



**COMPETITION COMMISSION OF INDIA**  
(Combination Registration No. C-2020/06/750)

**10<sup>th</sup> July, 2020**

**Notice under Section 6 (2) of the Competition Act, 2002 filed 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 11<sup>th</sup> June, 2020, Competition Commission of India (“**Commission**”) received a notice under Section 6(2) of the Competition Act, 2002 (“**Act**”), filed by Kubota Corporation (“**Kubota/Acquirer**”). The notice has been filed pursuant to the (i) Shareholders’ Agreement (“**SHA**”) dated 20<sup>th</sup> March, 2020 between Kubota, Escorts Limited (“**Escorts/Target**”), Escorts Benefit and Welfare Trust and Specified Promoters; (ii) Share Subscription Agreement (“**SSA**”) dated 20<sup>th</sup> March, 2020 between Kubota, Escorts and Specified Promoters and (iii) Share Purchase Agreement (“**SPA**”) dated 20<sup>th</sup> March, 2020 between Escorts, Kubota and Kubota Agricultural Machinery India Private Limited (“**KAI**”). [Hereinafter, Kubota and Escorts are together referred to as “**Parties**”]
2. As per the Notice, the Proposed Combination envisages the following steps:



सत्यमेव जयते

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- i. *Step 1 - Primary Transaction:* Kubota will subscribe to equity shares of Escorts constituting 9.09% of the total issued, subscribed and paid-up share capital of Escorts (constituting 10% of the total issued, subscribed and paid-up share capital of Escorts upon completion of the Selective Capital Reduction).
  - ii. *Step 2 - KAI Transaction:* Kubota will acquire 40% of the total issued, subscribed and paid-up share capital from Sumitomo Corporation, Japan (“**Sumitomo**”) in KAI, a 60:40 joint venture (“**JV**”) between Kubota and Sumitomo respectively. Thereafter, Escorts will acquire 40% shareholding in KAI from Kubota. Accordingly, KAI will become a 60:40 JV between Kubota and Escorts respectively.
  - iii. *Step 3 –* The Parties are also contemplating a third step, which has not been finalised yet. Accordingly, the Commission has not considered step 3.
3. Kubota, incorporated in Japan, is a global company present 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 & measuring control systems, ductile iron pipes, valves, pumps, membrane solutions and waste water treatment plants.
4. In India, Kubota is active through two JVs namely KAI and Escorts Kubota India Private Limited (“**EKI**”). 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 and has yet to start production.
5. Escorts, incorporated in India, is listed on the BSE and National Stock Exchange, Escorts is engaged in the business of manufacturing and sale of agri-machinery, construction equipment and railway equipment in India. It also trades in oils & lubricants, implements, trailers, tractors, construction, earth moving and material handling equipment. Further, Escorts through its subsidiaries and joint ventures is also



engaged in the business of crop solutions, security trading and financial activities in India.

6. Based on the submission of the Parties, Kubota (directly and indirectly) and Escorts exhibit horizontal overlaps in the segments of manufacture and sale of (i) tractors, (ii) combine harvesters; and (iii) diesel engines.
7. 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.
8. It was observed, based on the submission of the Parties, that post the Proposed Combination, combined market share of the Parties will be [10-15%] in the segment of tractors and combine harvesters and [0-5%] in the segment of diesel engines. Further, the incremental market share is insignificant and there are several players present in each segment.
9. Based on the submissions, there are no existing vertical relationships and no supply arrangements between the Parties. With regard to potential vertical relationships, it was submitted that activities of KAI in trading and assembly of agricultural equipment may be considered as an upstream relationship to the activities of Escorts Crop Solution Limited (a wholly owned subsidiary of Escorts) in provision of agri-services namely harvesting, transplanting, rotavating, spraying etc. The market share of Escorts Crop Solutions Limited is not such so 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.
10. With regards to potential complementary relationships, it was submitted that (i) Implements (which are usually connected to tractors and perform variety of activities such as ploughing, threshing etc.) may be considered as complementary to sale of tractors; and (ii) spare parts and lubricants may be considered as complementary to



agriculture equipment. The market share of the Parties is [0-5%] in these potential complementary relationships.

11. 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 Step-1 and Step-2 of the Proposed Combination is not likely to have an appreciable adverse effect on competition in India and therefore, the Commission, hereby, approves the same under sub-section (1) of Section 31 of the Act..
12. This order shall stand revoked if, at any time, the information provided by the Acquirer is found to be incorrect.
13. The information provided by the Acquirer shall be treated as confidential in terms of and subject to provisions of Section 57 of the Act.
14. The Secretary is directed to communicate to the Acquirer accordingly.