



CHAIRMAN'S MESSAGE

Dear Shareholder,

The Indian economy during the year has grown in all sectors and there has been a supporting growth in consumption that has given the country a GDP growth of 8% in real terms.

Ironically however, the farm sector was confronted with many adversities that have reduced its growth to mere 3% and was expected to decline further.

Whilst the country had a normal monsoon and harvested a good standing crop, the support price given by the Government to the farmers was unattractive – in fact it was lower than the cost at which India was proposing to import wheat. This has upset the agriculture market very extensively. The lapse of this crop income limited the farmers from raising fresh loans for buying equipment and for some farmers they had to repay old loans. There has been higher NPA from farm loans and hence lower lending by banks.

The above vicious cycle is proposed to be corrected a year later in the next wheat crop to be harvested in March-April '08. The Food and Agriculture Ministry has already fixed the support price and the standing crop is assessed to be good. The farmers' cash flow will thus become positive and business will begin to grow again.

AGRI MACHINERY

Your company with a long term view has been consistently improving its fundamentals. Towards this end, we have expanded our product offering and technologically advanced the tractors to become more competitive for specific products like –

- i) Lighter axle rice plantation tractor for South India
- ii) Orchard & Vineyard tractors
- iii) Heavy duty large tractors in the range of 70-80 hp for four wheel drive suitable for heavy duty haulage and use in hilly terrain.

We have established our brand "Farmtrac" which carries a strong reputation of quality products and we will build on this brand further. Our manufacturing quality has become consistent and the manufacturing processes have been refined. All these will help us gain market share and give incremental growth beyond the country's industry volume growth.

ESCORTS LIMITED

In the past year we lost substantially on our export volumes because of weakening of the Dollar by 12-14% which has eroded our entire working margin of sale for export destinations. As a result we had to withhold exports to the Dollar markets – mostly to USA where we have our own company and organisation to distribute, service and sell. We have attractive margins and growing volume sales in export markets of Africa, Europe and South East Asia that will continue to bring good export volumes for the company.

We have transformed the management leadership of our farm equipment and tractor business by bringing in a new CEO who will cultivate a strong marketing culture in our company, as well as make strong focused efforts to unleash a cost sensitive management culture and monetise the enormous value creation opportunities that this business is sitting on.

All of us at Escorts are very optimistic about showing significant gains and growth in our farm machinery business by growing in volumes and concurrently reducing the cost of operations and achieving significant profitability from Agribusiness.

The company's market network of dealers has intensified and we are aggressively targeting market share gains through new products for niche markets. This will strengthen our brand appeal and grow our business volumes over the next 2 years to reach 75,000 - 80,000 tractors. Tractor engines are being sold for industrial stationary use for which there is a very attractive market opportunity, the market size at present being around Rs. 2,500 – 3000 crs. annually. In our efforts to add more revenue from the existing investments, we have geared up to gain a sizeable share of this engine market.

Your company is bringing in technology for farm implements from European companies to add more productivity to tractors and assist the farmer to improve his horticulture yields to meet the retail activity started by private sectors. Additionally, for water management we are going to be distributing and selling laser land levelling equipment.

Escorts with the knowledge of customer market and farmer opportunity is now packaging a holistic offering to the farmer specific for improving his present yields and ultimately his income from farming.

In summary as our fortunes linked with the performance of the agriculture sector rise with government interventions and policies, the excitement within this business at Escorts is in unlocking its true wealth potential.

CONSTRUCTION MACHINERY - ECEL

Our subsidiary company Escorts Construction Equipment Limited is in an equally exciting mode of business opportunity and demand growth. We have experienced extraordinary growth in demand and actual execution despite having limited manufacturing infrastructure till we move to our new premises in April '08.

The results are excellent as you would see from the comparative in-depth analysis of top line, bottom line and volume line that is reproduced below:

		Actuals		Estimated 31.3.2008	Growth over Previous Year
		31.3.2006	31.3.2007		
I	Equipment Sales Volume (Units)	2547	3064	4350	42%
II	Gross Sales Turnover (Rs. Crs.)	315.67	408.21	585	43%
III	Net Sales Turnover (Rs. Crs.)	279.27	364.56	520	43%
IV	Profit Before Tax (Rs. Crs.)	26.76	26.58	40	50%

ECEL has wisely well invested in a very intelligent and modern manufacturing plant capable of handling an annual volume of 14,000 machines per annum. The major products to be built at this plant would be:

- i) Compaction Road Rollers
- ii) Pick and Carry Cranes
- iii) Forklift trucks
- iv) Loaders & Excavators
- v) Slew Cranes

All the above machines would be in serial production at the new plant location from May-June '08.



The retained earnings of this company are going to get stronger as the products which now have a growing demand are more profitable than the Pick and Carry Cranes. The road programmes of India are now becoming major activities and that generates a large demand for the products we manufacture.

ECEL has a mature well manned product designing department to design and develop improvements on our present machines so that the products offered to the markets are always comparative with the international branded products marketed. We also have exclusive Distribution Rights for India for some heavy machines that sell very well in major worksites in India such as:

- i) Crawler Cranes up to 280 tonnes
- ii) Heavy duty and special purpose forklift trucks
- iii) Road paving machines
- iv) Motor graders
- v) Tower Cranes
- vi) Equipment for Power and Telecom Utilities

For each of these products we have chosen a very competitive design from a reputed manufacturer who would give us the supply support to meet the demands of our markets. These arrangements can be converted to licensed manufacturing programmes at a later date if the demand of volumes from the market warrants local production initiatives.

ECEL will always be a high performance and high growth company because Construction Industry and business in India is a high growing area.

AUTO SHOCK ABSORBERS AND RAILWAY EQUIPMENT – ASP & RED

Escorts also has a component business of Auto Shock Absorbers and Railway Equipment. The railways have growing opportunities with traffic loads for both freight and passengers which warrants modernisation for which we have the products and are also looking at relationships and synergies with international companies for a two way exchange of technology products so that we have a bigger canvas to grow in the context of our future. Our plant in Rudrapur has also given us good economic savings of tax and business growth.

Likewise in Auto Shock Absorbers, we are refreshing our entire manufacturing facilities to primarily export the majority of our production that progressively will be actualised in the year 2007-08.

We have acquired excellent human skills at all the key function areas of the company and their collective efforts will transform Escorts into a high performance company with strengths of marketing and financial controls. This change will be progressive and will be reported by the management on a quarterly basis with the year ending in September '08. These results will also be reflected in the price quotation in the Stock Exchange of our listing because we hope to have good growth on top line and bottom line.

The fitness of the company is better than it has ever been and we owe this all to the collective intellectual minds that now serve the organisation to whom I am very grateful for their commitment to the company and to their profession.

I also want to place on record the cooperation we have had from the labour union who had a very constructive and progressive approach with the management to help the company grow and with that growth help the employees grow too.

I would also like to place on record the great help and advice I have had from the Board of Directors who have been very supportive in this transition period till we actually reinvented ourselves.

Rajan Nanda
Chairman and Managing Director

BOARD OF DIRECTORS

Chairman & Managing Director

Mr. Rajan Nanda

Joint Managing Director

Mr. Nikhil Nanda

Directors

Dr. M. G. K. Menon

Dr. S. A. Dave

Dr. P. S. Pritam

Mr. S. C. Bhargava

Sr. Vice President - Law & Company Secretary

Mr. G. B. Mathur

Exec. Vice President & Group Chief Financial Officer

Mr. R. K. Budhiraja

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

IDBI Bank

ABN Amro Bank N. V.

Bank of Baroda

Citibank, N.A.

Deutsche Bank AG

Hongkong & Shanghai Banking Corporation Limited

HDFC Bank Limited

Punjab National Bank

State Bank of India

State Bank of Travancore

CONTENTS

Ten Years' Summary of Operations.....	5
Director's Report	6
Auditors' Report.....	27
Balance Sheet.....	30
Profit and Loss Account.....	31
Schedules 1 to 19 forming part of the.....	32
Balance Sheet and Profit & Loss Account	
Cash Flow Statement.....	60
Balance Sheet Abstract and Company's	61
General Business Profile	
Consolidated Financial Statement.....	62
Statement Regarding Subsidiary.....	88
Companies Pursuant to Section 212 of the Companies Act, 1956	



TEN YEARS' SUMMARY OF OPERATIONS

(Rs. Crores)

RESULTS FOR THE PERIOD	2006-07	2005-06	2004-05 @	2003-04 @	2002-03	2001-02	2000-01	1999-2000	1998-99	1997-98
Total Income	2156	*** 1929	** 1,847	1292	1124	1327	1579	1570	1320	1418
Index	152	136	130	91	79	94	111	111	93	100
Cost of Sale	2083	1798	1,649	* 1593	1017	1256	1397	1375	1152	1210
Index	172	149	136	132	84	104	115	114	95	100
Interest	90	96	167	121	85	66	61	53	58	44
Index	204	218	379	275	192	151	139	120	132	100
Profit before Tax	(17)	34	31	(422)	22	5	121	142	110	164
Index	(11)	21	19	(257)	14	3	74	87	67	100
Taxation	3	13	39	—	2	5	14	30	26	34
Index	9	38	115	—	6	13	41	88	76	100
Deferred Taxation	(14)	2	(47)	(108)	(4)	(8)	—	—	—	—
Index	132	(126)	617	1420	50	100	—	—	—	—
Profit after Tax	(6)	19	39	(314)	24	8	107	112	84	130
Index	(5)	15	30	(241)	18	6	82	86	64	100
Dividend	—	—	—	—	7	7	33	32	32	30
Index	—	—	—	—	24	24	108	107	107	100
Dividend Tax	—	—	—	—	1	—	3	4	3	3
Index	—	—	—	—	31	—	100	133	100	100
Profit/ (Loss)	(6)	19	39	(314)	16	1	71	76	49	97
Index	(7)	20	41	(323)	16	1	73	78	50	100

YEAR END POSITION

Fixed Assets :

Gross Block	1450	1423	1,013	1034	1012	963	952	845	740	665
Less : Depreciation	583	534	493	447	386	332	290	245	205	170
: Provision for impairment	—	—	—	6	5	5	—	—	—	—
Net Block	867	888	520	581	621	626	662	600	535	495
Index	175	179	105	117	125	126	134	121	108	100
Investments	425	456	497	613	619	517	548	475	487	381
Index	112	120	130	161	163	136	144	125	128	100
Net Current Assets	166	172	172	247	548	529	392	610	531	564
Index	29	30	31	44	97	94	69	108	94	100
Net Deferred Tax Assets/(Liability)	90	76	79	32	(77)	(80)	—	—	—	—
Index	(212)	(195)	(198)	(139)	95	100	—	—	—	—
Share Capital	84	72	72	72	72	72	72	72	72	68
Index	123	106	106	106	106	106	106	106	106	100
Reserves	# 1035	946	546	521	844	835	950	911	857	811
Index	128	117	67	64	104	103	117	112	106	100
Loans	445	590	668	894	816	719	618	743	651	582
Index	76	101	115	154	140	123	106	128	112	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.

* 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

ESCORTS LIMITED

DIRECTORS' REPORT

Your Directors have pleasure in presenting the Sixty Second Annual Report and Audited Accounts of your Company for the year ended on 30th September, 2007.

FINANCIAL RESULTS

(Rs. in Crores)

	Year ended 30th Sept.2007	Year ended 30th Sept.2006
INCOME & PROFIT/(LOSS)		
1. Sales & Business Income	2,102.15	1,780.98
2. Total Expenses	1,992.65	1,673.67
3. Profit/(Loss) before Interest, Depreciation, Amortisation & Exceptional Items (1-2)	109.50	107.31
4. Interest & Finance Charges (Net)	68.95	84.95
5. Cash Profit before Taxation from Business Operations (3-4)	40.55	22.36
6. Depreciation & Amortisation	52.52	47.05
7. Profit/(Loss) before Tax & Exceptional Items (5-6)	(11.97)	(24.69)
8. Income from Investments/ Exceptional Items (Expenses)	(5.36)	59.13
9. Tax	(10.89)	15.44
10. Profit after Tax	(6.44)	19.00

You will be happy to note that your Company has increased its sale of tractors from 47,612 to 53,235 units registering a growth of 12% and the turnover has increased from Rs.1781 crores to Rs.2102 crores this year registering a growth of 18%.

There has been sharp increase in input costs due to increase in the prices of base metals. The same could not be recovered fully due to the competitive market conditions, thereby, affecting margins. It is a matter of concern that this overhang of increase in input costs continued throughout the year. The Company is mitigating this difficult situation by adopting various measures including aggressive cost cutting, business process improvements and product re-engineering. The Company has substituted its high cost short term debts with long term loans and reduced overall borrowings which will have a positive impact in the coming years.

DIVIDEND

Due to inadequacy of profits, Board has decided not to recommend any dividend for the year ended 30th September, 2007.

SHARE CAPITAL

Promoter Group has subscribed to and have been allotted 36,11,610 Equity Shares of Rs.10 each at a price of Rs.83.79 per Equity Share aggregating Rs.30.26 crores in exchange for the share warrants issued to them in March 2006 in terms of Preferential Issue Guidelines of Securities and Exchange Board of India (Disclosure and Investor Protection) Guidelines, 2000.

During the year, your company issued 36,11,610 share warrants to the promoter group in accordance with the Preferential Issue Guidelines which are exchangeable with equal number of Equity Shares at a price of Rs.124.05 per share on or before 22nd May, 2008.



Your Company has during the year made Placement of 77,94,910 Equity Shares of Rs.10/- each for cash at issue price of Rs.112/- per Equity Share aggregating Rs.87.30 Crores and 61,455 Secured Convertible Debentures of Rs.10,000/- each (SCDs) for cash at par aggregating Rs. 61.45 Crores to the Qualified Institutional Buyers (QIBs) in terms of the SEBI Guidelines. Part A of SCDs of Rs.100/- each was converted into 54,870 Equity Shares @ Rs.112/- per Equity Share immediately on allotment and Part B of SCD of Rs.9,900/- each is redeemable as per the terms of the issue within 7th to 42nd months of the allotment.

Consequent upon the aforesaid allotments the paid up share capital of your company was Rs.83,69,36,300 as on 30th September, 2007.

Hon'ble High Court of Delhi has directed your Company to place shares of Escorts Limited @ Rs. 94/- per share, face value of which is Rs. 10/-, to the tune of Rs. 7 Crores at the disposal of the Committee appointed by the Hon'ble Court on 19th October, 2006 read with order dated 18th December, 2006, to provide relief to certain depositors of Escorts Finance Limited who have been identified as hardship cases by the Committee. Your Company has complied with the directions and allotted 7,44,681 Equity Shares to the Court appointed Committee on 12th December, 2007.

Management Discussion and Analysis

1. Overview

(A) Agri Machinery Business

The Agri Machinery Business, which is the main business of your Company, has demonstrated strong performance for the second year in a row in its path to recovery. The strong performance is evident from growth of 12% in sales volume from 47,612 to 53,235 tractors.

a) Business Strategy

Your Company successfully leveraged business strategy it had launched year before to attain growth in both domestic and international markets. Your Company has focused on grass root market research and activity so as to be able to deliver true product value to various consumer segments. This effort is ongoing and is expected to continue to deliver results. The concurrent action plans of product development to address the latent customer and market needs at profitable contributions will facilitate improved performance in the coming years.

b) Sales & Marketing

The exercise undertaken in repositioning our both Farmtrac & Powertrac Brands in a complimentary manner was successfully implemented in the current year. The emphasis on 'Reach and Access' continued to be pronounced, resulting in your Company's dealer network being amongst the largest in the Indian tractor industry. Focus was on strengthening the Channel in a multi-dimensional manner in terms of financial fundamentals, grass root level reach, After Sales Service and parts operations. The strong product offering through this strengthened channel enabled us to buck the trend and post a growth of 13.4% in a domestic market that de-grew by 0.2%.

c) Exports

'Farmtrac' is a preferred brand in several leading global markets including America, Poland and South Africa. Alongside seeking out growth and visibility in international markets, your Company intends to constantly consolidate its efforts and activities in international markets to achieve specific volume. Exports margins have been affected during the year due to the steep appreciation of Rupee vis-a-vis US Dollar. Your Company is focusing on markets benchmarked to the Euro so as to be able to withstand any further devaluation in the US Dollar.

d) Materials Management

The focus has been on Vendor Development and de-bottlenecking of capacity issues at existing vendors. Creation of alternative vendors has allowed us to focus on competitive cost and delivery efficiency. The accent has been on nurturing vendor partnerships and development of long term "Win – Win" partnerships with strategic suppliers. All these mark a shift in procurement culture from "Transactional" to "Strategic". Additionally, there has been a tremendous stress on support for value engineering exercises.

e) Manufacturing Operations

Production at 52,585 scaled a new high. Your company is now capable of producing 98,940 Tractors per annum on a 2 shift basis i.e. a 37% increase over the previous capacity of 72,000 Tractors per annum from the same assets. This is concurrent with flexible manufacturing norms allowing model mix inter-changeability across plants and flexibility in engine assembly to enable the manufacture of new advanced engines.

With the objective of delivering new products and improvement in operations for existing products, several major projects have been initiated like –

- New machining centre for transmissions which will enable the launch of a brand new series of tractors in higher HP range.
- New facility for Cylinder block machining and Cylinder head assembly for engine manufacturing.

ESCORTS LIMITED

Your Company has during the current year intensified initiative of Quality, both pre-delivery as well as in the field, so as to ensure total customer satisfaction. Your Company has cascading Total Quality Management as a culture which ensures continuous improvement in Quality, Productivity and Processes.

f) Knowledge Management

Escorts Knowledge Management Centre drives business in its quest to capitalize on national and international opportunities in mechanized farming through constant innovations in technology and development of new cost effective products.

It has expertise in the following areas:

Industrial design–styling, computer aided engineering and design, Project Management, Reverse Engineering, Metrology, Fatigue Testing, Engine Testing, Materials Engineering, Field Data Acquisition, Noise, Vibration & Harness, Tractor testing. This, in conjunction with robust market sensing systems, enables your Company in providing product offerings in line with the latest needs of the customers.

g) Industry Outlook

The key drivers of the Industry, namely monsoon, crops and minimum support price, coupled with the Government's focus on agriculture development with special emphases on irrigation, yield improvement and increasing area of cultivated land augurs well for the Tractor Industry. Banks are likely to enhance credit disbursement in line with the Government's policy of increasing Rural and Farm Credit. Your Company is well positioned at the development manufacturing and market end to achieve sustained growth and deliver maximum value to the customer. Your company is repositioning its products like any other Automobile manufacturer to create a niche for itself.

The Indian Tractor Industry, after having witnessed strong double digit growth for three consecutive years, slowed down this year with a nominal growth of 2.2% in the period October 2006 – September 2007. The domestic market de-grew nominally by about 0.2% while the export market grew by 27.5% resulting in an overall growth of 2.2% for the period October 06 to September 07. This marginal growth was mainly on account of change in the norms of tractor financing by the PSU banks, lower minimum support prices and irregular scattered rains.

(B) Auto Suspension Product Business

The two-wheeler industry in India, in volume terms, contributes three-fourth of all vehicles sold in the country. Two-wheeler sales in India has slowed down in the last few months. In the first seven months of this financial year, domestic sales fell by nearly 9%. Motorcycles and step-through sales, that account for 80% of two-wheelers sold in the country, witnessed 14% fall in sales, putting pressure on your Company's Auto Suspension Products Division, manufacturing shock absorbers and other components. Though the down side appear to be temporary, your Company has embarked on entering into the manufacturing of shock absorbers for commercial vehicles which will improve the capacity utilisation and margins of this business.

(C) Railway Equipment Business

Riding on the growth of Indian Economy, Indian Railways have turned around from a cash deficit to a cash surplus situation (Rs.20,000 crores for 2006-07, before dividend). Indian Railways is poised for a massive growth, with focus on safety and technology upgradation of Rolling stock, infrastructure and signaling sectors. To spur this growth, Indian Railways has firmed up Rs.2,51,000 crore capex plans for the next 5 years for creating the proposed Dedicated Freight Corridors, doubling of lines, electrification, gauge conversion and Rolling Stocks.

Indian Railways has clocked a growth of 9% in freight and 8% in passenger traffic over last 3 years. The operation of Indian Railways is poised to grow by at least 11-12% per annum through induction of 50,000–60,000 Freight cars, 3500-4000 Diesel and Electric Locos, 25000 Coaches and Electric Multiple Units and dedicated Freight Corridors in the next 5 years.

Your Company's Railway Equipment Division has been associated with Indian Railways for the last 45 years and is respected as one of the most trusted companies for product development, quality standards and delivery commitments, catering to a wide range of safety product requirements of Indian Railways. This Division has introduced new technology and products exclusively tailor made for Indian Railways to suit local working conditions, after sourcing initial technologies from some of the World's leading manufacturers like Knorr Bremse, Rhinemetall, Scharfenberg - Kupplung, ICER, Vulcanite, Holland Co. etc.

Apart from supplying equipments, the Railway Equipment Division has been carrying out installation and conversion and retro-fitment jobs as well.

2. RISKS & CONCERNS

The major risk associated with the tractor industry continues to be the dependency of the Agri Economy on normalcy of monsoons since more than two thirds of the sowing is dependant on rain and availability of credit, especially from PSU banks. The momentum of the last monsoon which was normal should see the industry through for most part of the year October 2007 – September 2008. Similarly, with the growth of the rural economy being a top priority agenda for the Government, PSU banks are expected to extend financing in line with the Government's policy of increased credit allocation to the Rural and Farm Sector. The continuing appreciation of the Rupee continues to be a risk that needs to be managed. Your Company has balanced its market exposures to those with similar appreciation in order to protect product profitability.



3. OPPORTUNITIES AND THREATS

The tractor density per hectare continues to be low in India in comparison to Western Standards of the US and Europe. This indicates the relatively lower level of "Tractorisation" – and thereby ample scope for growth. The increasing proliferation of tractor usage for specialised applications and wasteland development adds another advantageous dimension to the available opportunities for growth. International markets continue to present significant opportunities in virgin markets which your Company is actively pursuing. This growth however would have its threat of managing multi locations internationally and this is a skill the management team is constantly investing in.

4. INTERNAL CONTROL SYSTEM

Your Company has an appropriate internal control system for business processes with regard to efficiencies of operations, financial reporting and compliance with applicable laws and regulations etc.

5. (A) HUMAN CAPITAL AND INDUSTRIAL RELATIONS

Your Company believes that human resources are key to the success of business.

(B) INDUSTRIAL RELATIONS

Employees Relations remained cordial throughout the year at all units of your company.

EMPLOYEE STOCK OPTION SCHEME

With a view to motivate and retain employees, your Company has instituted an Employee Stock Option Scheme 2006("ESOS"), in accordance with the guidelines framed by SEBI.

Disclosure pursuant to the SEBI (Employees Stock Option Scheme and Employees Stock Purchase Scheme) Guidelines, 1999 is enclosed at Annexure-A to the Director's Report for the year ended 30th September, 2007.

PARTICULARS OF EMPLOYEES

Information in accordance with provisions of Section 217(2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules, 1975 as amended regarding employees is annexed to this Report. However, as per the provisions of Section 219(1)(b)(iv) of the Companies Act, 1956, the Report and Accounts are being sent to all shareholders of the Company excluding the aforesaid information. Any shareholder interested in obtaining such particulars may write to the Senior Vice President - Law & Company Secretary at the Registered Office of the Company.

6. RISK MANAGEMENT

Risk Management framework entails regular review of risk status and risk exposure in the areas of business, operations, Foreign Exchange etc. by Audit Committee and the initiatives taken by the company to mitigate material risks.

CAUTIONARY STATEMENT

Management Discussion and Analysis contains forward looking statements which may be identified by the use of words in that direction or connoting the same. Actual results, performance or achievements could differ materially. The company assumes no responsibility to publicly amend, modify or revise the same on the basis of any subsequent development of information or events.

SCHEME OF COMPROMISE AND ARRANGEMENT

Your company has filed Scheme of Compromise & Arrangement ("Scheme") in the Hon'ble High Court of Delhi to bail out fixed deposit holders of Escorts Finance Limited. The Scheme was approved by the Shareholders, Secured and Unsecured Creditors of your Company and the Fixed Deposit holders and Secured Creditors of Escorts Finance Limited on 10th May, 2006 and 5th May, 2006 respectively in the court convened meetings. The approval of the scheme by the court is awaited.

DIRECTORS

Mr. Nikhil Nanda, who was acting as the Executive Director and Chief Operating Officer of your Company, was promoted as Joint Managing Director of the Company w.e.f. 19th September, 2007 for a period of five years.

Dr. M.G.K. Menon, Director, retires by rotation at the ensuing Annual General Meeting of your Company, and being eligible, offers himself for reappointment.

ESCORTS LIMITED

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 B and forms an integral part of this Report.

CORPORATE GOVERNANCE

Your Company reaffirms its commitment to the good corporate governance practices. Pursuance to Clause 49 of the Listing Agreement, Corporate Governance Report and Auditors' Certificate regarding compliance of conditions of Corporate Governance are enclosed at Annexure C and forms an integral part of this report.

CONSOLIDATED FINANCIAL STATEMENTS

Pursuant to Clauses 32 and 50 of the Listing Agreement, your Company has prepared Consolidated Financial Statements as per the Accounting Standards applicable to the Consolidated Financial Statements issued by the Institute of Chartered Accountants of India. Audited Consolidated Financial Statements along with the Auditor's Report are annexed with this Report.

SUBSIDIARY COMPANIES

Particulars required under the provisions of Section 212 of the Companies Act, 1956 in respect of the subsidiary companies are appended.

AUDITORS

M/s. S.N. Dhawan & Co., Chartered Accountants, Auditors of the Company, retire at the ensuing Annual General Meeting and are eligible for reappointment. The observations of the Auditors in their Report on Accounts read with the relevant notes to accounts are self explanatory.

DIRECTORS' RESPONSIBILITY STATEMENT

As required under Section 217 (2AA) of the Companies Act 1956, your Directors state that:

- i. In the preparation of Annual Accounts for the year ended 30th September, 2007, the applicable accounting standards have been followed along with proper explanation relating to material departures;
- ii. The accounting policies selected and applied are consistent and judgement and estimates made are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the financial year and of the profit or loss of the Company for that period;
- iii. Proper and sufficient care has been taken for maintenance of adequate accounting records in accordance with the provisions of the said Act for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities; and
- iv. The Annual Accounts have been prepared on a going concern basis.

PUBLIC DEPOSITS

The Company has not accepted / renewed any Fixed Deposit during the year. 2669 Fixed Deposits aggregating Rs. 5.06 crores matured but remained unclaimed as on 30th September, 2007. Subsequently, out of the above, 546 Fixed Deposits aggregating Rs. 1.22 crores have been repaid till date.

ACKNOWLEDGEMENT

Your Directors wish to thank the Customers, Dealers, Lenders, Financers, Vendors, the Central and State Governments, and employees for their continued support and commitment to the Company.

On behalf of the Board

Place: Faridabad
Date: December 26, 2007

Sd/-
RAJAN NANDA
Chairman & Managing Director



DISCLOSURE REGARDING EMPLOYEES STOCK OPTION PLAN PURSUANT TO THE SEBI (EMPLOYEES STOCK OPTION SCHEME AND EMPLOYEES STOCK PURCHASE SCHEME) GUIDELINES, 1999

(a) Options granted	<table> <tr> <th data-bbox="655 250 927 309">Options Granted</th><th data-bbox="927 250 1461 309">Date</th></tr> <tr> <td data-bbox="655 309 927 358">Grant I 3,72,000</td><td data-bbox="927 309 1461 358">29/03/2007</td></tr> <tr> <td data-bbox="655 358 927 407">Grant II 15,000</td><td data-bbox="927 358 1461 407">03/09/2007</td></tr> <tr> <td data-bbox="655 407 927 456">TOTAL 3,87,000</td><td data-bbox="927 407 1461 456"></td></tr> </table>	Options Granted	Date	Grant I 3,72,000	29/03/2007	Grant II 15,000	03/09/2007	TOTAL 3,87,000	
Options Granted	Date								
Grant I 3,72,000	29/03/2007								
Grant II 15,000	03/09/2007								
TOTAL 3,87,000									
(b) Pricing Formula	<p data-bbox="655 456 1461 535">At a price not less than the par value of the Company's equity share and not more than the Market Price#.</p> <table> <tr> <th data-bbox="655 535 927 584">Grant Price</th><th data-bbox="927 535 1461 584">Market Price</th></tr> <tr> <td data-bbox="655 584 927 633">Grant I 85.00</td><td data-bbox="927 584 1461 633">118.60</td></tr> <tr> <td data-bbox="655 633 927 682">Grant II 85.00</td><td data-bbox="927 633 1461 682">95.10</td></tr> </table> <p data-bbox="655 682 1461 727"># Closing Price on the National Stock Exchange</p>	Grant Price	Market Price	Grant I 85.00	118.60	Grant II 85.00	95.10		
Grant Price	Market Price								
Grant I 85.00	118.60								
Grant II 85.00	95.10								
(c) Options Vested	Nil								
(d) Options Exercised	Nil								
(e) The Total number of shares arising as a result of exercise of options	Nil								
(f) Options Lapsed	59,000 as on 30/09/2007								
(g) Variation of terms of options	Nil								
(h) Money realised by exercise of options	Nil								
(i) Total number of options in force	3,28,000								
<p data-bbox="135 1089 655 1128">(j) Employee wise details of options granted to :</p> <ul data-bbox="183 1128 655 1707" style="list-style-type: none"> <li data-bbox="183 1128 655 1315">• Senior managerial personnel <li data-bbox="183 1315 655 1560">• any other employee who receives a grant in any one year of options amounting to 5% or more of option granted during the year. <li data-bbox="183 1560 655 1707">• identified employees who were granted option, during any one year, equal to or exceeding 1% of the issued capital (excluding outstanding warrants and conversions) of the Company at the time of grant. 	<p data-bbox="655 1089 1461 1128">A summary^ of options granted to senior managerial personnel* are as under :</p> <p data-bbox="655 1128 1461 1168">No. of employees covered: 10</p> <p data-bbox="655 1168 1461 1207">Total no. of options granted to such personnel : 1,65,000</p> <p data-bbox="655 1207 1461 1275">*includes employees who are one level below the Board of Directors or CEO/COO working in executive capacity.(including employee of subsidiaries)</p> <p data-bbox="655 1275 1461 1315">^ Only summary given due to sensitive nature of information</p> <p data-bbox="655 1315 1461 1354">A summary^ of options granted to senior managerial personnel* are as under :</p> <p data-bbox="655 1354 1461 1393">No. of employees covered: 5</p> <p data-bbox="655 1393 1461 1432">Total no. of options granted to such personnel : 1,05,000</p> <p data-bbox="655 1432 1461 1501">*includes employees who are one level below the Board of Directors or CEO/COO working in executive capacity.(including employee of subsidiaries)</p> <p data-bbox="655 1501 1461 1540">^ Only summary given due to sensitive nature of information</p> <p data-bbox="655 1540 1461 1707">Nil</p>								
(k) Diluted Earnings Per Share(EPS) pursuant to issue of shares on exercise of option calculated in accordance with Accounting Standard(AS) 20 'Earnings Per Share'	Rs. (0.87) per Share								

ESCORTS LIMITED

(l) Where the Company has calculated the employee compensation cost using the intrinsic value of stock options, the difference between the employee compensation cost so computed and the employee compensation cost that shall have been recognized if it had used the fair value of options, shall be disclosed. The impact of this difference on profits and EPS of the Company shall also be disclosed.	Please refer to Note No. 16 Contained in the Notes to Accounts (Schedule No. 19) forming part of the Balance Sheet as at September 30, 2007 and Profit and Loss Account for the year ended on that date.											
(m) Weighted-average exercise prices and weighted-average fair values of options shall be disclosed separately for options whose exercise price either equals or exceeds or is less than the market price of the stock.	<table><thead><tr><th></th><th>Grant I (Rs.)</th><th>Grant II (Rs.)</th></tr></thead><tbody><tr><td>Weighted Average Exercise Price</td><td>85.00</td><td>85.00</td></tr><tr><td>Weighted Average Fair Value</td><td>69.81</td><td>43.71</td></tr></tbody></table>				Grant I (Rs.)	Grant II (Rs.)	Weighted Average Exercise Price	85.00	85.00	Weighted Average Fair Value	69.81	43.71
	Grant I (Rs.)	Grant II (Rs.)										
Weighted Average Exercise Price	85.00	85.00										
Weighted Average Fair Value	69.81	43.71										
(n) A description of the method and significant assumptions used during the year to estimate the fair values of options, including the following weighted average information :	The Fair Value has been calculated using the Black Scholes Options pricing formula and the significant assumptions made in this regard are :											
<ul style="list-style-type: none">● Risk free interest rate● Expected life● Expected volatility● Expected dividends, and	<table><thead><tr><th>Grant I</th><th>Grant II</th></tr></thead><tbody><tr><td>8.16%</td><td>7.64%</td></tr><tr><td>3 yrs</td><td>3 yrs</td></tr><tr><td>64.74%</td><td>51.65%</td></tr></tbody></table>	Grant I	Grant II	8.16%	7.64%	3 yrs	3 yrs	64.74%	51.65%			
Grant I	Grant II											
8.16%	7.64%											
3 yrs	3 yrs											
64.74%	51.65%											
<ul style="list-style-type: none">● The price of the underlying share in market at the time of option grant	<p>The shares to be issued under stock options shall rank pari-passu, including the right to receive dividend. Expected dividend payouts to be paid during the life of the option reduce the value of a call option by creating drop in market price of the stock. Adjustments for known dividend payouts over the life of the option are made to formulae under Black Scholes method. However, as no dividend for the year ended 30/09/2006 was declared and dividend yield is considered as 0%.</p> <p>For Grant I the market price was Rs. 118.60 per share. For Grant II the market price was Rs. 95.10 per share.</p>											

**CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION, FOREIGN EXCHANGE EARNINGS AND OUTGO****I) CONSERVATION OF ENERGY****1. Energy Conservation Measures taken**

- Achieved high load power factor for HSEB by continuous Monitoring & improvements.
- Measurement & monitoring usage of compressed air in various plant activities for compressed air conservation.
- Maintained air pressure at min. 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 Transparent louvers windows & doors in sidewalls of Assy. Hall in all Plants.
- Use of- FT Plant to increase natural light level.
- Use of high frequency electronics Ballast for tube lights in place of conventional ballast.

2. Additional Investment & Proposals

- Modern Diesel Generator Set 2000kva / 1250 kva with electronic injectors to meet captive power requirements of CED based New Paint Line and other areas to reduce generation cost.
- Automatic power factor control systems with high capacity capacitors for further improvement of power factor & power quality.
- Introduce coil cooler in place of radiator for D.G.Set to increase the efficiency of D.G.Set.
- Install new oil & water free energy efficient air compressor based on latest technology.
- Optimization of lux level on shop floor.

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

- Reduction in energy consumption of units per tractor.
- Rebate in Electricity bills for maintaining high power factor.
- Reduction in captive power generation cost.
- Reduction in transmission & distribution losses.

4. Total Energy consumption and Energy consumption per unit

- Not applicable

II) TECHNOLOGY ABSORPTION**1. RESEARCH & DEVELOPMENT****a) Specific areas in which R&D was carried out by the company in 2006-07**

- Development of In-house :
 - Most fuel efficient 4 cylinder Engine Tractor.
 - Heavy-duty Epicyclic reduction Transmission.
- Tractor Cooling Optimization through Computational Fluid Dynamics (CFD).
- Tier 3 TCI Engine for Export Markets.
- Combustion optimization for enhanced fuel efficiency.
- Heavy-duty hydraulic lift.
- Noise reduction through sand-witch composite materials.
- Chassis dynamometers for multiple usage.
- Transmission reliability test rig.
- Multiple valve cylinder head engine.
- Data acquisition for design optimization for specialized application.
- Restyling with the perspective of NVH reduction.
- 50Hz/60Hz Genset engine.

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

- PT4455 a 50HP tractor is the most fuel efficient 4 cylinder Engine Tractor introduced in domestic market. Its design is specially focused to meet increased tractor usage for specialized applications.
- FT65EPI is introduced for hard soil ploughing and heavy haulage applications, growing in India.
- FT80E designed and developed with Epicyclic Transmission for customers in Rest of World (ROW) markets.
- Interim Tier 4 Emission Norms are effective in USA since Jan 2008. Upto 50HP category of Tractors validated for Interim Tier 4 Emission norms and three-engine families application submitted for EPA certification upto 2012.
- 26HP MPT Plus and 29HP Josh Plus tractors introduced in Domestic Market to improve market share in less than 30HP category of Tractors.

ESCORTS LIMITED

c) Future Plan of Action

- Recognizing the tide of change on environmental issues and fast depleting fossil fuels, Escorts is developing tractors run on alternate fuels, which are Renewable source of Energy.
- Development of new series of engines meeting Tier 4 Emission Norms.
- Transmission upgradation for higher HP applications and also to offer contemporary features.
- New range of Genset engine application developments.
- New tractor series with contemporary features.
- Design Optimization for improving productivity and fuel efficiency

d) Expenditure on R & D

	2006-07	(Rs. Crores) 2005-06
a) Capital Expenditure	0.74	0.26
b) Recurring Expenditure	14.20	12.92
Total	14.94	13.18
c) The Total R & D Expenditure as a percentage of		
- Gross Sale	0.71%	0.74%
- Net Sale	0.72%	0.75%

2. TECHNOLOGY ABSORPTION, ADAPTION & INNOVATION

Efforts made during the year on technology absorption, adaptation & innovation

- Computer simulation for virtual testing.
- Upgradation of R&D infrastructure to meet global technological requirements.
- Joint technology workshop with domestic and global R&D Houses.
- Roadmaps for future technologies.
- Liaison with Patent filing authorities
- Evaluation of modern implements and visit to agricultural universities.
- Vendor upgradation through designer's interface.

Benefit derived as a result of above efforts

- Patents/Design registration filed for in-house innovations.
- Self-reliant complete tractor design capability.
- Reduction in cost and time for new products development.
- Knowledge process outsourcing opportunities.
- Motivated and engaged R&D workforce

3. Proposed & Actual investment for Environment Protection

- Dust free environment provided on all assembly lines & Hydraulic lift assy.
- Dust free air plant with spot cooling for New Paint Shop & Assy. Hall.
- Paint Shop setup provided with CED process, which is water based and environment friendly.
- Sun reflective films on Glasses.
- Rainwater Harvesting done in segments in each of the plants
- Noise Proofing of DG Sets rooms is under process.
- Development of Green belt in & around the Plants.
- Effluent Treatment Plants in all the Plants are operational and well maintained.
- Member of Haryana Environment Mgmt. 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 through direct customer network in various others countries in Africa, Central Asia and SAARC regions. The continuing appreciation in Indian Currency vis-à-vis US dollar and other currencies , however impacted the export margin significantly and led to lower Export volumes in 2006-07.

• Total Foreign exchange used and earned

	2006-07	(Rs. Crores) 2005-06
a) Foreign Exchange used		
- Imports (including capital goods)	41.62	36.46
- Others	3.02	2.79
Total	44.64	39.25
b) Foreign Exchange earned	247.49	226.72

**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 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 duly assisted by Joint Managing Director and both of them are 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:

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)	8	Y	4	-
2.	Mr. Nikhil Nanda©	Joint Managing Director	Executive & non-independent (Promoter)	6	Y	7	2(1)
3.	Dr. P . S. Pritam	Director	Non Executive and Independent	9	Y	1	2
4.	Dr. M. G. K. Menon	Director	Non Executive and Independent	8	Y	1	2(2)
5.	Dr. S. A. Dave	Director	Non Executive and Independent	6	Y	11	10(1)
6.	Mr. S. C. Bhargava	Director	Non Executive and Independent	6	Y	13	4(1)

* Including Escorts Limited.

** For this purpose only Audit Committees and Investors' Grievance Committees of Public companies have been considered.

© Mr. Nikhil Nanda, Executive Director & Chief Operating Officer of the Company was appointed as Joint Managing Director by the Board of Director at their Meeting held on 19th September, 2007, with immediate effect.

NOTE : 1) None of the Directors is representing a Lender or Equity Investor.

2) None of the Non-Executive Directors have 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 2006-2007, Board of Directors met Nine times on the following dates:-

21st December, 2006	16th January, 2007	25th January, 2007
24th February, 2007	26th April, 2007	30th May, 2007
4th July, 2007	31st July, 2007	19th September, 2007

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

ESCORTS LIMITED

- **Board Meeting Procedures**

The detailed agenda papers containing all information relevant for discussion at the meeting are sent to the Directors in advance so that each director has enough time to prepare himself for a meaningful discussion at the Board Meetings. Beside 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 Business Operations, Finance, Sales, Accounts and Marketing, Compliances and all the other important business issues.

Budget is approved by the Board of Directors. The Board spends considerable time in reviewing the performance of the Company vis-à-vis the Budget.

- **Code of Conduct**

The Board had prescribed the Code of Conduct for all Board Members and Senior Management. The Code of Conduct has been posted on Company's web site i.e. www.escortsgroup.com

- **Declaration by C.E.O.**

The Chairman and Managing Director of the Company has given the Certificate as below as per the requirement of Clause 49 of Listing Agreement:

I hereby confirm that:

The Company has obtained from all the members of the Board and Senior Management, affirmation that they have complied with the code of conduct for Directors and Senior Management in respect of the Financial Year 2006-07 ended on 30th September, 2007.

Sd/-
Chairman and Managing Director

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, Senior 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 Clause (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 reporting structure coverage and frequency of internal audit.
 8. Discussion with internal auditors of 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 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.
 14. The Committee shall mandatory review the following information:
 - a) Management discussion and analysis of financial condition and results of operations;
 - b) Statement of significant related party transactions submitted by management;
 - c) Management letters / letters of internal control weaknesses issued by the statutory auditors;
 - d) Internal audit reports relating to internal control weaknesses.
 - e) The appointment, removal and terms of remuneration of the Chief Internal Auditor shall be subject to review by Audit Committee.

The Audit Committee is endowed with the following powers:

- a) To investigate any activity within its terms of reference.
- b) To seek information from any employee.
- c) To obtain outside legal or other professional advice.
- d) To secure attendance of outsiders with relevant expertise, if it considers necessary.
- e) To invite such of the executives, as it considers appropriate (and particularly the head of the finance function) to be present at the meetings of the committee.

• Meetings & Attendance

During the year 2006-2007 the Committee met on Eight (8) occasions. The following table summarizes the date of each meeting and meetings attended by the members:

Date of Meeting	4.12.06	9.12.06	16.12.06	16.01.07	9.03.07	26.04.07	31.07.07	2.08.07
Dr. M. G. K. Menon (Chairman)	A	A	A	A	A	A	A	A
Dr. S. A. Dave	NA	NA	NA	A	A	A	A	A
Dr. P. S. Pritam	A	A	A	A	A	A	A	A

A = Attended

NA= Not Attended

The gap between any two Audit Committee meetings did not exceed four months.

The Committee, in its meeting held on 16th December, 2006 reviewed the Annual Accounts for the period ended 30th September, 2006.

ESCORTS LIMITED

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 2006-2007 the committee did not meet.

• 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 2006-07.

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. 20,000/- per meeting, Rs. 10,000/- for each meeting of Compensation Committee and Rs. 5000/- per meeting in respect of all other Committee meetings, aggregating to Rs.11.40 Lacs.

No remuneration was paid during the Financial Year 2006-07 to Mr. Rajan Nanda, Chairman and Managing Director and Mr. Nikhil Nanda, Joint Managing Director of the Company.

The services of Chairman and Managing Director and Joint Managing Director can be terminated by 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 of 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 2006-2007, the Committee met once on 4th December, 2006 in which Dr. P.S. Pritam and Dr. M. G. K. Menon were present and Leave of Absence was granted to Dr. S. A. Dave.

- **Compliance Officer**

Mr. G. B. Mathur, Senior 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, 33 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, 2007.

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
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
2006	24th February, 2007	10.30 a.m.	Air Force Auditorium, Subroto Park, Near Dhaula Kuan, New Delhi – 110 010	One

X. Postal Ballot

During the year, 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
<u>In the Financial Year 2006-2007</u>		
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 Promoter Group and persons acting in concert.	1,11,31,075	1,20,077

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

XI. Disclosures

- 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.

ESCORTS LIMITED

- 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 2006-2007

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

For Quarter ended 31.12.06 : Jansatta (Hindi), Financial Express (English)

For Quarter ended 31.03.07 : Jansatta (Hindi), Financial Express (English)

For Quarter ended 30.06.07 : Jansatta (Hindi), Financial Express (English)

The Quarterly Results were displayed on Company's website viz. www.escortsgroup.com in accordance with the requirement of Listing Agreement.

The website also displays official news releases.

• News Releases, Presentations

Official news releases, detailed presentations made to media, analysts, institutional investors etc. are displayed on the Company's website i.e. www.escortsgroup.com.

• 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 : Thursday, 20th March, 2008

Time : 10.00 a.m.

Venue : Sri Sathya Sai International Centre, Near Pragati Vihar, Lodhi Road, New Delhi - 110 003.

Financial Year: 1st October to 30th September

Appointment / Re-appointment of Directors

At the ensuing Annual General Meeting, Dr. M.G.K. Menon 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. M.G.K. Menon	B.Sc., M.Sc., Ph.D., D.Sc (H.C.), F.R.S.	Padam Shree, Padam Bhushan and Padam Vibhushan Dr. Menon is a distinguished Scientist of International repute. He is the President of Indian Statistical Institute, besides being a member and Chairman of various bodies in India and abroad. He was a Minister and also served as Member of the Planning Commission and Scientific Advisor to the Prime Minister. He was Secretary to Government of India (various Departments) for 12 years.	Nil	Escorts Limited :- <ul style="list-style-type: none"> • Audit Committee • Investors' Grievance Committee • Remuneration Committee • Share Transfer Committee • Loans & Guarantee Committee • Financial Results Committee • Share Allotment Committee • Borrowing Committee • Technology Committee



- **Financial Calendar 2007-2008 (Tentative)**

Board / Committee thereof Meetings to take on record :

Financial results for Quarter ended 31.12.07 : By the end of January, 2008.

Financial results for Quarter ended 31.03.08 : By the end of April, 2008.

Financial results for Quarter ended 30.06.08 : By the end of July, 2008

Financial results for Quarter ended 30.09.08 : By the end of October, 2008.

- **Annual General Meeting for the Financial Year ending 30th September, 2008** : By 31st March, 2009
- **Date of Book Closure** : Saturday, 29th December, 2007 to Monday, 31st December, 2007 (both days inclusive)
- **Dividend Payment Date** : The Board of Directors of the Company have decided not to recommend any dividend for the year 2006-07.

- **LISTING**

STOCK CODE

The Delhi Stock Exchange Association Ltd.
DSE House, 3/1, Asaf Ali Road, New Delhi – 110 002

00012

The National Stock Exchange of India Ltd.
Trade World, Senapati Bapat Marg, Lower Parel, Mumbai – 400 013

ESCORTS

The Stock Exchange, Mumbai
Phiroze Jeejeebhoy Towers, Dalal Street, Mumbai - 400 001

500495

- **Listing Fees**

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

- **Market Price Data**

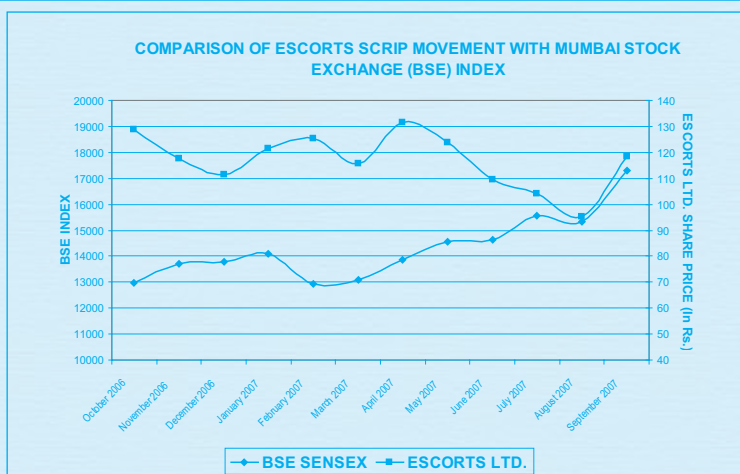
Yearly Stock Market Data

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-
2006-07	157.10	72.70	-Do-

Monthly Stock Market Data

High and low prices of Equity Shares during the 12 months period ended 30th September, 2007 were as follows:

Month	National Stock Exchange		Mumbai Stock Exchange	
	High (Rs.)	Low (Rs.)	High (Rs.)	Low (Rs.)
October,2006	135.65	120.55	135.60	124.20
November,2006	133.90	110.30	133.85	110.30
December,2006	125.80	95.00	125.90	95.00
January,2007	123.90	106.50	124.00	106.00
February,2007	157.40	121.00	157.10	120.00
March,2007	132.35	104.15	132.60	100.00
April,2007	132.00	105.55	131.90	107.05
May,2007	134.90	121.05	135.00	122.10
June,2007	127.00	106.25	128.00	108.00
July,2007	123.90	101.00	122.70	101.05
August,2007	102.50	72.15	102.90	72.70
September,2007	122.70	86.00	121.90	92.20



- 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 - 121 003 (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 and Issue of Duplicate Certificates etc., which normally meets once in a month. The shares received are usually transferred within a period of 20 to 30 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 regarding 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.

- Statistics of Dividend payment**

Year	Rate	Date of payment
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.
2006-2007	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.

- Distribution of Shareholding as on 30th September, 2007**

	Category	%
1	Promoters	1.50
2	Persons acting in concert	29.12
3	Institutional Investors	41.00
4	Others	28.38
	Total	100.00

- Shareholding pattern as on 30th September, 2007**

Range of Holding		Number of shareholders	% of Total
From	To		
001	5000	77011	99.46
5001	10000	195	0.25
10001	20000	89	0.11
20001	30000	35	0.05
30001	40000	18	0.02
40001	50000	10	0.01
50001	100000	27	0.03
Above	100000	46	0.06
Total		77431	100.00

- Dematerialization of Shares**

Till now, approximately 90.83% 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 2006-2007, 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,2006	27487291	35695.52	236401	9456091	12280.71	65895
November,2006	12149538	14876.28	106062	4299152	5262.38	33279
December,2006	9293631	10455.69	113835	3291967	3691.32	37301
January,2007	8796439	10134.58	77691	3068223	3548.78	29573
February,2007	52660298	74150.81	483808	14346354	20259.76	113354
March,2007	12934038	15185.33	164062	3619667	4264.27	43634
April,2007	10953741	13578.67	147072	3699198	4588.04	42507
May,2007	7799852	10045.20	91614	2928114	3773.61	31202
June,2007	5617656	6407.15	67160	1948404	2233.88	26184
July,2007	12185185	13995.70	102465	4803908	5518.85	40375
August,2007	25260330	22135.84	177467	11586525	10083.31	71061
September,2007	53080349	57440.73	384790	21045548	22748.10	130500
TOTAL	238218348	284101.50	2152427	84093151	98253.01	664865

ESCORTS LIMITED

• Outstanding GDRs / ADRs / Warrants etc.

- a) There are 36,11,610 share warrants, issued on 22nd November, 2006 with each warrant convertible into one equity share of the Company @ Rs. 124.05 per share, 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.
- b) The Qualified Institutional Buyers (QIBs) also subscribed to 61,455 - 4.25% Secured Convertible Debentures (SCDs) of Rs. 10,000/- each aggregating Rs. 61,45,50,000/- as per the Qualified Institutions Placement in terms of Chapter XIII A of Securities and Exchange Board of India (Disclosure and Investor Protection) Guidelines, 2000. As per the terms of the issue, Part A of SCDs of Rs. 100/- each was converted into 54,870 Equity Shares @ Rs. 112/- per Share immediately on allotment. The Part B of the SCDs of Rs. 9,900/- each carrying coupon of 4.25% per annum are redeemable by conversion as per the terms of their issue within 7th to 42nd month of allotment.
- c) Employee Stock Options : A total of 3,28,000 stock options are outstanding. Each stock option, upon exercise of the same, would give rise to one equity share of Rs. 10/- each fully paid up. The exercise would be made at Rs. 85/- per share. These options vest after one year and can be exercised during a period of two years or such other period as the Employees Stock Compensation Committee may decide from the date of grant. The options unexercised during the exercise period would lapse.

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, Uttaranchal – 263145.

• Address for Correspondence

ESCORTS LIMITED

Corporate Secretariat & Law, 15/5, Mathura Road, Faridabad - 121 003 (Haryana).

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

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

XIV. Non Mandatory Requirements

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

S. No.	Non Mandatory Provisions	Status
1.	Maintenance of Chairman's Office	Not Applicable as Chairman is executive and also the 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



XV. CEO AND CFO CERTIFICATION

The Chairman and Managing Director and the Group Chief Financial Officer of the Company give certification on financial reporting and internal controls to the Board in terms of Clause 49 of the Listing Agreement.

On behalf of the Board

Sd/-

RAJAN NANDA
CHAIRMAN AND MANAGING DIRECTOR

ESCORTS LIMITED

To
The Members
ESCORTS LIMITED,

We have examined the compliance of conditions of Corporate Governance by Escorts Limited, for the year ended on September 30, 2007, as stipulated in Clause 49 of the Listing Agreement to the said Company with 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 implementations thereof adopted by the Company for ensuring compliance with the conditions of the Corporate Governance as stipulated in the said Clause. 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 according to the explanations given to us, and based on the representations made by the Directors and the Management, 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 such compliance is neither an assurance as to the future viability of the Company nor of the efficiency or effectiveness with which the management has conducted the affairs of the Company.

for S.N.DHAWAN & CO.
Chartered Accountants

Place : Faridabad
Dated : December 26, 2007

VIJAY DHAWAN
Partner
M No. 12565



AUDITORS' REPORT

To The Members of Escorts Limited

1. We have audited the attached Balance Sheet of Escorts Limited as at September 30, 2007, 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, 2007 and taken on record by the Board of Directors, we report that none of the directors is disqualified as on September 30, 2007 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, 2007,
 - ii) in the case of the Profit & Loss Account, of the Loss 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**

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

Place : Faridabad
Dated: December 26, 2007

ESCORTS LIMITED

Annexure referred to in paragraph 3 of our Report of even date on the Accounts of Escorts Limited, for the year ended September 30, 2007.

- 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 three companies covered in the register maintained under Section 301 of the Companies Act, 1956. The maximum amount involved during the year was Rs.6.02 crores and balance of the loans granted to such companies was Rs.5.96 crores as at September 30, 2007.
- 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, is 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. 8.09 crores as at September 30, 2007.
- f) 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.
- g) The Company has been regular in repaying the principal amount and interest, 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) a) 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.
- b) 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 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, 2007 for a period of more than six months from the date they became payable except Income Tax of Rs. 53.91 crores and Wealth Tax of Rs.0.36 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	6.48	1979-2007	Appellate Authority
Central Excise Act, 1944	Excise Duty	21.57	1979-2007	Appellate Authority
Central Excise Act, 1944	Excise Duty	11.85	1989-2003	CESTAT
Central Excise Act, 1944	Excise Duty	19.66	1995-1998	Supreme Court
Income Tax Act, 1961	Income Tax	20.05	2000-01	CIT(Appeals)
Income Tax Act, 1961	Income Tax	36.10	2002-03	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, 2007. 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.
- xvii) 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.
- xviii) According to the information and explanations given to us, the Company has made preferential allotment of shares to a party covered in register maintained under section 301 of the Companies Act, 1956. In our opinion the price at which shares have been issued prima facie not prejudicial in the interest of the Company.
- xix) According to the information and explanations given to us and records examined by us, securities/charges have been created in respect of the debentures issued during the year.
- xx) We have verified the end use of money raised by qualified institutional placement is as disclosed in the Note 9 of Schedule 19 "Notes on Balance Sheet and Profit & Loss Account".
- xxi) 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

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

Place : Faridabad
Dated: December 26, 2007

ESCORTS LIMITED

BALANCE SHEET AS AT SEPTEMBER 30, 2007

	Schedule	As At 30.09.2007 Rs. Crores	As At 30.09.2006 Rs. Crores
SOURCES OF FUNDS			
Share Capital	1	83.69	72.23
Reserves & Surplus	2	1,035.28	946.34
Total Shareholders' Funds		1,118.97	1,018.57
Loans			
Secured	3	414.04	422.54
Unsecured	4	31.10	167.83
Total		1,564.11	1,608.94
APPLICATION OF FUNDS			
Fixed Assets			
Gross Block		1,436.96	1,401.03
Less : Depreciation/ Amortisation		583.24	534.43
Net Block		853.72	866.60
Capital Work-in-Progress & Capital Advances		13.40	21.47
Total Fixed Assets	5	867.12	888.07
Investments	6	425.13	456.24
Deferred Tax Assets (Net)		90.24	76.40
<i>Current Assets, Loans & Advances</i>			
Current Assets	7		
Inventories		158.49	172.49
Sundry Debtors		379.74	292.75
Cash & Bank Balances		173.21	215.72
Other Current Assets		0.43	0.31
		711.87	681.27
Loans & Advances	8	215.21	199.44
Total Current Assets, Loans & Advances		927.08	880.71
DEDUCT			
<i>Current Liabilities & Provisions</i>	9		
Current Liabilities		606.65	546.58
Provisions		154.74	162.35
Total Current Liabilities & Provisions		761.39	708.93
Net Current Assets		165.69	171.78
Miscellaneous Expenditure (to the extent not written off or adjusted)		15.93	16.45
Total		1,564.11	1,608.94
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
Joint Managing Director

Dr. P. S. PRITAM
Director

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

R. K. BUDHIRAJA
Exec. Vice President &
Group Chief Financial Officer

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

Place : Faridabad
Dated : December 26, 2007

S. N. DHAWAN
Partner
M No. 925



PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED SEPTEMBER 30, 2007

	Schedule	Year Ended 30.09.2007 Rs. Crores	Year Ended 30.09.2006 Rs. Crores
INCOME			
Gross Sales		2,108.19	1,785.78
Less : Excise Duty		31.42	35.13
Net Sales		2,076.77	1,750.65
Business Income	10	25.36	37.11
Income from Investments	11	1.24	94.93
Total		2,103.37	1,882.69
EXPENDITURE			
Material, Manufacturing & Operating	12	1,588.34	1,337.85
Personnel	13	204.02	158.70
Sales & Administration	14	200.29	177.12
Interest (Net)	15	51.39	69.15
Bank & Finance Charges		17.56	15.80
Depreciation	5	51.65	45.74
Less : Transfer of Depreciation from Revaluation Reserve		6.68	6.19
Amortisation of Miscellaneous Expenditure	16	7.55	7.50
		2,114.12	1,805.67
PROFIT / (LOSS) BEFORE TAX & EXCEPTIONAL ITEMS		(10.75)	77.02
Exceptional Items	17	6.58	42.58
PROFIT / (LOSS) BEFORE TAX		(17.33)	34.44
Provision for Taxation			
Current Taxation		0.36	10.63
Fringe Benefit Tax		2.59	2.58
Deferred Taxation		(13.84)	2.23
		(10.89)	15.44
PROFIT / (LOSS) AFTER TAX		(6.44)	19.00
Balance brought forward		(139.02)	(169.27)
Transfer from Debenture Redemption Reserve		-	11.25
BALANCE CARRIED TO BALANCE SHEET		(145.46)	(139.02)
Significant Accounting Policies	18		
Notes to Accounts	19		
Earnings Per Share (in Rs.) (face value Rs.10/- each)			
- Basic		(0.87)	2.63
- Diluted		(0.87)	2.63

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
Joint Managing Director

Dr. P. S. PRITAM
Director

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

R. K. BUDHIRAJA
Exec. Vice President &
Group Chief Financial Officer

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

S. N. DHAWAN
Partner
M No. 925

Place : Faridabad
Dated : December 26, 2007

ESCORTS LIMITED

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

SCHEDULE 1: SHARE CAPITAL

		As at 30.09.2007 Rs. Crores	As at 30.09.2006 Rs. Crores
AUTHORISED CAPITAL			
12,00,00,000	Equity Shares of Rs. 10 each (Previous year 7,70,00,000 shares)	120.00	77.00
7,30,00,000	Unclassified Shares of Rs. 100 each (Previous year 7,73,00,000 shares)	730.00	773.00
		850.00	850.00
ISSUED, SUBSCRIBED AND PAID-UP CAPITAL			
83,693,630	Equity Shares of Rs. 10 each (Previous year 7,22,32,240 shares)	83.69	72.23
Total		83.69	72.23

NOTES :

- Paid-up Capital includes :
 - 18,700 Equity Shares (previous year - 18,700) allotted as fully paid-up for consideration other than cash pursuant to contracts.
 - Bonus Shares :
1,94,34,125 Equity Shares allotted before 1988 as fully paid-up by capitalising Share Premium of Rs. 0.22 crores and General Reserve of Rs. 19.21 crores.
 - 36,11,610 Fully paid up Equity Shares of Rs. 10/- each allotted in exchange of equivalent number of Share Warrants, to a Promoter Group Company, at the rate of Rs. 83.79 per share, as approved by the shareholders in the Annual General Meeting held on 31st March, 2006.
 - 77,94,910 equity shares of Rs. 10 each fully paid at a premium of Rs.102/- per Equity Share and 54,870 Equity Shares of Rs.10/- each fully paid up at a premium of Rs.102/- per Equity Share arising on conversion of Part A of 61,455, 4.25% Secured Convertible Debentures (SCDs) of Rs.100/- each issued and allotted to Qualified Institutional Buyers on 4th July, 2007.

SCHEDULE 2: RESERVES AND SURPLUS

	Securities Premium Account	Capital Redemption Reserve	Share Forfeiture Reserve	Amalgamation Reserve	General Reserve	Profit & Loss Account	Revaluation Reserve	Employee Stock Option Outstanding	Deferred Employee Compensation Expenses	Total
As at September 30, 2006	84.67	0.81	3.22	48.46	469.62	(139.02)	478.58	—	—	946.34
<i>Additions during the year :</i>										
Premium on issue of Equity Shares	106.54									106.54
Transfer from Profit and Loss Account						(145.46)				(145.46)
Employees Compensation Expenses								1.07	(0.53)	0.54
	191.21	0.81	3.22	48.46	469.62	(284.48)	478.58	1.07	(0.53)	907.96
<i>Deductions during the year :</i>										
Share Issue Expenses	5.02									5.02
Transfer to Profit & Loss Account						(139.02)	6.68			(132.34)
As at September 30, 2007	186.19	0.81	3.22	48.46	469.62	(145.46)	471.90	1.07	(0.53)	1,035.28



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

SCHEDULE 3 : SECURED LOANS

	As at 30.09.2007 Rs. Crores	As at 30.09.2006 Rs. Crores
Debentures		
61,455, 4.25% Secured Convertible Debentures of Rs.9,900/- each	60.84	—
From Banks		
Cash Credit / Working Capital Demand Loans	113.01	206.33
Interest Accrued & Due	—	0.55
Term Loans		
From Banks	239.46	213.44
From Others	0.73	0.99
Interest Accrued & Due	—	1.23
Total	414.04	422.54

NOTES :

1. Convertible Debentures

Rs. 60.84 Crs

Represent Part B of 61,455, 4.25% Secured Convertible Debentures of Rs. 9,900/- each issued and allotted to Qualified Institutional Buyers on 4th July, 2007 redeemable with in a period of 42 months from the date of issue. These Debentures are secured by exclusive charge on the specified property at Gujarat and extension of exclusive charge on the immovable assets of the company at site No.2, Sector - 13, Faridabad.

2. Cash Credit including Working Capital Demand Loans from Banks :

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

3. Term Loans from Banks

a) Punjab National Bank * :

Rs. 89.24 Crs

Secured by first pari-passu charge on immovable & movable assets

b) IDBI Bank * :

Rs. 13.37 Crs

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

c) United Bank of India * :

Rs. 13.75 Crs

Secured by first charge on the Company's moveable Fixed Assets and second & sub-servient charge on immovable properties.

d) State Bank Of Patiala * :

Rs. 65.00 Crs

Secured by first pari-passu charge created/to be created on immovable & movable Fixed Assets.

* The immovable property provided as security for these loans is other than the assets exclusively charged for Debentures stated in note 1 above.

e) Axis Bank Ltd:

Rs. 58.10 Crs

(Refer Note 14 of Schedule 19)

4. Term Loans from Others

a) Life Insurance Corporation of India :

Rs. 0.42 Crs

Secured against Insurance Policies.

b) Vehicle loans are secured against the Vehicles financed:

Rs. 0.31 Crs

ESCORTS LIMITED

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

SCHEDULE 4 : UNSECURED LOANS

	As at 30.09.2007 Rs. Crores	As at 30.09.2006 Rs. Crores
Fixed Deposits	11.63	44.44
Short Term Loans		
From Banks	—	8.87
From Others	11.00	54.88
<i>Interest accrued and due</i>	—	2.27
Other Loans	5.55	6.09
Banks Book Overdraft	2.92	51.28
Total	31.10	167.83

SCHEDULE 5 : FIXED ASSETS

(Rs. Crores)

Description	Cost as at 30.09.2006	Additions	Deductions	Cost as at 30.09.2007	Depreciation / Amortisation upto 30.09.2006	Depreciation / Amortisation for the year	Deductions during the year	Depreciation / Amortisation upto 30.09.2007	Net Book Value as on 30.09.2007	Net Book Value as on 30.09.2006
Land Freehold	477.54	0.58	—	478.12	—	—	—	—	478.12	477.54
Land Leasehold	2.13	—	—	2.13	0.07	0.02	—	0.09	2.04	2.06
Buildings	218.13	9.20	—	227.33	119.96	8.12	—	128.08	99.25	98.17
Plant & Machinery	555.30	22.52	0.79	577.03	299.56	33.03	0.63	331.96	245.07	255.74
Furniture & Fixtures	95.97	5.18	0.72	100.43	75.54	4.93	0.59	79.88	20.55	20.43
Vehicles	6.97	1.79	2.07	6.69	3.73	1.07	1.62	3.18	3.51	3.24
Leasehold Improvements	3.41	—	—	3.41	3.04	0.37	—	3.41	0.00	0.37
Sub-Total	1,359.45	39.27	3.58	1,395.14	501.90	47.54	2.84	546.60	848.54	857.55
Intangible Assets:										
Prototypes	1.21	—	—	1.21	1.20	0.01	—	1.21	—	0.01
Technical Know-how	24.04	0.06	—	24.10	18.55	2.37	—	20.92	3.18	5.49
Software Development	16.33	0.18	—	16.51	12.78	1.73	—	14.51	2.00	3.55
Sub-Total	41.58	0.24	—	41.82	32.53	4.11	—	36.64	5.18	9.05
Capital Work-in-Progress	9.91	6.06	9.16	6.81	—	—	—	—	6.81	9.91
Capital Advances	11.56	3.87	8.84	6.59	—	—	—	—	6.59	11.56
Sub-Total	21.47	9.92	18.00	13.40	—	—	—	—	13.40	21.47
Total	1,422.50	49.43	21.57	1,450.36	534.43	51.65	2.84	583.24	867.12	888.07
<i>Previous Year Figures</i>	<i>1,012.85</i>	<i>415.60</i>	<i>5.94</i>	<i>1,422.50</i>	<i>492.85</i>	<i>45.74</i>	<i>4.16</i>	<i>534.43</i>	<i>888.07</i>	<i>520.00</i>

Notes :

- Land includes :
 - Leasehold at cost Rs.0.38 crores - Surrendered to the Government and applied for refund
 - Rs. 6.75 crores pending approval for registration in the name of the Company.
- Buildings include (at net book value) :
 - Rs. 0.20 crores pending approval for registration in the name of the Company.



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

SCHEDULE 6 : INVESTMENTS

Name of the Company	Interest/ Dividend %Age	As At 30.09.2007			As At 30.09.2006		
		Face Value Rs.	Quantity Nos.	Amount Rs. Crores	Face Value Rs.	Quantity Nos.	Amount Rs. Crores
LONG TERM (At Cost)							
GOVERNMENT SECURITIES				—		—	
[Current year (Rs. 17,000), Previous year (Rs. 17,000)]							
Long Term Trade Investments							
Quoted Equity Shares (Fully Paid) in							
Other than Subsidiary							
Escorts Finance Limited		10	3,819,700	4.01	10	3,819,700	4.01
Other Long Term Investments							
Mahindra & Mahindra Limited.			—	—	10	15,330	0.01
Asahi India Glass Limited			18,862	—	10	37,724	0.10
Unquoted Redeemable Preference Shares (Fully Paid) in other than Subsidiary							
Escorts Finance Limited (Cumulative)		10	9,500,000	9.50	10	9,500,000	9.50
Other Long Term Investments							
Unquoted Equity Shares (Fully Paid) in Subsidiary Companies							
Escorts Automotives Limited		10	10,000,000	23.66	10	10,000,000	23.66
Escorts Construction Equipment Limited		10	39,999,990	40.00	10	40,000,000	40.00
Escorts Agri Machinery Incorporated, USA		750	49.29		750	49.29	
Escorts Assets Management Limited		10	3,000,000	3.00	10	3,000,000	3.00
Cellnext Solutions Limited		10	13,570,330	0.02	10	13,570,330	0.02
Other Companies							
Escorts Finance Investment & Leasing Private Limited		10	40,000,000	40.00	10	40,000,000	40.00
The Faridabad Central Co-operative Consumers Stores Limited		10	447	0.00	10	447	0.00
Escotrac Finance & Investments Private Limited		10	40,000,000	40.04	10	40,000,000	40.04
Drillmac Limited (in liquidation)		10	20,000	0.02	10	20000	0.02
Escorts Electronics Limited (in liquidation)		100	32,000	0.32	100	32000	0.32
Hughes Communications India Limited.		10	2,074,492	2.07	10	2074492	2.07
Escorts Motors Limited		10	100,000	1.50	10	100000	1.50
Unquoted Redeemable Preference Shares (Fully Paid) in Subsidiary Companies							
Escorts Construction Equipment Limited (Cumulative)	10%	—	—	—	10	8,000,000	8.00
Escorts Construction Equipment Limited (Non Cumulative)	10%	—	—	—	10	23,000,000	23.00
Escorts Securities Limited (Cumulative)	10%	10	1,200,000	1.20	10	1,200,000	1.20
Cellnext Solutions Limited (Cumulative)	3%	10	7,500,000	5.23	10	7,500,000	5.23

ESCORTS LIMITED

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

SCHEDULE 6 : INVESTMENTS

Name of the Company	Interest/ Dividend %Age	As At 30.09.2007			As At 30.09.2006		
		Face Value Rs.	Quantity Nos.	Amount Rs. Crores	Face Value Rs.	Quantity Nos.	Amount Rs. Crores
Other Companies							
Escorts Finance Investment & Leasing Private Limited (Non Cumulative)	5%	100	4,382,000	43.82	100	4,382,000	43.82
Escotrac Finance & Investments Private Limited (Cumulative)	10%	10	10,000,000	10.00	10	10000000	10.00
Escotrac Finance & Investments Private Limited (Non Cumulative)	5%	10	48,440,000	48.44	10	48,440,000	48.44
Other Investments							
Idea Cellular Limited				175.74			175.74
Zero percent Unsecured Subordinated Bond							
Unit Trust of India							
Units under Venture Capital Unit Scheme - 1990 (VECAUS-II)		100	1830	0.02	100	1830	0.02
Credit Capital Finance Corporation Limited							
[Current period (Rs.1,000), Previous period (Rs.1,000)]		10	100		10	100	
				497.88			528.99
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)
Idea Cellular Limited				(57.86)			(57.86)
Escorts Automotives Limited				(13.66)			(13.66)
Escorts Finance Limited				(0.89)			(0.89)
Total				425.13			456.24

NOTES :

- Quoted Investments :

Book Value	4.01	4.12
Market Value	3.31	3.95
- Unquoted Investments

At cost	493.87	524.87
---------	--------	--------
- 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.



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

SCHEDULE 7 : CURRENT ASSETS

	As at 30.09.2007 Rs. Crores	As at 30.09.2006 Rs. Crores
Interest accrued on Investments and Deposits	0.43	0.31
Stocks (as taken, valued and certified by the Management)		
Raw Material and Components	101.49	101.36
Finished & Trading Goods	21.55	39.61
Work-in-Progress	14.29	13.55
Stores and Machinery Spares	10.95	9.18
Loose Tools	12.39	10.76
	160.67	174.46
Less : Provision for obsolescence of inventory	2.18	1.97
	158.49	172.49
Sundry Debtors		
(Refer Note 7 of Schedule 19)		
Debts outstanding for over six months		
Secured	0.59	0.74
Unsecured - Considered Good	126.35	46.68
- Considered Doubtful	8.65	9.47
	135.59	56.89
Less : Provision for doubtful debts	8.65	9.47
	126.94	47.42
Other Debts		
Secured	3.17	2.59
Unsecured - Considered Good	249.63	242.74
	252.80	245.33
	379.74	292.75
Cash & Bank Balances		
Cash in hand	0.38	0.60
Cheques in hand and in transit	1.62	0.04
Banks :		
On Current accounts with Scheduled Banks	58.82	23.50
(Refer Note 9 of Schedule 19)		
Held in Escrow Account	85.08	85.08
(Refer Note 13 of Schedule 19)s		
On Short Term/Fixed Deposit with Scheduled Banks		
- Pledged with various authorities and banks	27.30	24.99
(Refer Note 14 of Schedule 19)		
- Others	-	81.50
In Post Office Savings Bank Accounts	0.01	0.01
	173.21	215.72
Total	711.87	681.27

ESCORTS LIMITED

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

SCHEDULE 8 : LOANS & ADVANCES *

	As at 30.09.2007 Rs. Crores		As at 30.09.2006 Rs. Crores	
Loans :				
Unsecured - Considered Good	72.10		71.22	
- Considered Doubtful	0.07		0.07	
	72.17		71.29	
Less : Provision for Doubtful Loan	0.07	72.10	0.07	71.22
Advances recoverable in cash or in kind or for value to be received :				
Unsecured - Considered Good	136.51		121.56	
- Considered Doubtful	44.85		45.43	
	181.36		166.99	
Less : Provision for Doubtful Advances	44.85	136.51	45.43	121.56
Deposits :				
Deposits - Considered Good	6.60		6.66	
- Considered Doubtful	0.07		0.07	
	6.67		6.73	
Less : Provision for Doubtful Deposits	0.07	6.60	0.07	6.66
Total		215.21		199.44

* Refer Note 8 of Schedule 19



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

SCHEDULE 9 : CURRENT LIABILITIES & PROVISIONS

	As at 30.09.2007 Rs. Crores		As at 30.09.2006 Rs. Crores	
CURRENT LIABILITIES				
Acceptances		166.05		54.08
Sundry Creditors				
SSI Undertakings (Refer Note 21 of Schedule 19)	38.22		66.40	
Others	325.33	363.55	347.28	413.68
Advance Payments				
Subsidiary Company		0.49		4.76
Customers		15.59		14.35
Share Warrants (Refer Note No.18 of Schedule 19)		4.48		3.03
Other		7.00		—
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	0.38		0.83	
ii) Unpaid Matured Deposits	5.06		6.90	
iii) Unpaid Matured Debentures	0.20		0.39	
iv) Unpaid Matured Secured Premium Notes	0.04		0.07	
v) Interest accrued on (i) to (iv) above	0.61	6.29	0.97	9.16
Other Liabilities		38.06		41.60
Interest accrued but not due on loans		5.14		5.92
		606.65		546.58
PROVISIONS				
Leave Encashment		9.26		8.05
Gratuity		39.91		31.37
Superannuation		30.42		32.88
Fringe Benefit Tax	2.59		2.58	
Less : Fringe Benefit Tax Deposit	2.75	(0.16)	1.42	1.16
Taxation	324.86		324.49	
Less : Advance Income Tax	249.55	75.31	235.60	88.89
		154.74		162.35
Total		761.39		708.93

ESCORTS LIMITED

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

SCHEDULE 10 : BUSINESS INCOME

	Year Ended 30.09.2007 Rs. Crores	Year Ended 30.09.2006 Rs. Crores
Commission *	0.11	0.35
Surplus on Sale of Assets (Net)	0.13	0.14
Export Incentives	1.00	5.65
Scrap Sales	3.39	2.76
Amount Written Back	8.79	12.80
Foreign Exchange Variation (Gain)	—	3.98
Others *	11.94	11.43
Total	25.36	37.11
* Income Tax Deducted at Source	0.64	0.36

SCHEDULE 11: INCOME FROM INVESTMENTS

	Year Ended 30.09.2007 Rs. Crores	Year Ended 30.09.2006 Rs. Crores
Dividends		
Long Term Investments		
Other than Trade Investments	0.02	0.01
Surplus on Sale of Investments		
Non -Trade		
Long Term Investments	1.22	94.92
Total	1.24	94.93



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

SCHEDULE 12 : MATERIAL, MANUFACTURING AND OPERATING EXPENSES

	Year Ended 30.09.2007 Rs. Crores		Year Ended 30.09.2006 Rs. Crores	
A. Raw Material & Components Consumed *				
Opening Stock	101.36		85.80	
Add : Purchases	1,453.56		1,229.37	
	1,554.92		1,315.17	
Less : Closing Stock	101.49	1,453.43	101.36	1,213.81
* (Net of Duty Draw Back)				
B. Finished & Trading Goods and Work-in-progress consumed				
Opening Stock				
Finished & Trading Goods	39.61		23.68	
Work -in- Progress	13.55		4.93	
	53.16		28.61	
Add : Purchases	43.97		81.11	
	97.13		109.72	
Less: Closing Stock				
Finished & Trading Goods	21.55		39.61	
Work -in- Progress	14.29	61.29	13.55	56.56
Sub Total		1,514.72		1,270.37
Excise Duty on increase/(decrease) in stock of finished goods		1.17		(0.12)
Stores, Spares and Tools		25.29		23.53
Power and Fuel		31.66		28.90
Repairs to Building		2.99		3.90
Repairs to Machinery		12.51		11.27
Total		1,588.34		1,337.85

Note : Company's own manufactured spare parts have been classified under Trading Goods.

ESCORTS LIMITED

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

SCHEDULE 13 : PERSONNEL EXPENSES

	Year Ended 30.09.2007 Rs. Crores	Year Ended 30.09.2006 Rs. Crores
Salary, Wages and Bonus	150.04	116.73
Contribution to Provident Fund and other Funds	10.76	9.19
Contribution to Gratuity Fund	8.52	5.13
Staff Welfare Expenses	34.70	27.65
Total	204.02	158.70

SCHEDULE 14: SALES AND ADMINISTRATION EXPENSES

	Year Ended 30.09.2007 Rs. Crores	Year Ended 30.09.2006 Rs. Crores
Warranties	11.97	6.14
Rent (Net)	3.45	3.40
Rates and Taxes	1.93	1.51
Insurance	3.50	3.91
Traveling & Conveyance	17.71	14.57
Postage, Telegrams and Telephones	4.27	4.37
Repair and Maintenance	7.88	8.35
Audit Fee & Legal Expenses	8.42	8.00
Commission, Discount and Brokerage	32.98	39.18
Advertisement	20.58	18.90
Royalty	6.62	5.95
Packing, Freight & Forwarding	51.54	48.64
Sales & Purchase Tax	1.56	3.46
Directors Sitting Fees	0.11	0.07
Foreign Exchange Variation (Loss)	13.47	—
Other Expenses	14.30	10.67
Total	200.29	177.12



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

SCHEDULE 15 : INTEREST

	Year Ended 30.09.2007 Rs. Crores		Year Ended 30.09.2006 Rs. Crores	
Interest cost related to :				
Fixed Period Loans and Debentures	37.10		50.97	
Others	35.12	72.22	29.02	79.99
Less : Interest Income *				
On Loans to Group Companies	5.66		5.58	
Others	15.17	20.83	5.26	10.84
Total		51.39		69.15
* Income Tax Deducted at Source		2.18		3.36

SCHEDULE 16: AMORTISATION OF MISCELLANEOUS EXPENDITURE

	Year Ended 30.09.2007 Rs. Crores		Year Ended 30.09.2006 Rs. Crores	
Voluntary Retirement Scheme	4.23		3.90	
Miscellaneous Expenditure written-off	3.32		3.60	
Total		7.55		7.50

SCHEDULE 17: EXCEPTIONAL ITEMS

	Year Ended 30.09.2007 Rs. Crores		Year Ended 30.09.2006 Rs. Crores	
Provision for diminution in value of investments		–		0.89
Provisions for Doubtful Debts, Advances and Loans & Deposits		0.78		2.84
Provision for Obsolescence of Inventory		0.21		0.37
Provision for Gratuity for past service		–		13.24
Provision for Leave Salary for past service		–		9.09
Loss / (Profit) on Sale of Investments		–		8.87
Ex - gratia		4.68		–
Assets written off		0.01		–
Settlement Cost		–		4.09
Amounts written off	0.90		3.45	
Less: Provision created in earlier years	–	0.90	0.26	3.19
Total		6.58		42.58

ESCORTS LIMITED

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

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

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

- Raw Material and Components, Stores and Machinery Spares are stated at lower of cost and net realisable value.
- Loose Tools are stated at cost or under.
- Work in Progress, Finished and Trading Goods/Spare Parts are stated at lower of cost and net realisable value.
- In determining the cost of Raw Materials and Components, Tools, Jigs and Dies, Stores and Machinery Spares Weighted Average Cost Method is used while in the case of Trading goods FIFO Method is used.
- Work in Progress and Finished Goods include cost of conversion and other costs incurred in bringing the Inventories to their present location and condition.

4. RETIREMENT BENEFITS

- The liability on account of Gratuity is provided on the basis of actuarial valuation at the year-end.
- The provision in accounts for leave encashment benefit to employees is based on actuarial valuation at the year-end.

5. 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.

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.

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.



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. EMPLOYEE STOCK OPTION SCHEME

In respect of stock options granted pursuant to Employees Stock Option Scheme, the intrinsic value of the options (Excess of market price of the share over the exercise price of the options) is accounted as employee compensation cost over the vesting period.

12. 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.

Contingent assets are neither recognised nor disclosed.

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

	2006-2007 Rs. Crores		2005-2006 Rs. Crores	
1 Expenses pertaining to previous years :				
Personnel		—		0.02
Sales and Administration		0.58		0.09
Operating		0.27		0.01
Interest		0.19		—
2 Miscellaneous expenditure (to the extent not written off or adjusted) represents :-				
(a) Development Expenditure	1.99		2.56	
Add : Additions during the year	—		0.48	
Less : Transfer (Capitalized)	0.48		—	
Less : Written off during the year	0.86	0.65	1.05	1.99
(b) Payments under Voluntary Retirement Scheme	6.13		7.78	
Add : Additions during the year	6.78		2.25	
Less : Written off during the year	4.23	8.68	3.90	6.13
(c) Upfront Fee	8.33		8.50	
Add : Additions during the year	0.74		2.38	
Less : Written off during the year	2.47	6.60	2.55	8.33
		15.93		16.45
		In Rupees		In Rupees
3 Profit & Loss Account of Agricultural Business is as follows :				
Opening Stock		—		—
Expenses		507,358.39		305,357.00
Sales and Other Income		212,200.00		294,063.00
Closing Stock		11,000.00		—
Net Profit/(Loss)		(284,158.39)		(11,294.00)
4 Audit & Legal Expenses include Auditors Remuneration :		Year Ended 30.09.2007 Rs. Crores		Year Ended 30.09.2006 Rs. Crores
(a) Audit Fee		0.28		0.28
(b) Tax Audit Fee		0.08		0.08
(c) In other capacity				
Limited review of quarterly results		0.11		0.15
Certification and other services		0.12		0.08
(d) Service Tax		0.08		0.06
(e) Out of pocket expenses		0.04		0.02



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

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

5 The outstanding derivative instruments as at 30th September, 2007

The Exports receivables of the Company as at year end have been hedged by forward contracts to the extent US\$ 20.19 Million (Previous Year : US\$ 4.27 Million)

The Foreign Currency Exposures not hedged by a derivative instrument or otherwise are as follows:

		Amount (Millions)	
	Currency	2006-07	2005-06
i) Amount receivable on account of Sales of Goods/Services	USD	13.59	20.89
	EURO	8.73	5.64
	AUD	0.05	0.00
ii) Amount payable on account of Purchase of Material/Services:	USD	1.20	0.19
	EURO	0.13	0.06
	SGD	0.02	—
	JPY	4.44	1.14
	SEK	—	0.15

6 Deferred Tax

The Deferred Tax Assets (Net) as at 30th September, 2007 comprise of the following :

(Rs.Crores)

Particulars	Deferred tax assets/ (liabilities) as at 01.10.2006	(Charge) / credit during the year	Deferred tax assets/ (liabilities) as at 30.09.2007
Depreciation	(64.37)	8.38	(55.99)
Deferred revenue expenditure	2.05	0.80	2.85
Disallowance u/s 43B	17.48	6.65	24.13
Provision for Doubtful Debts	42.53	0.90	43.43
Long Term Capital Loss	14.50	—	14.50
Unabsorbed loss	64.21	(2.89)	61.32
Total	76.40	13.84	90.24

	2006-07	2005-06
7 Sundry Debtors include amount due from Subsidiary Companies : (Rs Crores)	162.58	92.81

8 Balance due from Companies under the same management : (Rs.Crores)

Company	On account of loans / advances as at 30.09.2007	Maximum balance outstanding at any time during the year	On account of loans/ advances as at 30.09.2006	Maximum balance outstanding at any time during the year
Subsidiaries:				
Escorts Automotives Limited	90.54	90.54	84.89	84.89
Escorts Construction Equipment Limited	4.79	4.79	—	0.58
Escorts Securities Limited	1.55	1.56	0.78	0.78
Escorts Assets Management Limited	—	—	0.01	0.01
Cellnext Solutions Limited	3.20	3.25	3.24	3.24
Escotoonz Entertainment Pvt. Ltd	1.21	1.21	0.89	0.89

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.)

9 The utilisation of the Qualified Institutional Placement issue proceeds as at September 30, 2007 was as under

		Rs. Crores
Purpose	Use of Funds as Projected	Actual Funds Used upto 30.09.2007
- Repayment of High Cost Debts	114.39	101.99
- General Corporate Purpose including payment of high cost debts	29.91	27.45
- Issue Expenses	4.46	5.08
Total	148.76	134.52

The unutilised amount of Rs.14.24 crores is included under Cash and Bank Balance in Schedule 7 - 'Current Asset'.

10 Earnings per Shares		Year Ended 30.09.2007	Year Ended 30.09.2006
Net Profit after Tax (Rs. Crores)	Basic	(6.44)	19.00
	Diluted	(6.44)	19.00
Weighted average number of shares outstanding	Basic	74,156,191	72,232,240
	Diluted	74,156,191	72,232,240
Earnings per share (face value Rs.10 per share)	Basic	(0.87)	2.63
	Diluted	(0.87)	2.63

11 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 Communications India Limited 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'.

12 The Company has proposed a scheme of Compromise & Arrangement with the Fixed Deposit holders and Secured Creditors of Escorts Finance Ltd (EFL), under the provisions of Section 391 of the Companies Act, 1956. With a view to preserve its, 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.

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 10th May 2006 & 5th May 2006 respectively.

The petition made by the Company for the approval of the scheme 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.

13 During the period 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 fulfillment of certain conditions. The Hon'ble Delhi High Court has ordered status quo, on a petition filed challenging the sale transaction. The matter is in advanced stages of adjudication.

14 As a part of consideration for sale of its Telecom Business during the period 2003-04 the Company was issued an Unsecured Subordinated Bond of Rs. 175.74 crores by Idea Cellular Limited (Idea). 'Idea' has a call option for early redemption of the Bond at a discount rate of 10.50% per annum exercisable at any time and the Company has a put option in January 2010.

The Bond was assigned to Axis Bank to avail financial assistance. The loan outstanding from Axis Bank as at 30th September 2007 of Rs.58.10 crores is further secured by pledge of 18,76,246 Equity Shares of Hughes Communication India Limited. On payment by 'Idea' to the Bank, the Company will receive any surplus after deducting dues to Bank on account of loan amount and any outstanding interest / penal interest and charges and contingent liabilities to the extent set off by 'Idea'. The Bank has also retained a cash margin whose book value of Rs 6.61 crore is included in 'Fixed deposits with Scheduled Banks (pledged)' in Schedule 7 'Current Assets'.



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

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

- 15 The Company has executed an Agreement to Sell for transfer of 20 acres of land at Plot No. 219, Sector 58, Ballabhgarh, Haryana for a consideration of Rs.7.00 crores. The said transfer is subject to necessary approval from HUDA and accordingly the consideration amount of Rs. 7.00 crores is being treated as advance.
- 16 The Company has reserved issuance of 36,11,610 Equity Shares of Rs. 10 each for offering to eligible employees of the Company under Employees Stock Option Scheme (ESOS). During the year, the Company has granted 3,72,000 Options to its Employees on 29th March 2007 and 15,000 Options on 3rd September 2007, in accordance with guidelines issued by SEBI. Out of the Options granted on 29th March 2007 59,000 Options have been forfeited. The Options have vesting period of one year from the date of grant of Options. The Options may be exercised on the date of vesting and on specified dates with in 2 years from the date of vesting at the price of Rs. 85.00 per Equity Shares.
- 17 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
- 18 During the year, the Company has issued 36,11,610 share warrants to a Promoter Group Company (ies), as approved by the shareholders by way of Postal Ballot. These warrants were issued at a price of Rs.124.05 each and are convertible into equal number of Equity Shares of the face value of Rs.10/- each at a premium of Rs. 114.05 per share within 18 months from the date of allotment (i.e., 22.11.2006). 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 as provided under relevant SEBI guidelines.
- 19 Related party disclosures (as identified and certified by the management)

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

(i) Subsidiary Companies

Domestic

Escorts Construction Equipment Limited
Escorts Automotives Limited
Escorts Securities Limited
Cellnext Solutions Limited
Escotoonz Entertainment Private Limited
Escorts Asset Management 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)

(ii) Joint Ventures and Associates

Hughes Communications India Limited
Escotrac Finance & Investment Private Limited
Escorts Finance Investment & Leasing Private Limited
Escorts Motors Limited

(iii) Key Management personnel (whole-time directors) & their relatives

Mr. Rajan Nanda
Mr. Nikhil Nanda
Ms. Nitasha Nanda

(iv) Others

Har Parshad & Company Pvt. Ltd.

(v) Related Party Transactions - Refer Annexure - I

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.)

20 Disclosure required by Accounting Standard (AS) 29 'Provisions, Contingent Liabilities and Contingent Assets':

(a) Contingent Liabilities

	Year Ended 30.09.2007 Rs. Crores	Year Ended 30.09.2006 Rs. Crores
I) Estimated amounts of contracts remaining to be executed on capital account and not provided for	14.32	14.53
II) * Claims not acknowledged as debts	1.27	7.64
III) There is a Contingent Liability of :		
* (a) Excise duty/ Customs duty demands not acknowledged as liability	53.40	113.13
* (b) ESI additional demand not acknowledged as liability	17.97	17.97
* (c) Sales Tax demand not acknowledged as liability	6.56	3.47
* (d) Pending Legal Cases - Personnel	2.65	2.99
- Others	14.41	14.44
* (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/NBFCs	70.56	16.25
(g) Guarantees executed in favor of Customs/Excise Authorities	—	8.93
(h) Guarantees given to banks under Channel Finance Program	27.67	—
(i) Guarantees executed in favor of Others	1.84	0.89
(j) Guarantees given on behalf of Escorts Construction Equipment Limited #	49.56	27.06
(k) Demand raised by Income Tax Department, disputed by the Company and pending in appeal	56.15	36.10
# The value of facilities actually utilised against these Guarantees were :	37.59	27.06
* 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.		

IV) Vide an agreement dated 15th January 2004 between Escotel Mobile Communications Limited (EMCL) now part of Idea Cellular Limited and the Company, contingent liabilities amounting to Rs 2.6 crores on account of entry tax, consumer court cases and Stamp Duty exist. In the event of any such claims being crystallized, the amount can be set off from the redemption proceeds of Bonds of Idea Cellular Limited.

V) Escorts Heart Institute & Research Centre Limited (EHIRCL), the Subsidiary company that was sold in September 2005, has disputed the Income Tax demand of Rs 52.33 crores and interest thereon amounting to Rs 29.16 crores and the matter is pending in appeal. Escorts Limited 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.

b) (i) Movement in provisions: (Figures in brackets are in respect of the previous year)

	Rs. Crores				
Class of Provision	As at October 1, 2006	Additions	Amount Used	Unused Amounts reversed	As at September 30, 2007
Product Warranties	2.72 (1.38)	4.85 (2.64)	2.45 (1.30)	— —	5.11 (2.72)

(ii) Nature of provision:

Product Warranties :The Company gives warranties on certain products and undertakes to repair or replace them if these fail to perform satisfactorily during the free warranty period. 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.



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

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

- 21 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.

Based on information available with the Company, there are no dues to Micro, Small and Medium Enterprises as defined in the Micro, Small & Medium Enterprises Development Act, 2006, as at September 30, 2007.

- 22 Clause 32 disclosure - Details as per Annexure - III.

- 23 Accounting for Leases (AS-19). Details as per Annexure - IV.

- 24 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.

- 25 Figures have been rounded off to the nearest lac rupees. Previous year figures have been regrouped/rearranged wherever necessary.

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 FOR THE YEAR ENDED 30.09.2007

Nature of Transactions	Escorts Automotives Ltd.	Escorts Construction Equipment Ltd.	Cellnext Solutions Ltd.	
Sale of goods	—	23.42	—	
	—	(13.80)	—	
Rendering of services (Income))	—	3.31	0.03	
	(0.02)	(1.01)	(0.04)	
Rent Income	—	0.66	—	
	—	(0.65)	—	
Interest income	5.66	—	—	
	(5.41)	—	—	
Receiving of services	—	—	0.32	
	—	—	(0.01)	
Purchases of goods	—	4.00	—	
	—	(3.12)	—	
Investments	23.66	40.00	5.25	
	(23.66)	(71.00)	(5.25)	
Advances Given	20.88	4.79	3.20	
	(16.48)	(4.45)	(3.24)	
Receivables / Debtors	—	—	—	
	—	—	—	
Payables	—	0.47	—	
	—	(0.32)	(0.05)	
Loans / ICD Given	69.66	—	—	
	(68.41)	—	—	
Provisions (Debts/Loans/Advances/Deposits/Investments)	13.66	—	—	
	(13.66)	—	—	
Guarantees	—	49.56	—	
	—	(27.06)	—	



Annexure - I
(Rs. Crores)

Escotoonz Entertainment Pvt. Ltd.	Escorts Securities Ltd.	Escorts Assets Management Ltd.	Escorts Agri-Machinery Inc.	Farmtrac Tractors Europe Sp Zoo	Farmtrac North America, LLC, USA	Total
—	—	—	—	37.86	105.35	166.63
—	—	—	—	(32.39)	(98.35)	(144.54)
—	0.03	—	—	—	—	3.37
—	(0.02)	(0.02)	—	—	—	(1.11)
0.09	—	—	—	—	—	0.75
(0.08)	—	—	—	—	—	(0.73)
0.14	—	—	—	—	—	5.80
(0.10)	—	—	—	—	—	(5.51)
—	—	—	—	—	—	0.32
—	—	—	—	—	—	(0.01)
—	—	—	—	—	—	4.00
—	—	—	—	—	—	(3.12)
—	1.20	3.00	49.29	—	—	122.40
—	(1.20)	(3.00)	(49.29)	—	—	(153.40)
1.21	1.55	—	—	—	—	31.63
(0.89)	(0.78)	(0.01)	—	—	—	(25.85)
—	—	—	1.26	47.64	113.68	162.58
—	—	—	(1.26)	(27.65)	(63.90)	(92.81)
—	—	0.01	—	—	—	0.48
—	—	(0.01)	—	—	—	(0.38)
—	—	—	—	—	—	69.66
—	—	—	—	—	—	(68.41)
—	—	—	—	—	—	13.66
—	—	—	—	—	—	(13.66)
2.00	—	—	—	—	—	51.56
(2.00)	—	—	—	—	—	(29.06)

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 FOR THE YEAR ENDED 30.09.2007

(Rs. Crores)

Nature of Transactions	Escorts Finance & Investment Pvt. Ltd.	Escorts Finance Investment & Leasing Ltd.	Escorts Motors Ltd.	Hughes Communications India Ltd.	Total
Investments	98.48 (98.48)	83.82 (83.82)	1.50 (1.50)	2.07 (2.07)	185.87 (185.87)
Advances Given	— —	— —	0.02 (0.02)	0.07 (0.07)	0.09 (0.09)
Payables	(18.28) (0.05)	— —	— —	— —	(18.28) (0.05)
Provisions (Debts/Loans/Advances/Deposits/Investments)	— —	— —	— —	0.07 (0.07)	0.07 (0.07)

TRANSACTIONS WITH OTHERS FOR THE YEAR ENDED 30.09.2007

(Rs. Crores)

Nature of Transactions	Harpashad & Company Pvt. Ltd	Total
Royalty	6.00 (5.01)	6.00 (5.01)
Interest	0.86 (0.86)	0.86 (0.86)
Borrowings as at 30 Sept 2007	2.54 (7.63)	2.54 (7.63)
Payables as at 30 Sept 2007	9.16 (8.96)	9.16 (8.96)

TRANSACTIONS WITH DIRECTORS AND THEIR RELATIVES FOR THE YEAR ENDED 30.09.2007

(Rs. Crores)

Nature of Transactions	Nikhil Nanda	Nitasha Nanda	Total
Remuneration Paid	— —	0.46 (0.35)	0.46 (0.35)
Rent Paid	— —	0.20 (0.19)	0.20 (0.19)
Purchase of asset	0.11 —	— —	0.11 —
Advances Given	— —	0.10 (0.11)	0.10 (0.11)

Note : Figures in brackets pertain to previous year.



Annexure - II

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 30/09/2007 are given hereunder:

1	Aasma Engg Works	59	Hi-Tech Arai Limited	117	Rajiv Industries
2	Accurate Industries	60	Hi-Techno Machines	118	Rana Enterprises
3	Aggarwal Enterprises	61	Indo Bell Insulations Pvt. Ltd.	119	Ravi Industrial Corporation
4	Ajay Trading Co.	62	Industrial & Farm Equipment Company	120	Relex Automats
5	Alfa Computer Sales	63	International Automotive Components	121	Rikki Plastic Pvt. Ltd.
6	Alhind Metal Industries	64	J. B. Engineering Works	122	Roop Polymers Limited
7	Allena Auto Industries Pvt. Ltd.	65	J. K. Engineers	123	Royal Tools (India)
8	Am Electricals	66	J.B. Spring	124	S K Tools
9	Amar Udyog	67	J.J.Engineering Works	125	Sachdeva Enterprises
10	Ambica Forge Pvt. Ltd.	68	J.S.Industries	126	Sai Engg. Works
11	Apex Plastics Pvt. Ltd.	69	Jagjit Engg. Works	127	Sankla Castings
12	Arc Machine Tools .	70	Jagjit Industries	128	Sankla Engg. Works
13	Arc Machine Tools Pvt. Ltd.	71	Jaico Steel Fasteners Limited	129	Sarna Engg. Works
14	Arkey Engg Industries	72	Jayem Auto Industries Pvt. Ltd.	130	Sawan Industries
15	Arvind Engineer	73	Jigar Tube Ind	131	SBP Automotive Pvt. Ltd.
16	Ashim & Company	74	JV Enterprises	132	Sethi Industrial Corporation
17	Ashoka Bolt House	75	Jyoti Springs & Engg Works	133	Shakti Auto Valves & Engg.Company Pvt. Ltd.
18	Atop Fasteners Pvt. Ltd.	76	K.R.Thermopack Pvt. Ltd.	134	Shankar Tin Industries
19	Auto & General Castings Pvt. Ltd.	77	Karm Engg. Works	135	Shivji Steel
20	Auto General Agencies	78	Kay Kay Udyog	136	Shivon International
21	Auto Tech Engineers	79	Kewali Udyog	137	Shree Nath Castings
22	B.T. Engineering Works	80	Kochar Agro Industries Pvt. Ltd.	138	Shreenath Castings Pvt. Ltd.
23	Batra Brothers	81	Luxmi Automats	139	Shyam Alloys Pvt. Ltd.
24	Bawa Engineers	82	M K Engg. Works	140	Shyam Metals
25	Bellrite Corp	83	M. S. Engineering Works	141	Singla Forging Pvt. Ltd
26	Bengal Packers	84	Maa Shakti Engg Works	142	Sisodia Engineering
27	Bhagwati Spherocast Pvt. Ltd.	85	Mca International	143	Sneh Enterprises
28	Bishandas Steel Tube	86	Mechanica	144	Star Tools And Casting
29	Bony Polymers Limited	87	Meenasha Castings Pvt.Ltd.	145	Steerwels
30	Caama India	88	Metal Pressings & Engg. Works	146	Sumutone Enterprises
31	Centrifugal Casting Company	89	Micro Engg. Corporation	147	Suraj Foundry
32	Chandra Automotive Components	90	Micron Precision Screws Limited	148	Swastik Castings Pvt. Ltd.
33	Chitra Rubber Udyog	91	Mindhra Brothers	149	Synchro Pressing Pvt. Ltd.
34	Chrome Well Industries Pvt. Ltd.	92	Modern Engg. Industries	150	Techno Spring Industries
35	Cupro Industrial Corp	93	Modern Machine Tools	151	Technoforge (India)
36	D P Auto Industries	94	National Industries	152	The Chemicals Of India
37	Dashmesh Enterprise	95	New Pragati Udyog	153	The General Rubber Co Pvt. Ltd.
38	Davindra Engg. Corp	96	Noble Engineering Works	154	United S.S.Engg. Works
39	Delight Pressings	97	Olympic Agro Industry	155	Universal Components
40	Delite Auto Products	98	P.S. Camshafts Pvt. Ltd.	156	V.N.M.Engineers
41	Dhiman Engineering Corporation	99	Parkash Automotive	157	Vallabh Industries
42	Dinesh & Co.	100	Parykam Auto Pvt. Ltd.	158	Vee Gee Engg. Works
43	Diwan Chand Suraj Prakash Jain	101	Pee Cee Engineers	159	Veekay Machine Tools
44	Durga Automation Enter	102	Pertap Engineering Works	160	Verma Engg. Works
45	Duro Engineering Works	103	Piplani Enterprises	161	Vijay Engg & Metal Works
46	Elites Engineers & Manufac	104	Precision Engg. Industries	162	Vijay Metal Forgings Pvt. Ltd.
47	Ess Em Engineers	105	Preet Industrial Corporation	163	Vikas Forging Pvt Ltd.
48	G.K. Machine Tools	106	Presto Machine Tools	164	Vikram Fabricators
49	Glide Engg. Works	107	Pritika Auto Products Pvt. Ltd.	165	Vinay Trading Corporation
50	Globe Engg. Corporation	108	Pragathi Steel Castings Pvt. Ltd.	166	Vinayak Diecast
51	Goodwell Ind	109	Puesh Enterprises	167	Vishwakarma Automotive Pvt. Ltd.
52	Goyal Engg. Corporation (India)	110	R.Engg. & Fabrication Works	168	Vnm Engineer
53	H.K.Engg.Works	111	R.R Engineering	169	Voith Turbo Pvt. Ltd.
54	H.S. Machine Tools Industries	112	R.V. Engineering	170	Wesco Auto Prod. (I) Pvt. Ltd.
55	Haryana Agro Engg. Products	113	Rahul Induction Pvt. Ltd.	171	Yogesh Engineering Works
56	Haryana Springs & Press. Works	114	Rajan Engg. Works	172	Yuva Engineers
57	Hilux Autoelectric Pvt. Ltd.	115	Rajesh Engg. Works		
58	Hi-Lux Automotive Pvt. Ltd.	116	Rajesh Engineers Pvt. Ltd.		

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 with no repayment schedule		Advances in nature of loan carrying Nil Interest	
	As at 30th September 2007	Max. amount outstanding during 2006-07	As at 30th September 2007	Max. amount outstanding during 2006-07
Subsidiary Companies				
Escorts Automotives Limited	90.54 (84.88)	90.54 (84.88)	5.00 (5.00)	5.00 (5.00)
Cellnext Solution Limited	2.75 (2.75)	2.75 (2.75)	2.75 (2.75)	2.75 (2.75)
Escorts Securities Limited	1.55 (0.78)	1.56 (0.78)	1.55 (0.78)	1.56 (0.78)
Escotoonz Entertainment Pvt Ltd	1.21 (0.89)	1.21 (0.89)	1.21 –	1.21 –

(Rs. Crores)

Particulars of Investments by the Loanees	Book Value of Investment	
	By the Loanees as at 30th September 2007	Max. amount outstanding during 2006-07
Loanee-Cellnext Solution Limited	2.75	2.75
Escotoonz Entertainment Pvt Ltd	(2.75)	(2.75)

Annexure - IV

DISCLOSURE UNDER ACCOUNTING STANDARD - 19 (LEASES)

IN RESPECT OF 'FINANCE LEASE' ARRANGEMENTS FOR THE YEAR 2006-07

(Rs. Crores)

Nature of Transactions	Vehicles	Computers & Peripherals
Total addition to Fixed Assets	1.06 (0.13)	0.69 (1.91)
Asset under finance lease:		
Opening original Cost of assets	0.67 (0.54)	1.35 –
Additions under finance lease	0.96 (0.13)	0.65 (1.35)
Deletion during the period	0.45 –	– –
Closing Original Cost	1.18 (0.67)	2.00 (1.35)
Cumulative Depreciation	0.28 (0.32)	0.74 (0.09)
Net carrying value as on 30th September, 2007	0.90 (0.35)	1.26 (1.26)



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 (Contd.)

The details of Minimum Lease Payments outstanding as at 30th September, 2007 and present value thereof are as under :

(Rs. Crores)

	Minimum Lease payments outstanding	Present Value of minimum lease payments outstanding	Future Interest on outstanding lease payments
– Total amount due	2.41 (1.85)	2.17 (1.56)	0.24 (0.28)
– Due within one year	1.17 (0.70)	0.99 (0.53)	0.18 (0.17)
– Due later than one year and not later than five years	1.24 (1.14)	1.18 (1.03)	0.06 (0.11)

INFORMATION PURSUANT TO PARAGRAPHS 3 & 4 OF PART - II OF SCHEDULE VI OF THE COMPANIES ACT, 1956

	Year Ended 30.09.2007 Rs. Crores	Year Ended 30.09.2006 Rs. Crores
(a) Expenditure in Foreign Currency		
(i) Royalty/Technical know-how/Technical Fee	0.91	0.94
(ii) Travelling Expenses	0.92	1.11
(iii) Others	1.19	0.73
Total	3.02	2.78

(b) Earnings in Foreign Currency

(i) Export of goods including partly executed sales contracts on F.O.B basis	247.49	226.61
(ii) Others	–	0.11
Total	247.49	226.72

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.)

(c) Licensed And Installed Capacity, Production, Purchases, Opening And Closing Balance And Sales :

(i) MANUFACTURING OPERATIONS :

	Installed	Actual	Opening Balance		Closing Balance		Sales	
	Capacities**	Production	Quantity Rs. Crores	Value	Quantity Rs. Crores	Value	Quantity Rs. Crores	Value
1. ***Agricultural Tractors	98,940	52,585	851	25.90	166	4.40	53,235	1,748.24
	(98,940)	(48,282)	(269)	(8.21)	(851)	(25.90)	(47,612)	(1,444.83)
2. ***Internal Combustion Engine	98,940	54,366	536	4.12	366	2.15	2,184	16.26
***Engine for Agricultural Tractors	(98,940)	(49,529)	(384)	(2.13)	(536)	(4.12)	(1,703)	(11.80)
3. Round and Flat Tubes	180,000	82,784	5,690	0.32	5,709	0.36	82,029	7.95
Heating Elements (Meters)	(180,000)	(120,515)	(4,244)	(0.21)	(5,690)	(0.32)	(54,373)	(6.39)
4. Double Acting Hydraulic Shock	36,000	23,108	172	0.04	—	0.00	23,280	13.32
Absorbers for Railway Coaches	(36,000)	(16,565)	—	—	(172)	(0.04)	(16,393)	(9.17)
5. Centre Buffer Couplers	1,200	506	—	—	6	0.02	506	4.80
	(1,200)	(465)	—	—	—	—	(465)	(3.25)
6. Automobile Shock Absorbers, Telescopic	4,000,000	2,078,377	350,675	4.30	275,766	3.99	2,152,955	101.59
Front Fork & McPherson struts	(4,000,000)	(1,797,821)	(208,453)	(4.85)	(127,778)	(2.77)	(1,878,496)	(98.39)
7. Brake Block	1,800,000	577,158	-	-	1,618	0.04	573,505	25.60
	(1,800,000)	(530,671)	(1,988)	(0.03)	-	-	(529,832)	(23.18)
8. All types of Brakes used by Railways	36,000	5,869	—	—	45	0.12	5,824	32.74
	(36,000)	(5,497)	—	—	—	—	(5,497)	(35.34)
9. Others	—	—	—	—	—	—	—	67.48
	—	—	—	—	—	—	—	(56.13)

Notes :

- ** (a) As certified by the management and not verified by the auditors, being a technical matter.
- (b) 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.
- (c) In item no. 3 Installed capacities and actual production are in meters, rest are in numbers.
- *** (d) Opening and Closing stocks of items of Research and Development have been excluded.
- (e) Opening and Closing stocks are inclusive of Work-in-Progress.
- (f) Item no. 2 is not included in trading/finished stock.

‘(ii) TRADING OPERATIONS :

	Opening Balance		Purchases		Sales		Closing Balance	
	Quantity Nos.	Value Rs. Crores	Quantity Nos.	Value Rs. Crores	Quantity Nos.	Value Rs. Crores	Quantity Nos.	Value Rs. Crores
Implements Trailers, Compressor	—	8.82	—	57.32	—	81.74	—	9.79
Accessories, spares and others	—	(10.38)	—	(58.36)	—	(97.30)	—	(8.82)
Oils & Lubricants	—	—	—	6.65	—	8.48	—	0.30

Notes :

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



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) Value of Imports - CIF basis :

Rs. Crores

	Year Ended 30.09.2007	Year Ended 30.09.2006
(i) Raw Material	7.41	5.91
(ii) Components & Spare Parts	27.64	29.00
(iii) Capital Goods	6.19	0.00
(iv) Trading Goods	0.38	1.55
Total	41.62	36.46

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

	Year Ended			
	30.09.2007		30.09.2006	
	Rs. Crores	Percentage	Rs. Crores	Percentage
(i) Imported	58.51	3.96	50.47	4.08
(ii) Indigenous	1,420.21	96.04	1,186.87	95.92
Total	1,478.72	100.00	1,237.34	100.00

(f) Details of Raw Materials & Components Consumed :

	Unit of Measure	Quantity		Value (Rs.Crores)	
		2006-07	2005-06	2006-07	2005-06
(i) Castings & Forgings	Nos	1,886,587	1,816,567	197.21	163.35
(ii) Other Metal Parts	—	—	—	11.68	12.44
(iii) Others	—	—	—	1,244.54	1,038.02
Total	—	—	—	1,453.43	1,213.81

Note : Raw Materials and components consumed include sale of raw materials and components

RAJAN NANDA
Chairman and
Managing Director

NIKHIL NANDA
Joint Managing Director

Dr. P. S. PRITAM
Director

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

R. K. BUDHIRAJA
Exec. Vice President &
Group Chief Financial Officer

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

Place : Faridabad
Dated : December 26, 2007

S. N. DHAWAN
Partner
M No. 925

ESCORTS LIMITED

CASH FLOW STATEMENT

	Year Ended 30.09.2007 Rs. Crores	Year Ended 30.09.2006 Rs. Crores
A. CASH FLOW FROM OPERATING ACTIVITIES		
Net Profit before tax	(17.33)	34.44
Adjustments for :		
Loss on sale/ Provision for diminution in value of Long Term investments & loans to Group Companies	1.89	40.18
Gain on sale of Long Term Investments	(1.22)	(94.92)
Gain on sale of Asset	(0.13)	—
Depreciation	44.97	39.55
Misc. Exp./ Assets Write off / Provisions	8.08	7.50
Interest Expense	72.22	79.99
Dividend Income	(0.02)	(0.01)
Interest Income	(20.82)	—
Operating Profit before working capital changes	87.64	106.73
Adjustments for :		
Trade and other Receivables	(88.17)	(120.35)
Inventories	13.79	(46.92)
Trade Payables	67.05	190.46
Miscellaneous Expenditure	(7.50)	(5.11)
	(14.83)	18.08
Cash Generated from Operations	72.81	124.81
Direct Taxes (Paid)/Refunds	(17.85)	31.66
Net Cash Flow from operating activities	54.96	156.47
B. CASH FLOW FROM INVESTING ACTIVITIES		
Purchase of Fixed Assets	(30.95)	(27.94)
Proceeds from sale of Fixed Assets	0.86	1.77
Movement in Loans and Advances	(16.27)	(16.44)
Sale of Investments	32.33	114.52
Short Term Deposits with schedule Banks	(2.31)	(10.48)
Interest Received	20.70	—
Dividend Received	0.02	0.01
Net Cash Flow from Investing activities	4.38	61.44
C. CASH FLOW USED IN FINANCING ACTIVITIES		
Proceeds from Share Capital & Securities Premium	114.44	—
Proceeds from Long Term Borrowings	86.60	—
Less : Repayment of Long Term Borrowings	(0.54)	(78.96)
Proceeds/ (Repayment) from short term borrowings (net)	(227.26)	—
Interest Paid	(77.40)	(82.23)
Net Cash used in financing activities	(104.16)	(161.19)
Net Increase/(Decrease) in Cash and Cash equivalents	(44.82)	56.72
Cash and Cash equivalents as at 01.10.2006	105.65	48.93
Cash and Cash equivalents as at 30.09.2007	60.83	105.65

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
Joint Managing Director

Dr. P. S. PRITAM
Director

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

R. K. BUDHIRAJA
Exec. Vice President &
Group Chief Financial Officer

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

S. N. DHAWAN
Partner
M No. 925

Place : Faridabad
Dated : December 26, 2007



BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE

I. Registration Details

Registration No.

State Code

Balance Sheet Date

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

Public Issue

Bonus Issue

Right Issue

Private Placement

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

Total Liabilities

Source of Funds

Paid-up-Capital

Secured Loans

Application of Funds

Net Fixed Assets

Net Current Assets

+ - Deferred Tax Asset (Net)

☒

Accumulated Losses

Total Assets

Reserves & Surplus

Unsecured Loans

Investments

Misc. Expenditure

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

Turnover including Other Income

+ - Profit / Loss Before Tax

☒

+ - Provision for Tax

☒

+ - Earning per Share in Rs.

☒

Total Expenditure

+ - Deferred Taxation

☒

+ - Profit / Loss After Tax

☒

Final Dividend Rate %

V. Generic Names of Three Principal Products of the Company

Item Code No.

Product Description

Item Code No.

Product Description

Item Code No.

Product Description

CONSOLIDATED FINANCIAL STATEMENT



Auditor's 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, 2007 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.

Attention is invited to note 16 of Schedule 19. As explained in the note Escorts Agri Machinery Inc., USA, (EAMI) a wholly owned subsidiary, whose consolidated financial statements reflect total assets of Rs. 352.53 crores as at December 31, 2006 and the total revenues of Rs. 404.12 crores and cash flows amounting to Rs. 0.23 crores for the year then ended have been considered in the preparation of consolidated financial statements on the basis of audited financial statements and other financial information up to December 31, 2006 (audited by other auditor). According to the requirements of Accounting Standard AS-21, Consolidated Financial Statements, financial statements used in the consolidation should be drawn up to the same reporting date and in any case, the difference between reporting dates of parent company and its subsidiary should not be more than six months. Therefore, considering the above financial statements in preparation of consolidated financial statements is non compliance of Accounting Standard AS-21, "Consolidated Financial Statements".

We further report that :

1. We did not carry out the audit of a joint venture company. These financial statements have been certified by the management and reflect total assets of Rs. 19.02 crores as at September 30, 2007 and the total revenues of Rs. 17.97 crores for the year then ended, and our opinion, in so far as it relates to the amounts included in respect of these subsidiaries and joint ventures is based solely on these certified financial statements. Since the financial statements for the year ended September 30, 2007, which were compiled by management of these companies were not audited, any adjustments to their balances could have consequential effects on the attached consolidated financial statements.
2. The management has considered the consolidated financial statements of the EAMI and its subsidiaries for the period of 12 months (i.e. January 1, 2006 to December 31, 2006) as stated above. Consequently, the effect of not considering the accounts up to the same period of parent company could not be determined, and therefore, we are unable to express our opinion in the matter and the overall effect on the consolidated financial statements.

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, and subject to paragraph 2 above, 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, 2007;
- 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 : New Delhi
Dated : December 26, 2007

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

ESCORTS LIMITED

CONSOLIDATED BALANCE SHEET OF ESCORTS LIMITED AS AT SEPTEMBER 30, 2007

	Schedule	As At 30.09.2007 Rs. Crores	As At 30.09.2006 Rs. Crores
SOURCES OF FUNDS			
Share Capital	1	73.50	62.04
Reserves & Surplus	2	855.10	765.22
Total Shareholders' Funds		928.60	827.26
Minority Interest		41.90	11.45
Loans			
Secured	3	700.27	460.16
Unsecured	4	49.29	189.29
Net Deferred Tax Liabilities		145.70	155.77
Total		1865.76	1643.93
APPLICATION OF FUNDS			
Fixed Assets			
Gross Block		1569.97	1533.38
Less : Depreciation		655.65	602.38
Net Block	5	914.32	931.00
Capital Work -in Progress		23.22	22.02
Total Fixed Assets		937.54	953.02
Investments : Long Term		245.34	246.49
Net Deferred Tax Assets		240.73	238.12
Current Assets, Loans & Advances			
Current Assets	6		
Inventories		319.21	297.96
Accrued Billing		0.44	0.79
Sundry Debtors		574.64	515.45
Cash & Bank Balances		206.64	231.34
Other Current Assets		1.08	3.99
		1102.01	1049.53
Loans & Advances	7	260.80	219.40
Total Current Assets, Loans & Advances		1362.81	1268.93
DEDUCT			
Current Liabilities & Provisions	8		
Current Liabilities		777.54	915.72
Provisions		159.73	164.11
Total Current Liabilities & Provisions		937.27	1079.83
Net Current Assets		425.54	189.10
Miscellaneous Expenditure (to the extent not written off or adjusted)		16.61	17.20
Total		1865.76	1643.93
Significant Accounting Policies	17		
Related Party Disclosures	18		
Segment Information	19		
Notes to Accounts	20		

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

RAJAN NANDA
Chairman and
Managing Director

NIKHIL NANDA
Joint Managing Director

Dr. P. S. PRITAM
Director

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

R. K. BUDHIRAJA
Exec. Vice President &
Group Chief Financial Officer

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

S. N. DHAWAN
Partner
M No. 925

Place : Faridabad
Dated : December 26, 2007



CONSOLIDATED PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED SEPTEMBER 30, 2007

	Schedule	Year Ended 30.09.2007 Rs. Crores	Year Ended 30.09.2006 Rs. Crores
INCOME			
Gross Sales		2,844.67	2,452.33
Less : Excise Duty		<u>92.13</u>	<u>86.27</u>
Net Sales		2,752.54	2,366.06
Business Income	9	66.08	73.02
Income from Investments	10	7.42	98.76
Total		2,826.04	2,537.84
EXPENDITURE			
Material, Manufacturing & Operating	11	2,118.80	1,792.07
Personnel	12	234.70	200.20
Sales & Administration	13	310.10	274.02
Interest	14	73.85	91.78
Bank and Finance Charges		19.67	19.54
Depreciation		53.31	48.93
Amortisation of Expenditure	15	7.78	12.76
Exceptional Items	16	<u>11.27</u>	<u>115.53</u>
		2,829.48	2,554.83
Profit & Loss before Tax, Share in loss of Associates & Minority Interest		(3.44)	(16.99)
Provision for dim.in value of Long Term Investment & Loans to Group Co.		-	1.68
		<u>(3.44)</u>	<u>(16.67)</u>
Share in loss of Associates / Joint Venture		-	0.77
PROFIT/(LOSS) BEFORE TAX		(3.44)	(19.44)
Provision for Taxation			
Fringe Benefit Tax		3.11	2.84
Current Tax		11.34	14.86
Deferred Tax		<u>(12.69)</u>	<u>9.43</u>
PROFIT/(LOSS) AFTER TAX		(5.20)	(46.57)
Minority Interest		0.31	0.84
PROFIT/(LOSS) AFTER TAX ATTRIBUTABLE TO THE COMPANY		(5.51)	(47.41)
Transfer from Debenture Redemption Reserve		-	11.25
Total		(5.51)	(36.16)
APPROPRIATIONS			
General Reserve		-	0.20
Balance carried to Balance Sheet		<u>(5.51)</u>	<u>(36.36)</u>
Total		(5.51)	(36.16)
EARNINGS PER SHARE (in Rs.) (Face Value Rs. 10 each)			
- Basic		(0.86)	(7.64)
- Diluted		(0.86)	(7.64)
Significant Accounting Policies	17		
Related Party Disclosures	18		
Segment Information	19		
Notes to Accounts	20		

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

RAJAN NANDA
Chairman and
Managing Director

NIKHIL NANDA
Joint Managing Director

Dr. P. S. PRITAM
Director

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

R. K. BUDHIRAJA
Exec. Vice President &
Group Chief Financial Officer

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

S. N. DHAWAN
Partner
M No. 925

Place : Faridabad
Dated : December 26, 2007

ESCORTS LIMITED

SCHEDULES 1 - 20 FORMING PART OF THE CONSOLIDATED BALANCE SHEET AND PROFIT & LOSS ACCOUNT

SCHEDULE 1: SHARE CAPITAL

		As at 30.09.2007 Rs. Crores	As at 30.09.2006 Rs. Crores
AUTHORISED CAPITAL			
12,00,00,000	Equity Shares of Rs. 10 each (Previous year 7,70,00,000 shares)	120.00	77.00
7,30,00,000	Unclassified Shares of Rs. 100 each (Previous year 7,73,00,000 shares)	730.00	773.00
		850.00	850.00
ISSUED, SUBSCRIBED AND PAID-UP CAPITAL			
83,693,630	Equity Shares of Rs. 10 each	83.69	72.23
	Less: Share Capital held by joint ventures (based on proportionate consolidation)	10.19	10.19
		73.50	62.04

SCHEDULE 2: RESERVES AND SURPLUS

	Securities Premium Account	Capital Redemption Reserve	Share Forfeiture Reserve	Amalgamation Reserve	General Reserve	Profit & Loss Account	Revaluation Reserve	Employee Stock Option Outstanding	Deferred Employee Compensation Expenses	Total	Previous Year Figures
As at September 30, 2006	84.66	0.80	3.22	48.46	462.96	(313.46)	478.58			765.22	373.93
Additions:	106.54							1.07	(0.53)	107.08	387.64
Transfer from Profit and loss account						(5.51)				(5.51)	(36.16)
Adjustment for consolidation	-									-	57.46
	191.20	0.80	3.22	48.46	462.96	(318.97)	478.58	1.07	(0.53)	866.79	782.87
Deductions:	5.01						6.68			11.69	-
On assets sold										-	0.01
Transfer to Profit & loss account		-				-				-	17.64
As at September 30, 2007	186.19	0.80	3.22	48.46	462.96	(318.97)	471.90	1.07	(0.53)	855.10	765.22

2006-07 2005-06

Includes Joint venture share 0.33 77.22



SCHEDULES 1 - 20 FORMING PART OF THE CONSOLIDATED BALANCE SHEET AND PROFIT & LOSS ACCOUNT

SCHEDULE 3 : SECURED LOANS

	As at 30.09.2007 Rs. Crores	As at 30.09.2006 Rs. Crores
From Banks:		
Cash Credit/ Working Capital Term Loans	343.19	220.02
Interest Accrued & Due	-	0.57
Loans from:		
Banks	240.92	191.20
Interest Accrued & Due	0.01	1.08
Others	21.31	47.14
Interest Accrued & Due	-	0.15
Debentures		
4.25% Secured Convertible Debenture	60.84	-
9% Secured Convertible Debenture	34.00	-
Total	700.27	460.16
Includes joint venture share	7.76	5.99

NOTES :

1. Convertible Debentures

Represent Part B of 61,455, 4.25% Secured Convertible Debentures of Rs. 9,900/- each issued and allotted to Qualified Institutional Buyers on 4th July, 2007 redeemable with in a period of 42 months from the date of issue. These Debentures are secured by exclusive charge on the specified property at Gujarat and extension of exclusive charge on the immovable assets of the company at site No.2, Sector - 13, Faridabad.

2. 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 - 20 FORMING PART OF THE CONSOLIDATED BALANCE SHEET AND PROFIT & LOSS ACCOUNT

SCHEDULE 4 : UNSECURED LOANS

	As at 30.09.2007 Rs. Crores	As at 30.09.2006 Rs. Crores
Fixed Deposits	11.63	47.19
Long Term Loans from Banks	-	7.10
Interest Accrued & Due	-	5.97
Inter Corporate Deposits	5.41	53.13
Interest Accrued & Due	-	2.07
Banks Book Overdraft	15.63	51.28
Short Term Loans & Advances :		
From Bank	-	8.87
From Others	16.62	13.48
Interest Accrued & Due	-	0.20
Total	49.29	189.29
Includes joint venture share	22.41	15.14



SCHEDULES 1 - 20 FORMING PART OF THE CONSOLIDATED BALANCE SHEET AND PROFIT & LOSS ACCOUNT

SCHEDULE 5 : FIXED ASSETS

Rs. Crores

Description	Original Cost as at 30.09.2006	Additions	Deductions/ adjustments	Original Cost as at 30.09.2007	Depreciation / upto 30.09.2006	Depreciation / & w/off for the year	Deductions during the year	Depreciation upto 30.09.2007	Net Book Value as on 30.09.2007	Net Book Value as on 30.09.2006
Land	492.19	0.72	0.11	492.80	0.08	0.02		0.10	492.70	492.11
Buildings	238.78	8.60	0.74	246.64	129.93	4.58		134.51	112.13	108.85
Leasehold Improvements	4.08	0.15	0.20	4.03	3.57	0.31		3.88	0.15	0.51
Plant & Machinery	622.50	32.58	2.08	653.00	345.03	39.50	1.64	382.89	270.11	277.47
Furniture & Fixtures	113.07	5.91	12.23	106.75	81.77	2.89	0.62	84.04	22.71	31.30
Vehicles	7.63	8.31	2.16	13.78	4.17	5.97	1.80	8.34	5.44	3.46
Sub Total (A)	1,478.25	56.27	17.52	1,517.00	564.55	53.27	4.06	613.76	903.24	913.70
Intangible Assets										
Goodwill	7.83	—	1.78	6.05	1.02	0.16		1.18	4.87	6.81
Prototype	1.21			1.21	1.20			1.20	0.01	0.01
Technical knowhow	29.76	0.89	1.27	29.38	22.83	2.90		25.73	3.65	6.93
Software	16.33			16.33	12.78	1.00		13.78	2.55	3.55
Sub-Total (B)	55.13	0.89	3.05	52.97	37.83	4.06	—	41.89	11.08	17.30
Capital Work-in-Progress (C)	22.02	19.55	18.35	23.22					23.22	22.02
Total (A+B+C)	1,555.40	76.72	38.92	1,593.19	602.38	57.33	4.06	655.65	937.54	953.02
Previous Year Figures	1,197.36	471.79	113.75	1,555.40	600.45	58.81	56.88	602.38	953.02	—
* includes Joint venture share:									30.09.2007	30.09.2006
Gross Block									16.83	24.91
Depreciation									13.35	0.03
Net Block									3.48	24.88
Capital Work-in-progress									0.02	—
Total Fixed Assets									3.50	24.88

ESCORTS LIMITED

SCHEDULES 1 - 20 FORMING PART OF THE CONSOLIDATED BALANCE SHEET AND PROFIT & LOSS ACCOUNT

SCHEDULE 6 : CURRENT ASSETS

	As at 30.09.2007 Rs. Crores	As at 30.09.2006 Rs. Crores
Interest/Dividend Accrued on Investments and Deposits	1.08	3.99
Stocks (as taken, valued and certified by the Management)		
Raw Material and Components	159.19	134.89
Finished & Trading Goods	95.29	107.38
Work-in-Progress	48.96	36.98
Stores and Machinery Spares	14.81	9.18
Loose Tools	12.39	10.76
Current Investments	0.49	4.71
	331.13	303.90
Less : Provision for Obsolete Stock	11.92	5.94
	319.21	297.96
Accrued Billing Revenue	0.44	0.79
Sundry Debtors		
Debts outstanding for over six months		
Secured	0.67	2.94
Unsecured - Considered Good	217.73	301.76
- Considered Doubtful	21.37	20.83
	239.77	325.53
Less : Provision for Doubtful Debts	21.37	20.83
	218.40	304.70
Other Debts		
Secured	3.37	2.60
Unsecured - Considered Good	352.87	208.15
- Considered Doubtful	-	0.79
	356.24	211.54
Less : Provision for Doubtful Debts	-	0.79
	356.24	210.75
Total Debtors	574.64	515.45
Cash & Bank Balances		
Cash in hand	2.46	3.97
Cheques in hand and in transit	1.63	-
On Current accounts with Banks	70.95	28.19
Held in Escrow Account	85.08	85.08
On Short/Fixed Deposit with Banks	42.70	32.59
(Pledged with various Banks/Govt Authorities/Financial Instt.)		
On Short/Fixed Deposit with Banks	3.81	81.50
In Post Office Savings Bank Accounts	0.01	0.01
(Pledged as security with Government Authorities)	206.64	231.34
Total	1,102.01	1,049.53
Includes joint venture share		
Stock / Inventory	0.59	1.08
Sundry Debtors	9.53	7.38
Cash and Bank balances	0.38	0.24
Other Current Assets	0.79	-
Total	11.29	8.70



SCHEDULES 1 - 20 FORMING PART OF THE CONSOLIDATED BALANCE SHEET AND PROFIT & LOSS ACCOUNT

SCHEDULE 7 : LOANS & ADVANCES

	As at 30.09.2007 Rs. Crores	As at 30.09.2006 Rs. Crores
Loans :		
Unsecured - Considered Good	2.44	2.87
- Considered Doubtful	0.08	0.07
	<u>2.52</u>	<u>2.94</u>
Less : Provision for Doubtful Loan	0.08	0.07
	<u>2.44</u>	<u>2.87</u>
Inter - Corporate Deposits :		
Unsecured - Considered Good	84.09	60.91
- Considered Doubtful	0.84	0.83
	<u>84.93</u>	<u>61.74</u>
Less : Provision for Doubtful Inter - Corp. Deposits	0.84	0.83
	<u>84.09</u>	<u>60.91</u>
Advances recoverable in cash or in kind or for value to be received :		
Unsecured - Considered Good	143.00	135.60
- Considered Doubtful	46.86	50.06
	<u>189.86</u>	<u>185.66</u>
Less : Provision for Doubtful Advances	46.86	50.06
	<u>143.00</u>	<u>135.60</u>
Deposits :		
Deposits - Considered Good	31.27	20.02
- Considered Doubtful	0.07	0.30
	<u>31.34</u>	<u>20.32</u>
Less : Provision for Doubtful Deposits	0.07	0.30
	<u>31.27</u>	<u>20.02</u>
Total	260.80	219.40
Includes joint venture share	15.05	7.00

ESCORTS LIMITED

SCHEDULES 1 - 20 FORMING PART OF THE CONSOLIDATED BALANCE SHEET AND PROFIT & LOSS ACCOUNT

SCHEDULE 8 : CURRENT LIABILITIES & PROVISIONS

	As at 30.09.2007 Rs. Crores		As at 30.09.2006 Rs. Crores	
CURRENT LIABILITIES				
Acceptances		189.52		62.10
Sundry Creditors		491.09		769.99
Advance Payments				
Customers		22.69		15.73
Share Warrants		4.48		3.03
Others		8.82		0.05
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	0.37		0.83	
ii) Unpaid matured Deposits	5.03		6.83	
iii) Unpaid matured Debentures	0.24		0.46	
iv) Unpaid matured Secured Premium Notes	0.04		0.07	
v) Interest accrued on (I) to (iv) above	1.84	7.52	4.43	12.62
Other Liabilities		49.21		49.73
Interest accrued but not due on loans		4.21		2.47
		777.54		915.72
PROVISIONS				
Leave Encashment		10.21		8.71
Superannuation		31.07		31.84
Gratuity		40.36		33.15
Fringe Benefit Tax	3.10		2.58	
Less : Fringe Benefit Tax Paid	3.15	(0.05)	1.42	1.16
Taxation	339.08		326.31	
Less : Advance Tax	260.94	78.14	238.95	87.36
Other Provisions		-		1.89
		159.73		164.11
Total		937.27		1,079.83
Includes joint venture share				
Current Liabilities		9.07		7.42
Provisions		(0.49)		2.15
Total		8.59		9.57



SCHEDULES 1 - 20 FORMING PART OF THE CONSOLIDATED BALANCE SHEET AND PROFIT & LOSS ACCOUNT

SCHEDULE 9 : BUSINESS INCOME

		Year Ended 30.09.2007 Rs. Crores		Year Ended 30.09.2006 Rs. Crores
Income from Rendering of Services				
Investment, Management and Advisory	2.75		2.14	
Trading Income	12.91		0.06	
Software Development/ ISP/Other Services	18.57	34.23	14.35	16.55
Business income : others				
Commission	0.72		1.29	
Erection & Servicing	3.73		13.90	
Scrap Sale	3.38		3.15	
Unclaimed balance written back	0.38		2.85	
Provision no longer required written back	5.91		13.18	
Surplus on Sale of Assets (net)	0.12		0.15	
Others	17.61	31.85	21.95	56.47
Total		66.08		73.02
Includes joint venture share		18.48		16.46

SCHEDULE 10: INCOME FROM INVESTMENTS

	Year Ended 30.09.2007 Rs. Crores		Year Ended 30.09.2006 Rs. Crores	
Dividends				
Trade Investments	0.08		0.14	
Other Investments	<u>1.41</u>	1.49	<u>0.85</u>	0.99
Surplus on Sale of Investments		1.35		96.70
Exchange Variation		4.58		1.07
Total		7.42		98.76
Includes joint venture share		0.10		(1.13)

ESCORTS LIMITED

SCHEDULES 1 - 20 FORMING PART OF THE CONSOLIDATED BALANCE SHEET AND PROFIT & LOSS ACCOUNT

SCHEDULE 11 : MATERIAL, MANUFACTURING AND OPERATING EXPENSES

	Year Ended 30.09.2007 Rs. Crores		Year Ended 30.09.2006 Rs. Crores	
A. Raw Material & Components Consumed *				
Opening Stock	134.00		123.76	
Add : Purchases	1,628.30		1,641.80	
	1,762.30		1,765.56	
Less : Closing Stock	145.68	1,616.62	145.73	1,619.83
* (Net of Duty Draw Back)				
B. Finished & Trading Goods and Work-in-progress consumed				
Opening Stock				
Finished & Trading Goods	54.37		35.23	
Work -in- Progress	16.21		6.71	
	70.58		41.94	
Add : Purchases	410.12		103.78	
	480.70		145.72	
Less: Closing Stock				
Finished & Trading Goods	41.23		54.46	
Work -in- Progress	17.24	422.23	17.16	74.10
Material Consumed				
	2,038.85			1,693.93
Excise Duty on increase/(decrease) in stock of finished goods	1.17			0.65
Stores, Spares and Tools	27.19			26.94
Lease Charges on Plant & Machinery	0.80			—
Software Development/ ISP/ Other Operating Expenses	1.33			5.17
Power and Fuel	33.38			31.05
Repairs to Building	3.02			23.02
Repairs to Machinery	13.06			11.31
Total	2,118.80			1,792.07
Includes joint venture share	0.35			147.25



SCHEDULES 1 - 20 FORMING PART OF THE CONSOLIDATED BALANCE SHEET AND PROFIT & LOSS ACCOUNT

SCHEDULE 12 : PERSONNEL

	Year Ended 30.09.2007 Rs. Crores	Year Ended 30.09.2006 Rs. Crores
Salary, Wages and Bonus	175.96	154.66
Contribution to Gratuity Fund	9.74	5.51
Contribution to Provident Fund and Other Funds	11.77	10.33
Staff Welfare Expenses	37.23	29.70
Total	234.70	200.20
Includes joint venture share	2.56	4.46

SCHEDULE 13: SALES AND ADMINISTRATION EXPENSES

	Year Ended 30.09.2007 Rs. Crores	Year Ended 30.09.2006 Rs. Crores
Warranties	18.35	14.15
Rent (Net)	4.48	3.30
Rates and Taxes	2.66	2.04
Insurance	4.36	4.43
Travelling & Conveyance	20.65	19.13
Printing & Stationery	3.18	2.55
Communication Charges	5.18	5.89
Repairs and Maintenance	9.72	10.49
Audit Fee & Legal Expenses	18.06	12.78
Entertainment	0.60	0.64
Commission, Discount and Brokerage	46.99	46.72
Advertisement	45.76	43.43
Royalty	9.88	9.75
Packing, Freight & Forwarding	61.52	58.63
Sales & Purchase Tax	2.20	4.36
Directors Fee & Commission	0.14	0.08
General Charges	42.62	34.05
Bad Debts written off	0.29	1.51
Exchange Variation Loss (Loss)	13.46	0.09
Total	310.10	274.02
- Includes joint venture share	12.57	18.63

ESCORTS LIMITED

SCHEDULES 1 - 20 FORMING PART OF THE CONSOLIDATED BALANCE SHEET AND PROFIT & LOSS ACCOUNT

SCHEDULE 14 : INTEREST

	Year Ended 30.09.2007 Rs. Crores	Year Ended 30.09.2006 Rs. Crores
Interest Expense on:		
Fixed period Loans and Debentures	37.85	53.83
Others	58.74	53.67
	<u>96.59</u>	<u>107.50</u>
Less: Interest Income*:		
Others**	22.74	15.72
Total	73.85	91.78
Includes joint venture share	0.91	1.02
* Income tax deducted at source		4.16

** 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 30.09.2007 Rs. Crores	Year Ended 30.09.2006 Rs. Crores
Voluntary Retirement Scheme	4.32	3.91
Miscellaneous Expenditure written-off	3.46	8.85
Total	7.78	12.76
Includes joint venture share	0.03	0.03

SCHEDULE 16: EXCEPTIONAL ITEM

	Year Ended 30.09.2007 Rs. Crores	Year Ended 30.09.2006 Rs. Crores
Loss on sale of investments	—	43.66
Loss on sale of assets (net)	—	0.02
Amount written off	2.95	9.52
Provision for Doubtful Debts/Advances/Deposits	8.32	40.00
Provision for Gratuity for past service	—	13.24
Provision for Leave Salary for past service	—	9.09
Total	11.27	115.53
Includes joint venture share	0.02	1.73



SCHEDULES 1 - 20 FORMING PART OF THE CONSOLIDATED BALANCE SHEET AND PROFIT & LOSS ACCOUNT

SCHEDULE 17: SIGNIFICANT ACCOUNTING POLICIES

1. ACCOUNTING CONVENTION

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

2. 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 27 (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:

Sl. No.	Name Of Company	Country of Incorporation	Proportion of ownership	Held by	Reporting period / dates
LIST OF SUBSIDIARIES					
1.	Escorts Automotives Ltd. (EAL)	India	100%	Escorts Limited	April'06-March'07
2.	Escorts Construction Equipment Ltd. (ECEL)	India	99.99%	Escorts Limited	April'06-March'07
3.	Escorts Agrimachinery Inc. (EAMI)*	USA	100%	Escorts Limited	January'06-Dec'06
4.	Farmtrac Tractors Europe Sp. Z.O.O	Poland	100%	EAMI	January'06-Dec'06
5.	Beaver Creeks Holdings LLC (Bch)	USA	51%	EAMI	January'06-Dec'06
6.	Farmtrac North America Llc, USA	USA	49% 51%	EAMI BCH	January'06-Dec'06
7.	Escotoonz Entertainment Pvt. Ltd.	India	97.56%	Cellnext	April'06-March'07
8.	Cellnext Solutions Ltd.	India	100%	Escorts Limited	April'06-March'07
9.	Escorts Securities Ltd. (ESL) (Board Controlled)	India	49.00%	EAML	April'06-March'07
10.	Escorts Asset Management Ltd. (EAML) (Board Controlled)	India	30.00%	Escorts Limited	April'06-March'07
LIST OF JOINT VENTURES					
1.	Escotrac Finance & Investments Pvt Ltd. (Escotrac)	India	49.81% 49.81%	Escorts Limited EFILL	April'06-March'07
2.	Escorts Finance Investment & Leasing Pvt Ltd. (EFILL)	India	49.81% 49.81%	Escorts Limited Escotrac	April'06-March'07
3.	Hughes Communications India Limited (Formerly Hughes Escorts Communications Ltd)*	India	13.83%	Escorts Limited	April'06-March'07

* Consolidated on the basis of unaudited financial statements.

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.

ESCORTS LIMITED

SCHEDULES 1 - 20 FORMING PART OF THE CONSOLIDATED BALANCE SHEET AND PROFIT & LOSS ACCOUNT

SCHEDULE 17: SIGNIFICANT ACCOUNTING POLICIES

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, software development and Overseas Companies 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 or under.

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

The liability on account of Gratuity is provided on the basis of actuarial valuation at the year-end.

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.

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.



SCHEDULES 1 - 20 FORMING PART OF THE CONSOLIDATED BALANCE SHEET AND PROFIT & LOSS ACCOUNT

SCHEDULE 17: SIGNIFICANT ACCOUNTING POLICIES

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. EMPLOYEE STOCK OPTION SCHEME

In respect of stock options granted pursuant to Employees Stock Option Scheme, the intrinsic value of the options (Excess of market price of the share over the exercise price of the options) is accounted as employee compensation cost over the vesting period.

16. PROVISIONS, CONTINGENT LIABILITIES AND CONTINGENT ASSETS

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

- the Company has a present obligation as a result of past event,
- a probable outflow of resources is expected to settle the obligation and
- 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 present obligation arising from the past event, when it is not probable that an outflow of resources will be required to settle the obligation
- a possible obligation, unless the probability of outflow of resources is remote.

Contingent assets are neither recognised nor disclosed.

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

ESCORTS LIMITED

SCHEDULES 1 - 20 FORMING PART OF THE CONSOLIDATED BALANCE SHEET AND PROFIT & LOSS ACCOUNT

SCHEDULE 18: 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
 Escotrak Finance & Investment Private Limited
 Escorts Motors limited
 Hughes Communications India Limited
- (ii) Key Management Personnel (Whole Time Directors)
 Mr. Rajan Nanda
 Mr. Nikhil Nanda
 Ms. Nitasha Nanda
- (iii) Related Party Transactions:

TRANSACTION WITH JOINT VENTURES

(Rs. Crores)

Nature of Transactions	Escotrak Finance & Investment Pvt Ltd.	Escorts Finance Investment & Leasing Pvt. Ltd.	Escorts Motors Ltd	Hughes Communications India Ltd	Total
Investments	98.48 (98.48)	83.82 (83.82)	1.50 (1.50)	2.07 (2.07)	185.87 (185.87)
Advances Given	— —	— —	0.02 (0.02)	0.07 (0.07)	0.09 (0.09)
Payables	(18.28) (0.05)	— —	— —	— —	(18.28) (0.05)
Provisions (Debts/Loans/Advances/Deposits/Investments)	— —	— —	— —	0.07 (0.07)	0.07 (0.07)

TRANSACTIONS WITH DIRECTORS AND THEIR RELATIVES FOR THE YEAR ENDED 30.09.2007

(Rs. Crores)

Nature of Transactions	Nikhil Nanda	Nitasha Nanda	Total
Remuneration Paid	—	0.46 (0.35)	0.46 (0.35)
Rent Paid	—	0.20 (0.19)	0.20 (0.19)
Purchase of asset	0.11 —	— —	0.11 —
Advances Given	—	0.10 (0.11)	0.10 (0.11)

TRANSACTIONS WITH OTHERS FOR THE YEAR ENDED 30.09.2007

(Rs. Crores)

Nature of Transactions	Harpارشad & Co. Pvt. Ltd	Total
Royalty	6.00 (5.01)	6.00 (5.01)
Interest	0.86 (0.86)	0.86 (0.86)
Borrowings as at 30 Sept 2007	2.54 (7.63)	2.54 (7.63)
Payables as at 30 Sept 2007	9.16 (8.96)	9.16 (8.96)



SCHEDULES 1 - 20 FORMING PART OF THE CONSOLIDATED BALANCE SHEET AND PROFIT & LOSS ACCOUNT

SCHEDULE 19: SEGMENT INFORMATION FOR THE PERIOD ENDED SEPTEMBER 30, 2007

(Rs. Crores)

i) INFORMATION ABOUT PRIMARY BUSINESS SEGMENTS

	Agri Machinery	Auto Ancillary Products	Railway Equipment	Construction Equipment	Others	Unallocated	Consolidated Total
External Revenue	2,120.29 (1,965.30)	93.20 (102.52)	115.55 (99.84)	448.88 (304.25)	38.13 (151.00)	8.77 (104.73)	2,824.82 (2,727.64)
Internal Revenue	173.41 (159.59)	1.78 (2.21)	0.99 (2.21)	4.00 (3.04)	0.32 (20.23)	0.63 (4.37)	181.13 (191.65)
Segment Revenue	2,293.70 (2,124.89)	94.98 (104.73)	116.54 (102.05)	452.88 (307.29)	38.45 (171.23)	9.40 (109.10)	3,005.95 (2,919.29)
Eliminations	173.41 (159.59)	1.78 (2.21)	0.99 (2.21)	4.00 (3.04)	0.32 (20.23)	0.63 (4.37)	181.13 (191.65)
Total Revenue							2,824.82 (2,727.64)
Segment Result	80.72 (83.33)	(16.20) 11.36	16.78 (17.05)	37.51 (29.67)	2.15 75.89	(20.85) 65.70	100.11 22.90
Interest Expense						116.26 (107.50)	116.26 (107.50)
Interest Income						22.74 (15.72)	22.74 (15.72)
Exceptional Items						11.27 (2.45)	11.27 (2.45)
Dividend Income						0.02 (0.99)	0.02 (0.99)
Surplus on Sale of Investment (Net)						1.22 (96.70)	1.22 (96.70)
Profit before Taxation	80.72 (83.33)	(16.20) 11.36	16.78 (17.05)	37.51 (29.67)	2.15 75.89	(124.40) 62.24	(3.44) 19.44
Provision for Taxation:							
– Fringe Benefit Tax						3.11 (2.84)	3.11 (2.84)
– Current Tax						11.34 (14.86)	11.34 (14.86)
– Deferred Tax						(12.69) (9.43)	(12.69) (9.43)
Profit After Tax	80.72 (83.33)	(16.20) 11.36	16.78 (17.05)	37.51 (29.67)	2.15 75.89	(126.16) 89.37	(5.20) 46.57
Profit After Tax Before Minority Interest	80.72 (83.33)	(16.20) 11.36	16.78 (17.05)	37.51 (29.67)	2.15 75.89	(126.16) 89.37	(5.20) 46.57
Minority Interest						0.31 (0.84)	0.31 (0.84)
Other Information	As At 30/09/2007	As At 30/09/2007	As At 30/09/2007	As At 30/09/2007	As At 30/09/2007	As At 30/09/2007	As At 30/09/2007
Segment Assets	1,359.98 (1,401.41)	73.43 (80.64)	90.45 (73.27)	262.35 (136.32)	227.21 (100.07)	643.90 (932.03)	2,657.33 (2,723.74)
Segment Liabilities	542.89 (573.23)	36.12 (38.53)	20.95 (11.61)	105.33 (59.32)	105.13 (35.49)	126.85 (361.65)	937.27 (1,079.83)
Additions to Tangible Fixed Assets	22.74 (342.39)	0.90 (15.55)	19.02 (14.45)	1.37 (1.09)	10.31 (9.22)	1.93 (63.40)	56.28 (446.10)
Addition to Intangible Fixed Assets	0.17 (1.56)	0.06 (0.02)	– –	0.65 (0.02)	0.01 (0.96)	– (7.83)	0.89 (10.39)
Depreciation & Amortisation	44.37 (35.58)	2.85 (3.30)	4.98 (3.33)	1.17 (1.29)	7.72 (9.77)	– (4.41)	61.08 (57.68)
Non - Cash Expenses other than Depreciation & Amortisation	4.20 (3.90)	0.24 (0.24)	0.13 (0.13)	0.14 –	0.19 (5.25)	2.86 (3.23)	7.78 (12.75)

ii) INFORMATION ABOUT SECONDARY GEOGRAPHICAL SEGMENTS

	India	Outside India	Consolidated Total
Revenue By Geographical market - External	2,418.17 (2353.64)	406.65 (374.00)	2,824.82 (2,727.64)
Carrying Amount of Segement Assets	2,304.80 (2369.78)	352.53 (353.96)	2,657.33 (2,723.74)
Addition to Tangible Fixed Assets	50.95 (424.32)	5.33 (21.78)	56.28 (446.10)
Addition to Intangible Fixed Assets	0.89 (10.39)	– –	0.89 (10.39)

ESCORTS LIMITED

SCHEDULES 1 - 20 FORMING PART OF THE CONSOLIDATED BALANCE SHEET AND PROFIT & LOSS ACCOUNT

SCHEDULE 20: NOTES ON CONSOLIDATED BALANCE SHEET AND PROFIT AND LOSS ACCOUNT

- 1 The Company has proposed a scheme of Compromise & Arrangement with the Fixed Deposit holders and Secured Creditors of Escorts Finance Ltd (EFL), under the provisions of Section 391 of the Companies Act, 1956. With a view to preserve its, 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.

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 05th 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 During the period 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 fulfillment of certain conditions. The Hon'ble Delhi High Court has ordered status quo, on a petition filed challenging the sale transaction. The matter is in advanced stages of adjudication.
- 3 The Company has executed an Agreement to Sell for transfer of 20 acres of land at Plot No. 219, Sector 58, Ballabhgarh, Haryana for a consideration of Rs.7.00 crores. The said transfer is subject to necessary approval from HUDA and accordingly the consideration amount of Rs. 7.00 crores is being treated as advance.
- 4 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 Communications India Limited 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'.

- 5 The tax authorities had raised a demand of tax on EHIRCL (the Subsidiary company that was sold in September 2005) amounting to Rs 52.33 crores and interest thereon amounting to Rs 29.16 crores. The demand was disputed by EHIRCL and is under appeal. Escorts Limited (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.
- 6 As a part of consideration for sale of its Telecom Business during the period 2003-04 the Company was issued an Unsecured Subordinated Bond of Rs. 175.74. crores by Idea Cellular Limited (Idea). 'Idea' has a call option for early redemption of the Bond at a discount rate of 10.50% per annum exercisable at any time and the Company has a put option in January 2010.

The Bond was assigned to Axis Bank to avail financial assistance. The loan outstanding from Axis Bank as at 30th September 2007 of Rs.58.10 crores is further secured by pledge of 18,76,246 Equity Shares of Hughes Communication India Limited. On payment by 'Idea' to the Bank, the Company will receive any surplus after deducting dues to Bank on account of loan amount, and any outstanding interest / penal interest and charges and contingent liabilities to the extent set off by 'Idea'. The Bank has also retained a cash margin whose book value of Rs 6.61 crore is included in 'Fixed deposits with Scheduled Banks (pledged)' in Schedule 7 'Current Assets'.

- 7 a The Company has reserved issuance of 36,11,610 Equity Shares of Rs. 10 each for offering to eligible employees of the Company under Employees Stock Option Scheme (ESOS). During the year, the Company has granted 3,72,000 Options to its Employees on 29th March 2007 and 15,000 Options on 3rd September 2007, in accordance with guidelines issued by SEBI. Out of the Options granted on 29th March 2007 59,000 Options have been forfeited. The Options have vesting period of one year from the date of grant of Options. The Options may be exercised on the date of vesting and on specified dates with in 2 years from the date of vesting at the price of Rs. 85.00 per Equity Shares.
- b During the year, the Company has issued 36,11,610 share warrants to a Promoter Group Company (ies), as approved by the shareholders by way of Postal Ballot. These warrants were issued at a price of Rs.124.05 each and are convertible into equal number of Equity Shares of the face value of Rs.10/- each at a premium of Rs. 114.05 per share within 18 months from the date of allotment (i.e., 22.11.2006). 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 as provided under relevant SEBI guidelines.
- 8 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
- 9 The Net Owned Funds of Escorts Automotive Limited (EAL) has fallen below the limits prescribed under the NBFC Regulations since the last three years.



SCHEDULES 1 - 20 FORMING PART OF THE CONSOLIDATED BALANCE SHEET AND PROFIT & LOSS ACCOUNT

SCHEDULE 20: NOTES ON CONSOLIDATED BALANCE SHEET AND PROFIT AND LOSS ACCOUNT (Contd.)

10 Earnings per Share (EPS)		2006-07	2005-06
(a) Profit/(Loss) after tax attributable to the Company (Rs. Crores)		(5.51)	(47.42)
(b) Total number of Equity Shares		63970786	62046835
(c) Basic and Diluted Earnings Per Share (Rupees)		(0.86)	(7.64)
11 Miscellaneous expenditure (to the extent not written off or adjusted) represents:		(Rs. in Crores)	
		2006-07	2005-06
(a) Development expenditure	2.28		3.01
Less: Transferred to Intangibles	0.64		—
Add : Additions during the year	—		0.48
Less : Written off during the year	0.91	0.73	1.21
			2.28
(b) Payments under Voluntary Retirement Scheme/ Other Intangible	6.15		7.81
Add : Additions during the year	7.09		2.25
Less : Written off during the year	4.32	8.92	3.91
			6.15
(c) Upfront fees	8.32		8.49
Add : Additions during the year	0.74		2.38
Less : Written off during the year	2.48	6.58	2.55
			8.32
(d) Preliminary Expenditure	0.04		0.09
Add : Additions during the year	—		—
Less : Written off during the year	0.04	—	0.05
			0.04
(e) Other Deferred Revenue Expenditure	0.41		2.58
Add : Additions during the year	—		2.87
Less : Written off during the year	0.03	0.38	5.04
			0.41
Total		16.61	17.20
12 Proportionate share of joint ventures in the following line items is given below as there is no separate schedule attached		(Rs. in Crores)	
		2006-07	2005-06
Gross Sales		0.18	62.17
Less: Excise		—	9.99
Net Sales		0.18	52.18
Depreciation		1.50	5.26
Provision for Taxation:			
Current Taxation		0.71	0.57
Deferred Taxation		(0.30)	1.08
Deferred Tax Assets		1.43	1.06
Investments		145.55	147.58
Miscellaneous Expenditure (to the extent not written off or adjusted)		0.25	0.27
Contingent Liability		42.94	15.48

ESCORTS LIMITED

SCHEDULES 1 - 20 FORMING PART OF THE CONSOLIDATED BALANCE SHEET AND PROFIT & LOSS ACCOUNT

SCHEDULE 20: NOTES ON CONSOLIDATED BALANCE SHEET AND PROFIT AND LOSS ACCOUNT (Contd.)

13 Contingent Liability

	(Rs. Crores)	
	2006-07	2005-06
(I) Estimated amounts of contracts remaining to be executed on capital account not provided for	14.70	14.98
(ii) Claims not acknowledged as debts	1.44	7.81
(iii) There is a contingent liability of:		
(a) Excise Duty demands not acknowledged as liability	53.40	113.13
(b) ESI additional demand not acknowledged as liability	17.97	17.97
(c) Sales tax/Income tax demand not acknowledged as liability	7.10	4.59
(d) Demand raised by Income Tax department, disputed by Escorts Limited and appeal has been filed	56.31	36.26
(e) Pending Legal Cases - Personnel	2.65	2.99
- Others	14.41	14.44
(f) Faridabad Municipal Corporation (litigation against demand for external development charges)	2.38	2.38
(g) Bills discounted with Banks/financial Institutions	70.56	16.25
(h) Guarantees given to banks under Channel Finance Program	27.67	—
(i) Guarantees given on behalf of Escorts Construction Equipment Limited #	49.56	27.06
(j) Partly Paid Equity Shares	—	0.01
(k) Market value of shares pledged for loans taken by joint venture/associate and other companies.	25.65	22.39
Guarantees executed in favour of customs/excise Authorities	5.34	13.32
Guarantees (Financial and performance) to banks and financial Institutions	24.10	21.94
# The value of facilities actually utilised against these guarantees were :	37.59	27.06

14 Net Deferred Tax Assets/(liabilities) as at 30th September 2007 comprises of the following:

Net Deferred Tax Asset			(Rs. Crores)
Particulars	Deferred Tax Assets/ (Liabilities) as at 01.10.2006	Credit/(charge) During the period	Deferred Tax Assets/ (Liabilities) as at 30.09.2007
Accumulated Losses	66.11	(3.45)	62.66
Depreciation	—	0.22	0.22
Unabsorbed Depreciation	5.39	—	5.39
Deferred Revenue Expenditure	0.81	(0.66)	0.15
Disallowance U/s 43B	22.72	6.10	28.82
Provision for Doubtful Debts/Loans/Advances	127.99	0.40	128.39
Other Provisions	0.57	—	0.57
Provision For Diminution of Value of Investments	14.53	—	14.53
Total	238.12	2.61	240.73

Net Deferred Tax Liability			(Rs. Crores)
Particulars	Deferred Tax Assets/ (Liabilities) as at 01.10.2006	Credit/(charge) During the period	Deferred Tax Assets/ (Liabilities) as at 30.09.2007
Accumulated Losses	0.33	—	0.33
Depreciation	73.57	(9.31)	64.26
Sales Tax Deposit	—	0.01	0.01
Deferred Revenue Expenditure	0.01	(0.81)	(0.80)
Disallowance U/s 43B	4.68	0.02	4.70
Provision for Doubtful Debts/Loans/Advances	81.10	—	81.10
Other Provisions	(3.91)	0.01	(3.90)
Total	155.77	(10.08)	145.70



SCHEDULES 1 - 20 FORMING PART OF THE CONSOLIDATED BALANCE SHEET AND PROFIT & LOSS ACCOUNT
SCHEDULE 20: NOTES ON CONSOLIDATED BALANCE SHEET AND PROFIT AND LOSS ACCOUNT (Contd.)

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

A) Assets acquired under Finance lease during the Year 2006-07

Category of Fixed Assets	(Rs. Crores)		
	Vehicles	Equipments	Computers & Pheriperals
Total addition to Fixed Assets	8.31	31.89	0.69
	(2.18)	(0.19)	(1.91)
Asset under finance lease:			
Opening original Cost of assets	0.78	0.33	1.35
	(0.65)	(0.19)	—
Additions under finance lease	0.96	—	0.65
	(0.13)	(0.14)	(1.35)
Deletion during the period	0.45	—	—
	—	—	—
Closing Original Cost	1.30	0.33	2.00
	(0.78)	(0.33)	(1.35)
Cumulative Depreciation	0.33	0.27	0.74
	(0.34)	(0.18)	(0.09)
Net carrying value as on 30th September, 2007	0.97	0.06	1.26
	(0.44)	(0.01)	(1.26)

The details of Minimum Lease Payments outstanding as on 30th September, 2007 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	
	2006-07	2005-06	2006-07	2005-06	2006-07	2005-06
— Total amount due	2.54	2.03	2.30	1.66	0.24	0.37
— Due within one year	1.25	0.80	1.07	0.58	0.18	0.22
— Due later than one year and not later than five years	1.30	1.23	1.23	1.08	0.07	0.15

(B) Assets taken on Operating Cancellable leases

The total lease payments recognised in Profit and loss account for the year ended 30th September 2007 is Rs 0.42 crores(Previous Year -Rs 0.47 Crores)

The cancellable operating leases pertains to vehicles.

ESCORTS LIMITED

SCHEDULES 1 - 20 FORMING PART OF THE CONSOLIDATED BALANCE SHEET AND PROFIT & LOSS ACCOUNT

SCHEDULE 20: NOTES ON CONSOLIDATED BALANCE SHEET AND PROFIT AND LOSS ACCOUNT (Contd.)

(C) Assets taken 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	–
– Due Later than five years	–

16 Escorts Agri Machinery Inc.. USA, (EAMI) a wholly owned subsidiary, whose financial statements reflect total assets of Rs. 352.53 crores (US\$ 87.51, converted at 1US\$ = Rs. 39.85 excluding Fixed Assets) as at December 31, 2006 and the total revenues of Rs. 404.12 crores (US\$ 89.99 million, converted at 1US\$ = Rs. 44.60) for the year then ended has been considered in the preparation of consolidated financial statements on the basis of audited financial statements and other financial information upto December 31, 2006

17 Previous year figures have been regrouped wherever necessary.

RAJAN NANDA
Chairman and
Managing Director

NIKHIL NANDA
Joint Managing Director

Dr. P. S. PRITAM
Director

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

R. K. BUDHIRAJA
Exec. Vice President &
Group Chief Financial Officer

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

Place : Faridabad
Dated : December 26, 2007

VIJAY DHAWAN
Partner
M No. 12565

**CONSOLIDATED CASH FLOW STATEMENT**

	Year Ended 30.09.2007 Rs. Crores	Year Ended 30.09.2006 Rs. Crores
A. CASH FLOW FROM OPERATING ACTIVITIES		
Net Profit before tax	(3.44)	(19.44)
Adjustments for :		
Depreciation	53.31	48.93
Misc. Exp./ Assets Write off / Provisions/Adjustments	18.03	12.76
Interest Expense	96.59	107.50
Surplus on sale of assets (net)	(0.12)	—
Loss on Investment	0.00	43.66
Surplus on sale of investments	(1.35)	(96.70)
Dividend Income	(1.49)	(0.99)
Interest Income	(22.74)	(15.72)
Operating Profit before working capital changes	138.79	80.00
Adjustments for :		
Trade and other Receivables	(62.63)	(172.28)
Inventories	(26.57)	(43.61)
Trade Payables	(132.73)	413.84
Miscellaneous Expenses	(7.82)	(7.98)
Cash Generated from Operations	(90.96)	269.96
Direct Taxes Paid (net of refunds received)	24.88	(27.90)
Net Cash Flow from operating activities	(115.84)	297.86
B. CASH FLOW FROM INVESTING ACTIVITIES		
Payment of licence fees / pre-operative expenditure		
Purchase of Fixed Assets	(60.40)	(68.55)
Sale of Fixed Assets	16.64	43.34
Proceeds from Sale of Investments	2.51	111.89
Interest Received	25.51	12.32
Dividend Received	1.49	0.99
Short term/Fixed deposits with Banks	(10.12)	—
Movement in Loans & Advances	(41.85)	—
Net Cash used in Investing activities	(66.22)	99.99
C. CASH FLOW USED IN FINANCING ACTIVITIES		
Proceeds from Issue of Share Capital	114.45	—
Proceeds from issue of shares to Minorities	30.14	—
Proceeds from Issue of Debentures	94.84	—
Less: Repayment of long term borrowings	(126.03)	(243.86)
Net Proceeds from Short Term Borrowings	141.32	—
Interest Paid	(107.46)	(104.61)
Net Cash used in financing activities	147.26	(348.47)
Net Increase/(Decrease) in Cash and Cash equivalents	(34.80)	49.38
Cash and Cash equivalents as at 01.10.2006	113.66	64.28
Cash and Cash equivalents as at 30.09.2007	78.86	113.66

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
Joint Managing Director

Dr. P. S. PRITAM
Director

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

R. K. BUDHIRAJA
Exec. Vice President &
Group Chief Financial Officer

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

VIJAY DHAWAN
Partner
M No. 12565

Place : Faridabad
Dated : December 26, 2007

ESCORTS LIMITED

SCHEDULES 1 - 20 FORMING PART OF THE CONSOLIDATED BALANCE SHEET AND PROFIT & LOSS ACCOUNT 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. Limited	60,000.00	–	26,725.37	–	614.13	–	–	
2	Escorts Asset Management Limited	110,000.00	12,667.83	2,620.82	43,683.90	82,832.70	–	1,275.35	
3	Cellnext Solutions Limited	210,703.30	–	14,252.63	27,500.00	60,687.35	3,715.34	–	
4	Escorts Construction Equipment Limited	710,000.00	114,573.96	176,680.47	140.40	1,654,724.28	30,040.56	2,446.00	
5	Escorts Securities Limited	62,000.00	26,507.05	10,358.79	804.68	271,613.69	303.88	–	
6	Farmtrac Tractors Euope Spolka Zo.o* (1PLN = Rs 14.95 INR)	7,879.63	1,061.76	32,746.19	–	399,703.29	–	–	
7	Escorts Automotives Limited	100,000.00	1,426.62	3,846.10	19,017.22	825,755.64	–	–	
8	Escorts Agri Machinery Inc. (1US\$ = 44.255)	421,612.03	–	–	285,275.92	21,600.42	–	–	
9	Beaver Creek Holdings LLC(USA) (1US\$ = 44.255)	(23,284.24) ^	–	–	42,704.53	5,011.08	–	–	
10	Farmtrac North America, LLC (1US\$ =44.255)	(426,424.81) ^	–	305,826.83	2,212.75	3,215,100.17	–	–	

NOTES:

- 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.
- * Figures are for nine months' period ended 30th September, 2007
- ^ The above figures are net of reserve & surplus as per US GAAP.



(Rs. `000)

Pre-Operative Exp. Pending Allocation	Profit & Loss	Total Liabilities			Details of Investments Other Than In Subsidiaries	Turnover	Profit Before Tax	Provision For Tax	Profit After Tax	Proposed Dividend
		Total Loans	Deferred Tax Liability	Current Liability & Provisions						
	52,461.90	-	-	19,801.40	-	6,283.27	(21,354.91)	75.00	(21,429.91)	-
-	-	-	264.02	7,480.91	23,985.90	14,361.51	199.53	114.94	84.60	-
-	178,680.11	29,391.93	-	44,740.21	-	81,051.76	3,922.80	174.94	3,747.86	-
-	-	97,918.01	-	941,539.74	140.40	3,599,674.76	265,829.75	81,778.20	184,051.56	-
-	-	-	-	194,573.99	804.68	59,723.23	13,492.47	4,847.05	8,645.42	-
-	-	-	-	423,508.10	-	701,204.03	3,713.14	1,159.45	2,553.68	-
-	326,724.70	1,030,636.10	-	43,280.94	19,017.22	82,483.62	(31,935.68)	(534.43)	(32,470.11)	-
-	(117,087.58)	-	-	2,351.89	-	-	(704.63)	-	(704.63)	-
-	-	-	-	70,999.85	-	-	(2,906.98)	-	(2,906.98)	-
-	-	2,374,281.19	-	1,575,283.32	-	3,426,758.82	(174,942.71)	-	(174,942.71)	-

RAJAN NANDA
Chairman and
Managing Director

NIKHIL NANDA
Joint Managing Director

Dr. P. S. PRITAM
Director

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

R. K. BUDHIRAJA
Exec. Vice President &
Group Chief Financial Officer

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

Place : Faridabad
Dated : December 26, 2007

VIJAY DHAWAN
Partner
M No. 12565

