

## **‘Aiming For Mechanised Solutions Rather Than Just Selling Tractors’**

*Nikhil Nanda tells that Escorts is going through a phase of re-invention, its aim being to provide mechanised solutions for agriculture rather than simply push sales volumes of its tractors*





**21** September, 2018

by Avishek Banerjee

*Nikhil Nanda* today heads the engineering company his paternal grandfather Har Prasad Nanda founded in 1948. But Chairman and Managing Director Nanda that his

*children would have to earn their place in the organisation. He tells BW Businessworld's Avishek Banerjee that Escorts is going through a phase of re-invention, its aim being to provide mechanised solutions for agriculture rather than simply push sales volumes of its tractors.*

***Edited excerpts:***

**How has the tractor industry and Escorts evolved over the years?**

Earlier, the entire focus was on bringing in a tractor to a state that relied on bullock carts. Then we went in for 'tractorisatation'. Now you talk of tractors and implements. The future is about precision farming. So, instead of focusing on tractors, the entire focus is on crops. Now it is about what you create and what you give in terms of mechanisation of high-yield tractors and what it is about a tractor that will lead to maximum productivity in the most profitable manner.

The entire objective of what we do is to make the consumer profitable. So, I think the future is going to be about data and all the digitisation support for equipment. Talking of Escorts, the last seven to eight years have been fantastic and I am very proud to be a part of this platform.

**Do you see yourself as a market leader in the tractor industry and among the top five players in the world?**

I am not much of a number's person. Sure, we want to be leaders. But I think Escorts needs to be the most intelligent and the most trusted company. We want to be a company that embraces the consumer and the consumer must feel that we can trust the company in terms of the platform and what we derive from that platform. So, I think for us, it is about empowering customers and innovating and empowering them digitally and smartly so that they are able to embrace the technology in a most profitable manner. Numbers will automatically come, but our focus is on trust and productivity.

**Was the launch of the NET Series last year considered an inflection point for Escorts?**

From my perspective, there have been many inflection points. I think NETS is just a name of the legacy and history of what we bring back to the market. Escorts had many important partnerships and, as you may know, Ford was one of the partnerships we brought into India. So we have the Farmtrac, which is part of NETS, which really is about premium tractors — giving design an emotional quotient along with technology. It is about changing the paradigm and the entire outlook and the way you look at the tractor. I may be biased when I say this, but I think it is a smart looking tractor. It has the

appeal of a car, the technology of what is required in the future. So I think it is all bundled in terms of the technology we would like to be known for in future.

### **Going forward, would you like to reduce your dependence on tractors?**

Being an engineering company, we are extremely fortunate to have a presence in the three most important verticals that are going to be the foundational strength of where India has to resurrect itself to. So, you have the agriculture, construction and railway sectors. And engineering as a core competence is what we will sort of use into the exponential growth aspirations that we have set for ourselves — be it for Vision 2022 or 2027 — which is what we have already started debating with my team.

Agriculture has a lot of potential. Tractors make up 70 per cent of the value (of the total business). But in terms of aggregates, agri implements make up about 25 per cent to 30 per cent (of the overall business). It is exactly the opposite worldwide. That just shows the kind of potential India has when we talk of mechanisation as a subject. So, I think Escorts has multiple and very interesting opportunities to leverage on. So yes, we will get deeper into the verticals of the businesses that we have. And I believe that these verticals will grow very exponentially.

### **Do you think that your foray into crop solutions is going to be a gamechanger for Escorts?**

I think very few players are building that platform and Escorts is one of them. I do believe that these platforms will grow quite exponentially in the years to come, probably in the next 12-15 years. We want to participate and be seen as a leader who creates this space ... In a decade, this could probably play a very important role because in my view, shared services potentially offer very large opportunities in India.

Speaking personally, I think a lot of the disruption and innovation we have seen in the urban markets in cars, trucks, motorcycles, etc., have not happened in the rural markets. I think the rural market is now getting totally connected. Whatever the telecom players are doing, the government is doing, the smart cities, smart villages, etc., the infrastructure, connectivity, smartphones, communication media is doing, is educating young farming communities in ways we have never seen before.

So the kind of aspiration and growth that will come with the kind of services in place in times to come, will create another subset of revenue and income and productivity. I think this is what we are talking about in terms of leading the Blue Ocean. The Red Ocean we have talked about. We have three brands in the domestic market, where we

want to have leadership. And of course, we have plans for that. But this is a Blue Ocean.

**Were you inspired by Elon Musk when you decided to develop electric tractors?**

Definitely. He is absolutely an innovator and a disruptor. The world looks at him and I look at him and I read his book. He created a concept. What he has done for Tesla cars is actually unique and extremely successful. The lesson is that the models of yesterday and today don't necessarily need to work for tomorrow.

So, we are challenging ourselves at Escorts. It is like, you can almost copy what you do, but you can never copy a spirit. So this is the spirit that is fuelling us for the preparation of the future.

**Which startup or unicorn has inspired you the most?**

I find Amazon very interesting. It is a very interesting model of again, shared services, collaborative in terms of digital and the bricks-and-mortar fit. I know there are some elements of people because it is so disruptive that it can kill. But there are also elements of disruption that can uplift. So, if you see in terms of collaboration, upliftment of society, infrastructure sharing and aggregation, I think Amazon gives you a good lesson on how to create a platform, create a purpose and then have everyone converge on it.

The beauty of the model is that you don't own everything. I think ownership is a tagline of the 1980s and 1990s. The future is about aggregation, collaboration, technology, etc. I think the true desire to create something that is beyond the upliftment of oneself or the company, but upliftment of the world — is where Escorts is going.

So we want to become an agricultural company from a tractor company. That doesn't mean we will do pesticides, chemicals, etc. We will collaborate in terms of mechanisation, be it a tractor, implement or any other thing — which is unbelievably 'wow'!

**You have taken an audacious step in selling off non-profitable businesses? Do you regret hiving off any entity?**

Escorts has gone through its tough times and I think we all have gone through it and it was indeed, very difficult. Some of my colleagues sitting on this table, have seen a very dark period in Escorts, when we were completely in debt. Our EBITDA was actually at a negative level and interest cost in three digits. From there we have today

come to a situation when we are debt-free and looking at becoming, or wanting to become, the most profitable company in this sector.

In terms of market cap, from what it was and is today, I think we have learnt a lesson. So we are very humbled. There is no element of arrogance. That is something that we watch out for everyday of our lives. We are here to serve customers and society and I really mean this. Just because we have money doesn't mean we have the right to spend it. We have to spend it only when it relates to a purpose and to returns. So I don't think we have any regrets, because the purpose for which we sit here is so exciting that we are enjoying it.

### **Would you like to talk of policies that could give a fillip to the sectors you are in?**

At present, the population dependent on agriculture is huge, maybe 52 per cent to 55 per cent. I think the theme and the direction India has to go towards in the next 15-20-30 years is one per cent. This means there will be a very drastic shift of population (from the rural areas) and therefore, a higher dependence on mechanisation in farming. The government and the industry has to think about where to deploy the migrating force.

### **What is your definition of a blue chip company?**

In my definition of a blue chip, there are three things I feel very strongly about. To create a company into an institution we must have three pillars in place. The first pillar is innovation and research. The second is whatever you innovate and do research on, you must teach — which we do at our Bangalore Institute of ETDC.

The third element is, you practice it. So, we are putting these three pillars in products and shared services. This is the sustenance of a company that is purpose-driven, incorporates a process of institutional value that gives a result in market cap, market share and so on and so forth.

So to me, once these three pillars are put in place, all the elements of the architecture of our vision will take us to a blue chip status. Then it is beyond an individual. Because I am not here to create an Escorts around a Nikhil and none of us are here to create Escorts around individuals. We are here to create for a larger purpose on a larger impact basis.

### **Lastly, do we see your son Agastaya joining Escorts as a fourth generation entrepreneur?**

Well both my son and my daughter can join Escorts. I believe in women's empowerment. Females are smarter than males. So, I think, why not? But they have to earn it. It is not something that is their birth right. I may have the last name. But I had a

difficult journey in Escorts in coming all the way from the bottom to the top.

So, it is not something that I just got, but something I needed to do. Similarly for my children — they are getting education, they are bright. But they have to earn their own trust. I will enable them, make it possible for them to get the opportunity. But they have to travel the path.