



Auto

Kubota to acquire 10% stake in Escorts to help strengthen JV, says Bharat Madan

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UPADHYAY**
@SurabhiUpadhyay

Escorts will raise up to Rs 1,042 crore through a preferential issue to Kubota Corporation at Rs 850 per share.

Talking about the development, Bharat Madan, Group CFO of Escorts told CNBC-TV18, "This is a preferential issue of shares which will happen to Kubota Corporation Japan and they will acquire 10 percent stake in the company on a post capital reduction basis."

Share



He added, "Kubota has been our partner in one of the JV so we have set up a joint venture in a company called Escorts Kubota India Private Limited, which is a 60-40 JV for manufacturing 50,000 tractors annually in India. This will strengthen the relationship between the two partners so they have gone ahead and decided to take 10 percent equity in to Escorts Limited."

"Simultaneously, we are also going to take 40 percent business stake in the sales company in India which is separate company than the manufacturing JV, so that sales company will also be a 60-40 JV with Kubota Corporation now," he added.

Talking about promoters' holding in the company he said, "Since we are issuing the preferential sales to Kubota Corporation, a proposal board has approved in-principle to cancel the shares which are held by Trust. That cancellation will happen once the preferential share allotment is completed, which will be say in 4-5 month time period."

"After that capital reduction in those trust shares, we will be back to the same level of capital what we had today. Promoter holding today stands in the Trust to about 40 percent which will come down to about 30 percent."

He further added, "Kubota is a strategic partner for Escorts, our combined holdings are pretty much at same level, so I don't see really a need for promoters to increase their shareholdings in the short to medium term."

Talking about fund deployment he said, "Idea of this relationship is to expand into the areas of manufacturing implements, manufacturing some parts of construction equipment business, to set up the joint R&D in India. Most of the money which will be spent will be on the new products that we are introducing in India and for the global markets."