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## ESCORTS LTD. Engineering growth



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**Bearing Special**  
Pages 33-43



**UNO Minda Group**  
Pages 54-59

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Pages 76-85

# ESCORTS LTD. ENGINEERING GROWTH

Report P. Tharyan  
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**NIKHIL NANDA**, Joint Managing Director, Escorts Ltd.  
**S. SRIDHAR**, CEO, Escorts Agri Machinery

**W**ith engineering as its forte, the Nandas of Escorts Ltd. have embarked upon an ambitious drive to consolidate its position on the Indian corporate firmament. There's a well laid out plan (a lot of which is still under wraps), and the company is extremely bullish about its business prospects in the coming years. In an exclusive and extensive interview with *Motown India* magazine, Nikhil Nanda, Joint Managing Director, Escorts Ltd. spelt out the innumerable ways by which he hopes his company will be among the front runners in the race for corporate supremacy. S Sridhar, CEO of Escorts Agri Machinery too chipped in with his critical views on his line of business.

Escorts Ltd. is today a ₹4,000 crore company that primarily earns its revenues from agricultural tractors and implements and construction equipment. Around a year back the company merged a few of its group companies into Escorts Ltd. These included Escorts Construction Equipment Limited (ECEL), Escorts Finance and Investments Private Limited (EFILL) and Escotrak Finance Investments and Leasing Private Limited (Escotrak). Escorts plants are spread across Faridabad, Ballabgarh, Rudrapur and Warsaw in Poland (Europe). The different plants in Faridabad manufacture Farmtrac tractors, Powertrac tractors, automotive parts like shock absorbers and crankshafts and railway products. The Ballabgarh plant is into construction equipment, material handling and earth moving equipment. The Rudrapur plant is solely into auto components. The plant in Poland makes Farmtrac tractors.

Escorts Ltd., which had once ventured into businesses like motorcycles and



healthcare, is today an extremely focussed company. Everything about it smacks of a solid purpose. To ensure that each of the company's four core businesses does extremely well, the Nandas have hired top notch professionals to head them. S Sridhar, is CEO of Escorts Agri Machinery. He was earlier President, Bajaj Auto

and brand strategy has been his core area of expertise. G.V.R. Murthy is the head of Construction Machinery Business. He is the former Joint Managing Director of Tractors India Ltd. and a man with loads of experience. Lalit Pahwa heads the Auto Components Business. He comes with vast experience, having worked with

the Tata group. Dipankar Ghosh who heads the Railways business is an ex Indian Railway Service Officer. He was the Vice President of John Deere

"Empowerment is my motto for building Escorts. I am looking at people of any age as long as they have passion. As long as they have competence and they have the fire in their belly," says Nikhil Nanda. The young Nanda insists that the core competence of Escorts is engineering. "Engineering is the fabric, the architecture, the learning and the legacy of what

was embedded by the founder Chairman HP Nanda. From the core competence we have the bi products. These are agriculture, construction equipment, railways and automotive products. From the outside Escorts is viewed as a tractor manufacturer or a railway equipment manufacturer. But the fabric is engineering which is our core competence," he notes.

Nanda is looking at agriculture and infrastructure as two large segments of growth. Within agriculture, tractor is one piece. "We are looking at entire crop

solution. For the last four decades we have been looking at tractors. Now the focus is evolving towards crop solution. We are looking at productivity from all aspects and more so from the customers' point of view. We are looking at end to end, possibly all mechanised products that he would probably use when he looks at yield. The agriculture story at Escorts is being defined very explicitly as to from this core competence of ours we can value add," Nanda adds.

The blue print for Railways is interesting, according to Nanda.



The company is spreading its presence into Metro Rail. "A lot of product tie ups are happening. We make brakes, couplers and shock absorbers. We are getting into three or four new products. We are tying up with companies in Europe and introducing some high end technology to the Indian government," he informs.

Nanda admits that the company's strategy in the auto business was wrong and hence it lost a lot of money in the last three years. "The strategy is again focussed towards going at the high end. This is taking shape. In the last 12 months the money that we were losing has come down by 60pc and within two months we should get into profit mode. We are looking at the Ducatis, we are looking at the European markets and the South American markets. We are looking at high end shock absorbers and other parts. Who knows we may look at contractual manufacturing for European companies of shock absorbers to begin with of companies of high repute. The cost of that part could be the cost of the cheapest bike in India. We are moving up the value chain," he adds.

#### FARMERS' BEST FRIEND

Nanda points out that his company has over the past two to three years done an extensive research in understanding the cultivation patterns in the country—the kind of crops that are grown, the kind of soil across different regions, etc. The company has mapped the entire process of some major crops in terms of what farmers do to prepare the land, cultivate the land, harvest the crop etc. "In each

of these layers we want to see what technology and mechanised products we can bring in. In the last three to four years we have looked at bringing in partners, products and technology which is being married to the specific requirement of that specific core value add that the customer is looking at. And each of the processes is very intelligently stitched to give an overall experience. Today if you are a farmer and you have a piece of land and you want to grow you will have to go to multiple partners and manufacturers to get what you

need. Escorts is now saying that not only will we give you mechanised products which are world class but we shall also bring in soft knowledge. We have picked up a lot of this knowledge from different countries. We picked up certain themes from South East Asian countries of practices which are very different to what we use in India," he explains.

Escorts is combining its products with the practices that it have learnt from abroad and is bringing these too India. This is going to be its USP. "Our objective is that we want

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to become the farmers' best friend. We want to hold his hand. We want to value add at every stage and in every process and give him the equipment and the advice he needs, so that the overall experience becomes the whole-sole experience," says Nanda. The company has done experimental sites down south. It has invited scientists, farmers and experts and got their views. It now hopes to cascade this model across the country.

As part of its strategy to provide crop solution to the farmers, Escorts would not only be into tractors but

also several other products related to agriculture. The company is going to come out with products within the farm community. Within the tractor industry, the company is also looking at the high end market. The company has two tractor brands-- Farmtrac and Powertrac. There is a clear distinction between these two brands. Recently, the company announced a tie up with Ferrari tractors. "Escorts will be in the tractor business the most profitable company in India by 2015. Even in the last 12 months when the markets were going

through difficulties, we have taken our EBIDTA up from 4.3pc to 10pc. We are looking at making our organisation lean and intelligent, creating more flexibility and becoming more frugal. By 2020 we would like to look at ourselves as a clear No. 2 in terms of market share. The journey is already showing results. Our margins in Escorts Agri Machinery are on the rise," says Nanda.

### FASHION QUOTIENT AND BEYOND

"Farmers' friend is a philosophy as



Picture Courtesy: Escorts Ltd.



Picture Courtesy: Escorts Ltd.

Shock Absorber Assembly Plant

Mr Rajan Nanda keeps telling us. Crop solution is a serious business," says S Sridhar who heads the agri business of Escorts. Sridhar is betting big on the fashion quotient of tractors, among other things. "Look at the way in which the cars and bikes have gone up in terms of fashion quotient. Tractors in the meantime were looked upon as elementary in design but sturdy for rough use. The farmer is also seeing the way automobiles are evolving in the cities. For him the tractor is nothing but an equivalent of a car. The entire approach towards the tractor has to undergo a change. The starting point is the fashion quotient itself. Many of the existing designs are very monolithic. There is virtually no branded differentiation. The high end tractor has to be unique, aggressive etc. The black one on display at our office presents

that philosophy. Three years later you will see a far superior manifestation," he points out.

Sridhar says his company will be surrounded by world class brands. "One such thing is Ferrari. This may be too expensive, too niche, not affordable for a lot of customers. We are going to bring many of these niche products into India. First to the market is our philosophy. We shall be going to Korea to bring in a brand but it's too early to discuss that. Why just one colour on a tractor, why cannot it be shades of black and chrome. This will be priced ₹30,000 to ₹40,000 more than its equivalent spec tractor. The initial response has been very good. We are only showcasing to people. There's a huge rural youth wanting to catch up and be part of evolution of Indian society. As an industry very less things were done

to them. Our attempt is to be on the forefront of this industry," Sridhar adds.

## MECHANISATION IS THE ANSWER

Sridhar says that somewhere someone has to bring in the change instead of blaming the society. "A man should not do drudgery. What he cannot do and what he should not do in the farm sector is what we are trying to solve. What he cannot do is precision. Picking and dropping seeds is precision. For example, one kilogram of tomato seeds consists of lakhs of seeds. The seeds are expensive. It needs precision picking and dropping," explains Sridhar.

"What he should not do is drudgery. Mechanisation will relieve him of drudgery as well as



ensuring precision. These two will form part of our crop solution. The conventional way is to put a tractor in the middle and surround it with different equipment. We are doing it differently. We put a crop in the centre. All mechanical solution around the crop is what we are trying to master, including the land preparation," he adds.

Echoing Nikhil Nanda's views, Sridhar notes that his company, instead of targeting the bottom end of the pyramid in India's tractor market, will do so of the developed world. The bottom of the pyramid in Europe is actually the top end of the Indian pyramid. "We shall be attacking the bottom of the pyramid of the developed world. Bottom of

the pyramid of Europe will mean a lot of money for me. We have a plant in Poland which we shall use. We shall build capacities," he reveals.

Sridhar further elaborates that mechanisation will come handy all across India, as there is an acute shortage of workers in several parts of India. "In the rural space a huge revolution is taking place. There are no workers. The mechanisation space is huge opportunity for companies like Escorts. Productivity increases with mechanisation. This is huge business opportunity. We have not even scratched the surface," he feels.

"The European and US markets are looking at 100HP and above up to 220HP tractors. That is very high

end. What we call high end is 55HP and above. This is the bottom end of the pyramid in Europe. In India over the last 15 years, the 50HP and above segment has been growing from a 7pc to a 14pc. This segment will increase substantially. We want to be No. 1 in the premium segment. Escorts wants to be No. 1 player in the premium segment that constitutes 50HP and above. And this segment will automatically flow into the rest of the global markets," states Nanda.

## INFRASTRUCTURE SECTOR

If Escorts has aggressive plans for the agri sector, it has aggressive



Picture Courtesy: Escorts Ltd



plans for the infrastructure sector too. "At Escorts we strongly believe that 'E' is for engineering and 'E' is for excellence. By 2030, India and China are going to dominate the world economy, both from the sheer size of agriculture and infrastructure. We are going to be one of the largest participants in this space," says Nikhil Nanda.

The company is broadly into two segments within infrastructure. One is the material handling segment. Here Escorts is No. 1 in terms of market share. The company has 51pc market share. "We are leaders today in the country. We are leaders in the pick and carry cranes from seven tonnes to 21 tonnes. We have made very relevant products for large players like Reliance. A lot of

our safe cranes are being preferred in the Metro project, especially after the spate of accidents that happened in the past," says Nanda.

The second is the earth moving segment. The company is into back hoe loader space. "If you have to be a serious player in the infrastructure segment you have got to be leaders in this segment," he asserts. Escorts back hoe loaders are sold under the brand 'Digmax'. These come in both a two-wheel as well as a four-wheel drive. Escorts is the second company after BcmI to have conceptualised the product all by itself. The third company to do is Mahindra which has also come out with a back hoe loader. "Escorts is going to play a very predominant role in the infrastructure space. We

are planning to get into the high end space of slew cranes. These are specialised cranes in the 60 tonnes and above space. For high end we have tied up a company called Locatalli from Italy. We want to position Escorts in such a way that we are known for making specialised high end cranes and infrastructural products. Compactors are an important part of our growth. We have products for a man building a house to a man building a dam. Except for coal mining, we have all products for the infrastructure segment," says Nanda.

## THE JOURNEY POST MERGER

Post merger, Nanda says, the goal

is to become the most profitable company. "We are making it lean. We have invested in the most sophisticated ERP-- Oracle R12. We have merged the four departments at Escorts Ltd.-- Materials, Finance, Human Resources and Manufacturing Excellence. We are reducing the number of manpower. I want to balance the gender. I want more females to come into the company. We are less than 1pc and we want to take it up to a substantially higher number. I want women on the shop floors and even at the board level. I am looking at flattening the organisation and de-layering it," points out Nanda.

Nanda is firm when it comes to

his plans. He will use his premises to do high end jobs. Over the next three to four years his company will be reducing space as much as it would be building capacity. "Our tractor capacity will go up from 92,000 to around 120,000 and beyond. Between 1/3rd to 2/3rds of our premises would get vacated. The focus is on cash. We are getting people to work on our knowledge management centre. We have partners coming in from Europe both for the tractor side as well as the construction side. By 2020 Escorts has to get a rating of AAA. My job is to get the best pedigreed and the best in class people. I want to be surrounded by high powered

executives. The decision making has to be based on processes. And that process has to have clear benchmarks," he asserts.

Nanda is not bitter of any of his past business experiences. Rather he says he is proud of the company's legacy and proud of all what his company has done. "I think with pride I can say that everything that we did, we brought in a lot of concepts, a lot of products, and lot of technology into India," he says. He is now relying on his crack team of CEOs to take his company forward. And with people like Sridhar by his side, he can be rest assured that the dream journey of Escorts has just begun.



Picture Courtesy: Escorts Ltd.