



# INVESTOR PRESENTATION

February 2016

# Content



- **Escorts Group**
- **Escorts Agri Business**
- **Escorts Construction Equipment**
- **Railway Equipment Division**
- **Escorts Auto Products**
- **Group Financials**

# Our Businesses



## Escorts Agri Machinery



Revenue (FY15): Rs. 3,211 Cr.  
**9MFY16: Rs. 2,132Cr.**

## Escorts Construction Equipment



Revenue (FY15): Rs. 516 Cr.  
**9MFY16: Rs. 337 Cr.**

## Railway Equipment Division



Revenue (FY15): Rs. 184 Cr.  
**9MFY16: Rs. 153 Cr.**

## Escorts Auto Products



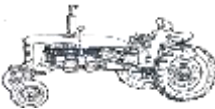



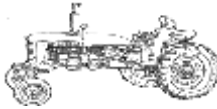




Revenue (FY15): Rs. 104 Cr.  
**9MFY16: Rs. 69 Cr.**

Revenue (FY15): Rs. 3,986 Cr.  
**9MFY16: Rs. 2,682 Cr.**

\*Division revenue include other income



# Journey So Far

			Divested from other business to <b>focus</b> on tractors and construction equipment						
Launch of Escorts Tractors	Manufacturing of Construction equipment	Launch <b>Farmtrac</b> End JV with Ford		Launch of Farmtrac Executive Series					
1961	1969	1971	1979	1995	1998	2005	2010	2013	2015
	JV with <b>Ford</b> motors to make Tractors	Collaboration with <b>JCB</b> For backhoe		Launch <b>Powertrac</b> Brand of tractors		Launch <b>DIGMAX</b> Brand of Backhoe		Launch <b>ALT</b> By Powertrac	
									



# Manufacturing Facilities



## ***Escorts Agri Machinery***

Three Plants: Farmtrac, Powertrac & Components with a production capacity of 100,000 tractor p.a.  
Poland Plant: 100% subsidiary having an installed capacity of 2,500 tractor p.a.

## ***Escorts Construction Equipment***

State of the art manufacturing and assembly facility sprawling 23,226 sq.m. of space with a capacity of 10,000 units p.a.

## ***Railway Equipment Division***

State of the art manufacturing facility sprawling 14,000 sq.m.  
Couplers (AARH + Shaku )1100 p.a., Air Brake 4400 p.a., EP Brake 200 p.a., Brake Block: 32,000 p.a.

## ***Escorts Auto Products***

State of the art manufacturing facility sprawling 12,500 sq.m.  
Shock Absorbers 3.2.mn. p.a., McPherson Struts 300,000 p.a., Front Forks; 1.0 mn. p.a.



# Escorts Agri Machinery

***FARMTRAC***

***POWERTRAC***



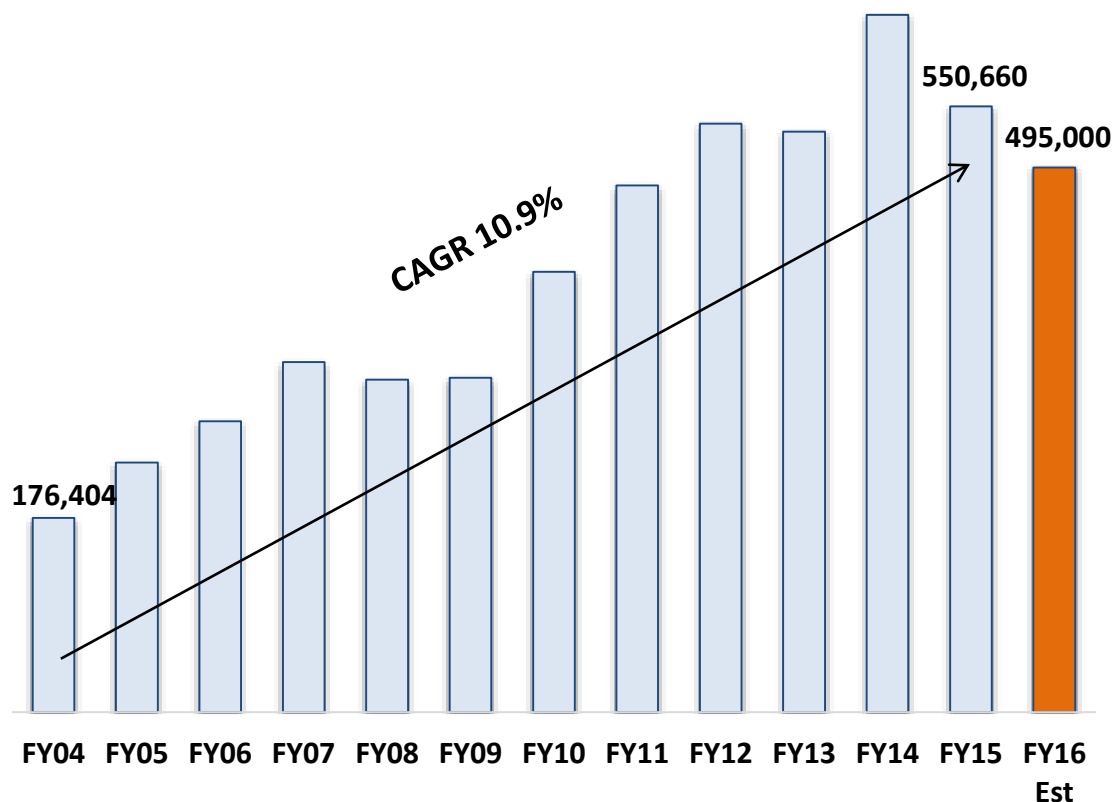
## Our Strategic Goals 2020

- #1**      **Achieve image Leadership in the Indian premium tractor market**
- # 2**      **Achieve Challenger position in the Indian mass markets**
- #3**      **Significant player in Major Global Agri machinery markets**
- # 4**      **Achieve Leadership in 'Precision Farm Engg. Solutions'**





# Domestic Tractor Industry



*Increasing trend towards Mechanisation*

*Minimum Support prices for Key Crops*

*Scarcity of Labour*

*Ease of Credit Availability from Govt.*

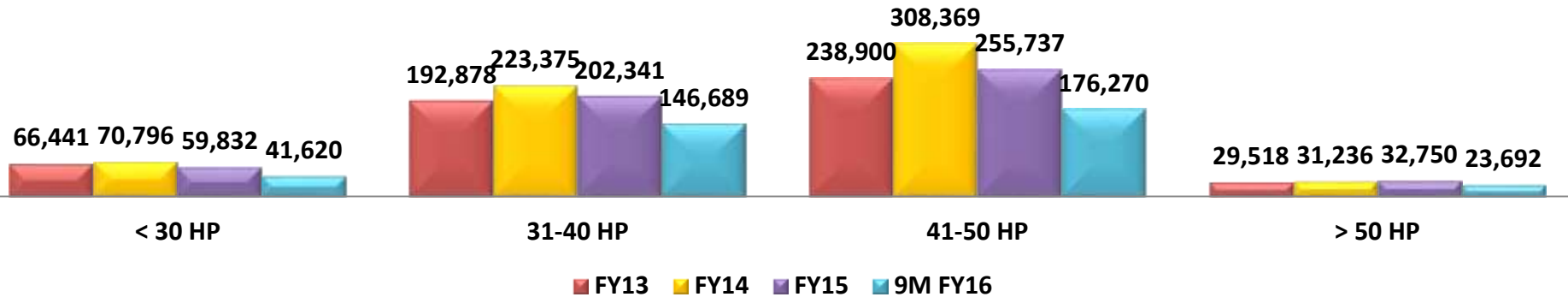
- FY15 tractor volumes are 13.1% down Y-o-Y on the back of lower crop prices and erratic monsoon.
- Tractor volumes in 9MFY16 down by 14.4%. Volumes in Q4 FY16 are expected to be marginally better than last year.
- Industry in FY16 is expected to go down by 10-11% on YoY basis, However Industry in FY17 is expected to go up by more than 5% .
- The long term growth fundamentals of industry are strong with lowering of the replacement cycle, but the pace of the central & state Government's policy roll out and the final monsoon behavior would govern the short term industry performance.



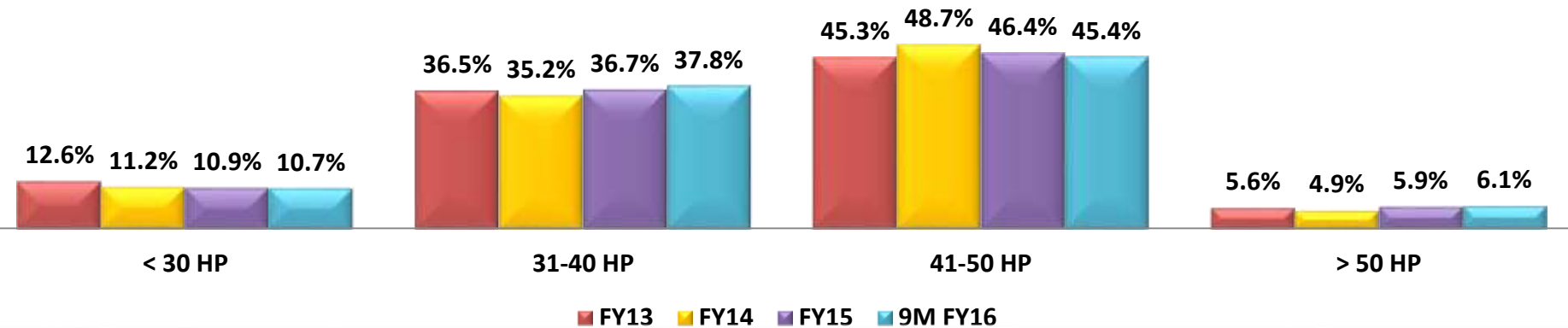


# Industry Segmentation

Industry Segment Volume

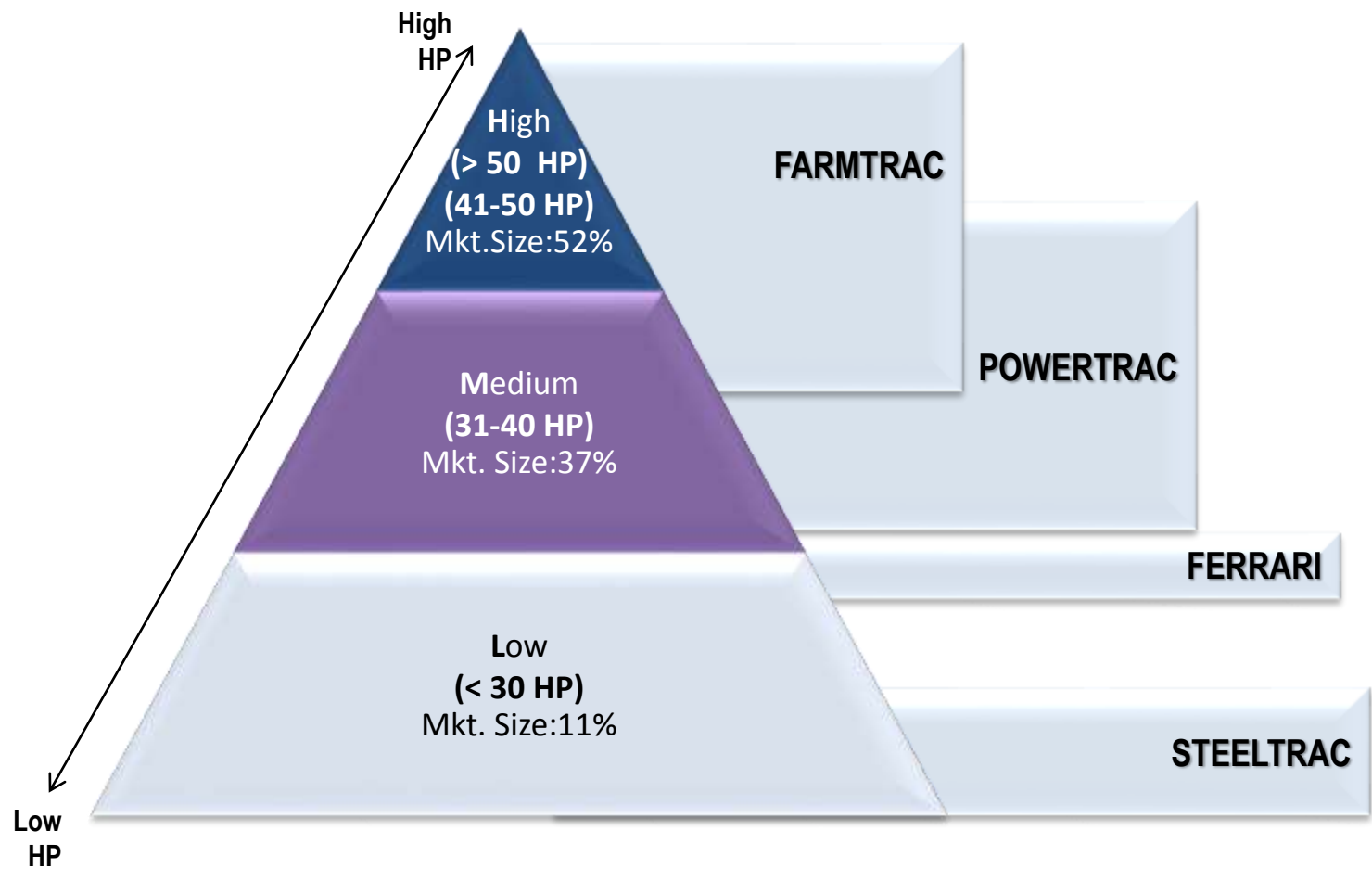


Industry Segment Market Share in %



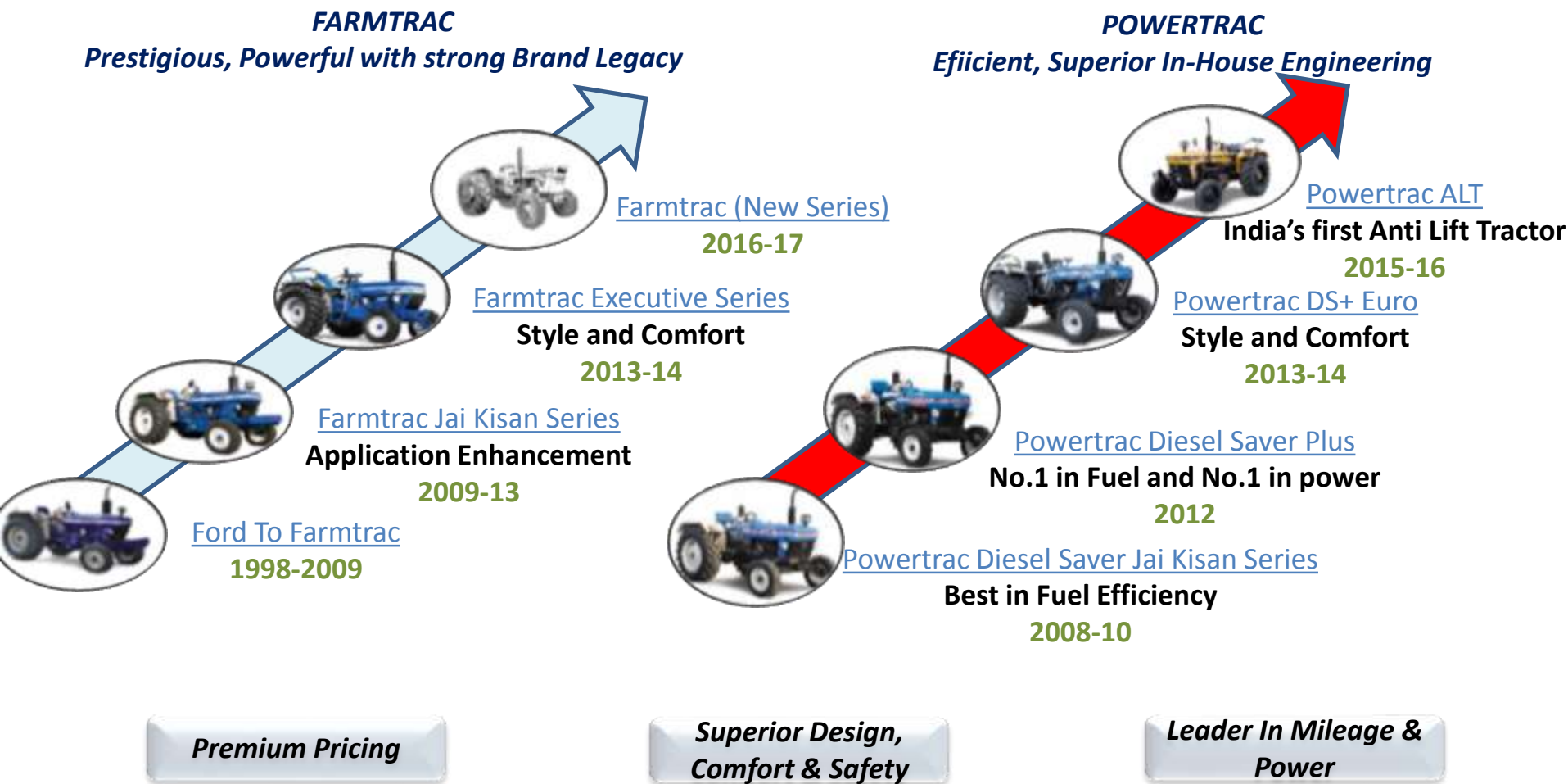
**We estimate that higher HP segment will grow faster than the Industry.**

# How we are positioned





# Strategy: Brand Led Product Innovation



# Recent Development

(Product launches-FY16)



## **Powertrac Euro 45 & 50 (41- 50 HP)**

- A technological marvel where for the first time style & comfort comes without compromising with power & performance.



## **Farmtrac Classic Series ( 41-50 HP)**

*"Modern Inside Classic Outside"*

- 'Kheton Ka King'.
- Best-in-class combination of modern design, stunning looks, and world-class technologies

# Recent Development

(Product launches-FY15)



## XP series by Farmtrac ( 31-40 HP)

- Most fuel efficient tractor in all applications positioned as Mileage Ka Champion”
- Available as “XP37” & “XP41”



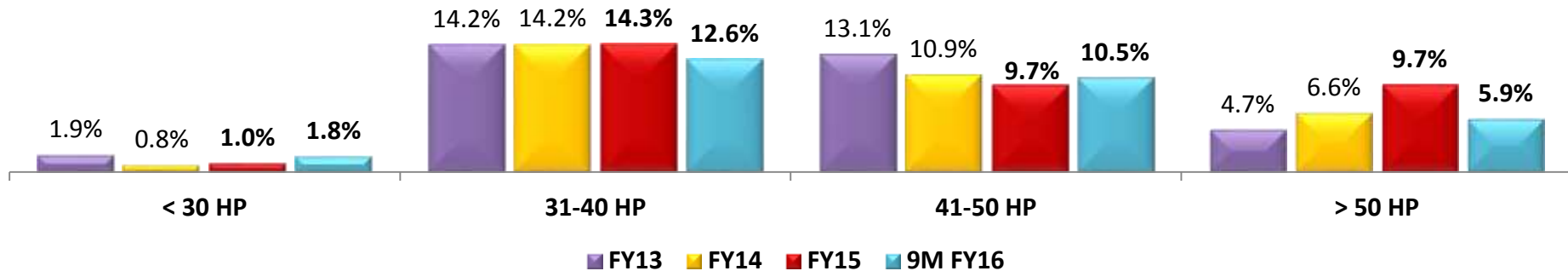
## Anti Lift Tractor by POWERTRAC (31-40 HP)

- Indigenously designed, India’s first Anti Lift Tractor
- Built around driver safety and owner savings, ALT is specifically positioned for haulage activities.



# EAM...Journey So Far

Escorts Segment Market Share in %



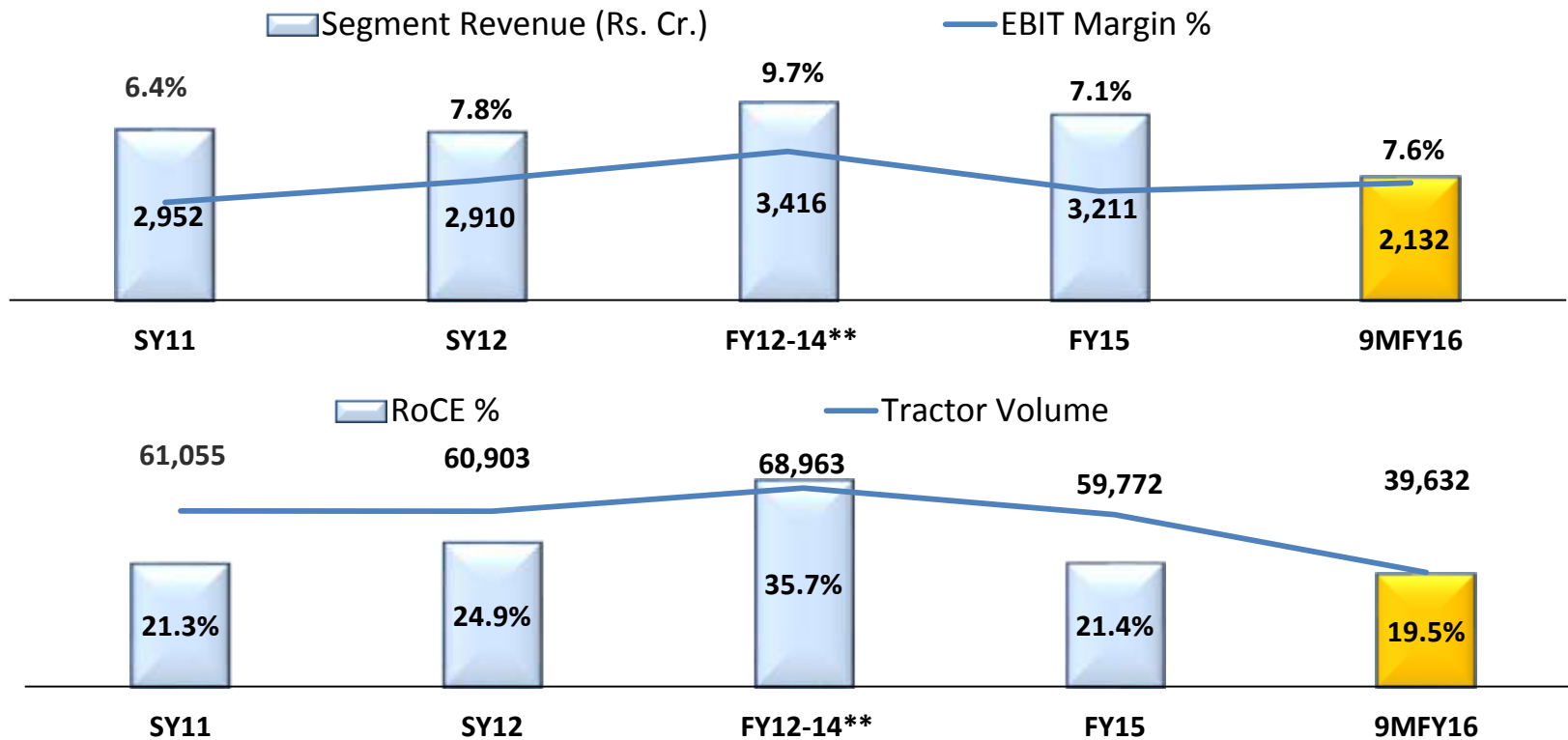
New Products	31-40 HP	41-50 HP	>50 HP
FARMTRAC	XP Series (FY15)	Classic Series (FY16)	Executive Series (FY14)
		4 WD (FY15)	
POWERTRAC	Euro Series (FY14)	Euro Series (FY16)	
	ALT Series (FY15)	New Products	

- Gaining market share in >50 HP segment in the last 3 to 4 years.
- Consolidated the market share in 31-40 HP segments on the back of new products in FY15.
- Started gain in market share in 41-50 HP segment on the back of new products in FY16.
- To separate the channel in FT and PT. To increase market share in key states in south and west region.





# EAM...Journey So Far



- From SY11 to FY12-14, EBIT margins have improved on the back of premium pricing & new product launches.
- In FY15, EBIT margins have gone down because of reduction in tractor volume due to industry downturn.
- In FY16, the EBIT margins are expected to improve on back on material cost reduction on constant volume basis.





# Exports

- **Goal:** *To reach 10,000 tractors in exports in the medium term. ( 2,209 tractors in FY15, 909 tractors in FY14)*
- **Infrastructure:** *Fully owned subsidiary in Poland (FTES), Distributors & Institutional network in other parts*
- **Current Markets:** *Cambodia, Bangladesh, South Africa, Poland & Germany*
- **Key Target markets:** *Africa, SE Asia, Specific European & US markets.*
- **Strategic Initiatives**
  - Key Senior team leading specific geographies led by CEO*
  - To develop products specifically for exports*
- **Product Positioning:**
  - FARMTRAC HERITAGE ( up to 75 HP), Auxiliary tractor in Europe, “same for less”*
  - FARMTRAC Europe (up to 110 HP), competing in mid HP category, “more for same”*



# The Next Steps....

**To achieve EBIT Margin of 15%**

## Revenue Growth Initiatives

New Products for Premium Pricing

South & West Penetration for de risking  
and market share gain

Robust Growth in exports

Impact on EBIT  ~1.5 – 2%

## Cost Rationalization Initiatives

Raw material cost reduction

Personnel cost reduction

Impact on EBIT  ~3 – 3.5%



# Escorts Construction Equipment

**Material Handling**

**Earth Moving**

**Road Compaction**

# Domestic Construction Equipment Industry...

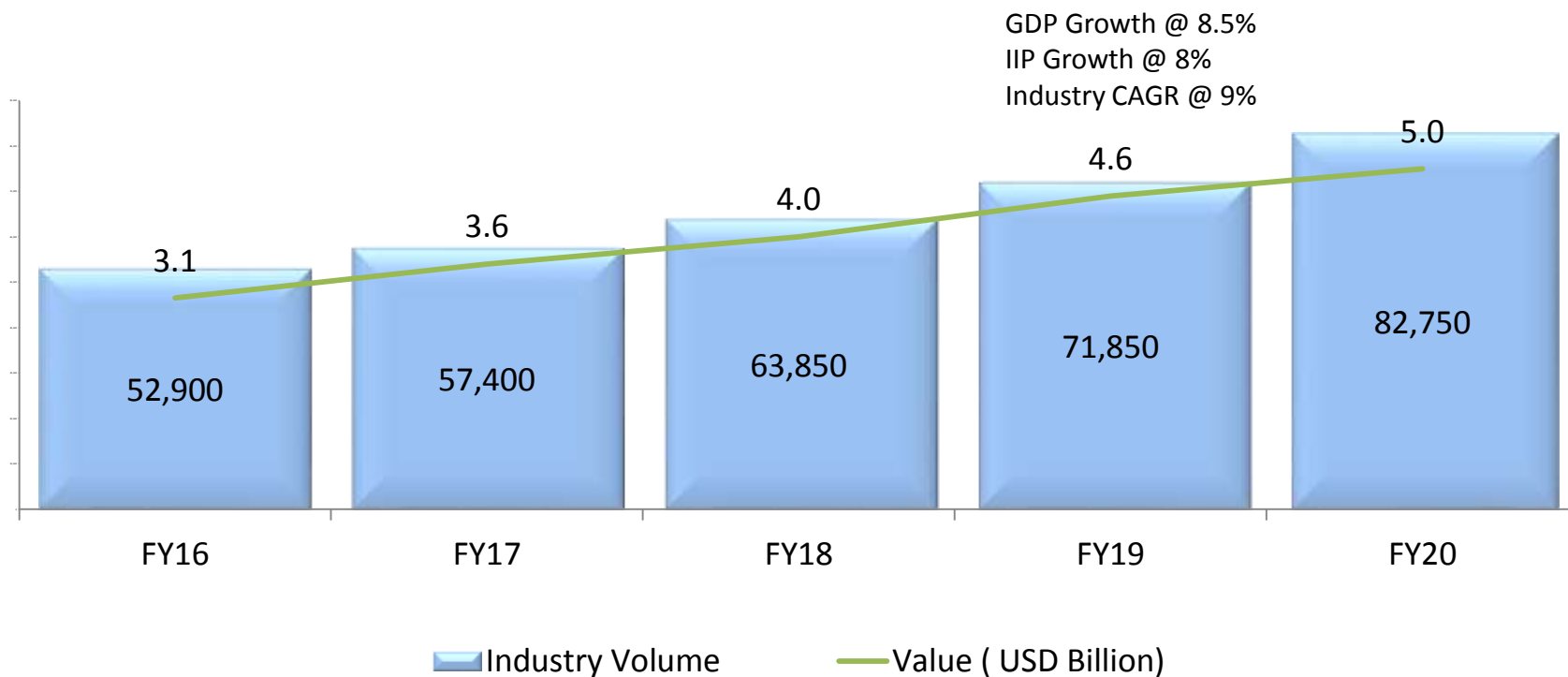
## Signs of Recovery in sight



S.No.	Category	Application	Major Eqpt.	Volumes (9M FY15)	Volumes (9M FY16)	Growth (%)
1	Earthmoving	Roads	<b>Backhoe Loaders</b>	<b>16,159</b>	<b>15,086</b>	<b>-7%</b>
		Power	Excavators	7,129	8,121	14%
		Real Estate Sand Mines	Others	2,169	2,527	16%
2	Material Handling	Roads Power Other Infra	<b>Pick &amp; carry Cranes</b>	<b>2,987</b>	<b>2,641</b>	<b>-12%</b>
3	Road Building	Roads	<b>Compactors</b>	<b>1,539</b>	<b>1,783</b>	<b>16%</b>
		Airports	Others	41	237	478%
4	Concreting	Irrigation	Mixer, Pumps, Batch plants	1,322	1,848	40%
5	Material Processing	Mining	Compressors, Crushers	1,621	2,022	25%
	Total	NA	<b>Total</b>	<b>32,967</b>	<b>34,265</b>	<b>4%</b>

- The overall Industry grew by 4% and 13 out of 21 product categories witnessed growth in 9M FY16.
- In our served markets, Compactor Industry has started growing on YoY basis. PnC Cranes and Backhoe Loader market decline has reduced and is expected to grow from next year onwards.

# Domestic Construction Equipment Industry... Long Term Attractive

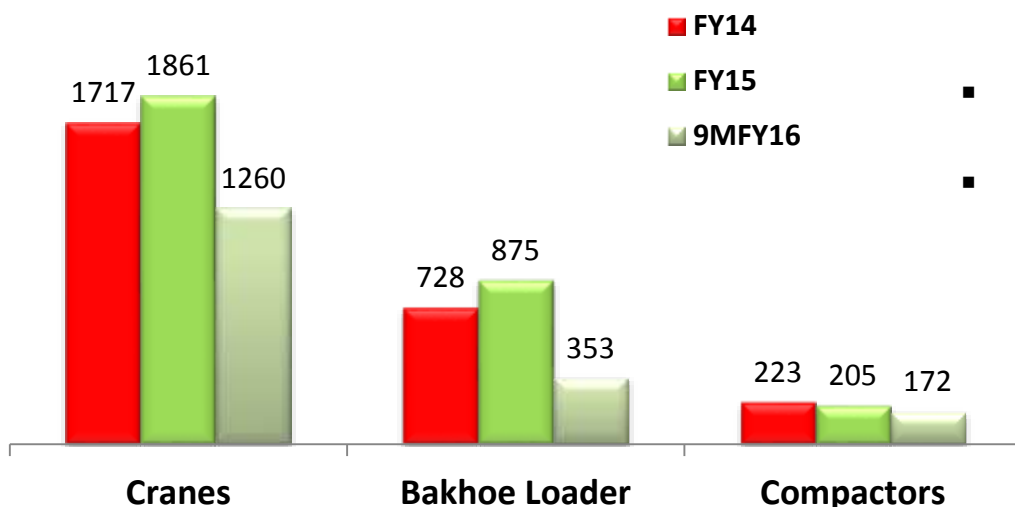


- The Govt. policy action and investment in key areas e.g. Roads, Railways, Defence and Smart cities is likely to fuel the industry.

# ECE Volumes



## ECE Volumes

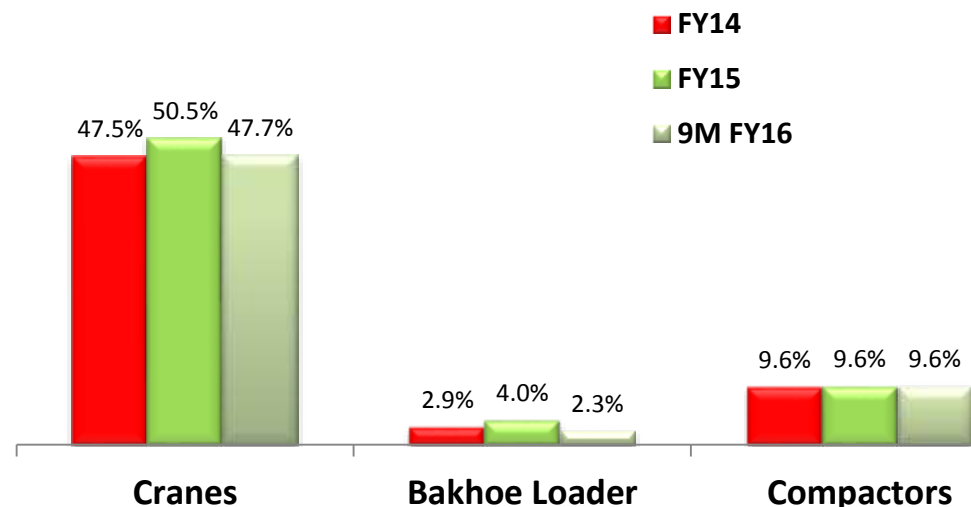


\*this is only manufactured,  
Backhoe loader nos. include wheel loaders , cranes include slew cranes

## 9MFY16

- The overall Industry grew by 4% in 9M FY16. However our served markets are down by 6%
- Our total volumes (manufactured & traded products) went down by 20% to 1,818 machines against 2,267 machines in the 9 Months ended December.

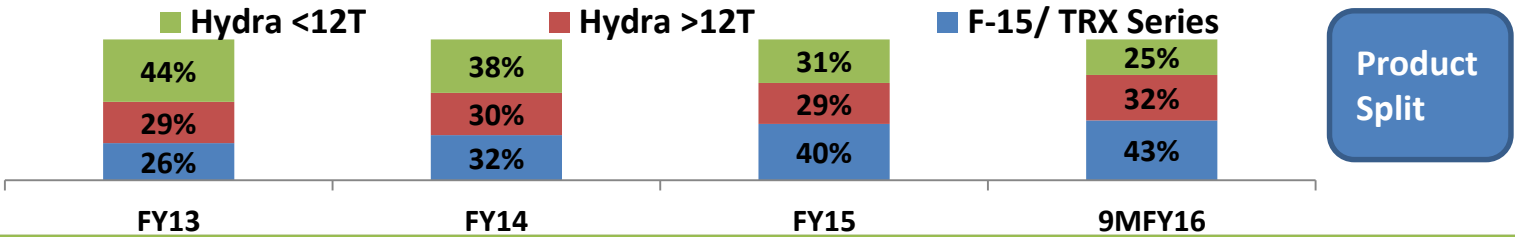
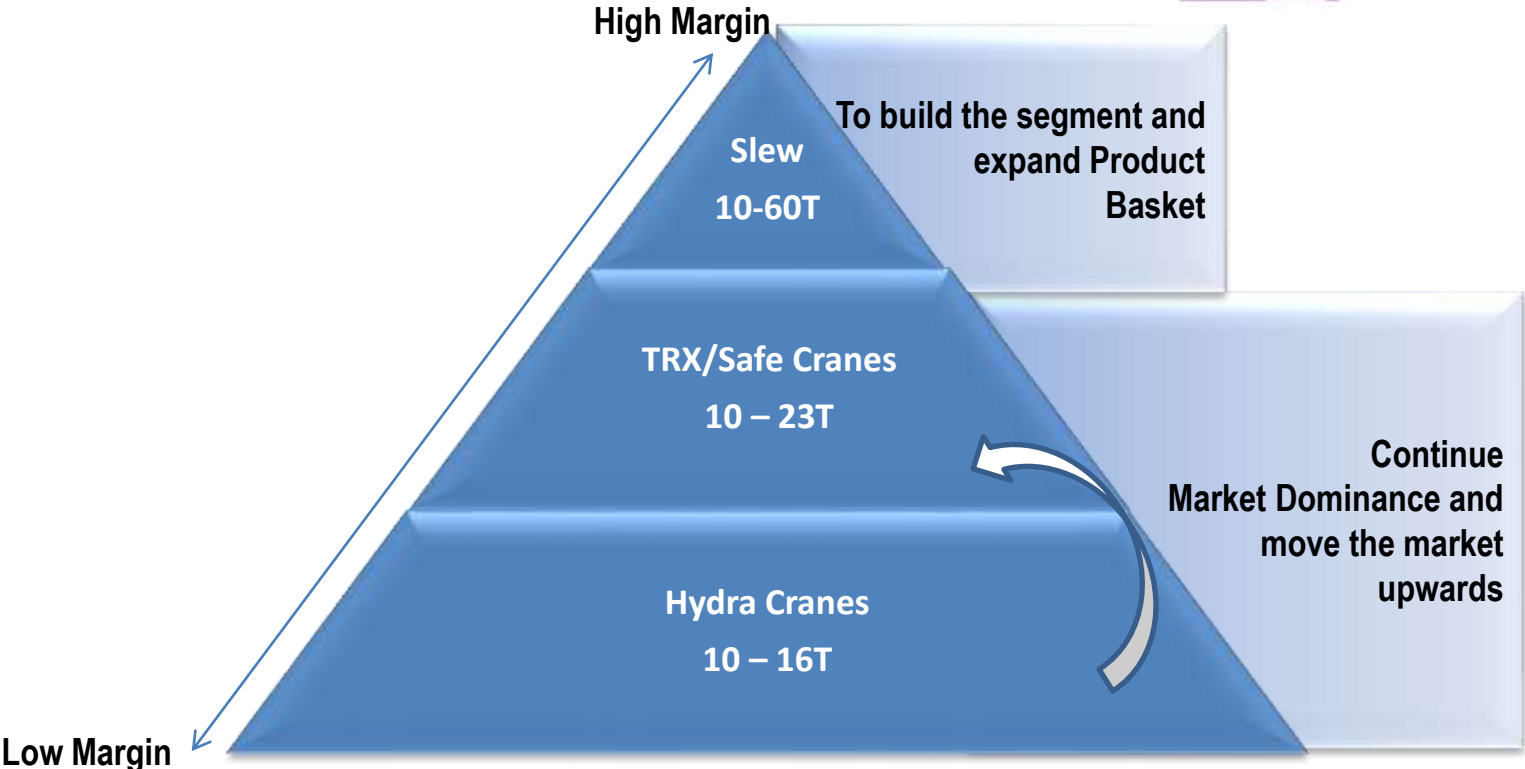
## ECE Market Share



## Outlook

- As no other industry in the Indian context has seen such a prolonged decline, any recovery is only expected to happen from large policy initiatives getting implemented on the ground.
- The industry revival in our served markets is expected to start from next year.

# Material Handling – Transform the market from a leadership position.



To strengthen the dominant position in PnC crane segment. To move to other crane segments in the material handling Industry & develop high value, specialized cranes.





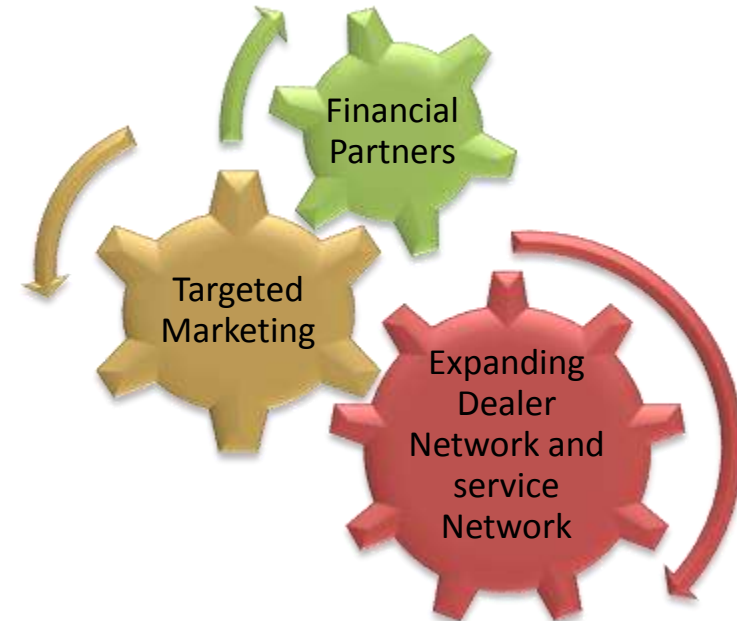
## Backhoe Loaders – Focus on specific segments

### MARKET OUTLOOK

- The market is expected to grow at a CAGR of 11.4% to 33,850 units by FY20
- As the Industry will mature, specific segments will emerge

### MARKET LEADERSHIP

- Aim to focus on productivity based applications
- Aim to drive 10% of BHL volume in exports
- Aim to drive 15% of volume of 4 wheel drive



### Key Features of DIGMAX II

- Higher Productivity/hour and therefore widely preferred by customers using BHL for large hauling of construction aggregates
- Advance features on Fuel efficiency, fault diagnostic, safety and GPS navigation

Our strategy is to focus on specific applications/geography, where equipment productivity is key and shall build a niche for our brand/product.



# Ready to ride the Industry boom

## Revenue Growth Initiatives

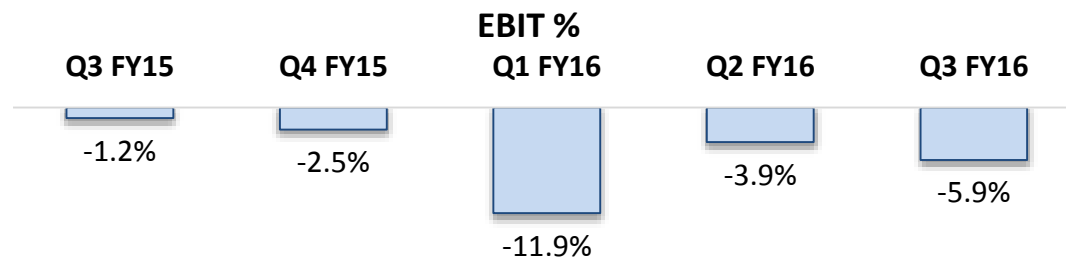
Rich product mix  
Better Revenue Realization  
Higher Parts Sales

Dealership & Outlet reach expansion  
Channel Financing

## Cost Rationalization Initiatives

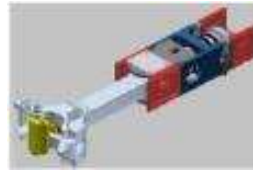
Reduction in fixed cost

Reduction in material cost through negotiation and VAVE



Target to break even by FY17.

Investor Presentation



# Railway Equipment Division

Indian Railways

Rapid Transport



# Indian Railways – World's 4<sup>th</sup> largest Railways

## Government Thrust on Railways

- Total plan expenditure during 12<sup>th</sup> 5 year plan increased to USD 70 bn. from 11<sup>th</sup> 5 year plan of USD 32 bn.
- As per the rail budget in Feb'15, **Rs. 8.5 trillion will be invested in railways in next 5 years.**
- The investments will be made in Metros systems for tier 2 cities, dedicated freight corridors, high speed railway corridors and new technology.
- Modi Govt. allowed 100% FDI in Railways infrastructure

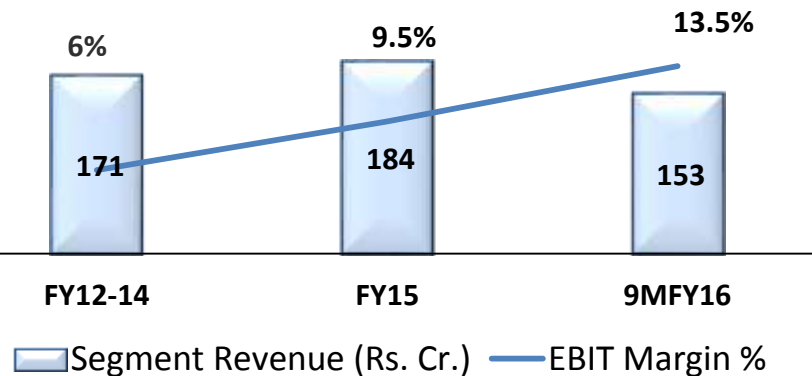
## Escorts Proposition

- With over 40 years of rich experience in manufacturing of critical railway systems (Safety and comfort), Escorts has played a major role in the modernization of Indian Railways.
- **The aspiration is to be in top 2 component and solution provider to Indian railways and metros in next 5 years.**

S. No.	Products	Revenue (9M FY16)	Market Size	Competition
<b>Existing Products</b>	Brakes: Air Brakes, EP Brakes Couplers: AARH coupler, SHAKU Coupler Others: Brake Pads, Suspension etc.	Rs. 153 Cr.		
<b>Product Pipeline</b>	Bogey Mounted Brake System (Completed testing) Axle Mounted Brake System ( on going testing)		Rs. 300 Cr.	One player



## Future Outlook - Leveraging Customer Relationship



- With the development of new product segment, the margins in ERP is expected to go up.

### New Products

New products are in development at various stage.

### New Segments ( Metro, Exports)

Foreign Collaborations done to bridge the product gap .

**To be one of the top Two Supplier to Indian Railways leveraging our existing relationship and technology partnerships**



# Escorts Auto Products

Shock Absorbers

Suspension

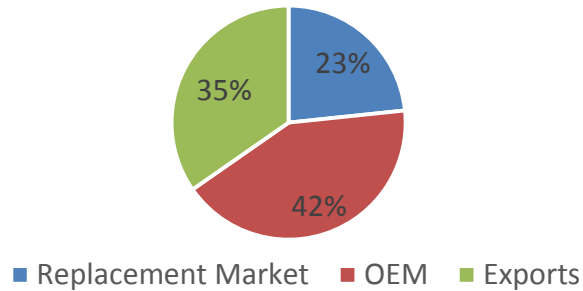
# Business Overview



**EAP pioneered the manufacturing of automotive shock absorbers in India.**

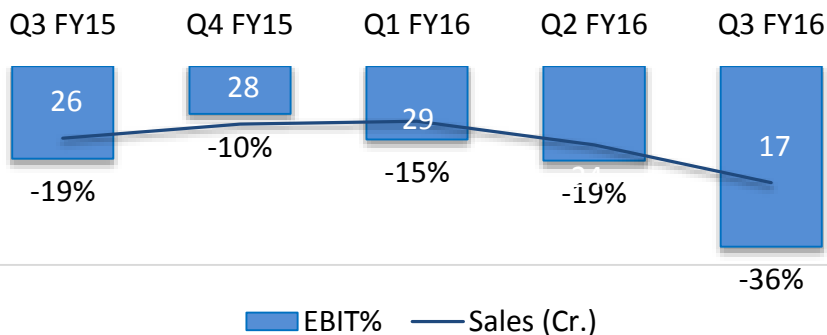
**Engineering Capability: EAP has rolled out 80 new products in last 3 years.**

**Sales 9MFY16 (Rs. 68.3 Cr.)**



Shock Absorbers  
2W, 3W, PV, CV and UV

Front Forks & McPherson Struts  
4W and LCV



Key Customers



**Reduction in losses on the back of reduced manpower cost ( VRS of 200 blue collar manpower).**

Investor Presentation



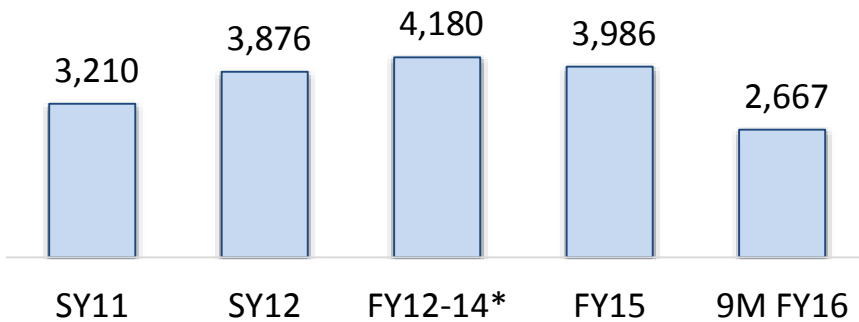


# Group Financials

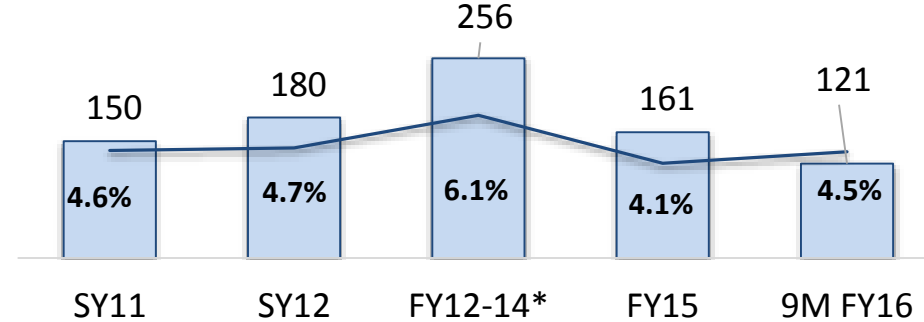


# Revenue & Profit Growth

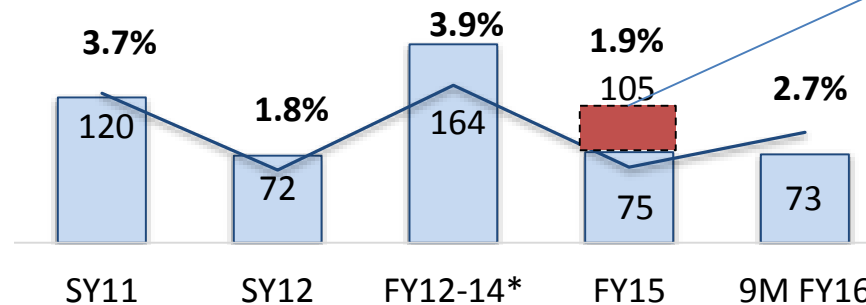
NET SALES (Rs. Cr.)



EBITDA (Rs. Cr.) — Margin %



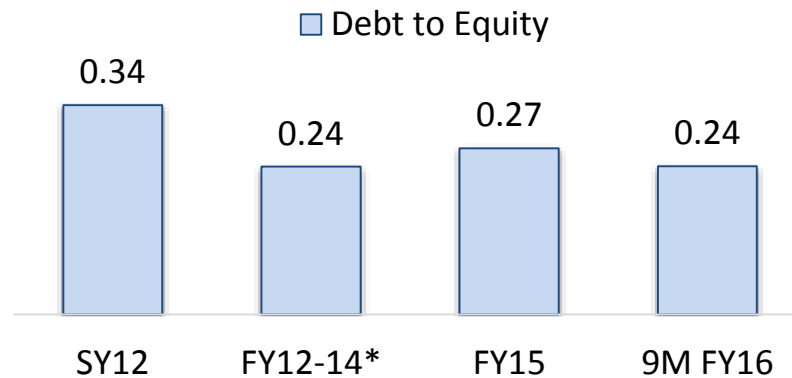
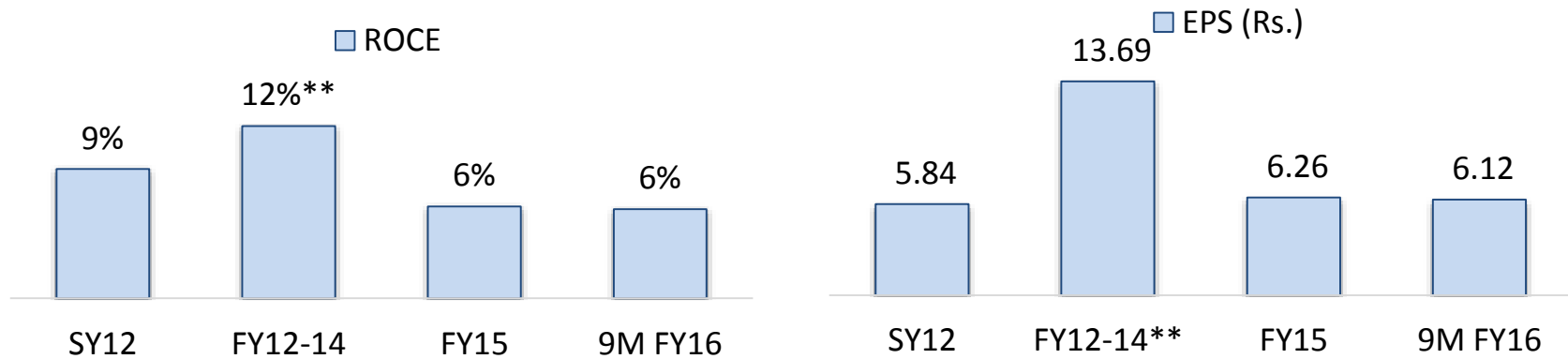
PAT (Rs. Cr.) — Margin %



**Exceptional Item  
of Rs. 31.4 Cr. due  
to VRS in FY15**



# Key Financial Metrics



\*\* Annualised



# Shareholding Structure

	June'14	June'15	Sept'15	Dec'15
Promoter Group	41.96	43.01	43.01	43.01
FII	5.20	7.58	8.33	8.47
DII	4.03	1.63	3.39	3.75
Public	48.82	47.78	45.27	44.77

# Corporate Governance



## OUR CORE VALUES



### RESPECT FOR PEOPLE

We will demonstrate dignity and respect for people in all our interactions. We will not tolerate belittling of people, regardless of position, or circumstance.

### EMPOWERMENT

People at all levels must be vested with the power and confidence to take decisions concerning their area of work.

### TRANSPARENCY

People will understand the processes and criteria used to arrive at decisions concerning them.

### COLLABORATION

We will work with our colleagues with the spirit of collaboration and mutual respect.

## OUR STRATEGIC VALUES



### CUSTOMER CENTRICITY

Acute sensitivity to the needs and experiences of the customer shall guide all that we do.

### EXCELLENCE

We will strive to achieve and surpass world class standards in all that we do.

### INNOVATION

We will use the power of technology and imagination to deliver solutions to the customers' needs.

### AGILITY

We will operate in our markets with the ability to change direction and position with nimbleness and speed.

- **Vibrant Board:** New directors introduced in FY15 in order to create a more vibrant board.
- **Internal Audit Outsourcing :** Internal Audit is outsourced to Grand Thornton.
- **Disclosure & Shareholder Interaction:** Increased disclosures and shareholder interaction.



# Management Team



## **Mr. S Sridhar - CEO, Escorts Agri Machinery**

- He possesses over 27 years of expertise in Automotive engineering & manufacturing
- Specializes in brand and business strategies, He was former CEO and then the President of Bajaj Auto Limited



## **Mr. Sunil Saxena - CEO, Escorts Construction Equipment**

- B.Tech from IIT Kharagpur and CFA from ICFAI, Hyderabad, He has over 34 years of experience in leadership positions
- In his previous role, He was EVP – Sales & Marketing and Business Development at JCB India



## **Mr. Dipankar Ghosh - CEO, Railway Equipment Division & Escorts Auto Products**

- An ex-Indian Railway Service officer with over 23 years of experience in product development ,engineering and management.
- He has previously worked with John Deere, Bombardier Transportation and Caterpillar India in various leadership



## **Mr. Bharat Madan, Group Financial Controller**

- He has 25 years of rich experience in all the domains of financial management.
- In his previous role, he was Financial controller with Electrolux Kelvinator.



## **Mr. Ishan Mehta - Executive VP – HR & ER**

- An Alumnus of Xavier's Labour Research Institute, He has more than 32 years of rich experience in HR
- He has previously worked with DCM Limited, Ballarpur Industries, Eicher Group and East India Hotels



# Board of Directors



## ***Mr. Rajan Nanda, Chairman***

- A Visionary leader, who has played a pivotal role in promoting the cause of Indian Agriculture
- Active member of several apex trade and industry bodies and member of CII National Council



## ***Mr. Nikhil Nanda, Managing Director***

- Alumnus of Wharton Business School, Philadelphia
- Responsible for driving Escorts' growth initiatives to strategically position it in the global arena



## ***Mr. S.C. Bhargava, Director***

- Senior Fellow member of ICAI
- He has worked as a Technical Advisory Committee member for RBI



## ***Mr. Hardeep Singh, Director***

- Chairman -Monitoring committee on minimum support price (Planning Commission) & Food security Task force (CII)
- He was the former executive chairman of Cargill South Asia and Amalgamated Plantations Pvt. Ltd



## ***Dr. S.A. Dave, Director***

- The first Chairman of SEBI
- Acting chairman of Centre for Monitoring Indian Economy, Mumbai





# Board of Directors



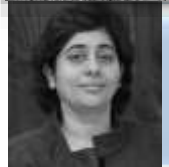
## ***Mr. P.H. Ravikumar, Additional Director***

- Founder MD & CEO of NCDEX
- He has worked with leading banks like ICICI Bank and Bank of India



## ***Ms. Vibha Paul Rishi, Additional Director***

- An Alumnus of FMS Delhi, She has been an Executive Director of Brand and Human Capital of Max India Limited
- She has also worked with leading Industry names like Future Group and PepsiCo in various leadership roles.



## ***Ms. Natasha Nanda, Additional Director***

- An entrepreneur & experienced business leader, She manages the Escorts Securities Ltd. And Escorts Asset Management Ltd.
- She is on the board of directors of Seitz technologies, RNIS, Raksha TPA, Rimari India and Sun and Moon travels.



## ***Mr. G. B. Mathur, Additional Director***

- An ACS and LLB by profession, He has more than 3 decades of experience in corporate law
- He has previously worked with Chambal Fertilizers and Chemical Limited



## ***Dr. Sitanu Bihuria, Additional Director***

- A PHD in Economics from Southern Methodist University, Dallas, He is an IAS officer from 1976 batch.
- He has served as secretary in the Dept. Of Fertilisers, National Disaster Management Authority and Dept. of Heavy Industry.



# Safe Harbour

Certain statements in this document may be forward-looking statements. Such forward-looking statements are subject to certain risks and uncertainties like regulatory changes, local political or economic developments, and many other factors that could cause our actual results to differ materially from those contemplated by the relevant forward-looking statements. Escorts Limited will not be in any way responsible for any action taken based on such statements and undertakes no obligation to publicly update these forward-looking statements to reflect subsequent events or circumstances.

## Contact Details

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(Group Financial Controller)

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# THANK YOU



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