



COMPETITION COMMISSION OF INDIA
(Combination Registration No. C-2021/12/890)

1st February 2022

Notice under Section 6(2) of the Competition Act, 2002 given by Kubota Corporation

CORAM:

Mr. Ashok Kumar Gupta
Chairperson

Ms. Sangeeta Verma
Member

Mr. Bhagwant Singh Bishnoi
Member

Order under Section 31(1) of the Competition Act, 2002

1. On 14th December 2021, the Competition Commission of India ('**Commission**') received a notice under Section 6(2) of the Competition Act, 2002 ('**Act**'), given by Kubota Corporation ('**Kubota**'/'**Acquirer**'). The notice was filed pursuant to the execution of (i) Shareholders' Agreement ('**SHA**') between Kubota, Escorts Limited ('**Escorts**'/'**Target**'), Escorts Benefit and Welfare Trust ('**Escorts Trust**') and Specified Promoters; and (ii) Share Subscription Agreement ('**SSA**') between Kubota, Escorts, Escorts Trust and Specified Promoters, both dated 18th November 2021 (Hereinafter, Kubota and Escorts are together referred to as '**Parties**').



2. The Proposed Combination involves Kubota's acquisition of certain additional equity shares of Escorts through the following steps:
- a. *Acquisition:* Pursuant to the SSA, Kubota will subscribe to 6.49%¹ of the post issue total issued, subscribed and paid-up share capital of Escorts, by way of preferential allotment. Further, pursuant to the SHA, Kubota proposes to acquire and exercise control of and over Escorts and become a joint promoter along with the existing promoters of Escorts.
 - b. *Open Offer:* On account of Kubota's acquisition of control over Escorts, an Open Offer will be made to the public shareholders of Escorts under the Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 2011. Pursuant to the Open Offer, Kubota proposes to acquire up to 26% of the Expanded Voting Share Capital² of Escorts from public shareholders.
 - c. *Indirect Open Offer:* On account of the Open Offer and the resultant proposed indirect change of control of Escorts Finance Limited ('EFL') (a listed subsidiary of Escorts), an indirect open offer at EFL level will be triggered. Pursuant to the Indirect Open Offer, Kubota proposes to acquire up to 26% of total equity share capital (including partly paid equity shares) of EFL from public shareholders.
 - d. *Merger:* With respect to step 4 of the Proposed Combination, *i.e.*, merger of Kubota Agricultural Machinery India Private Limited ('KAI') and Escorts Kubota India Private Limited ('EKI') with Escorts, the Commission noted that the relevant parties are yet to finalize the terms of the said transaction. Thus, in

¹ This will constitute 7.10% of the post issue total issued, subscribed and paid-up share capital of Escorts

² Consists of existing share capital and subscription shares allotted in step (a) above



the given facts and circumstances, the Commission has not considered step 4 of the Proposed Combination.

- e. *Selective Capital Reduction:* Escorts, Kubota and the Specified Promoters will file the scheme of arrangement with the relevant bench of the National Company Law Tribunal for the selective capital reduction of certain equity shares which are currently held by the Escorts Trust.
3. Prior to the Proposed Combination, Kubota holds 9.09% of the total issued, subscribed and paid-up share capital of Escorts. Pursuant to the Proposed Combination, Kubota envisages holding up to 44.80% of the total issued, subscribed and paid-up share capital of Escorts (including its existing equity shareholding).
 4. Kubota, incorporated in Japan, is a global company with presence in more than 120 countries. The different product lines in which Kubota is globally present include tractors, combine harvesters and rice transplanters, utility vehicles, turf equipment, construction machinery, engines, weighing and measuring control systems, ductile iron pipes, valves, pumps, membrane solutions and waste water treatment plants.
 5. In India, Kubota is present through two joint ventures ('JVs') namely, KAI and EKI. Both KAI and EKI are 60:40 JVs between Kubota and Escorts, respectively. KAI is engaged in the business of supplying tractors, rice transplanters, combine harvesters and power tillers, as well as implements and attachments in India. EKI is established for the manufacturing of tractors for both Indian and export markets.
 6. Escorts is a public limited company incorporated in India. Escorts' shares are listed, *inter alia*, on the BSE and National Stock Exchange of India Limited. Escorts is engaged in the business of manufacturing and sale of agri-machinery, construction equipment and railway equipment in India. It trades in oils and lubricants, implements, trailers, tractors, construction, earth moving and material-handling



equipment. Further, Escorts, through its subsidiaries and joint ventures, is also engaged, *inter alia*, in the business of crop solutions, finance and securities trading services in India.

7. Based on the submission of the Parties, it is observed that Kubota is present in India only through two JVs with Escorts and its existing shareholding in Escorts. The Commission observed, based on the submission of the Parties, that Kubota and Escorts exhibit horizontal overlaps in the segments of manufacture and/or sale of (i) tractors, (ii) combine harvesters and (iii) diesel engines. The Parties also exhibit limited horizontal overlaps in the manufacture and/or sale of implements³ (rotavators only) and spare parts and lubricants.
8. The Commission decided to leave the delineation of the relevant market open as it was observed that the Proposed Combination is not likely to cause an appreciable adverse effect on competition in any of the possible alternative relevant markets that could be delineated.
9. For the segment of tractors, the Commission noted that the combined market share of the Parties is in the range of [10–15]% in terms of volume and value. Further, the segment is characterized by the presence of other significant players such as Mahindra and Mahindra, Tractors and Farm Equipment Limited, Sonalika International Tractors Limited and John Deere India Private Limited, which would continue to exercise competitive constraints on the parties.
10. For the segment of combine harvesters, the Commission noted that the combined market share of the Parties is in the range of [10–15]% in terms of value and [15–20]% in terms of volume. Further, the segment is characterized by the presence of other significant players such as Kartar Agro Industries Private Limited, Preeth Tractors Private Limited, Manku Agro Tech Private Limited, John Deere India

³ It is submitted in the Notice that Implements are usually connected to tractors and they perform a variety of activities such as ploughing, threshing, etc.



Private Limited and Sonalika Agro Industries Corporation, which would continue to exercise competitive constraints on the parties.

11. For the segment of diesel engines, the Commission noted that the combined market share of the Parties is in the range of [0–5]% in terms of value and volume. Further, the segment is highly fragmented, and some of the other players are Mahindra and Mahindra, Kirloskar Oil Engines, Cummins India, Ashok Leyland Limited and TAFE Motors & Tractors Limited.
12. Based on the submissions, the Commission noted that a vertical overlap is present between Kubota's business of trading and assembly of agricultural machinery/equipment (*upstream*) and Escorts Crop Solution Limited's ('ECS') (subsidiary of Escorts) business of sales, renting advanced agricultural equipment and providing agricultural after-sales services (*downstream*). The Commission noted that the Acquirer's sale of the such agricultural equipment to ECS is insignificant. Further, in the upstream market for the manufacture and sale of agricultural equipment in India, there are several players present, for instance, Mahindra and Mahindra, John Deere, Tractors and Farm Equipment Limited, etc. It is also noted that the market share of ECS in the downstream market is not such as to cause any competition concerns, and it appears that the Parties do not have any ability or incentive to foreclose competition in any market.
13. With regard to complementary relationships, the Commission noted that (i) implements which are connected to tractors in order to perform a variety of activities such as ploughing, threshing, etc., may be considered complementary to tractors; and (ii) spare parts and lubricants may be considered complementary to agriculture equipment. Based on the submission of the Parties, it is observed that these complementary overlaps are limited in nature, and the presence of the Parties in these segments is not such so as to cause any competition concerns.



14. Considering the material on record, including the details provided in the Notice and the assessment of the Proposed Combination based on the factors stated in Section 20(4) of the Act, the Commission is of the opinion that the Proposed Combination is not likely to have any appreciable adverse effect on competition in India. Therefore, the Commission approves the Proposed Combination under Section 31(1) of the Act.
15. The order may be revoked if, at any time, the information provided by the Acquirer is found to be incorrect.
16. The information provided by the Acquirer shall be treated as confidential in terms of and subject to provisions of Section 57 of the Act.
17. The Secretary is directed to communicate to the Acquirer accordingly.