

Food caFE NIKHIL NANDA

Nurturing a complete agricultural solutions company

Nikhil Nanda, managing director of Escorts Ltd, tells **Rishi Raj** and **Roudra Bhattacharya** why he would rather focus on engineering competencies of the company than venture into sunrise sectors

As we sit down for some morning coffee with industrialist Nikhil Nanda at the Oberoi Hotel, New Delhi, it is no surprise that the conversation starts with Bollywood. Nanda is related to one of the most prominent families in tinsel town—the Kapoors—his mother, Ritu Nanda is the late Raj Kapoor's daughter. As we exchange cards, he quickly remarks that one of us shares his first name with his uncle, Rishi Kapoor. Breaking the ice further, we tell him that he resembles Shammi Kapoor (his maternal grand-uncle) quite a bit. The maternal side of his family apart, Nanda's in-laws are the Bachchans—he is married to Shweta, the daughter of Jaya and Amitabh Bachchan.

We ask him whether he ever thought of venturing into Bollywood, given that lineage carries a premium in the industry. With such connections, wouldn't he have made it big in Bollywood, a far more glamorous living than making movies?

Nanda says that he was never interested in films—neither in acting nor in film-making. He tells us that once, as a kid, he was with Raj Kapoor on the sets of *Ram Teri Ganga Maaili*, and when he suggested some shots to the famed filmmaker, the latter took him to task in chaste Punjabi saying that's the kind of treatment Nanda's paternal grandfather, HP Nanda, would mete out to him if his grandson ever so much as strayed into films. Remarkably, Nanda does not watch movies. He recalls his uncle Rishi getting upset with him, while he was on a recent visit to Mumbai when Krishna Kapoor, his maternal grandmother, had called the extended family for dinner, for knowing nothing of a recent film of his.

Nanda says he was always interested in the company his paternal family owns—Escorts. "You have to do what you know best. It is not about putting in money. In today's environment, you have to have complete knowledge of what you are doing, otherwise you

shouldn't get into it," he says.

In fact, Nanda is busy scripting a completely different story these days at Escorts, the company co-founded by H P Nanda in Lahore (now in Pakistan), before shifting base to Delhi post-independence in the 1950s. An alumnus of the prestigious Wharton Business School and the third generation of the family to take charge after his recent appointment as the managing director, Nanda is in the midst of a major business restructuring programme. Betting on the country's need to modernise agriculture, Escorts hopes to become a complete agricultural solutions company, while separately building on its engineering competencies in business verticals such as railway equipment, auto parts and construction equipments.

"I joined the company board about 10 years back, but I have been active for about four years now. When I came back from college and joined the company, things were heating up a bit at the family firm. The two brothers (his father, Rajan Nanda, and uncle, Anil Nanda) started having differences, and my grandfather passed away in 1999. Thereafter, the company went through its struggles after the split of the brothers. Then we restructured the company and got back to its core businesses. For the last 3-4 years I have done a lot more, under the guidance of my chairman (Rajan Nanda). As a father, he is enjoying his son leading from the front," explains Nanda as he revisits the challenging period for the company. "I mean you look at Onkar Kanwar and Neeraj Kanwar (father-son duo at Apollo Tyres). Their combination is deadly—it is working well, isn't it," he adds.

Escorts, one of north-India's oldest business groups, is today largely known as a tractor manufacturer—the business accounts for about 80% of the revenues. In the past, after the liberalisation of the Indian economy in the 90s, the company had dabbled in various new sectors such as two-



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wheelers, telecom, IT and healthcare, but most such diversification met with little financial success and partnerships with companies like Ford, First Pacific, JCB and Yamaha were later dissolved. As Escorts emerged out of a turbulent period marred with high debts in the first half of the last decade, non-core businesses were sold to raise cash, while simmering family issues saw HP Nanda's young son, Anil, break away his auto-component manufacturing company by buying out the other family members. "We had multiple businesses. But as with any partnership, issues come up—like if one party wants a more progressive positioning of the company and the others dis-

agree. So, we took a view that we did not want to get into a boardroom battle. It is not correct to stop value that can flow into the company, and that led to our exit," says Nanda.

The Escorts group has since been trying to make a steady comeback; in fact, after posting a consolidated net loss of ₹87 crore in the fiscal ending September 2008—Escorts follows a October-September financial year—the company has consistently posted profits. Though there was a low in FY12 when profits fell 42%, to ₹74 crore, due to lower sales of tractors after deficient monsoons, in the first nine months of the company's financial year 2013 (October 2012-June 2013) profits were up almost 2.5

times, standing at ₹24 crore. Escorts has now decided to shift to a March-April financial year from its current fiscal, similar to most other companies in the country.

Nanda, who has trained with UK-based construction equipment major JCB before joining the family business, says, "In the last two years, the strategy has been clear and we also know what we don't want to do and how to position our brand. We are also focussing on Ebitda improvement from 4.3% to over-10% for the agriculture business. We want to be the most profitable tractor company by 2015—our profits are improving sharply now".

The first step of its new business strategy was completed last year. To create a bigger company and prevent any hostile takeover, Escorts merged three group entities—Escorts Construction Equipment, Escotractor Finance and Investments, and Escorts Finance Investment and Leasing into the group flagship, Escorts Ltd. Aimed at improving cost efficiencies in research and sourcing, this also added ₹1,000 crore to the company's top-line. "My positioning for the outside world is that we are an engineering company. That is our core competence. A by-product of that is the businesses we do today—tractors, auto parts and construction equipment," Nanda says.

In the second stage of the transformation, Escorts is focussing now on becoming a larger 'crop solutions' company. Setting itself a deadline of 2020, it is intent on focusing on providing services along with mechanisation specific to each type of crop grown in the country. From this year, it has started appointing crop solutions dealers. "For the last six and half decades, the focus has been on tractors, but now the focus will be on crops instead. There are many value additions in terms of mechanisation and we want to be a complete crop-solution provider. So, the definition has been expanded. In the last 2-3 years,

we have researched extensively across the country to create a bouquet of products for each and every crop. We invited scientists and experts from across the globe—like from Israel. We have tied up for technology and got ourselves new partners," he says. "This is going to be the game changer in the next seven years in terms of opportunity of revenue and growth. This can exceed what we have from tractors today," he adds.

While diversifying with agricultural solutions, Escorts is also expanding its tractor range, both in the low- and high-end of the segment to cater to the evolving market demand. "We had diluted Farmtrac with Powertrac by combining the brand strategy. This, I believe, was wrong. For the last 2-3 years we are doing the opposite, so Farmtrac stands for premium while Powertrac is now value-for-money," says Nanda. In the last 18 months, Escorts has launched 6-7 new products under Farmtrac that feature 50-55 HP engines, four-wheel drive and stylish designs. "They look bulkier and there is more comfort for the driver. It has LED lights—quite like a car. There is an interesting appeal for customers, they say 'Aap to haathi le aayein hain'," he adds.

Meanwhile, Powertrac is a haulage tractor with the most fuel-efficient engine in India. "Today 50-60% of our sales are from the new products. At a time when the industry was in recession, Powertrac was often out-of-stock. So, we are starting a second shift at the plant. We have just got the blueprint cleared. We have set our strategy right, in terms of understanding who we are: We were always a premium player in the market," says Nanda.

In the super-premium niche segment, Escorts has also tied up with Ferrari tractors used in vineyards. We ask him whether in the future, he would once again like to get into sunrise sectors like two-wheelers or telecom and the answer is a clear 'no'.