

# Directors' Report

*Dear Shareholders,*

Your Directors have pleasure in presenting the Seventieth Annual Report for the year ended on March 31, 2016.

## Financial Results

(₹ Cr)

Particulars	For the year ended on March 31, 2016	For the year ended on March 31, 2015
Gross Revenue	3610.70	4122.29
Excise Duty	80.70	75.81
Net Revenue	3530.00	4046.48
Profit Before Interest, Depreciation, Amortisation, Exceptional Items & Tax	217.78	222.05
Finance Cost	51.29	57.11
Profit Before Depreciation, Amortisation, Exceptional Items & Tax	166.49	164.94
Depreciation and Amortisation	60.11	66.06
Profit Before Exceptional Items & Tax	106.38	98.88
Exceptional Income	14.51	30.63
Profit Before Tax	91.87	68.25
Tax	2.49	(6.46)
Profit After Tax	89.38	74.71

## Financial Performance

The brief highlights of the Company's performance for the financial year ended March 31, 2016 are:-

- Net Revenue of the Company for the Financial Year 2015-16 was ₹ 3530 Cr.
- Profit Before Interest, Depreciation, Amortisation, Exceptional Items & Tax stood at ₹ 217.78 Cr.
- Profit Before Tax (PBT) stood at ₹ 91.87 Cr and Profit After Tax (PAT) stood at ₹ 89.38 Cr. Earnings per share is of ₹ 7.49 for the year under review.
- Your Company sold 51455 tractors during the year under review.

## Management Discussion & Analysis

Management Discussion & Analysis which forms an integral part of this Annual Report provides a detailed analysis on the performance of individual businesses and their outlook.

## Dividend

Your Directors are pleased to recommend a Dividend of ₹ 1.20 per Equity Share (12%) on the face value of ₹ 10 each, aggregating ₹ 14.71 Cr. (exclusive of tax on dividend) for the

financial year ended March 31, 2016. The dividend payout is subject to the approval of members at the ensuing Annual General Meeting (AGM).

The dividend, if approved at the ensuing AGM, will be paid to members whose names appear in the Register of Members as on September 9, 2016; in respect of shares held in dematerialised form, it will be paid to members whose names are furnished by National Securities Depository Limited and Central Depository Services (India) Limited, as beneficial owners as on that date.

The dividend payout for the period under review has been formulated in accordance with shareholders' aspirations and the Company's policy to pay sustainable dividend linked to long-term growth objectives of the Company to be met by internal cash accruals.

## Employee Stock Option Scheme

The particulars with regard to the Employees Stock Options as on March 31, 2016 as required to be disclosed pursuant to the provisions of Clause 12 of SEBI (Employees Stock Option Scheme and Employees Stock Purchase Scheme) Guidelines, 1999, as amended, are enclosed at **Annexure – A** and forms an integral part of this Report.

## Directors

In accordance with the provisions of Companies Act, 2013 (hereinafter referred as "the Act") and Articles of Association of the Company, Mr. Hardeep Singh and Mr. G.B. Mathur, Directors retires by rotation at the ensuing AGM and being eligible, offers themselves for re-appointment.

The Board of Directors, in their meeting held on May 25, 2016, co-opted Mr. D J Kakalia as Additional Director on the Board of the Company. He shall hold office as Director of the Company upto the date of ensuing AGM.

Mr. S.C. Bhargava had resigned as Director of the Company w.e.f. March 29, 2016. The Board places on record its appreciation for the valuable guidance and services rendered by him during his tenure with the Company.

Pursuant to the provisions of Section 149 and other applicable provisions of the Act, your directors are seeking appointment of Mr. D J Kakalia as Independent Director for a period of 3 years. The Company has received requisite notice in writing from members proposing the appointment of Mr. D J Kakalia as Director of the Company.

The Company has received declarations from all the Independent Directors of the Company confirming that they meet with criteria of independence as prescribed under sub-section (6) of Section 149 of the Act and SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 (hereinafter referred as "the Listing Regulations"). The policy for selection of directors and determining directors independence is attached as **Annexure - B** and forms an integral part of this Report.

The Company has devised a Policy for performance evaluation of Independent Directors, Board, Committees and other individual Directors which includes criteria for performance evaluation of the Non-Executive and Executive Directors. In accordance with the Policy, a process of evaluation was followed by the Board for its own performance and that of its Committees and individual Directors. The remuneration policy for directors, key managerial personnel and other employees is annexed as **Annexure - C** and forms an integral part of this Report.

The brief resumes and other details relating to the Directors who are proposed to be appointed/ re-appointed, as required to be disclosed under the Listing Regulations is given in the Annexure to the Notice of the 70th AGM.

Your Directors recommend the appointment/ re-appointment of the above said Directors at the ensuing AGM.

The details of programme for familiarisation of Independent Directors with the Company, their roles, rights, responsibilities in the Company, nature of industry in which the Company operates, business model of the Company and related matters are put up on the website of the Company – [www.escortsgroup.com](http://www.escortsgroup.com).

## Conservation of Energy, Technology Absorption, Foreign Exchange Earnings and Outgo

The particulars relating to conservation of energy, technology absorption, foreign exchange earnings and outgo, as required to be disclosed under Section 134(3)(m) of the Act read with Companies (Accounts) Rules, 2014 are provided as **Annexure - D** and forms an integral part of this Report.

## Corporate Governance

Your Company reaffirms its commitment to the good corporate governance practices and has adopted the Code of Conduct which has set out the systems, processes and policy conforming to international standards. Pursuant to the Listing Regulations, Corporate Governance Report and Auditors' Certificate regarding compliance of conditions of Corporate Governance are enclosed as **Annexure - E** and forms an integral part of this Report.

## Corporate Social Responsibility

The key philosophy of all CSR initiatives of the Company is to make CSR a key business process for sustainable development of the society. The initiatives aim at enhancing welfare measures of the society based on the immediate and long term social and environmental consequence of its activities.

The Company intends to undertake other need based initiatives in compliance with Schedule VII of the Act.

The CSR Policy may be accessed on the Company's website [www.escortsgroup.com](http://www.escortsgroup.com) under Investors Information Section. During the year, the Company has spent ₹ 1.16 Cr. (0.71% of the average net profits of last three financial years) on CSR activities.

The Annual Report on CSR activities is enclosed as **Annexure - F** and forms an integral part of this Report.

## Consolidated Financial Statements

The Consolidated Financial Statements have been prepared in accordance with the Act and Accounting Standard (AS) - 21

applicable to the Consolidated Financial Statements read with AS-23 on Accounting for Investments in Associates and AS-27 on Financial Reporting of Interests in Joint Ventures issued by The Institute of Chartered Accountants of India. The Audited Consolidated Financial Statements along with the Auditors' Report thereon are annexed with this Report.

### Subsidiaries, Joint Ventures and Associate Companies

The statement containing salient features of financial statements of subsidiaries, associate and joint venture companies prepared in accordance with Section 129 of the Act read with Rule 5 of Companies (Accounts) Rules, 2014, forms an integral part of this Report. The Consolidated Financial Statements presented by the Company include the financial results of its subsidiaries, associate and joint venture companies.

The Company will make available the Annual Accounts of its subsidiaries, associate and joint venture companies and related information to the members of the Company who may be interested in obtaining the same. The annual accounts of its subsidiaries, associate and joint venture companies will also be kept open for inspection at the Registered Office of the Company.

### Contracts and Arrangements with Related Parties

All contracts/ arrangements/ transaction entered by the Company during the financial year with related parties were in the ordinary course of business and on an arm's length basis. During the year, the Company had not entered into any contract/ arrangement/ transaction with related parties which could be considered material in accordance with the policy of the Company on the materiality of related party transactions.

The particulars of contracts and arrangement with related parties under Section 188(1) of the Act in Form AOC-2 is enclosed as **Annexure – G**.

The Policy on materiality of related party transactions and dealing with related party transactions as approved by the Board may be accessed on the Company's website [www.escortsgroup.com](http://www.escortsgroup.com) under Investors Information Section.

Your Directors draw attention of the members to Note 45 to the financial statement which sets out related party disclosures.

### Auditors and Auditors' Report

#### Statutory Auditors

M/s. S.N. Dhawan & Co., Chartered Accountants, Delhi (Firm Registration No. 000050N) Statutory Auditors of the Company, hold office till the conclusion of the ensuing AGM and are eligible for re-appointment.

The Company has received letter of confirmation from M/s. S. N. Dhawan & Co., Chartered Accountants to the effect that their appointment, if made, would be within the prescribed limits under Section 139 of the Act and that they are not disqualified for such appointment within the meaning of Section 141 of the Act read with Companies (Audit and Auditors) Rules, 2014.

The observations and comments given by the Statutory Auditors in their report read together with notes to Accounts are self-explanatory and hence, do not call for any further comments under Section 134 of the Act.

#### Cost Auditors

The Board of Directors of the Company has re-appointed M/s. Ramanath Iyer and Co., Cost Accountants, New Delhi (Firm Registration No. 000019), Cost Auditors of the Company under Section 148 of the Act for conducting the audit of cost records for the financial year 2016-17.

The due date of filing the Cost Audit Report for the year ended on March 31, 2015 was September 30, 2015 and the same has been filed on September 28, 2015.

#### Secretarial Auditors

The Board of Directors of the Company had appointed M/s. Jayant Gupta and Associates, Practicing Company Secretary to conduct secretarial audit of the Company for the financial year 2015-16. The Secretarial Audit Report for the financial year ended March 31, 2016 is enclosed as **Annexure – H** and forms an integral part of this Report.

The observations and comments given by the Secretarial Auditors in their report are self-explanatory and hence, do not call for any further comments under Section 204(3) of the Act.

The Board has also re-appointed M/s Jayant Gupta and Associates, Practicing Company Secretary to conduct secretarial audit of the Company for the financial year 2016-17.

#### Risk Management

A Risk Management Committee which has been entrusted with the responsibility to assist the Board in (a) overseeing and approving the Company's enterprise wide risk management framework; and (b) overseeing that all the risks that the organisation faces such as strategic, financial, credit, market, liquidity, security, property, IT, legal, regulatory, reputational and other risks have been identified and assessed and there is an adequate risk management infrastructure in place capable of addressing those risks. The Risk Management Policy was reviewed and approved by the Committee.

## Internal Financial Controls

The Company has in place adequate internal financial controls for ensuring the orderly and efficient conduct of its business. During the year, such controls were tested and no reportable material weakness in the design or operation was observed.

## Disclosures

### Meetings of the Board

Six meetings of the Board of Directors were held during the year. For further details, please refer Report on Corporate Governance annexed as **Annexure – E** to this Report.

### Audit Committee

All the recommendations made by the Audit Committee were accepted by the Board.

For constitution and other details of the Audit Committee, please refer Report on Corporate Governance annexed as **Annexure – E** to this Report.

### Extracts of Annual Return

In terms of provisions of Section 92 of the Act read with the Companies (Management and Administration) Rules, 2014, the extracts of Annual Return in Form MGT-9 is enclosed as **Annexure – I** and forms an integral part of this Report.

### Vigil Mechanism

The Company has a vigil mechanism for Directors and Employees to report their concerns about unethical behavior, actual or suspected fraud or violation of the Company's Code of Conduct. The mechanism provides for adequate safeguards against victimization of effected Director(s) and Employee(s). In exceptional cases, Directors and Employees have direct access to the Chairman of the Audit Committee. The Whistle Blower Policy is available on Company's website.

### Shifting of Registered Office

The Company has shifted its registered office within the State of Haryana from "SCO-232, First Floor, Sector - 20, Panchkula - 134 109" to "15/5, Mathura Road, Faridabad - 121 003" w.e.f. January 30, 2016.

### Registrar and Share Transfer Agent

The Company has appointed M/s Karvy Computershare Private Limited, Karvy Selenium, Tower B, Plot No. 31-32, Gachibowli, Financial District, Nanakramguda, Hyderabad - 500 032, Andhra Pradesh w.e.f February 19, 2016 as Registrar and Share Transfer Agent.

## Particulars of Loans given, Investments made, Guarantees given and Securities provided

Particulars of loans given, investments made, guarantees given and securities provided along with the purpose for which the loan or guarantee or security is proposed to be utilised by the recipient has been given elsewhere in the Annual Report and forms an integral part of this Report.

## Particulars of Employees and related disclosures

In terms of provisions of Section 197(12) of the Act read with the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014, a statement showing the names and other particulars of the employees drawing remuneration in excess of the prescribed limits is available with the Company Secretary. Having regard to the provisions of Section 136(1) of the Act, the Annual Report excluding the aforesaid information is being sent to the members of the Company. Any member interested in obtaining such particulars may write to the Company Secretary of the Company and the same will be furnished on request.

Disclosures pertaining to remuneration and other details as required under Section 197(12) of the Act read with Rule 5(1) of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014 is annexed as **Annexure – J** and forms an integral part of this Report.

## Public Deposits

The Company has not accepted/ renewed any Fixed Deposit during the financial year.

## Transfer to Investor Education and Protection Fund

Pursuant to the provisions of Section 205A(5) of the Companies Act, 1956, the dividend which remained unclaimed or unpaid for a period of seven years has been transferred by the Company, from time to time on due dates to the Investor Education and Protection Fund.

As on March 31, 2016, no unclaimed deposits are pending for transfer to Investor Education and Protection Fund.

## Directors' Responsibility Statement

Pursuant to the requirement under Section 134(5) of the Act with respect to Directors' Responsibility Statement, your Directors hereby state that:

- (i) in the preparation of the annual accounts for the year ended March 31, 2016, the applicable accounting standards read with requirements set out under

- Schedule III to the Act, have been followed alongwith proper explanation relating to material departures;
- (ii) the Directors have selected such accounting policies and applied them consistently and made judgements and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company as at March 31, 2016 and of the profit and loss of the Company for the year ended on that date;
  - (iii) the Directors have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
  - (iv) the Directors have prepared the annual accounts for financial year ended March 31, 2016 on a 'going concern' basis;
  - (v) the Directors have laid down internal financial controls to be followed by the Company and that such internal financial controls are adequate and are operating effectively; and
  - (vi) the Directors had devised proper systems to ensure compliance with the provisions of all applicable laws and that such systems are adequate and operating effectively.

### General

Your Directors state that no disclosure or reporting is required in respect of the following items as there were no transactions on these items during the year under review:

1. Details relating to deposits covered under Chapter V of the Act.
2. Issue of equity shares with differential rights as to dividend, voting or otherwise.

3. Issue of shares (including sweat equity shares) to employees of the Company under any scheme save and except ESOS referred to in this Report.
4. Neither the Managing Director nor the Whole-time Directors of the Company receive any remuneration or commission from any of its subsidiaries.
5. No significant or material orders were passed by the Regulators or Courts or Tribunals which impact the going concern status and Company's operations in future.

Your Directors further state that during the year under review, there were no cases filed pursuant to the Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal) Act, 2013.

### Acknowledgement

Your Directors would like to express their sincere appreciation of the positive co-operation received from the Central Government, the Government of Haryana, Karnataka and Uttaranchal, Financial Institutions and the Company's Bankers, Customers and Dealers.

The Directors also wish to place on record their deep sense of appreciation for the commitment displayed by all executives, officers, workers and staff of the Company resulting in the successful performance of the Company during the year.

The Board also takes this opportunity to express its deep gratitude for the continued co-operation and support received from its valued shareholders.

For and on behalf of the Board of Directors

Sd/-

Place: Faridabad  
Date: May 25, 2016

**RAJAN NANDA**  
Chairman & Managing Director

## Annexure – A to the Directors' Report

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

(a) Total Number of Options as on 31.03.2015	1,92,000																				
(b) Options granted during the year	<table border="1"> <thead> <tr> <th></th> <th>Options</th> <th>Grant date</th> </tr> </thead> <tbody> <tr> <td>1. Option Grant</td> <td>2,56,000</td> <td>01.10.2015</td> </tr> <tr> <td>Total</td> <td>2,56,000</td> <td></td> </tr> </tbody> </table>		Options	Grant date	1. Option Grant	2,56,000	01.10.2015	Total	2,56,000												
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(c) Pricing Formula	<p>At a price not less than the par value of Company's share and not more than the closing Market Price of the Stock Exchanges:</p> <table border="1"> <thead> <tr> <th></th> <th>Options</th> <th>GP (₹)</th> <th>MP (₹)</th> </tr> </thead> <tbody> <tr> <td>1. Option Grant</td> <td>2,56,000</td> <td>85/-</td> <td>153.30</td> </tr> <tr> <td>Total</td> <td>2,56,000</td> <td></td> <td></td> </tr> </tbody> </table>		Options	GP (₹)	MP (₹)	1. Option Grant	2,56,000	85/-	153.30	Total	2,56,000										
	Options	GP (₹)	MP (₹)																		
1. Option Grant	2,56,000	85/-	153.30																		
Total	2,56,000																				
(d) Options Vested	1,92,000																				
(e) Options Exercised	1,08,000																				
(f) The Total number of shares arising as a result of exercise of options	1,08,000																				
(g) Options Lapsed/Cancelled	2,28,900																				
(h) Variation of terms of options	Nil																				
(i) Money realised by exercise of options	91,80,000/-																				
(j) Total number of options in force	1,11,100 as on 31.03.2016																				
(k) Employee wise details of options granted to :	<b>Senior Managerial Personnel</b>																				
<ul style="list-style-type: none"> <li>Senior managerial personnel during the year</li> </ul>	<table border="1"> <thead> <tr> <th>Name</th> <th>No. of Options</th> </tr> </thead> <tbody> <tr> <td>Mr. S. Sridhar</td> <td>80,000</td> </tr> <tr> <td>Mr. Shailendra Agrawal</td> <td>40,000</td> </tr> <tr> <td>Mr. Sameer Tandon</td> <td>32,000</td> </tr> <tr> <td>Mr. Dipankar Ghosh</td> <td>32,000</td> </tr> <tr> <td>Mr. Bharat Madan</td> <td>20,000</td> </tr> <tr> <td>Mr. Shenu Agarwal</td> <td>20,000</td> </tr> <tr> <td>Mr. Ashok Gupta</td> <td>16,000</td> </tr> <tr> <td>Mr. Rajneesh Agarwal</td> <td>16,000</td> </tr> <tr> <td>Total</td> <td>2,56,000</td> </tr> </tbody> </table>	Name	No. of Options	Mr. S. Sridhar	80,000	Mr. Shailendra Agrawal	40,000	Mr. Sameer Tandon	32,000	Mr. Dipankar Ghosh	32,000	Mr. Bharat Madan	20,000	Mr. Shenu Agarwal	20,000	Mr. Ashok Gupta	16,000	Mr. Rajneesh Agarwal	16,000	Total	2,56,000
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<ul style="list-style-type: none"> <li>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> </ul>	All the senior managerial personnel, as stated above, have been granted options amounting to 5% or more of options granted during the year. Except the above no other employees has been granted options amounting to 5% or more options granted during the year.																				
<ul style="list-style-type: none"> <li>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.</li> </ul>	NIL																				

(l) 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'.	₹ 7.49 per Equity Share
(m) 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.	The profit of the year would have been higher by ₹ 177.54 lakhs.  The EPS for the year would have been higher by ₹ 0.14.
(n) 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.	Fair value option is ₹ 39.47 and Exercise Price is ₹ 85.00.
(o) 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 : <ul style="list-style-type: none"> <li>• Risk free interest rate</li> <li>• Expected life</li> <li>• Expected volatility</li> <li>• Expected dividends, and</li> <li>• The price of the underlying share in market at the time of option grant</li> </ul>	The Black Scholes Option Pricing Model for dividend paying stock has been use to compute the fair value of the options. The significant assumptions made are: Option Issued on 01.10.2015 7.44 % 3 Years 0.0223 12% ₹ 154.35 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 anticipated dividend payouts over the life of the option are made to the formulae under the Black Scholes method.

For and on behalf of the Board of Directors

Place: Faridabad  
Date: May 25, 2016

**RAJAN NANDA**  
Chairman & Managing Director

# Annexure – B to the Directors' Report

## POLICY ON APPOINTMENT OF DIRECTOR'S AND MEMBERS OF SENIOR MANAGEMENT

### 1. Preamble

- (i) This Policy on Appointment of Directors and Members of Senior Management (the "**Policy**") applies to the Board of Directors (the "**Board**") of Escorts Limited ("**Escorts**" or the "**Company**") and the Senior Management of Escorts. This Policy was recommended by the Nomination and Remuneration Committee of the Company ("**NRC**") and approved by the Board at its meeting held on January 16, 2015 and shall be subjected to periodic review by NRC.
- (ii) The primary objective of the Policy is to provide a framework and set standards for the appointment of talented and self-motivated Directors and Members of Senior Management who should have the capacity and ability to lead Escorts towards achieving its stated goals and strategic objectives, taking into account the interest of all stakeholders.
- (iii) The Board is ultimately responsible for the appointment of Directors and recommending the appointment of Independent Directors to the shareholders for their approval.
- (iv) The Board delegates its responsibility for the assessment and selection of suitable candidates for the position of Directors of Escorts to the NRC, which will submit its recommendations to the Board, in accordance with this Policy.

### 2. Definitions

For the purposes of this Policy:

'**Executive Board**' shall mean and include the Chairman and Managing Director, Managing Director and any other Whole-time Director of Escorts appointed by the Board/ Shareholders, by whatever name called.

'**Senior Management**' shall mean and include the following:

- Employees in the grade of Associate Vice President and above; and
- KMPs (other than Whole-time Directors).

### 3. Criteria for Appointment as a Director and Senior Management Positions:

- (i) Matching the requirements of Escorts and enhancing the competencies of the Board are the basis for NRC to shortlist and recommend a candidate for appointment to the Board. When recommending a candidate for such appointment, NRC shall consider:
  - (a) the results of assessment of the proposed appointee against a range of criteria formulated by NRC which include but shall not be limited to skill sets, regional and industry experience, background, integrity and other qualities required to operate successfully in the position of Director, having due regard to the benefits of diversity of the Board;
  - (b) the extent to which the proposed appointee is likely to contribute to the overall effectiveness of the Board and work constructively with the existing Directors and Senior Management;
  - (c) the present and potential future needs and requirements of the Company and sector in which it conducts its business and operations;
  - (d) the nature of existing positions held by the proposed appointee including other directorships held or other relationships and the impact it may have on the appointee's ability to exercise independent judgment;
  - (e) any requirements under applicable law (including but not limited to under the Companies Act, 2013 and/or the rules and regulations made thereunder) and/or under the Listing Agreements; and
  - (f) time commitment required from a Director to properly discharge his fiduciary duties towards the Company.
- (ii) The criteria to be considered when assessing prospective candidates for appointment as Directors shall include the following:



- (a) highest levels of personal and professional ethics and integrity;
  - (b) high quality attributes such as discipline, objectiveness, sensitivity and creativity;
  - (c) sharing and demonstrating the values of Escorts;
  - (d) qualification in relevant disciplines (e.g. finance, secretarial, management, accountancy, legal and engineers etc.) or being a recognised specialist in disciplines or areas relevant to the Company and/or its business;
  - (e) experience in the management of a diverse organisation, whether located in India and/or overseas, in the Sector where the Company is already doing business or intends to enter into;
  - (f) experience in accounting and finance, secretarial, administration, corporate, engineering and strategic planning or fund management;
  - (g) demonstrable ability to work effectively with the Board;
  - (h) excellent interpersonal, communication and representational skills;
  - (i) demonstrable leadership skills;
  - (j) strong influencing and negotiating skills; and
  - (k) continuous professional development to update knowledge and skills.
- (iii) The criteria to be considered when assessing prospective candidates for a Senior Management position shall include the following:
- (a) highest levels of personal and professional ethics and integrity;
  - (b) demonstrable leadership skills;
  - (c) specialist knowledge and/or experience required for the Senior Management position in question;
  - (d) good interpersonal relationships;
  - (e) demonstrating intelligence, maturity and wisdom;
  - (f) possesses managerial abilities such as effective communication skills, action focus, people engagement, cultural sensitivity, flexibility, team player, strategic thinking, etc.;
  - (g) sharing and demonstrating the values of Escorts ; and
  - (h) ability to significantly contribute towards achievement of the strategic and business objectives of the Company.
- (iv) Every person proposed to be appointed as a Director or a member of Senior Management should be able to give sufficient time and attention to the Company's affairs.
- (v) The Policy is aimed to engage Directors (including Non-Executive Directors and Independent Directors) and Members of Senior Management, who are highly skilled, competent and experienced persons within the fields of business, finance, accounting, management, sales, marketing, administration, research, corporate governance, technical operations, law or other disciplines related to the Company's business and operations.
- (vi) In addition to such requirements as may be specified under this Policy, the Independent Directors shall also fulfill the applicable requirements prescribed under Section 149 of the Companies Act, 2013 and the rules and regulations made thereunder, the provisions of the Listing Agreement(s) and other applicable laws as modified or amended or supplemented, from time to time.
- (vii) Each Independent Director shall be required to duly submit/ make the stipulated declarations required to be furnished pursuant to the provisions of the Companies Act, 2013 and the rules and regulations made thereunder, the Listing Agreements, other applicable laws and the Articles of Association of the Company.
- (viii) No person shall be considered for appointment/re-appointment as a Director of Escorts, if he is disqualified to be appointed/re-appointed as such in terms of the provisions of Section 164 of the Companies Act, 2013 or under any other applicable law.
- (ix) No person shall be considered for appointment as a Director of Escorts, if he is already a Director in ten or more public companies or private companies, which is either a holding or subsidiary company of a public company.

#### 4. Selection Process

- (i) The selection procedure to be followed for the appointment of persons for the Board is as below:
  - (a) NRC in consultation with the Chairman and Managing Director of Escorts shall determine the selection criteria applicable for each position at the Board level ("Director Selection Criteria").
  - (b) For the positions of Whole-time Directors and based on the applicable Selection Criteria, NRC in consultation with the Chairman and Managing Director of Escorts, shall generate a potential list of candidates for the Board position in question who may meet the prescribed Director Selection Criteria.
  - (c) For the positions of Independent Directors or Non-Executive Directors, NRC shall finalise a list of potential candidate(s) who meets the applicable Director Selection Criteria and shall submit such list to the Chairman of the Board along with its recommendations.
  - (d) The Chairman of the Board shall thereafter meet the short listed candidate(s) to assess their capability for the job. In the event that the Chairman may feel that no short listed candidate is suitable for appointment to the Board, the Chairman may require NRC to submit a fresh list of candidates.
  - (e) The candidate selected by the Chairman, shall be appointed in accordance with the relevant provisions of the Companies Act, 2013, rules made thereunder and Clause 49 of the Listing Agreements, subject to the approval of the Board and/or Shareholders of Escorts at General Meeting.
- (ii) The selection procedure to be followed for the appointment of persons at the Senior Management positions is as below:
  - (a) In case of vacancy of KMP (other than Whole-time Directors), the Company's HR in consultation with NRC shall identify and short list employees to fill such vacancy, who may meet the criteria mentioned in this Policy. The appointment of the successful candidate shall be made by the Board in accordance with the provisions of the Companies Act, 2013, rules made thereunder, Clause 49 of the Listing Agreement(s) and the Company's internal rules and regulations and policies.

- (b) In case of vacancy in other Senior Management positions, the Company's HR shall identify and short list employees to fill such vacancy. The details of appointment will be placed before NRC and/or Board for noting only.

#### 5. Appointment Procedure

- (i) Every Director shall be appointed/re-appointed by Escorts at Board or General Meeting as per the requirements of the Companies Act, 2013, Listing Agreement(s) or any other applicable laws.
- (ii) No person shall be appointed/re-appointed as a Director of Escorts unless he/she has been allotted the Director Identification Number (DIN) and he furnishes to Escorts a declaration to the effect that he is not disqualified to become a Director under the provisions of the Companies Act, 2013 and rules made there under or under any other law for the time being in force and files consent to hold the office as Director.
- (iii) No person shall be appointed as a Director whose name appears in the list of willful defaulters published by the Reserve Bank of India.
- (iv) NRC shall ensure that the appointment/re-appointment of Directors of Escorts is as per the terms of this Policy and recommendations of candidates are made to the Board for appointment.

#### 6. Letters of Appointment to Directors

Escorts shall issue a formal letter of appointment to the person appointed as a Director of Escorts. The letter of appointment to be issued to the Independent Directors shall inter alia set out the matters as stated in Schedule IV of the Companies Act, 2013.

#### 7. Evaluation Procedure for Directors

- (i) NRC shall develop such assessment criteria as it shall deem fit for the purposes of undertaking performance evaluation of the Directors and the Board as a whole. NRC shall undertake an annual performance evaluation of all Directors of Escorts based on the relevant assessment criteria developed by it.
- (ii) The assessment criteria for performance evaluation of Directors shall be disclosed in accordance with the

relevant provisions of the Companies Act, 2013, the rules framed thereunder and Clause 49 of the Listing Agreement.

**8. Policy Review**

- (i) This Policy may be amended, modified or supplemented from time to time to ensure compliance with any modification, amendment or supplementation to the Companies Act, 2013 and rules made thereunder, the Listing Agreements, the Securities and Exchange Board

of India Act, 1992 and rules/regulations/guidelines made thereunder, the Memorandum and Articles of Association of the Company or as may be otherwise prescribed by the Board from time to time.

- (ii) NRC may issue/implement such guidelines, procedures, formats and/or reporting mechanisms to enforce this Policy as it may deem fit.

# Annexure – C to the Directors' Report

## REMUNERATION POLICY FOR THE DIRECTORS, KEY MANAGERIAL PERSONNEL, SENIOR MANAGEMENT AND OTHER EMPLOYEES

### 1. Preamble

The primary objective of this Remuneration Policy for the Directors, Key Managerial Personnel, Senior Management and other employees (the "**Policy**") is to provide a framework for the remuneration of the Directors, Key Managerial Personnel (KMP), Members of Senior Management and other employees of the Escorts Limited ("**Escorts**" or the "**Company**").

In terms of Section 178 of the Companies Act, 2013 read with rules framed thereunder and Clause 49 of Listing Agreements, the Nomination and Remuneration Committee of Directors of the Company (NRC) has formulated and recommended this Policy for the approval of the Board of Directors of Escorts.

The primary objectives of this Policy are as under:

- (i) To ensure that the level and composition of remuneration is in line with other companies in the industry, sufficient to attract and retain right talent, at all levels and keep them motivated enough to meet the organisational objectives.
- (ii) To ensure that a reasonable balance is maintained in terms of composition of remuneration (fixed and variable component).
- (iii) To have performance measurement parameters in place to assess the overall performance of Directors, KMPs, Members of Senior Management and other employees.

Based on the above objectives and broad parameters set herein, the Board of Directors of Escorts at its meeting held on January 16, 2015, has approved this Policy.

### 2. Applicability

This Policy shall be applicable and act as a guiding principle with regard to remuneration payable by Escorts to all Directors, KMPs, Members of Senior Management and other employees of the Escorts.

### 3. Remuneration of Non-Executive/Independent Directors

- (i) The key elements of remuneration of Non-Executive/Independent Directors are commission and sitting fees (except professional fee, if any), subject to overall limit as prescribed in the Companies Act, 2013 read with rules made thereunder and the approval of the shareholders, as applicable. They shall be covered under the Directors and Officers Liability Insurance (D&O) Policy. The Independent Directors shall not be eligible for stock options.
- (ii) Since, the Non-Executive/Independent Directors collectively endeavour to ensure that the Company performs well and is compliant with applicable laws, rules, regulations and guidelines, they may be paid commission, subject to the approval of the Board.

### 4. Remuneration of Whole-time Director's including Whole-time KMP (being a Director)

- (i) The Whole-time Directors are appointed on a contractual basis for a fixed tenure as approved by the shareholders and such contracts are renewable upon expiry of the tenure subject to recommendation by NRC/Board and approval of the shareholders.
- (ii) The remuneration paid to Whole-time Directors is within the limits approved by the shareholders of Escorts which includes fixed salary, perquisites, variable pay in the form of commission, other benefits and allowances and certain retiral benefits, within the overall limit under Section 197 of the Companies Act, 2013. They are also eligible for stock options as per the scheme framed/to be framed by Escorts, from time to time.
- (iii) The Whole-time Directors shall be covered under the Directors and Officers Liability Insurance (D&O) Policy.

- (iv) Their annual increments shall be linked to their overall performance and as recommended by NRC and approved by the Board, from time to time.

**5. Members of Senior Management, KMP (other than whole-time directors) and other employees**

- (i) Senior Management shall mean and include the following:
  - (a) Employees in the grade of Associate Vice President and above; and
  - (b) KMPs (other than Whole-time Directors).
- (ii) The key components of remuneration package of the Senior Management and other employees of Escorts shall comprise of basic salary, dearness allowance, house rent allowance, transport allowance, ex-gratia, performance bonus, contribution to provident fund and superannuation fund, premium on medical insurance and personal accident insurance, scholarship for children, gratuity, leave travel allowance, leave encashment etc., which is linked to their grade. They are also eligible for stock options as per the scheme framed/ to be framed by Escorts, from time to time.
- (iii) The remuneration, performance appraisal and rewards of Members of Senior Management and other employees, shall be in line with the stated objectives.
- (iv) The annual increments for the Senior Management and KMP (other than Whole-time Directors) and other employees shall be linked to their overall performance and as decided by the Chairman and Managing Director in consultation with their reporting managers and Company's HR. The Board, on the recommendation of NRC, shall also review and approve the remuneration payable to the Key Managerial Personnel of the Company.

- (v) Employees must conduct themselves to ensure that no breach of Code of Conduct, Escorts Code of conduct for prevention of Insider trading or such other code as may be applicable from time to time, Standard Operating Procedures (SOPs) and all other relevant and applicable codes is committed. Any such breach will have a direct bearing on their performance appraisal and rewards and shall also attract appropriate disciplinary action.

**6. Disclosures in the Board's Report**

- (i) The disclosures as required under the relevant provisions of the Companies Act, 2013, rules made thereunder and the revised Clause 49 of the Listing Agreements shall be made with regard to the remuneration details of the Directors, KMPs, Senior Management and other employees.
- (ii) This Policy shall be uploaded on the website of the Company.

**7. Policy review**

- (i) This Policy may be amended, modified or supplemented from time to time to ensure compliance with any modification, amendment or supplementation to the Companies Act, 2013, rules made thereunder, the Listing Agreements, the Securities and Exchange Board of India Act, 1992 and rules/regulations/guidelines made thereunder, the Memorandum and Articles of Association of the Company or as may be otherwise prescribed by the Board from time to time.
- (ii) NRC may issue/implement such guidelines, procedures, formats and/ or reporting mechanisms to enforce this Policy as it may deem fit.

# Annexure – D to the Directors' Report

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

### I) Conservation of Energy

#### 1. ENERGY CONSERVATION MEASURES TAKEN

The Company has always been conscious of the need for the Conservation of the Energy & Optimum utilisation of available resources & has been steadily making progress towards this end.

Energy Conservation measures have been implemented at all the Company's Plants and Offices. Company has also taken special efforts on undertaking Specific Energy Conservation Projects and achieved high level of saving through implementation.

During the year ended March 31, 2016, your Company has taken a lot of initiatives for reduction in power cost by not only reducing the consumption through implementation of new technologies but also by improving its production processes.

Your Company has undertaken special projects in the field of Energy Conservation & achieved notable saving through their implementation.

In pursuit of the continual improvement in Energy Conservation in generation distribution & consumption areas, following initiatives have been taken:

- 1) Introduced LED lighting in shop floor by replacing 250 watt lamps with energy efficient LED 72 watt lamps with improved lux level.
- 2) Replaced old roof sheets with FRP transparent sheets to increase the natural lights in shop-floor.
- 3) Installed small Air Compressors across EAM Plant to avoid running of big Air Compressors during Off-Days.
- 4) Replaced GI Air Pipe with low friction losses Aluminium Air Pipe Line.
- 5) Installed wind ventilators in shop floor to reduce power consumption of exhaust fans.
- 6) Reduced the power cost by reducing the Maximum Demand Indicator of CHD Plant from 1000 Kva to 250 Kva.

- 7) Maximum use of low cost power from Open Access to reduce the power cost.

- 8) Installed LED lights by replacing existing T5 lights at the operation offices, Marketing & R & D lab area.

- 9) Replaced street light of 250W mercury lamps with 85 W CFL

#### 2. Additional Investment & Proposals for Power Saving Projects during financial year ended March 31, 2016

- 1) Roof top Solar Power Generation Plant to get maximum benefit from renewable energy resources.

- 2) Conversion from 250 watts lights to 72 watt LED lights in production area.

- 3) Installation of Heat Pumps to eliminate electrical heating in washing machines.

- 4) Replacement of fixed speed Air compressors with Energy efficient Air Compressors.

- 5) Energy Audit through CII Team.

- 6) Replacement of existing Mercury 250 watt bulbs with 150 W LED light in the shop floor.

- 7) Variable Speed Drive high air pressure compressor will be commissioned by June 2016 resulting into 20% saving on energy consumption.

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

- 1) Reduction in Power Consumption

- 2) Efficient use of natural resources

- 3) Reduction in Manufacturing Cost

- 4) Significant reduction in Carbon Emission

- 5) Hedge against continuous energy rate increase

- 6) Optimum performance of equipment on sustainable basis.

## II) Technology Absorption

### 1. Research & Development (R&D)

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

- (i) New series of tractors with high torque & fuel efficient engines introduced into production for (45hp - 60hp) upgraded for Power and Performance during the year 2015-16.
- (ii) Design & development of new high end engine series for 90 hp series tractors.
- (iii) To meet the new and emerging agricultural application requirement new tractor developed with more no. of speeds [16+4] options. 20 Speeds in tractor – first time in India.
- (iv) Developed new range of tractors with 4WD in 50 & 60 hp ranges to meet various application requirements.
- (v) Initiated projects to extend “Anti-Lift Technology” to 45 & 50 hp tractors for customers doing heavy haulage & agri application.
- (vi) Upgrade of Farmtrac series of tractor with all new features & added freshness with more efficiency and 500 hrs. service interval (First time in India on Tractors).

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

- (i) Escorts delivered a series of new products with enhanced power and performance and made a better value proposition for customers. This has given more customer coverage for Escorts products & resulted in to consistent volumes and market share gain.
- (ii) High end engine series of 90 hp is now being utilized to make new competitive higher hp tractors for exports markets. Full range of tractors from 25 – 90 hp would be available for both exports and domestic markets.
- (iii) New tractors with more nos. speeds transmission are made and given to market for increased utility at customer end.

- (iv) Significant material cost reduction in tractors through design optimization.
- (v) 4WD tractors in 50 & 60 hp range have been launched in the market.
- (vi) Tractors projects with “Anti Lift Technology” have been extended to higher hp segment for launching in the domestic market in coming year.

#### c) Future plan of Actions

##### New Product Introduction

- (i) Design & development of new high end tractor series for future emission norms.
- (ii) High end transmission to meeting all emerging application (agri, construction equipment etc).
- (iii) 4WD tractor 50 – 90 hp range of tractors for domestic and export market
- (iv) Higher hp tractors with AC cabin and other premium features.
- (v) Design & development of future tractor series.
- (vi) Product range for global market.
- (vii) Application specific tractor for niche market.

#### d) Expenditure on R & D

	₹ Cr.	
	For the financial year ended on March 31, 2016	For the financial year ended on March 31, 2015
a) Capital Expenditure*	9.04	7.59
b) Recurring Expenditure	71.23	68.42
Total R&D Expenditure	80.27	76.01
Total R&D Expenditure as a percentage of total turnover	2.77%	2.23%

\*Does not include capital advance/capital work in progress

## 2. TECHNOLOGY ABSORPTION, ADAPTATION & INNOVATION

### a) Efforts in brief made during the year towards technology absorption, adaptation & innovation

- (i) Up-gradation of Design, Development and testing infrastructure at R&D to develop & absorb new contemporary technologies in a most cost effective manner to offer products at a competitive price.
- (ii) Joint technology partnerships with global R&D houses for tractor & aggregate designing.
- (iii) Collaborative work with global technology partner & styling houses.
- (iv) Technology upgradation for Engine, Transmission, Hydraulic & usage of advanced predictive software.
- (v) Design validation & virtual testing thru predictive analysis software and load accelerated test rigs.
- (vi) Filing of patents/ design registrations for new and innovative designs.
- (vii) Knowledge enhancement through tie-up with industry technology experts.
- (viii) Participation in agriculture exhibitions & workshops in India & abroad.
- (ix) Enhanced facilities for noise intensity mapping to cater coming noise norms and operator comfort norms.
- (x) DSIR, Ministry of Science and Technology, Govt. of India, approved in house Escorts R&D facility with form 3CM for u/s 35 (2AB) of Income Tax Act, 1961 for the purpose of 200 % weighted tax reduction.

### b) Benefit derived as a result of above efforts

- (i) Escorts R&D expenditures eligible for 200% weighted tax deduction.

(ii) Self-reliant design capability for Engines, Transmissions, Hydraulics & agricultural tractors with advanced technologies for emerging domestic & export market needs.

(iii) New products contributing approx. 40-50% of total tractor sales.

### c) In case of imported technology (imported during the last 5 years reckoned from the beginning of the financial year):

1. Technology imported	NIL
2. Year of Import	NIL
3. Has technology been fully absorbed?	N.A.
4. If not absorbed, areas, where this has not taken place, reasons therefore and future plans of action	N.A.

## III) Foreign Exchange Earnings and Outgo Activities relating to export

Escorts entered into new markets like Algeria, Namibia, Cambodia and Zimbabwe. In European market the Company maintains it's market leadership amongst all Indian players. Overall market prospects for the Company look bright.

### Total Foreign Exchange earning and outgo

₹ Cr

	For the financial year ended on March 31, 2016	For the financial year ended on March 31, 2015
a) Foreign exchange outgo:		
- Imports (including capital goods)	67.49	67.31
- Others	33.33	25.75
Total	100.82	93.06
b) Foreign Exchange earned	124.57	231.96

For and on behalf of the Board of Directors

Sd/-

**RAJAN NANDA**

Chairman & Managing Director

Place: Faridabad

Date: May 25, 2016