SELL
TP: Rs 2,869 | ∀ 8%

ESCORTS KUBOTA | Automobiles | 04 August 2026

Steady show; exports below par, no respite; retain SELL

- **Steady growth in key markets North (22%) and Central (~15%) drives domestic volume up ~23% leading to ~36bps market share gain**
- **Gross margins compress ~358bps YoY due to cost inflation impacts of ~500bps; further ~1.5-2% cost impact expected in Q2FY27**
- **Retain FY27E/FY28E/FY29E EBITDA/EPS to factor growth offsetting cost Value at 20x P/E multiple; revise TP to Rs 2,869 (Rs 2,786). SELL**

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Volume steady aide marginal market share gains: ESCORTS Q1 revenue grew at 28.3%/8.1% YoY/QoQ to ~Rs32.1bn, driven by healthy tractor volumes growth of 20.5% YoY to ~36.9k units. Domestic tractor volumes grew 22.9% YoY, ahead of industry growth of 18.6%, resulting in a ~36bps market share gain, aided by stronger traction in North & Central markets, product refreshes and better channel execution. However, export volumes fell sharply to ~19% YoY (against industry growth) due to transportation issues and weak demand in the sub-40HP segment.

Margin under pressure despite operating leverage: RM costs surged ~35% YoY amid commodity inflation (~400bps) and minimum wage revision (~100bps). Gross margin effectively fell sharply to ~27.3% (vs ~30.9% YoY), although lower other expenses reflected ongoing cost-control initiatives. EBITDA increased ~10.3% YoY to ~Rs3.5bn, while EBITDA margin contracted ~180bps YoY to ~11.1%. ESCORTS indicated commodity inflation to remain elevated with an additional ~1.5-2% cost pressure expected in Q2FY27, while further price hikes are under evaluation.

Product launches to support growth: ESCORTS has planned launches across Farmtrac, Powertrac and Kubota brands, with new 4WD products planned in the medium term. Growth outlook was revised upward to mid-single digit growth and ESCORTS expects to outpace the industry through market share gains, supported by new products, expanding dealer network and captive financing penetration.

Maintain SELL: Intense competition, adverse regional mix, and commodity cost inflation are challenges in FY27 apart from a higher base effect. ESCORTS has also faced challenges selling Kubota tractors given the engine manufacturing woes. The exports growth is lagging far behind the industry growth. CE business revival will be handy. Effectively we retain our EBITDA/EPS for FY27E/FY28E/FY29E to domestic growth though margins will be under pressure. The new capacity benefits will be from FY29. Our 3-year EBITDA/PAT CAGR stays at 12%/8%. Limited presence in key regions like south India, cost pressure, weak exports will keep ESCORTS performance under pressure. We retain SELL. We revise our TP to Rs 2,869 (Rs 2,786) on rollover to Jun-2028 valuing at 20x stock's LT mean.

Key changes

Target	Rating
▲	◄ ►

Ticker/Price	ESCORTS IN/Rs 3,136
Market cap	US$ 4.4bn
Free float	63%
3M ADV	US$ 5.0mn
52wk high/low	Rs 4,180/Rs 2,700
Promoter/FPI/DII	37%/22%/8%

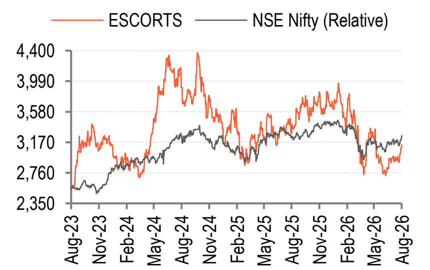
Source: NSE | Price as of 3 Aug 2026

Key financials

Y/E 31 Mar	FY26P	FY27E	FY28E
Total revenue (Rs mn)	1,15,403	1,29,550	1,52,127
EBITDA (Rs mn)	14,963	15,304	18,403
Adj. net profit (Rs mn)	13,429	13,567	15,247
Adj. EPS (Rs)	120.0	121.3	136.3
Consensus EPS (Rs)	120.0	124.1	140.9
Adj. ROAE (%)	10.9	10.4	10.5
Adj. P/E (x)	26.1	25.9	23.0
EV/EBITDA (x)	28.1	27.1	22.6
Adj. EPS growth (%)	19.2	1.0	12.4

Source: Company, Bloomberg, BOBCAPS Research | P – Provisional

Stock performance



Source: NSE

Fig 1 – Earnings call highlights

Parameter	Q1FY27	Q4FY26	Our view
Domestic volumes	Domestic tractor industry recorded strong Q1 volumes of ~339k units (+18.6% YoY). ESCORTS outperformed the industry with domestic volumes up 22.9% YoY to 35.5k units, gaining 36bps market share. Southern region was the highest growing market with 33% while key North & Central markets grew ~22% and 15%. Management revised FY27 industry outlook upwards to mid-single digit growth (vs earlier ±2-3%) and expects ESCORTS to continue outperforming through product launches, channel expansion and improved retail execution.	Domestic tractor volumes grew 21.4% YoY. Total tractor volumes rose 21.1% YoY to 32.3k units, despite a high base. Growth was on a healthy Rabi demand, favourable farm economics, higher MSPs and continued rural resilience. FY26 industry reached an all-time high of ~1.16mn units (+23% YoY). Growth remained divergent in geographies, with North & Central seeing growth of ~17% YoY, while South & West ~30% YoY. FY27 industry outlook remains flattish (±2–3%) due to a high base, potential El Nino impact, and commodity inflation. ESCORTS expects to outperform the industry in FY27, aided by new launches, product-gap filling and stronger channel execution.	ESCORTS continues to face challenges, given the regional disparity. The company has delivered growth in line with the North and Central markets that grew strongly, however penetration in South is slow at 0.6% increase. This challenge will continue in the medium term till the new capacity is commissioned. Steps to make its presence felt in the key growth region are in the right direction.
Exports	Export tractor volumes declined to 1.4k units (-19% YoY) due to weakness in the sub-40HP segment, vessel availability issues and geopolitical disruptions. ~61% of exports were routed through Kubota Global Network. Management expects FY27 exports to remain broadly flat, with meaningful growth likely from FY28 as North American opportunities and Kubota sourcing scale up. Component exports remained flat in Q1 but are expected to accelerate from H2 onwards.	Export tractor volumes grew 33.8% YoY to 6.7k units in FY26. Kubota Global Network contributed ~60% of export volumes. Management highlighted improving traction in exports and component sourcing opportunities through Kubota global supply chain. Management anticipates that component exports to Kubota's global operations could reach Rs 5-10bn by FY30.	The full impact of formal amalgamation with Kubota will give ESCORTS a better foothold in export markets. However, the actual impact may be reflected in the performance by FY29.
Margins	Standalone EBITDA margin declined to 11.2% (-190bps YoY) as commodity inflation and higher imported component costs outweighed operating leverage. Agri machinery EBIT margin declined to 10.8% vs 12.6%. Commodity costs increased by ~4% and another ~1% impact from increased minimum wages. Further, Rupee depreciation led to increase in imported component costs. Management expects another 1.5-2% cost pressure in Q2 before easing from Q4. A 1.5% tractor price hike was implemented in April, with further price hikes under evaluation.	Standalone EBITDA margin expanded to 13.1% (+103 bps YoY) in Q4FY26. FY26 EBITDA margin stood at 13.2% YoY (+163bps). Agri machinery EBIT margin improved 190 bps YoY to 12.6% on operating leverage, softer RM and cost control. Management indicated commodity inflation pressure emerging across steel (7-8%), tyres (15-20%), copper and aluminium; and expect a cost impact of 5-6%. Further, wage hikes in Haryana and UP are likely to add structural cost pressure. Price hikes of ~1.5% were taken in April across segments.	Margins driven by operating leverage and cost controls and are commendable. However, as the company engines are not allowed on Kubota platform, import costs will continue to pinch margins till the localisation is complete. Commodity cost inflation will likely pinch from Q2 onwards. It will be challenging to take price hikes in the festive season and may impact margins
Other segments	CE industry volumes grew ~23% YoY, led by cranes (+46%). ESCORTS CE volumes increased 27.4% YoY to 1.3k units, while revenue rose 39.2% YoY. Management expects 12-15% industry growth in FY27, with backhoe loader growing 5-7% and compactors growing 5-6%. ESCORTS plans to launch new products by October 26.	CE segment volumes grew ~9% YoY to ~1.9k units, outperforming industry growth of ~4%. Segment revenue rose 22.6% YoY to Rs5.6bn while EBITDA margin improved sharply to 12.7% (+386bps YoY). Performance varied across product categories, with cranes and backhoe loaders declining by 13% and 10% respectively. Mini excavators and compactors grew 38% and	Performance of segments other than tractors will improve. Improvement in CE segment performance expected, given the government's thrust on infrastructure. In crane and mini escalator market, ESCORTS is a No. 2 player. However, backhoe loaders and compactors are a

Parameter	Q1FY27	Q4FY26	Our view
	Non-tractor revenue increased to 19% of Agri Machinery revenue (vs 18% YoY). ~6% of price increase has been passed on to the market.	5% respectively. ESCORTS aims to increase CE exports from 5-6% of revenue to 10%. Agri solutions has grown at 35% CAGR for last 3 years and management expects >20% CAGR for the next 3 years.	challenge, due to the growing export markets dominated by MNC companies and not a strong play for ESCORTS. Additionally, double digit price hikes including FY26 till YTD are leading to some pushback for ESCORTS.
Regulations	Most price related to emission norms were implemented last year except backhoe loaders and compactors whose transition to BS% is pending. The cost of shift was in the range of 3.5-7%	Emission norm transition impact has been materially deferred as TREM-V implementation will now apply only to sub-25HP tractors from Oct'26, with a 9-month inventory liquidation window post implementation.	ESCORTS has a presence in the tractor segment that will be impacted by regulations and needs to act prudently.
Capex	Greenfield project capex was reiterated to be ~Rs4.5-5bn for land acquisition with overall capex of Rs20bn. Routine capex will be ~Rs3.5-4bn taking the total for FY27 to ~Rs8.5-9bn.	FY27 normal capex guidance at Rs3.5–4bn. Greenfield capex in UP expected to be ~Rs5bn during FY27, towards land development and infrastructure. Total investment is planned to be ~Rs 50bn; 1st phase of the project should be ~Rs20bn.	Ongoing capex is likely to be delayed, but likely to be commissioned by FY28/29. Any meaningful reflection on the volume is visible only post the availability of extra capacity.
Other Information	The promaxx series now contributes 20-22% of total Farmtrac sales. Kubota brand remains the focus for 20-30hp and 41-50hp which represents 78% of the industry. Multiple launches are planned over the coming months to address white spaces, particularly in 4WD, premium and application-specific segments. Captive finance penetration improved to 10-12% of sales (15% in July), with pan-India rollout targeted by FY28. Channel inventory is currently at 30days.	ESCORTS has planned multiple launches for the next 3-4 months to address the white spaces. For Kubota brand 8-9 new products are planned. As of March 2026, ~Rs2bn has been invested in the captive finance arm, with an additional ~Rs3bn planned in FY27. Loan portfolio at FY26-end stood at >Rs1bn. Currently, ~70% of the company's sales are financed.	Other revenue streams are steady and provide a healthy buffer to the earnings. Balance sheet strength is reasonably healthy, though greenfield investments pace is clearly lacking. UP expansion hinges on government clearances. Captive finance targets of 50% in FY27 and 100% in FY28 look to be very aggressive.

Source: Company, BOBCAPS Research

Fig 2 – Quarterly performance (Consolidated)

(Rs mn)	Q1FY27	Q1FY26	YoY (%)	Q4FY26	QoQ (%)	Q1FY27E	Deviation (%)
Volume	36,862	30,581	20.5	32,257	14.3	36,862	0.0
Avg. Realisation per Vehicle	8,70,151	8,17,517	6.4	9,20,160	(5.4)	9,10,958	(4.5)
Net Revenues	32,076	25,001	28.3	29,682	8.1	33,580	(4.5)
Total Income (A)	**32,076**	**25,001**	**28.3**	**29,682**	**8.1**	**33,580**	**(4.5)**
Operating Expenses							
Raw materials consumed	23,320	17,282	34.9	20,442	14.1	24,162	(3.5)
Employee Expenses	2,105	1,881	11.9	2,147	(2.0)	2,265	(7.1)
Other Expenses	3,106	2,624	18.4	3,287	(5.5)	3,518	(11.7)
Total Expenditure (B)	**28,531**	**21,787**	**31.0**	**25,876**	**10.3**	**29,945**	**(4.7)**
EBITDA (A-B)	**3,545**	**3,214**	**10.3**	**3,805**	**(6.9)**	**3,635**	**(2.5)**
Other Income	2,078	1,561	33.1	1,217	70.9	1,190	74.7
Depreciation	650	596	9.0	691	(5.9)	711	(8.6)
EBIT	**4,973**	**4,179**	**19.0**	**4,331**	**14.8**	**4,114**	**20.9**
Finance Costs	52	40	30.1	55	(6.0)	69	(24.8)
PBT after excep items	**4,921**	**4,899**	**0.5**	**4,276**	**15.1**	**4,045**	**21.7**
Tax expense	1,062	1,205	(11.8)	1,071	(0.8)	890	19.4
Reported PAT	**3,859**	**3,695**	**4.5**	**3,205**	**20.4**	**3,155**	**22.3**
Adjusted PAT	**3,859**	**2,935**	**31.5**	**3,205**	**20.4**	**3,155**	**22.3**
EPS (Rs)	**34.5**	**33.0**	**4.5**	**28.6**	**20.4**	**28.2**	**22.3**
Key Ratios (%)			**(bps)**		**(bps)**		
Gross Margin	27.3	30.9	(358)	31.1	(383)	28.0	(75)
EBITDA Margin	11.1	12.9	(180)	12.8	(177)	10.8	23
EBIT Margin	15.5	16.7	(121)	14.6	91	12.3	325
PBT Margin	15.3	16.6	(121)	14.4	94	12.0	330
Tax Rate	21.6	24.6	(301)	25.0	(346)	22.0	(42)
Adj PAT Margin	12.0	11.7	29	10.8	123	9.4	264

Source: Company, BOBCAPS Research | Note: Includes impact of amalgamation with the JV partners

Valuation Methodology

ESCORTS continue to face challenges like intense competition, unfavourable regional mix and commodity cost inflation besides higher base effect. The company has also faced challenges selling Kubota tractors, given the engine manufacturing woes. However, with industry growth healthier than estimated will provide leverage benefits and traction in South markets. Effectively, we retain our EBITDA/EPS for FY27E/FY28E /FY29E for now. The new capacity benefits will flow from FY29 and beyond, which will aid visibility in exports. Effectively our 3Y EBITDA/PAT CAGR of 12%/8%.

Margin impact will be ~1-2% in the medium term, given the cost inflation expected in Q2 and beyond. It will be challenging to take price hikes (like in Q1) in the festive season as it will impact market share. Further, regional imbalance that continues to hit ESCORTS and will likely to continue till new capacity is on stream (till FY28/FY29). Import substitution for Kubota engines due to the policy of not allowing Escorts engines (on Kubota platform), will be a drag.

The full benefit of the Kubota integration on the sale of exports is likely to flow in only after 12-24 months and hinges on capacity expansion. The ongoing capex will likely be delayed, given the 6-month lag in land acquisition; but management is hopeful of new commissioning by FY28/29. Any meaningful reflection on volumes will be visible only when the extra capacity is available.

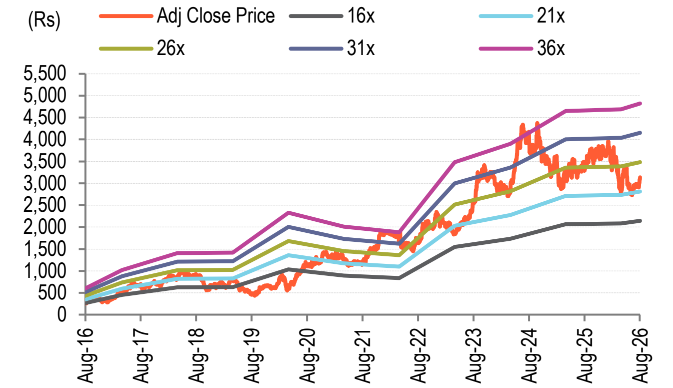
A limited presence in key regions like southern and eastern India, intense competitive pressure and cost inflation will keep the performance under pressure. To factor the same, we value the stock at 20x P/E and revise our price target to Rs,2,869 (Rs 2,786) on rollover to Jun-2028 Retain SELL.

Fig 3 – Key assumptions

	FY26P	FY27E	FY28E	FY29E
Volumes (nos)	1,29,522	1,33,407	1,49,416	1,62,863
Growth (%)	15.0	3.0	12.0	9.0
Blended Realisation (Rs)	6,89,123	7,09,797	7,38,188	7,67,716
Growth (%)	4.3	3.0	4.0	4.0
EBITDA (Rs mn)	14,963	15,304	18,403	20,786
Growth (%)	28.4	2.3	20.2	12.9
EBITDA margin (%)	13.5	13.5	13.5	13.5
Adj. PAT (Rs mn)	13,429	13,567	15,247	17,078
Growth (%)	19.2	1.0	12.4	12.0
EPS (Rs)	120.0	121.3	136.3	152.6
Growth (%)	19.2	1.1	12.4	12.0

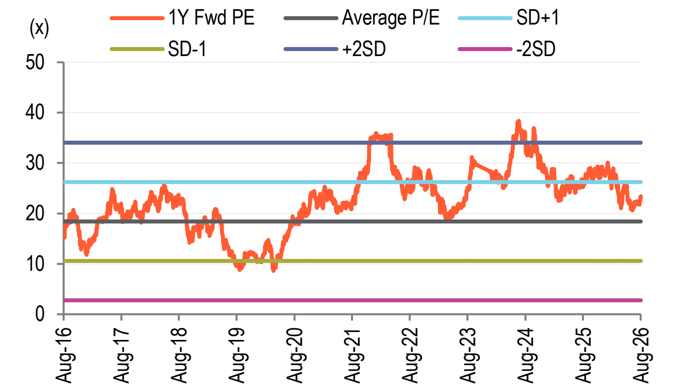
Source: Company, BOBCAPS Research

Fig 4 – P/E band: We value ESCORTS at 20x FY27E P/E, based on core business earnings



Source: Company, Bloomberg, BOBCAPS Research

Fig 5 – P/E 1YF: Correction in the valuations is to align with its earnings and is justified



Source: Company, Bloomberg, BOBCAPS Research

Key Risks

Key upside risks to our estimates:

- Faster-than-anticipated margin revival on earnings-accretive price hikes
- Quicker-than-anticipated easing of commodity prices
- New capacities addition at an increased pace, ahead of schedule or without further delays

Financials

Income Statement

Y/E 31 Mar (Rs mn)	FY25A	FY26P	FY27E	FY28E	FY29E
Total revenue	**1,02,439**	**1,15,403**	**1,29,550**	**1,52,127**	**1,73,137**
EBITDA	11,653	14,963	15,304	18,403	20,786
Depreciation	2,437	2,551	2,099	2,291	2,456
EBIT	13,830	18,076	18,162	20,524	22,801
Net interest inc./(exp.)	(292)	(204)	(310)	(330)	(330)
Other inc./(exp.)	4,613	5,664	4,957	4,413	4,471
Exceptional items	(28)	235	0	0	0
EBT	13,510	18,107	17,852	20,194	22,471
Income taxes	2,270	4,443	4,284	4,948	5,393
Extraordinary items	0	0	0	0	0
Min. int./Inc. from assoc.	0	0	0	0	0
Reported net profit	**11,241**	**13,664**	**13,567**	**15,247**	**17,078**
Adjustments	28	(235)	0	0	0
Adjusted net profit	**11,268**	**13,429**	**13,567**	**15,247**	**17,078**

Balance Sheet

Y/E 31 Mar (Rs mn)	FY25A	FY26P	FY27E	FY28E	FY29E
Accounts payables	12,794	6,957	7,595	8,243	9,698
Other current liabilities	11,889	23,413	24,583	29,626	33,558
Provisions	2,073	2,393	2,128	2,341	2,575
Debt funds	23	362	49	52	55
Other liabilities	0	0	0	0	0
Equity capital	1,119	1,119	1,119	1,119	1,119
Reserves & surplus	1,02,510	1,22,258	1,28,931	1,43,551	1,60,002
Shareholders' fund	1,03,629	1,23,376	1,30,049	1,44,670	1,61,121
Total liab. and equities	**1,30,408**	**1,56,502**	**1,64,404**	**1,84,932**	**2,07,007**
Cash and cash eq.	11,241	8,081	3,453	4,425	5,177
Accounts receivables	13,318	12,026	14,907	17,505	19,923
Inventories	13,990	14,723	15,617	17,922	20,397
Other current assets	14,288	16,513	6,027	6,629	7,292
Investments	56,052	82,814	96,229	1,06,579	1,18,347
Net fixed assets	17,972	17,821	19,722	22,722	25,722
CWIP	3,331	4,876	8,800	9,500	10,500
Intangible assets	754	754	754	754	754
Deferred tax assets, net	(538)	(1,105)	(1,105)	(1,105)	(1,105)
Other assets	0	0	0	0	0
Total assets	**1,30,408**	**1,56,502**	**1,64,404**	**1,84,932**	**2,07,007**

Cash Flows

Y/E 31 Mar (Rs mn)	FY25A	FY26P	FY27E	FY28E	FY29E
Cash flow from operations	**2,647**	**14,453**	**18,652**	**13,194**	**14,798**
Capital expenditures	(4,268)	(3,945)	(7,924)	(5,991)	(6,456)
Change in investments	(3,853)	(26,762)	(13,415)	(10,350)	(11,768)
Other investing cash flows	4,613	5,664	4,957	4,413	4,471
Cash flow from investing	**(3,508)**	**(25,043)**	**(16,382)**	**(11,929)**	**(13,753)**
Equities issued/Others	950	6,946	(6,272)	0	0
Debt raised/repaid	(20)	340	(313)	3	3
Interest expenses	(292)	(204)	(310)	(330)	(330)
Dividends paid	(313)	(627)	(627)	(627)	(627)
Other financing cash flows	(597)	567	0	0	0
Cash flow from financing	**(272)**	**7,022**	**(7,522)**	**(954)**	**(954)**
Chg in cash & cash eq.	**(1,132)**	**(3,568)**	**(5,252)**	**312**	**92**
Closing cash & cash eq.	**11,241**	**8,081**	**3,453**	**4,425**	**5,177**

Per Share

Y/E 31 Mar (Rs)	FY25A	FY26P	FY27E	FY28E	FY29E
Reported EPS	100.7	120.0	121.3	136.3	152.6
Adjusted EPS	100.7	120.0	121.3	136.3	152.6
Dividend per share	2.8	5.6	5.6	5.6	5.6
Book value per share	926.6	1,103.1	1,162.7	1,293.4	1,440.4

Valuations Ratios

Y/E 31 Mar (x)	FY25A	FY26P	FY27E	FY28E	FY29E
EV/Sales	4.2	3.6	3.2	2.7	2.4
EV/EBITDA	36.7	28.1	27.1	22.6	20.1
Adjusted P/E	31.1	26.1	25.9	23.0	20.5
P/BV	3.4	2.8	2.7	2.4	2.2

DuPont Analysis

Y/E 31 Mar (%)	FY25A	FY26P	FY27E	FY28E	FY29E
Tax burden (Net profit/PBT)	83.4	74.2	76.0	75.5	76.0
Interest burden (PBT/EBIT)	97.7	100.2	98.3	98.4	98.6
EBIT margin (EBIT/Revenue)	13.5	15.7	14.0	13.5	13.2
Asset turnover (Rev./Avg TA)	104.8	101.5	102.1	110.7	113.2
Leverage (Avg TA/Avg Equity)	1.0	1.0	1.0	1.0	1.0
Adjusted ROAE	11.5	11.8	10.7	11.1	11.2

Ratio Analysis

Y/E 31 Mar	FY25A	FY26P	FY27E	FY28E	FY29E
YoY growth (%)					
Revenue	15.8	12.7	12.3	17.4	13.8
EBITDA	(0.1)	28.4	2.3	20.2	13.0
Adjusted EPS	6.1	19.2	1.0	12.4	12.0
Profitability & Return ratios (%)					
EBITDA margin	11.4	13.0	11.8	12.1	12.0
EBIT margin	13.5	15.7	14.0	13.5	13.2
Adjusted profit margin	11.0	11.6	10.5	10.0	9.9
Adjusted ROAE	10.9	10.9	10.4	10.5	10.6
ROCE	11.8	12.0	10.9	11.3	11.3
Working capital days (days)					
Receivables	45	40	38	39	39
Inventory	47	45	43	40	40
Payables	64	45	30	28	28
Ratios (x)					
Gross asset turnover	0.3	0.3	0.3	0.3	0.3
Current ratio	2.0	1.6	1.2	1.2	1.2
Net interest coverage ratio	(47.4)	(88.5)	(58.6)	(62.2)	(69.1)
Adjusted debt/equity	0.0	0.0	0.0	0.0	0.0

Source: Company, BOBCAPS Research | Note: TA = Total Assets

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Recommendation scale: Recommendations and Absolute returns (%) over 12 months

BUY – Expected return >+15%

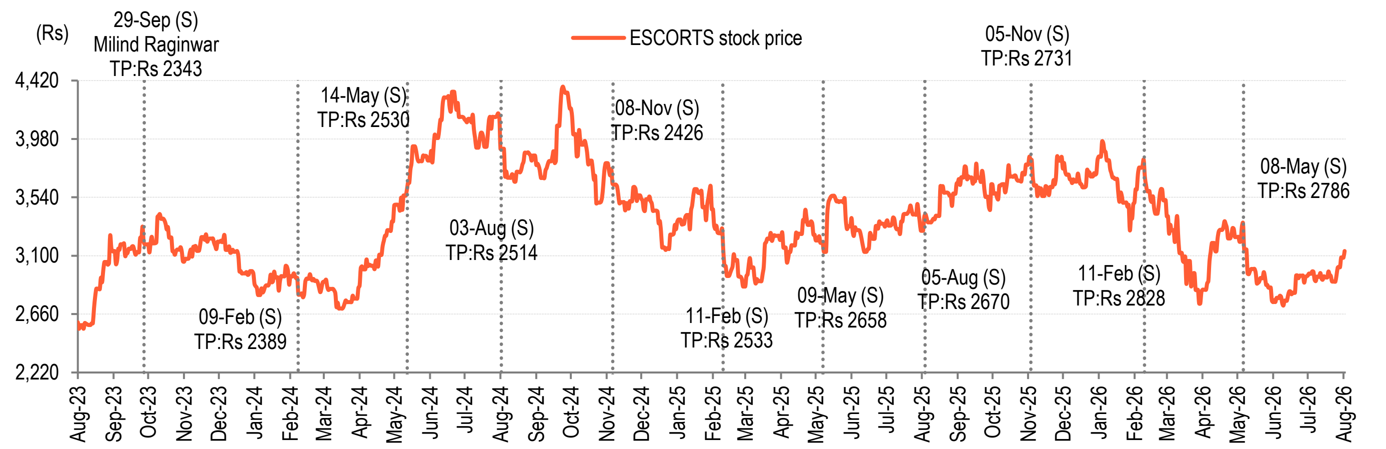
HOLD – Expected return from -6% to +15%

SELL – Expected return <-6%

Note: Recommendation structure changed with effect from 21 June 2021

Our recommendation scale does not factor in short-term stock price volatility related to market fluctuations. Thus, our recommendations may not always be strictly in line with the recommendation scale as shown above.

Ratings and Target Price (3-year history): ESCORTS KUBOTA (ESCORTS IN)



B – Buy, H – Hold, S – Sell, A – Add, R – Reduce

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