rs.100 each	773.00	773.00
		<b>850.00</b>	<b>850.00</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 joint ventures ( based on proportionate consolidation)	10.19	10.19
		<b>62.04</b>	<b>62.04</b>

### 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	<b>Total</b>	Previous period figures
As at September 30, 2005	84.66	0.80	3.22	48.46	11.25	462.76	(334.36)	97.14	<b>373.93</b>	451.09
Additions:								387.64	<b>387.64</b>	-
Transfer from Profit and loss account					-	0.20	(36.36)		<b>(36.16)</b>	133.39
Adjustment for consolidation @	-						57.46		<b>57.46</b>	(183.61)
	84.66	0.80	3.22	48.46	11.25	462.96	(313.26)	484.78	<b>782.87</b>	400.87
Deductions:										
On assets sold								0.01	<b>0.01</b>	5.51
Transfer to Profit & loss account					11.25		0.20	6.19	<b>17.64</b>	21.43
<b>As at September 30, 2006</b>	<b>84.66</b>	<b>0.80</b>	<b>3.22</b>	<b>48.46</b>	<b>-</b>	<b>462.96</b>	<b>(313.46)</b>	<b>478.58</b>	<b>765.22</b>	373.93

2005-06      2004-05

Includes Joint venture share

**77.22**      (11.78)

@ Amount includes an adjustment of opening consolidated reserves of Rs.39.65 crores (net). (Refer Note1(b) & 1( c ) of Schedule 19)



**SCHEDULES 1-19 FORMING PART OF THE CONSOLIDATED BALANCE SHEET AND PROFIT & LOSS ACCOUNT**  
**SCHEDULE 3 : SECURED LOANS**

	<b>30.09.2006</b> <b>Rs.Crores</b>	<b>30.09.2005</b> <b>Rs.Crores</b>
<b>From Banks:</b>		
Cash Credit/ Working Capital Term Loans	<b>220.02</b>	273.25
<i>Interest Accrued &amp; Due</i>	<b>0.57</b>	1.05
<b>Loans from:</b>		
Banks	<b>191.20</b>	148.20
<i>Interest Accrued &amp; Due</i>	<b>1.08</b>	1.45
Others	<b>47.14</b>	154.92
<i>Interest Accrued &amp; Due</i>	<b>0.15</b>	-
<b>Under Asset Credit Scheme</b>	-	0.09
<b>Vehicle Loans</b>	-	0.06
<b>Foreign Currency Loan</b>	-	3.31
<b>Debentures</b>		
12% Secured Redeemable Non Convertible Debentures	-	20.00
12% Secured Redeemable Non Convertible Debentures	-	25.00
<b>Total</b>	<b>460.16</b>	<b>627.33</b>
Includes joint venture share	<b>5.99</b>	36.71

**Note:**

Loans under different categories are secured against certain assets, property, equipment and other immovable properties, inventories and receivables of the parent company or concerned subsidiaries and joint ventures.



## ESCORTS LIMITED

### SCHEDULES 1-19 FORMING PART OF THE CONSOLIDATED BALANCE SHEET AND PROFIT & LOSS ACCOUNT

#### SCHEDULE 4 : UNSECURED LOANS

	30.09.2006 Rs.Crores	30.09.2005 Rs.Crores
<b>Fixed Deposits</b>	<b>47.19</b>	99.27
<b>Long term loans from Banks</b>	<b>7.10</b>	6.00
<i>Interest Accrued &amp; Due</i>	<b>5.97</b>	-
<b>Long term loans from others</b>	-	27.23
<i>Interest Accrued &amp; Due</i>	-	0.53
<b>Inter Corporate Deposits</b>	<b>53.13</b>	77.64
<i>Interest Accrued &amp; Due</i>	<b>2.07</b>	0.42
<b>Banks Book Overdraft</b>	<b>51.28</b>	24.91
<b>Short Term Loans &amp; Advances :</b>		
<i>From Banks</i>	<b>8.87</b>	1.13
<i>From Others</i>	<b>13.48</b>	22.20
<i>Interest Accrued &amp; Due</i>	<b>0.20</b>	0.15
<b>Total</b>	<b>189.29</b>	259.48
Includes joint venture share	<b>15.14</b>	16.93



# SCHEDULES 1-19 FORMING PART OF THE CONSOLIDATED BALANCE SHEET AND PROFIT & LOSS ACCOUNT

## SCHEDULE 5 : FIXED ASSETS

Rs.Crores

Description	Original Cost as at 30.09.2005	Additions	Deductions/ adjustments	Original Cost as at 30.09.2006	Provision for impairment	Depreciation upto 30.09.2005	Depreciation & w/off for the year	Deductions during the year	Depreciation Upto 30.09.2006	Net Book value as on 30.09.2006	Net Book value as on 30.09.2005
Land	96.34	397.44 *	1.59	492.19	-	0.13	0.02	0.07	0.08	492.11	96.21
Buildings	240.02	9.60	10.84	238.78	-	121.83	10.28	2.18	129.93	108.85	118.19
Leasehold Improvements	5.56	0.09	1.57	4.08	-	4.27	0.86	1.56	3.57	0.51	1.29
Plant & Machinery	668.16	20.41	66.07	622.50	-	347.12	34.10	36.19	345.03	277.47	321.04
Furniture & Fixtures	99.98	15.70	2.61	113.07	-	75.77	6.76	0.76	81.77	31.30	24.21
Vehicles	9.25	2.18	3.80	7.63	-	6.05	0.78	2.66	4.17	3.46	3.20
<b>Sub Total (A)</b>	<b>1,119.31</b>	<b>445.42</b>	<b>86.48</b>	<b>1,478.25</b>	<b>-</b>	<b>555.17</b>	<b>52.80</b>	<b>43.42</b>	<b>564.55</b>	<b>913.70</b>	564.14
Assets held for sale											
Land	1.43	-	1.43	-	-	-	-	-	-	-	1.43
Buildings	1.80	-	1.80	-	-	0.59	-	0.59	-	-	1.21
Plant & Machinery	5.78	-	5.78	-	-	0.78	-	0.78	-	-	5.00
<b>Sub Total (B)</b>	<b>9.01</b>	<b>-</b>	<b>9.01</b>	<b>-</b>	<b>-</b>	<b>1.37</b>	<b>-</b>	<b>1.37</b>	<b>-</b>	<b>-</b>	7.64
Intangible Assets											
Goodwill	6.28	7.83	6.28	7.83	-	2.23	0.13	1.34	1.02	6.81	4.05
Licence Fees	10.75 **	-	10.75	-	-	10.75	-	10.75	-	-	-
Prototype	1.21	-	-	1.21	-	1.16	0.04	-	1.20	0.01	0.05
Technical knowhow	28.97	1.18	0.39	29.76	-	18.94	3.89	-	22.83	6.93	10.03
Software	15.00	1.56	0.23	16.33	-	10.83	1.95	-	12.78	3.55	4.17
<b>Sub-Total (C)</b>	<b>62.21</b>	<b>10.57</b>	<b>17.65</b>	<b>55.13</b>	<b>-</b>	<b>43.91</b>	<b>6.01</b>	<b>12.09</b>	<b>37.83</b>	<b>17.30</b>	18.30
Capital Work-in-Progress (D)	6.83 **	15.80	0.61	22.02	-	-	-	-	-	22.02	6.83
<b>Total (A+B+C+D)</b>	<b>1,197.36</b>	<b>471.79</b>	<b>113.75</b>	<b>1,555.40</b>	<b>-</b>	<b>600.45</b>	<b>58.81</b>	<b>56.88</b>	<b>602.38</b>	<b>953.02</b>	596.91
<b>Previous Year Figures</b>	1,599.18	89.10	422.53	1,265.75	68.39	657.14	110.65	167.34	600.45	596.91	-

Includes Joint venture share:

Gross Block	24.91	70.00
Depreciation	0.03	37.05
Net Block	24.88	32.95
Capital Work-in-progress	-	0.23
Total Fixed Assets	24.88	33.18

\*Escorts Limited has revalued the freehold land as on September 01, 2006. The revaluation was done by an independent external agency. The amount added on revaluation was Rs.387.64 crores.

\*\*Net of provision for Impairment - Licence Fees Rs.67.85 crores and Capital Work-in-Progress Rs.0.54 crores and Capital Advances reclassified from Loans & Advances Rs.4.16 crores.

## ESCORTS LIMITED

### SCHEDULES 1-19 FORMING PART OF THE CONSOLIDATED BALANCE SHEET AND PROFIT & LOSS ACCOUNT

#### SCHEDULE 6: CURRENT ASSETS

	30.09.2006 Rs.Crores	30.09.2005 Rs.Crores
<b>Interest/Dividend accrued on Investments and Deposits</b>	<b>3.99</b>	<b>0.59</b>
<b>Stocks (as taken, valued and certified by the Management)</b>		
Raw Material and Components	134.89	126.95
Finished & Trading Goods	107.38	75.85
Work-in-Progress	36.98	35.86
Stores and Machinery Spares	9.18	7.54
Loose Tools	10.76	10.41
Current Investments	4.71	7.18
	<b>303.90</b>	<b>263.79</b>
Less : Provision for obsolete stock	5.94	9.44
	<b>297.96</b>	<b>254.35</b>
<b>Accrued Billing Revenue</b>	<b>0.79</b>	<b>0.64</b>
<b>Sundry Debtors</b>		
Debts outstanding for over six months		
Secured	2.94	1.70
Unsecured - Considered Good	301.76	123.19
- Considered Doubtful	20.83	79.14
	<b>325.53</b>	<b>204.03</b>
Less : Provision for doubtful debts	20.83	79.14
	<b>304.70</b>	<b>124.89</b>
<b>Other Debts</b>		
Secured	2.60	1.85
Unsecured - Considered Good	208.15	236.30
- Considered Doubtful	0.79	-
	<b>211.54</b>	<b>238.15</b>
Less : Provision for doubtful debts	0.79	-
	<b>210.75</b>	<b>238.15</b>
<b>Total Debtors</b>	<b>515.45</b>	<b>363.04</b>
<b>Cash &amp; Bank Balances</b>		
Cash in hand	3.97	4.19
Cheques in hand and in transit	-	5.32
On Current/Cash Credit accounts with Banks	28.19	54.77
Held in Escrow Account(Refer Note 1(a) in Schedule 19)	85.08	85.08
On Short/Fixed Deposit with Banks	32.59	28.28
(Pledged with various Banks/Govt authorities/Financial Instt.)		
(Also refer Note 2 (b) in Schedule 19)		
On Short/Fixed Deposit with Banks	81.50	-
(Not Pledged )		
In Post Office Savings Bank Accounts	0.01	0.01
(Pledged as security with Government authorities)		
	<b>231.34</b>	<b>177.65</b>
<b>Total</b>	<b>1,049.53</b>	<b>796.27</b>
<b>Includes joint venture share</b>		
Stocks / Inventory	1.08	14.81
Sundry Debtors	7.38	34.83
Cash and Bank balances	0.24	4.52
Other Current Assets	-	0.46
<b>Total</b>	<b>8.70</b>	<b>54.62</b>



**SCHEDULES 1-19 FORMING PART OF THE CONSOLIDATED BALANCE SHEET AND PROFIT & LOSS ACCOUNT**  
**SCHEDULE 7 : LOANS & ADVANCES**

	30.09.2006 Rs.Crores		30.09.2005 Rs.Crores
<b>Loans :</b>			
Unsecured - Considered Good	2.87		6.48
- Considered Doubtful	0.07		0.48
	2.94		6.96
Less : Provision for doubtful Loan	0.07	2.87	0.48
			6.48
<b>Inter - Corporate Deposits :</b>			
Unsecured - Considered Good	60.91		62.98
- Considered Doubtful	0.83		1.46
	61.74		64.44
Less : Provision for doubtful Inter - Corp. Deposits	0.83	60.91	1.46
			62.98
<b>Advances recoverable in cash or in kind or for value to be received :</b>			
Unsecured - Considered Good	135.60		118.07
- Considered Doubtful	50.06		50.96
	185.66		169.03
Less : Provision for doubtful Advances	50.06	135.60	50.96
			118.07
<b>Deposits :</b>			
Deposits - Considered Good	20.02		12.29
- Considered Doubtful	0.30		0.25
	20.32		12.54
Less : Provision for doubtful Deposits	0.30	20.02	0.25
			12.29
<b>Total</b>	<b>219.40</b>		199.82
Includes joint venture share	7.00		23.38

## ESCORTS LIMITED

### SCHEDULES 1-19 FORMING PART OF THE CONSOLIDATED BALANCE SHEET AND PROFIT & LOSS ACCOUNT

#### SCHEDULE 8 : CURRENT LIABILITIES & PROVISIONS

		30.09.2006 Rs.Crores		30.09.2005 Rs.Crores
<b>CURRENT LIABILITIES</b>				
Acceptances		62.10		76.74
Sundry Creditors		770.04		348.56
Advance Payments		15.73		40.85
Advance Against Share Warrants (Refer Note No. 6 of Schedule 19)		3.03		-
Liability towards Investors Education and Protection Fund under Section 205C of the Companies Act, 1956 will be determined on the respective due dates				
i) Unpaid Dividends	0.83		1.21	
ii) Unpaid matured Deposits	6.83		15.54	
iii) Unpaid matured Debentures	0.46		0.75	
iv) Unpaid matured Secured Premium Notes	0.07		0.10	
v) Interest accrued on (I) to (iv) above	4.43	12.62	0.11	17.71
Other Liabilities		49.73		28.44
Interest accrued but not due on loans		2.47		10.34
		<u>915.72</u>		<u>522.64</u>
<b>PROVISIONS</b>				
Leave Encashment		8.71		8.62
Superannuation		31.84		37.39
Gratuity		33.15		12.37
Fringe Benefit Tax	2.58			
Less : Fringe Benefit Tax Paid	1.42	1.16		-
Taxation	326.31		321.21	
Less : Advance Tax	238.95	87.36	278.29	42.92
Other Provisions		1.89		
		<u>164.11</u>		<u>101.30</u>
<b>Total</b>		<b>1,079.83</b>		<b>623.94</b>

Includes joint venture share

Current Liabilities	7.42	54.08
Provisions	2.15	5.05
<b>Total</b>	<b>9.57</b>	<b>59.13</b>



**SCHEDULES 1-19 FORMING PART OF THE CONSOLIDATED BALANCE SHEET AND PROFIT & LOSS ACCOUNT**  
**SCHEDULE 9: BUSINESS INCOME**

	<b>Year ended</b>		<b>Period ended</b>	
	<b>30.09.2006</b>		<b>30.09.2005</b>	
	<b>Rs. Crores</b>		<b>Rs. Crores</b>	
	<b>(12 Months)</b>		<b>(15 Months)</b>	
<b>Income from rendering of services</b>				
Investment, management and advisory	<b>2.14</b>		1.98	
Trading income	<b>0.06</b>		37.44	
Health care	-		350.83	
Software development/ISP/Other services	<b>14.35</b>	<b>16.55</b>	<b>13.15</b>	403.40
<b>Business income : others</b>				
Commission	<b>1.29</b>		1.05	
Erection & servicing	<b>13.90</b>		2.85	
Lease rental	-		0.06	
Scrap sale	<b>3.15</b>		2.34	
Unclaimed balance written back	<b>2.85</b>		0.90	
Provision no longer required written back	<b>13.18</b>		5.07	
Surplus on sale of assets	<b>0.15</b>		6.46	
Others	<b>21.95</b>	<b>56.47</b>	<b>23.83</b>	42.56
<b>Total</b>		<b>73.02</b>		445.96
Includes joint venture share		<b>16.46</b>		33.23

**SCHEDULE 10: INCOME FROM INVESTMENTS**

	<b>Year ended</b>		<b>Period ended</b>	
	<b>30.09.2006</b>		<b>30.09.2005</b>	
	<b>Rs. Crores</b>		<b>Rs. Crores</b>	
	<b>(12 Months)</b>		<b>(15 Months)</b>	
<b>Dividends</b>				
Trade Investments	<b>0.14</b>		0.38	
Other Investments	<b>0.85</b>	<b>0.99</b>	<b>0.04</b>	0.42
Surplus on sale of investments*		<b>96.70</b>		502.59
Exchange Variation		<b>1.07</b>		-
<b>Total</b>		<b>98.76</b>		503.01
Includes joint venture share		<b>(1.13)</b>		2.10

\* Refer Note 1(b) and 1(c) of Schedule 19

## ESCORTS LIMITED

### SCHEDULES 1-19 FORMING PART OF THE CONSOLIDATED BALANCE SHEET AND PROFIT & LOSS ACCOUNT

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

	Year ended 30.09.2006 Rs. Crores (12 Months)		Period ended 30.09.2005 Rs. Crores (15 Months)	
A. Raw Material & Components Consumed*				
Opening Stock	123.76		91.42	
Add : Purchases	1,641.80		1,214.89	
	1,765.56		1,306.31	
Less : Closing Stock * (Net of Duty Drawback)	145.73	1,619.83	124.67	1,181.64
B. Finished & Trading Goods and Work-in-progress consumed				
Opening Stock				
Finished & Trading Goods	35.23		31.84	
Work -in- Progress	6.71		9.41	
	41.94		41.25	
Add : Purchases	103.78		80.72	
	145.72		121.97	
Less: Closing Stock				
Finished & Trading Goods	54.46		34.78	
Work -in- Progress	17.16	74.10	6.71	80.48
Material Consumed	1,693.93			1,262.12
Excise duty on increase/(decrease) in stock of finished goods	0.65			(0.16)
Stores, Spares and Tools	26.94			23.29
Lease charges on Plant & Machinery	-			2.32
Healthcare operating expense	-			121.28
Software development/ISP/Other operating expenses	5.17			2.19
Power and Fuel	30.95			42.01
Repairs to Building	23.02			4.65
Repairs to Machinery	11.31			15.83
Water	0.10			0.12
<b>Total</b>	<b>1,792.07</b>			<b>1,473.65</b>
Includes joint venture share	147.25			79.73



# SCHEDULES 1-19 FORMING PART OF THE CONSOLIDATED BALANCE SHEET AND PROFIT & LOSS ACCOUNT

## SCHEDULE 12: PERSONNEL

	Year ended 30.09.2006 Rs. Crores (12 Months)	Period ended 30.09.2005 Rs. Crores (15 Months)
Salary, Wages and Bonus	154.66	246.56
Contribution to Gratuity Fund	5.51	9.45
Contribution to Provident Fund and other Funds	10.33	21.03
Staff Welfare Expenses	29.70	37.99
<b>Total</b>	<b>200.20</b>	<b>315.03</b>

Includes joint venture share	4.46	6.57
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## SCHEDULE 13: SALES AND ADMINISTRATION EXPENSES

	Year ended 30.09.2006 Rs. Crores (12 Months)	Period ended 30.09.2005 Rs. Crores (15 Months)
Erection and Servicing	26.00	1.63
Warranties	14.15	6.59
Rent (Net)	3.30	6.64
Rates and Taxes	2.04	1.78
Insurance	4.43	16.24
Travelling & Conveyance	19.13	28.34
Printing & Stationery	2.55	5.09
Communication Charges	5.89	9.74
Repairs and Maintenance	10.49	13.90
Audit Fee & Legal Expenses	12.78	44.85
Entertainment	0.64	0.62
Commission, Discount and Brokerage	46.72	43.12
Advertisement	20.78	17.55
Royalty	9.75	8.46
Packing, Freight & Forwarding	58.63	47.10
Sales & Purchase Tax	4.36	3.30
Directors Fee & Commission	0.08	0.04
General	30.52	87.26
Exchange variation	0.09	1.59
Loss on sale of investments *	43.66	0.10
Loss on sale of assets	0.02	0.55
Bad Debts written off	1.51	-
Amount written off	5.43	8.92
Settlement Cost (Refer Note 3 (b) of Schedule 19)	4.09	-
Provision for Doubtful Debts/Advances/Deposits	40.00	73.08
Provision for Gratuity **	13.24	-
Provision for Leave Salary **	9.09	-
Prior Period Items	0.18	-
<b>Total</b>	<b>389.55</b>	<b>426.49</b>

Includes joint venture share	20.36	34.45
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\* Refer Note 1(b) & 1(c) of Schedule 19

\*\*The Company has reached a settlement with its Employees Union leading to revision in the employees' wages and wage structure effective 1st August 2006. As a result of the settlement, the Company has provided for additional liability on account of Gratuity & Leave Salary based on actuarial valuation for past period of service.



## ESCORTS LIMITED

### SCHEDULES 1-19 FORMING PART OF THE CONSOLIDATED BALANCE SHEET AND PROFIT & LOSS ACCOUNT

#### SCHEDULE 14: INTEREST

	Year ended 30.09.2006 Rs. Crores (12 Months)	Period ended 30.09.2005 Rs. Crores (15 Months)
Interest Expense on:		
Fixed period loans and Debentures	53.83	117.03
Others	53.67	59.50
	107.50	176.53
Less: Interest income*:		
Others**	15.72	14.16
<b>Total</b>	<b>91.78</b>	<b>162.37</b>

Includes joint venture share 1.02 4.43

\* Income tax deducted at source 4.16 1.56

\*\* Includes interest on investments in deposits and bonds, income tax refunds, housing loan to employees, dealer overdues etc.

#### SCHEDULE 15: AMORTISATION OF EXPENDITURE

	Year ended 30.09.2006 Rs. Crores (12 Months)	Period ended 30.09.2005 Rs. Crores (15 Months)
Voluntary Retirement Scheme	3.91	5.10
Miscellaneous Expenditure written-off	8.85	4.98
<b>Total</b>	<b>12.76</b>	<b>10.08</b>

Includes joint venture share 0.03 0.17



## SCHEDULES 1-19 FORMING PART OF THE CONSOLIDATED BALANCE SHEET AND PROFIT & LOSS ACCOUNT

### 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 prepared in accordance with the requirement of Accounting Standard 21 (AS21) "Consolidated Financial Statement", Accounting Standard 23 (AS23) "Accounting for Investments in Associates in the Consolidated Financial Statements and Accounting Standard (AS27) "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:

The subsidiaries and joint ventures considered in the preparation of consolidated financial statements are as follows:

Name of 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-March
2. Escorts Construction Equipment Ltd. (ECEL)	India	100%	Escorts Limited	April-March
3. Escorts Agrimachinery Inc. (EAMI)*	USA	100%	Escorts Limited	January-Dec
4. FarmtracTractors Europe Sp. z.o.o	Poland	100%	EAMI	January-Dec
5. Beaver Creeks Holdings LLC (BCH)*	USA	51%	EAMI	January-Dec
6. Farmtrac North America LLC, USA *	USA	49% 51%	EAMI BCH	January-Dec
7. Escosoft Technologies Ltd. (ESCOSOFT) (ceased to be subsidiary w.e.f. 31.03.2006)	India	80.05%	Escorts Limited	April-March
8. IFS Solutions Limited (ceased to be subsidiary w.e.f. 27.12.2005)	India	99.99%	ESCOSOFT	April-March
9. CA Escosoft Ltd. (ceased to be subsidiary w.e.f. 31.03.2006)	India	99.99%	ESCOSOFT	April-March
10. Escotoonz Entertainment Pvt. Ltd.	India	97.56%	CELLNEXT	April-March
11. Esconet Services Ltd. (ESCONET) (ceased to be subsidiary w.e.f. 31.03.2006)	India	100%	Escorts Limited	April-March
12. Cellnext Solutions Ltd.	India	100%	Escorts Limited	April-March
13. iServ India Solutions Pvt. Ltd. (iSERVE) (ceased to be subsidiary w.e.f. 31.03.2006)	India	100%	ESCONET	April-March
14. Automatrix India Pvt. Ltd. (ceased to be subsidiary w.e.f. 31.03.2006 )	India	99.97%	ESCONET	April-March
15. Escorts Securities Ltd. (ESL (Board Controlled)	India	49.00%	EAML	April-March
16. Escorts Asset Management Ltd. (EAML) (Board Controlled)	India	30.00%	Escorts Limited	April-March
<b>LIST OF JOINT VENTURES</b>				
1. Carraro India Ltd.(Ceased to be joint venture w.e.f 25-09-2006)	India	49.00%	Escorts Limited	April-March
2. Escotrak Finance & Investments Pvt Ltd. (ESCOTRAC)	India	49.81% 49.81%	Escorts Limited EFILL	April-March
3. Escorts Finance Investment & Leasing Pvt Ltd. (EFILL)	India	49.81% 49.81%	Escorts Limited ESCOTRAC	April-March
4. Hughes Communications India Limited (HCIL)*	India	13.83%	Escorts Limited	April-March

\* Consolidated on the basis of unaudited financial statements.

## SCHEDULES 1-19 FORMING PART OF THE CONSOLIDATED BALANCE SHEET AND PROFIT & LOSS ACCOUNT

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

#### 3. RECOGNITION OF REVENUE

- Revenue from sale of goods are recognised on despatch, except in the following cases:
  - 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.
  - Income recognition on non – performing assets is in accordance with the Non – Banking Financial Companies Prudential Norms (Reserve Bank) Directions, 1998.
  - 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, DEPRECIATION AND AMORTISATION

##### i) Tangible

###### Fixed Assets:

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

###### Depreciation & Amortisation:

- 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 .
- Leasehold Land is amortised over a period of lease .
- Leasehold Improvements are written over a period of six years.
- Depreciation in Companies related to e-commerce and software development is provided on straight-line method based on estimated useful life of the assets.

##### ii) Intangible

- In accordance with AS 26 - Intangible Assets are valued at cost less accumulated amortisation and any impairment losses.
  - Prototypes including work-in-progress developed during Research & Development and advances given for Tooling are written-off over a period of four years.
  - Technical Knowhow fees and expenditure on major software products is written-off over a period of six years except in case of Escorts Asset Management Limited, where software is being written off over the period of ten years.
  - Goodwill is amortised over a period of ten years.

#### 5. IMPAIRMENT OF ASSETS

Impairment is ascertained at each Balance Sheet date in respect of Cash Generating Units for which any indication of any possible impairment exists. An impairment loss is recognised if the carrying amount of assets of a Cash Generating Unit exceeds its recoverable amount. The recoverable amount is the greater of the net selling price and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value based on an appropriate discount rate.

#### 6. 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.

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.

#### 7. RETIREMENT BENEFITS

- a. The liability on account of Gratuity is provided on the basis of actuarial valuation at the year-end.
- b. The Superannuation Scheme has been discontinued w.e.f. 1st November 2005 Prior to that the liability was provided in the basis of actuarial valuation at the year-end.



## **SCHEDULES 1-19 FORMING PART OF THE CONSOLIDATED BALANCE SHEET AND PROFIT & LOSS ACCOUNT**

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

#### **8. LEAVE ENCASHMENT**

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

#### **9. 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.

#### **10. INVESTMENTS**

Current Investments are stated at lower of cost and fair value; and Long Term Investments, other than in Associates, at cost. Where applicable, provision is made if there is a permanent fall in valuation of Long Term Investments.

Investments in Associates are accounted for on the basis of equity method.

#### **11. 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.

#### **12. DEFERRED REVENUE EXPENDITURE**

Development expenditure represents Project related development expenditure/ business process re-engineering consultancy. Such expenditure 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.

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

#### **13. 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.

#### **14. 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.

#### **15. PROVISIONS, CONTINGENT LIABILITIES AND CONTINGENT ASSETS**

Provisions are recognised for liabilities that can be measured only by using a substantial degree of estimation, if

- a) the Company has a present obligation as a result of past event,
- b) a probable outflow of resources is expected to settle the obligation and
- c) the amount of obligation can be reliably estimated.

Reimbursements expected in respect of expenditure required to settle a provision is recognised only when it is virtually certain that the reimbursement will be received.

Contingent liability is disclosed in the case of

- a) a present obligation arising from the past event, when it is not probable that an outflow of resources will be required to settle the obligation
- b) a possible obligation, unless the probability of outflow of resources is remote.

Provisions and Contingent Liabilities are reviewed at each Balance Sheet date.

# ESCORTS LIMITED

## SCHEDULES 1-19 FORMING PART OF THE CONSOLIDATED BALANCE SHEET AND PROFIT & LOSS ACCOUNT

### SCHEDULES 17: DISCLOSURE OF RELATED PARTIES -

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

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

#### (i) Joint Ventures

##### Domestic

Escorts Finance Investment & Leasing Private Limited  
Escotrac Finance & Investment Private Limited  
Carraro India Limited  
Escorts Motors limited  
Hughes Communications India Limited  
Escorts Telecommunications Limited (upto 28th June, 2006)

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

Mr. Rajan Nanda  
Mr. Nikhil Nanda

#### (iii) Related Party Transactions:

Annexure - I

#### TRANSACTION WITH JOINT VENTURES

(Rs. Crores)

Nature of Transactions	Escorts Finance Investment & Leasing Ltd.	Escotrac Finance & Investment Pvt. Ltd.	Carraro India Limited	Escorts Motors Limited	Hughes Communications India Ltd	Escorts Telecommunications Limited #	Total
<b>Sale of goods</b>	-	-	<b>0.95</b>	-	-	-	<b>0.95</b>
	-	-	(0.60)	-	-	-	(0.60)
<b>Rendering of services (Income)</b>	-	-	-	-	-	-	-
	-	(0.01)	-	-	-	-	(0.01)
<b>Rent Income</b>	-	-	-	-	-	-	-
	-	-	-	-	(0.19)	-	(0.19)
<b>Interest income</b>	-	-	-	-	-	-	-
	-	-	-	-	-	-	-
<b>Receiving of services</b>	-	-	-	-	-	-	-
	-	-	-	-	-	-	-
<b>Expenses recovery</b>	-	-	-	-	-	-	-
	-	-	-	-	-	-	-
<b>Amount written back</b>	-	-	-	-	-	-	-
	-	-	-	-	-	-	-
<b>Purchases of goods</b>	-	-	<b>46.35</b>	-	-	-	<b>46.35</b>
	-	-	(20.56)	-	-	-	(20.56)
<b>Investments</b>							
Balance as at 1st Oct 2005	<b>83.82</b>	<b>98.48</b>	<b>19.60</b>	<b>1.50</b>	<b>3.76</b>	-	<b>207.16</b>
	(83.82)	(98.48)	(19.60)	(1.50)	(3.76)	(57.00)	(264.16)
Additions during the year	-	-	-	-	-	-	-
	-	-	-	-	-	-	-
Reductions during the year	-	-	<b>19.60</b>	-	<b>1.69</b>	-	<b>21.29</b>
	-	-	-	-	-	-	-
Balance as at 30 Sept 2006	<b>83.82</b>	<b>98.48</b>	-	<b>1.50</b>	<b>2.07</b>	-	<b>185.87</b>
	(83.82)	(98.48)	(19.60)	(1.50)	(3.76)	(57.00)	(264.16)
<b>Advances Given (incl Running accounts)</b>							
Balance as at 1st Oct 2005	-	<b>0.01</b>	-	<b>0.02</b>	<b>0.07</b>	-	<b>0.10</b>
	-	(0.01)	-	(0.02)	(0.09)	-	(0.12)
Additions during the year	-	-	-	-	-	-	-
	-	-	-	-	-	-	-
Reductions during the year	-	<b>0.01</b>	-	-	-	-	<b>0.01</b>
	-	-	-	-	(0.02)	-	(0.02)
Balance as at 30 Sept 2006	-	-	-	<b>0.02</b>	-	-	<b>0.02</b>
	-	(0.01)	-	(0.02)	(0.07)	-	(0.10)
<b>Receivables / Debtors</b>							
Balance as at 1st Oct 2005	-	-	-	-	-	-	-
	-	-	-	-	-	-	-
Additions during the year	-	-	<b>0.95</b>	-	-	-	<b>0.95</b>
	-	-	(0.72)	-	-	-	(0.72)
Realizations during the year	-	-	<b>0.95</b>	-	-	-	<b>0.95</b>
	-	-	(0.72)	-	-	-	(0.72)
Balance as at 30 Sept 2006	-	-	-	-	-	-	-
	-	-	-	-	-	-	-
<b>Payables</b>							
Balance as at 1st Oct 2005	-	<b>0.02</b>	<b>14.76</b>	-	-	-	<b>14.79</b>
	-	(0.02)	(0.16)	-	-	-	(0.18)
Additions during the year	-	<b>0.02</b>	<b>46.35</b>	-	-	-	<b>46.37</b>
	-	-	(20.56)	-	-	-	(20.56)
Payments made during the year	-	-	<b>51.27</b>	-	-	-	<b>51.27</b>
	-	-	(6.01)	-	-	-	(6.01)
Balance as at 30 Sept 2006	-	<b>0.05</b>	<b>9.84</b>	-	-	-	<b>9.89</b>
	-	(0.02)	(14.71)	-	-	-	(14.73)



**SCHEDULES 1-19 FORMING PART OF THE CONSOLIDATED BALANCE SHEET AND PROFIT & LOSS ACCOUNT**  
**SCHEDULES 17: DISCLOSURE OF RELATED PARTIES - (Contd.)**

**Annexure - I (Contd.)**

**TRANSACTION WITH JOINT VENTURES**

**(Rs. Crores)**

Nature of Transactions	Escorts Finance Investment & Leasing Ltd.	Escotracs Finance & Investment Pvt. Ltd.	Carraro India Limited	Escorts Motors Limited	Hughes Communications India Ltd	Escorts Telecommunications Limited #	Total
<b>Loans / ICD Given</b>							
Balance as at 1st Oct 2005	-	-	-	-	-	-	-
	-	-	-	-	-	(12.93)	(12.93)
Additions during the year	-	-	-	-	-	-	-
Payments made during the year/Returned	-	-	-	-	-	-	-
Balance as at 30 Sept 2006	-	-	-	-	-	-	-
	-	-	-	-	-	(12.93)	(12.93)
<b>Advances Given (incl Running accounts)</b>							
Balance as at 1st Oct 2005	-	(0.02)	-	-	-	-	(0.02)
	-	-	-	-	-	(126.60)	(126.60)
Additions during the year	-	-	-	-	-	-	-
Payments made during the year	-	-	-	-	-	(3.19)	(3.19)
	-	-	-	-	-	(0.10)	(0.10)
Balance as at 30 Sept 2006	-	(0.00)	-	-	-	-	(0.00)
	-	-	-	-	-	(129.69)	(129.69)
<b>Provisions (Debts/Loans/Advances/Deposits/Investments)</b>							
Balance as at 1st Oct 2005	-	-	-	-	-	-	-
	-	-	-	31.25	0.07	-	31.32
Additions during the year	-	-	-	-	(0.07)	(197.04)	(197.11)
	-	-	-	(31.25)	-	-	(31.25)
Payments made during the year	-	-	-	-	-	-	-
	-	-	-	-	-	-	-
Balance as at 30 Sept 2006	-	-	-	31.25	0.07	-	31.32
	-	-	-	(31.25)	(0.07)	(197.04)	(228.36)

**NOTES:**

1. 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.
- 2.# Ceased to be a related party during 2005-06.
3. The figures in brackets pertain to previous period.

**TRANSACTION WITH KEY MANAGEMENT PERSONNEL**

**(Rs. Crores)**

Nature of Transactions	Mr. Rajan Nanda	Mr. Nikhil Nanda	Total
Managerial Remuneration Paid	(0.25)	(0.27)	(0.52)

**NOTES:** The figures in brackets pertain to previous period.

# ESCORTS LIMITED

## SCHEDULES 1-19 FORMING PART OF THE CONSOLIDATED BALANCE SHEET AND PROFIT & LOSS ACCOUNT SCHEDULES 18: SEGMENT INFORMATION FOR THE PERIOD ENDED SEPTEMBER 30, 2006

### 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	1974.24	345.52	-	-	115.06	111.86	154.20	114.90	2815.77
	(1,340.09)	(250.25)	(31.73)	(353.17)	(130.90)	(109.81)	(35.20)	(516.88)	(2,768.03)
Less: Inter-segment	159.59	3.04	-	-	2.21	2.21	20.23	4.37	191.65
	(19.77)	(1.48)	-	-	(1.07)	(4.98)	(0.68)	(2.90)	(30.88)
Revenue - External	1,814.65	342.48	-	-	112.84	109.65	133.97	110.53	2,624.12
	(1,320.32)	(248.77)	(31.73)	(353.17)	(129.83)	(104.83)	(34.52)	(513.98)	(2,737.15)
Results									
Segment result	83.33	29.67	-	-	17.05	(11.35)	(75.89)	(65.70)	(22.90)
	(158.65)	(15.70)	(1.20)	(14.23)	(12.79)	(15.01)	(5.36)	-	(135.10)
Other unallocated expenditure ( net of unallocable income)								(9.14)	(9.14)
Interest Expense								107.50	107.50
								(176.53)	(176.53)
Interest Income								15.72	15.72
								(14.16)	(14.16)
Dividend Income								0.99	0.99
								(0.42)	(0.42)
Share in loss of associates								0.77	0.77
								(1.98)	(1.98)
Provision for diminution in the value of Long term investments & loans to Group Cos.								1.68	1.68
								(105.91)	(105.91)
Surplus on sale of Investments								96.70	96.70
								(502.59)	(502.59)
Profit before taxation	83.33	29.67			17.05	(11.35)	(110.58)	(62.24)	(19.44)
	(158.65)	(15.70)	(1.20)	(14.23)	(12.79)	(15.01)	(5.36)	(241.89)	(106.79)
Provision for taxation:									
- Current tax								14.86	14.86
								(42.22)	(42.22)
- F.B.T.								2.84	2.84
								-	-
- Deferred tax								9.43	9.43
								(56.04)	(56.04)
Profit after tax	83.33	29.67			17.05	(11.35)	(110.58)	(89.37)	(46.57)
	(158.65)	(15.70)	(1.20)	(14.23)	(12.79)	(15.01)	(5.36)	(255.71)	(120.61)
Other Information									-
Segment assets	1,401.41	136.32	-	-	73.27	80.64	100.07	932.03	2,723.74
	(921.85)	(119.69)	(32.42)	-	(67.81)	(61.99)	(150.41)	(608.18)	(1,962.35)
Segment liabilities	779.68	59.32	-	-	11.61	38.53	35.49	155.20	1,079.83
	(371.44)	(63.32)	(13.58)	-	(12.80)	(22.39)	(23.56)	(1,005.99)	(1,513.08)
Additions to Tangible Fixed Assets	342.39	1.09	-	-	14.45	15.55	9.22	63.40	446.10
	(55.48)	(1.64)	(5.43)	-	(5.35)	(2.76)	(3.25)	(4.83)	(78.74)
Additions to Intangible Fixed Assets	1.56	0.02	-	-	-	0.02	0.96	7.83	10.39
	(0.41)	(1.72)	-	-	-	(0.03)	(4.04)	-	(6.20)
Depreciation and Amortisation	35.58	1.29	-	-	3.33	3.30	9.77	4.41	57.68
	(50.37)	(2.64)	(4.23)	(33.16)	(3.87)	(3.55)	(5.46)	(9.29)	(112.57)
Non-cash expenses other than depreciation & amortisation	3.90	-	-	-	0.13	0.24	5.25	3.23	12.76
	(68.68)	(4.00)	(1.07)	(0.53)	(1.79)	(0.38)	(3.31)	(112.56)	(192.32)

### ii) INFORMATION ABOUT SECONDARY GEOGRAPHICAL SEGMENTS

	India	Outside India	Consolidated Total
Revenue by geographical market-External	<b>2,250.12</b>	<b>374.00</b>	<b>2,624.12</b>
	(2,246.75)	(490.40)	(2,737.15)
Carrying amount of Segment assets	<b>2,369.78</b>	<b>353.96</b>	<b>2,723.74</b>
	(1,712.72)	(249.63)	(1,962.35)
Addition to Tangible Fixed Assets	<b>424.32</b>	<b>21.78</b>	<b>446.10</b>
	(28.78)	(49.96)	(78.74)
Additions to Intangible Fixed Assets	<b>10.39</b>	-	<b>10.39</b>
	(5.79)	(0.41)	(6.20)



**SCHEDULES 1-19 FORMING PART OF THE CONSOLIDATED BALANCE SHEET AND PROFIT & LOSS ACCOUNT**  
**SCHEDULES 18: SEGMENT INFORMATION FOR THE PERIOD ENDED SEPTEMBER 30, 2006 (Contd.)**

**iii) Notes:**

- (a) The Company is organized into seven main business segments, namely;
- Agri machinery Products: comprising of tractors, Industrial engines, spare parts and components of axles and transmissions.
  - Auto Ancillary Products: comprising of Shock Absorbers, Telescopic Front Forks and Mcpherson Struts.
  - Railway Equipments: comprising of Shock Absorbers, Couplers and Braking systems and composite 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. Healthcare business has been divested during the current period.
  - Telecom Services: comprising of cellular and V-Set Telecommunication Services. Cellular business was divested during the previous period.
  - 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 segments 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
- (d) Segment having been divested, giving current year figures is not necessary.



## SCHEDULES 1-19 FORMING PART OF THE CONSOLIDATED BALANCE SHEET AND PROFIT & LOSS ACCOUNT

### SCHEDULE 19: NOTES ON CONSOLIDATED BALANCE SHEET AND PROFIT AND LOSS ACCOUNT

- 1(a) During the period 2004-05, Escorts Ltd.(EL) sold its entire share holding in Escorts Heart Institute & Research Centre Limited (EHIRCL) for consideration of Rs 520.00 crores vide Sale Purchase Agreement dated 25th September 2005. The sale proceeds have been received, excepting for Rs 85.08 crores which were retained in an Escrow Account, awaiting fulfilment of certain conditions.
- The Hon'ble Delhi High Court has ordered status quo, on a petition filed in this matter. The Company has recognised the sale in previous period Accounts and has also obtained legal opinion, which has advised that there is no adverse effect on the sale transaction, in view of the High Court Order.
- The matter is in advanced stages of adjudication.
- 1(b) During the year, two subsidiary (Escosoft Technologies Limited and Esconet Services Limited) and a joint venture company (Carraro India Limited) were divested. For the purpose of consolidation, the gain or loss on disposal of interest in these companies has been represented by the difference between Company's share in net liabilities as on the date of disposal and the disposal proceeds. On the date of disposal, EL has a share of loss (net) in these companies of Rs.84.75 crores after taking into account the proportionate profit (net) of the current year amounting to Rs.40.03 crores and an investment of Rs.103.95 crores resulting into share in net assets in these companies of Rs.19.20 crores. The disposal consideration is Rs.114.52 crores and thus results in a gain of Rs. 95.32 crores out of which Rs.44.72 crores has been adjusted through accumulated losses brought forward and remaining is credited / debited to the consolidated profit and loss account.
- 1(c) During the year, part holding in a joint venture company (Hughes Communications India Limited(HCIL)) was divested. For the purpose of consolidation the gain or loss on disposal of interest in this company has been represented by the difference between Company's share in net liabilities on the date of disposal and the disposal proceeds. On the date of disposal, EL has a share of profit in HCIL of Rs.10.18 crores after taking into account the proportionate profit of the current year amounting to Rs. 1.12 crores and an investment of Rs. 1.69 crores (part of total investment of Rs.3.76 crores) resulting into share in net assets in HCIL of Rs.6.26 crores. The disposal consideration is Rs. Nil and thus results in loss of Rs.6.26 crores out of which Rs.5.07 crores has been adjusted through accumulated losses brought forward and remaining is debited to the profit and loss account.
- 1(d) Escorts Limited has proposed a scheme of Compromise & Arrangement with the Fixed Deposit holders and Secured Creditors of Escorts Finance Ltd (EFL), an Escorts Group Company under the provisions of Section 391 of the Companies Act, 1956. With a view to preserve its present value, reputation and image and on request of Board of Directors of EFL, Escorts Ltd (EL) proposes to grant under the Scheme liquidity options to all the fixed deposit holders in the form of either Equity Shares or Fully Convertible Unsecured Debentures of EL equivalent to 75% of the Fixed Deposit value, as described in the Scheme. EL may also assume liabilities of EFL towards Secured Creditors as a part of the Scheme such that EL shall realise the assets pledged by EFL to its secured creditors and settle their outstanding against EFL on effective date from the amount so realised to the extent of the amount so realised. EFL shall treat EL as Secured Creditors for 75% of Fixed Deposit Value and assign part of its Loans & Advances and part of Stock on hire in consideration for assuming liabilities of EFL.
- The Shareholders, Secured Creditors and Unsecured Creditors of EL & Fixed Deposit holders & Secured Creditors of EFL have already approved the Scheme with requisite majority at the Court Convened Meetings held for this purpose on 5th May 2006 & 10th May 2006 respectively. The petition made by the Company for the approval is pending before the Hon'ble High Court of Delhi. The impact on Accounts of the company, will be considered in the year in which the scheme is approved by the Hon'ble Delhi High Court.
- 2(a) Escorts Limited had entered into an agreement on the 15th of January, 2004, to divest its entire holding of equity in the telecom subsidiary Companies i.e Escotel Mobile Communications Limited (EMCL) and Escorts Telecommunications Limited (ETL). The sale transaction in case of EMCL was completed on 10th June, 2004 and the ETL transaction has been completed on 28th June 2006. The net loss of Rs. 177.61 crores arising on account of the loss of investment as well as towards loans given to the above two mentioned subsidiaries, was provided during the previous period. The loss was after taking into account the gain of Rs. 88.11 crores arising from the assignment of the shareholders' subordinated debt by the joint venture partner in favour of Escorts Limited. The consequential aggregate shareholders' subordinated debt of Rs. 175.74 crores is redeemable in January, 2014. However, the borrower EMCL has an option of early redemption at a discount rate of 10.50% per annum and the Company has a put option in January 2010. This Subordinated Debt (Bond) of Rs 175.74 crores is included in 'Investments' (Schedule 6) The difference between the book value of Rs 175.74 crores and the realisable value (NPV) of Rs 117.87 crores in January 2010 was provided during 2004-05.
- 2(b) Escorts Limited has assigned the above referred Bond of Idea Mobile Communication Limited (Idea) to UTI Bank Ltd. (Bank) to avail financial assistance. Idea has a call option exercisable at any time. On payment by Idea to the Bank, the Company will receive any surplus after deducting dues to Bank on account of loan amount, contingent liabilities to the extent set off by Idea and any outstanding interest / penal interest and charges. The Bank has also retained a cash margin whose book value of Rs 6.31 crore is included in 'Fixed deposits with Scheduled Banks' (pledged) in Schedule 7 'Current Assets'.
- 3(a) 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 Ltd (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 had given an assurance to HNS and ICICI of a minimum return compounded annually for a period of four years. Subsequent to 31st March 2004, the Company has in terms of earlier agreement agreed to purchase the 49% holding in EML from ICICI and had advanced Rs 68 crores out of which Rs 31.25 crores has been provided as diminution in the value of proposed investment, being the differential in excess of the original investment made by ICICI. The transfer of the shares in favour of the Company is awaited pending final settlement with ICICI. The amount of Rs 68 crores remains grouped under 'Advances recoverable in cash or kind' in Schedule 8 'Loans & Advances'.
- 3(b) Pursuant to Settlement Agreement dated 14th September, 2006 between HNS and Escorts Limited, the Company agreed to pay a settlement amount of Rs.10.60 crores. During the year EL has paid Rs. 2.40 crores in cash and the balance of Rs. 8.20 crores by transfer of 16,90,500 Equity Shares of Hughes Communications India Limited (HCIL) of face value Rs. 10/- each amounting to Rs.1.69 crores (Estimated Market Value of Rs. 8.20 crores). The amount of Rs. 4.09 crores has been shown as Settlement Cost in Schedule 13 'Sales & Administration Expenses'.
- 4 Escorts Limited has given guarantees on behalf of Escorts Construction Equipment Limited to Bank of Baroda as the lead bank for consortium of banks for Rs.22.00 crores and to Technology Information Forecasting and Assessment Council of India (TIFAC) for Rs. 2.31 crores, to Canara Bank for Rs. 0.75 crores and to SIDBI for Rs 2.00 crores for credit facilities. The value of guarantees actually utilised as on 30.09.2006 were Rs.23.44 Crores.
- 5 The tax authorities had raised a demand of tax amounting to Rs 52.33 crores and interest thereon amounting to Rs 29.16 crores on EHIRCL (the Subsidiary Company that was sold in the previous year). The demand was disputed by EHIRCL and is under appeal. The Company (EL) has undertaken vide the sale agreement dated 25th September 2005 to indemnify the purchaser to the extent of Rs 65 crores plus one-third of any amount in excess of Rs.65 crores, in case the appeal is decided against the EHIRCL.



# SCHEDULES 1-19 FORMING PART OF THE CONSOLIDATED BALANCE SHEET AND PROFIT & LOSS ACCOUNT

## SCHEDULE 19: NOTES ON CONSOLIDATED BALANCE SHEET AND PROFIT AND LOSS ACCOUNT (Contd.)

6 During the year, Escorts Limited has issued 36,11,610 share warrants to Har Parshad and Company Private Limited, a Promoter Group Company, as approved by the shareholders in the Annual General Meeting held on 31st March, 2006. These warrants were issued at a price of Rs.83.79 each and are convertible into equal number of Equity Shares of the face value of Rs.10/- each at a premium of Rs. 73.79 per share within 18 months from the date of allotment (i.e., 31.03.2006). Equity Shares issued upon conversion shall remain under "lock-in" for a period of 3 years with effect from the date of allotment of such warrants.

7 The Net Owned Funds of Escorts Automotive Limited (EAL) has fallen below the limits prescribed under the NBFC Regulations since the last three years.

8 Deferred Tax Assets / Liabilities as at 30th September 2006 comprises of the following:

### Deferred Tax Asset

(Rs. in Crores)

Particulars	Deferred Tax Assets/ (Liabilities) as at 01.10.2005	Adjustment	Credit/(Charge) During the period	Deferred Tax Assets/ (Liabilities) as at 30.09.2006
Accumulated Losses	12.80		53.31	66.11
Depreciation	-		-	-
Unabsorbed depreciation	5.39		-	5.39
Deferred Revenue Expenditure	0.80		0.01	0.81
Disallowance U/s 43B	23.04	(0.33)	0.01	22.72
Provision for Doubtful Debts/Loans/Advances	127.63	(0.39)	0.75	127.99
Other Provisions	0.38		0.19	0.57
Provision For Diminution in Value of Investments			14.53	14.53
<b>Total</b>	<b>170.04</b>	<b>(0.72)@</b>	<b>68.80</b>	<b>238.12</b>

### Deferred Tax Liability

(Rs. in Crores)

Particulars	Deferred Tax Assets/ (Liabilities) as at 01.10.2005	Adjustment	Credit/(Charge) During the period	Deferred Tax Assets/ (Liabilities) as at 30.09.2006
Accumulated Losses	-		0.33	0.33
Depreciation	78.05	(0.55)	(3.93)	73.57
Unabsorbed depreciation	-		-	-
Deferred Revenue Expenditure	0.05		(0.04)	0.01
Disallowance U/s 43B	-		4.68	4.68
Provision for Doubtful Debts/Loans/Advances	-		81.10	81.10
Other Provisions	-		(3.91)	(3.91)
<b>Total</b>	<b>78.10</b>	<b>(0.55)@</b>	<b>78.23</b>	<b>155.77</b>

@ Opening balance of net deferred tax asset has been adjusted for net amount of Rs.0.17 crores mainly related to Rs 0.60 Crores on Escosoft Technologies Limited, which ceased to be subsidiary w.e.f. 31.03.2006 and Rs 0.08 crs on sale of part stake in Hughes Communications India Limited (Joint Venture) and Rs.0.51 crores related to sale of stake in Carraro India Limited (Joint Venture).

## SCHEDULES 1-19 FORMING PART OF THE CONSOLIDATED BALANCE SHEET AND PROFIT & LOSS ACCOUNT

### SCHEDULE 19: NOTES ON CONSOLIDATED BALANCE SHEET AND PROFIT AND LOSS ACCOUNT (Contd.)

(Rs. In crores)

9	Contingent Liability	2005-06	2004-05
i).	Estimated amounts of contracts remaining to be executed on capital account not provided for	14.98	5.78
ii).	* Claims not acknowledged as debts	0.72	4.65
iii).	There is a Contingent liability of :		
	* (a) Excise duty demands not acknowledged as liability	113.13	37.96
	* (b) ESI additional demand not acknowledged as liability	17.97	11.96
	* (c) Sales Tax / Income Tax demand not acknowledged as liability	4.59	3.50
	* (d) Demand raised by Income Tax department, disputed by the Company and an in appeal	36.26	44.86
	* (e) Pending Legal Cases - Personnel	2.99	3.43
	* (f) Faridabad Municipal Corporation (litigation against demand for external development charges)	2.38	2.38
	* (g) Bills discounted with Banks/Financial Institutions	16.25	31.71
	Gross	193.57	135.80
	Net of Tax	128.39	90.08
(h)	Guarantees executed in favour of Customs/Excise Authorities	13.32	9.33
(i)	Guarantees (financial and performance) to Banks and Financial Institutions	21.94	22.88

Note \*

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

@ For the Assessment Year 2003-04, an additional demand of Rs 36.10 crores, has been raised by the Income Tax Department.

The appeal is pending before the CIT Appeals.

According to the Company, the demand shall not survive after the appeals, since it is highly contentious and debateable.

#### 10 Earnings per Share (EPS)

	2005-06	2004-05
(a) Profit/(Loss) after tax attributable to the Company ( Rs. Crores )	(47.42)	120.84
(b) Total number of Equity Shares	62,046,835	62,046,835
(c) Basic and Diluted Earnings Per Share (Rupees)	(7.64)	19.48

#### 11 Miscellaneous expenditure (to the extent not written off or adjusted) represents:

(Rs. In crores)

	2005-06	2004-05
(a) Development expenditure	3.01	4.97
Add: Additions during the year	0.48	1.08
Less: Written off during the year	1.21	3.04
	2.28	3.01
(b) Payments under Voluntary Retirement Scheme	7.81	10.84
Add : Additions during the year	2.25	2.07
Less: Written off during the year	3.91	5.10
	6.15	7.81
(c) Upfront fees	8.49	0.23
Add : Additions during the year	2.38	9.75
Less: Written off during the year	2.55	1.49
	8.32	8.49
(d) Preliminary Expenditure	0.09	0.14
Add : Additions during the year	-	-
Less: Written off during the year	0.05	0.05
	0.04	0.09
(e) Other Deferred Revenue Expenditure	2.58	0.70
Add : Additions during the year	2.87	2.29
Less : Written off during the year	5.04	0.41
Total	17.20	21.98



# SCHEDULES 1-19 FORMING PART OF THE CONSOLIDATED BALANCE SHEET AND PROFIT & LOSS ACCOUNT

## SCHEDULE 19: NOTES ON CONSOLIDATED BALANCE SHEET AND PROFIT AND LOSS ACCOUNT (Contd.)

12 In accordance with Accounting Standard (AS - 19) "Leases" the disclosure under various leases is given in Annexure:

In accordance with Accounting Standard (AS - 19) "Leases" disclosures under various leases are hereunder:

(Rs. In crores)				
A) Assets acquired under finance lease during the year 2005-06:				
Category of Fixed Asset	Furniture & Fixture	Equipments	Vehicles	Computers & Peripherals
Total Addition during the period	15.70	0.19	2.18	1.91
	(3.70)	-	(0.88)	-
Opening Original Cost	-	-	0.84	-
	(1.22)	(0.26)	(0.60)	-
Additions under finance lease	-	0.19	0.13	1.35
	-	-	(0.24)	-
Deletion during the period	-	-	0.19	-
	(1.22)	(0.26)	-	-
Closing Original Cost	-	0.19	0.78	1.35
	-	-	(0.84)	-
Cumulative Depreciation	-	0.18	0.43	0.09
	-	-	(0.33)	-
Net carrying value as on 30th September, 2006	-	0.01	0.35	1.26
	-	-	0.51	-

The details of Minimum Lease Payments outstanding as on 30th September, 2006 and present value thereof are as under:

(Rs. In crores)						
	Minimum lease payments outstanding		Present value of minimum lease payments outstanding		Future interest on outstanding lease payments	
	2005-06	2004-05	2005-06	2004-05	2005-06	2004-05
- Total amount due	2.03	0.36	1.66	0.31	0.37	0.05
- Due within one year	0.8	0.18	0.58	0.15	0.22	0.03
- Due later than one year and not later than five years All the lease arrangements are upto 4 years	1.23	0.18	1.08	0.16	0.15	0.02

### B) Assets taken on Operating Cancellable Leases:

The total of Lease payments recognised in profit and loss account for the period ended 30th September, 2006 is Rs.0.47 crores (Previous Period - Rs.0.20 crores)  
The cancellable operating leases pertains to vehicles.

### C) Assets taken under Non - Cancellable Operating leases are as under:

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

(Rs. In crores)	
- Due within one year	0.53
- Due later than one year and not later than five years	(0.43)
- Due later than five years	-
	(0.53)
	-

The non-cancellable operating leases pertains to office equipments.

13 Proportionate share of joint ventures in the following line items is given below as there is no separate schedule attached

	2005-06	2004-05
- Gross Sales	62.17	99.53
Less: Excise	9.99	12.92
Net Sales	52.18	87.01
- Depreciation	5.26	9.21
- Provision for Taxation:		
Current Taxation	0.57	0.64
Deferred Taxation	1.08	0.46
- Deferred Tax Assets	1.06	2.25
- Investments	147.58	56.14
- Miscellaneous Expenditure (to the extent not written off or adjusted)	0.27	2.33
- Contingent Liability	15.48	16.47

14 Current accounting year being of 12 months from October 1, 2005 to September 30, 2006, is not comparable with the previous period of 15 months. Previous period figures have been regrouped wherever necessary, to conform to the current year classification.

**RAJAN NANDA**  
Chairman and  
Managing Director

**NIKHIL NANDA**  
Executive Director & COO

**Dr. M. G. K. MENON**  
Director

**Dr. P. S. PRITAM**  
Director

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

**SHAIENDRA TANDON**  
Group Chief Financial Officer

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

**VIJAY DHAWAN**  
Partner  
M No. 12565

Place : Faridabad  
Dated : December 21, 2006

# ESCORTS LIMITED

## CONSOLIDATED CASH FLOW STATEMENT

	Year ended 30.09.2006 Rs. Crores (12 Months)	Period ended 30.09.2005 Rs. Crores (15 Months)
<b>A. CASH FLOW FROM OPERATING ACTIVITIES</b>		
Net Profit before tax	(19.44)	106.79
Adjustments for :		
Depreciation	48.93	102.49
Misc. Exp./ Assets Write off / Provisions/Adjustments	12.76	171.55
Interest Expense	107.50	176.53
Loss on Investment	43.66	-
Surplus on sale of investments	(96.70)	(500.61)
Dividend Income	(0.99)	(0.42)
Interest Income	(15.72)	(14.16)
Operating Profit before working capital changes	80.00	42.17
Adjustments for :		
Trade and other Receivables	(172.28)	(111.27)
Inventories	(43.61)	(97.87)
Trade Payables	413.84	133.38
Miscellaneous Expenses	(7.98)	(15.51)
<b>Cash Generated from Operations</b>	269.96	(49.10)
Direct Taxes Paid (net of refunds received)	(27.90)	(22.28)
<b>Net Cash Flow from operating activities</b>	297.86	(71.38)
<b>B. CASH FLOW FROM INVESTING ACTIVITIES</b>		
Payment of licence fees / pre-operative expenditure	-	(0.16)
Purchase of Fixed Assets	(68.55)	(84.85)
Sale of Fixed Assets	43.34	14.18
Purchase of Investments	-	(2.91)
Proceeds from Sale of Investments	111.89	519.16
Margin Money in Escrow Account	-	(85.08)
Interest Received	12.32	14.16
Dividend Received	0.99	0.42
<b>Net Cash used in Investing activities</b>	99.99	374.92



## CONSOLIDATED CASH FLOW STATEMENT (Contd.)

	Year ended 30.09.2006 Rs. Crores (12 Months)	Period ended 30.09.2005 Rs. Crores (15 Months)
<b>C. CASH FLOW USED IN FINANCING ACTIVITIES</b>		
Proceeds from Issue of Share Capital	-	0.01
Proceeds from Long Term Borrowings	-	86.24
Less: Repayment of long term borrowings	(243.86)	(168.56)
Net Proceeds from Short Term Borrowings	-	(5.34)
Interest Paid	(104.61)	(176.53)
<b>Net Cash used in financing activities</b>	<b>(348.47)</b>	<b>(264.18)</b>
<b>Net Increase/(Decrease) in Cash and Cash equivalents</b>	<b>49.38</b>	<b>39.36</b>
<b>Cash and Cash equivalents as at 01.10.2005</b>	<b>64.28</b>	<b>24.92</b>
<b>Cash and Cash equivalents as at 30.09.2006</b>	<b>113.66</b>	<b>64.28</b>

### Note:

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 & COO

**Dr. M. G. K. MENON**  
Director

**Dr. P. S. PRITAM**  
Director

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

**SHAIENDRA TANDON**  
Group Chief Financial Officer

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

Place : Faridabad  
Dated : December 21, 2006

**VIJAY DHAWAN**  
Partner  
M No. 12565

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

Sr. No	Name of The Company	Share Capital	Reserves & Surplus	Total assets				
				Total Fixed Assets	Total Investments	Total Current Assets	Deferred Tax Assets	Misc Expenditure
1	Escotoonz Entertainment Pvt. Ltd	60,000.00	-	35,811.42	-	4,254.31	-	-
2	Escorts Asset Management Limited	110,000.00	12,583.23	2,730.13	19,698.00	102,254.33	-	1,608.83
3	Cellnext Solutions Ltd	210,703.30	-	3,496.42	27,500.00	46,979.61	3,490.28	-
4	Escorts Construction Equipment Limited	710,000.00	-	175,334.87	140.40	1,150,276.45	45,607.86	3,177.35
5	Escorts Securities Ltd	62,000.00	17,861.63	6,753.02	406.10	215,447.59	383.63	-
6	Farmtrac Tractors Euope Spolka Zo.o* (1PLN = Rs14.63)	87,780.00	266,806.91	32,146.07	7,214.95	238,299.37	-	-
7	Escorts Automotives Limited	100,000.00	1,426.62	3,371.24	38,094.71	788,974.37	-	-
8	Escorts Agri Machinery Inc (1US\$ = 44.95)	310,022.53 ^	-	-	289,756.02	28,689.20	-	-
9	Beaver Creek Holdings LLC(USA) (1US\$ = 44.95)	(20,697.27) ^	-	-	43,375.18	18,032.77	-	-
10	Farmtrac North America,LLC (1US\$ =44.95 )	(255,422.80) ^	-	289,719.47	2,247.50	1,981,796.59	-	-

**NOTES:**

- 1 The Annual Accounts alongwith the reports thereon of the subsidiary companies are not being attached in view of the exemption granted by Government of India ,Ministry of Companies Affairs. The said annual accounts and the related detailed information will be made available to the holding and subsidiary Companies' investor seeking such information,at any point of time (during the business hours).The annual accounts of the subsidiary companies will also be kept for inspection by any investor at the head office of the Company/subsidiary companies.
- 2\* The above figures are net of reserve & surplus as per US GAAP.
- 3\* Figures are for nine months' period ended 30th September, 2006



(Rs. '000)

Pre-Operative Exp. Pending Allocation	Profit & Loss	Total Liabilities			Details of Investments	Turnover	Profit Before Tax	Provision For Tax	Profit After Tax	Proposed Dividend
		Total Loans	Deferred Tax Liability	Current Liability & Provisions	Other Than In Subsidiaries					
-	31,031.99	-	-	11,097.71	-	3,329.92	(574.81)	(1,588.10)	(2,162.92)	-
-	-	-	388.09	3,319.97	19,698.00	16,277.43	382.58	(225.03)	157.55	-
-	182,427.98	28,654.61	-	24,536.38	-	66,495.03	6,660.36	506.38	7,166.75	-
-	69,477.60	94,262.52	-	639,752.00	140.40	2,777,656.83	267,613.05	(111,784.47)	155,828.57	-
-	-	7,999.92	-	135,128.80	406.10	41,135.17	8,428.84	(4,080.08)	4,348.76	-
-	-	-	-	-	-	438,429.20	11,100.35	-	11,100.35	-
-	294,850.53	975,306.69	-	48,557.55	-	71,101.59	(56,244.82)	(6,181.20)	(62,426.02)	-
-	-	-	-	8,422.69	-	3,658.66	18.07	-	18.07	-
-	-	-	-	82,105.22	-	-	154.49	-	154.49	-
-	-	276,976.24	-	2,252,210.13	-	1,642,748.09	(353,406.79)	-	(353,406.79)	-

**RAJAN NANDA**  
Chairman and  
Managing Director

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

**VIJAY DHAWAN**  
Partner  
M No. 12565

Place : Faridabad  
Dated : December 21, 2006





**ESCORTS**

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Faridabad - 121 003, India

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