

Escorts Agrees To Sell 10% Stake To Japan's Kubota Corp For Rs 1,042 Crore

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ESCORTS	675.20
+101.70	+17.73%

Escorts Ltd. has agreed to sell 10 percent stake to Kubota Corporation as the Indian tractor maker looks to boost its market share and its Japanese partner aims to create a manufacturing hub for global exports.

Escorts will issue and allot more than 1.22 equity shares through a preferential issue to Kubota at Rs 850 apiece for Rs 1,042 crore, according to its exchange filing. That's a 48.21 percent premium over Thursday's share price.

Escorts will reduce an equal number of shares held by Escorts Benefit and Welfare Trust to keep the total equity capital of the company unchanged.

Escorts will simultaneously acquire 40 percent stake in Kubota Agricultural Machinery India Pvt. Ltd, the local marketing and sales unit of the Japanese corporation.

"This collaboration aims at leveraging R&D strengths of Kubota to offer cutting-edge products for domestic and export markets, serving customers in new markets and new product lines," Nikhil Nanda, chairman and managing director at Escorts, said in the statement. By combining Escorts' manufacturing expertise and domestic distribution with Kubota, the company aims to achieve its objective of becoming the market leader in farm mechanisation, he said.

Escorts' 60:40 joint venture with the Japanese firm, Escorts Kubota India Pvt. Ltd., will continue. It has a manufacturing capacity of 50,000 tractors and the production is expected to start in October-December this year.

Through this collaboration, Kubota, will cater to India and other growing economies which require high-end technology and new-age tractors to address growing demands of highly mechanized farming, Yuichi Kitao, president and representative director at the Japanese firm, said in the statement. "Kubota and Escorts, together, with their leadership in respective geographies will consolidate strengths and technology innovation excellence to emerge as a global leader."

On Friday, Escorts shares rose 18.55 percent to Rs 680.00 apiece on the National Stock Exchange while the benchmark Nifty 50 gained 5.83 percent to end the day at 8,745.45 points.