



# INVESTOR PRESENTATION

November 2016



# Economic Environment and Sectors



# India's Economic Environment

- Foreign direct investment (FDI) inflows have increased 29 per cent during April 2015 – March 2016 to approx. US\$ 40 billion.
- CPI-based inflation touches 4.2% in October.
- Normal Monsoon leading positive sentiment.
- Proposed GST catalyzing growth.
- The demonetization of ₹500 and ₹1000 banknotes step taken by the Government of India, positive move for long term growth and development.

Sector	Employment %	% of GDP
Agriculture	53%	17%
Industry	22%	30%
Services	25%	53%

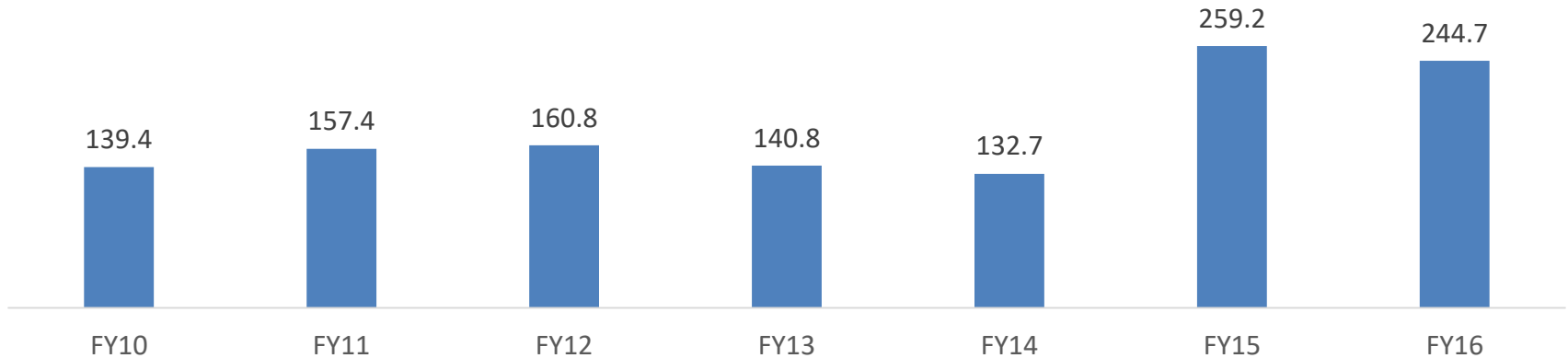
- Agriculture is the primary source of livelihood for about 53 % of India's population
- Apart from agriculture, rural economy is levered to mining, manufacturing and construction Sector.

India has emerged as the fastest growing major economy in the world and Indian economy will continue to grow more than 7 % in 2016-17.



# Indian Agriculture Industry

GDP by value added – size of agriculture and allied activities (\$billion)

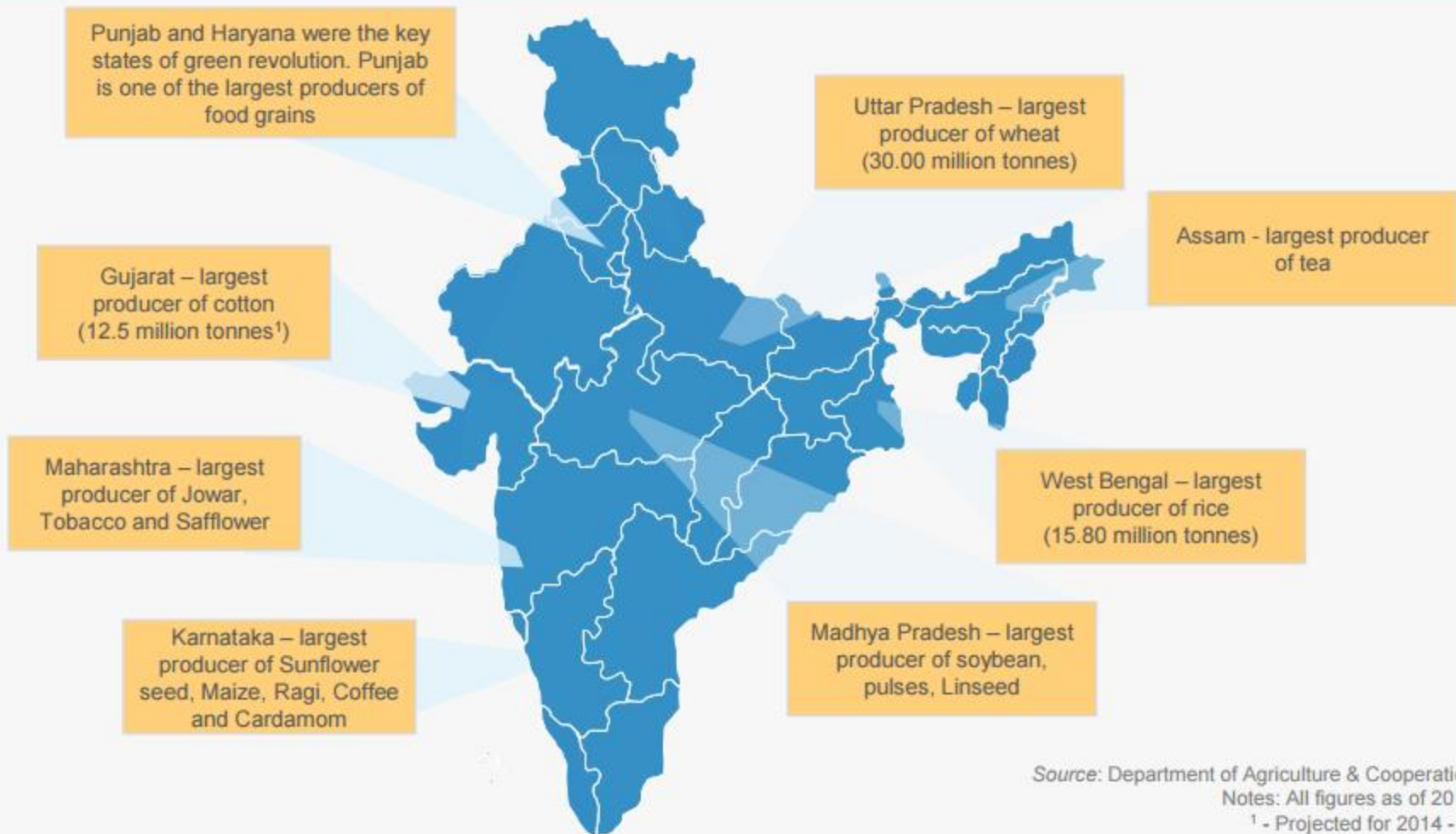


- India holds the second largest agricultural land in the world.
- As per Union Budget 2016-17, the major focus would be on doubling farmers income by 2022.
- In FY2015, total food grain production in India was recorded at 252.68 million tonnes , which increased to 253.16 million tonnes in FY16.
- India is one of the largest manufacturers of farm equipment such as tractors, harvesters and tillers. India accounts for nearly one-third of the overall tractor production, globally, with the tractor production in the country estimated to increase by 8-9% CAGR over next 3-5 years.

**A significant increase in India's productivity could potentially eliminate global hunger.**



# Key Agriculture states



Source: Department of Agriculture & Cooperation,  
Notes: All figures as of 2015,  
<sup>1</sup> - Projected for 2014 - 15

IBEF

# India's Infrastructure

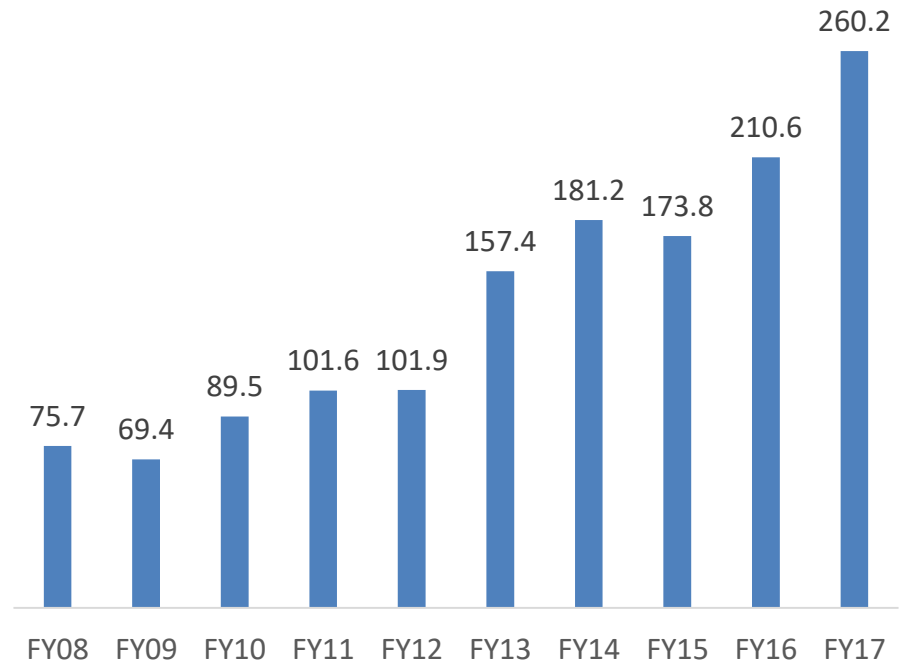


India's investment in infrastructure is estimated to double to about USD1 trillion during the 12th Five Year Plan

**KEY THEMES/SECTORS: ESCORTS PLAY CONSTRUCTION AND RAILWAY EQUIPMENT**

- Connecting India through Roads ●
- Power Generation & Transmission ●
- Industrial & General Infra development ●
- Rejuvenation of Indian Railways ●
- Unlocking India's Mineral Resources ●
- Real Estate & Construction ●

Infrastructure spending Planned (USD billion)



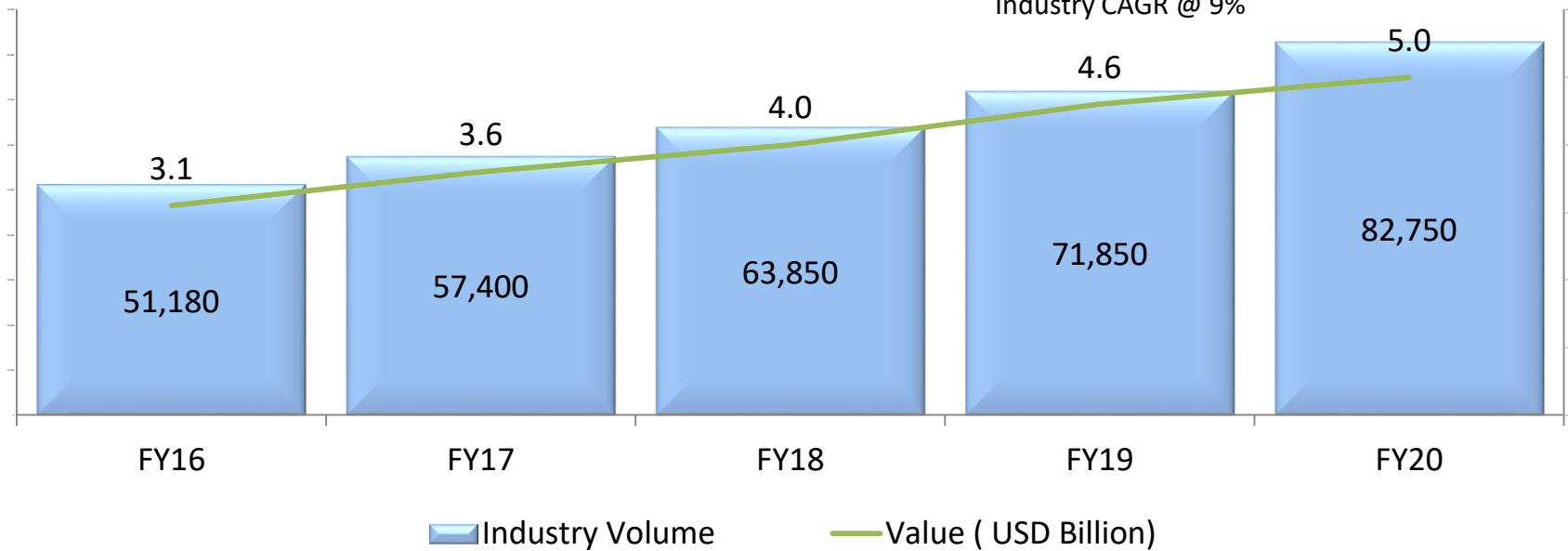
Source: planning Commission

Source: IBEF, CMIE

# India's Construction Equipment Sector



GDP Growth @ 8.5%  
IIP Growth @ 8%  
Industry CAGR @ 9%



## Construction equipment sale on an uptrend

- With infrastructure investment set to go up, demand for construction equipment will rise further.
- The Govt. policy action and investment in key areas e.g. Roads, Railways, Defence and Smart cities is likely to fuel the industry.
- Construction equipment forms around 7 - 8 % of GDP and gives employment to more than 3.0 million people in the country by 2020. It also accounts for more than 60 per cent in total infrastructural investment.



# Escorts Limited: Key Information





# Our Beliefs & Values

## OUR CORE VALUES



### RESPECT FOR PEOPLE

We will demonstrate dignity and respect for people in all our interactions. We will not tolerate belittling of people, regardless of position, or circumstance.

### EMPOWERMENT

People at all levels must be vested with the power and confidence to take decisions concerning their area of work.

### TRANSPARENCY

People will understand the processes and criteria used to arrive at decisions concerning them.

### COLLABORATION

We will work with our colleagues with the spirit of collaboration and mutual respect.

## OUR STRATEGIC VALUES



### CUSTOMER CENTRICITY

Acute sensitivity to the needs and experiences of the customer shall guide all that we do.

### EXCELLENCE

We will strive to achieve and surpass world class standards in all that we do.

### INNOVATION

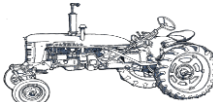
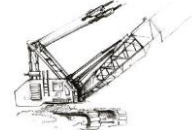



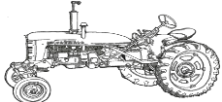





We will use the power of technology and imagination to deliver solutions to the customers' needs.

### AGILITY

We will operate in our markets with the ability to change direction and position with nimbleness and speed.



# Journey So Far

 <b>Launch</b> of Escorts Tractors	 <b>Manufacturing</b> of Construction equipment	 Launch <b>Farmtrac</b> End JV with Ford	Divested from other business to <b>focus</b> on tractors and construction equipment	 Launch of Farmtrac Executive Series	 Launch <b>Powertrac Euro</b> in 41-50 HP						
1961	1969	1971	1979	1995	1998	2005	2010	2013	2015	2016	2017
	JV with <b>Ford</b> motors to make Tractors 	Collaboration with <b>JCB</b> For backhoe 	Launch <b>Powertrac</b> Brand of tractors 	Launch <b>DIGMAX</b> Brand of Backhoe 	Launch <b>ALT</b> By Powertrac 	<b>Auto part Business</b> being Divested 					



# Manufacturing Facilities



## ***Escorts Agri Machinery***

Three Plants: Farmtrac, Powertrac & Components with a production capacity of 100,000 tractor p.a.  
Poland Plant: 100% subsidiary having an installed capacity of 2,500 tractor p.a.

## ***Escorts Construction Equipment***

State of the art manufacturing and assembly facility sprawling 23,226 sq.m. of space with a capacity of 10,000 units p.a.

## ***Railway Equipment Division***

State of the art manufacturing facility sprawling 14,000 sq.m.  
Couplers (AARH + Shaku )1100 p.a., Air Brake 4400 p.a., EP Brake 200 p.a., Brake Block: 32,000 p.a.

## ***Escorts Auto Products (Being Divested)***

State of the art manufacturing facility sprawling 12,500 sq.m.  
Shock Absorbers 3.2.mn. p.a., McPherson Struts 300,000 p.a., Front Forks; 1.0 mn. p.a.

# Our Businesses



## Escorts Agri Machinery



Revenue (FY16): \$ 415 mn  
**H1FY17: \$ 250.7 mn**

## Escorts Construction Equipment



Revenue (FY16): \$ 69 mn  
**H1FY17: \$ 41.1 mn**

## Railway Equipment Division



Revenue (FY16): \$ 31.1 mn  
**H1FY17: \$ 17.9mn**

## Escorts Auto Products (Being Divested)



Revenue (FY16): \$ 13.9 mn  
**H1FY17: \$ 4.9 mn**

Revenue (FY16): \$ 526.1 mn  
**H1FY17: \$ 312.9 mn**

\*Division revenue include other income  
\$ 1 USD= Rs. 66 INR  
Figures are as per Ind-AS



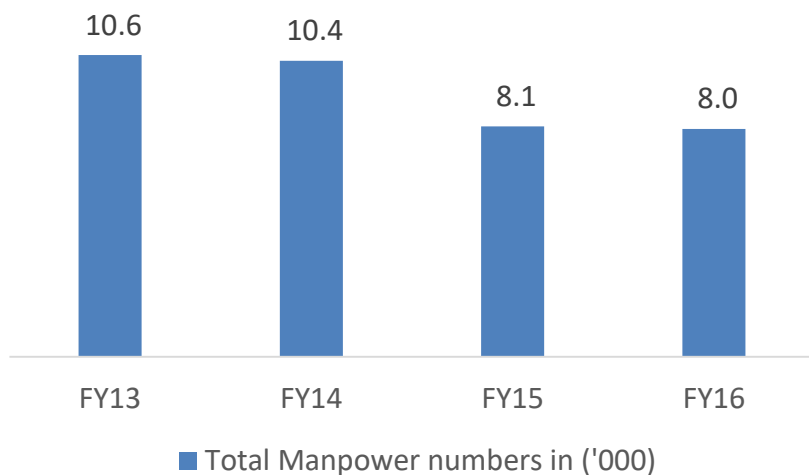
## Recent key initiatives

1. **Backward Integration** of EAM & ECE Operations and R&D function to leverage synergies.
2. **Project Shikhar:** To reduce the material cost in EAM to reach the industry leading gross margins completed.
3. **Divested Auto part business** As a part of strategic orientation divested OEM & Export business of Auto Product division to Badve Engineering Ltd.
4. **Corporate Governance:** New directors introduced in order to create a more vibrant board.
5. **New Partnerships:** enhancing partnership with DLL for tractor financing.
6. **Culture Change:** Young leaders leading new projects, with support of senior leaders.
7. **Strategic outsourcing:** Non core activities are outsourced to strategic partners.
8. **New Products:** Extended Powertrac Euro series to 41-50 HP, new backhoe loader 4X4 with brute power.
9. **Manpower Cost rationalization:** White collar by role clubbing and blue collar VRS.
10. **International Business:** With our 'Global Transformation Vision 2020' we launched 12 new tractors in 12 HP to 110 HP range under flagship brands.

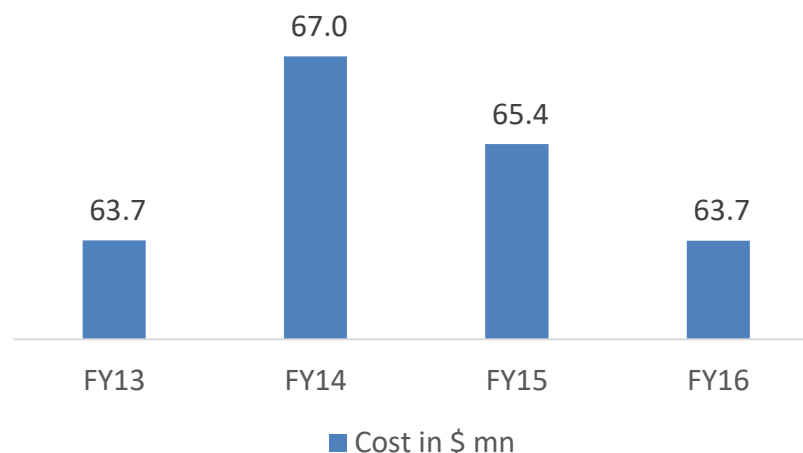
# Next Focus on Cost Reduction: Manpower Cost



Total Manpower numbers



Total Manpower cost in \$mn



1. The nos. of white collar employees has been steadily going down. The key levers include outsourcing of non core areas, creation of shared services and centers of excellence.
2. Blue collar employees has also been steadily going down. The key levers include
  1. TPM and productivity gains.
  2. VRS and Natural retirements in next 2-3 years will results further better gains.



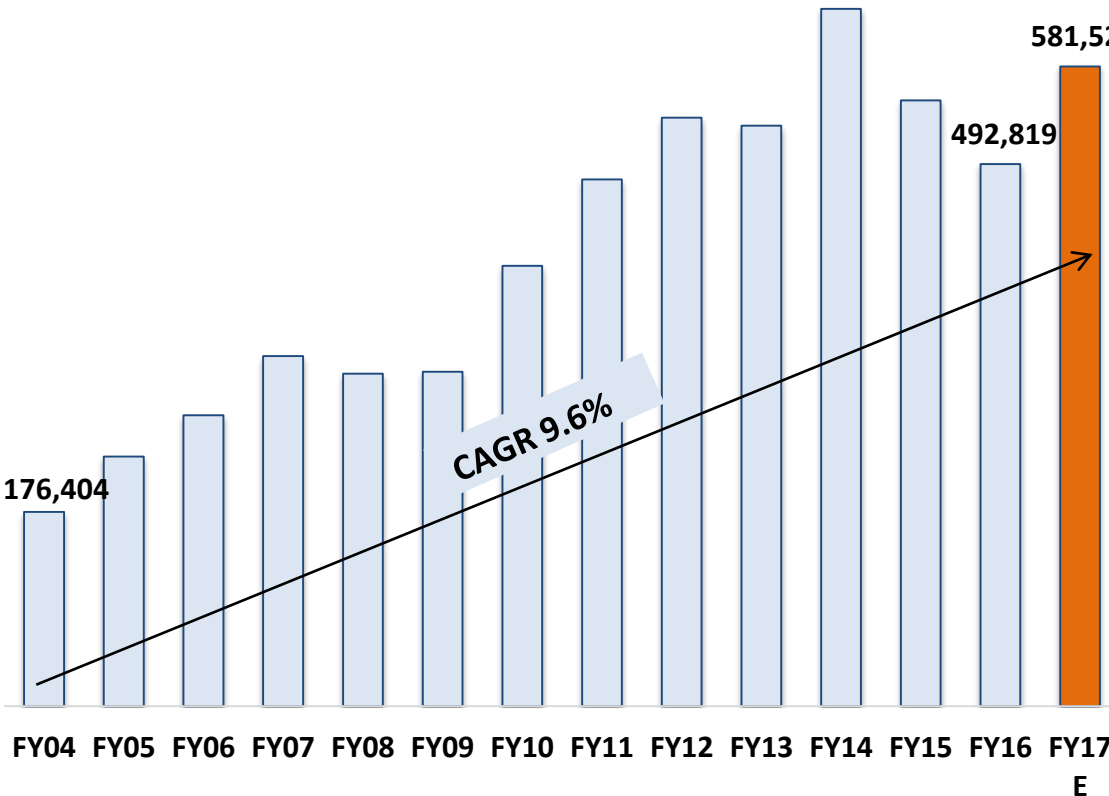
# Escorts Agri Machinery

*FARMTRAC*

*POWERTRAC*



# Domestic Tractor Industry



*Increasing trend towards Mechanisation*

*Minimum Support prices for Key Crops*

*Scarcity of Labour*

*Ease of Credit Availability from Govt.*

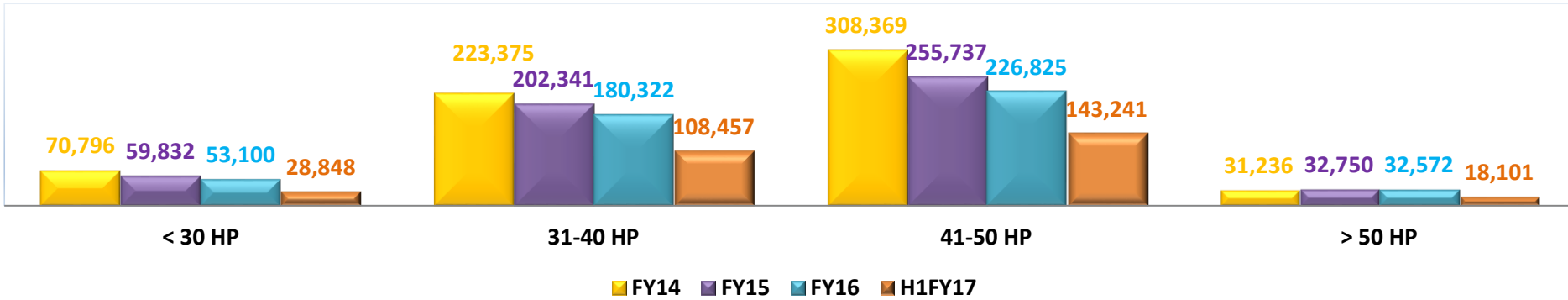
- In FY15 & FY16 tractor volumes are down by 13.1% & 10.5% down Y-o-Y on the back of lower crop prices and erratic monsoon.
- Industry in FY17 is expected to go up by 18-20% .
- The long term growth fundamentals of industry are strong with lowering of the replacement cycle, but the pace of the central & state Government’s policy roll out and the final monsoon behavior would govern the short term industry performance.



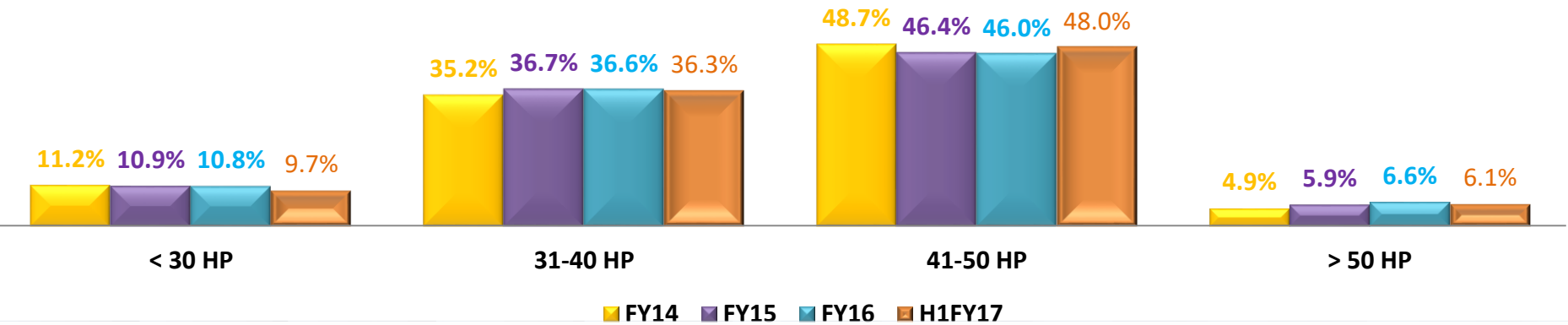


# Industry Segmentation

## Industry Segment Volume



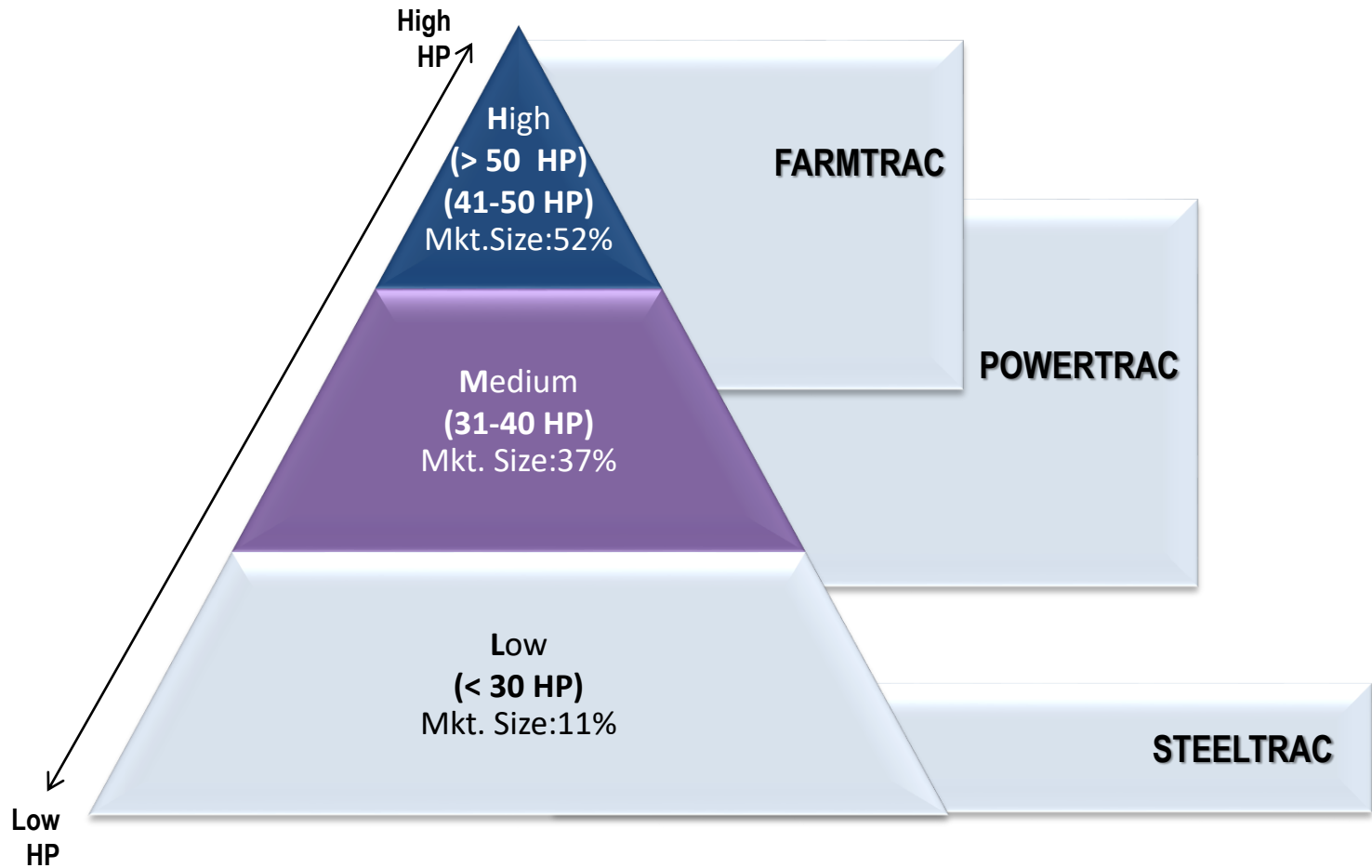
## Industry Segment Market Share in %



**We estimate that higher HP segment will grow faster than the Industry.**



# How we are positioned in India



# Recent Development

(Product launches-FY16)



## Powertrac Euro 45 & 50 (41- 50 HP)

- A technological marvel where for the first time style & comfort comes without compromising with power & performance.



## Farmtrac Classic Series ( 41-50 HP)

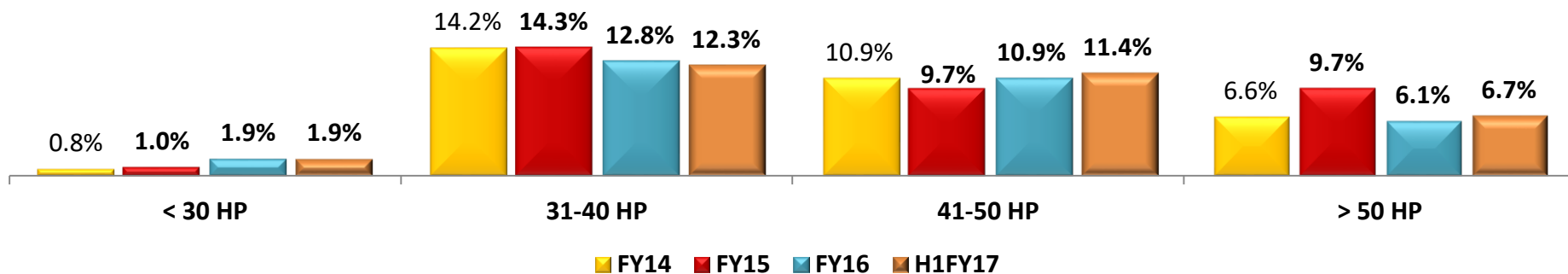
*"Modern Inside Classic Outside"*

- 'Kheton Ka King'.
- Best-in-class combination of modern design, stunning looks, and world-class technologies



# EAM...Journey So Far

Escorts Segment Market Share in %

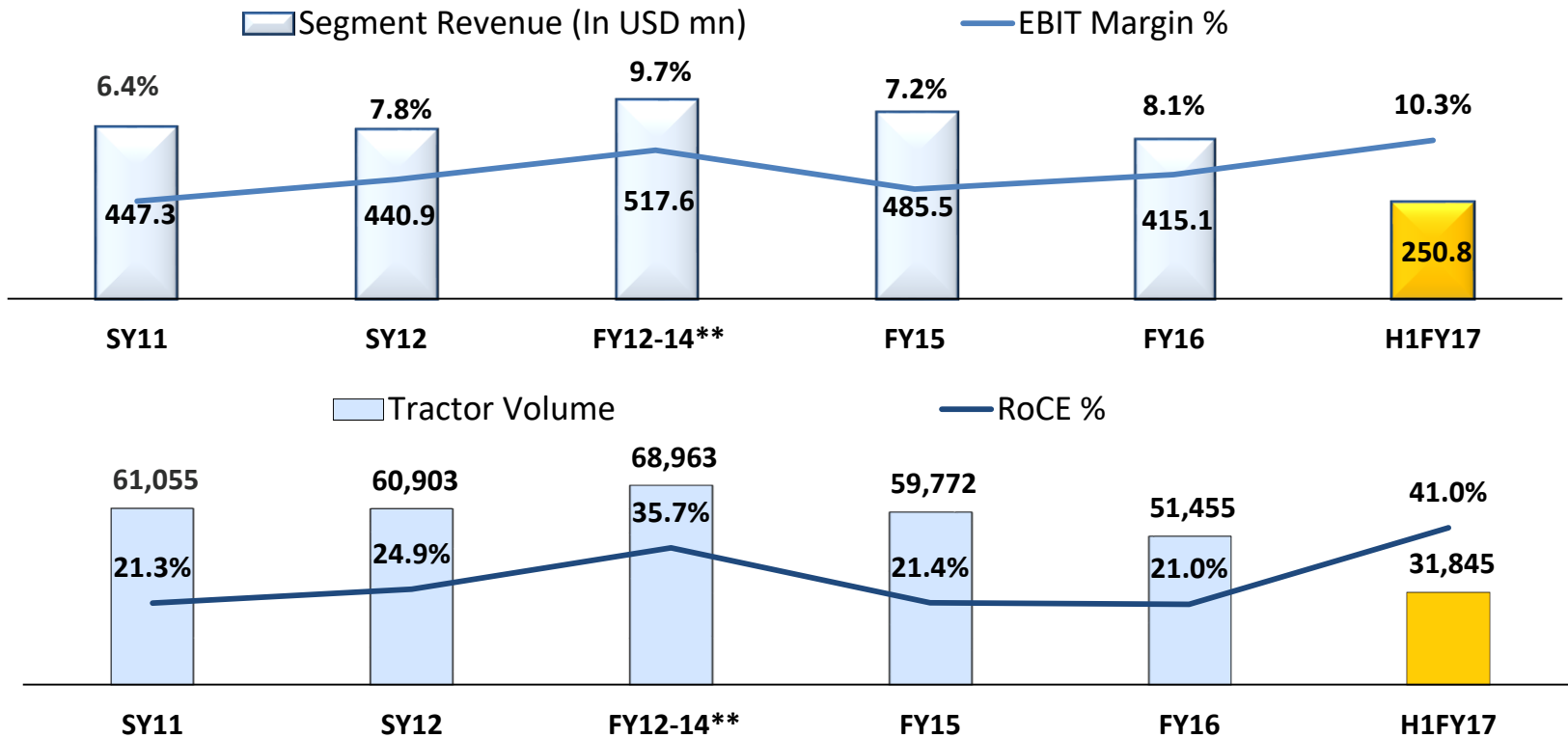


New Products	31-40 HP	41-50 HP	>50 HP
FARMTRAC	XP Series (FY15)	Classic Series (FY16)	Executive Series (FY14)
		4 WD (FY15)	
POWERTRAC	Euro Series (FY14)	Euro Series (FY16)	
	ALT Series (FY15)	New Products	

- Gaining market share in >50 HP segment in the last 3 to 4 years.
- Started gain in market share in 41-50 HP segment on the back of new products in FY16.
- To separate the channel in FT and PT. To increase market share in key states in south and west region.



# EAM...Journey So Far



- From SY11 to FY12-14, EBIT margins have improved on the back of premium pricing & new product launches.
- In FY15, EBIT margins have gone down because of reduction in tractor volume due to industry downturn.
- In FY16, the EBIT margins improve on back on material cost reduction on constant volume basis.
- In H1FY17, the EBIT margins improved on back on cost reduction and industry growth.

\*\* Annualised Data

Source: Internal Business Intelligence data

# Exports



- **Goal: To reach 10,000 tractors in exports in the medium term.**
- **Infrastructure: Fully owned subsidiary in Poland (FTES), Distributors & Institutional network in other parts**
- **Current Markets: Cambodia, Bangladesh, South Africa, Poland & Germany**
- **Key Target markets: Africa, SE Asia, Specific European & US markets.**
- **With our 'Global Transformation Vision 2020' we launched 12 new tractors in 12 HP to 110 HP range under flagship brands..**
- **Strategic Initiatives**  
**To develop products specifically for exports**
- **Product Positioning offering:**
  - **"same for less"**
  - **"more for same"**



# The Next Steps....

To achieve EBIT Margin of 13~15%

## Revenue Growth Initiatives

Robust Growth in exports

South & West Penetration for de risking  
and market share gain

Alliances to catalyze growth

Impact on EBIT  ~1.5 – 2%

## Cost Rationalization Initiatives

Raw material cost reduction

Operational excellence

Personnel cost reduction

Impact on EBIT  ~3 – 3.5%



# Escorts Construction Equipment

Material Handling

Earth Moving

Road Compaction



# Domestic Construction Equipment Industry...

## Turning around

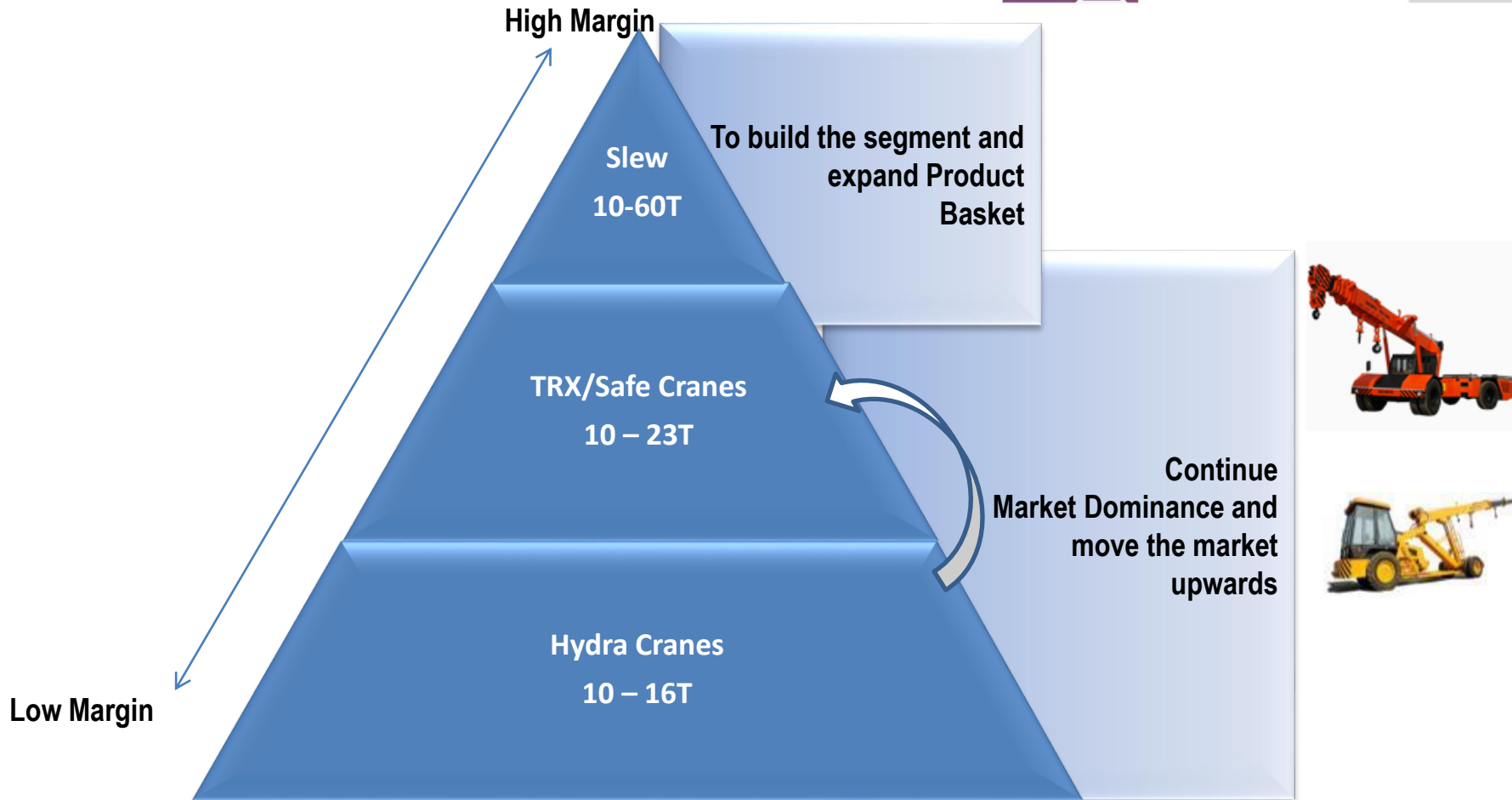


S.No.	Category	Application	Major Eqpt.	Volumes (H1FY16)	Volumes (H1FY17)	Growth (%)
1	Earthmoving	Roads Power	Backhoe Loaders	10,109	13,822	37%
		Real Estate Sand Mines	Excavators	5,342	7,884	48%
			Others	1,911	1,928	1%
2	Material Handling	Roads Power	Pick & carry Cranes	1471	1988	35%
		Other Infra				
3	Road Building	Roads	Compactors	1189	1323	11%
		Airports	Others	57	248	335%
4	Concreting	Irrigation	Mixer, Pumps, Batch plants	480	818	70%
5	Material Processing	Mining	Compressors, Crushers	1315	1475	12%
Total				21,874	29,486	35%
Served Industry				12,769	17,133	34%

The overall Industry grew by 35%

Source : ICEMA

# Material Handling – Transform the market from a leadership position.



To strengthen the dominant position in PnC crane segment. To move to other crane segments in the material handling Industry & develop high value, specialized cranes.



## Backhoe Loaders – Focus on specific segments

### MARKET OUTLOOK

- The market is expected to grow at a CAGR of 11.4% to 33,850 units by FY20
- As the Industry will mature, specific segments will emerge

### MARKET LEADERSHIP

- Aim to focus on productivity based applications
- Significant Export player in BHL



Our strategy is to focus on specific applications/geography, where equipment productivity is key and shall build a niche for our brand/product.

# Recent Development

(Product launches-FY17)



## "Jungli" 4x4 Backhoe loader

- a) 75HP Escorts Engine
- b) Brute Power



# Ready to ride the Industry

## Revenue Growth Initiatives

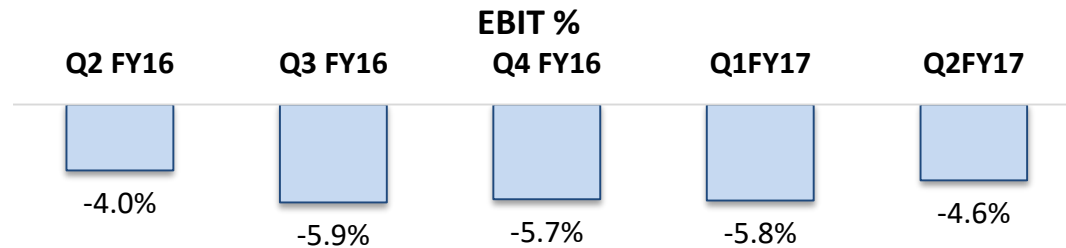
Rich product mix  
Better Revenue Realization  
Higher Parts Sales

Operational excellence  
Dealership & Outlet reach expansion  
Channel Financing

## Cost Rationalization Initiatives

Reduction in fixed cost

Reduction in material cost through negotiation and VAVE



**Target to break even by FY17 end.**

# Way forward



ECE will be a major Indian construction equipment company that will provide solutions for infrastructure development and drive profitable growth.



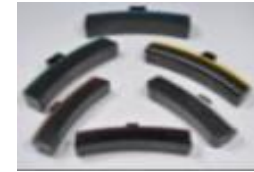
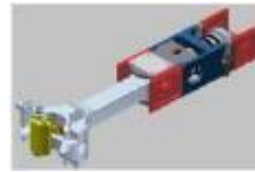
From a leader in Pick and carry crane to be a leader in Material Handling segment



From a new entrant to be a niche player in the Backhoe loader segment



From a compaction solution provider to be a road construction and repair solution provider



# Railway Equipment Division

Indian Railways

Rapid Transport



# Indian Railways – World’s 4<sup>th</sup> largest Railways

## Government Thrust on Railways

- Total plan expenditure during 12<sup>th</sup> 5 year plan increased to USD 70 bn. from 11<sup>th</sup> 5 year plan of USD 32 bn.
- As per the rail budget **Rs.10 trillion will be invested in railways in next 5 years.**
- The investments will be made in Metros systems for tier 2 cities, dedicated freight corridors, high speed railway corridors and new technology.
- Modi Govt. allowed 100% FDI in Railways infrastructure

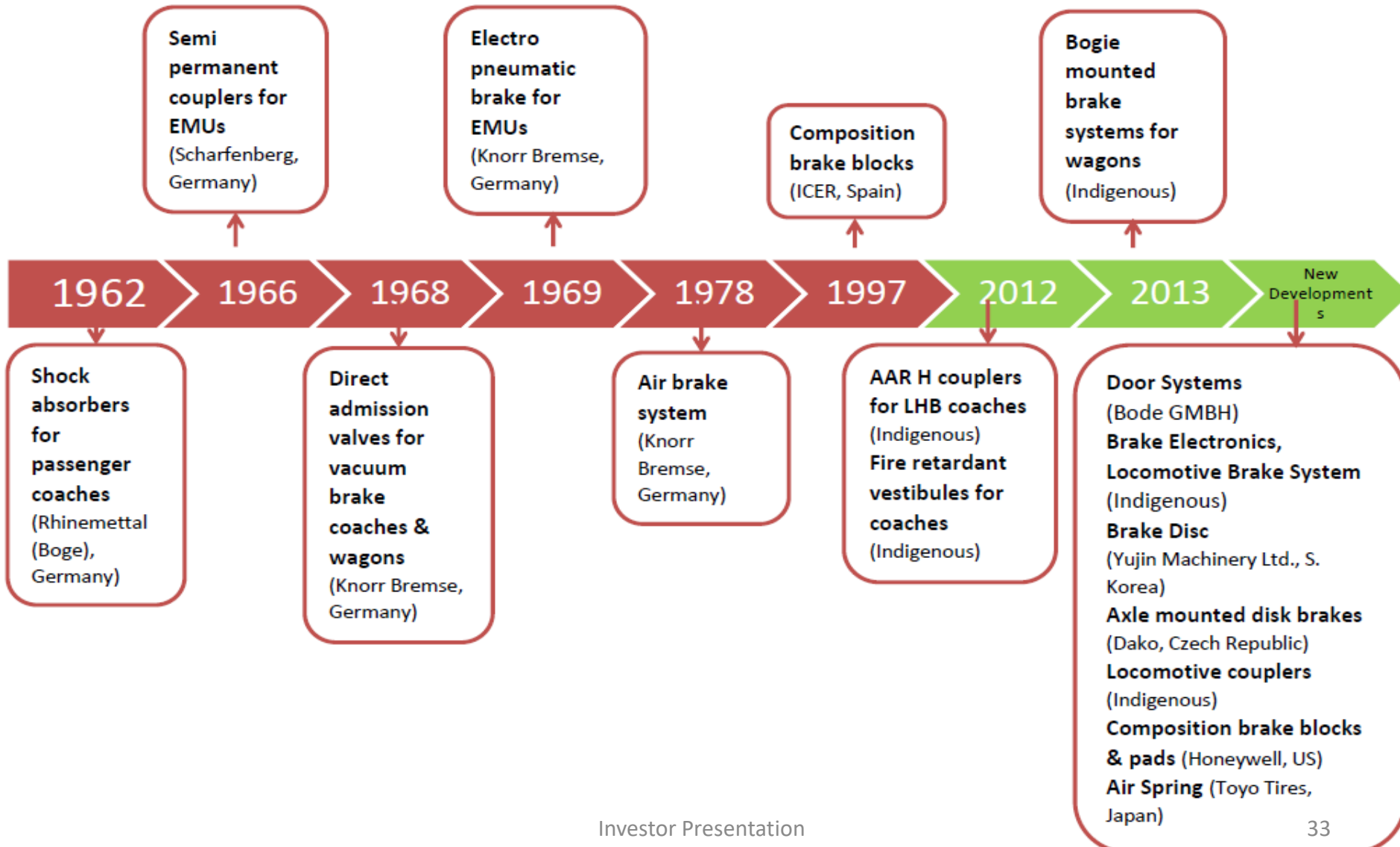
## Escorts Proposition

- With over 40 years of rich experience in manufacturing of critical railway systems (Safety and comfort), Escorts has played a major role in the modernization of Indian Railways.
- **The aspiration is to be in top 2 component and solution provider to Indian railways and metros in next 5 years.**

S. No.	Products	Revenue FY16	Market Size	Competition
<b>Existing Products</b>	Brakes: Air Brakes, EP Brakes Couplers: AARH coupler, SHAKU Coupler Others: Brake Pads, Suspension etc.	\$31.1 mn		
<b>Product Pipeline</b>	Bogey Mounted Brake System (Completed testing) Axle Mounted Brake System ( on going testing)		\$ 45.5 mn	One player

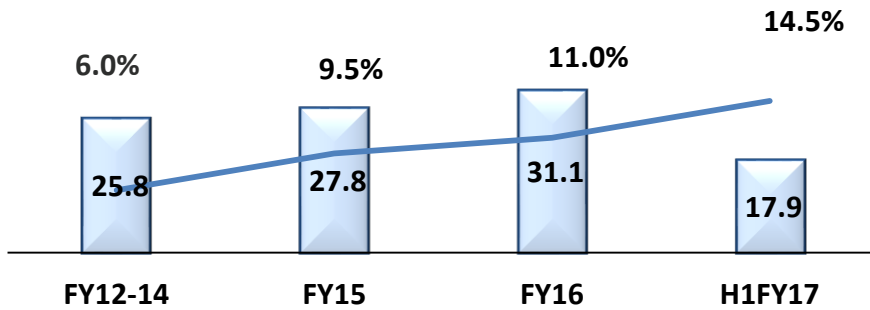


# Technological Advancements





## Leveraging Customer Relationship



■ Segment Revenue (USD mn) — EBIT Margin %

- With the development of new product segment, the margins in Railways division is expected to go up.

### New Products

New products are in development at various stage.

### New Segments ( Metro, Exports)

Foreign Collaborations done to bridge the product gap .

**To be in the Top 2 components and Solutions Providers to IR and Metros leveraging our existing relationship and technology partnerships**



# Escorts Auto Products

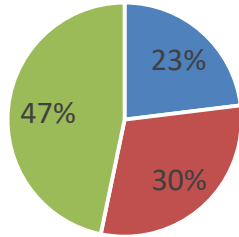
Being Divested



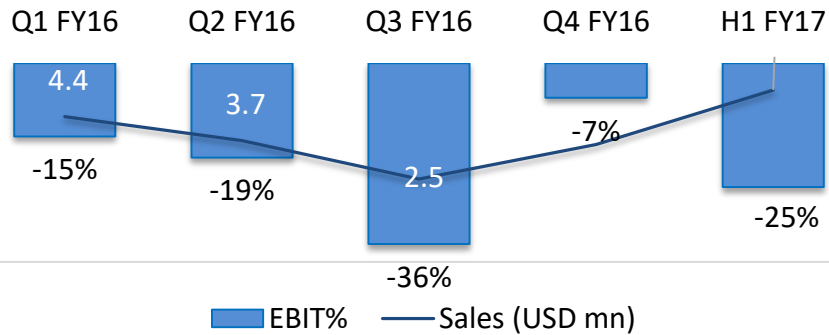
# Business Overview

As part of strategic orientation, OEM & Export business being divested to Badve Engineering Ltd., Pune.

## Sales H1FY17 (USD 5.2 mn)



■ Replacement Market ■ OEM ■ Exports



Shock Absorbers  
2W, 3W, PV, CV and UV



Front Forks & McPherson Struts  
4W and LCV



## Key Customers



\* H1FY17 Numbers as per new IND AS

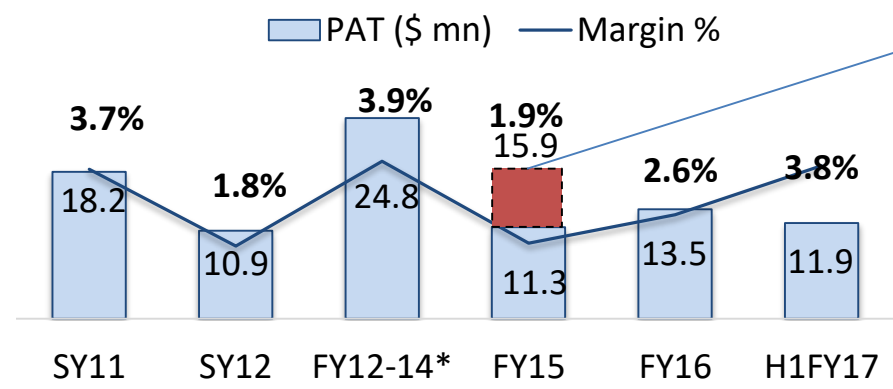
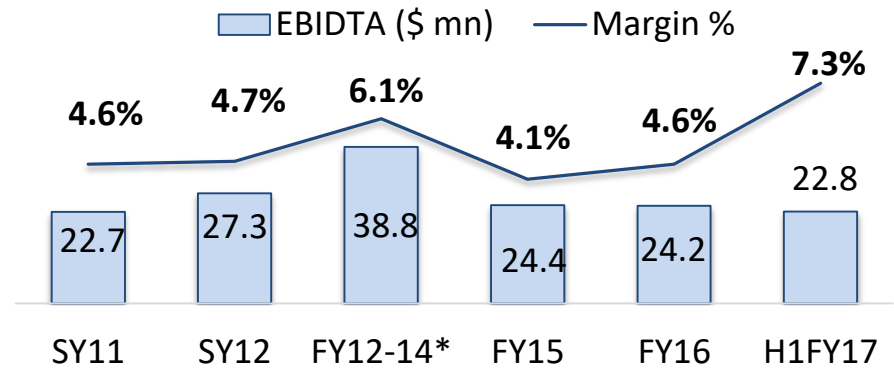
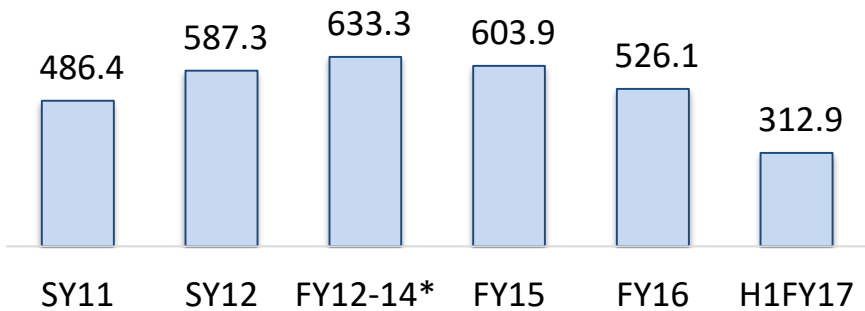


# Group Financials



# Revenue & Profit Growth

NET SALES (\$ mn)



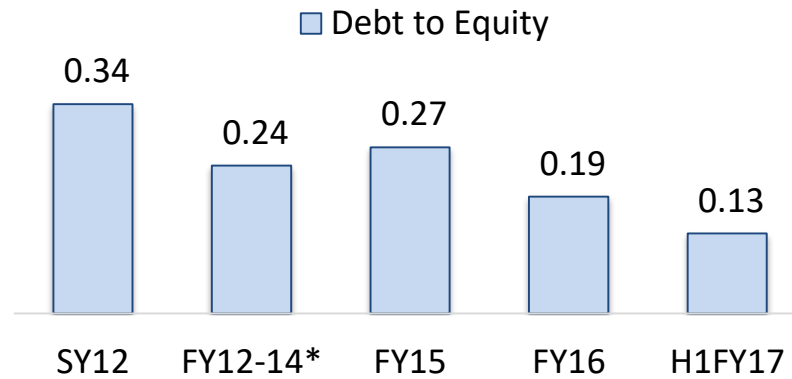
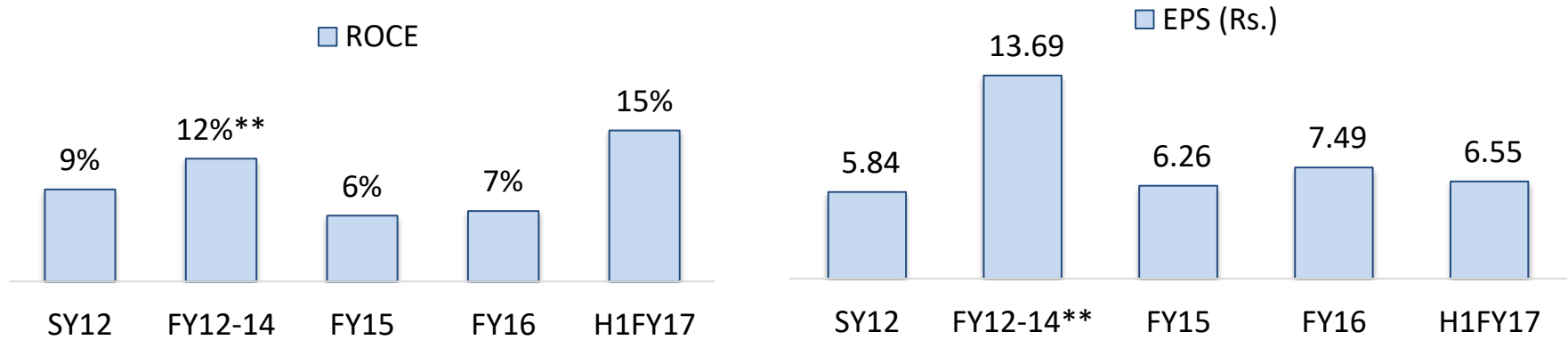
**Exceptional Item of \$4.8 mn due to VRS in FY15**

\* Annualised Data

\* H1FY17 Numbers as per new IND AS



# Key Financial Metrics



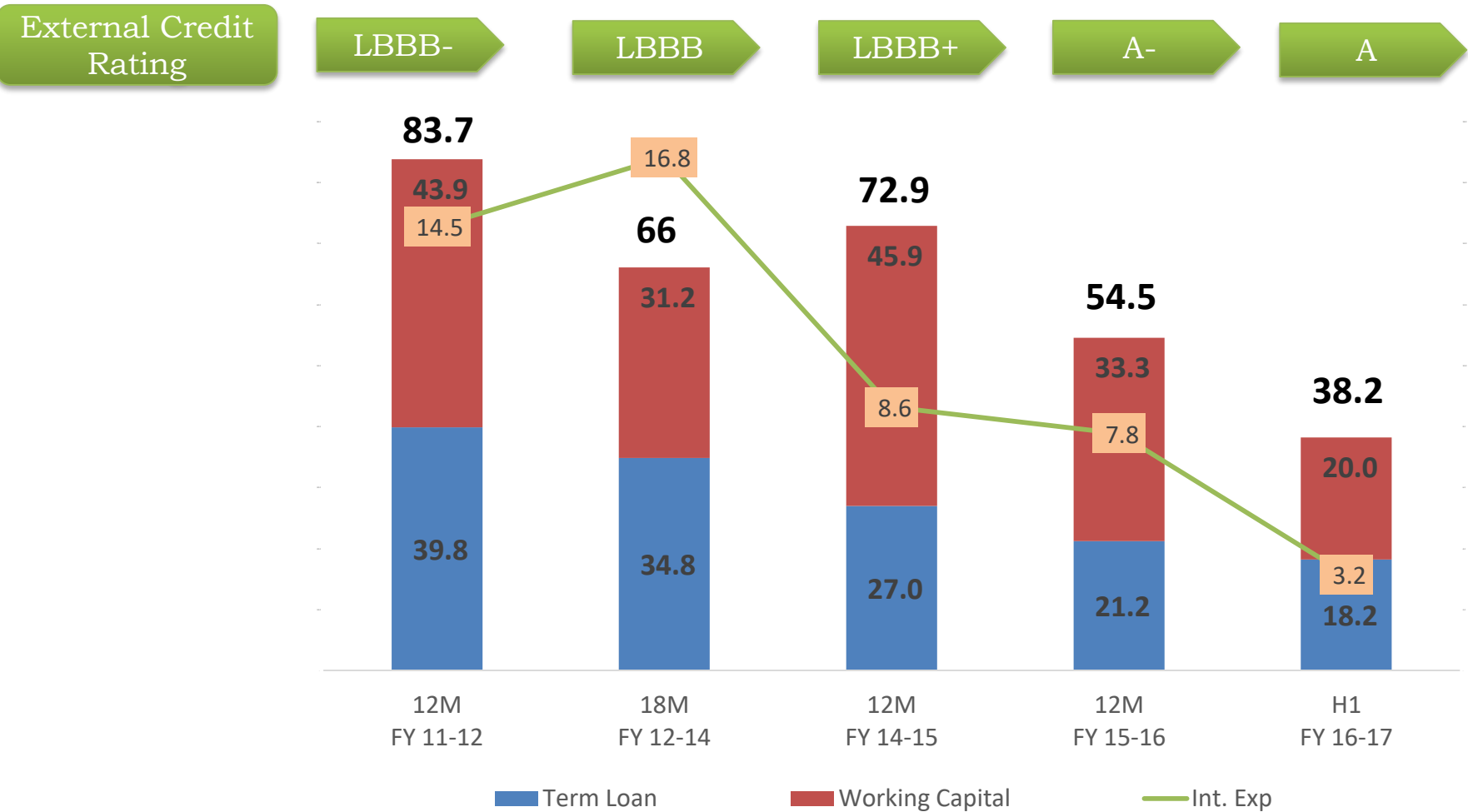
\*\* Annualised

\* ROCE H1FY17 is annualized & rest H1FY17 Numbers as per new IND AS Investor Presentation



# Credit Ratings has gone up.

(\$ Mn)







# Shareholding Structure

	Sept'15	Dec'15	Mar'16	June'16	Sept'16
Promoter Group	43.0	43.0	43.0	43.0	43.0
FII	8.3	8.5	8.3	8.9	12.0
DII	3.4	3.8	3.5	3.1	3.8
Public	45.3	44.8	45.2	45.0	41.2



# Management Team



## **Mr. Ravi Menon – CEO, Escorts Agri Machinery**

- Ravi is an experienced professional who brings many years of leadership in corporate strategy, marketing, sales, branding, international markets and production.
- He has previously worked with John Deere, ACC Limited, Exide Industries Limited.



## **Mr. Ajay Mandahr - CEO, Escorts Construction Equipment**

- He possesses over 25 years experience in leadership positions including turnaround in Sales and Marketing, developing new product categories, developing new business model.
- He was former Director-operations at Toyota Material Handling



## **Mr. Dipankar Ghosh - CEO, Railway Equipment Division & Escorts Auto Products**

- An ex-Indian Railway Service officer with over 23 years of experience in product development ,engineering and management.
- He has previously worked with John Deere, Bombardier Transportation and Caterpillar India in various leadership roles.



## **Mr. Bharat Madan, Group CFO**

- More than 28 years of rich experience in all the domains of financial management.
- In his previous role, he was Financial controller with Electrolux Kelvinator.



## **Mr. Ishan Mehta - Executive VP – HR & ER**

- An Alumnus of Xavier’s Labour Research Institute, He has more than 32 years of rich experience in HR
- He has previously worked with DCM Limited, Ballarpur Industries, Eicher Group and East India Hotels



# Board of Directors



## **Mr. Rajan Nanda, Chairman**

- A Visionary leader, who has played a pivotal role in promoting the cause of Indian Agriculture
- Active member of several apex trade and industry bodies and member of CII National Council



## **Mr. Nikhil Nanda, Managing Director**

- Alumnus of Wharton Business School, Philadelphia
- Responsible for driving Escorts' growth initiatives to strategically position it in the global arena



## **Dr. Sitanu Bihuria, Independent Director**

- A PHD in Economics from Southern Methodist University, Dallas, He is an IAS officer from 1976 batch.
- He has served as secretary in the Dept. Of Fertilisers, National Disaster Management Authority and Dept. of Heavy Industry.



## **Mr. Hardeep Singh, Non-Independent Director**

- Chairman -Monitoring committee on minimum support price (Planning Commission) & Food security Task force (CII)
- He was the former executive chairman of Cargill South Asia and Amalgamated Plantations Pvt. Ltd



## **Mr. D J Kakalia., Independent Director**

- Partner in Mulla & Mulla & Craige, Blunt & Caroe, Advocates, Solicitors & Notaries
- Specializes in litigation for the power and manufacturing sector, representing and advising large Power Companies
- Director and member of various Board Committees in Aditya Birla Finance Limited, Reliance Broadcast Network Limited and Reliance Power Limited



# Board of Directors



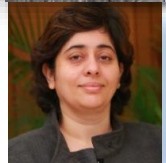
***Mr. P.H. Ravikumar, Independent Director***

- Founder MD & CEO of NCDEX
- He has worked with leading banks like ICICI Bank and Bank of India



***Ms. Vibha Paul Rishi, Independent Director***

- An Alumnus of FMS Delhi, She has been an Executive Director of Brand and Human Capital of Max India Limited
- She has also worked with leading Industry names like Future Group and PepsiCo in various leadership roles.



***Ms. Natasha Nanda, Whole-time Director***

- An entrepreneur & experienced business leader, She manages the Escorts Securities Ltd. And Escorts Asset Management Ltd.
- She is on the board of directors of Seitz technologies, RNIS, Raksha TPA, Rimari India and Sun and Moon travels.



***Mr. G. B. Mathur, Non-Independent Director***

- An ACS and LLB by profession, He has more than 3 decades of experience in corporate law
- He has previously worked with Chambal Fertilizers and Chemical Limited



# Safe Harbour

Certain statements in this document may be forward-looking statements. Such forward-looking statements are subject to certain risks and uncertainties like regulatory changes, local political or economic developments, and many other factors that could cause our actual results to differ materially from those contemplated by the relevant forward-looking statements. Escorts Limited will not be in any way responsible for any action taken based on such statements and undertakes no obligation to publicly update these forward-looking statements to reflect subsequent events or circumstances.

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