

Escorts looks at partner for parts biz

Seeks To 'Subsidiarise' The Business To Get Into Passenger Car Components

Nandini Sen Gupta | TNN

Chennai: Tractor and construction equipment maker Escorts, which underwent a strategic merger, is looking to "subsidiarise" its loss-making auto component business Escorts Auto Products. The Rs 5,000-crore engineering group has mandated an investment bank to find a "partner who would bring inequity" into the Rs 100-crore auto components business, a top company official said.

"The auto component business has been losing money for 3-4 years," said Nikhil Nanda, MD, Escorts. "We are looking for a partner and we want to subsidiarise it. We would like to induct a partner who brings equity and we would also want



SKETCHING STRATEGIES

▶ The auto component business has been losing money for the past 3-4 years

▶ Three entities were earlier merged into the group's flagship Escorts Ltd to improve the topline by around Rs 1,000 crore

▶ The company is creating a common data base for both farm and construction equipment segments

to upgrade its products mix and get into passenger car components, for example. We have already given the mandate to a merchant bank," he added.

Escorts currently has four major businesses—farm equipment, construction equip-

ment, railways and auto components.

The auto component business is a "miniscule" part of the overall Escorts topline and has a plant in Escorts' Faridabad complex. The "subsidiarising" of the auto component busi-

ness comes on the heels of a restructuring at the parent company Escorts has merged three entities—Escorts Construction Equipment, Escotrac Finance and Investments, and Escorts Finance Investment and Leasing — into the group's flagship Escorts Ltd. The merger was aimed at not only improving the company's topline by around Rs 1,000 crore but also driving cost savings through synergies. "Ever since we consolidated, we have managed to build both efficiency and value in everything from materials, HR, manufacturing excellence, finance, administration, support functions, consolidation of regional and sales offices and rightsizing," said Nanda.

Part of consolidation effort

involved merging regional and area offices and working with a common data base of customers for both the tractor/farm equipment as well as construction equipment businesses. "The idea is to offer the customer a single window for the entire organisation," said Nanda.

The idea, said Nanda, is to remember that Escorts is an engineering company and not a specifically tractor manufacturer or a construction equipment maker. The company intends to follow the same formula in its international businesses as well and has tied up with the \$17 million Chinese company XGMA to sell its backhoe loaders in international markets. Escorts is targeting markets like Russia and Brazil.