

Kubota Corporation to invest in Escorts Limited

By Niranjan Mudholkar, Added 20 March 2020

Will acquire 10% equity stake, on a post capital reduction basis, in Escorts Ltd.



Upon completion of this transaction, Escorts and Kubota will partner to become a leading player in the Indian market and a hub of product development, manufacturing and sourcing for global markets.

Related articles

- [India rejoins IIASA as a full member](#)
- [TKM recognized for safety practices by Karnataka Govt.](#)
- [Escorts Ltd. Q2 profit up by 32.5% at ₹ 102.7 cr.](#)

Japan based Kubota Corporation will acquire 10% equity stake, on a post capital reduction basis, in Escorts Ltd., in order to integrate and deepen their relationship towards achieving their mutual ambition of global leadership. Upon completion of this transaction, Escorts and Kubota will partner to become a leading player in the Indian market and a hub of product development, manufacturing and sourcing for global markets.

Key Transaction Highlights

Escorts will issue and allot 12,257,688 equity shares through a preferential issue to Kubota at an issue price of INR 850 per equity share, subject to shareholders' and necessary regulatory approvals. Kubota's investment will constitute 9.1% of the equity stake on a pre capital reduction or 10% on a post capital reduction basis for a total investment of Rs 10,419,034,800.

- This price represents a premium of approx. 48.21% over the last traded price on March 19, 2020

The Board of Directors of Escorts, has given an in principle approval to consider a reduction of 12,257,688 equity shares of Escorts held by the Escorts Benefit and Welfare Trust, subject to receipt of necessary approvals and upon completion of the preferential allotment to Kubota. This shall ensure that the total equity share capital of Escorts remains unchanged.

Simultaneously with the Preferential Issue, Escorts will acquire 40% stake in Kubota Agricultural Machinery India Pvt. Ltd ("KAI"), the marketing and sales company of Kubota in India.

The existing 60:40 Joint Venture between Kubota and Escorts, namely Escorts Kubota India Private Limited ("EKI"), will continue to operate.

Strategic Rationale

This will be a win-win collaboration and benefit

- Escorts from product innovation through indigenization of global R&D, production systems excellence, global supply chain, sales and distribution and act as a global sourcing hub for Kubota; and
- Kubota with assured supply of cost-effective products in and for India, joint product development for emerging and global markets, and expansion of product range through respective distribution networks.

New avenues of growth in construction equipment and agriculture implements, leveraging strengths of both the parties, with focus on products including earth moving equipment & smart agriculture implements.

Create one of the largest Indo-Japan agriculture collaboration aligned to Indian government's "make-in-India" vision, by integrating technological excellence and frugal innovation to provide latest farm mechanization solutions across the globe.

Nikhil Nanda, Chairman and Managing Director, Escorts Ltd., said, "At Escorts, we believe in strategic global partnership with an objective to address global farm mechanization needs. We are pleased to partner with Kubota to offer farmers with innovative solutions and thereby maximize productivity for profitable growth in domestic and export geographies. 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. With our manufacturing expertise and strong domestic distribution combined with collaboration with Kubota, we aim to reach our objective of becoming the market leader in farm mechanization, and address the food security challenge."

Yuichi Kitao, President and Representative Director, Kubota, Japan, said, "We are excited to make strategic investment in Escorts. It is a validation of our mutual commitment to offer best in class technology products for global markets and thereby enhance customer experience. Escorts has a strong technology legacy and diversified portfolio in agriculture equipment solutions market and Kubota has proven global technology capabilities. Through this collaboration, we believe that we 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. Kubota and Escorts, together, with their leadership in respective geographies will consolidate strengths and technology innovation excellence to emerge as a global leader."