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Nanda family, Kubota to run Escorts jointly

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Chennai: The Nanda family, promoters of tractor and components major Escorts, will continue to jointly run the company even after Japanese partner Kubota Corporation acquires majority control in it. According to sources in the auto industry, a “unique agreement” has been stitched up between the partners to allow both Kubota and the Nanda family to run the operations of the company “based on the foundation of joint partnership”. The Nanda family will, following a second capital-reduction and an open offer, hold 14%, while Kubota will hold over 50% stake in Escorts. After the open offer closes in April-May, the two joint ventures in manufacturing and sa-

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les-and-marketing that Escorts has with Kubota will be merged into the mother company and the combined entity will be renamed Escorts Kubota. Last Friday, the Escorts board okayed the preferential allotment of over 93 lakh fully paid-up equity shares having a face value of Rs 10 each to Kubota at a price of Rs 2,000 (including a premium of Rs 1,990) totalling up to Rs 1,873 crore. The board also okayed a round of capital-reduction by “cancelling and extinguishing” more than 2.1 crore equity shares of Rs 10 each, which are currently held by the Escorts Benefit and Welfare Trust “without payment of

any consideration to EBWT”. The open offer from Kubota will be for 26% additional stake. The Nanda family will not dilute its stake beyond 14%. Sources said the Kubota will spend a total of Rs 9,400 crore (including around Rs 7,500 crore in the open offer) to take its stake in Escorts beyond 50%. Escorts and Kubota are already working on a medium-term business plan, which will be ready by June-July, that will determine where the capital raised will get spent in terms of products, capacity, R&D, etc. Escorts MD and Nanda family scion Nikhil Nanda will continue in his executive role. According to the stock market notification, Nikhil Nanda “has entered into an executive service agreement with Kubota Corporation with the designation of senior managing ex-

ecutive officer of Kubota Corporation, general manager of ValueInnovative Farm and Industrial Machinery Strategy and Operations of Kubota Corporation, and director of one of the group companies of Kubota Corporation, Kubota Holdings Europe BV, Netherlands,” in accordance with agreement signed by the two companies. He will not get any compensation for these roles

In March 2020, Kubota Corp picked up a 10% stake in Escorts for Rs 1,042 crore. Escorts for its part acquired 40% stake in Kubota’s Indian arm Kubota Agri Machinery India for Rs 900 crore. Following that in November 2021, the two partners announced the three-tier preferential allotment, capital-reduction and open offer deal between Kubota and Escorts.