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## The inside story of how Escorts turned around to become a nearly ₹10,000-crore company

SRIRAM IYER AND KATYA NAIDU //AUTHOR\_ARTICLES\_ALL.CMS?QUERY=%22SRIRAM IYER AND KATYA NAIDU%22&AUTHOR=SRIRAM IYER AND KATYA NAIDU&PAGE=1 | JAN 31, 2020, 10:44 IST



By the time Nikhil took over as Escorts chairman, he was left with mounds of debt, now, four struggling businesses, and the trust he lost with banks. One banker even offered to “to cut him a cheque to walk out gracefully”.

- Investors are celebrating a surprise 15% growth in the latest quarterly and upgrade in future earnings estimates.
- The stock is at a one-year high but still nearly 20% below the peak in 2018, the year Rajan Nanda, the company's Chairman for nearly two tough decades, passed away.
- A new book called 'Back From The Brink' charts the company's slide into 'coma' and 'the claw back' of Escorts.

The share price of Escorts surged nearly 7% on Thursday (January 30) as investors cheered a surprise 7% growth in the company's quarterly profit. Brokerages lauded the performance of the company — which is the world's largest Pick `n` Carry Hydraulic Mobile Crane manufacturer— and raised the estimates for future earnings growth.

The stock has doubled in the last three years but it is still 20% below the peak it hit in 2018. This was before Rajan Nanda — the company's Chairman for nearly two long and strenuous decades— passed away. This, despite the company clocking a spectacular 40% growth in profit in the last financial year ending March 2019.

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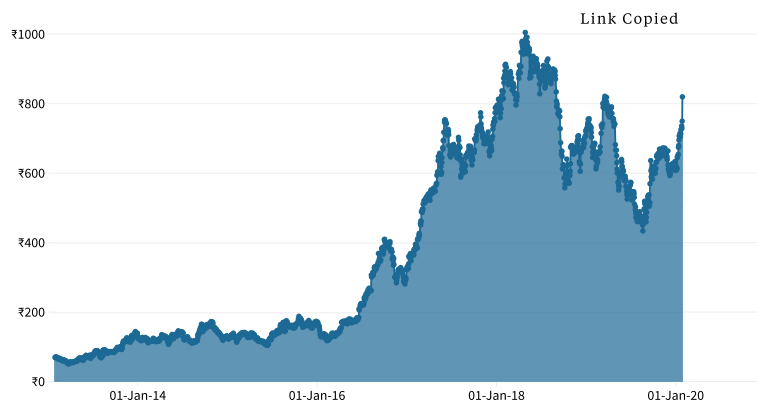
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However, the stock is still 20% below its 2018 peak when Rajan Nanda passed away



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However, the improving prospects of the company, known for its tractors in India, may be the result of a long, focussed effort in reimagining the 76-year old conglomerate in the 21st century under the leadership of Rajan's son Nikhil Nanda.

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(Clockwise from left) Rajan Nanda, Nitasha Nanda, Nikhil Nanda, Shweta Bachchan Nanda, Ritu Nanda and Reema Jain at the legendary actor and filmmaker Raj Kapoor's birthday celebrated by his children – Rishi Kapoor, Randhir Kapoor, Rajiv Kapoor, Ritu Nanda and Reema Jain in Delhi. Photo: Samik Sen from 2017

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By the time Nikhil took over as CEO, the company was left with mounds of debt, and its various businesses, the trust he lost with banks. Several lenders refused to pay attention to the company, and, one of them even offered to "to cut him a cheque to walk out gracefully".

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His family's reputation has taken a beating at multiple levels. His wife Shweta Bacchan Nanda once overheard a banker friend's remark, 'How can Nikhil and Shweta come to our homes and socialise with us, when his company owes us money?'

In times of despair, Nikhil reminded himself that his family has always risen from the ashes. His maternal grandfather H P Nanda brought it back to life twice after Partition, and another hostile takeover by NRI Swraj Paul.



**Escorts Chairman Nikhil Nanda's maternal grandfather H P had to fend off a hostile takeover attempt by NRI industrialist Swraj Paul (in the picture above).**

It was time for Nikhil to take drastic action - the first was the sale of telecom, IT and hospital businesses. But the bigger problem was lack of communication between businesses and rampant financial indiscipline. With his father's approval, he grilled the chief executive of a small but bleeding business and when he received vague responses, fired him. That had sent the much needed shockwaves through the company.

### The last six years

Nikhil also helped set-up audit committees across businesses that improved scrutiny which gave the management a better picture of businesses. Yet, the much needed stability was yet to come in as a flurry of CFOs came and left the company. That is when he decided to promote in-house talent and brought Rohtash Mal as the ED and CEO, who was then heading the tractor business.

Mal had to deal with daily walk-ins of supplier complaints, dealers and bankers and they included cases of cheque bouncing. The employees were scared and official politics had taken a vicious turn. And Mal was unearthing shocking discoveries like empty liquor bottles on the shop floor. The very next day, he handed a senior executive in the manufacturing department two letters - an unsigned resignation letter and a termination letter. Nikhil did not intervene with his decision.

Slowly but steadily Nikhil regained control over the financial and the management, by screwing the cap on costs; convincing bankers to extend credit lines and more importantly refusing the airbrushed versions presented of the businesses. Today, apart from bankers, brokerages too put their trust into the company in spite of the effects of the slowdown eating into the business.

### Cut to 2020

In the last few years, the company's market worth has gone from ₹6,000 crore to ₹10,000 crore. Nearly 30% of the jump has come in 2020 itself as investors saw structural changes take effect in the company's financial performance.

"Escorts' third quarter performance is a reflection of stability in volumes, benefit of mix improvement and cost savings, all of which should sustain in the coming quarters. According to management, FY21 outlook has turned positive with estimated low single-digit growth," said a research report by Motilal Oswal adding that the stock may gain as much as another 9% in the next 12 months.

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