



**“Investor Conference Call to Discuss Outcome of  
Today’s Board Meeting of Escorts Limited”**

November 18, 2021



**MANAGEMENT:**

**MR. NIKHIL NANDA – CHAIRMAN AND  
MANAGING DIRECTOR – ESCORTS LIMITED**

**MR. BHARATH MADAN – GROUP CHIEF FINANCIAL  
OFFICER AND CORPORATE HEAD - ESCORTS  
LIMITED**

**MR. SHENU AGARWAL – CHIEF EXECUTIVE  
OFFICER– ESCORTS AGRI MACHINERY - ESCORTS  
LIMITED**

**INVESTOR RELATIONS TEAM**

**Moderator:** Ladies and gentlemen, good day and welcome to the Escorts Limited Investor Conference Call to discuss outcome of today's board meeting of Escorts Limited. As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing '\*' then '0' on your touchtone phone. Please note that this conference is being recorded.

I would now like to welcome the management. We have with us Mr. Nikhil Nanda – Chairman and Managing Director, Escorts Limited; Mr. Bharat Madan, Group Chief Financial Officer and Corporate Head, Escorts Limited and Mr. Shenu Agarwal, Chief Executive Officer, Escorts Agri Machinery, and Investor Relations Team at Escorts Limited. I now hand the conference over to Mr. Bharat Madan for his opening comments. Thank you and over to you Mr. Madan!

**Bharat Madan:** Thank you Faizaan. Good evening, everyone and thank you all for joining us for briefing on the outcomes of today's Board Meeting of Escorts Limited. Today is a historic day wherein Escorts, and Kubota Corporation have reinforced their longstanding partnership with Kubota increasing their stake in Escorts Limited. While we have put up the investor presentation on the stock exchanges website, following is the summary of the key transaction highlights:

**Preferential allotment:** Escorts will issue and allot 93,63,726 equity shares through the preferential issue to Kubota at an issue price of Rs.2,000 per share amounting to Rs.1,872.74 Crores. This price represents an amount of 29.5% over the floor price as per SEBI regulations of Rs.1544.16 per share. Kubota's stake in Escorts will increase to 14.99%, on expended capital and pre-cancellation of shares and shall become a joint promoter along with the existing promoter of Escorts.

Coming to **open offer**, the agreement which is signed with Kubota will trigger an open offer and Kubota will make mandatory open offer to the public shareholders of Escorts to acquire up to 26% of the share capital. Open offer will be at the same price as preferential issuance that is at the price of Rs.2,000 per share. Kubota stake in Escorts will increase to 44.8% post first capital reduction and assuming full tendering in the open offer. With a view of making Escorts as exclusive vehicle of business in India, Escorts and Kubota have decided to take necessary steps to evaluate and consider the feasibility of merger of Kubota Agriculture Machinery India Private Limited, the sales JV between Escorts and Kubota and Escorts Kubota India Private Limited the manufacturing JV within Escorts and Kubota subject to necessary approvals.

The Board of Directors of Escorts has agreed to evaluate and consider the feasibility of cancellation of all the residual equity stake of Escorts Limited held by Escorts Benefit and Welfare Trust besides the pending capital reduction which is the first reduction in share capital owing to application made last year subject to getting necessary approvals.



*Escorts Limited*  
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Existing promoters to remain fully invested. Nanda family and current promoters' group are not selling any shares of the company. Mr. Nikhil Nanda shall continue to be Chairman and Managing Director and lead the next phase of growth of Escorts with the current set of Key Management Personnel. Kubota intends to have Mr. Nikhil Nanda engage in his individual capacity as a non-employee with the proposed designation of Senior Managing Executive Officer and General Manager of Value Innovative, Farm and Industrial Machinery, Strategy and Operations of Kubota besides the proposal to induct him as a Director on the Board of Kubota's European business holding company - Kubota Holding Europe BV Netherland. Mr. Nikhil Nanda's non-employee involvement in the foregoing capacity will not interfere with his role as CMD of Escorts. There will be no remuneration payable to him for these services.

The name of the company is proposed to be changed to Escorts Kubota Limited subject to necessary approvals. Some of the benefits from the stronger partnership that we can envisage is that Escorts will be the exclusive vehicle for manufacture and sale of certain products in India and for sourcing all those products from India which will include the existing products as well as the new products which will be jointly developed in future. Escorts will also house a major R&D and innovation center to offer cutting-edge products and new alternative technology. Seamlessly integrating Kubota's global reach and world class business processes and Escorts proven capabilities in frugal engineering and manufacturing. This partnership is committed to enhance customer's prosperity and accelerating mechanization with the most cost-competitive technologies in India and across the globe.

Now I request the moderator to open the floor for Q&A.

**Moderator:** Thank you very much. We will now begin the question-and-answer session. The first question is from the line of Gunjan Prithyani from Bank of America. Please go ahead.

**Gunjan Prithyani:** Thanks team for taking my questions and congratulations on this deal. Two basic questions from my side, firstly, if you can just talk about how the board and the management structure will evolve once this transaction is concluded then I will get to the next question?

**Bharat Madan:** Thanks, Gunjan. On the board side, the existing board obviously is continuing till the time the transaction gets closed, which will be on the completion of the preferential issuance of shares when Kubota reaches a threshold of 16.38% after the allotment and the reduction of the capital, so that is the time when the boards will be expanded to include two more nominees of Kubota, so there will be four nominees from Kubota side and four nominees will be from the existing promoters side and the balance about eight independent directors would be there, so the board will get extended to 16 members.

**Gunjan Prithyani:** Okay got it and no change in management at least for now is on the anvil, right?

**Bharat Madan:** Yes, there is no change in the management, so all the existing positions will continue to lead the company.

**Gunjan Prithyani:** Okay, my second question is basically now is a look after this transaction will have closer to 4.5% or slightly over net cash on the balance sheet, if you can share some thoughts, this is fairly significant amount of cash, some thought process on how we intend to use this, may be you can give us more color on what the or the group together both Kubota as well as Escorts are planning in terms of market share aspirations on tractor or how we are looking to scale up the whole farm mechanization opportunity, if you can talk us more about the overall strategy with this with the amount of cash we have on the balance sheet?

**Bharat Madan:** So, Gunjan, after the transaction is closed, so there is a proposal from Kubota to do work jointly with existing Escorts team management team and there is work on the mid-term business plans, which will be for the next six years to seven years and they will really put together they are in terms of what are the requirements and what sort of expansion on the product category with they are looking, so as you have seen in the press release and also in the media interview with Kitao san, who is the President of Kubota, so they are interested to expand the portfolio over coming years so it is not just tractors, they also want to go into harvesters, combined construction equipment and also in the engine manufacturing space. So, these are areas we do not know right now what all capacities will be required, what sort of investment will be required, so those are the detail working, I think which needs to be done, so after the transaction gets closed, so that is the time when we will work on the next 100 days business plan and we will look at the next six years to seven years what sort of investment will be required and what sort of scenarios emerge and these are the overall profitability and the business gets those investment, so maybe once those plants are ready, they are likely to maybe sometime in June or July which is indication which we have been given, maybe entire team will get more clarity and we will come back to you.

**Gunjan Prithyani:** We will be merging the JV entities also, the marketing as well as the manufacturing, so...?

**Bharat Madan:** Generally, the merger will happen and then I think at the time when it happens, so that time will depend on the valuation for those JVs and swap ratios which we get, so marginal dilution which will happen, but as of now we do not think it will be significant but yes that is something which will be maybe eventually happen.

**Gunjan Prithyani:** Okay, I will join back the queue. Thank you.

**Moderator:** Thank you. The next question is from the line of Raghunandan N L from Emkay Global. Please go ahead.

**Raghunandan NL:** Thank you Sir and congratulations on fortification of partnership with Kubota. Sorry Sir, I missed that part, can you talk about the usage of cash results of the company, company had 30 billion cash as of March 2021 and now another 19 billion cash is coming in?

**Bharat Madan:** I mentioned Raghu, the company will be working on the preparation of a business plan, so as you would have heard in the media interviews today with the President of Kubota, Mr. Kitao san, so

he was referring to the product portfolio expansion with they intend to do in India, and this will go beyond tractors and to the implement space to harvesters, combined transplanter, and construction equipment and also in the engine manufacturing space. So, obviously at this point in time, we do not know what sort of investment outlay will be required, so those are the things which will get stretched out after the deal is closed and then both teams will work together, and we expect by June-July we should be ready with mid-term business plan which will be sharing with all of you.

**Raghunandan NL:** Understood Sir, in the presentation refers to this exclusive vehicle for manufacture and sale of certain products in India and sourcing from India, can you elaborate on that?

**Bharat Madan:** The idea of this collaboration and strengthening of partner is also to have single vehicle for both the partners in India for utilization, right now like we got two JVs which are running separately and Escort is running separately, so obviously since they are 60:40 JV and in this company Kubota only holds about 9% right now, so obviously there can be some conflict of interest that can come in right now, so the idea is to remove all those conflicts and have a cleaner structure, profit ownerships and also on the shareholdings, so at least the business which is done in India is all done through a single vehicle, so that is the intention when you say all the business will happen to this entity only, so within India as well as whatever sourcing happens from India to the global markets.

**Raghunandan NL:** Thank you Sir. I will come back in the queue.

**Moderator:** Thank you. The next question is from the line of Aryn Pirani from JP Morgan. Please go ahead.

**Aryn Pirani:** Thank you for the opportunity. My question was in one of the releases there is a talk of the shareholder's agreement happening, there is a mention of the lock-in period of five years for both teams promoters and Kubota, so just want to clarify with five years a lock-in is contingent on which part of a transaction, is it a preferential allotment, is it the open offer or is it a certain stake that Kubota has to go after the shareholders agreement come into or before, so can you just explain that?

**Bharat Madan:** Once the shareholder agreement become effective which will be after Kubota reaches its 16.4% stake, so at that time the entire shareholding of the existing promoters as well as the Kubota will come under the lock in for next five years as per the agreement provisions.

**Aryn Pirani:** Okay, so it is not dependent on the success of the open offer, it is just the initial preferential allotment?

**Bharat Madan:** Yes, that is right.

**Aryn Pirani:** Okay but that is very helpful. I will come back in the queue.

**Moderator:** Thank you. The next question is from the line of Mitul Shah from Reliance Securities. Please go ahead.

**Mitul Shah:** Good evening. Thank you for taking my question Sir and congratulations. Can you throw some more light on synergy benefit related to construction equipment?

**Bharat Madan:** Mitul, under construction equipment, as you know Kubota is the global leader in the mini excavator space, so the single product line has about \$3 billion turnover and they have shown interest actually in the beginning also that they wanted to use our facility and also our earthmoving equipment capability and as you know they are also the largest engine manufacturers and they supply to the industrial equipment division, so engine goes to the construction equipment sector as well as in the farm equipment space, so they are quite keen and interested, so that is why construction equipment this time is a part of the overall business portfolio unlike in the last time when they rightly restricted it to only earthmoving segment, so this can be expanded that portfolio, so this entire business of construction equipment will also remain under the same collaboration right now, so I think the intent is not only use it for expanding the domestic market, but also use this facility and help it in exporting to the other countries to our network, so they already have the distribution network now in the sales JV, so earlier they were using the distribution network with third party in India but now they acquired that business now in KAI which is the sales JV and they are already doing the distribution right now in the entity, so the entity merged and it is single vehicle then this entire construction equipment business also will get combined.

**Mitul Shah:** Thank you Sir and just last thing, what is the motive of promoter for this deal because we are not understanding that promoter is not tendering any shares neither is taking any money and the reason is not coming out that why he is allowing any other entity like Kubota to become a major shareholder with more than 50% holding, so what benefit goes to Nanda family or is there any future probability of over a period they may offload gradually or anything like that?

**Nikhil Nanda:** This is Nikhil Nanda. This is a good question from your side, all I can say is that and me and my family are totally committed to the long-term value buildup of Escorts and there has been lot of rumors in the market about the family selling. I just want to put those rumors to rest that there is no intention whatsoever for family to sell any shares. We have not sold any shares right now and neither to be intent to in the foreseeable future, that is one. Second Kubota and the Escorts relationship has been built since 2016 with a lot of trust that I have been able to, along with my team been able to build with the leadership team of Kubota. The plans that Bharat talked about be it in terms of the middle term business plans which we want to jointly achieve for FY2025 and beyond is basis the trust of bringing the best of Escorts and Kubota bringing its best to India and succeeding jointly. It is not about tendering or allowing, not allowing anyone to come I, it is about the two partners who have set forth to build a powerful future to serve the society and the farming community and that is the vision and the goal with which we have announced what we have today.

- Mitul Shah:** Thank you Sir for very detailed answer and really thankful from all the investors point of view that this is really very good strategic decision you people have taken for the benefit of investors and giving confidence to all of us. Thank you and congratulations.
- Moderator:** Thank you. The next question is from the line of Satyam Thakur from Credit Suisse. Please go ahead.
- Satyam Thakur:** Good evening team and congratulations on the partnership. My other questions are answered but if you can share some thoughts on how the brands and the distribution will evolve here, so the thing brands in the Kubota and Farmtrac and Powertrac will all three continue, what will be the positioning of the three brands, how will that differentiated going ahead and distribution also Kubota also distributed through other Escorts or will that remain separate and how do you see that evolve?
- Shenu Agarwal:** This is Shenu Agarwal. Thank you for the question. As you know, Escorts has built our two main brands Powertrac and Farmtrac over last several decades and then have some very unique strength in the market or in the eyes of the customer. Now, we will have in the same company a third brand Kubota which is also very, very powerful brand, all the three brands we think are very, very unique and very distinctive and therefore we will try to leverage all the three brands distinctively, of course our strategy would also see in which market we make something a lead brand and something a supportive brand, right but that discussion is going to continue over next few months as Bharat has explained but definitely the intention is to leverage all the three brands because of their distinctive and unique strengths.
- Satyam Thakur:** Sir on the distribution front, will you highlight you have decided whether it will be sold through Escorts and secondly in Escorts we had planned separating a distribution of Powertrac and Farmtrac, so will that continue?
- Shenu Agarwal:** Yes, so on distribution side, it really depends on the brand strategy, generally the idea is to leverage all the three brands unique strengths but as I said on regional basis, we might decide for some brand to take a lead position and something else to take a supportive position depending on the dynamics of market in that region so distribution will follow the branding strategy, as far as Powertrac and Farmtrac is concerned, we will continue to separate distribution for these two brands as this is a strategic decision we took three years to four years ago about half of the country or more than that we have already separated it out and we will continue to do that in rest of the country.
- Satyam Thakur:** If you can share your thoughts in terms of the current positioning of the key brands, do you see anything which is complimentary in nature, the like what parts it is to motor and then which parts of the market in terms of what size are needed?
- Shenu Agarwal:** Sorry, I could not gather what you are asking, your voice is little fumbling, so can you repeat?

- Satyam Thakur:** I was asking that in terms of the current positioning of the Kubota product, if you could share that which part of the application is that that has suited for and better products in terms of crop prices and in terms of solid types?
- Shenu Agarwal:** Okay, yes in that sense there are like big complementary that we have in Kubota product line because the Kubota product line in its current shape and form, it is available in India is very, very well suited for the wetland markets, so they have actually coming from Japan and having a lot of experience to develop products for the wetland, or paddy type of crops, they have huge expertise in developing tractors for that and that is why Kubota when started distributing tractors in India, they picked those markets, right, this is not to mean that in future they will have products only restricted to this type of a market or this type of application but that is their strength right now.
- Satyam Thakur:** Okay. Thank you and all the best.
- Moderator:** Thank you. The next question is from the line of Jinesh Gandhi from Motilal Oswal Financial Services. Please go ahead.
- Jinesh Gandhi:** Congrats on this deal, just continuing on the Kubota brand tractors in India, how it will change by this transaction, I believe Kubota brand tractors are additional in the market before it, how does it change, will it change out to Escorts network or will continue to be in the Kubota network? That is my first question.
- Shenu Agarwal:** Jinesh, as I explained to Satyam, we want to leverage the strengths of all the three brands generally speaking and therefore the distribution will follow the brand strategy; however, in some regions not just in India but also globally, we would see and decide which brand out of the three would take a lead position and which would take a supportive position depending on the market dynamics and the unique strengths of a brand, so of course that is the general philosophy. As Bharat explained earlier in the next 6 months to 7 months, we are going to make detailed mid-term plans which will also include plans on branding and distribution and then we can share those with you but generally speaking, three brands are distinctive in our view and they will play distinctive roles in the market.
- Jinesh Gandhi:** Right and distribution for which of these brands will remain separate or there are plans to merge that?
- Shenu Agarwal:** Distribution will remain separate, and it will follow the branding strategy like I explained.
- Jinesh Gandhi:** Okay, got it and secondly on the board seats which you talked about additional two board seat, would it eventually also being that in Kubota will also get any executive positions in the company or that has not caught up the agreement?
- Bharat Madan:** As I mentioned in the beginning, so once the preferential allotment is done and Kubota reaches this threshold in the agreement becomes effective then they will induct two more directors on the

board, so right now we have four nominees from the existing promoters and two from Kubota and the six independent directors, so after they reach the threshold of 16.38% then they will have two more nominees coming on board, so will have equal board members from both the partners and there will be independent directors who will bring 50% of the capacity as per the norm, so it is good to have 16 members board will be there after the preferential issue is completed.

**Jinesh Gandhi:** Sorry, what I meant on the executive side, would that require, would we get any executive position as well?

**Bharat Madan:** Right now, obviously the existing management team will continue, so all the key management personnel which are there, they will all continue to operate, so that is the discussion and assurance we have from them, so going forward obviously in the long run we will see how the integration happens when we also have the merger of these companies and then we got right structure.

**Jinesh Gandhi:** Got it and two clarifications, one is the five-year lock-in is also for the Nanda family as well or it is just Kubota?

**Bharat Madan:** Sorry, can you repeat your question?

**Jinesh Gandhi:** The five-year lock in which is there in the investor or with the promoter?

**Bharat Madan:** Both the promoter

**Jinesh Gandhi:** Both the promoters?

**Bharat Madan:** After the shareholding agreement becomes effective, both the promoters will have it lock in. So, the concern which we have been getting that the Nanda family is selling out, so you will have to put to rest, they will lock in, so nobody can sell, neither Kubota can sell, nor Nanda family can sell when we lock in for that period.

**Jinesh Gandhi:** Sure, and secondly, what post second or elimination of entire treasury shares, stake of Kubota will be 53.5%, right?

**Bharat Madan:** Yes, we are eventually they will go to that position assuming everything goes to including 26% is achieved.

**Jinesh Gandhi:** Sure, got it. Great, thank you I will come back in the queue.

**Moderator:** Thank you. The next question is from the line of Joseph George from IIFL. Please go ahead.

**Joseph George:** Thanks team and congratulations on the transaction. My question is can you please confirm whether the trust will tender share in the open offer or not or is that a no in the state of promoters?

- Bharat Madan:** The trust is declared as a part of the promoter group, as per the SEBI regulation, so the promoter group is not allowed to participate in the tender offer, so none of the promoters will participate in the tender offer this will be only meant for non-promoter category.
- Joseph George:** Sure, and second question had that was is there any plan to give out a onetime dividend or something because you'll end up with close to 5000 Crores, I know you have answered the questions on that with respect to new products etc., but that numbers are significant like you know almost Rs.140 per share, so is there a plan to share onetime dividend etc., when the cash comes in?
- Bharat Madan:** I think as of now mostly no one expand the capital to use back to this shareholder's dividend, so I think idea is to put it back to the business for growth and that is what I mentioned, so we will be pulling together the business plan. The idea is to grow the business and also expand to a new category, so we do not know right now what sort of investments will be required for those categories, I think all when the plans are ready or they will have better clarity in this what sort cash requirements will come in, in the coming years, then we can take that call.
- Joseph George:** Perfect, the last question that I had is Kubota has a lot of products in the farm mechanization space, so is there a big plan that you are thinking of, in India of course mechanization levels are extremely low but is here a lot of potential for introducing those products in the Indian market and bringing that for the next leg of growth for Escorts?
- Shenu Agarwal** Yes, as Bharat had explained earlier, I mean we are not just looking at tractors, but we are looking at the complete farm mechanization solutions space, so there would be right now a few things are clear to us which is like we do want to participate in combined harvesters, rice planters, we do want to participate in the broader implement space also we do want to participate in the engine space, but more things will emerge as this partnership continues and goes along.
- Joseph George:** Thank you.
- Moderator:** Thank you. The next question is from the line of Vikram Ramalingam from Maybank Kim Eng. Please go ahead.
- Vikram R:** Congratulations on the big news. My question is on the export initiatives of Escorts, so I also read that the related party transaction can go up to 4,500 Crores in the fifth year and can you expand a little bit more on that and how this transaction will help in achieving higher export sales for Escorts and how would you now manage cannibalization between the Kubota group and Escorts with respect to exports?
- Bharat Madan:** Vikram one of the intend of this collaboration is to have a single exclusive vehicle in India for both the partners, as you know we already have got two JVs which are running now and this is significant in terms of size so like KAI which is almost 2000 Crores company right now and EKI which is the manufacturing JV is almost 1000 Crores to, so we are going to touch 1000 Crores in

terms of topline, so both are significant JVs and there are already transactions happening with the related party transaction being Kubota and the JV, so once we intend to merge these JVs into this company obviously this is the listed entity where you got a thresholds ceiling for getting those lead by in the shareholder, so keeping this the transaction which are already being done in those JVs with the related party and also the future growth plan which we have in mind for this company including exports, so we think this is the ceiling which will be required to which is why we actually going to seek this approval from shareholders to have led by transaction accrued and obviously this will come as a part of the plan. So, the 4500 Crores is a ceiling which will be there for both purchase and sales transaction, which will be a combined transaction, so it will improve the existing transaction, as well as the one which we propose to do in the future, which will come out more clearly in the business plan.

**Vikram R:** Just a follow-up how does this deal now help with exports at independent level as in if there are new countries you would like to tap or regions you would like to tap? Can you explain that a bit?

**Shenu Agarwal:** See, there are several opportunities that will open up now because as you know Kubota is a global player with a very established brand and several continents and markets and therefore all these markets or many of these markets would need India like products, or the products that has caused this expert on. So that channel will definitely open up with much more intensity now. The other also lever would be that India like we explained would become a global R&D hub for worldwide Kubota and might have the biggest R&D Centre outside Japan, which will again use the Indian expertise or Escorts expertise to develop more products which we can now export through Escorts channel or also through Kubota global channel. So, all those opportunities will now open up with it and therefore we are very optimistic on the exports front as well.

**Vikram R:** That is, it from my side. Thank you for answering my questions.

**Moderator:** Thank you. The next question is from the line of Eshit Sheth from Anvil Wealth Management. Please go ahead.

**Eshit Sheth:** Sir, thank you for taking my question. My question was on the shares that we hold in the employee trust. So, currently as you mentioned that we are looking to deduct 9% of the stake held in the employee trust. What happens to the balance 16% which is held in the employee trust? Also, in terms of voting rights do these shares have voting rights which are entitled to which promoter? Is it now the Nanda family or the Kubota company?

**Bharat Madan:** The answer to the question so the 9% is the capital reduction which has already been filed last year, so when we did the first preferential allotment to Kubota last year, in July, so we had also passed a resolution to cancel those shares, equally number of shares and for that approval from NSE, BSE has been taken and we have already filed a scheme in NCLT. In fact, last month we also had the NCLT reserve the order on this scheme, and we expect this reduction fully will get materialized or effective very soon maybe in few days or a few weeks' time. Now as for the balance shares are concerned, we already announced that board will evaluate and look at the

feasibility of cancelling those shares too, whatever 15% to 15.5% stock which is left now and actually those will reduce. At the end of the day, both will likely get cancelled.

**Eshit Sheth:** Got it. Sir, in terms of Kubota's sourcing I understand you mentioned that you finalized some plan, in June and July, but broadly can you talk about the kind of opportunities because as we are talking about 5000 Crores coming in the company, what kind of capex plan do you envisage? Because globally because globally Kubota is doing somewhere around Rs.160000 Crores of sales. Do they have something in mind 5% of it, are they looking to outsource from India, or all this will come and get finalized in June–July?

**Bharat Madan:** This is one of the options, like we mentioned because we are discussing with them since this global sourcing is quite high, when you talked it is a \$15 billion company even you take 60% – 70% of the raw material cost and this is the options or opportunity for sourcing from India which is a low cost country is huge but as a potential this will get explored jointly because right now like I said they were only holding 9% mostly those were the items which they would not have transferred to the company but you are looking at they are talking about single exclusive vehicle which will be the only vehicle for working in India then all these opportunities open for us whether it is exports or sourcing of components from India or products from India including setting up an R&D Centre or lot more opportunity which will likely come in to play besides the expansion of product portfolio.

**Eshit Sheth:** Got it. Thank you so much and congratulations on the deal.

**Moderator:** Thank you. The next question is from the line of Ashish Jain from Macquarie. Please go ahead.

**Ashish Jain:** My question was given that Kubota has an expertise on the wetland tractors and all. Does it make us more ready or to gain market share in south and west where this was one of the issues in our portfolio?

**Shenu Agarwal:** Definitely, the whole idea was to strengthen each other without complimentary capabilities, we make certain kind of tractors and Kubota expertise in certain other kind of tractors. When we start working together now under one company concept there would be lot of opportunities to see how we can leverage on each other's competencies. So, wetlands of course we will get the major boost as the this the one that we were slightly lacking on in terms of product portfolio.

**Ashish Jain:** My question was more in context of, are there multiple products which Kubota has in their global portfolio, but they have never explored Indian market for those products and can it really possible that the process materially or you still think it will be a gradual market share increase and all at least from product availability contrast is?

**Shenu Agarwal:** From product availability perspective as you can imagine Kubota is a leading player and a leading brand in most of our continents and therefore you can imagine that the product range that they have in India is nothing as compared to the product range they sell globally. They are kind

of full tractor and Agri solutions equipment manufacturers. They have products from very, very small lawn and garden tractors to very high horsepower tractors so, all their product portfolio now will be available depending on what India needs and what this one company, Escorts Kubota needs but we will have access to all that technology. Now, we will have discussions, as to what is required and therefore then we will get back to the Indian market.

**Ashish Jain:** Secondly, I know you spoke about the business plan coming out in June – July but some of the segments that you spoke about like implements and harvesters and all, can you at least quantify what kind of opportunities there in terms of the market size of these as it stands today?

**Shenu Agarwal:** You know the implements is not a big market right now especially in the organized sector, but we all talk about this that implements market has a huge, huge potential in India. Now, if you look at globally implements market size overall is twice the market size of tractors globally but in India it is like less than 5%, actually much less than 5% right now. So, there is a huge upside for companies like us to increase our penetration and participation in this market and to grow this market in India. Coming together with Kubota which has large presence in global implements market - harvesters, transplanters etc., that would be a definite benefit for us to expand our presence in implements.

**Ashish Jain:** Great, thank you so much and best of luck.

**Moderator:** Thank you. The next question is from the line of Chirag Jain from DAM Capital. Please go ahead.

**Chirag Jain:** Thanks for the opportunity and congratulations on the transaction. Just wanted to check now with Rs.5000 Crores of war chest that we have, would inorganic growth opportunity or acquisition be something that we would actively pursue now. Let us say even in the tractor space or probably in the implements space in which we plan to expand?

**Bharat Madan:** Chirag, all those options are open. Obviously, tractors I do not think is the space where more consolidation is possible right now in India but on implements space is something a possibility. Now, since we have availability of lot of technical expertise from the other partner, it opens up lot of opportunities for us to which were not there earlier. Obviously, we need to sit with them, discuss with them, what are the complementary capabilities which both partners have, and we are the gaps are. So, where there are gaps which will be explored but where the implanter can get from the partner itself then probably, we will not need to look at those options now in India.

**Chirag Jain:** Thank you. That is, it from my side.

**Moderator:** Thank you. The next question is from the line of Shashank Kanodia from ICICI Securities. Please go ahead.

- Shashank Kanodia:** Thanks for the opportunity. The kind of synergy benefit that we are envisaging regarding incremental in farm mechanization and global sourcing so, these are also envisaged as the first leg of transition some eighteen months back but hardly any progress has been made since then. Apart from COVID what really held us back in really possessing upon that partnership?
- Shenu Agarwal:** There was no progress. There were lots of things from the anvil. There were lots of discussions that were going on and with this announcement that we have made lot of conflicts of interest have been removed because the concept is now working in one company together. Lot of these things even what you are saying were little bit slow would get accelerated now. As Bharat has explained both the teams would sit together in the next six seven months, we will draw out those plans and then we can divulge more information on those.
- Shashank Kanodia:** Secondly, what happens to something like 17000 odd units of tractors, which Kubota sells so, these will immediately find transferred and manufactured at Escorts Kubota limited, and our combined market share now will become the third largest at 13% plus?
- Shenu Agarwal:** When everything merges together of course the market share will also merge together. As you know Kubota Tractors are being imported from various other locations outside India as well as some of them are manufactured in the JV that we have with them, the manufacturing JVs. Once that manufacturing JV merges of course the production will continue in the JV plant but the company itself or the entity itself will get merged.
- Shashank Kanodia:** Right, whether the imported portion will shift to the domestic operations then this eventually should happen?
- Shenu Agarwal:** It will all be part of one company after the merger.
- Shashank Kanodia:** Sure, thank you so much and wish you all the best.
- Moderator:** Thank you. The next question is from the line of Umang Shah from Edelweiss. Please go ahead.
- Umang Shah:** I had a very basic question; I am sorry if you have already answered this. But I would love to understand what Nanda family get in this transaction. Our shareholding is going down from 37% to 12% and what benefit did Nanda family see in Escorts Kubota versus what they were seeing earlier?
- Bharat Madan:** First of all, I think this is a misnomer that the shareholding was 37% because 25% shareholding actually is lying in the trust for which the beneficiaries of the company. If you look at those consolidated financials, we do make out capital so, essentially it was only 11% – 12% capital which is with the Nanda family. So, what he is getting, or you are trading in his situation by bringing a steady partner on both it is a friendly deal which has been done looking at the possibilities of collaboration and how we can grow the business together in India as well as globally. So, I am sure like all shareholder, he is also a shareholder, and he also will see he is

wealth growing the way the other shareholders are looking at this transaction and the company is likely to do well with all the synergies which are fortune now bringing in two partners.

**Umang Shah:** Any idea on all the other JVs that we have? Will they continue the way we were working on it or the plan would be again within six months?

**Bharat Madan:** Sorry which JV?

**Umang Shah:** Tadano JV for example that we started?

**Bharat Madan:** All other JVs will continue, we have two more JVs like Tadano for construction and there is another one in the tractor space which are smaller tractors which is with Amul group called Adico which makes smaller tractors, both JVs will continue.

**Umang Shah:** Thank you.

**Moderator:** Thank you. The next question is from the line of Kishan Gupta from CD Equisearch. Please go ahead.

**Kishan Gupta:** Good evening. Essentially want to understand like for tractors you have ex Kubota 10% market share, so how that will shape up post this Kubota participation?

**Shenu Agarwal:** I am not sure if I got your question right, but still, I will respond. So, yes we have about 11% market share and Kubota at roughly about 2% to 2.5% market share. So, once all the entities get merged into Escorts Kubota Limited, the proposed entity, then of course that market share will also get consolidated. If the question is about the future growth of market share, of course we have spoken about it a lot that all the three brands have some unique strength. There is lot of technology that is available in the Kubota ecosystem that will be available for India. In any case, we are going to invest in our local R&D to make it a global R&D to develop new products for India jointly and for even outside India and therefore you know all that will add to our strength in India and globally.

**Kishan Gupta:** Sir essentially 13% you said, 11% plus 2%, so can you quantify where it can move in the next five years, domestic?

**Shenu Agarwal:** I think we have talked about this earlier also that our aspiration is to go beyond 20%, 24% in combination of the three brands. Now in terms of timeline, of course we are working out detailed plans now in the next six to seven months. So, we will get back to you but that is the level of our aspiration

**Kishan Gupta:** You talked about this around 2% stake this market share for Kubota so where they have done well in India, which markets essentially?

- Shenu Agarwal:** So, they have graduated strategy in entering India for the last few years and of course they are going market by market. So, do not read like 2.5% as the overall India market share because they are not present in more than 50% of the markets in India right now, but right now they are focused on mainly wetland markets, because that is what their current strength is, but in those markets they have a significantly higher market share than 2.5%. But at a country level they are at 2% to 2.5% right now.
- Kishan Gupta:** And you think you can ramp up further market share in wetlands post this deal.
- Shenu Agarwal:** For sure, that would be our vision and aspiration.
- Kishan Gupta:** Thank you.
- Moderator:** Thank you. The next question is from the line of Pranav Tendulkar from Rare Enterprises. Please go ahead.
- Pranav Tendulkar:** Thanks a lot. Just one query, so after all the shares what is the next stage of the welfare trust shares are also extinguished, what will be the final last shareholdings, so in terms of percentages, for Nanda family, then Kubota and then public, these three categories.
- Bharat Madan:** After the last capital addition for the balance shares Kubota goes through this complete open offer and they get 26% shares and their preferential allotment. Eventually they will end up at about 53% odd shares and Nanda family will be at about 14% this is pre-merger of the JVs, in merger also maybe dilution will happen, and they will get some extra share but that will depend on the swap ratio and the valuation that happens at that time. Together they will be roughly about 68-69% the balance will be the public.
- Pranav Tendulkar:** Okay, so 33% will be the public shareholding?
- Bharat Madan:** About 30%.
- Pranav Tendulkar:** Perfect. Thanks a lot.
- Moderator:** Thank you. The next question is from the line of Vimal Gohil from Union Mutual Fund. Please go ahead.
- Vimal Gohil:** Thank you for the opportunity. While your comment on the tractor market, Kubota has about 2% to 2.5% market share in India that gets consolidated which is very good news. Just wanted to understand that we have the similar understanding on structure for the other businesses that Kubota has in India, which is construction equipment and farm implements?
- Shenu Agarwal:** For construction equipment business is also within the KAI which is Kubota Agriculture India the company that exists in agricultural machinery. So, once KAI gets merged into the new company EKL- Escorts Kubota Limited, then that business will also get merged.

- Vimal Gohil:** The construction equipment's and the farm implementers as well?
- Shenu Agarwal:** Right.
- Vimal Gohil:** Okay, and in one of the questions you mentioned the potential for Kubota to source the tractors from India, I could not get your answer right but if you can help me with that number again, what is the potential that we are looking at, in terms of Kubota's global sourcing, I think you mentioned a number could you repeat that statement?
- Shenu Agarwal:** We did not give you the number. We were just giving a ballpark potential estimate not a number really, because the number we still have to work out working with Kubota team. But Bharat was only trying to say that right now global topline is in excess of Rs.150000 Crores and therefore the material cost even assuming at 75%, so that is like a large bucket that Escorts can tap into. What will come to Escorts is a matter of discussion and matter of decision which will happen over six to seven months.
- Vimal Gohil:** When you talk about what will come from Escorts and when you talk about cost of materials of Kubota, we are talking of fully built tractors to be probably exported from our manufacturing facility?
- Shenu Agarwal:** We are talking both. We are talking about sourcing of components, sub assemblies and aggregate as well as some tractors for their global network.
- Vimal Gohil:** Okay, this will include components as well which you are not doing right now?
- Shenu Agarwal:** That is right.
- Vimal Gohil:** And this will be Agri tractor component etc?
- Shenu Agarwal:** Whatever components that we specialized in sourcing like what we use for our products those would be the potential components that what we can, or Kubota can buyback.
- Vimal Gohil:** Fair enough. Thank you so much and all the best.
- Moderator:** Thank you. The next question is from the line of Ronak Sarda from Systematix Shares. Please go ahead.
- Ronak Sarda:** Congratulations on the deal. A question again on the related party transaction for which we will be talking the shareholder approval; firstly, can you help us understand what is the kind of transactions are happening right now and will this continue in the new entity, EKL or are we planning to do something beyond the current transactions and hence we need an approval. Sorry, if you can explain that again?

**Bharat Madan:** It is a mix of the existing transaction which are happening. There are two set of transactions, one the transactions which are happening with Kubota and the JV because they are the related party with Escorts they are not yet related party not the promoters right now but now after this deal and the shareholder agreement we can get it they will become promoters which means they will become related party, so any transactions which are doing so far were not getting covered under related party we will also get covered in the related party. So, whatever export potential we are talking about from Escorts which will happen to their global network will all be part of our transactions now. So, in addition to the existing one, they are doing the proposed one also which will happen from our company also be part of this transaction.

**Ronak Sarda:** Right, so this is more in terms of exports and not importing fully built tractors from any of the Kubota entity into India, is that understanding, correct?

**Bharat Madan:** Like we are already doing is right now for tractors which are not being produced in India from their entities which is coming to the JVs now. Obviously, we will not start producing all those tractors immediately in India, it will take time even we have to localize those tractors depending on the synergies and the volumes which we will get from them till that time also we will continue to be imported and all those imports will shift to Escorts Kubota Limited once the JV merged into this entity.

**Ronak Sarda:** Got it and the second question obviously the relationship is five years old, and we had a preferential some time back and we are doing this new preferential allotment as well. So, the ratios have evolved very well can you highlight some of the points which Escorts believes can help them increase their market share potentially or what are the tangible benefit or the intangible benefits which you see from the deal assuming everything now becomes the one entity?

**Bharat Madan:** As I talked about this will be the exclusive vehicle for the both the partners to do business in India, First obviously there is a potential for it doing the market share here by expanding the product portfolio complementing the strength of the channel partners for both the companies which today are operating separately, then also the opportunity for sourcing from India for their global requirements, so will be export possibility both for finished products, for components, for engines as well as the expanded product category which they have introduced now into this company. We are planning to have a major R&D centre, the global R&D which will be set up in India which will be part of this entity now, which will be innovation centre and the new product development which will happen, lot of outsourcing of the new product development exercise they do globally it can also happen to this centre the way we have seen it happening in many other companies. So obviously these are the synergies which right now are difficult to quantify, but this is something what has been set the expectation for. So, I am sure I think once we start putting it together on a paper and then we will get more clarity in terms of what timeframe and what sort of synergies can happen further and what really translate into financial terms.

**Ronak Sarda:** Sure, and the final question I mean once Kubota has more than once we open up and they have let us say more than 40% stake will there be a relook at the different businesses Escorts has been

today and will there be a core, noncore aspects or do we plan to continue with all the businesses we have right now effectively the railways business and the other JVs we have?

**Bharat Madan:** Yes, so obviously railway is one business where Kubota does not have an interest globally as of now so the construction equipment and the Agri business is definitely the core right now so on railway obviously, we will think as of now the business will continue as part of the entity but going forward we will have to explore options in the sense what need to be done with that whether we will put this in to a subsidiary or look for a separate partner to help that business also to grow because the business also got lot of potential right now. So, what we will look at a right partner to really help that business to grow the way we are looking at this Agri machinery business with Kubota

**Ronak Sarda:** Sure, thank you, thanks and all the best.

**Moderator:** Thank you. The next question is from the line of Dhruv Saraf from Ratnabali Group. Please go ahead.

**Abhinav Chandak:** This is Abhinav Chandak here from Ratnabali. So, I have two questions one question is regarding the shareholding so post the preference allotment now Kubota will reach 16.5% and then you will approach the regulators to allow you to cancel the shares that is the trust shares post cancelation, so first clarity I need whether you will approach to cancel the entire 25% stake held by the trust today, if that is the case the stake of Kubota then move to 21% or 22%. Then an open offer happens of 26%. So, 22% plus 26% my math tells me it is 48%. So, you are saying that post that their stake will be 53.5%. Obviously, it is on expanded equity so there will be calculation effective open offer is not for 26% but it is for some 33%, 34% is my understanding correct?

**Bharat Madan:** No. It is incorrect so let me first clarify that to you. See the Kubota was allotted 9.1% preference capital last year and at that time we had also decided to cancel the equivalent number of shares from the trust for which the application has already been filed with NCLT and is pending there and we are expecting that approval will come anytime now. So that is first part of it so out of 25% 9.1% is already addressed when we are talking about 16.4% for Kubota that is after assuming that 9.1% capital reduction will take into place by that time we close this preferential allotment, so the initial percentage of shareholding of Kubota after preferential allotment and before capital reduction will be 15% of the expended capital, post first capital reduction they will move to 16.38%, after that assuming they get an open offer of 26% which is on the expended capital base and after capital reduction of first phase the expended capital base the open offer size will be 28.8% or something or 28.4% so it will move up to 44.8% and then there will be second phase of capital reduction which is for the balance 15% then they will move up to eventually 53%.

**Abhinav Chandak:** So effectively the offer is not for 26% but for 28%.

**Bharat Madan:** 26% is for the expended capital it is capital expenditure effectively so that becomes 28.4%.

- Abhinav Chandak:** Now the second tranche of my question is that after this there will be dilution for rest of the shareholder when a merger happens correct?
- Bharat Madan:** Yes, but very minor. They are not very big in that size, so I think it depends on the strategy of evaluation.
- Abhinav Chandak:** But Sir when the treasury shares gets cancelled the extent of treasury share is getting canceled out is more than what is being allotted to Kubota. So, do I assume that the cancellation is going to be shareholder accretive, and the merger is going to be shareholder dilutive and hence you are saying that it will not be too dilutive for shareholders?
- Bharat Madan:** No, I think you have totally misunderstood the transaction. The cancellation is 15% of the capital merger maybe a dilution of 1% or 2% so obviously it is accretive to the shareholders.
- Abhinav Chandak:** But trust today holds 25% what happens to balance then that just canceled in the second tranche?
- Bharat Madan:** See 9% is already under cancellation which should be effective anytime now. It is already waiting for the NCLT order to be received and then the balance will be only 15.5% which after this preferential issue will probably get reduced to about 14.5% and that cancellation will happen later after they open out.
- Abhinav Chandak:** I have a lot more clarity now. Thank you.
- Moderator:** Thank you. The next question is from the line of Amit from Rare Enterprises. Please go ahead.
- Amit:** I do not have a question. Just Mr. Nanda, Shenu, Bharat, many congratulations to all of you for putting out such a fabulous deal and wish you all the success in the medium and the long-term. Congratulations to you.
- Nikhil Nanda:** Thank you Sir for calling really appreciated thank you Sir.
- Amit:** You are welcome, all the very best.
- Moderator:** Thank you. The next question is from the line of Sameer Deshpande from Fairdeal Investments. Please go ahead.
- Sameer Deshpande:** Congratulations to you Mr. Nikhil Nanda and all the team of Escorts for undertaking such a good deal with the world leader and our future business growth potential will be quite good. So, it is really a rare thing the treasury stock operation which had happened few years back was at the time questioned by lot of people that the promoters of the company are taking backdoor steps to increase their stake but now I think it has been demonstrated that the promoter has acted in the interest of the company and the minority shareholders at large. so, Mr. Nikhil Nanda you need to be congratulated for this.

**Nikhil Nanda:** Thank you Sir. It is my fiduciary responsibility to do what is right and I believe what we have approved and basis the consultation & deliberation of the board of directors that the structure is clean, it meets some of the governance tick mark and also strategically bring in a partner that gives a very powerful roadmap of growth for this company for the future, be it for domestic market and for the global markets. So, we are very thankful to the support of our shareholders and you have my commitment, we will do what it takes to be very, very clear on our growth and expectation on the ROI and on a profitable and a market share growth. Thank you.

**Sameer Deshpande:** Sure, and all the very best from all of us. I had one question to Mr. Madan. This equity now the new preferential allotment equity will get temporarily diluted well later it will be canceled, so actually I would like to know earlier our treasury stock was about 3.37 Crores shares so out of the total 12.25 Crores shares of the equity capital, which was around 27.5% out of that we placed that 10% and later now it will be canceled etc. So, the net equity if you cancel the treasury stock would have been about 87 Crores so now after all these transactions are completed what will be the net equity of the company? Would it be 122.6 Crores which is the current equity, or it will be adjusted because of the cancelation of this treasury stock?

**Bharat Madan:** It will further go down because there will be further cancelation which will happen, so I think if you look at our consolidated financials we have already reduced this treasury stock and we made capital is much lower. So if you would remove the capital from the expended capital of 134 Crores which is 13.48 Crores shares and remove 3.37 Crores share that is the capital which we made and to add this preferential allotments will happen so eventually after all the realization which has taken in to place we will be left it about I think 11 Crores shares which has been lower than what you are holding today so which is the point which I was explaining to the earlier gentlemen this will be accretive to all the shareholders.

**Sameer Deshpande:** Exactly so the equity will go down from 122.5 Crores to some 110 odd Crores?

**Bharat Madan:** That is right.

**Sameer Deshpande:** Thank you very much and all the best.

**Moderator:** Thank you. The next question is from the line of Pankaj, an individual investor. Please go ahead.

**Pankaj:** Congratulations Mr. Nanda, and the Escorts management team for such a fantastic deal. I have one question, see Kubota Japan have close to \$16, \$17 billion of sales and the large part of the sales also comes from the overseas market ex of Japan. So, my questions are two. One is that close to 16%, 17% of their global sales have come from water and environment division so can there be any opportunities in that segment whether the Escort Kubota India will venture into that water and environment related? Second is that when we are talking about these export opportunities for Escorts India Limited, would there be a transferred of some of these overseas sales which Kubota is right now doing in across geographies so all the export sales will be happening to the sister companies or we would also be directly exporting to the overseas market?

- Shenu Agarwal:** Just trying to understand your question so apologies in advance if I answer it wrongly. But I think the last question was whether the sales will happen directly to overseas markets by Escorts Kubota the new company or it will happen only to the Kubota subsidiaries or Kubota itself? So, answer is yes. It will happen in both ways like it is happening even right now so we also export to our own direct distribution which will continue to exist, and it will happen to Kubota subsidiaries then we supply to Kubota global channel. So, I do not think there will be any change really there.
- Pankaj:** Thanks for that and then this second question is that regarding water and environment whether there is any scope for new product segments there?
- Shenu Agarwal:** Yes, right now we are totally focused on agri, machinery and construction business other than that like engine etc., what we have talked about. We have not discussed apart from this any other thing. In future there may be possibilities but right now that is not a scope of discussion so far.
- Pankaj:** Just one more thing see, if I see the global sales of Kubota see out of their 65% sales of farm equipment engines close to 52% happens from overseas so is Kubota manufacturing across by themselves or they are outsourcing some of their requirements of Japan or say overseas to some third parties?
- Shenu Agarwal:** The third party we are not aware of, but they have manufacturing facilities outside Japan as well in many locations so yes sales of course they are a global company, so their sales are spread out in various continents outside Japan as well but manufacturing also happens outside Japan in various locations.
- Moderator:** Thank you. The next question is from the line of Nirmal Bari from Sameeksha Capital. Please go ahead.
- Nirmal Bari:** Thanks for taking my question. It is just a clarification that I need on the 26% open offer so at present we have about 13.48 Crores shares outstanding and we would be issuing another 93 lakh shares to Kubota in this preferential allotment so post this is the 26% offer on the 14.41 Crores as outstanding would it be on this number or would it be on the reduced share base it would happen in cancelation of 1.2 Crore share?
- Bharat Madan:** That will be on the extended capital of 14.41 Crores.
- Nirmal Bari:** It would not under reduction even if it happens in-between will not affect the number of shares to be canceled?
- Bharat Madan:** No well SEBI guidance says the day the offer is announced on that day the reduction should have become effective since the reduction is not yet effective and if it happens subsequently now the announcement is happening today so that is why this will not be taken in to account so it will be on the expended capital base.



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- Nirmal Bari:** Thank you Sir.
- Moderator:** Thank you. The next question is from the line of Mitul Shah from Reliance Securities. Please go ahead.
- Mitul Shah:** Thank you for giving me opportunity again Sir. Sir I have question on all these JVs and merger. So, while it would be a subsidiary, or it will be completely merged entity and all the assembly, and all the units of Kubota right now will be a part of this entity now?
- Bharat Madan:** Essentially everything will get merged into Escorts. Escorts will be the surviving entity, Escorts Kubota.
- Mitul Shah:** Sir then any major change in the structure or it will be like a single company only or there would be a step-down subsidiaries and structure maybe slightly different?
- Bharat Madan:** Subsidiary as of now there is no plan so I think it is for the same business will be all housed into the single entity now as there is a separate business like we have got a crop solution business which is housed into a separate subsidiary, obviously that will continue so but they will ultimately get consolidated into the same entity will be all the 100% owned subsidiary.
- Mitul Shah:** Even construction equipment this business will also remain like this it will not be a separate subsidiary.
- Bharat Madan:** No as of now there is no plan, so we intend to continue in the same entity.
- Mitul Shah:** Thanks Sir.
- Moderator:** Thank you. Ladies and gentlemen due to time constraint we will take that as a last question. I would now like to hand the conference over to Mr. Madan for closing comments.
- Bharat Madan:** Thank you ladies and gentlemen for being present on this call. For any feedback and or queries please feel free to write into us at [investorrelation@escorts.co.in](mailto:investorrelation@escorts.co.in). Thank you very much and have a good day.
- Moderator:** Thank you. Ladies and gentlemen, on behalf of Escorts Limited that concludes this conference call. Thank you for joining us. You may now disconnect your lines.