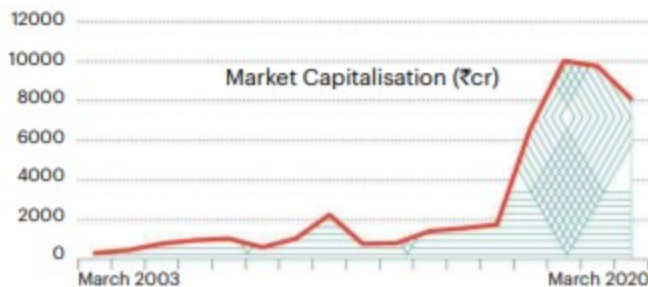


Sharp Rise in Mcap In last Few Years



And the story is only getting better. Two consecutive good monsoons have ushered in strong growth in agriculture-led rural sectors that promises to provide a big upswing to the tractor industry. While all other sectors are counting losses in FY21, a year ravaged by the pandemic, the tractor industry may be in black this year. "Given the strong traction in the rural economy on the back of a bountiful crop season last year, we expect that the start of the next tractor upcycle may last another two years. We believe Escorts will be in a better position to reap benefits of this upcycle like never before," Vishal Srivastav, a research analyst at Edelweiss, said in a report in July. "We expect its tractor business to grow 11-12 per cent a year during FY20-23 due to strong focus on exports, coupled with near-term expectations of healthy growth in the domestic market."

Nanda says while he had anticipated an upswing in demand for tractors based on the cyclicity of the business, the strong demand during the lockdown was pleasantly surprising even for him. Though the company has two other business verticals, railways and construction equipment, the fortunes of the company are mostly linked with agriculture as farm equipment accounts for 80 per cent of revenues. Nanda is also planning to exploit export opportunities for which he has tied up

with Japan's Kubota. It has also expanded its other agri-led businesses such as seeding, planting and harvesting equipment. It is even upping the ante in the industry with advanced technology products with an eye on the future. In 2017, it unveiled its first electric tractor concept, showcasing its readiness for the future. Similarly, in 2019, it launched its Digitrac brand of high-power tractors that are available only through online channel. This has served the company well in the pandemic. The tie-up with Kubota, besides aiding exports, will also help the company in future growth. The Japanese firm has also bought a 10 per cent stake in Escorts for ₹1,042 crore, improving the liquidity of the company. Nanda has great expectations from the rural economy. "The cyclicity in the farm sector is shrinking. The way agriculture is changing in this country, it is going to surprise us all. The next few years are going to be phenomenal," he says.

Even if Nanda's optimism does not materialise — a drought year can scuttle best-laid plans — analysts believe there is significant growth potential in the company's other two businesses which can act as a cushion in the event of a downturn in agriculture.

"The next leg of growth for Escorts can come from the non-tractor business. Railways and construction equipment currently account for 23 per cent of its top line, a modest growth from 19 per cent in FY16," says Srivastav of Edelweiss. "The share of these businesses in overall EBIT has grown considerably to 18 per cent from negative in FY16. Improving profitability and growing top line of these businesses will be a significant advantage for Escorts as it will provide a cushion from the cyclicity of the tractor business."

Bankers now line up outside Nanda's Faridabad office not as recovery agents but to offer fresh loans. There is no shortage of electricity either. He may have been born with a silver spoon but has earned not only his salary but stripes too. **BT**

@sumantbanerji



Mantras For Success

**Sold non-core businesses
such as telecom
and healthcare to
reduce debt**

**Between 2008
and 2020, invested
₹986 crore, mostly on
product development**

**Made efforts to make the
company leaner, more
streamlined and frugal**

**Focused on exports to
reduce dependence
on the uncertain
domestic market**