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'Escorts expects Kubota to be in driver's seat by end of Mar'

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Homegrown farm and construction equipment manufacturer Escorts will complete the transfer of over a 50% stake to Japanese agro-machinery firm Kubota by March-end, and will subsequently lay down a mid-term business and investment road map for Escorts Kubota, the new entity, Bharat Madan, group chief financial officer, Escorts, said in an interview.

"We have got two approvals from the Reserve Bank of India and Competition Commission of India, and now we are awaiting a Securities and Exchange Board of India go-ahead for a matter concerning our group company, which needed this approval. It should happen in the next 7-10 days, post which we will go into a preferential allotment of shares to Kubota."

"Once that happens, Kubota will send out the offer letter to shareholders to start the tendering process. We expect this transaction to be completed before the end of March, after which Kubota should be in the driver's seat," Madan added.

In November, Kubota Corp. had announced that it will acquire a majority stake in Escorts for ₹9,400 crore through a preferential allotment and an open offer. Kub-



Bharat Madan, group chief financial officer, Escorts.

ota's shareholding in Escorts will increase from 9% at present to over 50% after the transaction is through, depending on the extent of the tendering process.

"After the deal is complete, both Escorts and Kubota will discuss a plan for the next five-six years, laying a road map of how the company is going to work and the areas we really want to go into and what sort of investments we need. We will obviously be expanding into the implements business in a big way. A lot of sourcing from India will happen for Kubota's global requirements both for finished goods as well as components, which offer a lot of growth opportunities. Most importantly, a global R&D facility will be set up at Escorts in India, so that we can look at product development for the entire global requirement and

for India," Madan said. "In the domestic market, we need to find our synergies, the markets to enter and strengthen based on the segments the two entities are strong in, and complement each other's strengths with the three brands which we will have in our portfolio."

Escorts reported 3% year-on-year fall in standalone revenue to ₹1,957.5 crore, and an almost 20% dip in tractor sales volumes in Q3FY22.

"OEMs had built-in inventory in the channel hoping the festive season will be good, but because of the delayed monsoon, and the high pressure of inflation and some delay in the kharif harvest, farmers had little cash in hand during the festive season. They deferred buying, and because of that, inventory levels in the channel are quite high. As a result, most manufacturers are now in the process of correcting inventory levels," he said.

Escorts expects demand to be muted in Q4 as well, while FY22 is likely to end with a single-digit decline in volumes.

"We are expecting between 840,000 and 850,000 annual industry volumes compared to 900,000 last year. Assuming we get a normal monsoon, we expect single-digit growth from Q2 of next fiscal year. In FY23 we will be back to FY21 industry volumes of 900,000 units," Madan said.